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Corporate Social Responsibility Oriented Compliances and SMEs Access to Global Market: Evidence from Bangladesh

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ABSTRACT
The convergence of corporate social responsibility (CSR) and corporate governance has immense impact on the participants in global supply chains. The global buyers and retailers tend to incorporate CSR in all stages of product manufacturing within their supply chains. The incorporated CSR thus creates the difficulty to small and medium-sized manufacturing enterprises (SMEs). Incompetence in standardized CSR practices is an important issue that causes SMEs either losing their scope to access global market directly or serving as sub-contractors to large enterprises. This article explores this issue by focusing on Bangladeshi SMEs under the CSR requirement of the important global buyer.

KEYWORDS
Corporate social responsibility, small-sized manufacturing enterprises, global supply chain, global supplier, global buyer, Bangladesh

INTRODUCTION

The convergence of corporate social responsibility (CSR) and corporate governance (CG) has changed the commercial environment. It has developed a complex and multi-dimensional organizational phenomenon that could be defined as the extent to which and the way in which a global business enterprise can pragmatically respond to its consumer and to its society. It has joined the political endeavors to make enterprises more attuned to public, environmental and social needs by pursuing corporate governance as a vehicle for pushing management to consider broader ethical considerations (McBarnet, Voiculescu & Campbell, 2007; Vogel, 2005).

With the development of this convergence, big enterprises, retailers and brands have created mechanisms of corporate governance that engenders investor accountability and stakeholder engagement. Such mechanisms include CSR board committees, company units dealing with business ethics, corporate codes of conduct, non-financial reporting practices and stakeholder complaint and dialogue channels, among others. At the same time, the interest of global business enterprises, retailers and brands (as global buyers) for ensuring CSR practices within their supply chains is increasing. With the rise of sensitive consumerism and competition for getting market shares, their interests to ensure that CSR issues are dealt with by every suppliers within their chains has increased too. In a survey of approximately 400 top executives participating in the United Nations Global Compact-2, it was found that: "more than 9 out of 10 corporate leaders are doing more than they did 5 years ago to incorporate environmental, social, and political issues into their firms' core strategies" (Oppenheim, Bonini, Bielak, Kehm & Lacy, 2007, p 5).

At the global supply chain management level, the impact of this convergence mostly reflects in the global buyers' supplier selection and management strategies. Particularly in the buyer-driven global supply chains, global buyers tend to ensure that their suppliers incorporate standardized CSR practices, as these assure the buyers to secure their long-term profit, brand image and high-standard managerial efficiencies. They shift these responsibilities to their suppliers to whom these responsibilities becomes compliances; the suppliers must then raise the additional funds necessary to cover the cost of implementing these compliances. In these chains, suppliers have very little scope to avoid or alter these compliances. Rather, they have to guarantee that they are able to implement these compliances and demonstrate it through acquiring appropriate affiliations from transnational standardization authorities.

Consequently, the nexus between buyer-driven global supply chains and the accreditation of transnational standardization authorities demands that small-sized manufacturing enterprises (SMEs)[1] are able to fulfill CSR oriented compliances if they wish to widen their business scope in those sectors where consumer concerns and brand sensitivity have driven the development of formalized standards and monitoring mechanisms (Forstater, MacGillivray & Raynard, 2006). In these circumstances, if the SMEs of labour intensive weak economies want to get access into global market as first-tier suppliers, they have to be efficient in fulfilling CSR related demands of global buyers, brands and retailers. Without being efficient in these, it would be hard for the SMEs of weak economies in general to extend their scope of doing business as global suppliers in the buyer-driven global supply chains.

There is no exception in the case of Bangladeshi SMEs access to global market. Though some of them are able to supply good-quality products to the global buyers, they are lagging behind into becoming the first-tier supplier. One of the main reasons for this is related with their inefficiency in fulfilling global buyers denoted CSR related compliances. The reasons for this inefficiency are many – they are seldom aware of all the requirements that the practice of CSR entails, for instance, and most of the time they are simply unable to maintain the specific CSR-related guidelines denoted by their buyers (Luethenhorst, 2004). They are not competent to work within long, complex and multi-layered global chains. It becomes harder for them when they also have to deal with a wide range of standards. As a consequence, though the SMEs are significant in number and they contribute greatly in employing the manpower of this country, they are less successful as first-tier global suppliers.

This article investigates into the impact of global buyers' CSR related demands on Bangladeshi SMEs access to global market as first-tier supplier in the buyer-driven global supply chain. It proceeds as follows. In the second section, it defines CSR, CG and their convergence. The third section assesses the impact of this convergence on the global buyers' supplier selection policies. The fourth section assesses the impact of global buyers' denoted CSR related compliances on SMEs global market access. This section first discusses the general effect of this impact on

SMEs access to global market and lastly, inquires deeply into this issue taking Bangladeshi SMEs perspective. Finally it concludes that global buyers' denoted CSR related compliances are demanding for the SMEs of Bangladesh and therefore their possibility to access global market as first-tier supplier in the buyer-driven global supply chains is not growing.

CSR, CG AND THEIR CONVERGENCE

The main construction of this article does not intensively relate with the philosophies in CSR and CG. It mostly depends upon the effects of CSR related compliances on SMEs' access to global market through buyer-driven global supply chains. This section is not going to provide a thorough discussion on the definition of CSR and CG as this is believed to be a study in itself. In addition, in this article, no distinction is made between different terms of CSR. Given this, this section first describes CSR and CG, their convergence, the impact of this convergence on the global enterprises/retailers/buyers' supplier selection strategy; and lastly it focuses on the impact of global buyer/retailers CSR related compliances on the prospect of SMEs of weak economies global market access as first-tier supplier in buyer-driven global supply chains.

Corporate Social Responsibility

Corporate social responsibility (CSR)[2] is an increasingly essential issue for the business enterprises (Moon & Vogel, 2008; Vogel, 2005; Kakabadse, Rozuel & Lee-Davis, 2005). It is a fluid concept (Hopkins, 2004; Marrewijk, 2003). Its interchangeable and overlapping character is dominant in its definition. To some scholars, this concept resembles the source of competitive advantage; to others, it is "an important response to the increasing demands of key stakeholders such as employees, investors, consumers and environmentalists" (Bagi, krabalo & Narani, 2004 p 11). Again, the precepts of CSR change with each generation, and its criteria may change according to the society in question (Kakabadse et al., 2005). Given this, this concept can be described using a number of terms: corporate citizenship, the ethical corporation, corporate governance, corporate sustainability, socially responsible investment, corporate accountability and so on and there is no overall agreement on its definition (Blowfield & Frynas, 2005). The underlying notions of these terms are inwardly consistent and converge on some common qualities and similar elements. In a broader sense, CSR is about the impact of business on a society or, in other words, the role of business enterprises in the development of the society. In its narrower sense, it is a complex and multi-dimensional organizational phenomenon that could be defined as the extent to which and the way in which an organization is consciously responsible for its actions and non-actions and its impact on its stakeholders.

Though the definitional construct of CSR has not yet been settled (Bhattacharya & Sen, 2004; Carrol, 1979; Crowther & Capaldi, 2008), it has been recognized as a long-term business strategy. Its different approaches balance business enterprises' economic rights with their social and environmental obligations. CSR relates these approaches with corporate strategies observing four core principles. These principles are vital to incorporating its ethos in any corporate strategy. The principle of the societal approach is that business enterprises should contribute to building better societies, and they should therefore integrate social concerns into their core strategies considering the full extent to their impact on communities (Cacioppe, Forster & Fox, 2008). More particularly, this principle requires business enterprises to uphold labour rights and human rights, and to engage with any other relevant ethical issues (Carroll, 1999; Garriga & Melé, 2004; Valor, 2005; Marrewijk, 2003). The economic principle emphasizes the efficiency of business enterprises in producing goods or providing services without any violation of social or environmental values (Elkington, 1998; Rogers & Ryan 2001; Juholin, 2004). Thirdly, the environmental principle holds that business enterprises should not harm the environment to maximize their profits, and they should have a strong role in repairing any environmental damage caused by their irresponsible use of natural resources (McAdam & Leonard, 2003; Matten & Moon, 2007). The fourth principle is the stakeholder approach, it holds business enterprises responsible for taking the legitimate interests of their stakeholders into account (Freeman & Velamuri, 2008; Jamali, 2008). These principles are the drivers of the sources of different CSR practices; they are important elements for initiating any strategies for developing CSR practices.

Corporate Governance

Corporate governance (CG) is an umbrella term (Shleifer & Vishny, 1997; Hart, 1995; Becht, Bolton & Röell, 2003). In its narrower sense, it describes the formal system of accountability of corporate directors to the owners of companies. In its broader sense, the concept includes the entire network of formal and informal relations involving the corporate sector and the consequences of this relation for the society in general. These two senses are not concurrent, but rather are complementary. CG has been described as the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment (Shleifer & Vishny, 1997). However, it could also implicate "the whole set of legal, cultural, and institutional arrangements that determine what publicly traded corporations can do, who controls them, how that control is exercised, and how the risks and returns from the activities they undertake are allocated" (Blair, 1995, p 3). Taking both the senses together, corporate governance is no longer merely about maximizing stock-value; rather, it concerns the relationship among the many players involved (the stakeholders) and the goals for which the corporation is governed.

Convergence of CSR and CG

There is an evolving interplay between CG and CSR (Mitchell, 2007). Both these mechanisms have economic and legal features. They could be altered through the socio-economic process within which the competition for product market share is the most powerful force (Shleifer & Vishny, 1997). CG and CSR are complementary and are closely linked with this force. Their objectives are not concurrent; they could act as tools for reaching each other's goals, though their setups as corporate frameworks are different. CSR operates in a free-form, whereas CG operates within well-defined and accepted structures (Mitchell, 2007).

In the marketplace, CG is an old actor, whereas CSR is comparatively new. It is worth noting that the sophistication of consumers in the 1960s, the environmental movement of the 1970s and the increasing interest in the social impacts of business in the 1990s helped CSR reach the core of corporate governance (Bagi et al., 2004). It is also necessary to mention that the list of key issues associated with this timeline is by no means comprehensive. However, it is aimed at highlighting some key initiatives over the last decades that have contributed to its development from the margins to the mainstream of the policy agenda (Bagi et al., 2004). In nearly every instance, the events did not specifically actuate CSR initiatives; rather, these instances set the global scene for the intersection between CSR and CG. Several of these events have been important drivers of this intersection: global civil societies' urge to include the excluded social costs of production and the hidden costs incurred by the environment as a result of business activities with the corporate balance sheet, the lack of confidence in the institutions of the market economy (Bagi et al., 2004), and the demand for ensuring sustainable development. Kakabadse et al. (2005), however, identify that 'consumerism' and 'corporate scandals' are now the most important drivers underpinning this development. These two factors are, indeed, strongly related with the market competition, and hence, they act as strong drivers relating CG with CSR to develop the required framework by which a business enterprise can demonstrate its responsibility to society through its performance.

To corporate governance, this intersection largely contributes by reconciling the tension between its engagement with shareholder and stakeholder interest; it has become attuned to constituency concerns in corporate governance. To CSR, this intersection establishes CSR as the part of 'business strategy to make the ultimate goals of corporations more achievable as well as more transparent, demonstrate responsibility towards communities and the environment, and take the interests of groups such as employees and consumers into account when making long-term business decisions' (Gill, 2008).

This convergence has gradually extended the narrower meaning of corporate governance. It adds the agency focus to corporate ethics and accountability (Mitchell & Diamond, 2004), and it relies on the 'business judgment' of corporate governance to ensure this accountability. It finds 'corporate self-regulation' as its dominant expression in the field of corporate conduct. On the ground, by adding issues such as human rights, workers' rights and environmental protection with 'self-regulation', CG gained the opportunity to develop stakeholder engagement programs that could increase their competitiveness and launch a marketing campaign that could emphasize their humanistic, democratic values as 'corporate citizens'.

In strong economies, corporate self-regulation has gradually absorbed the ethos of this convergence. In these economies, for instance, many business enterprises have appropriate measures to internalize the costs externalized to the environment due to their business operations (Vogel, 2005). These initiatives are not mostly driven by laws; rather, they are driven by the corporate conscience to reduce costs as well as to contribute to environmental development. Wal-Mart has recently taken initiatives to 'green' its stores to reduce its energy and labour use. Between 2003 and 2008, Gap Inc. cut its greenhouse-gas emissions by 20 % and eliminated child labour from its suppliers (Richard, 2009). 3M's 3P program—'Pollution Prevention Pay'—helped the enterprise discover a huge savings that it had previously overlooked. John Deere's recent foray into renewable energy is another prime example. Other than selling tractors, it provides financial support and consultation to help farmers to harvest using wind energy. This may seem an odd fit, but the venture has become a source of value innovation as well as a way to meet social responsibilities: it is helping farmers to survive and is creating a new revenue stream for the company.

IMPACT OF THE CONVERGENCE OF CSR AND CG ON GLOBAL BUYERS' SUPPLIER SELECTION POLICIES

Advocates of this convergence believe that the corporate governance that holds the principles of CSR offer opportunities to business enterprises for greater market access, cost savings, productivity and innovation, as well as broader social benefits such as education and community development. The impact of the convergence of CSR and CG has mostly been reflected through the development of 'self-regulation' regime in business environment as it has been an increasingly important part of business regulation. At the individual business enterprise level, the notion of corporate self-regulation usually enshrines either through its own code of conduct or through its incorporation of any multi-stake holder initiative / guideline prepared by any other social or commercial organization.

The codes are the main self–regulatory instruments for business enterprises; business enterprises address the social, environmental and human rights and economic externalities through their codes. Hence, these codes are largely focused on the sectors where brand reputation and export orientation are vital. Codes related with the labour issues usually incline with the footwear, garment, sporting goods, toy and retail sectors while those related to environmental aspects are likely to be noticed in oil, chemical, forestry and mining (Utting, 2004). Sources suggest that the world's larger multinational business enterprises/ buyers have taken the lead in adopting such codes which can hold the ethos of this convergence and can be an alternative means of regulation (Levis, 2006; Xiaoyong, 2006).

The impact of the convergence of CSR and CG further extends and relates with the development of 'standardization regime'. Global enterprises depend on this regime to ensure that their suppliers are fulfilling or are able to fulfill CSR practices following a set of international standards commonly known as multi-stake holder codes. These codes help the diverged CSR practices to be bundled into some 'generic management systems standards' (Gawel & Probe, 2006). In this development, the impact of the convergence of CSR and CG at the macro level plays an important role; it drives business enterprises to create commercial value of the multi-stakeholder codes.

Development of CSR Standardization Regime

Standardization means the process to reach a standard. Standard could be termed as a limited set of solutions to actual and potential matching problems and balancing the need of the party or parties for whom they are meant. Standard could also be taken as solutions that intends and expects repeated or continuous use for a certain period. Standard Australia defines standard as a 'published document which set out specifications and procedures designed to ensure that a material, product, method or service is fit for its purpose and consistently performs the way it was intended to' (Standard Australia, 2002). Therefore, in narrow sense, standard is a set of criteria that is meant to check the requirement and expectations of organizations. In broader sense, particularly while dealing with CSR issues, standard refers to CSR norms, rules, agreement, guidelines and codes directed at benefits for the party or parties involved. Vries termed standardization functions as a 'lubricant for modern industrial society' as these initiatives can facilitate contact, co-operation and trade throughout the world (Brunsson & Jacobsson, 2000; Vries, 1999).

Amongst the sources of CSR standardization, multi-stake holder initiative or codes are prominent. These codes are the product of concerted initiatives amongst the corporate stakeholders, such as, companies, trade unions and other worker's association, governmental agencies, NGOs and academics (Vries, 1999). These initiatives are not only standardizing CSR but also developing their management and thereby CSR though voluntary, took the form of quasi-binding responsibility (Utting, 2005). They have developed monitoring and verification mechanisms and their institutional application in the global supply chains helps to promote ethical business in broader context. These initiatives, in other way, help to evaluate business enterprises' CSR performances; they have gained necessary acknowledgement from the corporate and civil societies, and supports from international and governmental organizations. The organizations that are creating and nourishing these initiatives have gradually created norms for standardizing the sets of CSR practices for business enterprises. The increasing volume of subscription of multi-stake holder codes by business enterprises and the civil society organizations affiliation to these codes have further developed the 'standardization regime' that can help enterprises to demonstrate their efforts for fulfilling their social, economic, environmental and ethical responsibilities.

The development of CSR standardization has also helped the creation of many organizations specialized in diverse initiatives to facilitate entrepreneurs to do business in a socially acceptable way. These organizations have detailed different social, ethical and environmental standards to evaluate corporate performances in societies as well as to relate business enterprises intensively with their social responsibilities. SA8000, for instance, a prominent scheme for standardization. The SA8000 was initiated by the Council on Economic Priorities Accreditation Agency. It is based on the international agreement on human and labour rights. It is a universal standard aimed at safeguarding the fundamental rights of workers and employees in enterprises. According to this standardization initiative, business enterprises need to develop their management systems in such a way that they include policies on and procedures for ensuring human and labour rights. It prescribes a 'social management system' to facilitate continuous improvement in fulfilling labour rights related compliance of enterprises. Global buyers/retailers depend on this agency's accreditation to be sure that their supplier enterprises meet the basic standard for a safe and healthy working environment, including safe drinking water, clean rest room facilities, applicable safety equipment and necessary training. They require this accreditation also to be ensured that supplier enterprises address non discrimination, freedom of association and compensation provisions with at least some discretionary income.

Some of the world leading enterprises that are adopting the SA8000 are, Avon, Otto Versand, Dole Food Company, Toys R Us etc. Toys R Us operates 1585 stores with 50000 workers worldwide. It sources products from over 30 different countries and has over 3000 product suppliers (Leipziger, 2001). In 1997 this company developed and distributed its Code of Conduct for Suppliers Program to all of its suppliers. In 1999 it adopted SA8000 and from then it is relying on this certification process instead of reviewing supplier's internal compliance system at the suppliers level (Leipziger, 2001). Avon began its work on monitoring human rights in its suppliers' workplace by developing its own code of conduct: Avon Global Ethics. But afterwards it adopted SA8000 as the company code and explicitly declared that without the SA8000 certification none can be selected as its suppliers to supply goods worth of US$1bn (Leipziger, 2001) (Ibid). Kesko, the largest wholesale retail group in Finland, has 42000 suppliers in 70 countries. In 2000, it has launched its code of conduct based on SA8000 and from then on it is motivating its suppliers to start cooperating with certification bodies to get final accreditations. Recently it has declared that they will favour SA8000 certified suppliers and will not start commercial relations with new suppliers without having them pre-audited first as part of its risk analysis. SA8000 is the basis of its purchasing operations in the Far East (Leipziger, 2001) (Ibid). ISO Standard Series, AA1000, ETI Base Code are some prominent examples of multi-stakeholder initiatives.

The convergence of CSR and CG has helped developing these standardization schemes and multi-stakeholder initiatives. Most of the global buyers have acknowledged this development of this initiatives. They exclusively consider some of these initiatives to measure their suppliers' performance. Some of them weed out suppliers from their chains upon the result of performance test based on these initiatives. Using these initiatives they sort out strategic suppliers to (a) reduce transaction cost; (b) increase profitability; (c) reduce costs as a result of a reduced need to switch suppliers; and to (d) increase competitiveness in the marketplace through increased relationship with the consumers (Goyder & Desmond, 2000; Mason, 1996).

GLOBAL BUYERS' DENOTED CSR RELATED COMPLIANCE AND SMEs GLOBAL MARKET ACCESS

For the SMEs, generally there are four major ways to get access to the global market. First, as producers selling into final markets on an arms-length basis, second, as group of producers, third, as suppliers of global supply chains where the global buyers coordinate the production networks and finally, as part of transnational corporation driven vertically integrated network.

Global Supply Chain is a quasi-hierarchical relationship between buyers and producers in which the two parties are not joined by ownership, but engage in a long-term relationship. In this relationship one of the parties tend to be dominant and assume the role of governor. Generally the dominant party in this relationship is the buyers that define who is incorporated in the chain, and what standards they have to meet. Global Supply Chain includes two types of supply chains: buyer driven chains and producer driven chains. Buyer-driven chains are characteristic of labour intensive industries such as the footwear, clothing and toys industries in developing countries. This chain can connect the bottom line suppliers with the global customers and the transnational corporations (TNCs) as the global buyers. Strong competitive edge in this chain (UNIDO, 2001;Kaplinsky & Morris, 2001) can increase SMEs growth and productivity especially in the era of increased globalization and market liberalization (UNIDO, 2001). The share of international business through this chain is remarkable and business through this mode can help SMEs be developed as larger enterprises that earn foreign exchange directly (Luethenhorst, 2004).

In the buyer-driven global supply chain, global buyers tend to ensure that CSR practices are implemented within their supply chains. With the rise of sensitive consumerism, as well as increasing competition for market share, a demonstrated commitment to CSR helps them to secure their long-term profits, brand images and managerial efficiencies. However, their interest in incorporating standardized CSR practices into their supply chains put SMEs in a vulnerable position while they seek global market access through buyer-driven global supply chains (IISD, 2004; OECD, 1997).

In a survey it is found that amongst the most common three criterions upon which a global buyer selects its suppliers, two are related with the suppliers' performance in product quality and expertise in managing negative impact of business operation on environment (Bellesi &Tal, 2005). At this point, therefore, to remain as a global supplier or to be a global supplier, potential suppliers have to have (a) desire to make their business strategies environment friendly; (b) a satisfactory level of environment and product quality management and; (c) appropriate accreditation from credible standardization organization like ISO14001 certification from International Organization for Standardization (Mollenkopf et al, 2010). Another survey on the global buyers' demand of CSR practices showed that 60% of SMEs were asked by global buyers about their safety policies and practices, 43% were asked about their environmental policies and 17% of were asked about social issues (Article 13, 2003).

These types of buyers' choice have immense impact on the manufacturing SMEs (IISD, 2004; UNIDO, 2008). Social and environmental compliance to the global suppliers in weak economies in general, as some critics believe, make space for protectionism by the back door and results in inappropriate cultural standards or unreasonable bureaucratic monitoring demands on SMEs (Forstater et al., 2006). For most of the business enterprises in weak economies, the complex CSR practices are not always easy to follow. These practices can be very demanding (Sharif & Mainuddin, 2003) for them, who are often less well-equipped to manage them than the large enterprises are. Consequently, most of the small-sized business enterprises are generally at a disadvantage when competing for access to the global market as suppliers through buyer-driven chains (UNCTAD, 2005). Nonetheless, in buyer-driven global supply chains, suppliers have very little latitude to avoid or alter the demands of CSR. Rather, they have to demonstrate that they are able to implement standardized CSR practices if they wish to widen their business scope, especially in those 'sectors where consumer concerns and brand sensitivity have driven the development of formalized standards and monitoring mechanisms' (Forstater et al., 2006)

SMEs failure to satisfy buyers denoted CSR requirements impact on almost every party in supply chain management. For example, if SMEs bypass the CSR practices demanded by their buyers, the objectives of CSR falls short (Forstater et al., 2006). This failure could also affect the buyers in the supply chain by potentially sparking off an image crisis (Luetkenhorst, 2005) or creating other public relation issues or legal problems (Forstater et al., 2006; ETI, 2008, OECD, 1997). In circumstances like this, where the SMEs are simply unable to implement the required CSR standards (Forstater et al., 2006), many buyers may select large enterprises only as their suppliers (Forstater et al, 2006) or they may even elect to build their own manufacturing plants instead of keeping SMEs as suppliers in their supply chains at all (Deegan & Gordon, 1996; Jackie, 1995; Kaplinksy & Readman, 2001). At this point, global buyers have ample leverage over their suppliers because the number of businesses vying to be suppliers is enormous and is increasing rapidly. For example, only 30 retailers/buyers control 98% of all apparel sales in the United States, while the proportion of domestically made apparel in the US is dropping (UNDP, 2005). In contrast, the number of apparel producers and suppliers is increasing every day. There are many weak economies whose main export is ready-made garments (RMG). For instance, in Bangladesh, there is a meteoric rise in its RMG enterprises: it has increased from 30 enterprises in 1980 to 4825 in 2009 (BGMEA, 2011). There is therefore acute competition among SMEs to become global suppliers, while global buyers, on the other hand, are in a powerful position whether to select or reject their suppliers. It can thus be seen that buyers have the power to curtail the entrepreneurial prospect of SMEs through buyer-driven global supply chains (Organization & Compact, 2005).

The following section delves more into these issues. Focusing on Bangladeshi SMEs' need to access into global market to expand their growth, this section highlights the impact of global buyers' denoted CSR compliances on these SMEs scope to access the global market as first-tier supplier in the buyer-driven supply chains.

CSR Related Compliances and Bangladeshi SMEs Access to Global Market

The potential benefit of developing the SMEs in Bangladesh is greatly emphasized for creating employment, furthering economic growth, and ensuring the foundation of a robust and competitive industrial sector in the country. This development is pivotal to ensure a more equitable distribution of income, promote more efficient utilization of local resources, encourage entrepreneurial development, and support export growth and diversify the export base (Agbeibor, 2006). However, although SMEs play a vital role in this country's overall economy, their scope to global market access as first-tier global supplier is vulnerable. Though they are increasing in numbers their share in this country's export earning as direct supplier into the global market is not increasing. In most cases they are serving as the sub-contractors of big manufacturing enterprises. There are many reasons behind the incapability of SMEs to become the first-tier supplier in the global supply chain. This article, however, deals with the impact of global buyers' denoted CSR related compliances on their scope of global market access as direct supplier in the buyer-driven global supply chain. The earlier section of this article has explicated that the global buyers/retailers need ensuring that their suppliers are competent in fulfilling CSR related compliances and this requirement may put SMEs of weak economies in a vulnerable position when they are at the footstep of global supply chain. Taking Bangladeshi SMEs as a test case, the proceeding section would further explicate this issue.

SMEs of Bangladesh: Definition, Structure and Growth

Bangladesh is a least developed country (LDC) in the South Asia, surrounded by India, Myanmar and the Bay of Bengal. In 2010, its GDP was 5.8%, slightly higher than the previous year (ADB, 2010). According to an estimation of Asian Development Bank, it needs to increase current investment to at least 30% of GDP to attain significantly higher economic growth needed to reduce its massive poverty. This country homes for about 150 million people, about 75% of whom live in rural areas. Urbanisation has however, been rapid in the past few decades. The economy of this country is developing: in the last one decade it has accounted an average of 5.8% growth of its GDP.[3] The general corporate environment of this country is characterised by concentrated ownership structure, poor regulatory framework, dependence on bank financing and lack of effective monitoring.

Generally, there is no unanimous and universally acceptable definition of SMEs as it depends upon the practice of different institutions to keep their own perspective and strategies. In Bangladesh, the variations amongst its definitions arise in terms of number of employment and volume of invested capital.[4] For instance, according to the SME Policy Strategies 2005, manufacturing enterprises having capital of US$0.21 million excluding land and building would be treated as small enterprises.[5] For the non-manufacturing enterprises, however, this policy takes the number of employments as the basis of defining enterprises.[6] On the contrary, the criterion for Bangladesh Bureau of Statistics (BBS) is based on the employment status for defining SMEs. At this juncture, the Bangladesh Bank (BB) defines SMEs considering both the volume of investment and the number of workers. While defining SMEs, this bank has based on the recommendation of the Better Business Forum and laid the definition after consulting with the concerned ministry (Islam et al, 2008). According to this bank, a small manufacturing enterprise is the enterprise which has an investment between US$690.50 to US$207111 excluding land and building and/or employing up to 50 workers.[7] The latter definition has been used for analyzing SMEs growth and its prospect to access the global market.

Since 1990s, the SMEs of this country have been experiencing a rapid growth: based on the economic census 2001-03, the total number of SMEs is estimated at 74650 establishments (BB, 2007).[8] From 1978 to 2003, small enterprises grew by 4.6% while the medium enterprises grew by 6.4% during 1982 to 2003 (BBS, 2005). Though the SMEs of all categories have increased by 5.2% from 2003 to 2006 (Chowdhury, 2006), the growth of small manufacturing establishment became negative: small manufacturing units have declined by 248 units whereas medium enterprises numbers have increased by 481 units and the large enterprise have increased by 615 units. After the Economic Census 2001 and 2003, the Bangladesh Bureau of Statistic conducted a short survey in 2006 on the establishment and total employments in SMEs. After that, there has been no detailed survey on the enterprises of this country and hence, it has not been possible to count the exact number of SMEs by 2010.

SMEs of this country are concentrated into six broad categories: manufacturing including agro-based manufacturing; education; wholesale and retail trade; hotel and restaurant; finance, insurance and business services; and community, social and personal services. Amongst these categories, small-sized manufacturing enterprises cover 35% of the total small-sized enterprises which employed about 40% of this country's total labour force in 2006 (Dunn & Mondal, 2010).

However, small-sized manufacturing enterprises share in GDP is not increasing. Nowadays, SMEs are mostly constructed to support the larger enterprises; in the urban areas while the large enterprises need to supply a huge amount of goods to a buyer, they usually engage different SMEs to assist them for manufacturing different parts of their product. This situation has contributed a significant structural change in terms of SMEs 'product composition, degree of capitalization, and market penetration in order to adjust with changes in technology, market demand, and market access brought about by globalization and market liberalization' (Islam et al., 2008).

While the value added as percent of gross output is lower for SMEs than that of large enterprises, SMEs contribution in adding value and profit to each worker are higher than the same of large enterprises. Where the value added per worker and gross profit per worker in large enterprises are US$1.35 thousands and US$0.62 thousands respectively, the same in the SMEs are US$1.38 thousands and US$0.80 thousands in 2005 (Islam et al., 2008; Moazzem, 2008).

This higher labour productivity in SMEs could be a vital incentive to the policy makers to initiate time worthy strategies for its overall development. Nonetheless, due to lack of competitive and time worthy strategies to enhance the overall performance of SMEs, they are less productive and inefficient compared to the same of most other developing countries. For instance, while the productivity of a unit of SMEs of readymade garment industry of this country was US$1563 in 2005, the same was US$5000 in China in 2001 and US$2600 in India in 1998 (Rahman & Moazzem 2008). This gap has not been mended, rather widening. At this point, the SME Policy Strategy 2005 though provided directions on upgrading of strategic skills, it has not elaborated the strategies to ensure the quality of internal corporate management and the standard of product manufacturing process. There is no guideline or adequate support system for the SMEs of this country to develop quality consciousness in business behaviour (Moazzem, 2008). In recent days though the Bangladesh Standards and Testing Institution (BSTI) formulates national standards for industrial, food, and chemical products, it still lacks credibility; none of the North American and European buyers accept its certificates to the suppliers/manufacturers of Bangladesh (Moazzem, 2008).

Impact of Global Buyers' CSR Related Demands on SMEs Global Market Access

Despite the heterogeneity of the business groups encompassed by the term 'small-sized enterprises', this type of business group has certain characteristics to business ethics and socially responsible practices. Control and ownership usually coincide in these enterprises and this causes a concentration of assumed functions and responsibilities (Lahdesmaki, 2005; Spence, 1999). Management in these enterprises is often oriented towards short-term survival, rather than being made within the framework of strategic planning; many of them consider their social and environmental responsibilities as peripheral issues (Peter & Turner, 2004; Baden & Woodward, 2011). They usually do not want to or are able to function by observing the related theoretical construct and hence leave room for adopting strategies for, for example, cost saving and improvements in product quality and process design.

In this backdrop, for the SMEs of Bangladesh, institutionalized CSR practice is demanding and is not easy to maintain (Sharif & Mainuddin, 2003). They are less capable than established and large enterprises to cope with most of the practice. To illustrate this situation, the approach of Gap Plc, a leading global buyer/retailer in RGM sector of the world, in selecting its suppliers/manufacturers would be an appropriate mention here. This renowned garments retailer brand makes direct sourcing to factories through their buying office in Bangladesh. This buyer tends to create a rapport with several manufacturers and usually does not swap its buying orders amongst different suppliers (Nari, 2004). Hence, from the beginning of supplier selection, this buyer not only emphasizes on the present strength of suppliers' competence in compliance management but also assess the future abilities of the potential suppliers. It requires its suppliers' ability to follow its specific code of conducts related with the basic labour laws, occupational health and safety standards, and integrity in business operations involved in making its products.

Since this buyer does not want to change its suppliers and since punishing a non-compliant supplier is costly, it emphasizes on rigorous assessment of its suppliers' compliance management performances for at least three times a year. Therefore while a small-sized RMG enterprise cannot ensure, for instance, that it changes towel in the wash room in every hour or does not employ its workers for more than 60 hours in week or provides 500 cubic feet for each worker while working, it becomes impossible for it to become a supplier of Gap (Islam & Deegan, 2008; Nari, 2004).

Big manufacturing enterprises are generally competent to meet these demands. For example, to satisfy the buyer Marks and Spencer, Arvind Mills Ltd. a denim supplier based in Ahmedabad in India invested US$16 million to set a new pollution control device. A New Delhi-based pharmaceutical Ranbaxy Laboratories upgraded all its manufacturing sites as its buyer Hoechst wanted its suppliers as the 'zero discharge' sites. In most of the cases, SMEs in general do not have required abilities to respond to global buyers requirements like the big enterprises. It is hard for manufacturing SMEs of this country, for instance, to change their physical, technological and managerial arrangements to have supply orders from different buyers. It is not only for their lack of liquid capital but also for their lack of CSR knowledge, motivation and technical assistance (Studer, Welford & Hills, 2005).

Global buyers/retailers/brand's demand of CSR practices entails certain consequences for SMEs of this country. Firstly, in an effort to save their existing business set-ups and enhance their capacity to increase their business opportunities, most of the SMEs are either trying to meet or bypass standardized CSR-related requirements in different ways (Lepoutre & Heena, 2006; Luken & Stares, 2005). There are several reasons why these SMEs would attempt to bypass the demands of CSR, including the potentially high cost and complications of attaining standard certification. It is reported that sometimes SMEs need to pay US$5000 for completing an audit irrespective of plant size. In addition, they might have to face factory inspections up to 40 times a month by auditors from different buyers. Moreover, they have to face more pressure than the bigger enterprises in meeting the additional costs in the form of increased wages and other benefits as they mostly depends upon subcontracting and mostly situated at rented buildings (Hussain, 2007). To meet different compliances for different buyers, they need to rearrange their existing setup. Their frequent changes incur 40% more cost and time. Buyers usually do not cover the cost. SMEs are not as capable as the larger enterprises to supply this cost quickly and ultimately this cost is generally offset by cutting workers' wages. This situation ends in fall of production quality, rise of labour agitation and rigorous assessment of SMEs compliance management.

Secondly, most of the SMEs of weak economies in general are abandoning their attempts to do business through buyer-driven global supply chains and are becoming bound to concentrate only on subcontracting (OECD, 1997). The examples provided below explicate these situations.

SMEs in the RMG Sector and their Scope to Access Global Market

The ready-made garments (RMG) industry is the only multi-billion-dollar manufacturing and export industry of Bangladesh. This industry is one of the chief RMG exporters worldwide. In 2009-2010, this industry exported US$12.5 billion worth of garment products to the USA, the most garments exported to the USA from one country (BGMEA, 2011). This industry is the most flourishing trade in this country: from only 0.001% of the country's total export earnings in 1976, it has increased its share to approximately 79% (BGMEA, 2011). It grew by roughly 20% per annum on average during the last two decades (BGMEA, 2011).

This industry is divided into two major parts: knitting factories and woven factories. Currently, there are more than 6525 factories in this industry, of which more than half have employed a maximum of 400 employees each (BGMEA, 2011). This industry includes both formal and informal groups, and the ownership in this industry is highly concentrated. Other than a few factories in the export-processing zones, almost all of these factories are locally owned. The comparatively lower labour cost is the main reason for the double-digit rates of expansion of this industry from year to year. Currently this industry employs 4.7 million workers, of which 78% are female (BGMEA, 2011).

Subcontracting is a predominant practice in this sector; in this subcontracting chain, SMEs has a major role at various stages of garments manufacturing. Manufacturing enterprises of this sector are divided into four major types according to their way of integrating into the subcontracting chain in this sector, those are: (1) only subcontract out; (2) only subcontract in; (3) both subcontract out and in; and (4) neither subcontract nor subcontract in. Subcontract out manufactures are those that deal with buyers and their representatives (buying houses) directly and place orders to smaller manufacturers. In this contractual relationship, the primary enterprise is responsible for the product quality while the subcontracting enterprise is mainly liable to finish the liability in time. Mostly the large enterprises subcontract out the production of low-end goods to 'maximize the use of highly skilled labour that is required for their high-end products' (Khatun et al, 2007). Subcontracting within manufacturers depends mainly on the ability of using cheaper labour and hence small-sized manufacturers are in a better position to have subcontracts for low-end products as they usually have better access to cheap labour. Unlike the subcontract out manufacturers, subcontract in manufacturers do not have any direct contact with the buyers or buying houses; they take orders from large manufacturers only. Neither subcontract in nor subcontract out manufacturers are those who has the capacity to deliver the orders to the buyers without taking any assistance from other manufacturers. A study conducted by the Centre for Policy Dialogue with the assistance of Greater Access to Trade Expansion in 2006 shows that 14.6% of the total RMG manufacturers of their investigated samples (selected on random basis) only subcontract out; 12.2% only subcontract in; 14.6% both subcontract in and subcontract out, and 58.5% neither subcontract in nor subcontract out. This study also reveals that all of the manufacturers involved in subcontract in are of small and medium-sized enterprises.

The proportion of subcontracting in this sector is declining: in 1991-1995 the average amount of subcontracting out from each enterprise was worth US$0.13 million, in 1996-00 this amount was US$0.233 million, in 2001-03 it was US$0.280

million, in 2004 it became US$0.120 million and in 2005 it reached to only US$0.112 million. While subcontracting is decreasing, the practice of direct method to get supply order from the retailers/brands is increasing. Khatun et al (2007) found that amongst the RMG enterprises situated out of the export processing zone, 18.6% gets orders through direct contact with the retailer/brand in 2000-03, it was 54.3% cent in 2004 and 56.2% in 2005. This trend reflects that in terms of trading in this sector, the role of buying houses is decreasing. It could be argued that when the total export rate is sharply rising and the share of this export is mostly accounted by the 'neither subcontracting out nor subcontracting in' type manufacturers, the declining trend of subcontracting resembles the squeezing of this sector SMEs' scope of direct business with the global buyers/retailers/brands. This trend also reflects the growing practice of the major retailers/brands to ensure CSR related compliance wherever the sourcing is taking place. Due to this practice at the buyers' end, the entrepreneurs of this sector are consolidating and expanding operations, rather than subcontracting them. Moreover, the increase of direct contact method for getting supply orders is putting SMEs in a vulnerable situation as they have less expertise, personnel and networks to compete the 'order procurement teams' of large enterprises.

To sum up, in the RMG sector of Bangladesh, SMEs' scope to access global market as first-tier supplier in the buyer-driven global supply chain is decreasing. In this regard one other instance can be mentioned here. In 2004 only 19% RMG export was made by 1737 enterprises whose production capacity was less than 5000 dozens/month (World Bank, 2005). At that time there were 2387 exporting RMG enterprises in this country and the top 650 of these enterprises exported 81% of the total export of this sector (Mohiuddin, 2008). The average capacity of these enterprises was 5000 to 10000 dozens/month. During this time nearly 1300 enterprises of which most are small-sized were closed (Rashid, 2006). Almost all SMEs of this sector work either on a cut-and-make basis or as sub-contractor for larger enterprises. For this situation, there are many reasons among which their incompetence in fulfilling buyers' denoted CSR related compliance is a vital one.

Leather Goods and Processing SMEs' and their Scope to Global Market Access

Like the buyers of the RMG industry, buyers of leather goods and processing industry are increasingly becoming more contingent to international standards; their CSR related demand has already signaled for a massive renovation in the leather goods and leather processing industry. This probable renovation might put its SMEs' global market access in a vulnerable situation as is evident in the RMG industry.

The leather-processing industry is one of the oldest industries of this country. It is mainly located on the bank of Buriganga—one of the main rivers and the heart of the capital city of this country. Bangladesh has more than 200 leather goods and processing enterprises, and at least 178 of them are within 50 acres of land on this bank (Sarkar, 2010). They process hides into finished leather using acids and chromium and produce roughly 20 million square meters of leather and leather goods in a year. This has accounted for an average of 1.5% of the total exports of this country during the last three years (EPB, 2011).

An important feature of this industry is the fact that it is one of the main environment polluters in this country. None of the members of this industry has any effluent plant, and most of their 30,000 workers work in chemical prone environments without the required gear. This industry is notoriously the highest water polluter: it alone pollutes 26 percent of the total river water of Bangladesh (Rasul et al., 2006). People who live near these tanneries are "exposed to higher morbidity and mortality compared to people living two to three km apart" (Haque, 1997, p). A latest report unveiled that the leather goods and processing enterprises (on the bank of Buriganga, in particular) have dumped approximately 3000 tons of liquid waste in Buriganga. In effect, they have transformed this river into a toxic dump by indiscriminately discharging their waste in it (Sharif & Mainuddin, 2003).

This country has more than 200 tanneries, of which 178 are situated on the bank of Buriganga. Out of the 178 tanneries, 158 are red-listed by the DoE (Sharif & Mainuddin, 2003) as none of these have any kind of effluent plant, which has virtually turned the Buriganga River into a pool of septic water (Khan, 2010). This situation has been getting considerable coverage by the national and international media and hence, the buyers/retailers/brands that buy leather goods and finished leather from this industry is likely to be more stringent in environmental and workplace conditions of their suppliers. In these circumstances, the government has decided to relocate these enterprises to a 200 acres industrial zone near the capital city. Bangladesh Small and Cottage Industries Corporation (BSCIC) developed this zone for these enterprises at the cost of US$65 million and have nearly finalized the process for establishing a central effluent plant for this zone at the cost of US$59.72 million. In 2003, the High Court Division finally provided a guideline, which is mandatory for all residents of the country according to the constitution of Bangladesh, to facilitate this replacement.

Some of the enterprises of this sector has realized the necessity of maintaining an international standard and have heavily invested to rearrange their product process standards. The SMEs are lagging behind--thereby becoming the sub-contractors of the big enterprises who are more able to comply with the global buyer/retailers/brands denoted CSR related standards. In the reformation/modernization (which is eminent), how the vulnerabilities of the SMEs in accession of global market as first-tier supplier could be minimized is an important issue that needs to be addressed now.

The SMEs of this country have to be competent in CSR issues to remain in the global supply chains where global buyers use CSR related codes for ensuring greater clarity in communication and chain management. To that end, they have to get credentials from the international standardization organizations preferred by the global buyers, irrespective of their financial strength and expertise level; they have to have long term strategies to raise their competence in standardized CSR practices to fulfill global buyers' denoted CSR related compliances sustainably. In other words, they have to ensure the global buyers and standardization organizations that they do not violate the basic labour rights in their workplaces; they take care of their workers' well being; their business operations are not detrimental to the environment and human health; and their economic gains are based on business ethics. They have to develop a culture of responsibility, with suitable self-regulatory strategies to fulfill their social, environmental and ethical liabilities to the society.

CONCLUSION

The convergence of CSR and CG has transitioned the basis of corporate responsibility from why business enterprises must be socially responsible to how they can become socially responsible. In the rise of sensitive consumerism, as well as increasing competition for market share, this convergence has made business enterprises more attuned to public, environmental and social needs. Global buyers have integrated the ethos of this convergence into their core policy objectives. They tend to ensure that CSR practices are implemented within their supply chains; a demonstrated commitment to CSR helps them (global buyers) to secure their long-term profits, brand images and managerial efficiencies.

In retrospect to this transition, CSR notions have become more formalized. Simultaneously, it has paved ways for creating potential barriers in SMEs' global market access. Global buyers frequently transfer the responsibility for incorporating CSR standards onto their suppliers (Zadek, 2001). It is the suppliers, then, who must raise the additional funds necessary to cover the cost of becoming CSR-compliant. Particularly in buyer-driven global supply chains, suppliers are not in a position to avoid this cost. Rather they have to demonstrate that they are able to implement standardized CSR practices if they wish to widen their access into the global market. This has limited the scope of business in the global market for the SMEs of Bangladesh. The role of this country's SMEs in the global market is negligible considering their volume of production and impact in the local market. Though they account for about 45% of manufacturing value edition, 80% of industrial employment, 90% of the total industrial units and 25% of the total labour force, most of them remain as subcontractors of the larger enterprises and are still struggling to enter the global market as first-tier suppliers.[16]

Bangladeshi SMEs should be developed in such a way that they can comply with the CSR standards denoted by global buyers (UNIDCO, 2004) it they want to be the first-tier supplier in the buyer-driven global supply chain. They could try to minimise the cost of such compliances by raising their ability to adopt institutionalized CSR practices; they could try to offset the cost of the gradual incorporation of standardized CSR practices with the benefits of getting access to global markets directly. Various strategies could be adopted to achieve this, such as the creation of capital and expertise hubs; the ensuring of incentives and managing free riders; and the promotion of CSR values through dialogue, education and social learning – all of these might prove fruitful in different ways. From this point there could be the start of a study on the strategies for implementing CSR in SMEs in weak economies.

NOTES

1. For this article, small manufacturing enterprises (SMEs) does not include medium-sized enterprises, though the acronym 'SMEs' mostly denotes 'small and medium-sized enterprises'.
2. This concept may be described by a number of terms, such as 'corporate citizenship', 'the ethical corporation', 'corporate governance', 'corporate sustainability', 'social responsible investment', 'corporate accountability' etc. Regardless of terminology, the cope principles are the same. In this article, the term 'CSR' is used not because it carries any special meaning, but simple to be consistent.

3. In four out of last six years its economy has grown at around six per cent. For details, see GDP, Savings and Investment, Ministry of Finance at http://www.mof.gov.bd/en/budget/er/2009/c2.pdf
4. For a comparative study on this definition, see Foundation (2008). This report can be found at http://www.smef.org.bd/
5. Article 6 of the SME Policy Strategies -2005. The policy can be found at http://www.moind.gov.bd/index.php?option=com_content&task=view&id=434&Itemid=443; For the governmental circular regarding the definition of SMEs, visit http://www.smef.org.bd/index.php?hm=1
6. According to this policy, eenterprises having less than 25 full time workers are considered small enterprises while those having full time workers between 25 and 100 are called medium enterprises in the service sector. Since the focus of this discussion is on the manufacturing SMEs, this discussion will not focus on the SMEs of any service sectors.
7. USUS$1=BDT72.43 on 17 February 2011 according to OANDA Currency Convertor, available at http://www.oanda.com/ currency/converter/
8. Another survey estimated that this country has six million micro, small and medium enterprises with fewer than 100 employees and they contributed around 20-25% of GDP in 2003. For details, see Majumder (2008)
9. A study of the Ministry of Commerce of Bangladesh has divided these enterprises into four groups. At the first group, in 2001, there were 15 enterprises and all of these large enterprises had at least 220 manufacturing units. For details, see Commerce (2001).
10. Their contribution to export earning is though high, their role as a direct supplier of the global market is negligible. For details, see BB (2007).

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