Corporate Social Responsibility on the verge of becoming an institutionalized norm?

Case study: The Varner-Group's work in India

Ingrid Kvinge Skogseth and Karianne Kåsin
“India offers a lot of opportunities for companies that dare to try, and that can manage challenges like a different business culture, norms about safety, labor rights and corruption” (Innovation Norway: 2014).
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DECLARATION

We, Ingrid Kvinge Skogseth and Karianne Kåsin, declare that this thesis is a result of our research investigations and findings. Sources of information other than our own have been acknowledged and a reference list has been appended. This work has not been previously submitted to any other university for award of any type of academic degree.

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III
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Finally, we would like to thank each other for an unforgettable trip to India, good collaboration, patience and care. Happy times!

All the best,

Ingrid Kvinge Skogseth and Karianne Kåsin
ABSTRACT

The purpose of this thesis is to illuminate the importance of researching Corporate Social Responsibility (CSR) in International Relations (IR), through a social constructivist perspective. This is a two-folded study. The first part of the study sets out to investigate the development of CSR as an international norm, and seeks to identify the drivers of CSR as a norm in Norway and India. The second part of the thesis is a case study of the Norwegian textile company, the Varner-Group. The case study investigates CSR on a practical level through exploring the Varner-Group’s CSR practices in India. The study applies a qualitative method and the main approaches made use of, was literature review and interviews. The literature review consisted of both primary and secondary sources, while the interviews were conducted both in India and Norway. The respondents mainly consist of representatives from the corporate sector, nongovernmental organizations (NGO) and research institutes.

The first part of this study argues that CSR is on the verge of becoming an internationally institutionalized and internalized norm. In order for CSR, as norm, to become fully institutionalized, it needs to venture through all three stages of the Norm Life Cycle Model, which is presented through a social constructivist perspective. The three stages of the model are norm emergence, norm cascade and norm internalization. The norm consolidation actors, are those recognized as drivers of CSR between the second and third stage of the norm life cycle. The consolidation around the third stage of the CSR norm life cycle is evident through the implementation of CSR in state legislations such as in Norway and India. In 2013, CSR reporting was implemented in the Norwegian accounting law, while in India the Companies, Act 2013, demands companies of a certain size to spend two percent of their surplus on CSR purposes.

The case study investigates how Norwegian companies, on a practical level, conduct CSR. The study argues that the Varner-Group’s CSR work has evolved in accordance with the norm development of CSR, since the company created a CSR department in 2003. Furthermore, the study identifies several challenges the Varner-Group faces through their operations in India. The challenges include countering the societal issues, a different business culture and CSR traditions. Finally, the study places the company in the Economic/Ethical segment of the Three-Domain Model of CSR. This model shows the grounds by which the Varner-Group bases their business strategies in relations to CSR.
## ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CoC</td>
<td>Code of Conduct</td>
</tr>
<tr>
<td>CRB</td>
<td>Centre for Responsible Business</td>
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<tr>
<td>CSO</td>
<td>Civil Society Organization</td>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>CUTS</td>
<td>Consumer Unity and Trust Society</td>
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<tr>
<td>ETI</td>
<td>Ethical Trading Initiative</td>
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<tr>
<td>ETI-N</td>
<td>Ethical Trading Initiative Norway</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FIVH</td>
<td>Framtiden i våre hender</td>
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<tr>
<td>FOA</td>
<td>Freedom of Organization</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GPFG</td>
<td>Government Pension Fund Global</td>
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<tr>
<td>IDSJ</td>
<td>Institute for Development Studies Jaipur</td>
</tr>
<tr>
<td>IEH</td>
<td>Initiativ for Etisk Handel</td>
</tr>
<tr>
<td>IHD</td>
<td>Institute for Human Development</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IO</td>
<td>International Organization</td>
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<tr>
<td>IR</td>
<td>International Relations</td>
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<tr>
<td>MNC</td>
<td>Multinational Corporations</td>
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<td>NMBU</td>
<td>Norwegian University of Life Sciences</td>
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<tr>
<td>NDP</td>
<td>Net Domestic Product</td>
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<td>NPT</td>
<td>Treaty on the Non-Proliferation of Nuclear Weapons</td>
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<tr>
<td>NSS</td>
<td>National Sample Survey</td>
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<tr>
<td>NSSO</td>
<td>National Sample Survey Organization</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>SAP</td>
<td>Structural Adjustment Programmes</td>
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<tr>
<td>TNC</td>
<td>Transnational Corporation</td>
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<tr>
<td>T&amp;C</td>
<td>Textile and Clothing sector</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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<td>WBCDS</td>
<td>The World Business Council for Sustainable Development</td>
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1.0 INTRODUCTION

In April 2013, more than 1100 factory workers died in a textile house collapse in Bangladesh. The Rana Plaza factory supplied clothes for several multinational companies (MNC). This tragedy, in addition to other scandals in the developing world, has lead to an increased emphasis on the corporate conduct of MNCs (Aftenposten 2014b). Corporate Social Responsibility (CSR) is a phenomenon that has evolved and expanded since the clustering around CSR initiatives in the 1990s (Segerlund 2007). To give a universal definition of CSR, posed a challenge for us as there exits numerous definitions. Companies, governments and institutions that are involved in CSR, come from various business ethics cultures, and in so far, CSR exercises display this. Nevertheless, this thesis pursues a definition of the concept through presenting its development. Our understanding of CSR includes a joint responsibility to protect the society and the environment, for governments, international organizations (IO) and corporations alike. An ideal approach to CSR is fulfilled when there is an overlap between economic, legal and ethical responsibility (Crane et al. 2014).

Since the norm cascade of the 1990’s, several large MNCs such as Nike, Shell and Nestlé have implemented CSR in their business strategies (Crane et al. 2014). Furthermore, IOs, like the United Nations (UN), the International Labour Organization (ILO) and the European Union (EU), are promoting and supporting CSR today. Our research on CSR, within the field of International Relation (IR), is important in order to demonstrate that CSR is on the verge of becoming a globally institutionalized norm. CSR has not received much attention in IR, and therefore our research must be considered a pilot study within the field. This is one of the reasons as to why we regard our research as valuable.

Traditionally, CSR has been associated with the private corporate sector and mostly concerned scholars within the business ethics. Today, CSR is gaining increased attention both in national and international policy agendas (Brejning 2012). This study will present the case of Norway and India, where CSR has been implemented in the legislations. We argue that increased state involvement in CSR will contribute to the institutionalization of CSR. However, despite the immense growth of CSR initiatives and state attention, the phenomenon has experienced critique from various holds, parallel with its advancement. Milton Friedman is one of the most recited critics of CSR. In the 1970, Friedman argued that the only purpose and responsibility of the organization should be to maximize the return to its shareholder
As cited in Rijiit Sengupta (2013: 1), Friedman claimed that, “the social responsibility of business is to increase its profits”. Friedman’s arguments could be linked with the neoliberal development in the 1980s.

Today it is argued that MNCs hold substantial power in the world society. It is even argued that some have more influence than state governments, due to their economic strength and presence in weak states (Banerjee 2007). Andrew Crane and Dirk Matten (2010: 68-69), argues that “many governments have lost some of their traditionally capability to solve major issues in modern industrial societies”. Therefore, we claim Friedman’s critique as outdated.

More recent critique claims that companies who work with CSR, exclusively do so as a part of their reputation management (Hemingway & Maclagan 2004) and that it is only a way to conform and live up to the expectations of the society. In such a view, CSR would simply be viewed as a trend or a fashion concept in which organizations try to present themselves in an ideal and favorably manner in their externalities (Røvik 2007). However, one should neither deny the potential that organizations work with CSR because they wish to do so out of ethical motives, and that CSR is reflected in their practices. Regardless of the motives and driving forces that account for why organizations choose to work with CSR, it could in the long run become institutionalized as a constituent of the organizations’ identity. The latter scenario is one of the main premises that account for our objective to research the emergence of CSR as a norm.

We examined different strains of IR and found that CSR best can be placed within the constructivist tradition. As previously stated, we claim that CSR is a norm on the verge of global institutionalization, and we base this on Lisbeth Segerlund's (2007) adaptation of Martha Finnemore and Kathryn Sikkink’s (1998) Norm Life Cycle Model. We found that several other concepts, such as state enhancement of legitimacy, changed external identity, institutional isomorphism and participation in the globalization process, were constructivist preconditions for the fulfillment of the CSR norm life cycle.

In 2013 Norway’s largest clothing retailer, the Varner-Group, opened their suppliers’ lists. This action caught our interest and was a deciding factor for us in order to choose CSR and the Varner-Group as a topic for our thesis. Through the Ethical Trading Initiative-Norway (ETI-N) we learned that the Varner-Group was a leading actor on CSR in Norway (Initiativ for Etisk Handel 2013a). Considering the extent of their CSR work, we found that they are
drivers of the norm life cycle. The reason we chose the Varner-Group as a case study, was because we were interested in learning how Norwegian companies, which outsources production to India, practice CSR. Our focus has not been to expose scandals in the textile industry, but to investigate a Norwegian company’s conduct in a developing country.

We decided to write a joint thesis about CSR in the textile industry in India, because we got the opportunity to participate in a field course named EDS 387 – State and Civil Society in Development and Environmental Governance in India. This class was mainly based in Jaipur, Rajasthan and the course allowed us to conduct fieldwork for our thesis, both during and after the course.

In this study we have applied qualitative methods. We based our findings on data collected from interviews in Norway and India and from primary and secondary literature. We have two research objectives with two subsequent research questions each. Our thesis consists of a total of 11 chapters, including the introduction and the references.

1.1 Objectives and research questions

Objective one

The first objective of this study is to demonstrate the relevance and importance of addressing CSR in IR. By applying constructivist theory we aim to show that CSR is on the verge of becoming an internationally institutionalized norm. Further, we will illuminate the range of actors working with implementing CSR, and that such actors include states, such as Norway and India.

Research question one:

How is CSR becoming a globally institutionalized norm and who can be recognized as key CSR norm consolidation actors?

Research question two:

What are the main motives for implementing CSR in the legislation of Norway and India?
Objective two: Case study: The Varner-Group

The second objective of this study is to show how the Varner-Group works with CSR on a general basis, with a particular focus on their CSR projects in India. We will further demonstrate that Norwegian companies face unfamiliar challenges when operating in India. This will be displayed through a main focus on the Varner-Group.

Research question one:

In which ways have the Varner-Group’s CSR work evolved since the CSR cascade of the 1990’s?

Research question two:

What are the main challenges for the Varner-Group in relation to their work with CSR in India, and how are these challenges reflected in their approach to CSR?

1.2 Structure of the thesis

- In chapter 2.0 we present our methodological approach and our reflections upon the research process.
- In chapter 3.0, we give a presentation of the development of the concept of CSR. This is important in order to convey the social construction of the concept.
- Chapter 4.0 gives a comprehensive understanding of our theoretical framework under social constructivism. Especially important in this chapter is to convey an understanding of CSR as a norm, the impact of globalization on CSR and how various actors define the concept.
- Chapter 5.0 explains the current changes in field of CSR. This includes the new CSR reporting demand in the Norwegian accounting law and the mandate for ethical guidelines for the investments made by the Norwegian Government Pension Fund Global (GPFG). Furthermore, chapter five explores the CSR clause in the Indian
Companies Act, 2013, where large companies have to give two percent of their surplus to CSR initiatives.

- Chapter 6.0 presents the recent Indian history, with a particular emphasis on economy, politics and business culture. This is in order to illustrate that companies and governments that are operating in India, need to consider the historical and cultural context, parallel to their conduct of business in the country.

- Chapter 7.0 introduces the recent challenges in the Indian textile industry. It is particularly important to consider the challenges posed in the Indian informal sector and the pathology of textile supply chains.

- Chapter 8.0 addresses objective one, and the two subsequent research questions. Constructivist theory is applied to the first research question, and key norm consolidation actors are identified. As to the second research question, we outline how CSR became a part of Indian and Norwegian legislation.

- In chapter 9.0 we address the findings and discussions concerning the case study, the Varner-Group. The first research question in this section outlines the CSR development within the Varner-Group. With regards to the second research question, we identify key challenges the company face in India. Furthermore, we investigate the CSR projects and place them within the Three-Domain Model of CSR.

- Chapter 10.0 presents our concluding remarks and suggestions for further research.
2.0 METHODOLOGY

In this chapter we will discuss the method applied in the study, and why this particular method was suitable for the research. We will also elaborate on the methodological choices we made throughout the research process, the challenges we faced and what we learned. Finally, we will reflect upon how it was to conduct research in India.

In order to answer the research questions, we chose to conduct qualitative research in the form of interviews in India and Norway and literature review. The reasons as to why we conducted interviews were because we wanted to do an in-depth study of CSR, allowing us to gain rich data and a holistic understanding of the concept. When we started reviewing literature of CSR within IR, we discovered that little has been done within the field, especially within IR in Norway. Therefore we have relied heavily upon the constructivist works of Finnemore and Sikkink (1998), Segerlund (2007) and Michael Barnett (2011). Simultaneously, additional constructivist scholars have been examined. However, a lot of the literature has also been collected from business ethics theory. Due to the lack of studies on CSR in the field of IR, we hope our study could help bridge some of this gap.

Regarding our fieldwork in India, Karianne had previously spent four months in the country, while Ingrid never had been there. Accordingly, we came to India with different starting points. Before beginning our fieldwork we attended a six weeks course at the Institute of Development Studies Jaipur (IDSJ) named “Indian state and civil society”, EDS381 held by the Norwegian University of Life Sciences (NMBU) in India. This course was a valuable and important introduction to India, and made us better equipped to tackle the cultural differences during the upcoming fieldwork. We also got the chance to work on a topic related to CSR, namely child labor, during the course. Additionally, because of the field course in India, we got the chance to explore the Varner-Group, in depth, both in India and Norway. As the Varner-Group’s opening of suppliers’ lists initially had sparked our interest regarding CSR and because they are the biggest textile retailer in Norway (Initiativ for Etisk Handel 2013a), we chose the company as our case study.
2.1 Access to the field

According to Berg and Lune (2012: 200), “all field investigations begin with the problem of getting in”. In our situation, getting access to the field was particularly difficult, since the field was in India, and we were in Norway. We started the process several months before going to India. This was because we only had three weeks to conduct our fieldwork in India. Gatekeepers, “who are people or groups who are in position to grant or deny access to a research setting”, were therefore important for us (Berg & Lune 2012: 214). Our first step was a meeting with Hans Petter Wiken, a former master student at NMBU. He had experience from fieldwork in India and had interviewed, among others, the Varner-Group. This initial meeting was essential for us, as he gave us advices on how we could get in touch with the Varner-Group and other possible respondents in India. Two other important gatekeepers were the IDSJ in India, Inger Sangnes a retired Counselor for the Ministry of Foreign Affairs in Norway and contact with Ethical Trade Initiative – Norway (ETI-N) through e-mail.

On the other hand, relying on gatekeepers could pose challenges. Firstly, they could lead to a bias in the study since they may know the informants and that this may generate homogeneous opinions. Meaning that they have a certain network, and if this network is not in correlation with your research objective, it could lead the research in a different direction. For us it was important to get the “right” gatekeepers, as we had limited amount of time in India and needed to get in contact with relevant informants as soon as possible.

2.2 Qualitative method: A spiraling research approach and the usage of case study

In the domain of the social sciences one mainly differentiates between qualitative and quantitative approaches to research. According to Moses and Knutsen (2012), these approaches have tended to be viewed as dichotomous alternatives; that one should either use one or the other. It is, however, possible to combine them and use both in a single study, as a mixed method, states Berg and Lune (2012). Paula Dawidowicz (2011) calls this the three-philosophy research debate. However, choosing the appropriate approach is not always a right or wrong alternative, but needs to be based on an overall evaluation of the research project. The method should therefore be based on the research question. As the distinction between the two approaches is not unambiguously, we will therefore briefly discuss what this distinction implies.
Perhaps one of the main differences between the two approaches is that a qualitative method aims to gather an in depth understanding of human behavior and interpret meanings, while a quantitative approach measures frequencies and distributions (Fowler 2009). In qualitative research one asks of what, where, why and how when posing questions, while quantitative research on the other hand, uses questions such as how often or how much (Berg & Lune 2012). Conducting interviews and observations are among the most common strategies within qualitative method. Qualitative data is gathered in textual form, as for instance field notes or interviews and when conducting quantitative method the results can be counted.

In our study we applied qualitative method. We relied on interviews, literature review and observation. Articles and scholarly papers were found in books, at online research journals, at NGOs webpages and the Government of Norway and India’s webpages. As such, we were able to collect both primary and secondary sources. Furthermore, for the case study, we also investigated and used information from the Varner-Group’s webpage. Finally, we have referred to newspaper article, in order to show recent developments of CSR. This rather elaborate use of webpages was necessary in order to demonstrate the actuality of CSR, and in order to investigate the series of norm consolidation actors\(^1\) relevant for the study.

We argue that a qualitative approach was most suitable for our research objectives, because we wanted an in depth understanding of the issue. A qualitative approach is, as we will see, in line with our constructivist theoretical framework. With this approach we could investigate the historical contingencies, which laid the grounds for CSR’s present state. On the other hand, when embarking on a qualitative method there are some limitations of the method to be aware of. Most importantly, conducting qualitative research can be a very time-consuming process, with regards to the collection and processing of data (Berg & Lune 2012). Furthermore, like previously discussed, it might be difficult to get in contact with respondents relevant for the study. Another challenge is that one could get biased information (Berg & Lune 2012).

When relating an idea to theory there are usually two different approaches, namely an inductive approach to research, also called research-before-theory, and deductive approach to

\(^1\) Consolidation actors are actor who act in the norm life cycle model, and will be discussed in chapter 4.0.
research, also called theory-before-research model. Within these approaches one either starts with a theory, or ends up with a theory (Berg and Lune 2012). Berg and Lune (2012) also argue for a different model for research, namely the spiraling research approach. This approach to research is perceived as spiraling rather than a linear in its progression. Meaning that “you begin with an idea, gather theoretical information, reconsider and refine your idea, begin to examine possible designs, reexamine theoretical assumptions, and refine these theoretical assumptions and perhaps even your original or refined idea” (Berg & Lune 2012: 25). Through our research, this is what occurred. We had one idea, did some research and interviews, revised the original idea, added and changed the questions and so on. Consequently, our research question changed somewhat during the process as well.

“Every research project has to start somewhere, typically, the starting point is an idea” (Berg & Lune 2012: 22). Our research started with one idea, but in the end our research objectives turned out different. The reason was because we realized that our first idea was too narrow and because we got new ideas and impulses during the research process. Crang and Cook (2007) argue that it is important to be flexible when in field, and they emphasize that one has to expect changes during the research process.

In the heat of the “three-philosophy” methodological debate mentioned above, Dawidowicz (2011) has argued that the value of the case study has been forgotten. Case studies provide an understanding of phenomena, such as CSR, and can explain the landscapes and development in specific bounded cases, such as the Varner-Group. The method often relies on inductive reasoning, which has resulted in researches avoiding applying case studies. However, as Dawidowicz (2011: 1) argues, “The point of research... is not to discover knowledge in a vacuum for the sake of having that knowledge”. There is no point in developing theory, unless you apply it to specific cases. An advantage with applying a case study is that it allows the usage of both qualitative and quantitative methods. We chose qualitative methods in order to gain in depth knowledge about the Varner-Group, the company’s circumstances, particulars, results and impacts (Merriam & Associates, 2002; Stake, 2006, as cited in Dawidowicz 2011). Using a case study as a method can give a comprehensive view of factors involved in the research project, because the method allows you use a wide variety of data sources.
2.3 Sampling strategy

When selecting our respondents we used a snowball sampling technique, which is a form of convenience sample (Berg & Lune 2012). One participant directs the researcher to another partaker, who in turn leads towards another participant, and this goes on and on, like a snowball (Lindlof & Taylor 2010). The method is characterized by identifying several people with relevant characteristics, and then asks for other people who can contribute to the research (Berg & Lune 2012). Since we had several gatekeepers we also ended up with many “snowballs”. The reason why we chose this method was because it was the technique we thought would give us most informative respondents, relative to the timeframe we had.

The field of CSR in India was new to us, and arranging meetings before we were in India turned out to be hard. Based on Wikens experiences, he advised us to try to get in contact with people before going to India. However, he meant that arranging meetings would be difficult before we physically were in the country. Considering the short period of time we were in India, we experienced that this method worked out well for us, as we got quite a few interviews, and also most important, many informative meetings. On the other hand, we learned that the snowball method had various limitations. Robert Burgess (2002) points to a potential weakness of this method. The method might reflect the biases of those who direct the researcher to other contributors. We experienced that there is no guarantee that the gatekeepers would lead us to respondents valuable for the research. Out of all our interviews, only one of them did not give us any useful information for the research.

2.4 Participants

When embarking on a qualitative research an essential question is where and how many interviews one aims to acquire. Factors that play a major role in this decision are the time schedule and money. The objective of the study also influences the number of respondents one needs to interview. A common problem, according to Steinar Kvale (2009), is if one gets too few, or too many respondents. Too few respondents may contribute to challenges in answer the research question, and too many interviews might make it hard to analyze and process the data. However, on the other hand, if the interviews are valuable and one gains rich data, the number is not relevant. Before going to India we did not have a specific number of respondents in mind. Finally, we ended up with 11 interviews, in addition to a field visit to a
factory. The interviews were conducted both in India and Norway. The interviewees were from the Indian NGO sector, the Royal Norwegian Embassy in India, Innovation Norway (IN), various research institutes, the Euro Sko Norge AS and The Varner-Group. Below we will present the respondents by name and position and workplace. The respondents are aware that we are referring to them by name and gave their consent. We chose to do so in order to enhance the study’s credibility. Because of our spiraling research approach, not all of the respondents are applied in the discussion, but all who are mentioned below were important pieces in our research approach.

India

The Royal Norwegian Embassy in India
- Petter Tollefsen – Diplomat

The Varner-Group AS
- Benedicte Eik – Country Manager Varner Retail South Asia
- Vicky Singh – CSR responsible at Varner Retail South Asia

Self-employed
- Gunelie Winum – CEO at Sustainable Trade

The Consumer Unity & Trust Society- International (CUTS International)
- Archana Jatkar - Coordinator and Deputy Head
- Vikash Batham - Senior Programme Officer
- Rijit Sengupta - Associate

Innovation Norway, New Delhi
- Bhati Bhatia – Market Advisor
- Stine Mari Harildstad – Intern

Institute for Human Development (IHD)
- Dr. Sunil Kumar Mishra – Associate Fellow
- Prof. Dev Nathan – Professor

V. V. Giri National Labour Institute (VVGNLI)
- Anoop Kumar Satpathy – Fellow

Self-employed
- Pramod Dev – Founder & Executive Director at DEVM Knowledge Ventures Pvt. Ltd.
Within the social sciences one distinguishes between three different types of interviews: unstructured, semi-structured and structured. We applied semi-structured interviews. This way of interviewing is structured with a checklist and questions may be added or reordered during the interview (Berg & Lune 2012). The method also enables us to be flexible. The goal of this approach is to achieve a “natural conversation”. If the respondents perceive the interview as a normal conversation, they will probably feel more comfortable and share more information. Additionally, as this method opens up for new questions during the interview, we could get valuable information we could miss if we had applied a standardized interview.

When conducting an interview we argue that there does not exist any right or wrongs concerning the best way to perform the interview. However, it is about finding a technique you feel comfortable with. This depends a lot on the interviewers skills, the ability to communicate with other people and of course your previous experience. Yet, there exist certain standards of how to structure an interview in order to get the most out of the interviews. Both of us had practice in interviewing from our bachelors thesis and other assignments, so the interview setting was not completely new for us. However, as India was a new country, for Ingrid at least, we had to adapt to the cultural differences. The following sections will illustrate our interview process.

According to Crang and Cook (2007), preparing for interviews can ensure that the researcher meets the objectives of the interviews. Before each interview we prepared ourselves with information on the various respondents and created an interview guide. When planning the
questions we discussed the aim for the upcoming interview and made sure that we agreed. Then we decided which person should be in charge of asking the questions and which should be in charge of writing the answers. Since we were two people conducting the interviews, we believed we would be able to capture most of the information given by the interview subject. Therefore, we decided it was not necessary to use a tape recorder. In addition, most of the interview locations in India were too noisy for a tape recorder to be of use anyway.

Each interview started with us presenting the aim of our research and ourselves. Then, before starting the questions concerning the study, it was important for us to achieve an agreeable atmosphere to make the respondents feel comfortable. To achieve this goal we chatted on non study-related issues. According to Berg and Lune (2012), chatting on non study-related matters allows the interviewer to develop a good relation with the respondent before the interview begins. Then we told them about their ethical rights as a respondent and that they could have a quote check before we handed in the paper, if desirable. The respondents from the Varner-Group, The Euro Sko Norge AS and Winum did a quote check.

A method we applied to obtain the best possible answers is called “uncomfortable silences”. Instead of hurry on to the next question, having a break between the questions, could in some cases urge the respondent to elaborate (Berg & Lune 2012). From previous experience we knew that these “silences” should not be too long, as this could be counterproductive because the respondent could feel uncomfortable. However, this technique was frequently used and brought worthy results for us. One can lose valuable information if you move too quickly on to the next question.

When the interviews came to an end, we asked if the respondent had something to add before we ended the session. Then the respondent(s) got the opportunity to add anything they had forgot to say during the interview, or had omitted to mention. Finally, we made sure that we could contact the respondent(s) on a later occasion if we needed some additional information. According to Crang and Cook (2007), making sure that you can contact the respondents in a latter time is an important part of the research. We experienced this, as we have been in contact with Neverlien, Singh and Lie since the original interviews.
In order to remember all the details from the various interviews, they were transcribed straight after. Transcribing together was important to ensure that we had understood the same from the meetings. Doing this shortly after was important since we chose to not use a tape recorder.

2.6 Observation

The second method we applied was observation. This method was applied when we visited the Radnik clothing factory in New Delhi. The Varner-Group and the factory management organized the visit. The factory visit started with an interview with the HR responsible, Bhardwaj, the merchandizer Mancy and Eik from the Varner-Group. After the interview the merchandizer and Eik showed us around the factory. Through the observation we witnessed how the factory was physically organized and to some extent it was easier for us to understand different features of CSR management. It is important for us to emphasize that we only got an idea of how a factory is organized, as we only visited one. We were told that most of the factories in that particular area are managed in similar manner to the Radnik factory. This is possibly the case, as most of our research indicates that the most severe conditions in the textile industry, is found in the informal sector. Additionally, Winum also explained that she believed the Varner-Group showed us the real picture. On the other hand, since we only visited one factory, we cannot make any general comments on the standard of textile factories in India. Neither can we comment upon the underlying difficulties present at the factory, such as the right to unionize, the prevalence of child labor, overtime payment or other internal issues. We did not interact with the employees because this was not within the scope of our research. Though interaction with the employees would have been interesting, our aim was to learn how the Varner-Group practices CSR, so such interactions were outside our timeframe. Our impression of the factory is solely base on the superficial observation and information provided us by the Varner-Group and the factory representatives.

2.7 Challenges in the field

One of the challenges we faced related to language and the Indian accent. The interviews were conducted directly in either English or Norwegian. Therefore, using an interpreter was unnecessary. We saw this as an advantage, because then we could easily ask follow-up questions and/or ask for elaboration when an answer was interesting or unclear. Even though we perceive ourselves as fluent English speakers, English is not our native language, nor the
respondent’s native language. Therefore, since the interviews were in English, this could be a limitation for both parts. Additionally, the Indian accent was relatively new for us and different from English taught in Norwegian schools. Simultaneously, from what we experienced, this was a mutual problem, as the respondents seemed to have some problems understanding our accent. Though, during our stay at IDSJ we got familiar with the accent, so finally we did not see this as a crucial problem for our research.

Operating in another culture, very different from our own, was a naturally a challenge. The six weeks at IDSJ, were not enough to understand the all the cultural references and codes in India. By example we hope and believe we dressed within the cultural codes. However, attention was brought on us wherever we went. It was obvious in all contexts that we were foreigners. Finally, sickness meant that we had to postpone some of the interviews while we were in India; luckily our respondents were able to reschedule.

2.8 Ethics

According to Berg and Lune (2012: 6), “researchers must ensure the rights privacy and welfare of the people and communities that form the focus of their studies”. One such important obligation was informed consent, which means to inform the respondents about their rights as an interviewee. Therefore, our obligation to our respondents was to ensure that they were given proper information regarding the usage of the data collected in the interview. According to The Norwegian National Committees for Research Ethics in the Social Sciences and the Humanities (NESH) (2014), it is essential to obtain free and informed consent when conducting research on humans. Anne Ryen (2002), claims that informed consent means that respondents in a research project, must be informed that they are participating in a research project, that they all along know what the project is about and that they have the right to withdraw at any time. NESH (2014) explains that a free consent means that it is made without coercion or pressure. Based on previous experiences, making people sign a written informed consent paper, seemed to have a discouraging effect on people’s willingness to participate in a study. Therefore, we informed the respondents orally that they were participating in a research project about their rights in accordance with Ryen (2002). Since we investigate broadly on CSR, the research did not entail a risk of stress or strain on any particular person participating in the study. Due to good communication with the respondents, we believe that they were aware of what it meant to give us their consent.
2.9 Data Analysis

According to Crang and Cook (2007), it is best to apply the method that is most comfortable and that which method to apply depends on the scale of the study. Since we had 11 interviews, which is an appropriate size, and due to previous experience from color-coding, we decided to apply this method. If we had had many more interviews, we would probably have chosen another method, as color-coding can be very time-consuming. Our analysis was conducted in several steps. Firstly, we had to coordinate and transcribe the interviews, to make sure that we had collected the same information from the interviews. After the transcribing process, the findings were categorized by topics by applying a color-coding method. As our research spiraled, we also revised the color schemes several times. We realized that deciding what was relevant or not was challenging.

2.10 Reflections

In this section we will reflect upon the advantages and challenges of conducting a joint thesis, being Western women in India and how the six weeks at IDS prepared us for the upcoming fieldwork. Doing fieldwork and research in India alone, as Western women, did not feel safe. As Ingrid had experience from writing her bachelor thesis together with another student, and that both of us enjoyed the thought of conducting the fieldwork and writing the master thesis together, we decided to implement the idea. We believed that the advantage of writing together outweighed the challenges; therefore we chose to do a joint thesis. Perhaps one of the main advantages of doing a joint thesis is that “two thinks better than one”. According to Kaufmann and Kaufmann (2009), people operating alone have limited resources to reach their goals. However, if a person is participating in a group, he/she comes into a community of recourses. Then, the person becomes a part of an "organism", a social unit of individuals who work together, which is much stronger and can achieve goals that individuals cannot handle on their own. When deciding whom to interview, how to structure the paper, preparing for interviews, analyzing them and so on, it was therefore an advantages to be a team. On the other hand, teamwork can lead to conflicts. Kaufmann and Kaufmann (2009) argue that conflicts can be harmful to individuals, joint ventures, or the entire group work. Simultaneously, conflicts can turn out to be something positive, as it can be a source of improvements, learning, enhanced creativity and self-development for individuals and groups (Kaufmann & Kaufmann 2009). During our thesis work we faced a lot of discussion. For us,
it was therefore important to compromise, to avoid harmful conflicts and not spending unnecessary time on discussions that were not fruitful. We will therefore conclude that for us, working together was clearly and advantage.

One of the reasons we did not want to conduct fieldwork in India individually was because of the different view of women in India. During our stay in the country, we experienced a lot of attention from particularly Indian males. This was mostly from strangers, not during interviews. However, sometimes, the great amount of attention we got was exhausting and took a lot of energy. When we conducted the interviews in India, we felt that both the men and women took us serious. Since we are young Western women, there was a chance that some respondents would not take us seriously, especially regarding the view on women in India. We believe that the weight our gatekeepers had, was an influential factor and made sure that we got the respect we did. Another aspect could be that Norway has a good reputation in India, and that similar to many of our respondents, we came from academia.
3.0 HISTORICAL DEVELOPMENT OF CSR

CSR is a phenomenon that has evolved and witnessed increased popularity in recent years both in national and international policy agendas. The concept has been a highly discussed and debated theme for many years (Brejning 2012). According to Crane and Matten (2010), CSR, as a concept, is rather new in Europe, while in the USA the concept has existed for decades. Matten and Moon (2008) explains that in Europe\(^2\), CSR exercises have been implicitly present; while in the USA they have been explicitly exposed. Albareda et al. (2007) explain that explicit CSR refers to corporate policies, which leads companies to assume responsibilities that answer to the concrete needs in the society. In the USA this normally involves voluntary and self-interest-driven corporate policies and programs as part of their CSR.

The implicit CSR found in Europe, refers to that businesses are responsible for collective societal needs through the countries formal and informal institutions. The responsibilities normally consist of values, norms and rules that, in the course of the last century, have resulted in mostly mandatory requirements for corporations to address issues of social, political, and economic interest (Albareda et al. 2007). Matten and Moon (2008) finds that since the 1990s, explicit CSR has been gaining traction in Europe as well. They claim the adoption of explicit CSR among European MNCs, IOs and governments, is related to a wider national European institutional reordering. Later in this paper we will also link the adoption of CSR initiatives in Norwegian and Indian legislation, to a reordering of identity.

Further debates amongst scholars concerning CSR, have been about when and why the concept occurred. Most scholars of business ethics agree that a more “modern” definition and understanding of CSR arose in the 1950s in the USA (Brejning 2012). Since that time, the concept has experienced a lot of attention and adjustments. Section 4.6.1 will show that Segerlund (2007) place the initial stages of CSR to the 1970s. She refers to when norm building around the concept arose.

\(^2\) By Europe, Matten and Moon (2008) refer to Scandinavia, the Benelux countries, Germany, Switzerland, Austria, France, Italy, the United Kingdom, and Ireland.
CSR as we know it today, started shaping around the 1950s and 1960s, we have chosen to investigate some initiative further back in the history of CSR. To see how the concept has developed, will provide a broader understanding of CSR today. As we will elaborate on in the theory chapter, thorough background investigations are in line with the constructivist perspective chosen for this thesis and will show the social construct of the concept. Based on the examined literature, we discovered that it is reasonable to divide the history of CSR into two different periods. The first period of CSR history is prior to the 1950s and the second “modern” phase is from the 1950s and up till today. However, as we will see, CSR witnessed its largest increase in popularity from the 1990s and onwards.

3.1 The first period of CSR

Carson and Korsberg (2003), refers to philosophical debates in the 19th century, when discussing the early history of CSR. These debates could be linked to the development of the philanthropic thinking of CSR that one can see in various CSR strategies today. According to the philanthropic way of thinking, corporations are morally committed to do charity and support the vulnerable groups in society (Carson & Kosberg 2003). In the 19th century, social movements started to influence and set standards for businesses and industries. By example demands to abolish slavery and the fight against child labor in European and North American factories arose (Polášek 2010).

According to de Castro-Isabelle et al. (2008), “Owenism”, by the Scotsman Robert Owen, is perhaps one of the more tangible examples of former CSR measures prior to the 20th century. In the early 19th century, Owen established several social villages around his textile mills in Scotland. The villages were designed for education, providing health care, food cooperatives, banking facilities and leisure activities for employees and their children. This initiative was later named “Owenism”, and it did not take long time before it similar practices were tried out in a number of cotton farms in the USA (Polášek 2010). “Owenism” quickly became popular and further development of the CSR related concept started (de Castro-Isabelle et al. 2008).

Henry Ford, can be recognized as an early father of CSR (de Castro-Isabelle et al. 2008). Ford had, in the beginning of the 20th century, the idea of business as a service to society. Shortly after he started his business he claimed “A business that makes nothing but money is a poor kind of business” (as cited in: Wulfson 2001: 136). This shows awareness of CSR at that
time. He also stated that the purpose of his company was: “To do as much as possible for everybody concerned, to make money and use it, give employment, and send out the car where the people can use it… and incidentally to make money… Business is a service not a bonanza” (Lewis 1986 as cited in Lee 2008: 54). In 1917, Ford was sued for this idea, but throughout his career he continued to convince the shareholders. 80 years later, in 1990, Ford’s great-grandson, William Clay Ford Jr. was in charge of the company and continued to convince the stakeholders the importance of business as a service to society (Lee 2008). In difference to Ford, Ford Jr. did not face any lawsuits.

According to Amaladoss and Manohar (as cited in :Batham 2013), the origin and the early phase of CSR thinking in India can be traced back to the Vedic philosophy and the thoughts of the Indian statesman and philosopher Kautilya’s Arthashastra. The Vedic philosophy claimed “business was viewed as an important and integral part of society, and was considered as a vehicle to create wealth for everyone in society, through the right means” (Sengupta 2013: 1). This way of describing CSR is still rooted in the Indian business culture today, although the definition has changed since this period. Culture, religion, family values and traditions have also highly influenced the development of CSR in India. In the pre-industrialization-period, wealthy merchants provided help during famines and epidemics. They also shared their wealth by setting up reservoirs, temples etc. (Amaladoss & Manohar 2013). Such activities are linked to today’s philanthropic thinking and charity as CSR strategy in India.

The Indian company Tata is important to mention here as they also were early introducing “CSR” like initiatives. The firm has tradition for attempting to honor ethical obligations to multiple stakeholders (Crane & Matten 2010). “Tata has a more than 100-year-old tradition of giving back to the community by investing in a range of educational and social projects wherever the company operates”, states Crane and Matten (2010: 55-56). The company is well-known in India for its commitment to social responsibility and is seen as a pioneer in social initiatives in the country (Crane et al. 2014). In 1912, Tata was a pioneer in introducing eight hours days in India. Tata implemented the eight-hour workday, prior to similar initiatives in European and American law (Tata 2014). It was also 36 years before it became law in India. In 1917 Tata introduced another initiative. This was to offer schooling for the

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3 According to Sharma & Talwar (2005: 35), “vedic philosophy emphasizes that those actions, which are coming from the core of heart, will provide the long lasting results”.
workers children. Furthermore, the company was early in introducing initiatives such as paid leaves, maternity benefits and provident funds (Crane et al. 2014). We argue that these initiatives can be viewed as an important benchmark in Indian workers rights, as Tata added more than philanthropy to the CSR concept. As we will see throughout this study, philanthropy has dominated the Indian view on CSR. Today, Tata is still a leading company with regards to CSR in India. On the other hand, Tata has also witnessed critique. For example, environmentalists gave harsh critique when they launched the Tata Nano car in 2009 (Crane et al. 2014). However, looking at Indian businesses CSR practices in total, Tata is a leading actor.

At the end of the first period, and during the independence movement the notion “trusteeship” was introduced by the “Father of the Indian nation”, Mahatma Gandhi (Sengupta 2013). The concept was promoted as a moral basis for individuals in positions of wealth. Gandhi considered trusteeship as a system where the trustees of trusts should look after the welfare of the society and its citizens (Sengupta 2013).

3.2 The second period of CSR

Most CSR scholars agree that the modern period of CSR can be traced back to the 1950s, and to the American economist Howard Bowen’s publication of the book “Social Responsibilities of the Businessman” from 1953. This is argued to mark the beginning of the modern period of CSR (Crane & Matten 2010: 55-56). Bowen (as cited in: Ferrell et al. 2010) argued that business managers have responsibility for the society that goes beyond the interests of their own profit. The discussion in the USA in the 1950s and 1960s was characterized by the individual business managers’ moral responsibility to society (Maak 2008). Gond and Moon (2012) calls this period the “philanthropic” era. In this period companies donated charities more than they did other social actions. The philanthropy, which in Greek means “the love of the fellow human” (Carson & Kosberg 2003), demanded successful business managers in the USA to morally commit to support disadvantaged people and groups in the society (Moon & Gond 2012). Philanthropy is still associated with CSR today, and it is particularly important within the American understanding of CSR (Crane & Matten 2010). As we will see later in this paper, the philanthropic understanding of CSR is something that has influenced the Indian literature and understanding of CSR. Lately, the focus on CSR in the USA has changed.
more towards human rights, working conditions, the environment etc., as well (Moon & Gond 2012).

It was in the 1970s the debate and the perception around CSR changed in the USA and later in other areas. CSR was no longer something to be done for the benefit of the corporation. Corporations should give something back to society. According to Carson and Korsberg (2003), the discussion shifted from the individual business leaders responsibility towards society, to the dependence between businesses and society. Also Segerlund (2007) situates recognizable CSR initiatives in the 1970s and 1980s, because she identifies this period as the first stage in the CSR norm cycle.

As previously mentioned the concept CSR has not been used in Europe as long as it has in the USA. In Europe one has traditionally done CSR implicitly. Aaronson and Reeves (2002) argue that the difference in CSR between Europe and the USA is based on the countries’ respective business cultures. Their research revealed that European-based companies are more comfortable working with governments to improve social conditions, and that they are more comfortable in a regulated environment. Matten and Moon (2008) explains that in the European model of capitalism, in difference to the American model, stakeholders other than shareholders often play an important role, sometimes even equivalent to or above that of shareholders. Historically, higher levels of union membership in Europe have resulted in labor related issues being negotiated at a sectorial or national, rather than on corporate level, which has mostly been the case in the USA. Today, however, according to Aaronson and Reeves (2002: 52) “European business leaders seem to believe that CSR policies can help them find their way in the chaotic ever-changing global economy”.

It was in the 1980s and 1990s that CSR really became a globally recognized term. The release of the report “Our common future” by the Brundtland Commission in 1987 should be seen in relation to the further shift in focus of CSR in the 1990s. The report focused on sustainable development and environmental issues, which was put on the international agenda (Langhelle 1999). Additionally, increased internationalization of trade and the emergence of global companies marked the new development of CSR. Globalization led to a process of Western

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4 The norm life cycle will be addressed in the theoretical framework.
corporations outsourcing their production to developing countries because of lower production costs (Hendry 1995). Several businesses have seen this as a chance to increase profit because developing countries have different legislations concerning human rights and the environment (Crane & Matten 2010). As a consequence, numerous scandals occurred as a result of malpractice and bad behavior from outsourced enterprises, and then, several MNCs were pushed to introduce to CSR. Companies had to take responsibility for actions they previously had not considered a part of their business responsibilities (de Castro-Isabelle et al. 2008). Large MNCs such as Nike, Shell and Nestlé implemented CSR to their business strategies in the 1990s, due to disclosures concerning bad working conditions and campaigns against them from various campaign organizations, NGOs and IO (Crane et al. 2014). From the 1990s and onwards companies started thinking about CSR at a strategic level where they attempted to tie corporate social initiatives to corporate objectives, instead of fulfilling societal obligations through philanthropy (Banerjee 2007).

In the beginning of the 1990s Nike was exposed for low wages and bad working conditions in their factories in Indonesia (Nisen 2013). After the revelations, the companies implemented several measures against the criticism. Some of the actions the sports-giant did, was to create a factory code of conduct (CoC), they established a department with the alleged aim of improving the lives of factory laborers. Finally, in year 2005, Nike became the first company in its industry to publish a complete list of their factories in contract with (Nisen 2013). One can discuss whether Nike’s actions, in the 1990s and early 2000s, were based on moral intention or if they were a part of a larger reputation management scheme. However, as we will see, one cannot question the repercussions of these CSR initiatives.

By the late 1990s, CSR was taken into account by several constituents in society – corporations, governments, NGOs and individual consumers (Lee 2008). CoCs and voluntary initiatives have flourished, as an expression of willingness to contribute to sustainable development and compliance to human rights (Utenriksdepartementet 2009). This also applies to major IOs such as the UN, the World Bank (WB), the Organization of Economic Co-operation and Development (OECD) and the ILO, which have established specific measures to promote CSR (Lee 2008).
4.0 THEORETICAL FRAMEWORK

In this chapter we will firstly present various definitions of CSR and then own understanding of CSR. We will present some of the criticism directed towards the concept and investigate it through a globalization perspective. Finally, the chapter ends investigate, rather elaborately, an IR approach to CSR.

4.1 Defining CSR

In this section we will address the difficulties in defining CSR and finally, in this section we will convey what we mean by CSR. Giving a universal definition of CSR has not been and will not be an easy task, as there exists numbers of definitions. Various countries, governments, corporations and NGOs operate with different definitions and understandings of the concept. The meaning and understanding of CSR differs from sector to sector, but also from country to country (Crane et al. 2014). Cultural variations with converging values, norms, religions and governmental regulations, also have an impact (WBCSD 2014). Additionally, as we saw from the previous chapter, CSR as a concept occurred at different periods in Europe and the USA. One description that emphasizes this argument is by Dow Votaw. He claims, “Corporate social responsibility means something, but not always the same thing to everybody” (Votaw 1972: 25). This definition was given in 1972, but is still relevant today. It is also difficult to give a clear definition of CSR because the concept is relatively new. J. J. Asongu (2007: 17) argues, “Because CSR is a relatively new concept, scholars continue to debate over what deserves to fall under the subject”. The content and understanding of the concept are dynamic, and the focused topic varies and changes over time (Asongu 2007). Hence, developing a universal definition tends to be challenging. However, some definitions have experienced a lot of focus and can be viewed as well established in the corporate world. In the next sections we will present some widespread definitions of CSR.

Archie Caroll’s “Four-part model of Corporate Social Responsibility” from 1979 (later redefined as Caroll and Buchholtz 2009) is according to Crane and Matten (2010) the most established and accepted standard of CSR. For Caroll, CSR is a multi-layered concept, which can be differentiated into four interrelated features – economic, legal, ethical, and philanthropic responsibilities (see figure 1).
Caroll (1979: 500) defined CSR in the following way “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”. As we can see from figure 1, in the pyramid, the economic and legal responsibilities are required by society. The ethical responsibilities are expected and the philanthropic responsibilities are desired. Øivind Hagen (2009: 18-19) criticizes the model: “The problem with Caroll’s review is that his focus on the content of the concept comes at the expense of contextualizing and problematizing the development of “corporate social responsibility”. He does not focus on how overall traits in the economy have influenced the development of the concept”.

Caroll, together with Ann Buchholtz, later defined CSR in a similar matter: “Corporate social responsibility includes the economic, legal, ethical and philanthropic expectations placed on organizations by society at a given point in time” (Carroll & Buchholtz 2011: 36-37). As we can see, Caroll and Buchholtz’ definition covers vast grounds and the responsibilities are still organized into different dimensions. Nevertheless, Crane et al. (2014) noted that though there is considerable value in the four-part model, the use of a pyramid framework might be
confusing or inappropriate for some purposes. The framework suggests a hierarchy of the CSR domains, with philanthropic responsibilities as the highest valued domain. Furthermore, we agree with Crane et al. (2014), that such a hierarchal understanding is outdated. Additionally, according to Crane & Matten (2010), much of the CSR literature is based on American literature, and so is Caroll and Buchholtz definition. Therefore it is difficult to apply this definition as a universal one.

In 1998, the World Business Council for Sustainable Development (WBCDS) defined CSR as following: “Corporate Social responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large” (WBCDS 1999: 3). The WBCDS is a global association MNCs from over 30 different countries, who share a commitment to the environment, economic growth and sustainable development (WBCDS 1999). Though the definition above is from 1998, the WBCDS still refers to this understanding at their webpage today (WBCSD 2014). This definition demands that corporations shall no longer only produce economical values, but also make a difference at the social and environmental level (WBCDS 2014). In 1999 the WBCDS claimed, “a formal definition of the concept may well eventually emerge, with or without the cooperation of business” (WBCDS 1999: 3). Later we will see that Segerlund (2007) is also concerned with the emergence of a universal definition, and that a more commonly understood framework will contribute to institutionalization of CSR.

In 2001, the EU described CSR as “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission of the European Communities 2001). A decade later, in 2011, the EU redefined CSR in the report, “A renewed EU strategy 2011-14 for Corporate Social Responsibility” as “the responsibility of enterprises for their impacts on society” (European Commision 2011: 6). The European Commission’s’ definition is short, but concise. However, they further add: “Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the
aim of: maximizing the creation of shared value for their owners/shareholders and for their other stakeholders and society at large; identifying, preventing and mitigating their possible adverse impacts” (European Commission 2011: 6). As we can see in 2011, the Commission added, “social, environmental, ethical, human rights and consumer concerns”, in their view on CSR. The EU have a similar understanding of CSR as the WBCDS, but they are more specific in adding human rights and consumer concerns, instead of just saying “the community and society at large”, as the WBCDS says in their definition. Also, as we will see later in this chapter, this definition is similar to the Norwegian understanding on CSR.

The UN’s understanding of CSR is portrayed in the UN Global Compact, and it was the UNs Kofi Annan that initiated the Compact in 1999. One year later, 50 companies and IOs signed the Global Compact, at a conference in New York. At this meeting, the companies agreed to support the Global Compact and submit annual reports, on their work with the principles. The signing also entailed participating in partnership projects with the UN (Baker 2004). On the UN’s official webpage for the principles of the Global Compact, the UN Secretary-General Ban Ki-moon is quoted on what the Global Compact entails: “The Global Compact asks companies to embrace universal principles and to partner with the United Nations. It has grown to become a critical platform for the UN to engage effectively with enlightened global business” (European Union 2013b).

This UN initiative is created to ensure that the business sector is more involved in development work, through closer collaboration with the UN on development issues. The Global Compact is based on that the companies and the UN agree on joint values and principles that should give the global marked a more “human face.” It is compromised of ten universally accepted principles where human rights, labor, environment and anti-corruption work are in focus (United Nations 2013b). Today, the Global Compact has become the largest corporate sustainability initiative in the world, and consists of more than 12 000 signed companies, based in 145 countries (United Nations 2013b). This shows the development since the initial meeting in 2000, and demonstrates that the field of CSR is strengthening. In the UN Global Corporate Sustainability Report 2013, Ban Ki-Moon states, “We cannot achieve a more equitable, prosperous and sustainable future without business engagement and solutions”. He also argues in the same report that “companies and civil society organizations are key partners in tackling our world’s most pressing challenges” (United Nations 2013a).
There is no doubt that the Global Compact has contributed to put attention on how businesses can play a major role in society. However, during the last years the initiative has experienced some criticism. Andreas Rasche (2009) claims that the 10 principles of the Global Compact are vague and therefore hard to implement. He also argues that the Compact is not accountable due to missing verification mechanisms. However, he also argues that some of these critics are based on misunderstanding of the Compact and its underlying institutional framework. Furthermore, the Global Compact and its members are criticized for not taking the principles serious, and that there is more focus on the members from Western MNCS than those from the developing world (Rasche 2009).

Crane et al. (2014) proposed a further development of Carroll’s four-part model. As we see in figure 2, Crane et al. suggests a three-domain CSR model. “…”The three-domain model of CSR”…is proposed as an alternative means of describing CSR activity and orientations which pervade the business community”(Crane et al. 2014: 127). The Three-Domain Model of CSR consists of three responsibility areas, economic, legal and ethical. As previously mentioned, Carroll’s model emphasized philanthropy as a separate category, while Crane et al. (2014) places philanthropy under the ethical and/or economic domain. The authors make use of a Venn diagram, where they suggest that none of the three CSR domains is more important or significant than the other (see figure 2). The Venn diagram highlights the overlap at the center of the model, where the domains are simultaneously fulfilled. The overlapping nature of the three domains results in seven categories, in which CSR may be conceptualized, analyzed and illustrated.
The categories are as presented:

(I) Purely Economic
(II) Purely Legal
(III) Purely Ethical
(IV) Economical/Ethical
(V) Economic/Legal
(VI) Legal Ethical
(VII) Economic/Legal/Ethical

Crane et al. (2014) used each of these seven categories to describe and illustrate various companies CSR conduct. According to Clarkson (1995: 96, as cited in Crane et al 2014), “One of the difficulties faced by researches is the ability to properly classify corporations and their activities within a CSR construct”. Crane et al.’s (2014) model is therefore intended to provide a more suitable method, and a better theoretical framework, by which to categorize CSR activities. Later we will see that the Varner-Group can be placed within category (iv) Economical/Ethical segment. It must be kept in mind that this is a recent model, and it was difficult to identify where to situate the Varner-Group, because no company acts ideally and perfectly in all operations. Additionally, we were only able to placed the Varner-group in category (iv) Economical/Ethical, based on study on how they operate in India.
As we have seen in this section, defining CSR has posed a challenge. The definitions have been altered quite extensively from the initial definition proposed by Carroll (1979) to Crane et al.’s recent continuation of the model. Out the proposed CSR understandings above, we support Crane et al.’s (2014) understanding of CSR as overlapping domains of economical, legal and ethical responsibilities. As the Three-Domain Model of CSR makes use of a Venn diagram, they do not suggest that any of the three CSR domains are more important or significant than the other, as Carroll’s pyramid model suggested. Furthermore, the Three-Domain Model of CSR places philanthropy with the ethical and/or economic domains, instead of as a separate category.

4.1.1 Norwegian view on CSR

Following a Norwegian understanding of CSR is presented, through government documents. The Norwegian view on CSR is important to this thesis, as the case study the Varner-Group is Norwegian. In line with the implicit CSR tradition in Europe, Norway has had a long tradition where labor law and union organization is concerned. The first union in the country was established in 1882 and during the 1880s, 60-70 unions were founded in Norway (Gisle et al. 2014). Unions, and the willingness to organize have since developed in a high pace and the Landsorganisasjonen (LO), is the biggest with about 880 000 members (Gisle et al. 2014). According to KOMpakt article 5, workers and their unions are among the most important drivers in making companies perform in a socially acceptable way (Utenriksdepartementet 2001). The Norwegian government argues that the core of CSR is bound to the responsibility corporations should undertake for individuals, society and the environment. CSR is about what corporations do beyond complying with existing laws and regulations in the country they are operating (Utenriksdepartementet 2009). Businesses do not only functions in a market, but also in a culture, a political system, local communities and political systems (Utenriksdepartementet 2001). Furthermore, CSR by the Norwegian government is argued to be an umbrella covering all parts of the corporations’ contributions to environmental and societal issues. (Utenriksdepartementet 2009).

5 KOMpakt is the Norwegian government's consultative body on matters relating to CSR (Utenriksdepartementet 2014).
4.1.2 Indian view on CSR

Addressing the Indian understanding of CSR is important in order to understand how CSR became a part of the country’s legislation, and because the understanding offers a different view on CSR, which has implications for companies such as the Varner-Group. Indian CSR/business ethics strategy has been characterized by philanthropy and community-embeddedness (Sengupta 2013). Innovation Norway (2014), argues that using CSR as a tool for charity, value creation and philanthropy is still the main approach to CSR in the country. However, in difference from Norway, India has not such a strong tradition when it comes to unionization. As we will see later in this paper, India has had a weak tradition of unionization, partly because the unions are considered linked to political parties (Das 2008).

Finding a clear definition of what is CSR in India today however, was not straightforward. This is because India has various agencies that work differently on CSR. The Indian government has recently showed increased interest in CSR, and in investigating how to better regulate the impact of Indian industry on the environment, the local communities and its workforce (Ministry of Corporate Affairs 2009). As a consequence of the global financial meltdown and several other conflicts between society and business, the Ministry of Corporate Affairs developed a set of Voluntary Guidelines on CSR in December 2009 (Ministry of Corporate Affairs 2009). In 2011, the same ministry developed the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG). The new guidelines consist of nine Principles and 48 Core Elements. Its purpose is to offer an idea of how CSR can be operationalized across different sectors in India, and also applies for Indian companies operating abroad (Ministry of Corporate Affairs 2009).

D.K. Mittal, secretary in the Ministry of Corporate Affairs gives an indication of a definition of CSR in the NVG; “The Guidelines emphasize that businesses have to endeavor to become responsible actors in society, so that their every action leads to sustainable growth and economic development” (Ministry of Corporate Affairs 2009: 4). Further, Mittal claims, “the Guidelines take into account the learnings from various international and national practices, norms and frameworks, and provide a distinctively Indian approach, which will enable businesses to balance and work through the many unique requirements of our land” (Ministry of Corporate Affairs 2009: 4). The Guidelines have been recently updated with short
intervals, so we claim that CSR has gained increased focus in India, and that the definition of what is meant by CSR in India is still developing. The new Companies Act, 2013, is furthermore evidence that CSR is a current topic in India. However, as we can see in the Act, which also will be further investigated in the sections to come, the understanding of CSR is still marked by philanthropic values in India.

4.2 Critics of CSR

Friedman (1970) is one of the most famous critics of CSR. He claimed, “the social responsibility of business is to increase its profits” (Crane & Matten 2010: 47). According to Friedman, companies are therefore not responsible for the society, but merely to increase the business’ profit. Friedman had three main arguments he based his critics on, namely that “(1) only human beings have a moral responsibility for their actions, (2) it is a company’s managers’ responsibility to act solely in the interests of shareholders and (3) social issues and problems are the proper province of the state rather than corporate managers” (Crane & Matten 2010: 48). Other critics that support Friedman’s claims, also believes that social causes is the domain of the governments. Such critics claim that corporations do not know what the best choices are and how to solve societal issues, should be chosen by the society as a whole, through its democratically elected representatives (Crane et al. 2014). However, Crane et al. (2014) argues what is forgotten, is that the way societies are governed is changed because of globalization and other socio-political factors. Companies have achieved and gained a lot of power and are in some cases more powerful than state governments (Banerjee 2007). Also, in some cases governments are afraid of putting extra regulations on businesses, because they are scared of losing employment or tax income. This phenomenon is often referred to as the “race to the bottom” and is found between developing countries, especially in South East Asia (Crane et al. 2014). Crane and Matten (2010: 68-69), argues that “many governments have lost some of their traditionally capability to solve major issues in modern industrial societies”. Therefore, as powerful actors, MNCs should use their resources and authority responsible in society. Additionally, Peter Willets (2011) argues that with processes such as globalization, one has seen that governments are losing sovereignty to other actors such as NGOs, MNCs and terrorists. Non-state actors have emerged and have an increasingly important role in international politics.
Even though, Bowen is seen as an early father of CSR, he, in the 1970’s, took a skeptical view on CSR. Bowen argued, “Voluntary social responsibility cannot be relied upon as a significant form of control over business. The power of business overcomes the weak reed of voluntary social responsibility. The social responsibility concept is of minimal effectiveness”. This quote encapsulate much of the prevailing skeptics on CSR, but like Banerjee (2007: 7) notes, “…the effectiveness or lack thereof of CSR appears to be irrelevant going by the hundreds of books and paper written on CSR since the 1970’s”.

Another critic of CSR is about why corporations take social responsibility. Is it because they really have a desire to help? Or is it because companies use CSR as reputation management? According to Roger Martin (as cited in: Smith 2003: 25), companies tend to engage in CSR activities because it enhances shareholder value, and that some CSR activities “create goodwill among consumers in excess of their price tag”. Marolis and Walsh (as cited in: Smith 2003) found that over the last 30 years, almost 100 studies have revealed a relationship between corporate social performance (CSP) and corporate financial performance (CFP). It is therefore reasonable to argue that many corporations take CSR for financial intentions. CSR disclosures and reporting can thus be regarded as corporate image management, a strategic marketing activity (Hemingway & Maclagan 2004). Also Kjell Arne Røvik (2007) understands reputation management in this way; that companies take CSR only as a way to conform and live up to the expectations of the society. As such, CSR could simply be viewed as a trend or fashion concept in which organizations try to present themselves in an ideal and favorably manner in their externalities. Røvik (2007) argues that several studies have shown that companies that claim to work with CSR are not necessarily doing so. However, whether companies’ CSR motives are mostly economical or not, the exercise of CSR must be considered a positive. In the long run, exercising CSR could become a part of the companies’ identities, like we will see in the case study of the Varner-Group.

4.3 CSR in International Relations

The following section investigates the necessity of studying CSR in IR. IR, as defined by Robert Jackson and Georg Sørensen (2013: 4), is “the study of relationships and interactions between countries, including the activities and policies of national governments, international

6 Both Banerjee and Frederick, W.C in his Corporation Be Good. The story of Corporate Social Responsibility refers to this quote by Bowen, but we have not been able to find the original quote.
organizations, nongovernmental organization and multinational corporations”. Going by the definition above, it is hard to understand why readings on CSR in IR scholarly papers, are rather seldom. In the coming sections, we will see that CSR is on the agenda for MNCs, IOs and NGOs. CSR has entered state legislation in Norway, Denmark and India, and what is more, the EU is discussing the possibility to demand CSR reporting. The increased demand for CSR leads to changed business practices, it influences the debate about corporate and public governance, and it is therefore relevant for IR and other disciplines who want to understand the role of MNCs in the global political economy (Blowfield 2005). The developments mentioned above, confirms that CSR matters for IR. We believed that the little IR attention paid to CSR is because it did not arise as most fields studied in IR. As we have seen in previous chapters, CSR was developed by ideational committed organizations, given attention by business ethics scholars, while it all along, was criticized for being a publicity stunt by the MNCs (Crane & Matten 2010). Today, in several countries, such as India, the task of taking social responsibility is divided between states, the civil society, NGOs and large MNCs. This development draws attentions to the issues of global governance, and poses an interesting challenge to the idea of the sovereign state, which concerns many IR scholars (Segerlund 2007). Despite these developments, few IR scholars have embraced CSR. Our study therefore provides pioneering research in IR and we believe it will positively broaden the scope of the discipline.

We developed our theoretical framework after discussions with our professors at the Norwegian Institute of International Affairs (NUPI). As will be demonstrated, our framework considers CSR as a norm, a socially constructed norm whose workings have implications for the political relations between states (Segerlund 2007). To quote Martha Finnemore and Kathryn Sikkink (1998: 916): ”Understanding which norms will become law (“soft law as well as “hard” law) and how, exactly, compliance with those laws comes about would seem, again, to be a crucial topic of inquiry tat lies at the nexus of law and IR”. We realize that CSR has traditionally been on the outskirts of classic IR theory. However, through this paper we aim to show that the significance of CSR cannot be downplayed anymore. We do not ask whether or not actors should take CSR; we ask how CSR is implemented. This is done through investigating the case of CSR implementation in the Norwegian and Indian legislations. With the increased attention CSR is receiving, by state legislation, powerful MNCs and civil organizations, the topic deserves augmented attention from IR scholars.
4.4 Why Social Constructivism as a theoretical framework for this study?

Because CSR is rather unexplored by IR scholars, a fair bit of work was put into finding the most suitable IR theory. The most popular and commonly used IR theories were explored; namely realism, liberalism and social constructivism. We found that linking CSR to realism was difficult because realists have a strong belief in states as the main actor in international arena, and realists would argue that non-state actors, norms and institutions are of secondary importance (Willets 2011). CSR is about taking responsibility beyond what is expected of your company or institution. It entails taking responsibility for others, and so most realists will dismiss the importance of CSR. Most realists will believe that a state or company will never do anything that is not solely for their own benefit (Willets 2011). Generally realist will be skeptical toward international cooperation between states, if it does not lead to relative gains for the involved states.

The liberalist tradition also holds the state as the most important actor in the international arena. However, they leave room for other actors such as businesses, churches and organizations. These “additional” actors can, according to liberalist, help create world peace and international cooperation. Where realist believed that states do not act unless there are relative gains to be had, liberalist believe in absolute gains. Liberalists operate with absolute gains when they calculated their decisions on the basics of the total effects on the state or organization (Dunne 2011). The same institutions, businesses and NGO’s, which liberalists emphasize in international politics, promote CSR. Therefore, writing about CSR through liberalist thinking could be done. Despite the liberalist inclination towards other actors, besides states, their lack of emphasis on historical events and their lack of in-depth understanding of norm-development, we chose not to use any of the liberalist theories.

Eventually, it was social constructivist (in shorthand: constructivism) that was the most suitable theory to write about CSR in IR. Jackson and Sørensen (2013), find that while most IR theories focus on materialistic things to explain the balance of power between states, constructivism is concerned with human awareness and consciousness in world affairs. For constructivists the most important aspect of international relations is social, not material (Jackson & Sørensen 2013). Most constructivists’ emphasize the importance of norm development in the international arena, and like we stated in the introduction, we consider
CSR as an international norm on the verge of becoming internalized and institutionalized by states and non-state actors. Furthermore, because we can understand the globalization of world politics through constructivism, it helped us to select constructivism as the IR theory to support our research objectives. Constructivist understanding of globalization tends to focus on the non-material forces at work in international arena and further on the construction of meaning and the interpretation globalization itself. According to Thomas Risse (2007), a social constructivist lens brings back the political in the globalization discourse by emphasizing the potential for change, rather than the inevitability of global processes.

Constructivists do not believe that the international system is something “out there”. For them the international system is not the way it is because of inherent human nature. Ideas balance out the international system, not just material power like military forces or economical capabilities (Jackson & Sørensen 2013). The international system for constructivists is “a human intervention or creation not of a physical or material kind, but of a purely intellectual and ideational kind. It is a set of ideas, a body of thought, a system of norms, which has been arranged by certain people at a particular time and place” (Jackson & Sørensen 2013: 209). From this we understand a need to investigate the historical perspective of the changes in the international system. Our study therefore relies heavily on explaining the historical conditions, which allowed CSR to develop as an international norm. What is more, the historical conditions became important for us in order to explain why India is a country where international companies needs to take responsibilities for their outsourced production, outside what is usually expected of a company.

Constructivism dates back to the 1980’s and arose as a critique to the contemporary IR theories in the USA, namely neo-realism and neo-liberalism\(^7\). Barnett (2011), records how these “neo” theories emphasized the distribution of authority, the pursuit for power and wealth, and how states minimized the strength of ideas in the international system. Constructivists countered by highlighting how ideas can define and transform the organization of world politics. Ideas can shape the identities and interests of states, and determine what counts as legitimate actions (Barnett 2011). Constructivism gained increased

\(^7\) Neo-realism and Neo-liberalism are modified versions of the realist and liberalist approaches to IR. Neo-realists recognized economic resources in addition to military forces as a basis for exercising influence. Neo-liberalists believe in an anarchical international structure, centrality of states and absolute gains, but also durable pattern of cooperation in the anarchical world. Together, these neo-neo approaches dominated the academic IR in the 1980’s (Dunne 2011).
popularity at the same time as CSR started accelerated in the 1990s. The increased popularity was due to many reasons, but most importantly was the end of the Cold War. There was a realization in academia that the “neo” theories about the balance of the bipolar world, fell apart. Constructivism scolded neo-realism and neo-liberal institutionalism for their failure to explain contemporary global transformations (Barnett 2011). In 1992, the constructivist Alexander Wendt (1992: 395) wrote the article in which the famous quote “Anarchy is what states make of it” is extracted.

4.5 Constructivism, global change, institutional isomorphism and socialization

Since the 1990s, various forms of constructivism has developed, yet all constructivists share a concern with how ideas define the international structure, how this structure defines the identities, interests and foreign politics of states and how state and non-state actors reproduce structures and sometimes transform the structures (Barnett 2011). In short, Barnett (2011) explains, constructivists are concerned with various forms of global change. Indeed, Barnett (2011:160) argues; “Constructivism...invites us to think of alternative worlds and the conditions that make them more or less possible”. In regards to global change, constructivists notice a tendency for states and IOs to look alike because they want acceptance, legitimacy and status. Many states and organizations diffuse towards particular models not because they really think that the model is better, but in order to improve their legitimacy. Nevertheless, today most states, we argue, Norway and India included, want to be viewed as a part of the “modern world”. This diffusion concerns particular models, practices, strategies or norms, such as CSR. Therefore many constructivists highlight institutional isomorphism; the observation that organizations that share the same environment will, over time, resemble each other (Barnett 2011). The socialists Paul DiMaggio and Walter Powell primarily developed the concept of institutionalism in 1983. In their classic piece they asked “What makes organizations so similar?” and claimed “Once a set of organizations emerges as a field, a paradox arises: rational actors make their organizations increasingly similar as they try to change them” (DiMaggio & Powell 1983:147). In their article they described three isomorphic processes leading to the institutional isomorphism: Coercive, mimicking, and normative processes (DiMaggio & Powell 1983). Similarly, in more recent research, Peter Frumpkin and Joseph Galaskiewicz (2004), examined whether public sector organizations, when compared to organizations in the business and nonprofit sectors, are more or less susceptible to mimetic, normative, and coercive isomorphic pressure. They discovered that
governmental organizations are, in fact, more vulnerable to institutional forces than other organizations, while the effect of institutional variables on for-profits and nonprofit organization are more sporadic. Further Frumpkin and Galaskiewicz (2004), raised important questions regarding the susceptibility of public sector to institutional pressures, especially for organization, which are funded and regulated by governments.

In the discussion of changing identities and interests, most constructivists also employ the concept of socialization. Through socialization we can further investigate how states change and conform, so they can identify to the identities, interests and manners of the existing members of the “modern world” (Barnett 2011). Also Segerlund (2007) is concerned with socialization. She claims a process of socialization is taking place when those violating norms are pressured into complying with the international norm. Segerlund (2007) further notes that socialization, in the case of states, can take place through diplomatic channels combined with sanctions or incentives, it can involve adoption of certain politics, laws or ratifications of existing instruments. Additional, IOs and networks can also take part in the pressure for socialization (Segerlund 2007).

4.6 Norms and CSR

We understand norms in accordance with Barnett (2011:161) as “standards of appropriate behavior for actors with a given identity. This definition implies that the norms a government exercises, be it norms on military intervention, human rights, trade or environment, do not only regulate what states do: The international norms states follow are connected to their identity. Norms therefore constrain state and non-state behavior, because such actors are worried about costs and because of their sense of self. The expectations of what constitutes proper behavior for a state can diffuse across the population of states. Norms do therefore, not simply erupt; rather they evolve through a political process (Barnett 2011). Though many international norms have a taken-for-granted quality, they have come from somewhere and most norms go through rough paths before they become internationally recognized and institutionalized.

Barnett (2011) claims that internalization of norms such as CSR, suggests that the actors, which practice it, are increasingly accepting standards of behavior because they are tied to the
emerging international community. He also notes that though there seems to be a quest to conform to the international community; one must not forget that there is a presence of power even within the international community. Barnett further asks, "Whose vision of international community is being constructed?" (Barnett 2011: 162). By this he means to convey that diffusing of norms rarely goes from the Third World to the West, the ideas and norms usually goes from the West to the Third World (Barnett 2011). The internalization of CSR began as a Western idea and is expanding outwards. Jackson and Sørensen (2013) supports Barnett in saying that the norms of the international society are transmitted to states through IOs. Organization, such as the UN or the ILO, “teaches” states what their interests should be (Jackson & Sørensen 2013). However, that states are aspiring to become members of a possible international community, should not be mistaken for a world without power and hierarchy (Barnett 2011). Also, we have to remember that though states are conforming to different international norms, such as CSR, it does not mean they act out the norms in the same way. By example, India is doing CSR their own way, as seen by them creating their own NVG.

Our understanding of CSR as an emerging international norm originates from the constructivists Finnemore and Sikkink (1998). Their work with norms and norm entrepreneurship has gained increased attention this past decade. As constructivism has settled and become one of the major influential theories in IR, the importance of international norms have also gained strength 8. Finnemore and Sikkink have developed a model to analyze how international norms emerge. This model is called the Norm life Cycle Model (Finnemore & Sikkink 1998). The model was presented in Finnemore and Sikkink’s article International norm dynamics and political change, from 1998. New norms, such as CSR, can emerge because there are norm entrepreneurs in the international arena who are driven by ideational commitments and who has the conviction that something needs to be changed in the prevailing standard of appropriateness (Finnemore & Sikkink 1998) 9. Finnemore and Sikkink (1998 :3) pay especial interest in how “norms play in political change- both the ways in

8 Among the most significant authors on norms, within the IR field, are, as mentioned Finnemore and Sikkink, but also writers such as Thomas Risse should be noticed for his work on domestic norm environments. Risse works on international norms and how they have dissimilar effects in different states and he speculates about how domestic factors can be responsible for such variations (Jackson & Sørensen 2013). Jackson and Sørensen (2013) writes about norms in the international society, while Barnett writes about norms in accordance with Finnemore and Skikkink. Barnett also see how norms evolve in political processes and enter what we call a norm life cycle (Barnett 2011).

9 We will discuss this model in detail below.
which norms, themselves, change and the ways in which they change other features of the political landscape”.

The great attention given to CSR today, the morality in economic thinking is not a recent idea at all. By example, we should remember how it came about that slavery was abolished: The prevailing standard of appropriateness was questioned and new norms emerged on the ideas of humans as a commodity. The economic sanctions against the apartheid in South Africa, is also an example of moral thinking on the international arena (Segerlund 2007). Economists, business ethics scholars and IR Scholars, all have discussed the examples above. These examples show that norms, such as CSR, do matter for IR.

Today, many IR scholars recognize that domestic norms are deeply entwined with the workings of international norms. Finnemore and Sikkink (1998) explain that many international norms began as domestic norms and became international ones through the efforts of norm entrepreneurs. They give the example of women's suffrage: It began as a demand in a handful of countries and eventually became an international norm. W claim this is what is happening with CSR as well. According to segerlund (2007), modern CSR had a point of departure in the 1970’s and since, norm entrepreneurs have been involved in a process of making CSR an international norm

4.7 The Norm Life Cycle Model

Segerlund (2007) uses Finnemore and Skikkink’s Norm Life Cycle model to explain CSR as a new international norm, which is a part of a social construction project with a normative agenda. She has identified international actors who function as norm entrepreneurs and tracks them through the three stages of Norm Life Cycle:

1) “Norm emergence”,
2) “Norm cascading”
3) “Norm internationalization”.

Below, the norm life cycle will be explained in closer detail and applied to the norm emergence of CSR, but first the model will be explained in general, as it functions for all norms. Different actors characterize the three stages of the norm life cycle; motives and
distinctive mechanisms are in place at each stage in order to create impact (Finnemore & Sikkink 1998). Finnemore and Sikkink’s (1998) norm cycle model is developed with a focus on state actors, while as we will see, Segerlund (2007) has reformulated some of the arguments in the model, so it can include international actors such as MNCs and NGOs. For each of the three stages Segerlund identifies the actors, the motives and the dominant social processes at play (Segerlund 2007).

Stage one: Norm emergence
Finnemore and Sikkink (1998) characterize the first stage, norm emergence, as persuasion by norm entrepreneurs. Norm entrepreneurs attempt to convince a critical mass of states, which they consider norm leaders, to embrace new norms. Segerlund (2007) agrees that the actors of the first stage are the norm entrepreneurs, and she also explains their strategy as persuasion. However, Segerlund, identifies the norm entrepreneur's motives as an ideational commitment. The tipping point, as seen in figure 3, between the first and second stage, is especially important for Segerlund. She says that, if and when, a normative claim gathers enough support in terms of number of actors and authoritative key actors, they constitute a momentum by which a norm tipping occurs (Segerlund 2007).

Stage two: Norm Cascading
The second stage for Finnemore and Sikkink (1998) is characterized by a dynamic of imitation, as the norm leaders attempts to socialize other states to become norm followers. Finnemore and Sikkink says the motivation for norms to cascade through the population of states, is a combination of pressure for conformity, a desire to enhance international legitimation, and the desire of state leaders to enhance their self-esteem by facilitate norm cascades (Finnemore & Sikkink 1998). Segerlund (2007), who has reformulated Finnemore and Sikkink’s arguments, says that after the norm tipping, also non-state actors, who were not involved in the issue, will become
involved. This means that there will be multiple actors with multiple motives and instead of having persuasion as a strategy; the norm entrepreneurs will use socialization to legitimize their case (Segerlund 2007).

**Stage three: Internalization**

For Finnemore and Sikkink (1998), norm internalization is the third stage of the norm life cycle, and it comes at the far end of the norm cascade. According to them, at this stage the norms have acquired a taken-for-granted quality and are no longer a matter of broad public debate. Again, Finnemore and Sikkink (1998) give the example of women’s suffrage: Few Western people discuss whether women should be allowed to vote today. The norm has been internalized and institutionalized in the West (Finnemore & Sikkink 1998).

In difference to Finnemore and Skikkink (1998), Segerlund (2007), argues that the stages in the norm life cycle are not automatic and can discontinue at any moment. Therefore there needs to be a driving force between the second and third stage of the norm life cycle, just like norm tipping was between the first and second stage. She calls this element between the second and third stage, for norm consolidation. For Segerlund (2007), the stage of norm consolidation happen at a slower pace than the norm tipping did. The consolidation involves a continuation of the processes involved in the norm cascade, but it will slowly deepened. The process will involve a transformation from a conscious approach to the norm, to a norm institutionalization, where the norm has a taken-for-granted quality. At the late stages of the norm consolidation, a consensus around a common definition of the norm is required, in addition to compliance of the norm actors. Segerlund (2007) identifies the main actors needed for a norm to enter the third stage, as agents of law, bureaucracy, professionals and their motives as conformity and their dominant social process is motivated by norm institutionalization.

**4.8 CSR in the Norm Life Cycle Model**

Below we see Segerlund’s (2007) reformulation of Finnemore and Sikkink’s (1998) norm life cycle model. In this section we will place CSR in the norm life cycle model.
Figure 4: The Norm Cycle (Segerlund 2007:57, reformulation of the norm life cycle model developed by Finnemore and Sikkink (1998)).

A: Actors, B: Motives, C: Dominant social processes

Stage one: Norm Emergence

According to Segerlund (2007), the norm emergence, stage one in the norm cycle for CSR, became evident after the social movements in the 1960’s. The politically radical movements of the 1960’s gave room for the concept to begin to change towards what we know as CSR today. They questioned the standard of appropriate behavior for transnational corporations (TNC)\textsuperscript{10}. The social movements used persuasion to convince the public that a new norm was needed and their motive was ideational commitment. Segerlund (2007), further identified three major events in the 1970’s, which directed international attention towards the development of CSR:

1) The United Nations Center on Transnational Corporations’ work on developing an international CoC for TNCs.
2) The Nestle’ boycott and the development of the World Health Organization’s international code on the marketing of breast-milk substitute.
3) The activities targeting TNCs in corporation with South Africa during the apartheid (Segerlund 2007).

\textsuperscript{10} In this paper TNCs and MNCs will be used interchangeably.
According to Segerlund (2007), whatever the outcome of these three events, they represented the initial emergence of organized actors and initiatives involved with CSR. In her book she emphasizes five CSR organizations that in the late 1980’s, had motives characterized by ideational commitments, altruism and empathy. The organizations used persuasion as their social process to accomplish a different state of appropriateness in relation to international business practices. Segerlund (2007) points to the Clean Cloths Campaign, the International Business Leaders Forum, the International Labor Rights Fund, Global Change and the Fairtrade Labeling Organizations International, as early norm entrepreneurs, who contributed to the “norm tipping” we witnessed in the early 1990’s. These organizations created awareness around the negative consequences of globalization, in particular regards to the operations of TNCs in developing countries (Segerlund 2007). This finding is supported by Andreas George Scherer and Guido Palazzo (2008), as they claim that globalization put a spotlight on MNC’s conduct in developing countries and that CSR became a bridge between companies and societies. After the “norm tipping” in the early 1990’s, CSR ventured into the second stage of the norm life cycle, the “norm cascade” (Segerlund 2008).

Stage two: Norm Cascade

The CSR organizations that mushroomed after the “norm tipping” ranged from different fields and had various motives. High profile NGO’s such as Amnesty International, and powerful state actors, such as the United Kingdom became involved. The motives these new CSR actors had, was to legitimizing their agenda through demanding good business practices. Their dominant social process was characterized by means of socialization (Segerlund 2007).

Stage three: Internalization?

In Segerlund’s (2007) study, she found that for CSR, the third stage of the norm life cycle is not fulfilled. If the CSR norm reaches stage three, it will entail conformity to CSR in adoption and compliance with legislation. Additionally, it will mean support and adherence for voluntary regulation initiatives. In the third stage the process will rest on the idea of standard of appropriateness. Those who engage in the new standard of appropriateness, “will create expectations on others to follow suit and act as catalysts” (Segerlund 2007:211). We support Segerlund (2007) when she claims that TNCs, not only IOs or states, should be included as important participants in the norm internalization process. She says the TNCs are of primary interest in the case of direct compliance to CSR standards. When it comes to the dominant social processes of the third stage, the internalization, a process is needed where socially
responsible activities are systematized, Segerlund argues, 2007. These systemized social activities manifest the standard of appropriate behavior. Taking CSR will become a habit, and like Finnemore and Sikkink (1998) states, the norms at this stage will occupy a take-for-granted quality.

4.9 Norm consolidation of CSR

The third stage of the norm life cycle is not fulfilled for CSR. However, we will show in the sections to come, that our study supports that CSR, is at the stage of norm consolidation. Remembering that this stage is located between the second and third stage of the norm life cycle, and that Segerlund (2007) views this as a necessary driving force in line with Finnemore and Sikkink’s (1998) norm tipping between the first and second stage in the norm life cycle (see figure 3). According to Segerlund (2007), the consolidation process happens much slower than the “norm tipping” did. When Segerlund wrote her doctoral thesis in 2007, she mentioned the development of Fairtrade labeling, The UN Global Compact and the planning of the ISO 26000, as evidence of the norm consolidation process. We will further elaborate on the UN Global Compact and the ISO 26000 later on in the study. Our respondents did not emphasize the Fairtrade Initiative. As the initiative is important for the general construction of CSR, we will briefly explain its role here. Segerlund (2007) found that the remarkable growth of the Fairtrade labeling initiative since the mid 1990’s, witnessed that the initiative was pushing for norm internalization of CSR. Since its’ beginning, the initiative was driven by bureaucracy, and its actors today consists of professionals who carries out different tasks. What is more; the Fairtrade initiative lead to conformity, as several other companies and institutions got involved in the project. The Fairtrade initiative fit with the theory of a norm consolidation stage, as the consolidation involves a continuation of the norm cascade, but now that we are closing in on the third and final stage of the norm life cycle, the actors around the Fairtrade initiative are more similar to those in the third stage, than of those in the second stage. In chapter 8.0, we will show that the consolidation of CSR is happening through other actors as well. Consolidation actors are those bodies that are employed to work with solely with CSR in order to push towards internalization of the norm. The actors can be CSR professionals that work within international companies, IOs, CSR consultancy companies and NGOs (Segerlund 2007). We believe that these consolidation actors are driving CSR closer to internalization both in the corporate sector and at state level.
4.10 Globalization and CSR

In the previous sections we noted that norm entrepreneurship is important for the emergence of CSR as an international norm. However, the preconditions for the “norm tipping” and “norm cascading” would not be there had it not been for the rapid globalization process we have witnessed over the last decades. Business ethics theory highly emphasize this phenomenon and as we have argued previously, since there has been little research on CSR in IR, we also inquired business ethics theory to explain the emergence of CRS. Constructivist emphasize on globalization, was therefore a deciding factor for our theoretical framework. Constructivists stress the potential for change in the global arena, rather than focusing on “given truths” (Risse 2007). CSR can also be seen as a way in which businesses shape and respond to globalization. Therefore globalization can help us to understand how businesses influences contemporary society and governance (Blowfield 2005).

There exists many definitions of globalization and it has been a controversial topic in many scholarly fields, including business ethics and IR (Crane & Matten 2010). Globalization is simply the widening, deepening and speeding up of world interconnectedness. Through the various definitions, we found IR scholar Anthony McGrew’s (2011: 19) definition of globalization accurate: “A historical process involving fundamental shift or transformation in the spatial scale of human social organization that links distant communities and expands the reach of power across regions and continents”.

Globalization lead to increased cross-boarder trade, flow of capital and growth of communication technology. The process has resulted in expanded international trade and foreign investments (Shestack 2011). This is not to say that globalization does not have downsides. In business ethics literature, one recognizes that for business communities, a byproduct of globalization has been increased risk of different sorts. Fiscal and physical risk has increased for businesses, no matter where they operate. Confidentiality can be hard to maintain, information travels fast and markets are now very much interdependent (Crane & Matten 2010). MNCs are at the center of the public’s criticism on globalization. Crane and Matten (2010) notes that the MNCs are charged with exploiting workers in developing countries, destroying the environment, and abusing their economic power. Further more, MNCs are blamed for maintaining developing countries in the so-called “race to the bottom”. Crane and Matten (2010:18) claim that “there is no doubt that globalization is the most
current and demanding arena in which corporations have to define and legitimate the “rights and wrongs” of their behavior”.

Jerome Shestack (2011) places the “Big Bang” of globalization with the fall of the Berlin Wall in 1989. This coincides well with the CSR “norm-tipping” of the early 1990’s. Shestack (2011: 119) explains: “The fall of the Wall energized a globalized, capitalist oriented world, not a divided one”. Shestack (2011) argues that it was the globalization process that enabled CSR to entail more than just basic human rights concerns. Environment protection, reduction of poverty and sustainable development also became a function of CSR due to the globalization processes. As we saw previously in this chapter, today, many MNCs possess both political and economic strength and often they cannot be completely controlled by national governments. Shestack (2011), records that corporations have the ability to take social responsibility for their actions, but that they also can chose to not take the social responsibility expected of them. Consequently, if they chose not to take responsibility, they will be blamed on the international arena for the harm done to the society or the environment\(^\text{11}\).

Atle Midttun (2013) ascribes the CSR boom in the 1990’s to that of the ongoing globalization processes. He explains the increased demand for CSR as a response to a regulatory vacuum in the Western countries. Midttun (2013:21) finds that CSR evolved in the 1990’s as a response to what he called the “liberal bonanza” of Ronald Reagan and Margaret Thatcher. Midttun, further explains that the Western nations had, after the liberal era, reduced their immediate engagement in the economy and a lack of social, environmental and governance constraint had become evident. The liberal idea was to replace direct state engagement with regulations, but it was apparent that the globalizing market economy did not have the institutional basis for such changes in place. The neoliberal programs attracted widespread criticism in the end of the 1980’s and 1990’s. Conversely, there were several business scandals in the 1990’s and early 2000s. The public reactions were directed towards the globalized market and at the various industries instead of aiming for the national states involved (Midttun 2013). The

\(^{11}\) The case against the large company Chevron Texacon in the Ecuadorian Amazonas is a good example that with power comes responsibility. International campaign organizations are fighting for justice for the local communities who has been left suffering through a wave of cancer, miscarriages and birth defects, after Chevron allegedly dumped more than 18 billion gallons of toxic wastewater in the rainforest. The communities affected by the toxic wastewater are holding Chevron, one of the world’s largest oil companies to account for their suffering. The result is a massive lawsuit, who’s outcome is not settled (Chevron Toxicon 2013)
demand for CSR from norm entrepreneurs can be seen in relation to skepticism towards globalization and the influence of the neoliberal political programs, which heightened public anxiety over corporate conduct. Shestack (2011) says that many felt corporate virtue declined as transnational economic activity expanded. Midttun (2013) notes that industry operating in developing countries had to respond to and justify its role in society. The more MNCs expanded in size, visibility and prevalence, the bigger the demand for them to accept responsibility for their action became (Midttun 2013). Globalization puts a spotlight on MNCs conduct, especially when operating in developing countries and therefore, CSR can be seen as a bridge between companies and society. With the ever-globalized world, the capacity of states to regulate economic behavior is in decline and so we, in accordance with Scherer and Palazzo (2008), argue that there is a gap is filled by CSR.
5.0 CURRENT CHANGES IN THE FIELD OF CSR

Today, like previously mentioned, the field of CSR is rapidly changing. The term is increasingly becoming mainstreamed, be it among business owners, consumers or politicians. It is no longer a question of whether to take CSR or not, rather, we ask how to implement CSR. There are some current changes in the field we would like to address. This chapter focuses on the 2013, CSR changes in the Norwegian accounting law, the implementation of ethical guidelines in the GPFG and the new CSR demand in the Indian Companies Act, 2013.

Before we embark on the new CSR initiatives in Norway and India, we will briefly discuss the already existing CSR framework for states, namely the United Nations Guiding Principles on Business and Human Rights (UNGPs). The UNGP is a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity. In 2011, the UN Human Rights Council unanimously endorsed the UNGPs, making the framework the first corporate human rights responsibility initiative to be endorsed by the UN. According to John Ruggie (2011), beyond the Human Rights Council, the framework has been endorsed or employed by individual governments, business enterprises, associations, civil society, workers’ organizations, national human rights institutions, and investors. Multilateral institutions such as the International Organization for Standardization (ISO) and the OECD have drawn upon it.

The UNGPs encompass three pillars outlining how states and businesses should implement the framework:

1. The state duty to protect human rights
2. The corporate responsibility to respect human rights
3. Access to remedy for victims of business-related abuses (Ruggie 2011)

In his report, the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, Ruggie (2011: 4), explains the framework: “The first is the State duty to protect against human rights abuses by third parties, including business enterprises, through appropriate policies, regulation, and adjudication. The second is the corporate responsibility to respect human rights, which means that business enterprises should act with due diligence to avoid infringing on the rights of others and to address adverse impacts with which they are involved. The third is the need
In the excerpt above, the UNGP lays down a state duty to protect human rights against abuses by third parties, such as business enterprises, through policies, regulations and adjudication. Later in this study we will see that the UN, through their efforts such as Guiding Principles and Global compact, can be considered a norm consolidation actor. We will also see that though this framework has received widespread support and endorsement, there is a call for further state involvement in securing labor and environment standards globally.

5.1 Changes in the Norwegian accounting law: A demand for social responsibility reporting

CSR has recently been implemented in the Norwegian legislation through changes in the accounting law. The changes entails that the Parliament has, against the votes of the Progress Party and the Conservative Party, adopted a new statutory duty for large companies to report on their work with CSR. In the new accounting law, CSR is referred to as how large companies respect human rights, labor rights and other social issues, such as the environment and anti-corruption work. The new accounting law came into effect on June 1st 2013 (Stortingets informasjonstjeneste 2013).

In January 2009, a Parliament Report called “Næringslivets samfunnsansvar i en global økonomi” (Corporate Social responsibility in a global economy) was published (Utenriksdepartementet 2009). We consider this report as one of the driving forces behind the changes in the Norwegian accounting law. The Parliament Report in question, number 10 (2008-2009), discussed corporation’s responsibilities to influence the development of societies beyond the profitable value creation. In the report it is discussed which measures to take to raise awareness about CSR, in both the private and public sector in Norway. Further, in the report, it was expressed that it has been challenging to identify legal instruments that can contribute to increased awareness about CSR. The report suggested that attention and pressure from the public opinion and consumers, as well as internal awareness among employees and management of the individual companies, would likely have a positive effect. It was proposed in the report that legal instruments, such as the recent changes in the accounting law, could be used to facilitate public focus of companies' activities (Utenriksdepartementet 2009). Rapidly after the Parliament Report (2008-2009) was
presented, a working-group for a new legislation draft was announced. The group’s aim was to create a draft for the proposed new accounting law, demanding large Norwegian companies to disclosed their ethical guidelines and standards for social responsibility (Finansdepartementet 2013).

The working group developed their legislation draft by observing different international developments in the field of CSR. By example the EU-commission’s report “European competitiveness report 2008”, was weighted in the design of the draft. In this 2008 report, there is a chapter on the relationship between CSR and competitiveness (European commission 2008). The EU-report opens for a possible EU-demand for reporting on CSR. However, insofar, there are no CSR reporting requirements by the EU (Finansdepartementet 2013). The Norwegian working-group further sought guidance from the Danish Annual Account Act. The Danish Act has had a CSR reporting demand, since late 2008. The Danish CSR reporting law has already been evaluated twice. From the Danish evaluation it was discovered that CSR reporting has had an overall positive effect on companies work with CSR. However, the reporting took longer time for the companies than expected (Finansdepartementet 2013). Further, the UN Global Compact, brought guidance for the legislation-draft group. Companies involved with the Global Compact have to account yearly in a report called “Communication on Progress” and the Global Compact recommends companies to use the guidance of the Global Reporting Initiative (GRI). GRI is connected to the UN and its purpose is to make reporting on environment and social accomplishments as common as normal financial reporting is (Finansdepartementet 2013).

When the Norwegian working-group was finished observing different international CSR developments, the legislation draft was handed to elected consultative bodies in October 2010. The consultative bodies had until January 2011 to respond to the draft (Finansdepartementet 2013). The consultant’s views on the legislation draft were fragmented. They were a diverse group themselves, which consisted of over 50 organizations and associations. When their responses were accounted for, the result was the proposition Prop.48 L (2012-2013) (Finansdepartementet 2013). The consultative bodies reactions and concerns to the legislation changes are discussed in the Prop. 48 L (2012-2013). Some of the consultants raised the concerns that the Norwegian companies CSR reporting demand is not based on any minimum set of founding principles. It is up to each company to define what ethical principles that should be the basis for their work with CSR. Other consultants raised
concern about administrative strain on the companies. Questions were also raised whether the government could do more than just create this legal instrument, to ensure attention and adoption of CSR. Some of the consultative bodies were additionally concerned about the lack of focus on developing other legal instruments, such as the CSR reporting. The concerns aside, most of the consultative bodies were positive towards the demand to report on CSR, or at least they showed understanding for the proposal (Finansdepartementet 2013). Nevertheless, the Prop. 48 L, was sanctioned and the changes in the accounting law took effect as of June 1st 2013 (Stortingets informasjonstjeneste 2013).

5.2 The GPFG and the ethical guidelines

The Norwegian GPFG ventured from an ”oil fund” to a pension fund whose investments are directed by ethical guidelines (Veggeland 2009). We believe that the demand for ethical guidelines for the GPFG’s investments in 2004 influenced the decision to demand CSR reporting for large Norwegian companies in the Norwegian accounting law. To understand why Norway puts ethical guidelines as a basis for the investments made through the GPFG, we have taken a glance at the events leading to the ethical guidelines.

In 1990, what was called the Petroleum Fund was established as a fiscal policy instrument (NOU 2003). The renaming of the Petroleum fund to the GPFG happened in 2006 and it was a part of a broader regulatory pension reform in Norway (Veggeland 2009). Today, the Government Pension Fund (GPF), facilitates the governmental savings for the public pension expenditures and does investments in order to further increase the revenue. The GPF consists of both the GPF-Norway and the GPF-Global. Since 2008, the GPFG has been the second largest investment fund in the world (Veggeland 2009). Today, the funds investments are made by interactions between the Ministry of Finance, the Central Bank and the Council of Ethics. The Ministry of Finance follows recommendations from the Council on Ethics, and decides whether a company can be invested in or whether it should be excluded or placed on a watch list (The Minestry of Finance 2013).

According to Ane Måntroen (2007), the changes towards a pension fund with ethical guidelines, started with discussions in parliamentary reports during the Torbjørn Jagland government (1996-1997). However, at that time, it was decided that ethical considerations should be handled by other institutions (Måntroen 2007). Soon after, during Kjell Magne
Bondevik’s government I (1997-2000), it was suggested, in a parliamentary report, that a small portion of the Petroleum Fund should be separated into an Environmental fund (White paper nr. 2 (1998-99) 1999). Further, in a Norwegian Official Report from 2003, it was recognized that a responsibility comes with the wealth accumulated from the oil sector. A responsibility towards securing the coming generations of Norwegians, but also towards the harm Norway’s petroleum sector is causing the planet (NOU 2003). In 2004, an exclusionary mechanism was extended to the Petroleum Fund and the Council on Ethics created (The Minestry of Finance 2013). The trial of the Environment Fund and the acceptance of responsibility for the environment in NOU (2003), was timely with the norm cascading of CSR and with the changes Norway’s perceived identity at the time. As we have seen, Norwegian and international NGO’s were working on creating legitimacy for CSR, and for elements of CSR to be discussed in parliament reports, was a legitimating step.

5.2.1 CSR norm entrepreneurs who lobbied for the ethical guidelines

Although Segerlund (2007) has identified several international norm entrepreneurs in her analyses of the CSR norm life cycle, we found a need to investigate those who influenced the introduction of ethical guidelines for the GPFG. Måntrøen (2007) have identified several norm entrepreneurs who assisted in bringing CSR into the GPFG investment practices. She identified Ingrid Bay with the Future in Our Hands (FIOH) and Liv Tørres with the Institute for Applied International studies (FaFo). We believe environment protection organization Bellona also should be counted as a norm entrepreneur pushing for ethical guidelines.

Ingrid Bay published a report for the Future in Our Hands Research Institute (FIFI). The 2002 report was called “Verdilose penger? Oljefondet - veien mot etiske retningslinjer” (“Worthless money? – Oil fund - the road towards ethical guidelines”). The report is about how and why the Petroleum Fund should invest with ethical consideration. This was one of the first academic texts on the Petroleum Fund and possible ethical guidelines (Måntrøen 2007). Bay (2002) claimed already in 2002 to have enough empirical data to show that ethical guidelines would not be at the expense of the funds economic return, which was and still is, the argument of the skeptics of the ethical guidelines. In the matter of the GPFG investments practices, the FIOH can be identified as a norm entrepreneur because their motive was to get the GPFG to take on an ideational commitment, and because their dominate social process was to use persuasion as a tool to get across their message.
Liv Tørres (2002), on behalf of FaFo, also wrote a report on the need for the GPFG to have ethical guidelines in 2002. In her report “Money, Money, Money”, Tørres examines and criticizes the government’s justifications as to why they had not included ethical guidelines for the investment universe at the time. Both reports and organizations mentioned above were crucial in spreading information to the Norwegian people on the creation of ethical guidelines for the GPFG. These reports came at a time when CSR, as an international norm, was about to enter the second stage of the norm life cycle. The actors involved in the process of this stage was multiple, some were motivated by ideational commitments such as FiF, while others, such as FaFo, had a legitimacy motive.

Bellona had their own motivation for wanting the GPFG to consider CSR: fighting climate change was/is their motivation for promoting that the GPFG take on CSR. Bellona, Norway’s biggest environmental organization saw the GPFG’s ethical guidelines as a step in the right direction. However, they are still working towards the GPFG becoming a lead investor in renewable energy companies (Bellona 2008). In 2009 the Norwegian Central Bank added climate change, water management and children’s rights to the GPFG’s ethical guidelines (Shemirani 2011). This was a victory for Bellona as they have worked tightly on this issue.

5.2.2 The GPFG and Norwegian identity

As Norway’s GPFG is the world second largest investment fund its actions matters for Norway and its international relations. The Norwegian Ministry of Finance decided in 2006 to take the Council of Ethics up on their recommendation to exclude USA based, Wal-Mart, from the investment universe. Consequently, after the exclusion, the former American ambassador to Norway, Benson Whitey, promised it would have consequences for Norway (Gaarder 2006). Whitey delivered an attack on the ethical guidelines of the GPFG at a talk at NUPI. At the talk he wanted to ensure that American commercial interests were provided a fair treatment. Pia A. Gaarder (2006) quoted the ambassador saying at NUPI: “These companies represent hardworking people and thousands of shareholders. Official accusations of bad ethics can have serious negative economic consequences. The accusations are not from private organizations, but from a government” (Gaarder 2006 webpage). Instead of answering the Council of Ethics on the charges against the company, Wal-Mart sent American political weight into the debate. This act is highly political and further shows the
importance of a CSR focus in IR. When we investigated the list of companies excluded from
the GPFG investment universe, we found that bulks of the companies are from the USA
(Norwegian Ministry of Finance 2014). This is interesting and a bit ironic, because as we saw,
much of the CSR theory arose in the USA and the first company to open their suppliers lists
was Nike, an American company. Yet, today, few American companies are considered
leaders of structural CSR (Matten and Moon 2008). Further, in this chapter we will see that
criticism from the USA ignited a change in Norwegian undertaken identity and later, in
chapter 6.0, we will see that the USA was influential in India’s changed identity since
liberalization.

Remembering from chapter 4.0, how Barnett (2011) claims that the international norms states
follows, do not only regulate what they do, the norms are also connected to state identity. We
find especial connections between the GPFG’s current exclusion practices and Norway’s
relations to other states. By example, Norway’s changing role in international peace
engagements came at the same time it was decided that the GPFG should take social
responsibility for its investments. This idea is in accordance with Kristian Stokke (2010,
2013). He writes about Norway as a small state with soft powers. Norway’s undertaken
identity is a combination of many factors. Previously, it was important to be considered a
peace nation, but today, it is more important to be seen as a responsible investor (Stokke
2010). We believe that the demand for CSR reporting in the Norwegian accounting law is a
further attempt to build on this new undertaken identity. Norway is gradually positioning
itself more towards a new role as a responsible global partner, rather than a peace and
humanitarian nation.

Stokke (2010) notes how Norway has since the end of the Cold War, often functioned as
facilitator for conflict resolution in interstate conflicts and, thus, constructed Norwegian
foreign policy as an international peace promoter. Norwegian soldiers were peacekeepers
under the UN’s leadership and Norway was a leading donor of humanitarian and development
aid. As a peace promoter, Norway had quite a few successful missions; the Israel-Palestine
peace process in the early 1990s and the subsequent involvement in conflicts in Colombia,
Guatemala, the Philippines, and Sri Lanka to name a few (Stokke 2010). However, in 2001,

12 Soft power is a concept developed by Joseph Nye used to describe the ability to cooperate, negotiate or as in
Norway’s case, to use aid as a mean of persuasion, instead of hard power which includes force such as military
interventions or sanctions.
after 9/11, international critics questioned Norway’s undertaken identity as a “humanitarian power and peace nation”. The USA was critical towards Norway because they did not recognize any parts of the Sri Lankan conflict as terrorists. This did not coincide with the American “war on terror”, and Norway’s soft power approach suddenly became irrelevant in the international arena (Stokke 2013). In 2002, Singhalese nationalists suggested that economic interests drove the Norwegian peace facilitation, and that Norway was systematically in favor of the Tamil minority13 (Stokke 2010). By 2005, after the embarrassing performance in Sri Lanka, we can see changes in how Norway positions its identity towards the international community. Today, Norway seems to want to be viewed as a responsible global actor and trading partner, rather than humanitarian power and peace nation, Stokke (2010) claims. This can be seen in the example of Norway and India’s relationship. In 2009 the Norwegian parliament adopted a new strategy regarding India. Instead of having a donor/aid-receiver relationship, as of 2009, Norway has a new strategy towards India. The new strategy involves political dialogue, trade, industry, climate, environment and social development (Haugan 2013).

So far in this chapter, we have seen that the institutionalization of CSR is happening in Denmark, the EU and in Norway. In Norway we see the internalization of CSR through the changes in the Accounting Law and through the ethical guidelines that advice the Ministry of Finance in their investment universe. What is more, we find that Norway is shifting their identity towards being seen as a responsible global partner. Further evidence that the internalization of CSR is happening worldwide is found in India, as shown below.

5.3 The Indian Companies Act, 2013

In this section we will investigate the renewal of the Indian Companies Act. In 2013, the Indian Parliament passed the Companies Bill, 2012. The Bill became the Companies Act, 2013, as of August 2013. It replaced the Companies Act, 1956. According to Shreyasi Singh (2013), the work to create a new Companies Act had been in progress for nearly 20 years. Relevant for this paper in the Companies Act, 2013, is the encouragement of Indian companies to use CSR to integrate economic, environmental and social objectives with their

13 Stokke (2010), however, could not find evidence proving that Norway indeed had economic interests in Sri Lanka during the last peace process. Norway’s involvement in Burma now on the other hand, it open about economic interests there.
operations and growth (Sachdeva 2013). In this section we will firstly investigate the
development of the Companies Act, 2013 and then we will investigate the critics and
reactions of the Act. In the Companies Act, 2013 there are two parts interesting for us:
Section 135 and schedule VII. These chapters of the Act deal with the demand that companies
of a certain size take CSR when operating in India (Indian Ministry of Law and Justice 2013).

According to Singh (2013), India is one of the “toughest” countries to do business in. He
refers to the World Bank (WB), and their annual Doing Business Survey\textsuperscript{14}, where 189
countries are surveyed. A high ranking on the Doing Business index means that the regulatory
environment is to businesses. India came in at 131\textsuperscript{nd} place on this list in 2013. Singh (2013)
states that much of the reason for this poor ranking is due to that the previous Companies Act
of 1956, was outdated and many of the laws were out of context. It is the Indian Ministry of
Corporate Affairs, which administers the Companies Act, 2013. The new Act is divided into
29 chapters, 470 sections and VII schedules. The CSR mandate was put into action from the
start of the financial year 2014 (Indian Ministry of Law and Justice 2013). The Companies
Act, 2013 mandates that companies of a certain size spend two percent of their three-year
average annual profit towards CSR efforts: “Every company having net worth of rupees five
hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of
rupees five crore or more during any financial year shall constitute a Corporate Social
Responsibility Committee of the Board consisting of three or more directors, out of which at
least one director shall be an independent director... The Corporate Social Responsibility
Committee shall,—

(a) formulate and recommend to the Board, a Corporate Social Responsibility
Policy which shall indicate the activities to be undertaken by the company as
specified in Schedule VII;

(b) recommend the amount of expenditure to be incurred on the activities referred
to in clause (a); and

(c) monitor the Corporate Social Responsibility Policy of the company from time to
time”(Indian Ministry of Law and Justice 2013: 80).

\textsuperscript{14} The Doing Business Project by the World Bank, measures business regulations and their enforcement across
189 economies at the subnational and regional level. The Project was launched in 2002 and looks at domestic small and medium-size companies and measures the regulations applied to them during their life cycle.
In the excerpt from the Act above, we see that Indian Companies with a net worth of Rs. 500 crore\textsuperscript{15} or more, or turnover of Rs. 1,000 crore or more, or a net profit of Rs. 5 crore or more, during the past three financial years are demanded to spend at least two percentage of their average net profits on CSR initiatives. This means that the CSR clause will apply to some of the over 800,000 companies in India. Interesting for this paper is that the clause will apply to MNCs who earn over the set amount (Kordant Philanthropy Advisors 2013). Further, the CSR clause requires the targeted companies to make changes within its board of directors, and to formulate and publicly disclose an official policy on its CSR activities. Interestingly, there is no penalty for companies who fail to spend their two percent surplus on CSR, as long as they disclose in their report why they did not spend the money. However, there are penalties for failing to report on CSR activities conducted, or failure to explain why CSR spending was not carried out (Kordant Philanthropy Advisors 2013).

Nevertheless, this new act makes India one of the first nations to have social welfare spending as a part of company’s statute by law (Dhawan 2013). The Indian Corporate Affairs Minister, Sachin Pilot, has been on the forefront in pushing the Companies Act, 2013 through (Singh 2013). The Indian news agency Doordarshan News, video interviewed Pilot on the Companies Act, 2013, just after it was passed in the Upper House of Parliament (Rajya Sabha). In this interview Pilot called the new act a “\textit{game changer}” which will help Indian companies work in a more “\textit{global format}” (Doordarshan News 2013). The two percent of the companies net profits which is earmarked CSR, is not a levy or tax to the Indian government. Rather, companies can use the money for that they consider important, as long as their CSR work follows the guidelines presented in the Companies Act; Schedule VII. In the interview with the Doordarshan News (2013), Pilot, argued that even though the big companies in question pay taxes, they must contribute more to be seen as “true responsible corporate citizens”. Some of the companies’ profits should be ploughed back to the society, but not as a tax or levy to the government, but rather as a project that the company can vouch for. Pilot also said that the government has left what CSR initiatives companies can participate in, fairly open. The companies must disclose what CSR initiative they support with their surplus and the work must been in accordance with schedule VII of the Companies Act, 2013. Further, Pilot communicated that the projects the companies invest in, must be approved by a CSR board that the company has to create. Also, their projects should be

\textsuperscript{15} A crore is a South Asian numbering system equal to 10 million
timeline driven, Pilot explained. The Companies Act, 2013 has therefore given companies boards more responsibility. Pilot stated that the two percentage CSR spending was derived after much discussion with all stakeholders (Doordarshan News 2013).

5.3.1 Reactions to the CSR clause in the Companies Act, 2013

According to Singh (2013), the old Companies Act from 1956 had been subject to over 20 amendments over the last six decades. Despite the fact that the Companies Act, 1956 had been amended several times, this time the changes were comprehensive and have implications for all sorts of businesses in all sizes. Replacing, changing and adding rules to such an important document, provoked a lot of attention, reactions and criticism. Yet, neither part of the Companies Act, 2013 got more attention than the CSR mandate in section 135 and Schedule VII.

Schedule VII, which expresses what activities companies can choose to include in their CSR work, is subject to most criticism. One critique is that the activities presented in the schedule are too broad. Singh interviewed a Delhi based Chief Executive Officer (CEO) complaining that the definition and scope of CSR in the Act is vague and unspecified. Singh (2013) further refers to a need for companies to see a definition of CSR, in order to prioritize where the usage of the two percent surplus is needed in order to help prevent mishandling of the funds. In defense of the CSR clause being too vague, Pilot uttered that the idea with the Schedule VII, is that companies should be provided with the opportunity to work with the social and environmental issues that matters to them. Be it building hospitals, planting trees or protecting wildlife (Doordarshan News 2013).

In the Doordarshan interview (2013), Pilot explained that companies can do whatever CSR work they want, as long as they disclose it in reports and webpages. Subsequent critique is that there is no inspectorate on the “CSR-money” from the government. In the Kordant Philathropy Advisors Report (2013), they discuss how some companies will make the structural changes to their board to avoid fines, only to explain in their board report why they are unable to spend on CSR. The Kordant Report (2013) further predicts that companies affected by the two percent CSR allocation, are likely to re-categorize current quasi-CSR activities, so as to fall within the scope of the new law. Nevertheless, the Kordants Report (2013) argues that whether the CSR clause encourages more CSR spending or not, it will
certainly force companies to seriously contemplate social responsibility, or risk becoming a conspicuous non-spender among peers who already invest heavily in it. Also Singh (2013: 1) notes that considering the social and developmental milestones that India needs to pass, few companies in India would come out in “vociferous opposition to the clause”—doing so would amount to bad publicity. As previously mentioned, out of the around 800,000 companies in India, approximately 8000 companies will fall under the Act’s CSR mandate (Kordant Philanthropy Advisors 2013). Consequently, another critique is that the new CSR clause will not have an impact on enough businesses. Despite the critique, according to Ashish Dhawan (2013), the mandate will translate into an estimated CSR spending of Rs. 12,000-15,000 crore annually. This amount of money is not insignificant and later we will discuss the importance of this money for industries such as the NGO sector in India.

Dhawan (2013) discusses that in order to maximize the impact of Indian companies CSR, Indian corporate houses needs to look beyond the traditional lens of charity and develop unique CSR strategies with potential for large-scale social and economic impact. We will discuss the “traditional charity lens” of Indian CSR in the findings sector of this paper. In this section we noted how Singh (2013) pointed to some negative aspects of the Companies Act, 2013. Nevertheless, Singh (2013) also found that many of the CEOs he talked to were pleased with most of the parameters in the Act. The CSR mandate targets those who are in a financially strong position to contribute to the society and this sends a highly needed signal to companies to accept their social responsibility (Singh 2013).
6.0 INDIAN HISTORY, ECONOMY, POLITICS AND BUSINESS CULTURE

Officially, India is called the Republic of India and constitutes the world’s largest democracy. The country has the world’s second largest population with over 1.2 billion, and it is the seventh largest country by areal in the world (BBC News Asia 2014). The Indian constitution, from 1950, recognizes fourteen languages, however, Hindi and English are the additional official languages. In India English is used for national, political, commercial and communicational purposes. Thus, India is the second-largest group in the world using English, after the USA (SarDesai 2008). This bilingualism gives India an advantage in relation to global cooperation and trade, especially over its neighbor to the north, China (Ruud 2011).

A thorough understanding of India’s background is in line with our theoretical framework. Like previously mentioned, constructivism emphasizes how historical and sociological factors shape identity and preferences in the global economy. Through constructivism we see that ideas, knowledge and historical circumstances shape identity, preferences, beliefs, traditions and values. The way actors, such as the Indian state, understand their own preferences will depend upon the prevailing beliefs and patterns of thinking in the world (Woods 2011). Which interests and ideas that have influenced Indian rules and norms, will be investigated through the dominant powers in the Indian system since independence. Further, India’s recent history portrays how the globalized world caught up with this emerging power. Globalization, an increased interconnectedness, is a major reason why norms spread across boarders (Finnemore & Sikkink 1998).

This chapter begins with a brief presentation of major events in Indian history. Having a concise understanding is important, as it will help us to explain the need for Indian companies to play a part in the social and economic development in the country. There are clear reasons for practicing CSR in India. Displaying important events since independence will help to explain India’s issues of corruption, the prevalence of poor working conditions, child labor included, governmental acts against democracy and poor implementation. These features of Indian society, clarify the need for Indian and international companies to undertake CSR. We will not be able to cover all major events in India’s recent history, but we will investigate the
events that have the highest importance for our research questions and our topic at large. By example, our study showed that Indian factory owners relate to American buyers differently than they do European buyers. We will therefore briefly examine India’s relationship to the USA. What is more, investigating Indian and Norwegian connections are important in relations to the Varner-Group, but also as an introduction to understand India’s longstanding dependency on foreign aid. We will explore why India’s huge economical powers were exposed as late as in the 1990’s. Finally, we end with an introduction to some parts of Indian business culture; where the right to unionize, corruption and child labor are particularly focused on. The latter part is important in understanding the challenges associated with CSR in India.

The Indian history is complex and to tell the entire story would be an ambitious task. Therefore we begin with when the Portuguese, Vasco da Gama, discovered the sea route from Europe to India in 1498. This discovery was the beginning of the commerce between Europe and India. After the contemporary ruling Moghul Empire disintegrated in the 1700s, the British East India Company took increasingly control over India. Despite violent revolts against the British, the Brits took control over India in 1858 (Haugan 2013). The Indian rebellion against the British rule continued and the party "National Congress " led the way in the freedom struggle against the Brits. Mahatma Gandhi became the leader of this revolt. Gandhi mobilized millions of Indians in a non-violent struggle against the British, and India gained independence in 1947. A secular state was established, while Pakistan was separated from India and formed an Islamic Republic. Bangladesh was parted from India at a later stage in the 1970’s (SarDesai 2008).

6.1 Religious and political development since independence

The following section investigates Indian religious and political development since independence. This, and the following sections on economics and politics, is meant to underpin the constructivist thinking that ideas and historical circumstances shape the identity, preferences, beliefs and traditions of India today (Barnett 2011).

The Indian Constitution was formed in 1949 and came into force in 1950. India is a democratic, republican federal state. Legislative power in India is divided in a two-house parliament called Sansad Bhavan (National Informatics Center 2014). India is comprised of
28 states, each governed as independent parliamentary democracies, with an elected assembly and a government responsible to the assembly (Haugan 2013). The Indian Constitution states that no religion should be favored by the state. However, Hinduism and Islam are two predominant religions in India. Approximately 82 percent are Hindus, 12 percent are Muslims, 2.3 percent Christians and 2 percent are Sikhs (Haugan 2013). Religion has been the root for significant conflict in India after independence. The Indian state has struggled to be as secular and independent from religion as it set out to be after the partition from the British. The Congress Party has dominated Indian politics since independence, but split into several religious-based fractions after a Hindu-nationalism took a hold in the 1990’s. Indian politics has been less stable since (SarDesai 2008). Nevertheless, Manmohan Singh\textsuperscript{16} of the Indian National Congress Party is currently Prime Minister. The government he runs is a coalition led by the Congress party and is politically center-left (BBC News Asia 2014).

As we see, religion and politics are strongly linked in India. Understanding Indian politics is also important for India’s position in the international arena. The country is a strong military power and is nuclear-armed. Nuclear tests were carried out in the 1970s and again in the 1990s. This was in defiance of world opinion (Walker 1998). Who India has befriended on the international arena after independence, has varied. There have been strained relationships with both the Soviet Union and China, but most important for this thesis is India’s relationship to Norway and the USA. The USA is a major trading partner in the textile industry, while Norway’s relationship is important in relation to the case study of this thesis.

\textbf{6.2 Economy and politics}

This section addresses India’s domestic economy and politics. Since independence, Indian politics have been haunted by power struggles, discrimination, and problems with poverty, unemployment and corruption. What more, the country was rather unpopular on the international arena, this due to warfare, the condemned nuclear testing and its closed boarders in relations to international trade (Ruud 2011). At independence it was decided to introduce a mixed economy in India. A detailed, planed public sector was emphasized, but the mixed economy model also allowed for private enterprises. However, as time went by, there was a

\textsuperscript{16} The Indian general election, 2014, took place as this thesis was written. The result of the election was declared on the 16\textsuperscript{th} of May, after the finalization of this study. Singh is not running for re-election.
turn away from the original planned public infrastructure. This section shows how this economical turn has left a void for large companies and NGO’s to fill with CSR.

The economic model India follows today, is far from what the countries first Prime Minister after independence, Jawaharlal Nehru dreamed of. He wanted a socialist society and created vast public infrastructure (BBC News Asia 2014). Nehru was in power, uninterrupted, until 1964. Lal Bhadur Sastri acquired power until 1966. After Sastri’s death, Indira Gandhi, Nehru’s daughter, was selected as Prime Minister. According to SarDesai (2008), Indira was chosen because she was perceived by the congress to be pliable, inexperienced and it was believed that she would be heavily dependent on the Congress Party’s devotees. However, Indira broke with the powerful men in the Congress Party and dominated her own faction of the party (SarDesai 2008). This underestimation of Indira Gandhi is an illustration of the discrimination against women often found in India.

Indira Gandhi was in power twice. SarDesai (2008) explains her first fall from power with the creation of Bangladesh and the partition of Pakistan. War, refugees and prisoners together with spiraling oil prices, affected the cost of living. Public discontent spread over the inflation, unemployment and mounting corruption. After Indira Gandhi’s poor election results in 1975, she created an emergency government. Both in the Indian and international society, this emergency government was deemed as an act against democracy. It took two years before Indira declared new elections and she lost her majority in the Lok Sabha (Store Norske Leksikon 2011). The new Prime Minister, Morarji Desai was the leader of a coalition party called Janata. This was the first time since independence that the Congress Party did not possess power in India. Janata nonetheless, was haunted by programmatic inconvenience and power struggles amongst its leaders. First Desai resigned in 1979, then his successor Charan Singh resigned and announced new elections already in 1980 (SarDesai 2008). Indira Gandhi ran for election again, in 1980 with the party Congress (I) and won. In 1984 Indira Gandhi was murdered (Store Norske Leksikon 2011). Rajiv Gandhi, her son, took the role as Prime Minister until 1989. His work, and the works of the Prime Ministers since, will be discussed in a section below.

As we can see the political arena, after Nehru, was unstable in India. This was at a time when other developing countries in South East-Asia were opening their boarders and major production was moved there from western countries. During these unstable political times,
India was increasingly unpopular on the international arena\textsuperscript{17}. The unpopularity was due to the warfare against Pakistan and Bangladesh, in addition to the closed boarders for international trade (Haugan 2013). In the following sections, we will see how India entered the global economy through liberalization at a rather late stage in the 1990’s. At which point the unstable government had failed to address the huge problems of poverty, mal-nutrition, corruption and discrimination on the base of sex and caste, religious conflicts nor even been able to ensure the production of demanded products. At the outset of the liberalization process, India had a weak, yet strongly regulating state (BBC News Asia 2014).

6.2.1 Economic growth and liberalization process

India has experienced solid economic growth since the late 1990s. Over the last two decades, the gross domestic product (GDP) rate has several times been as high as seven to eight percent. Today, India is one of the world’s largest economies. This growth includes the advances in the manufacturing industry, the huge boom in the IT sector, the relatively liberal economic policies and a strong increase in foreign investment (Haugan 2013). SarDesai (2008) divides India’s economic history in two: The period 1947-1990 (pre-liberalization) was marked by excessive state planning and strangulating economic controls, whilst the second period was marked by the economic liberalization from 1991 and onwards (post-liberalization). The post-liberalization process meant that India began to open up to the outside world, encouraging economic reform and foreign investment (BBC News Asia 2014).

Today, India has a burgeoning urban middle class. However, it is the country’s large and cheap workforce that makes it a popular choice for international companies. Companies, such as the Varner-Group, have flocked to outsource their production in India since the liberalizations processes started. Nevertheless, the vast masses of the rural population remain in poverty (BBC News Asia 2014). When considering the immense economic growth in India since the liberalization, it is hard to imagine why they did not open up for foreign investment and outsourcing before the 1990’s (Ruud 2011). China opened in 1978, Vietnam in 1986, why did it take India so long to follow? We argue that the answer lies in Nehru’s heritage, the belief in a mixed economy prior to the liberalization.

\textsuperscript{17}This will be further discussed in the section on USA India relations.
The mixed economy that arose after independence was influenced by the colonial experience. Nehru’s socialist plans appealed to many of India’s intellectuals at the time, because they were anticolonial. There was a fear that the Western powers would yet again exploit Indian resources and this resulted in the protectionist economy (SarDesai 2008). The first few decades after independence, development and advances were the core concepts in the Indian political outlines. Though Nehru chose non-alignment on the international arena after the Second World War, he was not an anti-capitalist. He wanted industrialization to happen fast in India, but not without government control and with societal benefits (Ruud 2011). Nehru, and later his successors, therefore imposed strong restrictions on imports to India. Already in the 1948 policy statement, it was clear that the roles of the private and public sectors were to be in a mixed economy. It was also specified in the policy statement that foreign capital was welcomed in India, but on the condition that major interest in ownership, and the effective controls should always be in the hands of Indians. This did not create an inviting environment for foreign capital (SarDesai 2008). Due to these conditions it was difficult for India to attract foreign investments, before the liberalization process (Ruud 2011).

Quite rapidly after independence, it turned out that the government-controlled industry was inefficient and did not give the expected economical impact. The mixed economy model also contributed to widespread corruption (Ruud 2011). India’s economic growth-rate was poor compared to most other developing countries in Asia. The growth-rate, when corrected for with the population, usually only ended up around one to two percent. Economists referred to this as the “Hindu rate of growth” (Williamson & Zagha 2002). The end of the pre-liberalist period came with the fall of the Soviet Union around 1990. The Soviet had been a major trading partner and with an additional spike in oil prices, due to the Gulf War, India was left with a major balance of payment crisis. India had to lend from the International Monetary Fund (IMF). The IMF presented India with a Structural Adjustment Program (SAP). A condition for the IMF to grant India loans was deregulation (Ruud 2011).

18 India established a planning commission and in 1951, the first five-year plan was introduced. The five-year plans would regulate state investment in key sectors for the years to come. The first five-year plan had an agricultural focus, while the ones to follow has had a more industrial focus (SarDesai 2008).
The contemporary Prime Minister (1991-1996), P.V. Narasimha Rao, of the Congress Party, not only implemented the IMF’s suggestions in the SAP, but he dismantled the License Raj\textsuperscript{19}. Rao opened the Indian economy to the world, let India take part in the globalization processes and turned around the Hindu rate of growth (SarDesai 2008). From 1991 and onwards, India has witnessed a slow transformation towards a free market economy. Rao could not have liberalized Indian economy so fast, had not some internal liberalization already been in place. Indira Gandhi and her son, Rajiv Gandhi, had already opened some areas of the economy during their time in charge in the 1980’s. Rajiv Gandhi was later known as “Mr. Computerjee”. Without his technological efforts in the late 1980’s, India would not have been sufficiently ready to impose the liberalizations the country did during the 1990’s and onwards (Kristiansen & Filseth 2013).

According to SarDesai (2008), a quasi-monopolism arose from the License Raj, and lead to few, but very powerful private companies. In the mixed, some of the responsibilities, that usually are given social-democratic governments, were given to the corporate sector and NGO’s. The liberalization process explained how international companies, such as the Varner-Group, has gained access to the Indian market. Though India today is much more open to the international market, its economy has never been pervasively reformed (Kristiansen & Filseth 2013). According to Ruud (2011) an extensive and slow bureaucracy prevents innovation and renovation of the Indian economy. The government still has significant expenses on inefficient state enterprises. With the opening of the trade barriers, it is claimed that the Indian government still has not seized ownership to address societal problems. Rather India has continued its dependency on private companies created through the mixed economy (Kristiansen & Filseth 2013).

6.3 India’s relationship to the USA

In this section we will address India’s foreign policy and investigate how the policies have influenced the development of the economy. Further, this section investigates India's relations with the USA and Norway. What is more, we will clarify why India became quite dependent on international development assistance and the rise of the Indian NGO sector. There are of

\textsuperscript{19} The License Raj referred to the elaborate amount of licenses that was needed for private businesses to be able to start up business. The licenses were given to few private companies, and if granted, the government would regulate their production (SarDesai 2008)
course other countries than the USA that were important for the shaping of Indian foreign policy. However, through our study we noticed that India’s relationship with the USA was especially important for the textile industry. In chapter 3.0, we noted how CSR was a concept occurred in the USA and such their influence in India become important. Norway’s significance in this section comes in under the good bilateral relations between the two countries and how Norway has contributed with large sums of money for development purposes (Haugan 2013).

Today, India and the USA have close collaboration, but during the early days of Indian independence, which was also the early days of the Cold War, the relationship between these two large democracies were strained. Nehru called an alliance with one of the superpowers, as one between a giant and a pigmy and, in sense, a “return of colonialism by the back door” (SarDesai 2008:429). After disappointing the USA with nonalignment policies, how come the USA and India are major trading partners today? Their good relations began with the dissolution of the Cold War and India entering the economical liberalization. SarDesai (2008) records that the USA’s foreign policy interests shifted from containment of communism to expansion of democracy and free-market system. The close relationship the USA and India have today, took about a decade to develop because of “the burden of history” (SarDesai 2008: 447). Most notably was the Indian rivalry with USA-friend Pakistan. However, India’s testing of nuclear weapons despite Nuclear Non-Proliferation Treaty (NPT) of 1965 was an obstacle too (SarDesai 2008). India felt that the NPT diminished their sovereignty as a state, and that it was a sign of neo-colonialism and they would thus not sign the treaty. The nuclear testing in 1998 could have been fatal for India. Economic sanctions were imposed by the USA and Japan. China was furious and the UN unanimously condemned the testing in resolution 1172-On international peace and security (The United Nations 1998).

It was the Bill Clinton administration that started lifting the American sanctions against India. In year 2000, President Clinton visited India and it was clear that the two countries wanted to form new bonds. India, a democracy and a dominator of information technology, was alluring to the USA (SarDesai 2008). The remaining sanctions were lifted when, in the wake of 9/11, the USA needed close cooperation in Southeast Asia, in its fight against terror. The George W. Bush government created a nuclear technology agreement with India despite it not signing the NPT (Ruud 2011). Today, India and the USA have an “Open Skies Agreement”, which has had significant economical implications since 2005. The agreement boosted trade, tourism
and business. Currently, the USA is the most important destination of Indian investment abroad (SarDesai 2008).

6.4 India’s relationship to Norway and the country’s dependency on aid

In this section we will address Norway’s relations with India. The countries have longstanding and traditionally good bilateral relations. Norway’s first aid-based fund was called “Fund for assistance to underdeveloped countries”, but is also often referred to as the “India Fund”, because India was the first receiver of the Norwegian development assistance (Norad 2014). The India Fund was created in 1952 by the Norwegian Parliament and allocated NOK 10 million to India (Haugan 2013). As we saw in chapter 5.0, in 2009, the Norwegian parliament adopted a new strategy regarding India. We claimed this strategy was a part of Norway’s new identity building. Instead of having a donor/aid-receiver relationship, Norway’s new strategy involves different thinking around political dialogue, trade, industry, climate and environment. Furthermore, social development, knowledge and culture are main areas of cooperation between the countries (Haugan 2013). Retail trade between the countries is relatively small, but has grown considerably in recent years. Product exports to India accounted for about 0.30 percent of the total Norwegian export in 2012, while commodity imports from India constitute 0.40 percent of the total Norwegian imports the same year. However, there is a strong increase of Indian service exports to Norway, naming IT and engineering. Additionally, the GPFG has made equity investments for about NOK 15.3 billion in India since 2006 (Haugan 2013).

Several countries provided development assistance to India. Ruud (2011) indicates that since India was one of the first de-colonialized countries in the world, it was “first in line” to receive international development assistance. The country experienced poverty problems and many Western countries had moral motives for assisting financially and technologically. Ruud (2011) further argues that the wish to “win over” India to the Western side of the Cold War conflict, was an additional element in why India received extensive development aid in the 1950. According to C.R. Bijoy (2009), between 1951 and 1992, India received US$55 billion in aid. This made India one of the largest recipients of foreign aid. However, when the amount is translated into per capita terms, it shows that India was much less reliant on aid than smaller receiving countries have been. Nevertheless, India went from being one of the world’s largest recipients of foreign aid in mid-1980s, to become an aid donor in
contemporary time. After independence, there was a broad consensus within the Indian government that, despite India’s developmental needs, it should not become overly dependent on foreign aid. This, again, stemmed from Nehru’s policy of non-alignment and anti-colonialism. However, India became increasingly reliant on foreign aid to finance public expenditure and large amounts of Indian and international NGO’s were created in the country (Price 2009).

The large NGO sector established in India, provided many with jobs and thus, the decrease in bilateral aid since the early 1990’s, has led to uncertainties in the sector. In 2003, India announced that only five countries (Japan, the UK, Germany, the US and Russia) and the EU were going to be allowed to continue providing development assistance. Other bilateral donors could complete on-going projects, but would have to channel future assistance through NGOs, the UN or other multilateral agencies. The change was justified by the need to reduce the government’s administration cost, but surely it was to demonstrate India’s growing global aspirations, Price (2009) argues. Being a receiver of aid was seen to hinder India’s ability to play a greater global role. India created the slogan “India is shining” and tried to display that the years of poverty and poor allocation was behind them. Furthermore, India resented the criticism from donors following its nuclear tests in 1998 (Price 2009). The move from the government receiving aid and supplying the masses of NGO’s in India, to the NGO’s mainly fetching the donations themselves, was of course a hardship for many of the organizations.

Ashok Kumar (2013) argues that with the reduced reliance on foreign aid, it is crucial for Indian-based NGO’s to learn to work with the corporate sector on matters of CSR. With Indian companies set to spend two percent of their profits each year on CSR, NGO’s will have to learn to work with the corporate world to survive and, to help maximizing the social benefits of this CSR spending. Kumar (2013), further cautions the NGOs to not compromising on their agendas, even as they set to work with the corporate world. Transparency and accountability needs to be at the forefront when dealing with the business houses. Kumar (2013) conveys a belief that the NGOs will bridge the gap that exists between society and companies. However, he records, while carrying out the CSR work on behalf of companies, NGOs risk becoming vendors of companies.
6.5 Indian business culture

During our fieldwork we realized that Indian business culture is different to Norwegian and that Indian business culture affects cooperation with international companies. Some Indian cultural traits highlight the need to exercise CSR. This section addresses unionization, corruption and child labor challenges, but also investigates other aspects of the Indian culture.

6.5.1 Religion, caste and gender perspective

Though the Indian governments have tried to lead secular politics, writers such as James Heitzman (1995) displays that religion has great importance in daily Indian life. What is more, as presented in the political history section above, religion has played a part in many conflicts since independence. Discrimination based on religion in workplaces occurs, and this is important for international companies to take notice of. Depending on what state in India international companies operate in, the federal government may or may not be tied to specified religions. In Tamil Nadu, for example, the state government manages Hindu temples, while in Punjab a Sikh political party usually controls the state assembly. The vitality of religious fundamentalism and its impact on public life, in the form of riots and religion-based political parties, is challenging (Heitzman 1995).

Though law forbids discrimination on the basis of caste, the ancient Hindu caste system still influences most people’s every day life and inhibits equal opportunities for everyone. The caste system assigns each person a place in the social hierarchy and has made social mobility rather unlikely (BBC News Asia 2014). The caste system is more prominent in the rural areas of India, but as India’s workforce is known for its migratory abilities, the urban businesses do not escape the sensitive issue (Jacobson 1995). As already mentioned, the cast system hinders social movement and it justifies discrimination. Doranne Jacobson (1995) conveys that the castes are ranked and named groups whose memberships are achieved by birth. The idea is that people are born into the cast they deserve, based on how they lived their previous life. There are thousands of castes and sub-castes in India. Jacobson (1995) says that the castes are traditionally associated with an occupation. There are the high-ranking Brahmans, the middle-ranking farmer and artisan groups, such as potters, barbers, and carpenters; and finally the low-ranking and "untouchable" leatherworkers, butchers, launderers, and latrine cleaners. Many of those who work in factories producing for the international clothing market are
therefore members of the lower-ranking and “untouchable” castes. We argue that international companies should and can use their power to influence such social hierarchies and provide opportunities for all employees, not just those born into high-ranking castes. There is a need for international companies to tread carefully around the issue of caste.

According to Rabindra Nath Ghosh and K.C Roy (1997), in the Indian context, the developmental planning and urbanization did not have a specific focus on the role of women in economic change, until recently. The result of this lack of focus is the very uneven allocation of women in the workforce in India. Ghosh and Roy (1997) further notes that while the poor women in rural India were left behind, the urban middleclass educated women were able to improve their economic and social status, as a result of urbanization and modernization. The women who work on the factory floors in the cities, however, are often migratory workers. Not only does geographies play a part of in the empowerment of women, religion has significance too. By example, Muslim urban women have largely been unable to make the same social progress as Christian and Hindu women (Ghosh & Roy 1997).

6.5.2 Labor unions

The right to unionize in India is embedded in the Trade Unions Act, 1926 (International Labour Organization 2011) Despite the act, labor unions have traditionally had a weak position in India, and relative to the population few people are members of a union (Das 2008). According to ILO (2011: 13) India has only ratified four out of the eight conventions the ILO considered fundamental to the “achievement of basic human rights and descent work in a world labour market that is increasingly buffeted by the challenges of globalization”. By example, India has not ratified the ILO conventions C-89 the “Freedom of Association and Right to Organize”, 1948 and C-98 the “Right to Organize and Collective Bargaining” (International Labour Organization 2011). Additionally to Subesh Das (2008), most labor unions in India are affiliated with political parties, and are consequently controlled by those political parties. In relation to this problem, the ILO (2011) explains that in states like Chhattisgarh, where the State Government is in opposition to the Central Government, registering trade unions becomes a problem. This is because the authorities and employers come together to prevent the formation of labor unions. Recruiting members to labor unions then become a problem, because union member continue to be victimized by the employers. Consequently, employees prefer to stay away from union (International Labour Organization
This is detrimental, as trade unions are important actors when it comes to influencing changing in wages, income inequality and employer–employee relations (Das 2008). The ILO (2011) argues that in the informal sector and in rural areas, it is almost impossible to unionize in India.

6.5.3 The issue of child labor

The country with the largest amount of child laborers in the world is India (International Labor Organization 2009). The issue of child labor in the textile industry has been recurrent in the public eye and has thus been essential for the industry to denounce. Child labor in India is a complex issue. The prevalence is declining, and the patterns of child labor are changing (Nathan & George 2013). Yet, a simple taxi ride through Delhi will convince you that child labor is a contemporary problem. In a recent article in the Norwegian newspaper Aftenposten, Sigurd Bjørnstad (2014) writes about the poorest of Delhi’s poor. They live in the streets and their children contribute to their economy through begging and picking up odd jobs. This is not just a New Delhi problem, he argues. The differences between the rich and poor are huge in India.

We are writing about child labor under the heading “Business Culture”, because during our stay in India we discovered a different morality towards child labor than what we are used to in Norway. The different perception of what constitutes child labor and when child labor is harmful, forms yet another reason international companies should take social responsibility in India. Most Western companies, be it American or Western European, view child labor as inconsistent with their business values and as a threat to their image and reputation (Crane & Matten 2010). Allowing child labor is in these countries, perceived as one of the poorest ways of not taking CSR, and this topic has been one of the main reasons norm entrepreneurs has pushed for law internalization of CSR.

Child labor and especially the worst forms of child labor\textsuperscript{20}, have huge implications on children’s health, education and general welfare (Cigno & Rosati 2005). As will be discussed, we found that child labor is perceived as the less evil resort and not always as an immoral act. Difficulties related to child labor are closely interlinked with the problems of caste and the

\textsuperscript{20} The worst forms of child labor as defined by Article 3 of ILO Convention No. 182 (International Labour Organization 2014)
education system. As discussed in the previous section, what occupation you obtain is usually linked to what caste you belong to. The families teach each other the skills required to attain the various occupations. Therefore, the Indian school system has traditionally been for numbers and letters, not for creativity and practical skills. Practical skills have been taught in families through generations and the home-based education often begins at a young age (Nambissan & Rao 2013). This is where the grey areas arise around child labor. When is being taught a skill through participation a positive life experience, and when is it harmful child labor? There are three international guiding principal on child labor that addresses these questions. They are the ILO Convention No. 138 (regarding the Minimum Age), the Convention of the Rights of the Child (CRC), and the ILO Convention No, 182 (regarding the Worst Forms of child labor). Together these three set the legal boundaries for child labor. However, India has not ratified these conventions, rather the country relays on their own vast, but poorly implemented legislation (International Labor Organization 2014).

Many of the working children in India are engaged in the worst forms of child labor (Nathan & George 2013). The majority of child laborers work within the agricultural sector. Indian agriculture is often old fashioned and entails working with dangerous tools, lifting heavy loads, and using harmful pesticides (United States Department of Labor 2012). The agricultural sector is directly linked to the textile industry due to the large amounts of cotton produced in India for the textile and clothing (T&C) sector. Other hazardous occupations children engage in, is manufacturing a variety of products such as matches, bricks, carpets, locks, glass bangles, fireworks, cigarettes and incense sticks (United States Department of Labor 2012). Additionally, relevant for the T&Cs production, is that children in India are know for having “nimble fingers”. This makes them suitable for producing hand-loomed silk fabric, embroidering, leather, and brassware. Many children spin thread/yarn, embroider and sew beads to fabric (United States Department of Labor 2012).

Giving a concrete number of child laborers in India is not an easy task. The literature we reviewed, revealed different numbers. The numbers revealed depended on who was giving the numbers, and how the child workers were counted. The numbers of child laborers we found ranged from 4.1 million (Satpathy 2013) to 40 million (Rastogi et al. 2012). In IR we learn that theory is always for someone and some purpose. This probably applies for the calculation of the prevalence of child labor in India. The most used numbers stem from the Indian National Sample Survey Organization (NSSO), but the numbers in the National Sample
Survey (NSS) have been subject to much criticism, claims Rastogi et.al. (2012). The NSSO does not count the number of child laborers correctly, because they follow the Indian constitutions definition of child labor. In India children over the age of 14 are counted as ordinary workers, with just a few limitations to what they can embark on before the age of 18 (Nathan & George 2013). On the other hand, Rastogi et.al., (2012), also criticizes NGO’s and other organizations for trying to amplifying the problems of child labor, in an attempt to keep funds and attention on their work.

The NSS estimated that the total number of child workers between the age of 5 and 14 years to have been 13.3 million in 1993–1994 and 8.6 million in 2004–2005. The child workers constituted about 6.2 percent of children in that age group in 1993–1994 and 3.4 percent in 2004–2005 (NCEUS 2008). We see a significant decline in the prevalence of child labor in the age 5 to 14 years since the liberalization process started. In the course of the last decades there has been several acts and schemes by the Indian government, NGOs and the corporate sector dealing with the issue of child labor. Some of these actions have had the direct aim to reduce child labor, while others have indirectly helped reduce the problem (Nathan & George 2013). Nathan and George (2013) on the other hand, notes that child labor, in the sense that a child is a person below the age of 14, indeed is declining. Yet, at the same time, the reliance on young worker (14 to 18 years old) has increased in the informal sector supplying the formal textile industry and the domestic wholesale market. Despite the many efforts to reduce child labor, the country is still facing high prevalence. It is evident that the laws that are meant to protect the children are not implemented in a sufficient manner.

Though it is important for international companies to take social responsibility and not exploit children, we must remember that what constitute a child in India is different from most Western and Norwegian understanding 21. In most factories producing for the international

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21 Remembering that in India, children in the age 14 to 18 are allowed to work as adults, in activities that are unhazardous (International Labor Orgnization 2009). In Norway, the Working Environment Act, chapter 11, regulates child labor. In general, the act states that children below the age of 15 years should generally not perform work. In practice this means that a prohibition applies until a child has completed primary school, usually when it is 15-16 years old (Jakhelln & Gisle 2013). According to Henning Jakhelln and Jon Gisle (2013) exceptions are made for light work, such as certain forms of courier services or shop keeping, for children over the age of 13 years. The restrictions in the law does not prevent children from performing regular work as part of a family situation, such as clearing, laundry, dishwashing, etc., as long as the work is held within a normal framework of family chores (Jakhelln & Gisle 2013). The general Norwegian rule about children working is that the youths under 18 must not perform work that may be harmful to their safety, health, development or schooling. The Working Environment Act also sets specific requirements to the children’s workday lengths, as well as breaks and spare time for leisure (Jakhelln & Gisle 2013).
market, workers under the age of 18 are not allowed. This is not in accordance with the ILO conventions, Norwegian or Indian law, but is a consequence of the media’s eye on child labor in textile factories. We will investigate this issue further in the chapters to come, but will briefly mention that the increasingly strict CoCs at factories producing for the international market, is one of the reasons why child labor is increasingly moved to the less regulated, informal sector.

6.5.4 The issue of corruption

Corruption is an inhibitor for businesses in India and is still a part of the business culture. The corruption problem does not necessarily stem from poor morals or greed, but as Rafiqe Dossani (2008:63) writes; the Indian bureaucracy is described as “the art of making the possible impossible”. Meaning that much of the institutionalization of corruption in India stems from the License Raj. However, at a closer look, there is a much more complex answer to why India still struggles with corruption. For international companies this phenomenon can be difficult to overcome and understand. Since independence, India has been known for the traits corruption and inefficiency in the international business sphere (Dossani 2008). The international opinion seems to be slowly changing, due to steps taken by the government to reduce the corruption. Yet, Dossani (2008) explains, what is really happening is a delinking of corruption and inefficiency. He further points to the conditions of India at independence as reasons for corruption: Pervasive poverty, conflicts of interest between the landed and landless, and not least, the quota system and the subsequent License Raj introduced by Nehru. The quota system more or less guaranteed that goods and services would be in short supply and it created incentives for widespread corruption. Dossani (2008) additional explains, that between independence and the economical liberalization, bribes were often paid to bureaucrats and to the dealers of different products. Unless bribes were paid, it was difficult to obtain necessary goods. Remembering that imports from the West was unwelcome, due to the protectionist policies. Everything in India was supposed to be produced by Indian companies on licenses, either privately or publicly. The bribes paid to bureaucrats and dealers, filled the gap between the price of the license and the market price of the commodity. The private sector could usually produce goods more efficiently and at a better quality than the public sector, since it had a profit motive. Nonetheless, every producer was a quasi monopolist. Consumers bought privately produced goods when they could, because of the slightly better quality. The public sector survived because of the short supply and a patronage
from the government. Quality in both sector’s output was poor, since there was no local competition and since no effort was put into product development: “If it could be produced, it could be sold” (Dossani 2008:64). However, since the private sector had slightly better quality of products it did not take long until bribes were demanded for the right to buy private produce. The vast corruption in India began with the industrialists and bureaucrats banging over the licenses, but went all the way down to the common man.
7.0 THE CHALLENGES IN THE TEXTILE INDUSTRY IN INDIA

The Indian textile industry is at the heart of Indian economy. The story of the Indian T&C has not always been as golden as it is for the economy today. This chapter will explain the backdrop and magnitude of the industry, as well as clarify why it did not assert itself until well into the 1990s. Some of the challenges associated with the industry will be investigated. We will also briefly investigate why the sector was important in the development of CSR. In addition, the Indian T&C sector’s value chains will be explored and challenges we found, presented. According to the Indian Textile Ministry’s Annual report 2012/2013 (2013), the textile sector is the second largest provider of employment in India, after the agricultural sector. The industry contributes about 14 percent of the industrial production; four percent of the GDP and 11 percent of the country’s export earnings (Indian Ministry of Textiles 2013). The T&C sector is one of the oldest sectors in the country. The T&C has a direct link to the rural economy through the agricultural sector, especially through the cotton production (Narayanan 2009). In the previous section we saw that child labor has high prevalence in the agricultural sector.

A brief history of Indian textiles is necessary to appreciate the present scenario. K. Narayanan (2009) explains that, from independence till the late 1980s, the Indian government introduced numerous policies and regulations regarding the textile industry. In that way they ensured a labor-intensive textile industry in India. This resulted in high production costs, low production, little mechanization of the sector and small capital investments. This led the Indian T&C sector to a low level of competitiveness on the global market (Narayanan 2009). Renewed textile policies in 1985 and the economic liberalization of 1991, marked a new beginning for the Indian T&C sector. The industry was de-licensed and duties on synthetic raw materials were removed. Together with the removal of entry and exit barriers, along with an emphasis on technological modernization and global competitiveness, this boosted the industry (Narayanan 2009). These and other reforms, prepared India for the upcoming abolition of the quota system in the Multi-Fiber Arrangement (MFA) in 2005 (Lal & Mohnen 2009). The MFA was introduced so developed countries could adjust to imported goods from the developing world. The developing countries have an advantage in textile production

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22 Lal and Mohnen (2009) found that several countries textile industries suffered from the abolition of the WTO quota provisions, but emerging economies as China and India benefitted from it. The MFA governed the world
because it is labor intensive and they have low labor costs. India still has cheaper labor than several other developing countries (Narayanan 2009). Thus, since the liberalization, the Indian textile industry has steadily grown and become a competitor on the international market.

7.1 The formal and informal sector in India

Regardless of the successes, there are many challenges with the Indian textile industry. Child labor is the challenge that has received the most attention in international media. Through our research we found that child labor is close to abolished in the formal textile sector (Nathan & George 2013). The formal T&C sector is where the products for the international market are cut, sawn, labeled, packed and finished. This does not mean that child labor is not still a problem. Child labor still occurs in the informal/unorganized textile sector. The informal sector supplies the T&C industry with products such as zippers and buttons, and is involved through outsourced work. Many children manufacture goods in the informal economy, increasingly doing so in home-based production and children spin thread/yarn, embroider, sew beads to fabrics (United States Department of Labor 2012).

Indrajit Bairagya (2010) states that according to the NSS in 2004-05, only 7.62 percent of the total work force in India was formal in nature, while the remaining 92.38 percent or about 422.6 million workers were informally employed. There is a correlation between the Indian economic liberalization and the huge informal/unorganized sector in India. Bairagya (2010) found that as trade liberalization or a country’s openness increases, the size of the informal sector also increases in absolute terms. Though, the organized sector in India is expanding in terms of its percentage share in Net Domestic Product (NDP), this growth is redundant. In the informal/unorganized sector, the workers are less protected and often unaware of their rights (Sinha & Harriss-White 2007). India’s problems with the changing face of child labor are partly due to the changes after the economic liberalization. Since international companies were allowed to outsource their production to India, child labor in the T&C sector has moved from the formal sector producing for the international market, to the informal sector, which supplies the formal sector and produces for the domestic market (Nathan & George 2013). The finished products produced for the international market usually has not been made

trade in textiles and garments from 1974 through 2004, imposing quotas on the amount developing countries could export to developed countries.
exclusively in the factories belonging to the formal sector. However, further down in the supply chains, suppliers can belong to the informal sector. The problems of child labor and the worst cases of worker’s right violations are found deep in the international companies supply chains or value chains (Sinha & Harriss-White 2007).

7.2 Supply chains

A supply chain is the network and the processes a company uses to get a product from the supplier to the customer. It includes the flow of materials and the information and money involved in the transaction (Vokurka & Lummus 1998). A value chain is rather the processes and the networks that are involved with the actual collecting of components and assembling these components before the product reaches the consumer (Shapiro et al. 1993). However, through Neverlien at the Varner-Group, we found that supply chains and value chains are concepts that are used interchangeably.

The CSR demands the international textile companies put on Indian factory owners, through CoCs do not always trickle down to the end of the supply chains. One can therefore not be sure that child labor is not involved in some of the production of textiles going to the
international textile market (Sinha & Harriss-White 2007). The informal workers in India who contribute to the finished products going to the international textile market, enters the supply chains as second or third tier suppliers. As seen in figure 5, at the second tier level the textiles used for the clothes in the first tier, are dyed and finished. Additionally, this level can supply the first tiers with textiles that are embroidered etc. At the third tier level, threads and yarn is spun, weaved and knitted. The final level of the textile supply chain in India is the raw material supplier level. This level includes production of silk, cotton, wool and synthetics (Parker 2014). The supply chain mirrored in figure 5 is simplified, in reality the management such supply chains consist even more actors to identify. Just imagine all the transport needed in such production and envision the material needed for the packaging of goods. The management of supply chains will be further elaborated on in the case study.

According to Anushree Sinha and Barbara Harris-White (2007), there are around 40 labor laws in India, and many of these laws are fairly progressive. However, the compliance and implementation of these laws are often flawed. Furthermore, Sinha and Harris-White (2007) notes that few seem to know that most of these labor laws are also applicable to unregistered small enterprises. Casual workers, such as those who contribute to the production of textile for the international market, are contrary to common belief, protected by most of the legislation23.

According to Narayanan (2009), not only is there a problem with workers rights and child labor in the informal textile industry in India. There are other challenges, which are also present in the formal sector. Prior to the liberalization, fragmented, small producers dominated India’s T&C industry. Today, the sector is growing and larger units are arising. The sector has, in relatively short time, become quite competitive. However, the industry still depends on old machinery, and needs technological improvements as well as structural changes. Narayanan (2009) looks at various challenges in the industry and sees a need to increase labor and machine productivity and a need for enhanced quality of production. The wages in the textile industry in India are comparably low to other developing countries and the workers are usually either partly or completely untrained. Further, Narayanan (2009) points to the high export costs of Indian textiles. The delivery time of Indian textiles to

\[\text{23 Acts such as the Labour Laws Exemption Act, Trade Unions Act, Equal Remuneration Act and Payment of Minimum Wages Act apply to all types of labour. Also the Factory Act of 1948 applies to all workers, including contract and piece-rate worker (Sinha & Harriss-White 2007).}\]
Europe or the USA is longer than from other competing low cost countries. By example, it takes minimum 24 days to deliver from India to the USA, while 18 days from Thailand and only 12 days from Hong Kong (Narayanan 2009). The Indian textile industry is characterized by elaborate production in the informal sector. Few other sectors have such a close interlinkage between the informal and formal sector (Sinha & Harriss-White 2007) and that makes the Indian T&C sector’s supply chain hard to manage.
8.0 FINDINGS

As we saw in the introduction, chapter 1.0, this study had two objectives. Both objectives raised two research questions. In this section we will discuss the two research questions posed in the first objective. The second objective is referred to as the case study and will be addressed in chapter 9.0.

Research Objective one:
This study set out to demonstrate the relevance and importance of addressing CSR in IR. Through using constructivist theory, we aimed to show that CSR is becoming a globally institutionalized norm and that there is a range of norm consolidation actors working on implementing CSR, on corporate, voluntary and state level. This study also investigated the implementation of CSR in Norwegian and Indian legislation.

Research question one, recaps the importance of CSR in IR. It further explores the significance of norms in IR and how the increasingly globalized world eventually will lead to institutionalization of CSR. Finally, research question one investigates the range of actors who contribute to the norm consolidation of CSR. Research question two, deals with the issues of Norwegian and Indian state involvement in the internalization of CSR.
8.1 Research question one

Early in our research process we realized that CSR was fairly understudied in IR. We found that the little IR attention paid to CSR is partly because it did not arise as most fields studied in IR. CSR was developed by ideational committed organizations, given attention by business ethics scholars and adopted by businesses, while it all along, was criticized for being a publicity stunt by the MNCs (Crane & Matten 2010). Today however, even states are implementing CSR in their legislations. Since CSR is rather unexplored by IR scholars, a fair bit of work was put into finding the most suitable IR theory. The most popular and commonly used IR theories were explored; namely realism, liberalism and social constructivism. We chose constructivism because, while most IR theories focus on materialistic things to explain the balance of power between states, constructivism is concerned with human awareness and consciousness in world affairs. Most constructivists emphasize the importance of norm development in the international arena. This suits our understanding of CSR as an international norm.

In the previous chapters, we have seen that CSR is on the agenda for multinational companies, IOs and NGOs. CSR has entered state legislation in Norway, Denmark and India. What is more, the EU is discussing the possibility to demand CSR reporting, and the UN has created the Global Compact and the GRI. In chapter 4.0, we noted how the normative demand for companies to take CSR began as an American idea in the 1970’s. Today, the norm is expanding outwards, and as we will discuss in research question two, we are witnessing the beginning of the final stage of the norm life cycle; the state internalization of CSR. However, without the globalization process over the last few decades, there would not have been such a rapid norm diffusion of CSR. We will therefore begin answering research question one by discussing the importance of globalization in relation to CSR. We further discuss CSR in relation to institutional isomorphism, global change, the norm life cycle and finally research question one recognizes norm consolidation actors who are pushing for norm internalization of CSR.

8.1.1 Importance of globalization for the institutionalization of CSR

In business ethics there has been talk of the “gospel of globalization”, where the interconnected world economy and its benefits for economic growth, global welfare,
democracy, and world peace was praised (Crane & Matten 2010: 17). However, as of lately\textsuperscript{24}, there has been a realization that with globalization comes increased risk, and the MNCs are at the center of the public’s criticism with globalization. Nevertheless, in chapter 4.0 we argued that this increased threat of risk and global criticism, seems to be increasing transparency through CSR actions. Evidence of this is that MNCs such as Nike, H&M, The Varner-Group and the Euro Sko Norge AS are opening their suppliers’ lists as a result of pressure from various actors, such as consumers, campaign organizations, the international society and partly the media. The opening of suppliers’ list will be addressed in a separate section below. Furthermore, with the high economical and political power several MNC’s possess today; many companies cannot be completely controlled by national governments. The large companies can chose not to take social responsibility. However, if such MNCs do not comply with the CSR demands for responsible corporate conduct, they might face blame and negative publicity by consumers and the international society at large (Shestack 2011).

The business ethics literatures emphasize on globalization, coincides with our constructivist perspective. Both traditions emphasize this phenomenon. As we saw, constructivist understanding of globalization tends to focus on the non-material forces at work in the international arena. They focus on the construction of the meaning of the interpretation of globalization (Jackson & Sørensen 2013). Remembering Risse (2007), explaining that a constructivist lens on globalization means emphasizing the potential for political change, rather than seeing inevitability in global processes. In chapter 4.0, we saw that globalization was a driving force for the norm life cycle and Blowfield (2005) explained CSR as a way in which businesses shape and respond to globalization. Globalization can therefore help us to understand how businesses practices influence society and governance. Likewise, Scherer & Palazzo (2008) saw CSR as a bridge between the declining capacities of states to regulate economical behavior in the globalized world.

What is more, in chapter 4.0, we noted that globalization has lead to expanded international trade and foreign investment in the country (Shestack 2011). A final note on the importance of globalization; Shestack (2011) placed the “Big-Bang” of globalization with the fall of the Berlin Wall in 1989. This corresponds with our CSR norm life cycle theory, where the CSR “norm tipping” happened in the early 1990s. From the 1990s and onwards, CSR entailed

\textsuperscript{24} The financial crisis from 2007/2008 being a turning point (Crane & Matten 2010)
more than just basic human rights. Environment protection, reduction of poverty and sustainable business development rapidly became a function of CSR, due to the globalization process.

8.1.2 Institutional isomorphism and global change

Besides globalization, most of the theoretical framework on CSR in this study is based on norm diffusion. However, we also investigated other constructivist perspectives that underpinned the importance and emergence of CSR. We examined how constructivism today, consists in various forms, but that all variations share a concern with how ideas shape international structure. In short, this was called a concern with global change (Barnett 2011). Especially important was the observation that organizations that share the same environment will, over time, resemble each other. DiMaggio and Powell coined this concept of institutional isomorphism in 1983. In chapter 4.0 we saw that Frumkin and Galaskiewicz (2004) examined whether public sector organizations, when compared to organizations in the business and nonprofit sectors, are more or less susceptible to mimetic, normative, and coercive isomorphic pressure. They discovered that governmental organizations are more vulnerable to institutional forces than other organizations, such as for-profits and nonprofit organization. This provides additional explanation for why Norway introduced ethical guidelines for their sovereign wealth fund before they introduced CSR in the legislation. The emergence of CSR played a vital role in creating the pressure needed for the incorporation of the ethical guidelines in the GPFG’s investment practices. We find that the incorporation of ethical guidelines in Norway’s sovereign wealth fund, fits well with Frumkin and Galaskiewicz theory that organization, funded and regulated by governments, are more susceptible to institutional pressures. Further evidence of this susceptibility of governmental institutions, is the CSR focus Innovation Norway (IN), New Delhi has. As we will explain below, we see IN as a norm consolidation actor, as they are a governmental provision, which help Norwegian companies operating in India to take CSR. Our interview with them at their office in New Delhi showed that they have had a focus on CSR since their establishment in 2005.

In further regards to global change, Barnett (2011) noted a tendency for states and IOs to look alike because they want acceptance, legitimacy and status on the international arena. Many states and organizations therefore diffuse towards particular models in order to improve their
legitimacy. The example of changed Norwegian and Indian identity will be elaborated on further in research question two in this section. Nevertheless, it will briefly be mentioned that the changed state identities came as a result of an altered perspective on what is the appropriate standard of behavior on the international arena. Barnett (2011) claimed that the internalization of norms, in our case CSR, suggests that the actors who practice it are increasingly accepting standards of behavior, because they are tied to the international community. Additionally, he asked, “Whose vision of international community is being constructed?” (Barnett 2011: 162). By this Barnett conveys that diffusing of norms rarely goes from the Third World to the West, that ideas and norms usually goes from the West to the Third World (Barnett 2011). Winum called this “moral imperialism”. She spoke of naive Norwegian businesses outsourcing production in the developing countries. Winum experience that many Norwegian companies thought that as long as you have ethical guidelines, they will be followed and they have “done their job”. She further claimed that is not reality; when operating in developing countries you need to work with the corporate sector where you are, not just impose ethical guidelines created in your home country.

Finally, within the idea of global change, we explored the concept of socialization. Socialization also explains how most states change and conform so they can recognize themselves to the identities, interests and manners of the other members of the “modern world” (Barnett 2011). Norway and India’s recent CSR initiatives can be seen as an application for this “modern world” society. It was important for us to convey these constructivist perspectives on global change, because their workings are preconditions for the state norm internalization process of CSR.

8.1.3 CSR as an international norm

Like previously mentioned, Segerlund (2007) reformulated Finnemore and Sikkink’s norm life cycle model, so it could include other international actors besides states. Her model has the ability to incorporate the multiple actors assumed in a constructivist IR framework. Segerlund (2007) found that the changed perspective on what the appropriate standard of corporate behavior is, results from the persistent advocacy of NGOs and IOs. Segerlund also used a constructivist perspective in her study of CSR. She understands CSR as a international norm and as a part of a social construction project with a normative agenda. For Segerlund, the norm emergence of CSR came in the 1970s. The norm tipping, and the subsequent norm
cascade, happened in the 1990’s. The fully pledged norm internalization, however, is yet to be completed. Segerlund (2007) argued that that CSR, unless interrupted between the second and third stage of the norm life cycle model, is on the verge of becoming institutionalized. Today, her research is over five years old, so our study provides a follow-up and continuation of her theory. We have found present-day evidence to further support her claims. Currently, there is a clustering of actors around specific CSR initiatives, and norm consolidation actors are slowly leading CSR towards norm internalization (Segerlund 2007). Additionally, Barnett (2011) noted that, states are aspiring to become members of a possible international community through norm internalization, should not be mistaken for a world without power and hierarchy. That states are conforming to different international norms, such as CSR, does not mean the actors practice the CSR in the same manner. By example, India is doing CSR their way, as seen by them creating their own NVGs and them having a more philanthropic view on CSR in the Companies Act, 2013.

8.1.4 Norm consolidation

Finnemore and Sikkink (1998) saw norm internalization as the third stage in the norm life cycle. For them this came at the end of the second stage. However, we agree with Segerlund (2007); there is no automatic between the second and the third stage in the norm life cycle. In accordance with her, we believe that CSR is at the slower stage of norm consolidation. This stage involves the transformation from a conscious approach to CSR to norm institutionalization. The hopes of the networks of norm entrepreneurs, who took part in the socialization process in the norm cascade, is that states and IOs will decide to adopt new CSR policies and laws, or even ratify international instruments regulating corporate and government CoC (Segerlund 2007). Segerlund found that the norm consolidation involves a continuation of the process involved in the norm cascade. As we close in on the third and final stage of the norm life cycle, the process of consolidation deepens. The agents of the norm consolidation process transitions into practitioners of law and bureaucracy, and their motives become compliance, such as you find in the third stage. In chapter 4.0 we saw that norm consolidation does not happen as visibly and frenetic as the norm tipping did. Furthermore, the consolidation of norms happens at slower pace than the norm tipping did (Segerlund 2007). Our findings support that this deepening of CSR is happening. The initiates and organizations we identify below, are norm consolidation actors who has evolved and
changed since Segerlund conducted her research in 2007. Their efforts towards CSR have deepened.

In the consolidation process, CSR ventures from the cascading stage, where the actors were many and the motive was legitimation, to a process where a consensus around one common definition or understanding of CSR occurs. Segerlund (2007) states that the CSR norm consolidation actors promoted today, will not be identical with what the original norm entrepreneurs advocated at the initial stage of the norm. This is clear constructivist thinking, and it legitimizes our background chapter on the development of CSR. The concept has been socially constructed and molded since the initial thinkers begun exploring the concept. In chapter 3.0, we investigated how the various definitions and understandings of CSR have developed and changed, especially since the norm emergence of CSR in the 1970s. In 1979 Caroll published his “Four-part model of Corporate Social Responsibility” which placed CSR in a hierarchal order (Caroll 1979), while today’s models of CSR include different topics, which concerns the international society, such as businesses effects on the environment (Clegg 2009). CSR has developed and has been influenced by the various motives and the different actors who have been involved with CSR. Additionally, contemporary international concerns, such as distribution of resources and climate change, have had an impact on the direction CSR has taken. In chapter 4.0 we explained the Three-Domain Model of CSR by Crane et al. (2014), and found that their model of CSR correlates with our understanding of the concept. Corporate conduct should be made on an ethical, economic and legal basis.

8.1.5 CSR norm consolidation actors – Norway, India and international

Remembering from chapter 4.0 that consolidation actors are those bodies that are employed to work with CSR in order to push towards internalization of the norm. Through our research we identified several CSR professional who we argue are such actors pushing for norm consolidation. In the following sections we present those consolidation actors we found important in Norway, India and internationally. In Norway the actors include, the Varner-Group, Euro Sko Norge AS, ETI-N, IN, FIOH, Bellona and the GPFG’s ethical council. The norm consolidation actors we have investigated from India are chosen those we interviewed. The CRB and CUTS-international could be recognized as norm consolidation actors, however, there are obviously many more such actors in India, but due to time constraints we had to limit our research scope to those actors we knew best. The international consolidation
actors we have investigated are the ISO, the UN and the CCC. There are of course many other significant CSR actors on the international arena. However, again the scope of the study limited our research.

8.1.5.1 The Varner-Group and Euro Sko Norge AS

For our thesis we investigated the work of the CSR departments at the Varner-Group and the Euro Sko Norge AS. At the beginning of this research we did not expect to find that any of the CSR norm constructors would be from the corporate sector. However, we have come to the conclusion that both the Varner-Group and Euro Sko Norge AS can be seen as drivers of the norm life cycle between the second and third stage for businesses in Norway. These companies are both market leaders in their retail fields in Norway. Likewise, they can be considered leaders on CSR work and CSR reporting. What is furthermore, they are both members of the ETI-N\(^{25}\). Their membership requires them to report on their work with CSR and they are influential on CSR in the corporate sector in Norway. What is more, both the Varner-Group and Euro Sko Norge AS have employees who sit as board members in ETI-N (Initiativ for Etiske Handel 2014). In accordance to the norm life cycle theory, the companies’ motivation for embracing CSR is a combination of pressure for conformity and a desire to enhance international legitimation. These two companies legitimate their production in developing countries, through demanding good business practices.

Nonetheless, we do not claim that because of the companies’ CSR focus, poor conduct does not happen in their supply chains. We are merely claiming that the Varner-Group and Euro Sko Norge AS are drivers of the norm that Norwegian companies should engage in CSR activities. Whether the efforts of such companies’ CSR departments boils down to actual improvements or not, is another question. As it stands today, large MNCs are expected to take responsibility for their production. As we will show below, there are other organizations, both in Norway, India and internationally, who tries ensure that these responsibilities are upheld and internalized both in corporate and state sector.

\(^{25}\) See member companies at: http://www.etiskhandel.no/Medlem/ETI-N_medlemsoversikt/index.html
ETI-N is an important CSR resource center and an advocate for ethical trade practices in Norway. In this section we will emphasized them because of their strong influence on Norwegian corporate and organizational sector, as well as on Norwegian authorities. An example of ETI-N influence in Norway is that they were one of the consultative bodies referred to in the Norwegian law proposition document Prop. 48 L (2012-2013). ETI-N’s objective is “cooperation on trade that promotes human rights, workers’ rights, development and environmental standards”. They are also “a multi-stakeholder initiative, represented by NGOs, trade unions, businesses and the Enterprise Federation of Norway” (Ethical Trading Initiative Norway 2014: webpage). ETI-N’s aim is to strengthen its members’ efforts to promote decent working and environmental conditions in their supply chains, and to strengthen support for ethical trade in general. Their members range from some of Norway’s largest companies to sole proprietorships, public bodies and organizations (Ethical Trading Initiative Norway 2014). The Norwegian Church Aid founded ETI-N in 2000, together with Virke, the Federation of Norwegian Enterprises, the Norwegian Confederation of Trade Unions (LO) and Coop Norway (Ethical Trading Initiative Norway 2014). ETI-N’s reporting system makes them an important connecting link for the various norm consolidation actors in Norway, they have several sister organizations, in Denmark, in the UK and in Italy. The UK based Initiative for Ethical Trading (ETI) is the closest sister organization, working with ethical trading initiatives and guidance for companies, but only ETI-N is member-based (Initiativ for Etiske Handel 2013b). We were in electronic communication with ETI-N at the outset of our study. They lead us to contacts in India and gave us advices on how to proceed with our study.

As seen in ETI-N’s own yearly report from 2012, they have recently developed a new reporting template for their member companies, and the new template is in line with the UNGP (Initiativ for Etiske Handel 2013b). The emphasis of the 2012 reporting changes, required that firms pay a due diligence towards how they map, prevent, limits and account for their operation, with actual and potential negative consequences associated with their business. The new ETI-N reporting template asks for risk assessment of the supply chains, screening of new suppliers, customization of corporate purchasing practices and improvement

26 We were in e-mail correspondence with ETI-N counselor Stine Foss
of suppliers. Stakeholder consultation and complaint handling is also a part of the new format (Initiativ for Etiske Handel 2013b). As we see, ETI-N’s role in the norm consolidation process of CSR in Norway is large. They provide motivation for actors to flock to CSR through a pressure for conformity. We claim, based on our understanding of the development of CSR, through Segerlund (2007), that ETI-N increases Norwegian companies’ desire to enhance their international legitimation, and this is done through demanding best business practices and transparency.

The Neverlien told us that the Varner-Groups relationship to ETI-N is important in relations to the development of a CSR strategy. The first person in the Varner-Group employed to work solely with CSR, was employed at the same time as they established contact with the ETI-N. ETI-N has previously pushes the Varner-Group on which CSR steps to take and they helped the company to establish contacts in the production countries. Neverlien explained that the company today, develop their own ideas on how they want to engage in CSR, and do not rely as much on the ETI-N. Nevertheless, if new and difficult situations arise, the Varner-Group still turn to the ETI-N. According to Neverlien, the yearly report to ETI-N is a summary of their CSR efforts.

We also discussed ETI-N with Winum, Euro Sko Norge AS and the CRB. Lie at Euro Sko Norge AS told us that the yearly report for ETI-N is a suitable way for them to keep a record of their CSR work, since ethical trading is a long-term engagement. Lie also told us that the ETI-N report creates more openness. Euro Sko Norge AS are at the same stage of their CSR work as the Varner-Group, and they are not as dependent on ETI-N in their CSR work anymore. However, Lie stated that an important part of the Euro Sko Norge AS’s CSR work is linked to their membership to the ETI-N. Furthermore, Lie told us that ETI-N is important in relation to NGO contacts, and mapping of reliable tanneries, which is a major obstacle for the shoe industry.

Where the ETI-N and CRB are concerned, the CRB told us that they were familiar with the working of the ETI-N. The CRB had been to a CSR conference in Norway and became familiar with the organization there. The CRB was impressed with ETI-N’s member-based approach. Winum, who was a part of establishing ETI-N and worked with them for 12 years, until 2013, told us that the Varner-Group was the first large textile house the ETI-N brought on board. The ETI-N has gathered many of the most influential companies in Norway, and
made them pull in the same direction where CSR is concerned. It is this effort that makes ETI-N’s role as norm consolidation actors clear. Norm consolidation involves the convergence of competing claims and definitions around CSR and ETI-N are succeeding in their effort. Winum explained that ETI-N works internally in Norwegian businesses and pushes them from within. What is more, ETI-N has through their sister organizations, created a global network and their methods are noticed by non-member organizations such as CRB and IN.

8.1.5.3 Innovation Norway

When we visited IN we spoke to the CSR responsible intern Harildstad and later e-mail corresponded with the CSR responsible Bhatia. Harildstad explained that IN advice Norwegian companies settling, or those already settled, operating in India, on practical matters such as CSR. She further stated that IN is one of the most important instruments of the Norwegian Government for innovation and development of Norwegian enterprises and industry. They support companies in developing their competitive advantage and enhance innovation both in Norway, but also abroad Harildstad further clarified. IN provides competence, advisory, promotional and network services for Norwegian companies. Harildstad told us that IN bases their CSR work on the ISO26000 and on the guidelines in the Global Compact. Further she clarified that the CSR services at IN have received increased attention and demand from Norwegian companies during the last few years.

In short, the office in New Delhi is an extension of the Norwegian Royal Embassy in the capital. IN is a governmental provision, yet businesses pay for their services. The fact that a state provision such as IN promotes CSR, fits well with Segerlund’s framework (2007) on the norm life cycle model. That a government provision promotes CSR shows willingness in the Norwegian government to incorporate CSR. The actors in IN who work with CSR can be considered CSR professionals and many will be bureaucrats, such as the actors of the third stage of the norm life cycle model demands. That the IN introduced CSR in their counseling services correlates with our understanding of Norwegian identity building posed by Stokke (2010), Stokke (2013) and Barnett (2011). Haugan (2013) also explained the relationship change between Norway and India as one involving an identity transformation. In chapter 6.0, we saw that the Norwegian parliament adopted a new strategy regarding India in year 2009. Instead of having a donor/aid-receiver relationship, the new strategy involves different
thinking around the political dialogues, trade, industry, climate and environment. As we will see, IN’s CSR focus, came timely after the introduction of ethical guidelines in the GPFG. Frumkin and Galaskiewicz’s (2004) research predicted such a move by the IN, as they argue that governmental institutions are easier influenced by isomorphic pressure.

8.1.5.4 The Future In Our Hands

Another Norwegian actor contributing to the consolidation of CSR in Norway is the FIOH. This organization has its origins in the repercussions from a 1972 book, written by Erik Dammann. The book had an eager ethical appeal, and attracted attention to the “First World's” exploitation of the “Third World”, when it was published. The FIOH was established after a foundational meeting in Oslo in 1974 (Framtiden i våre hender 2005). This meeting was the starting point of the FIOH movement and at the time the organization was based on the following values:

- “A commitment to an active consideration for our fellow human beings, instead of competition”.
- “Equal rights for all”.
- “Co-responsibility for the environment” (Framtiden i våre hender 2005: webpage)

Today, the FIOH is one of Norway's largest environmental organizations and they work for a fair distribution of the world's resources (Framtiden i våre hender 2010). We noticed the FIOH through articles and comments they made to the Norwegian media, in relation to Norwegian companies conduct abroad. The FIOH can be seen as a CSR norm consolidation actor, because the CSR norm cascade of the late 1990’s has affected their work and motivation. The organization consists of CSR professionals who aim for institutionalization of CSR. Presently, the FIOH focuses on consumption, fair distribution of goods and business ethics. Their approach to business ethics concerns monitoring ethical standards of Norwegian foreign investments and Norwegian businesses' conduct in developing countries. The FIOH specialize in human rights impacts and environmental standards. They do information and awareness-raising through advocacy and debates in schools, political assemblies, social media, TV, radio and newspapers (Framtiden i våre hender 2010). Below, we will see that FIOH were a central actor in the pressure for Norwegian companies to open their supplier’s lists.
Bellona became a CSR actor during the norm cascade in the 1990’s and early 2000s’. Their motivation for promoting CSR at that time was the fight against climate change and other environmental burdens. Bellona was important in relations to securing the ethical guidelines of the GPFG, and is still active in the development of the GPFG’s ethical guidelines. Today, they lobby for the GPFG to become a lead investor in renewable energy companies (Bellona 2008). Thus, we claim that Bellona has ventured from being an actor operating in the second stage of the norm life cycle, to a norm consolidation actor, between stage two and three. Bellona’s actors are closer to the actors recognized in the second stage of the norm life cycle. They are activists and volunteers, however their motives and dominant social process are similar to that of the third stage. Segerlund (2007) explained that some actors in the CSR norm consolidation process will be closer to the third or the second stage. However, unless the process is discontinued for some reason, their work will deepen and lead CSR to internalization.

The GPFG’s ethical council

Since the GPFG’s ethical guidelines were established in 2004, the actions of the fund have given Norway much international attention. Both investments and divestments made by the GPFG, created praise and complaints from the international society, by example, as seen in the Wal-Mart example in chapter 5.0. Måntrøen (2007) claimed that several other sovereign wealth funds consider Norway an “ethical compass” as for where to place investments. This raises the question whether the GPFG should not be seen as CSR norm construction actors themselves? The GPFG’s ethical guidelines are a result of the pressure from CSR norm entrepreneurs such as Bellona and the FIOH, during the first and second stage of the norm life cycle. However, we claim that today, it is the GPFG’s ethical council that can be considered a norm consolidation actor. The council can be recognized as such on the basis of Segerlund (2007), Toni Erskine (2003), Frumkin and Galaskiewicz (2004) and Barnett (2011).

The GPFG matches the criteria of Segerlund’s adoption of the norm life cycle model. The fund’s ethical guidelines mere existence places CSR closer to the third stage of the norm life cycle, internalization. The ethical guidelines mean that CSR is institutionalized with the Norwegian Ministry of Finance. The actors in the ethical council are therefore practitioners of
law, bureaucracy and CSR professionals, just like Segerlund’s (2007) criteria for actors in the third stage of the norm life cycle. Erskine (2003) claims that many institutions have moral responsibilities. We argue that the GPFG, on the behalf of the Norwegian state have become such a moral institution. According to Erskine (2003), to say an institution is a moral agent in IR, is to say that institutions has the capacity to both understand and respond to ethical reasoning and that you can allocate human abilities to the institution. This fits well with the writings on institutional isomorphism presented by Frumkin and Galaskiewicz (2004) and Barnett (2011). Barnett claimed that most states, organizations and institutions, want to be viewed as a part of the “modern world”. This diffusion towards an image of “modern world citizen” means that the international actors shifts towards particular models, practices, strategies or norms such as CSR. Further, Frumkin and Galaskiewicz’s (2004) research on governmental vulnerability from institutionalized forces, showed that the GPFG’s ethical guidelines was created after pressure from norm entrepreneurs at the second stage of the norm life cycle. As a CSR consolidation actor, the GPFG’s ethical council is driven by a motive of legitimation. However, its dominant social process is socialization. The concept of socialization was presented in chapter 4.0, where Segerlund (2007) claimed that a process of socialization takes place when those violating norms are pressured into complying with the international norms. The GPFG’s ethical council fulfills this requirement as they pressure companies to comply with their demands, or they risk being excluded from the GPFG’s investment universe or be placed on the councils watch list.

8.1.5.7 Centre for Responsible Business

The CRB is an Indian actor whose work is to support players and stakeholders, across value chains, to move towards more sustainable and responsible business practices (Centre for Responsible Business 2013). We noted that the CRB in many ways have operations resembling the ETI-N. We recognize the CRB as a norm consolidation actor because their operation and their motives are consistent with the characteristics set by Segerlund (2007). The CRB fits the profile as a norm consolidation actor, because the organization consists of CSR professionals and their motives and actions put focus on CSR. Their efforts are somewhere between the second and third stage of the norm life cycle. They are CSR professionals, who equate them with the third stage; their motive is conformity among businesses, which also equates them with stage three. However, their dominant social process is more of the socialization of stage two, rather than conformity of the stage three.
According to Jyoti at the CRB, the organization came into action in 2010/2011. As the CRB is newly founded, they are trying out different tactics to service the companies engaged with them. Jyoti noted that the CRB knew well of ETI-N’s member based approach, and in the future they might copy their policies. Today, the CRB engage in companies and their business practices in order to build responsible business capacity. Jyoti conveyed that for Indian companies, CSR has not always been “CSR”, it has rather been compliance to western standards. She finds a need for Indian companies to work on their own CoC, instead of what she referred to as a “code of compliance”. Therefore, the CRB works especially on small and medium (S&M) enterprise capacity building. Jyoti further elaborated on an immaturity of the Indian domestic market. She said that the CRB experiences that there is a low awareness among Indian factory owners, that Indian industry do not have the capacity, appreciation nor the necessary infrastructure for well functioning CoCs. Jyoti reminded us of the need to pay especial attention to the domestic S&M enterprises in India. Most such companies belong to the informal sector and employ over 90 percent of the Indian workers, as we saw in chapter 6.0. The S&M enterprises consists of such a large portion of India’s industrial output and the Indian GDP, that the ownership to corporate responsibility is indispensible. The CRB found that due to the immaturity of the domestic market in India, there is a need for international companies to lead the way for the domestic producers. As we will discuss later in this chapter, it is the large MNC’s who call the shots, but who also receive all the attention from the media and the awareness NGOs. Jyoti finally explained that the Indian S&M enterprises “glide under the media radar”.

8.1.5.8 CUTS International

Another Indian CSR norm consolidation actor we investigated was the CUTS International. They fit the profile as a norm consolidation actor in the same way as the CRB. The organization consists of CSR professionals and their motives and actions put focus on CSR. Their efforts are similarly to CRB, somewhere between the second and third stage of the norm life cycle. In difference to the CRB, CUTS International has a more global scope and has gained international attention. Their network is rather extensive and we discovered that they have done research together with NUPI for example. CUTS International grew from a small voluntary group in Rajasthan, while today, they run five overseas program-centers and an advocacy center in India (Consumer Unity & Trust Society 2014). In the different
programs they engage in consumer protection, international trade and development, competition, investment and economic regulation, human development and consumer safety. The organization is accredited the United Nations Commission on Sustainable Development (UNCSD) and the United Nations Conference on Trade and Development (UNCTD) (Consumer Unity & Trust Society 2014).

8.1.5.9 The ISO

The first of the international CSR consolidation actors we have investigated is the International Organization for Standardization (ISO). The ISO have guidelines called the ISO 26000:2010 and these guidelines are created as an international effort to promote CSR. The ISO 26000:2010 was mentioned in our much of our literature. Furthermore, in India, we witnessed that the ISO 26000:2010 was emphasized by different actors. IN, New Delhi, bases their work on the standardization, and at the Vastra International Textile and Apparel Fair 2013, Jaipur, we observed that the textile selling houses present there, were concerned with emphasizing their compliance with the ISO2600:2010. According to ISO (2010), the guidelines clarify what social responsibility is, and assists businesses and organizations to translate principles into effective actions and best practices relating to social responsibility, globally. The ISO (2010) notes that the CSR guidelines were launched in 2010, following five years of negotiations between different stakeholders across the world. Representatives from governments, NGOs, industries, consumer groups and labor organizations around the world, were involved in its development. The ISO (2010) argue that the guideline represents an international consensus on CSR. Thus we argue that the ISO fits the profile of a norm consolidation actor, as their efforts make CSR more tangible. Evidence that a norm is drifting into the third stage of the norm life cycle is agreement upon definitions and working methods. Standardizations such as the ISO26000:2010 is a consolidating action, and leads to legitimizing of CSR. The ISO must be considered an actor of the consolidation process because it is driving CSR towards the taken-for-granted abilities of the third stage.

8.1.5.10 The United Nations

The UN must be considered a norm consolidation actor based the series of initiatives the union has initiated in the last 15 years. Firstly, several of our respondents stressed the importance of the UN Global Compact. We also realized its importance through our literature: By example from Crane and Matten (2010), Finansdepartementet (2013) and Segerlund
(2007). Through Finansdepartementet (2013), we found that the UN Global Compact provided guidance for the working-group drafting the new accounting law in Norway. Furthermore, as seen in chapter 4.0, companies involved with the Global Compact have to account yearly in a report called “Communication on Progress”. The Global Compact recommends companies to use the guidance of the GRI. The GRI is connected to the UN and its purpose is to make reporting on environment and social accomplishments as common as normal financial reporting is. Despite some critique, the Global Compact initiative has drawn considerable international attention and is a sign of CSR consolidation. The initiative represents the UN’s changed views on international governance (Segerlund 2007).

The endorsement of the UNGP in 2011, further shows the UN’s role in driving the norm life cycle of CSR to its last stage. Remembering that beyond the Human Rights Council, the framework has also been endorsed or employed by governments, business enterprises, associations, civil society and workers’ organizations, national human rights institutions, and investors (Ruggie 2011). The implication of the UNGP has yet to be revealed, and some questions around the new framework have certainly risen. The Kenan Institute for Ethics (2012) asks if the framework has set the bar too low, arguing that the private sector should have an obligation to realize human rights, rather than merely be given a responsibility. In their report the Institute further questions whether the UNGP needs an overarching accountability mechanism that could make the framework legally enforceable. The creation of the UN Global Compact, the GRI and the recent endorsement of the UNGP must be seen as partial norm internalization of CSR. Furthermore, these actions show that the UN is a norm consolidation actor.

8.1.5.11 The Clean Clothes Campaign

Often through our reading, but also in our interviews, the importance of the Clean Clothes Campaign (CCC) was brought to our attention. Segerlund (2007) investigated the CCC as a norm entrepreneur who contributed to the norm tipping of CSR. The CCC was at the front of various campaigns against Nike around 1995, under the slogan: “Nike: Fair Play?” (Segerlund 2007). The organization is still active and with its ever-increasing network and continued work to improve the working conditions in the global garment and sportswear industry, we identify them as an actor who contributes to the internalization of CSR as an international norm because they focus their activities on both the corporate and state sector.
The CCC became active in 1989 and has since worked to ensure that the fundamental rights of workers are respected. The organization tries to educate and mobilize consumers, while lobbying companies and governments (Clean Clothes Campaign 2014). The CCC is an alliance of organizations in around 16 countries. Their members include trade unions and NGOs covering a broad spectrum of perspectives and interests, such as women’s rights, consumer advocacy and poverty reduction. The CCC, further relies on networks of partners, including organizations and labor unions in the garment-producing countries (Clean Clothes Campaign 2014). Since the mid 2000’s, the organization has actively campaigned for the greater use of the OECD Guidelines. The CCC has also started filing complaints through the complaint procedures included in the OECD guidelines. Though the complaint procedure is a non-judicial review process, it has almost a similar status as that of a judicial process (Segerlund 2007). This legal step further positions them as a norm consolidation actor.

8.1.6 The role of the media on the CSR Norm Life Cycle Model

When questioning the role of the media in CSR, we find similarly to Ralph Tench et al. (2007), that little academic work has been done in the sphere of CSR and the media. Tench et al. (2007) has interviewed editors, journalists, and news and business reporters, in order to address what they claims is a research imbalance. The CSR academics have largely concerned themselves with CSR, in relations to stakeholder groups such as consumers, investors and business leaders, rather than the influence and relationship to media (Tench et al. 2007). However, we claim it is reasonable to argue that the media is highly concerned with CSR and that it can be recognized as an actor pushing for the further development of CSR. The media coverage on CSR related issues were partly a reason why we were interested in writing this thesis. We had not anticipated so little research on the impact of the media on the emergence of CSR as a global norm. At the outset of this research, we had a higher focus on the media’s role on opening of suppliers’ lists and CSR at large. However, along the research process our focus shifted to that of norm entrepreneurship and we realized, that the media could be seen as a norm consolidation actor. Segerlund (2007) states that the importance of media in relation to the development of CSR is large. Media’s reporting on CSR organizations, CSR initiatives and the failure of international companies to comply with the expected responsible behavior, has been a successful strategy in order to legitimize CSR. The Norwegian media’s engagement in CSR can be seen in the vast array of articles available on the issues of CSR (see by example (Buan 2013), or (Aftenposten 2014b)). What is furthermore, there is a
connection between media’s focus on CSR and the norm conformity motive of NGOs involved in the norm internalization of CSR.

In this section we have mostly focused on the relationship between the Norwegian media and Norwegian NGOs, who act as campaign organizations. The reason we have mainly focused on the media and their influence on CSR related issues in Norway, is because this was most readily available to us. Doing a broad investigation of international media on this topic was too vast for this research and doing it in India posed several unmanageable challenges. Firstly, to do a thorough search through Indian media’s focus on CSR would in many cases require translation from Hindi. What is more, in our interview with Dev, we were told that Indian newspapers do not pay enough attention to CSR issues, such as child labor, despite the huge challenges faced in India. He explained that most Indian media houses are privately owned, and that the articles they print are for profit. In any case, Dev, claimed that the media houses does not play the part in society which they should. According to him, India’s problems with poverty and need for CSR does not sell. His arguments are vouched for by the arguments made in chapter 6.0. In chapter 6.0 we emphasized the liberalization and privatization process in India. When India started the process from publicly owned enterprises, to private sector, there became a higher demand for Indian companies to produce profit. Also, Professor Nathan at the IHD talked about the reluctance of Indian media to address the difficult conditions in the Indian textile industry. Professor Nathan claimed that hardships are difficult to discover, especially in relation to child labor in the informal sector, where the occurrence is well hidden. He also claimed that the punishment for breaches of labor law is to low, that bribes are often paid so such conditions are not discovered. Often such breaches are neither reported to the authorities or the media. The challenges around corruption and CSR in India will further be addressed in the case study below.

Tench et al.’s (2007) results are based on the media’s relationship to CSR in the UK, the USA, France and Germany. However, we find that their results can support our claims because we share a European tradition of business ethics and media ethics. In their article, Tench et al. (2007) noted that despite that most actors in the media are open to positive news coverage of CSR, the issues of CSR are largely written with a critical voice (Tench et al. 2007). This coincides with our findings: The Norwegian media are often reliant on the campaigning organizations/NGOs for information and verification of their stories. The NGOs who are most predominating in the Norwegian public eye are among others ETI-N and FIOH.
They both publish material on matters of CSR, often with a critical voice, and the Norwegian media follows up and republish such material. In recent years, such NGOs have been eager in pushing for the need for Norwegian textile companies to open their suppliers lists, and has been placing focus on the low wages and poor working conditions of the textile industry (RORG Samarbeidet 2013). Mostly, it is the large companies such as H&M and the Varner-Group who are targeted.

Winum, mentioned that campaign organizations do create awareness on important matters of CSR. However, since they usually only target the large companies, the smaller and less influential companies who operate in developing countries, avoid focus and pressure to take responsibility in their value chains. Winum further claimed that it is important that campaign organizations such as the FIOH and the CCC renew themselves. Also, Neverlien supports this claim. He told us that it is important that the media pushes the textile industry to improve the working conditions in their value chains, but as they only target the large corporations, many smaller companies outsourcing production avoid the focus of the campaigning organizations.

In 2012, the Swedish TV channel, TV4, showed a documentary series called “Kalla Fakta” (Cold Facts) (TV 4 2012). Kalla Fakta showed that H&M paid Cambodian textile workers as little as NOK 3,- per hour. This documentary gained attention in Norway as well and by example the FIOH declared H&M the least ethical company of 201227. The contemporary Consumer Affairs Minister Inga Marte Thorkildsen got involved in the conflict in 2012. She convened an emergency meeting regarding the low wages and the poor working conditions in the textile industry (RORG Samarbeidet 2013). At the meeting, Thorkildsen clearly expressed that the textile industry must take responsibility for the conditions in their sector. Transparency of supplier’ lists was one of the measures she called for in the encounter with the industry (Barne- likestillings- og inkluderingsdepartementet 2013). The tragic accident in Bangladesh in 2013, further enlarged the criticism against the textile industry (Aftenposten 2014b). As we will see in the following section, the Norwegian media encouraged the textile industry to open their supplier’s lists, and hence the media can be seen as an actor for CSR norm entrepreneurship.

27 This spring, FIOH have declared the large Norwegian candy producer Nidar for this year’s least ethical company because of their usage of palm oil in some of their products (Framtiden i våre hender 2014a).
8.1.7 The opening of suppliers’ list and the media

In 2013, the Varner-Group and H&M opened their suppliers’ lists. This sparked our interest in investigating the driving forces behind this action and it was natural to assume that the media played a major role. In this section we will see that the media and campaign organizations, together function as a catalyst for the opening of suppliers’ lists. They opened their suppliers’ lists shortly after the attention on the textile industry from Kalla Fakta and the accident in Bangladesh; consequently we believed media was the major contributor to this action. The Varner-Group announced they would open their lists in March 2013 and H&M released their lists shortly after the announcement (Initiativ for etisk handel 2013a). However, according to Neverlien, the media was not the only actor who had influence on whether the Varner-Group should open their suppliers’ lists. Nevertheless, the increased media attention, after the H&M scandal and the accident in Bangladesh, meant that they pushed the opening forwards, Neverlien elaborated. Further Neverlien told us that opening suppliers lists needs to be done properly and should not be rushed. Before they could open the supplier lists there had to be a quality control of all levels. One must act properly towards the factories that supply products. Factory owners had to understand what it means to have open suppliers lists. Today, in theory, it is just a matter of showing up at the factories.

In our interview with Euro Sko Norge AS, autumn 2013, Lie told us they would be opening their suppliers’ lists in 2014. The opening happened in March 2014. In follow-up communication with Lie, she told us that this was done in silence. Though they were the first in the shoe industry in Scandinavia to open their suppliers’ lists, they did not want to promote it loudly. Further, in the original interview, Lie told us that the opening process takes time. The members who comprise the Euro Sko Norge AS, had to agree and the logistics in relations to opening suppliers’ lists are difficult. Lie agreed that the media has influenced them in the decision to open their suppliers’ lists. However, they had other motives as well. Lie, in accordance with Neverlien, claimed they are opening their lists in order to become more transparent, to provide consumer security and to display tidiness. Still, Lie noted, open suppliers’ lists does not provide any guarantees. Subcontracting is still a problem, because feedback from actors further down in the supply chains can be difficult to obtain.

Jyoti at the CRB however noted that the media was the major reason companies are opening their suppliers’ lists. Like previously mentioned, she acknowledged the problem that the large
companies get all the attention from the media and NGOs. The small companies glide under the radar. Remembering in the chapter 5.0 that the numbers of large companies, who are demanded to give two percent of their surplus, are just a fraction of all the companies in India. In relation to opening suppliers’ lists, Jyoti gave us the example of H&M. According to her, the company did not do many changes before they opened their suppliers’ lists. At least, in the first tiers the compliance to H&M’s CoC was already high. Jyoti recalled that though the suppliers’ lists were not public, the people around who work in the business knew which factories belonged to whom and checkups were already happening. Jyoti also stated that the problem lies further down in the supply chain.

The FIOH was one of the most active actors campaigning for the Norwegian companies to open their suppliers’ lists. Their campaign was called “Vreng kleskjedene” (Turn around the textile-companies). The FIOH’s motive was to push the Norwegian textile industry to open their suppliers’ lists. FIOH believe that this action is an important step in improving working conditions for textile workers. Further, they believe that poor transparency and secret factory lists’, makes it difficult to uncover child labor, underpayment and dangerous working environments, which are often associated with the clothing industry (Framtiden i våre hender 2014b). Also, ETI-N has been following the development of the opening of suppliers’ lists. The General Manager of ETI-N, Per N. Bondevik, was cited by RORG samarbeidet (2013), saying that: 

"We (ETI-N) believe that open lists will be able to support a systematic approach to the benefit of workers and communities where goods are produced. In this context it is important that openness becomes a starting point for improvement with suppliers and local organizations" (RORG Samarbeidet 2013. Translated by authors webpage).

The media was eager in reporting on the Consumer Affair minister’s engagement in the H&M scandal, and Thorkildsen was praised for her participation in the matter by organizations such as FIOH (Framtiden i våre hender 2013). However, both Neverlien and Lie, expressed an annoyance against the publicity around the former minister’s “attack” on the textile industry. Neverlien, similar to Lie, explained: “It is good that the media pushes the industry, however, often the conflict is more interesting than the solution for them”. Lie told us that, though Thorkildsen created a lot of publicity on the matter, her attack was unjust. It is not that H&M did not know who their suppliers were, but opening lists is not a small matter. According to Lie, H&M had been in conversation with the Bangladeshi state, but were criticized on their
wages anyhow. “An international company cannot control everything”, claimed Lie. Nevertheless, we have not had the opportunity to get Thorkildsen’s comment on this matter.

8.2 Research question two

In this study we investigated the facilitating circumstances, which tended to the implementation of CSR in the Norwegian and Indian legislation. As we discussed in this study and in research question one, our constructivist perspective led to an understanding that globalization, institutional isomorphism and socialization were preconditions needed to lead to a change in the standard of appropriate behavior, where CSR is concerned. Examining why Norway and India are implementing CSR in their legislation is the same as investigating signs of institutionalization of the norm. We will shortly recap the constructivist ideas by which we ground our claims.

In the previous section we noted international initiatives that work towards the institutionalization of CSR, namely the UN Global Compact, the GRI, UNGP and the ISO. In chapter 5.0 we also discussed the Danish CSR reporting law and the discussions round the EU reporting demands. Though, we would have liked to do a study on all state CSR initiatives in the world, we had to focus our research on Norway and India. Our timeframe did not allow for further investigation of other states’ CSR efforts, as the initiatives needs to be seen in light of both recent history and identity building. We have heavily relied our research on the constructivist writings of Barnett (2011), Segerlund (2007) and Finnemore and Sikkink (1998). However, we also used Risse (2007) Jackson and Sørensen (2013) and Wendt (1992).

Through Finnemore and Sikkink (1998) we explained the role of norms and normative approaches with an historic perspective in the IR field. We saw in chapter 4.0, that considering norms is, and have been, important for IR theory - on and off - throughout the era of modern IR. Finnemore and Sikkink (1998) developed the norm life cycle in order to analyze how international norms emerge. The model initially had a state focus and they showed us how norms play a role in political change. Finnemore and Sikkink (1998) also noted how many international norms began as domestic norms and became international ones through the efforts of norm entrepreneurs. They gave the example of women's suffrage: It began as a demand in a handful of countries and eventually became an international norm. We claim this is what has happening with CSR as well. Modern CSR had a point of departure in
the USA in the 1970’s and since, different norm entrepreneurs have been involved in a process of making CSR an international norm.

As previously stated, we found CSR to be a norm between the second and third stage in the norm life cycle. As we saw in chapter 4.0, and as the name CSR implies, the demand to take social responsibility for corporate actions was firstly imposed on large MNCs. Yet, CSR will not reach the last stage of the life cycle unless states are involved. Norm internalization is the third stage of the norm life cycle and at this stage, CSR will have a “taken-for-granted” quality and no longer be a matter of broad public debate. At this stage CSR will be fully institutionalized. Winum stated that it is important to focus on government’s role in matters of CSR. She claimed that states must “sweep their own doors” 28, because by example, public procurements are rarely flattering pictures for good purchasing methods. The UNGP is the existing CSR framework, which involves states through the “state duty to protect human rights” (Ruggie 2011). However, Winum calls for further for state involvement in securing labor and environmental standards in global production, e.g. by strengthening labor inspectorates.

Remembering in chapter 4.0, that European business responsibility to society has tended to be implicit, while in the USA explicit. Dirk Matten and Jeremy Moon (2008), have in their comparative research on CSR in Europe and the USA, identified remarkable differences between companies on each side of the Atlantic. Their study mainly concerns the language companies’ use in describing their involvement in society. Responsible business practices have been, and continue to be, an implicit part of European day-to-day business activities (Matten & Moon 2008). Good business practices have been institutionalized and implemented, and unionization and workers rights have been strong in Europe. This does not mean however, that these business practices have been followed when European companies have outsourced production to developing countries with weaker regulations. As a result of critique regarding the poor business practices, European companies and governments are adopting, a more explicit tone in relations to CSR, resembling the American discourse (Matten & Moon 2008). Matten and Moon’s (2008) research fits well with our constructivist understanding that states look alike because they want acceptance, legitimacy and status. Also, that states, during periods of uncertainty, when they are unsure of how to address

28 This Norwegian saying means it is easier to judge others than yourself.
existing challenges, states are likely to adopt those models that are perceived as successful or legitimate (Barnett 2011). We claim CSR is such a legitimizing norm.

Winum also noted the norm development regarding CSR today. She warned that existing international regulations and conventions on CSR must be closely followed up, because today, the implementation is poor. She calls for more weight around the CSR legislation. We believe the strengthening and creation of even further CSR regulation is coming. The international society will be motivated to continue the CSR norm life cycle, because of a combination of pressure for conformity, a desire to enhance international legitimation, and the desire of state leaders to enhance their self-esteem. We believe a cascade of state actors will implement CSR demands in their legislation based on the experiences we have made through investigating the development of CSR in Norway and India. At this stage of the norm life cycle, more states will start a dynamic of imitation and attempt to socialize other states to become norm followers (Segerlund 2007). Barnett (2011) showed that internationalization of norms is connected to state identities, and thus express how the states define themselves and what their interests are.

8.2.1 Why Norway has implemented CSR in their legislation

Above we investigated the preconditions that laid the grounds for the implementation of CSR demands in the Norwegian legislation. In our study we have found that the demand from norm entrepreneurs for the government to take CSR, came at a time that coincided with a shift in the Norwegian identity. We claim the external Norwegian identity building became an enabler of the internalization of CSR. In chapter 5.0, we saw that Norway has, since the end of the Cold War, often functioned as a facilitator for conflict resolution in interstate conflicts and, thus, constructed Norwegian foreign policy as an international peace promoter (Stokke 2010). Norwegian undertaken identity has also been that of a “humanitarian power”. In chapter 6.0 we saw that Norway was one of the first nations to provide aid to India. Remembering from chapter 4.0, how Barnett (2011) found that the international norms states follow, do not only regulate what states do, the norms are also connected to their identity. We found especial connections between the GPFG’s current exclusion practices and Norway’s relations to other states. By example, Norway’s changing role in international peace engagements came at the same time it was decided that the GPFG should take social responsibility for its investments. We find that Stokke (2010, 2013) supports our claim. He
portrays Norway as a small state with soft powers. Norway’s undertaken identity is a combination of many factors, but today, it is important for Norway to be seen as a responsible investor (Stokke 2010). We argue that the demand for CSR reporting in the Norwegian accounting law is a further attempt to build on this new undertaken identity. Norway is gradually positioning itself more towards a role as a responsible global partner, rather than mainly a “peace and humanitarian” nation.

8.2.1.1 Ethical guidelines in the GPFG

The emergence of CSR as an international norm played a vital role for the pressure needed for the incorporation of the Ethical Guidelines in the GPFG’s investment practices. What is more, norm internationalization is connected to state identities. The ethical guidelines of 2004 and the 2013 CSR reporting demand, expresses how Norway defines itself and what their interests are. In chapter 5.0 we saw that the Norwegian failure in the peace negotiations in Sri Lanka and the pressure from the U.S. when they started their “war on terror” in 2001, were preceding events before Norway started to change their identity (Stokke 2010). Today, the ethical investment practice of the GPFG is a part of Norway’s the new identity. We also noted the example of Norway and India’s relationship in chapter 6.0. As of 2009, instead of having a donor/aid-receiver relationship, Norway has adopted a new strategy towards India. The new strategy involves political dialogue, trade, industry, climate, environment and social development (Haugan 2013).

29 Recently there have been developments on the ethical council to the GPFG. The Norwegian Financedepartment stated in a recent press release (04.04.14) that they want to enhance the socially responsible investments in the GPFG. The government claims they are concerned about the transparency and ethical awareness in the management of the Norwegian joint savings. They are therefore creating a new ethical council to provide public ratings of socially responsible investment. The government plans to gather all the instruments of the socially responsible investments in Norges Bank. The bank will thus assume responsibility for observing and exclude companies. The government claims that the ethical criteria’s for exclusion of companies will not be altered and will be incorporated into the mandate of Norges Bank (Finansdepartementet 2014). We question the independence of this new “independent” ethical council, as it will be subject to Norges Bank. What is more, at the creation of the ethical council back in 2004, the Conservative party and the Progress Party were critical towards the fund’s ethical practices and wanted the funds’ objective to be solely based on maximizing the financial yield and reducing risk. They claimed aid and environment is covered by other institutions under the Norwegian government (Veggeland 2009). Today, the Conservative party and the Progress Party are a part of a coalition government together with the Christian Democrats. The Christian Democrats are progressive on matters of international solidarity while the Conservative party and the Progress Party have formerly been critical towards the ethical investment universe. What is more, the Progress Party and the Conservative Party were the only parties to vote against the 2013 changes in the Norwegian Accounting law. However, the Financedepartment also announced that several measures will be further taken to safeguard the ethical investments of the GPFG (Finansdepartementet 2014). Furthermore, the ethical council shall submit public reports on their investment evaluations which is a sign they are continuing to embracing their social responsibility.
What is more, Norway’s acceptance of responsibility for the environment in NOU: (2003), was timely with the norm cascading of CSR and Norway’s perceived identity at the time. Further in chapter 5.0 we saw how both Norwegian and international NGO’s were working on creating legitimacy for CSR. We recognized Bay (2002) and Tørres (2002) on behalf of the FIOH and FaFo, and also Bellona as some of the most important norm entrepreneurs, who were pushing the “oil fund” towards ethical guidelines in the late 1990’s.

8.2.1.2 Changes in the Norwegian accounting law

In chapter 5.0 we investigated how the changes in the Norwegian accounting law came about. We also examined the agencies and institutions that influenced the decision to demand CSR report for large Norwegian companies. The first signs of the changes in the accounting law of 2013, came in the 2009 Parliament Report “Næringslivets samfunnsansvar i en global økonomi”. The Parliament Report in question, number 10 (2008-2009), discussed corporation’s responsibilities to influence the development of societies, beyond that of profitable value creation. It was discussed which measures to take to raise awareness about CSR, in both the private and public sector in Norway. The report suggested that attention and pressure from the public opinion and consumers, as well as internal awareness among employees and management of the individual companies, would likely have a positive effect on Norwegian business practices (Finansdepartementet 2013). Rapidly after the Parliament Report (2008-2009) was presented, a legislation draft working-group was announced.

The working group developed the legislation draft by observing different international developments in the field of CSR. By example, the EU-commission’s report “European competitiveness report 2008”, the Danish Annual Account Act and the UN Global Compact and GRI. Then the legislation draft was handed to elected consultative bodies (Finansdepartementet 2013). When the consultative bodies responses were accounted for, the result was the proposition Prop.48 L (2012-2013). Some concerns aside, most of the consultative bodies were positive towards the demand to report on CSR, or at least they showed understanding for the proposal. Prop. 48 L, was sanctioned and the changes in the accounting law took effect as of June 1st 2013 (Stortingets informasjonstjeneste 2013).
We claim the main reason Norway implemented CSR in their legislation is closely interlinked with Norwegian identity and the wish to follow international norms, in order to be a “modern world citizen” (Barnett 2011). The rapid interlinked-ness of the globalized world, has lead to consumer and community pressure both on companies and governments. The pressure for the Norwegian government to implement ethical guidelines for their investment fund, underpin this. In the Parliament Report, number 10 (2008-2009), the Norwegian government recognizes that attention and pressure from the public opinion and consumers was emphasized. Furthermore, the report recognized that internal awareness among employees and management of the individual Norwegian companies, will likely have a positive effect on Norwegian business practices abroad, particularly in the developing world (Utenriksdepartementet 2009).

We support and are positive towards the demand for CSR reporting in Norway. However, we also recognize Winum and the critique of the consultative bodies to the Prop.48 L (Finansdepartementet 2013). The Norwegian government needs to “practice what they preach”. Should not the government do more than create this legal instrument to ensure attention and adoption of CSR? Is there not a lack of focus on developing other legal instruments besides that of the CSR reporting? Should not the procurement practices of the government be in focus? If public purchases were followed up, and strictly regulated in relations to ethical production methods and condition, pressure to change production modes in the developing world, would likely increase. Nevertheless, we argue the new CSR reporting and the ethical guidelines of the GPFG are signs of internalization and institutionalization of CSR in Norway.

8.2.2 Why India has implemented CSR in their legislation

The reason India is implementing CSR in their legislation is in many ways different to Norway. CSR reporting for Norwegian companies is created as a part of Norwegian identity building and in order to build awareness on business practices in the developing world, while in India there is a need for CSR. The need for CSR was created by internal challenges. Chapter 6.0 investigated the developmental challenges India has faced since independence. The internal challenges in India will be further elaborated on in the case study below, but we will also discuss some of the aspects in this section in relation to the implementation of CSR. Further, we argue that CSR was brought into the Indian legislation because of a wish from the
government to improve its legitimacy. Based on the identity studies of Barnett (2011), Jackson and Sørensen (2013), Segerlund (2007) and Finnemore and Sikkink (1998), we connect the institutionalization of CSR in India to the country’s identity. CSR in India did not simply erupt, but rather evolved through a process. Below, we will explain this process and discuss the developments that lead India to be a lead actor in the internalization of CSR.

8.2.2.1 CSR in India

In chapter 4.0 we found evidence of Indian CSR-related thinking dating back to the Vedic philosophy (Amaladoss & Manohar 2013). We used Tata as a relatively more recent example of CSR initiative in India. Tata introduced eight hours workdays in their company already in 1912, and continue to do CSR in a strategic manner today (Tata 2014). Even though Tata added more than philanthropy to their CSR approach rather early on, the involvement of Vedic thinkers and one company alone does not make up a coherent business ethics approach. Our research showed that, generally, Indian CSR is of a philanthropic nature. However, since the liberalization, CSR in the formal Indian textile industry have been increasingly influenced international actors. The first and second tier garment manufacturers in India have had to follow international CoCs since this became a common practice to impose by the international buyers, such as the Varner-Group. European and, especially American CSR practices have therefore been familiar for the formal textile industry in India. We will address the philanthropic CSR view and the USA/Indian relationship in separate sections below. In our study we also investigated the Indian mixed economy, and saw how this two-part model has been important in relations to Indian social development and identity building. The failure of the mixed economy was important in the building of a new Indian identity where there was room to internalize CSR.

Today, the Indian government is at the forefront on CSR demands. Their implementation of CSR, testifies to the norm construction of CSR in the norm life cycle. Remembering that the Companies Act, 2013, mandates that companies of a certain size spend two percent of their three-year average annual profit towards CSR efforts. This new act makes India one of the first nations to have social welfare spending as a part of companies’ statute by law (Dhawan 2013). The Indian Corporate Affairs Minister, Pilot, was, as we saw in chapter 5.0, on the forefront in pushing for the Companies Act, 2013 (Singh 2013). He called the new act a “game changer” which will help Indian companies to work in a more “global format”
(Doordarshan News 2013). The CSR demand aside, it is important to note that there is no penalty for companies who fail to spend their two percent surplus on CSR in India. There are, however, penalties for failing to report on CSR activities conducted, or a lack of explaining why CSR spending was not carried out (Kordant Philanthropy Advisors 2013). Throughout the study, we have seen that in India the problems of child labor, gender, caste and religion are not connected to the legislation. The problem lies with the implementation and the enforcement of laws. For example, Professor Nathan stated, “I have never heard of anyone going to jail for using child labor”. With this backdrop, it remains to be seen how the CSR clause of the Companies Act, 2013 is acted out, implemented and complied with.

8.2.2.2 Indian need for CSR

Since independence, Indian politics have been haunted by power struggles, discrimination, poverty, unemployment and corruption. What is more, the country was rather unpopular on the international arena, due to warfare, the condemned nuclear testing and its closed boarders in relations to international trade (Ruud 2011). Through our study we learned that India is one of the toughest countries in the world to conduct business in. Singh (2013) partly explained the corporate challenges in India by referring to how the laws in the Companies Act, 1956 were outdated and out of context. Remembering that India came in at 131st place in the WB’s “Doing Business Survey” (Singh 2013). Our constructivist perspective led us to examine the historical conditions for this ranking. The interests and ideas that have influenced Indian rules and norms, was investigated through the dominant powers in the Indian political and economical system since independence. India’s recent history portrayed how the globalized world caught up with this emerging power. The CSR demand in the Companies Act, 2013 and the development of the NVG, demonstrates that India is a country where both national and international companies, need to take the social responsibilities for the repercussions of their production. In India the task of taking social responsibility is divided between the state, NGOs and the large companies (Ruud 2011). The Indian NGOs are linked to CSR by the legislation, through the NVG and Schedule VII in the Companies Act, 2013. We have to remember that although states are conforming to different international norms, such as CSR, it does not mean every actors practice the norm in the same manner (Barnett 2011). India is doing CSR their way, as seen by them creating their own NVGs concerning CSR and by them having a rather philanthropic view on CSR in the Companies Act, 2013. With the failure of
the mixed economy in India, Indian companies, MNCs and NGOs have played a central role in the social and economic development of the country, due to a lack of state management.

In chapter 6.0 we disclosed several features of the Indian society and Indian business culture, which highlighted the need for CSR in India. Religious conflict, poverty, the prevalence of poor working conditions, governmental acts against democracy, poor unionization, prevalence of child labor and poor implementation of the rule of law and the caste system, are such features. Furthermore, we elaborated on the occurrence of corruption. Corruption leads to increased need for CSR, because it is devastating for societal development and for the fight against poverty. It creates unequal conditions for competition between actors and is an inhibitor for businesses in India (Initiativ for Etisk Handel 2013b). Dossani (2008) pointed to the condition of India at independence as reasons for corruption: Pervasive poverty, conflicts of interest between the landed and landless, and not least, the quota system and the subsequent License Raj, introduced by Nehru. The quota system more or less guaranteed that goods and services would be in short supply and it created incentives for widespread corruption. Dossani (2008) further explained that between independence and the economical liberalization, bribes were often paid to bureaucrats and to the dealers of different products. Imported goods from the West were unwelcome, due to the protectionist policies. Everything in India was supposed to be produced by Indian companies on licenses, either privately or publicly. Dossani (2008) elaborated that the bribes paid to bureaucrats and dealers, filled the gap between the price of the license and the market price of the commodity. The vast corruption in India began with the industrialists and bureaucrats banging over the licenses, but has since ventured down to include even the common man.

India was one of the world’s largest recipients of foreign aid till the mid-1980s, because they had to finance their public expenditure. The Indian dependency on aid, resulted in large amounts of Indian and international NGO’s in the country (Price 2009). However, being a receiver of aid was seen to hinder India’s ability to play a greater global role. In chapter 6.0 we saw that India was not comfortable with the conditions and sanctions posed by the donor countries, because of their defense policies and other affairs. As of lately, the government has stopped much of the aid flow to India. NGO’s must therefore mainly fetch donations themselves, which has become a hardship for many of the organizations (Prince 2009). With the philanthropic angle of the Companies Act, 2013, Schedule VII, NGO’s have to learn to work with the corporate world in order to survive. In many ways, the Indian government has
given the NGO sector and itself, a helping hand with the two percent CSR demand. The quasi-monopolism that arose from the License Raj, lead to a few very powerful private companies and some of the responsibilities that usually are provided for by social-democratic governments, were given to companies and NGO’s (SarDesai 2008). A stronger NGO sector is therefore a positive for India. Nevertheless, we agree with Kumar (2013) that NGOs risk becoming vendors of companies when carrying out CSR work on behalf of companies. However, they may also help maximizing the social benefits of the CSR spending in India, as the NGO sector still employs vast amount of people, and participate on a large scale in the social welfare of the country.

8.2.2.3 Philanthropic view on CSR

As mentioned, several of our respondents referred to the Indian business ethics/CSR tradition as one with a philanthropic nature. We argue, since Indian CSR generally is conducted through philanthropic measures, this testifies to a need for a broader understanding of the concept. Philanthropy is not an evil, but alone it is not a solution to the challenges faced in India. While we previously argued, that the Indian formal garment manufacturers’ comply with international CoCs, we found that such factories coordinate international strategic CSR with the philanthropic tradition of India. At the Radnik factory, Bhardwaj told us about the philanthropic CSR initiatives the factory was engaged in. Their CSR work was mostly conducted through donations to NGO’s who worked with anything from vocal education of women, to tree-planting in New Delhi. Also IN explained that philanthropy is a challenge for international companies because Indian business managers tend to have a more philanthropic understanding of CSR, than companies who come with a European understanding of CSR. CUTS-international told us that they hope for a turn away from this focus on philanthropic CSR exercises. They expressed that it is “Better to improve working conditions than to do philanthropically exercises”.

8.2.2.4 Indian identity and relations to the USA

To understand Indian identity and their position on the international arena, we investigated Indian economy and politics from independence. We argue they are in a process of constructing a new identity, and have been so since the liberalization process started around 1991. This new identity was a precondition for the implementation of CSR in the Companies,
Act 2013. As we will see, the internalization of CSR fits well with India’s newfound identity, and testifies to India’s participation in the norm life cycle of CSR. Arora at the CRB referred to the Indian government as a norm entrepreneur because of the Companies, Act 2013 and explained that the future of CSR in India lies in it becoming mainstreamed: “Because of the Companies Act, 2013 and the NVG, CSR is a universal buzzword, not just something development professionals work with”.

The implementation of CSR in the Companies Act, 2013, can also be seen as a recognition that India is not necessarily “shining”. India seems to be constructing their identity a bit more humbly on the international area, today, than they did in the mid 2000’s (Prince 2009). The Indian identity today, is one of economical super power, but their identity also conveys a willingness to increasingly follow international rules and norms, seen through the implementation CSR and the ratifying of some ILO conventions. This is in order to increase their legitimacy. The Child Labor (Prohibition and Regulation) Act from 1986 is one the most important acts’ on child labor in India, and currently it is subject to amendment. Depending on how much of the proposed amendment is passed; the outcome of the changes can be ratification of the ILO conventions on child labor (PRS Legislative Research 2013).

In the period between independence and liberalization, India’s identity was to operate differently, and on their own terms. The mixed economy that arose after independence was influenced by the colonial experience. There was a fear that the Western powers would yet again exploit Indian resources and this resulted in the protectionist economy (SarDesai 2008). Though Nehru chose non-alignment, he was not an anti-capitalist. He wanted industrialization to happen fast in India, but not without government control and with societal benefits (Ruud 2011). Quite rapidly after independence, it turned out that the government-controlled industry was inefficient and did not give the expected economical impact (SarDesai 2008). As time past on, there was a turn away from the originally planed public infrastructure.

Who India has befriended on the international arena after independence, varied. They have had strained relationships with both the Soviet Union and China, but most important for this thesis was India’s relationship to the USA. In accordance with India’s identity change, their relationship with the USA improved. Today, India and the USA have close collaboration, but during the early days of Indian independence, which was also the early days of the Cold War, the relationship between these two large democracies were strained. Under Nehru, India strived for nonalignment, peaceful coexistence, anti-colonialism and anti-racism (Price 2009).
The countries good relations began with the dissolution of the Cold War and India entering the economical liberalization. India, a democracy and a dominator of information technology, was alluring to the USA (SarDesai 2008). Today, the USA is a major trading partner to India, especially so in the textile industry. Winum, Neverlien and Lie all spoke of confusion around CoC and CSR work at the factories in India when American companies also outsourced their production. This American influence will be elaborated on in the case study below.

8.2.2.5 The Indian legislative CSR demand

The economical turn of the 1990s left a void for large companies and NGO’s to fill with CSR. Though, India today is much more open to the international market, its economy has never been pervasively reformed (Kristiansen & Filseth 2013). The government still has significant expenses on inefficient state enterprises. With the opening of the trade barriers, the Indian government has not seized ownership to addressing societal problems. It has rather continued its dependency on private companies created through the mixed economy (Ruud 2011).

The liberalization process allowed international companies to utilize India’s large and cheap workforce. Today, this workforce makes India a popular choice for companies, such as the Varner-Group, looking to outsource their production (BBC News Asia 2014). India has experienced solid economic growth since the late 1990s. This growth included advances in the manufacturing industry, the huge boom in the IT sector, the relatively liberal economic policies and a strong increase in foreign investments (Haugan 2013). Had it not been for the failure of the mixed economy and the liberalization process, the institutionalization of international norms, such as CSR, would probable not be taking place. We have seen how historical factors shaped India’s identity and preferences, and that liberalization and globalization lead India to participate in the global economy, as an emerging economical power.

As a final note to the question of why India has implemented CSR in their legislation, we will shortly sum up. In this chapter we have argued that India’s changed identity and the need for CSR measures were the underlying causes for the implementation for the CSR clause in the Companies Act, 2013. We argued that with the implementation of CSR in the legislation, India will further contribute to a socialization process, where other states will follow, in order to become a member of the “modern world society”. India can therefore be considered a
leading actor of CSR. The need for CSR arose especially as consequence of the failure of the mixed economy. The norm cascade of CSR initiatives in the 1990s came timely with India’s economic liberalization. Since the liberalization process began, India has shifted their identity. Today, they portray themselves as an economic super power, but their identity also conveys a willingness to follow international rules and norms. We argued this is in order to increase their legitimacy on the international arena. The new identity has lead India closer to Europe and the USA. Despite this inclination towards the west and a more humble attitude in relation to their own social development, India continues to practice CSR within their traditional philanthropic framework. However, as the social responsibilities in India, since the introduction of the mixed economy, has been divided between the state, corporate sector and the NGO sector, this is no surprise. In fact, the NGO sector in India will probably benefit from the mandate in the Companies Act, 2013. The CSR norm entrepreneurs and CSR consolidation actors, such as CUTS-International and the CRB, who were pushing for CSR, did so timely, when India needed to change their identity on the international arena. Furthermore, it is also within India’s identity to do things differently, as seen by them introducing their own NVG for conducting CSR.
9.0 CASE STUDY – THE VARNER-GROUP

In this chapter we will investigate how the Varner-Group’s CSR work has evolved since the CSR cascade of the 1990’s. Further, we discuss the internal challenges faced when operating in India. Additionally, we investigate what their CSR work entails in India today. Finally, we will apply the Three-Domain Model of CSR on the Varner-Group’s CSR practice and place the company in category (iv) Economic/Ethical.

9.1 Presenting the Varner-Group

The Varner-Group was established as a clothing store in Oslo, Norway, in 1962 by Frank Varner. Today, the retail company has expanded and consists of various clothing chains; Bik Bok, Carlings, Cubus, Dressman, Dressman XL, Solo, Urban, Vivikies, Volt, Wearhouse and Wow (The Varner-Group 2014b). This makes the company one of North-Europe’s largest textile companies. The Varner-Group has shops in eight countries, both in and outside of Scandinavia, they have around 1300 stores and over 10 000 employees (The Varner-Group 2014c).

The Varner-Group has a total of 216 suppliers world wide, and in 2013 their turnover was NOK: 10,300,000,000. Their suppliers are situated in China (60 percent), Turkey (15 percent), Bangladesh (11 percent), India (6 percent), Pakistan (3 percent), Vietnam (2 percent), Europe (2 percent) and other Asian countries (1 percent). In India they have 25 first tier suppliers (The Varner-Group 2013). As we already noted, the company opened their suppliers’ list in 2013. From the suppliers’ list we can see that the company outsource most of their production in India to factories in the districts of New Delhi and Bangalore (The Varner-Group 2014a).

We meet with representatives from the Varner-Group, both in India and in Norway, and had e-mail correspondence with them after our fieldwork. Therefore, in the text, we differentiate between the various representatives of the Varner-Group. We refer to our initial meeting with Benedicte Eik and Vicky Singh as “the office in New Delhi”, all communication with Vegard Neverlien as “Neverlien” and since our e-mail correspondence with Singh has been rather elaborated, we refer to him as “Singh”.

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9.2 Research question one: The development of CSR in the Varner-Group

Research question one in the case study addresses the development of the Varner-Group’s CSR work. Though the Varner-Group have had employees working on matters of CSR prior to 2003, Neverlien explained that was the year the owners wanted an increased focus on CSR and thus initiated their CSR department. In 2003/2004 they hired people to specifically address the company’s CSR work. The fact that the company engaged in CSR around 2003 indicates that they were influenced by CSR norm cascade of the 1990s (Segerlund 2007). Neverlien explained that today, the Varner-Group has six people employed to work solely on matters of CSR in Norway and abroad. Additionally, two employees work with chemical and environmental issues. The company has offices in amongst others; Bangladesh, Turkey, India, and at the office in New Delhi they told us that they plan to open an office in China as well.

In 2003, the company became a member of ETI-N (The Varner-Group 2012a). According to Neverlien, ETI-N has played an important role in their CSR work. ETI-N have, as we saw in the previous chapter, been essential for the company in developing a CSR strategy, and they have assisted the Varner-Group in developing CSR measures. As a member of ETI-N they also committed to report annually on their work with CSR, including progress, challenges and their achievements to date (The Varner-Group 2012a). The Varner-Group’s membership with ETI-N, probably contributed positively to the development of the Varner-Group’s CSR focus. Neverlien stated that the Varner-Group wants to offer goods that are produced in a proper manner. They do not want work broadly on CSR, but focus on the production lines.

“Improving the working conditions in our supply chain is a priority” (The Varner-Group 2012a: 8). This is also emphasized in their member reporting to ETI-N, “ETI-N members have made a commitment to implement measures that contribute to better conditions in their supply chains” (The Varner-Group 2012a: 2). However, as we saw in the chapter 7.0, having control further than the second tier of the supply chain is usually a challenge, because such suppliers in developing countries often belong in the informal sector. According to Neverlien, as the Varner-Group has been reporting annually to ETI-N since 2003, the new Norwegian accounting law will not influence the company’s CSR reporting or contribute to much additional work. Other Norwegian companies however, with less CSR focus, and who are not
members of ETI-N, will have to increase their CSR focus because of the changes to the Norwegian accounting law.

Since 2005, the Varner-Group has had a system for monitoring the working conditions at their factories abroad. Social and environmental conditions are today controlled through factory visits, meetings, documentation checks and social audits. The social audits are carried out by international audit and certification companies, as well as by the Varner-Group’s own inspectors (The Varner Group 2014d). The company established an office in New Delhi, India, in 2011. Prior to the opening, the representatives at the office in New Delhi explained that, most of the supplier follow-ups was conducted by third party inspectors. However, since the establishment in India, CSR measures have been launched and they have assumed much of the responsibility of the supplier check-ups. Neverlien, also claimed that the establishment of an office in India was essential for close follow-ups in the production, and that they noticed a big differences before and after the establishment. “Things were probably happening behind the scenes before the creation of the office”, Neverlien argued.

The continuation of the Varner-Group’s CSR work is displayed through their CoC. Their CoC is based on ILO and UN conventions (The Varner-Group 2012b) and according to Singh, it is common for most MNCs operating in India, to base their CoCs on such conventions. The Varner-Group’s CoC is imposed on their first tiers, and the first tiers shall then pass it on to the second tiers. However, at the office in New Delhi, they argued that regular checkups is required to ensure that the CoC is passed on to the second tiers. The Varner-Group applies the same CoC, no matter what countries they operate in. However, their CSR practices and focus areas varies from country to country. According to Singh, the Varner-Group’s aim is to combine healthy business practices with accountability and ethics, and their CoC provides the guidelines for their work.

The most recent development within the Varner-Group’s CSR work is that they opened their suppliers’ list in spring 2013. This conveys a willingness to increase transparency. In an interview with ETI-N, the former CSR responsible at the Varner-Group, Annabelle Lefébure-Henriksen30 stated, in relation to the opening of the suppliers’ lists, “there has been a lot of focus and debate around transparency and we want to tell our customers where we stand in

30 At the outset of our study, we were first in contact with Lefébure-Henriksen. However, due to her maternity leave, we were put in contact with Neverlien instead.
the debate” (Initiativ for Etisk Handel 2013a). Lefébure-Henriksen further argued that this discussion was nothing new for the Varner-Group. Neverlien also explained that the opening of the suppliers’ lists had been discussed for a while, however because of the vast area of actors to consider, the opening is a long process. As mentioned in the previous chapter, Lie at the Euro Sko Norge AS, supported the Varner-Group in the fact that opening suppliers’ lists is a long and complicated process. Neverlien, also explained that attention from and in the media, was not main reason why they opened the lists, but that the media pushed the process.

According to Bhatia at IN, the reason companies’ open their supplier’s list is because they know that it is difficult to do business successfully without being transparent. “Transparency is the key here”, she argued. Nevertheless, why companies open their suppliers’ list is not the most important, rather that they put pressure on those who not comply with this trend. Bondevik at the ETI-N, notes that few companies have opened their suppliers’ list globally, but he thinks this is a trend that will continue and that it as an important contribution in order to promote better working conditions in the developing world (Initiativ for Etisk Handel 2013a). As we saw in the previous chapter, the Varner-Group announced they would open their suppliers’ lists, just before H&M opened their lists, and that the Euro Sko Norge AS opened their suppliers’ list in march 2014. This is underpins our argument that CSR is enduring a norm construction and that actors mimic each other through socialization (Segerlund 2007).

Finally, as we saw in chapter 4.0, critics claim that corporations do not take CSR for the “right” intentions. That corporations take CSR for economic reasons and to create a good reputation has been the focus of the critique. We found that the Varner-Group was well aware of this critique, but for Neverlien, it was important to state that within the Varner-Group, reputation building is separated from the CSR department. Their marketing department and the individual chains of the Varner-Group, takes care of reputation management and charities. We agree with the Varner-Group that CSR and charity should be separated. However, we argue that CSR, and to be seen as a “responsible” actor, is a part of their identity. Their CSR work is clearly stated on their webpage, they are in focus with the ETI-N, and after the Varner-Group opened their suppliers’ lists, they received increased focus on their CSR work. They might have separate departments working on CSR and reputation management, but indirectly CSR becomes a part of their identity, despite their motives.
9.3 Research question two:

Research question two addresses the central challenges related to CSR-work for the Varner-Group in India. Difficulties addressed are based on challenges we found in our literature review, and data gathered through our interviews. India has, as discussed in chapter 6.0, witnessed a great economic growth since the 1990s. Numerous of corporations have outsourced parts of, or even their whole production lines to India. Such companies are motivated by the low production costs, high education level, good knowledge to English and the low wage levels in the country (World Business Culture 2013). Despite the advantages of outsourcing to India, establishing in the country has its challenges. As we saw in chapter 6.0, and in accordance with Andrew Crane et al. (2014), working with CSR in developing countries can be a difficult exercise because such countries often suffer from high corruption rates, low standards of working conditions and low regard for human rights. India is struggling with social, political and environmental problems, and is considered one of the toughest countries to do business in (Singh 2013). According to IN (2014: webpage), “India offers a lot of opportunities for companies that dare to try, and that can manage challenges like a different business culture, norms about safety, labor rights and corruption”. Due to these differences, Norwegian companies conducting business in India faces various challenges. CSR work in India is important as it contributes to sustainable development (Innovation Norway 2014) and as we noted in the previous chapter, India has a need for CSR. Neverlien argued that it is challenging to work in India: “India is very complex, and a major challenge is to find good and trustworthy collaborators. CSR is crucial in India”.

9.3.1 The issue of corruption

As we discussed in chapter 6.0, corruption is a particular problem in India. The mixed economy is one of the underlying reasons for the corruption issue. In the Corruption Perceptions Index 2013, which ranks countries on how corrupt they are India is ranked as number 94, out of the 177 countries in the index. In comparison, Norway is ranked as number 5/177 (Transparency International 2014). Remembering that ETI-N stated in their report from 2012, that corruption is devastating for development and the fight against poverty and it creates unequal conditions for competition between actors in India (Initiativ for etisk handel 2013b). Companies, such as the Varner-Group, are used to environments with little
corruption, and thus we argue it must be challenging doing business in India, where corruption is virtually integrated in the business culture. Several of our respondents referred to corruption as a problem in India. Dev, for instance, explained that he distrusted the NGO sector, because there was too much corruption there. Further he elaborated; “Rich people don’t vote in India – they use other ways of getting things done”. This demonstrates that corruption is integrated in the society.

Harildstad, at the IN, also expressed concern with the corruption culture in India. She told us that it is hard to find a middle way for Norwegian companies in the country, since it is common to acquire business contacts through to “wining and dining” your business clients. Another problem is related to the culture of gift giving in Indian business culture, Harildstad argued. “For a Norwegian company to give gifts of 500 NOK to CEO’s in India does not seem like much for us, but in the Indian context 500 NOK is quite a lot of money”. She elaborated that it is often difficult for Norwegian companies to set boundaries regarding this expectation to be vowed by potential business partners. According to Harildstad, the “gift-giving” and “wining and dining” culture, is often borderline corruption, and is something Norwegian businesses struggle to cope with.

In their CoC the Varner-Group states that, “Corruption in any form is not accepted, including bribery, extortion, kickbacks and improper private or professional benefits, gifts, loans, fees or reward to customers, agents, contractors, suppliers or employees of any such party or government officials” (The Varner-Group 2012b: 7). Singh told us that, internally at the Varner-Group’s office in New Delhi, they recognize this culture of gifts, and “wining and dining”. However, they have a no-gift policy, which means that no one at the office are allowed to accept personal gifts, regardless that it is common practice to give gifts in relation to celebrations, such as the light festival Diwali. Further, Singh explained that they are restrictive with “wining and dining” their suppliers, but they experience that today, most suppliers are aware of their guidelines on this, after years of cooperation.

9.3.2 The Indian legislative system and labor rights

Another challenge corporations face when operating in India is variations when it comes to laws and regulations, and also Indian labor rights. In chapter 4.0 we discussed how critics of
CSR claim that there has been incidents where companies outsource to developing countries, because it is easy to exploit the country’s poor legislation and labor rights. Companies, such as the Varner-Group have to comply with the Indian legislation. However, as they state in their CoC this must be done without compromising human rights (The Varner-Group 2012b). We do not indicate that such exploitation are non-existent, however, we believe that the increased focus on CSR might mitigate such exploitations. In the Varner-Group’s CoC, the company notes that “suppliers and manufacturers must comply with national laws and regulations related to their industries and with international conventions concerning social and working conditions, child labor and the protection of the environment. In case of disparity between valid laws and regulations and the Varner Group Code of Conduct, the strictest rule shall prevail” (The Varner-Group 2012b: 3). On the paper this might seem, and it is, a good initiative, but according to several of our respondents, it is easier said than done. Even though the Varner-Group has a well-compiled CoC, implementing and maintaining it might be a challenge, because of a different business culture, and law enforcement. According to Dev, “India has an elaborate legislation, but there is little action”. By this, he means that Indian legislation is poorly enforced and that the jurisdictional system often is powerless. Dev claimed that the law enforcement at the ground level in India, come “hand in glove” with business owners. Further Dev argued that the lack implementation of laws is always in favor of someone: “Not implementing always serves a purpose for someone”. Poor implementation is a question of slow bureaucracy, bribery and the un-willingness to implement the laws.

Winum, explained about the lack of willingness to implement labor rights. She claimed that there are close ties between factory owners and politicians in India. As we saw in chapter 7.0, the textile industry is at the heart of the Indian economy, so politicians largely avoid interfering with the sector. We contend that the poor implementation of Indian legislation is connected to the corruption issue, through bribes of the law enforcement. Professor Nathan further argued that laws in India are difficult to implement because of features such as the caste system, psychological and cultural factors. As we saw in chapter 7.0, India has an extensive legislative system against child labor and on labor rights, but, again, when it comes to implementing the laws, there is a failure. In accordance with our findings in chapter 7.0, Singh noted the poor implementation is due to a slow and extensive bureaucracy. An example of this slow bureaucracy is that it took almost 20 years to finish the Companies Act, 2013.
In chapter 7.0, we saw that Sinha and Harris-White (2007) found in accordance with Dev and Winum, that a problem with the legal system in India is that low caste families and rural people are not always aware of their workers rights. Some of the reason is related to the low educational level and the subsequent analphabetism in some regions. Such workers are therefore prone to exploitation. Specific challenges the Varner-Group referred to when we talked to them in New Delhi were overtime payment and the right to unionize. As we saw in chapter 6.0, India has a weak tradition of labor unions, despite that the Trade Union Act is from 1926 (International Labour Organization 2011). In the Varner-Group’s CoC, they have enshrined the workers rights to unionize. They call it the “freedom of association” (FOA).

Singh explained the right to unionize as a key right, because workers should have the opportunity to influence their own work situation. Remembering that even though India is a member of the ILO, the country has not ratified the ILO conventions C-89 the “Freedom of Association and Right to Organize”, 1948 and C-98 the “Right to Organize and Collective Bargaining” (International Labour Organization 2011). At the Varner-Group’s office in New Delhi, they stated that factory managers sometimes could cheat the employees, for example by giving them incorrect overtime-payment. This cheating could be linked to the workers ignorance of their rights, but also to the lack of a labor union to support them. Vicky claimed that neither the factory management nor the workers are aware of the positive effect a union can have. Additionally, he explained that the degree of unionization is rather poor in India, because of the widespread usage of temporary employment agencies. This means that workers are left without “permanent” rights, and the consequence of having an insecure work prospect, affects the probability of a worker to unionize or act collectively through a union. Furthermore, Singh referred to, the liberalization process, as a limiting factor on the unionization in India. Before the liberalization process, some states, particularly those who had been governed by communist/socialist parties, had had a tradition of unions. However, with the liberalization, this tradition has been impaired. In chapter 6.0, we noted that labor unions in India are often affiliated with political parties, and Das (2008) claimed that this created distrust to labor unions. Moreover, Singh referred to factory managers’ entrenched and negative attitudes towards unions in India. Their skepticism is based on a belief that unions are unconstructive, politicized and they are disruptive figures, rather than a support for the laborers.
9.3.3 The issue of child labor

As mentioned several times, the issue of child labor is a challenge when operating in India. As we saw in both chapter 6.0 and 7.0, child labor is still a complex and vast problem in India. Campaign organizations and the media have highlighted this problem for years, as seen through the example of Nike in chapter 3.0. It has been important for MNCs, such as the Varner-Group, to not be associated with child labor. We found that much of the responsibility to avoid child labor has shifted from governments in the developing world to the MNCs themselves (Segerlund 2007).

According to the office in New Delhi, today, child labor is practically nonexistent in the first and second tiers of the textile industry producing for the international market. Dev supported this claim and said that there is almost no child labor where international companies have production. In factories producing for the Indian market however, there can be almost slave-like conditions for children, he stated. Neverlien also pointed to the child labor problem. He claimed the problem lies further down in their supply chain and that it is difficult to counter. In their ETI-N member report 2012 the Varner-Group state that “The challenges faced by the textile and garment industry are numerous and complex, and mainly related to the production chain” (The Varner-Group 2012a: 3).

As we saw in chapter 7.0, people working in the informal sector suffer from bad working conditions and are poorly, or not at all, covered by labor laws and has low access to basic social protection. However, as also noted in chapter 7.0, few people seem aware that most Indian labor laws are also applicable to unregistered small enterprises. Casual workers, such as those who contribute to the production of textile for the international market, are contrary to common belief, protected by most of the legislation (Sinha and Harris-White 2007). Both Neverlien and the office in New Delhi pointed to that the best solution in order to fight child labor would be to have fully vertical production lines. Meaning that coloring, weaving and beading happens in one place. However, he claimed this is virtually impossible because of the expenses to change the production lines, and because, such a step would be socially costly and many jobs would be lost, due to such steps. According to Neverlien “a unit where production is gathered in one place is a CSR department's dream, but this has also challenges, as these devices are often not conducive to the surrounding community”. What is
more, handloom skills would be lost if the textile industry was completely reformed, as this traditional sector consists of people from different communities and areas of the country, who specialize in different areas in the garment industry, said Neverlien. The Varner-Group follows the UN Convention on the Rights of the Child in their CoC. They state that the minimum age for workers should be no less than 15, or higher if the country requires that, and that in developing countries, where the minimum age is 14, this lower age may apply (The Varner-Group 2012b). However, as the Varner-Group is always one of many buyers at a factory, they do not decide the age limit at the Indian factories. We found that the age limit policy in most textile factories in India is 18 years. Although, this at first seemed natural for us, the minimum age for working within non-hazardous conditions is 14 years in India. We were informed from the office in India that the high age limit was to “ensure” them selves from child labor occurrence. Several of our respondents mentioned, that having 18 years as the minimum age, has contributes to move the child labor from the formal to the informal textile sector. In chapter 7.0 we noted that Nathan & George (2013) found, through the NSSO survey 2011, that the patterns of child labor has changed. The amount of child labor has decreased, however the remaining amount of child laborers, has been relocated from the formal to the informal sector. Though, reduced, the number of children working is still high in India. Neverlien agreed that such a high age limit would contribute to the move of child labor to other sectors. We claim that when companies put an 18 years minimum age in their factories, they make it harder for children over 14 to get a proper job in the formal sector, especially for those who have to start working at a young age unskilled. Professor Nathan argued, similarly to what we noted in chapter 6.0, that the child labor issue in India is related to the school system, which does not teach much technical skills. The lack of vocal education leads to a high drop out rate, Professor Nathan argues, which again leads to a high demand for work for children below the age of 18 years.

Despite the 18 years limit, the office in New Delhi admitted that there might be cheating with documents, such as birth certificates, so children below the age of 18 might occur in the factories. The office in New Delhi told us that the method the suppliers applied, if they were suspicious about young peoples’ age, were dental tests. The Varner-Group’s CoC says; “The manufacturer must be given an official document indicating the worker’s date of birth. If this is not possible to come by, the factory shall implement an appropriate method to confirm the age of its workers” (The Varner-Group 2012b: 3). This problem is related to the high
minimum age at the factories. As we saw in chapter 6.0, it is culturally expected that children contribute to the household.

9.3.4 Different views on CSR

As we saw in chapter 4.0, Norwegian and Indian companies operate with different definitions of CSR. In Norway there is a tendency to work with CSR at a strategic level, with focus on ethical guidelines and terms. Neverlien called this a “theoretical cloud”. In India on the other hand, it is more common to work with CSR on a practical level, where CSR is bound to specific cases. The usage of the NGO sector has been in important and the Indian philanthropic view is even integrated in the Companies Act, 2013, chapter VII. Neverlien elaborated that, in India, producers’ focus on for example, certification schemes and that the producers in the country are far ahead on this compared to Norway. Different understanding of CSR can lead to challenges for Norwegian companies operating in India. According to Innovation Norway (2014), it is important that the involved parts have the same understanding about CSR, HSE and corruption. The organization experience that where Norwegian companies operated in India, it is still the Indian understanding of CSR that dominates. Furthermore, Indian managers have little knowledge about Norwegian CSR perspectives (Innovation Norway 2014). This is a weakness. Therefore, it is important for Norwegian companies entering India, to agree on a common understanding of CSR with their affiliates in India and implement a concrete strategy in collaboration with them (Innovation Norway 2014).

Singh were familiar with the Indian philanthropic CSR practices. He explained that philanthropy in itself, is of course a positive in a country such as India, and generally in the country, there is still a widespread understanding of CSR as philanthropy. Especially, with the philanthropic focus in the Companies Act, 2013. However, in the textile industry he noted a change. Suppliers, who, for a longer period, have worked with European and American buyers, show compliance towards the buyers’ CSR understandings. A handful of their suppliers will go beyond compliance and work with CSR on a strategic level, in accordance with how the Varner-Group practice CSR.
When we visited the Radnik textile factory\textsuperscript{31} in New Delhi, Bhardwaj told us their factories operate with CSR initiatives, in addition to compliance to international buyers’ CoCs. The factory we visited had a tree-planting project in New Delhi and they supported various NGOs. Although, it is positive that the factory has their own project, this reflects confusion on CSR in India where the international buyers come with one set of demands, while the government conveys something different. We will recommend further investigation on the implications this confusion brings.

\textbf{9.3.5 The issue of religion and caste}

In chapter 6.0, we explained that religion has been a source for conflict in India since independence, and that discrimination based on religion in workplaces occurs. We noted how the caste system is still relevant in the Indian society and can pose challenges. People from the lower castes tend to get low-paid jobs and struggle more in the labor market than those from the higher castes. In the Varner-Group’s CoC it is written, “\textit{There shall be no discrimination at the work place in hiring… skin colour, nationality, religion...}” (The Varner-Group 2012b: 3). Although, we did not find that the caste system poses a major challenge for the Varner-Group, it is important that they include it in their CoC, as both religion and caste have been a root cause of conflict in India. It is reasonable to argue that international companies have the power to influence these social hierarchies and provide opportunities for all employees, not just those born into high-ranking castes.

In difference to Norway, which has become a secular state, India has struggled with their secularization since the partition from the British. The vast amount of festivals held in India, due to cultural and religious beliefs, have led to challenges, according to the office in New Delhi. In sectors, such as the textile industry, the factories are dependent on the seasons in the fashion industry in India. At times factories need to increase their production to meet the demands of the season. However, the access to the workforce can vary. According to the office in New Delhi, a problem for the Varner-Group, was that when employees went home to their families for festivals, some workers never came back. The reason for this is because many of the factory workers are migratory employees from the villages outside the urban areas (Jacobson 1995). One of the reasons for such incidents is because of poor contracts

\textsuperscript{31} The Radnik factories is a chain several factories in the New Delhi area.
between the employees and employers, according to the office in New Delhi. Both parties gain and lose from the lack of contracts, they argued. This “pick up and leave” practice means that the workers are free to leave as it pleases them. However, it means unstable income and since unemployment is high, it might be difficult to find new jobs. On the factory side it means a constant hiring process, in slower periods workers will leave hoping to find more work elsewhere. This means that the employer may escape the responsibility of providing enough work to their employees. Though, this was not considered as a major problem for the Varner-Group, it displays a difference in the working culture compared to Norwegian culture.

9.3.6 Limited chance to influence

A final challenge we will address is the Varner-Group’s limited chance to influence the CSR practice at the factories. In Norway, the company is one of the biggest clothing retailers and covers a large proportion of the Norwegian textile market. However, in India the Varner-Group is small in comparison with the other MNCs present at the factories. The office in New Delhi told us that it was difficult to influence on decisions taken at the factories, due to their size. Neverlien claimed that they have a chance to influence in the first and second tier, but further down in the supply chain it is a challenge. Consequently, the Varner-Group tries to use as few factories as possibly, in order to be a large buyer. According to Winum, the disadvantage of being “small” is that one has less possibility to influence, and such buyers are given lower priority when it is busy, in peak seasons for instance. On the other hand, she claimed, “It is good to be small”. The advantages of being a small business in India is that it is easier to have a good dialogue with the suppliers. Because of their size, the Varner-Group becomes an equal trading partner, Winum argued. Furthermore, it is positive that Norway does not have a colonial past in India.

According to Lie and Winum, there is a different dynamic at factories when they also produce for American companies. American companies have, as we saw in chapter 3.0, a different business ethics tradition and this influences how they do CSR, and how they operate in countries, such as India. The 18 years age limit at the factories, was for example, much because of American corporations’ influence. Winum stated that the American companies are the most cynical. Lie explained that for American companies it is most important that social audit reports looks good. She further claimed, that when faults and shortcomings were
discovered, American buyers often put little effort into monitoring the problems in a proper manner. Also, our literature review exposed these differences, as explained by the implicit CSR tradition in Europe, and the more explicit CSR tradition in the USA (Matten & Moon 2008).

9.3.7 The Varner-group’s CSR work in India

The Varner-Group’s CSR approach in India is both operational and project based, Singh explained. This means they rely on both daily follow-ups of suppliers and factories, and that they engage in projects to handle the complex challenges operating in India offers. In this section we will elaborate on the Varner-Group’s specific CSR projects in India. Remembering that Neverlien and Singh explained that they base their CSR work is on their CoC and that their main focus is not to work broadly on CSR, but to focus on managing their supply chains. The focus on regulating the supply-chains was a main contributor to the opening of the office in New Delhi. However, they work differently with CSR in accordance to the context in the various countries they reside. In Bangladesh for example, they have programs targeting the issue of child labor and in China they work on phasing out middlemen since China is such a closed country. The representatives at the office in New Delhi explained that in India, the company’s CSR focus is on the strengthening of labor unions, regulation of overtime payment, homeworkers, and the environment. In addition to the company’s CSR work, as we saw previously, many of the factories they outsource to, have their own CSR projects.

We found it interesting that they focus on strengthening labor unions. Therefore, we emphasized our study on the work of labor unions. This is not to say projects on regulation of overtime payment and homeworkers are not essential. However, with our timeframe we decided to focus on union work, because it is interesting in the Indian context, where unions are not so prevalent. It is also important that the company focus on environmental questions, but we did not have the tools or time to investigate this issue fully.

9.3.8 Specific CSR projects

We find it interesting that the Varner-Group has a focus on union work and in this section we investigate this topic. American and Indian actors in the textile industry do not have the same
labor union tradition as Norway. Strengthening and allowing unionization is in accordance with the Varner-Group’s Norwegian identity. In Scandinavia and Europe at large, as we have discussed previously, labor unions has been an integrated part of the implicit CSR tradition (Matten and Moon 2008). As previously mentioned, Singh explained that FOA is a complex and important issue to address in India. Through Singh and Winum we learned that is important to have the Indian context for industrial relations in mind, when discussing what the Varner-Group do, and why. There is a lack of a dialogue forum for factory workers and employers in the textile factories, and many employers lack the knowledge of being a good leader, Winum argued. According to Singh, the reason for the small extent of unionization in India is because neither the management nor the workers recognizes the positive role workers unions can play.

The Varner-Group perceives their work with the right to unionize and collective bargaining, as essential in India. Such efforts help to provide laborers with a chance to influence their own situation, according to Singh. FOA is limited in India, both regarding the actual unionization, and restrictions on the right to strike, Singh argued. Also as previously discussed workers in India are often employed on temporary contracts, by Temp agencies, rather than directly by the factory managers. This means that workers are without “permanent” rights. Singh further claimed that the consequence of having an “unsure” employment, affects the probability to unionize and bargain collectively. The Varner-Group therefore works on measures and processes that address the question of trade unions. As we shall see in this section, much of their work is about encouraging, both workers and employers, to start trade unions and to convince them of the benefits. Below we will address how the Varner-group works on this matter in India.

A project they work on to strengthen labor unions, is called “Social Dialogue”. According to Singh, the core of this project is to ensure that workers are not prevented from joining a union or similar organizations. Factories involved in this project have to sign a letter of guarantee, which is posted on the wall in the factories, both in local language and in English. This letter commits the factories to neither prevent unionization nor discriminate workers that wish to organize or negotiate collectively. It remains to be seen what effect the project has. Vicky explained that the projects’ outcome will be revealed over time. We believe that the result of such a project is based on the criteria that the employees can read and write, and that the
management really has these values. A poster on a wall will not change anything, unless the mindset of the management is in accordance. According to Winum, it is important to have a cultural understanding that Indian factory owner thinks in a different way. In order to achieve changes it is important to influence the mindset of the factory owners. Bhardwaj, at the Radnik factory, also claimed that to change the management’s mindset was the most difficult. In previous chapters we have discussed the importance of an understanding of Indian business and social culture, in order to apprehend the difficulties of doing business in India. Singh also claimed that the Indian society is reflected in the Indian workplaces. He emphasized the hierarchical organization of the Indian society and businesses. Singh explained that businesses and organizations in India are often family-owned and have a tendency to be run by one or a few authority individuals. For Norwegian companies operating in India it is important to be aware of this hierarchy, as it is deeply rooted in the Indian tradition. In India they have a long distance between the employees and the management, while in Norway one is used to a flat structure (Gopaland & Rivera 1997). According to Gopaland and Rivera (1997), Indian workers are raised in an environment that emphasize a high degree of collectivism, dependency and power distance. This supports Singh’s impression of the Indian corporate sector, and shows that it is important to have contacts on a high level in organizations in India, if you want to influence the decision-making and implementation processes.

Another project the Varner-Group is engaged in is called RAGS/BBW (Benefits for Business and Workers). According to Singh, this project differs from the Social Dialogue, although it has a component that deals with improving dialogue and communication between management and workers. The RAGS/BBW focus on how workers can, among others receive increased compensation, less overtime and less absence through various measures relating to productivity and HR. According to Innovation Norway (2014: webpage) “the project aims to build capacity in production, quality and human resources management at factories, to establish an active dialogue between employees and factory management, and to ensure better conditions for workers through negotiations at the factories”. The Varner-Group also mention this project on their homepages and expresses their hope that through this project, one will achieve competitive advantages for the factories involved and that the workers get better compensation for their labor. So far, this project includes two factories in India and one in Bangladesh (The Varner-Group 2014e). We are not familiar with the impacts of this
project. However, we see the importance of dialogue and good communication between the management and buyers such as the Varner-Group, in order to secure workers rights.

On the other hand, Singh mentioned that if there is an absence of labor unions at the factories, it is important that workers have access to alternative mechanisms or channels where they can express their complaints or views to the management. Such mechanisms should exist through worker’s committees, complaint procedures and suggestion boxes, according to Singh. Through our correspondence with him we were unsure of the coverage and function of such working committees and complaint procedures. However, he told us that in addition to the Social Dialogue and the RAGS/BBW, they are at the initial stages of several other projects and initiatives. These projects also concerns themselves with developing a dialogue between the factory managements and union representatives, to see if these two parties can find a common ground.

At this point, we have seen what the Varner-Group does in relation to labor unions and communication with factory management, and in the previous chapter we discussed challenges related to CSR work generally in India. If communication and collaboration fails however, and the factory do not comply with the demands, the office in New Delhi told us that in the worst case they would terminate contracts or fade out suppliers. However, this was the last option. In their CoC they state “Terminating business with existing suppliers shall only take place after repeated failure or unwillingness to carry out corrective actions” (The Varner-Group 2012b: 2). As we see, the company can withdraw from suppliers if they are not satisfied. However, as previously mentioned, finding a business partner in India is a challenge. Therefore, we understand that ending a relationship with a supplier is the last resort.

9.3.9 Situating the Varner-Group within Three-Domain Model of CSR

Through Crane et al.’s (2014) normative point of view, companies should seek to operate within the category (vii) Economic/Legal/Ethical of the Three-Domain Model of CSR, or in the (iv) Economic/Ethical segment, as long as the company is passively complying with the law. As we have seen throughout this study, there is much that indicates that the Varner-Group’s efforts in India could place them within the (vii) Economic/Legal/Ethical segment.
However, there are a few aspects of their operations we critically questioned, and therefore cannot place them in the (vii) segment.

Firstly, we question why the Varner-Group does not have a particular program on child labor in India. Despite that child labor is almost nonexistent in the first and second tiers, the problem is still serious further down in the supply chain. As we have seen, India is the country in the world with the highest number of child laborers, and even though they are not visible in factories, they contribute to international companies' final product, through their presence in the informal sector. We would therefore argue that the Varner-Group should implement child labor projects in India, as they have done in Bangladesh for instance. We argue that such a step would bring them closer to the (vii) Economic/Legal/Ethical segment of the model. On the other hand, the office in New Delhi explained that they hope to learn from their project in Bangladesh and start such a project in India as well.

A second concern we discovered in our discussions with the Varner-Group was that that we initially did not get an insight to the exact wage level at the factories in New Delhi. The Euro Sko Norge AS told us the exact amount of rupees their workers were paid at their factories in India. Since these two companies both are considered leading CSR actors in Norway, we found it strange that the Varner-Group would not disclose the exact wage level. At the initial interview Neverlien he told us that wages in India are complicated in relation to the national level and that the given minimum wages not always cover the real cost of living in certain areas in India. He further told us that the guidelines given to them by ETI-N, is that wages should give the workers an opportunity for a comfortable life. However, upon recent request, we were told that they had no problem disclosing the workers income level after all. This could be due to miscommunication, however, we speculate whether the increased focus on the textile industry since the H&M scandal in 2012 and the accident at the Rana Plaza factory in 2013, have lead them to further openness regarding wage level. In a recent comment to Aftenposten (2014a: webpage), Marius Varner, the administrative Director of the Varner-Group, stated that “our demands to the factories we work with is that they pay a salary that is above the minimum wage and covering basic needs and allows for some savings”.

Furthermore, the office in New Delhi told us that the company was conducting an average wage survey project in China to disclose the wage level, and hopefully such effort will be made in India as well. Besides, in their CoC the Varner-Group claims “Wages and benefits
paid for a standard working week shall at minimum meet national legal standards. Wages should always be enough to meet basic needs, including some discretionary income. If this requirement is not yet met, the factory shall work towards its fulfillment" (2014b: 4). In relation to the wage mapping in China, the Varner-Group (2014e) claims that so far, the indication of the project is that the average wage level of a Chinese textile worker is approximately 50 percent over minimum wage level for normal working hours. If such mapping measures will be taken in India as well, the Varner-Groups is brought closer to the (vii) Economic/Legal/Ethical segment of the CSR model.

Ten years ago we would have placed the Varner-Group’s efforts within the (v) Economical/Legal category of Crane et al.’s (2014) Three-Domain Model of CSR. According to Crane et al. (2014), companies situated in this category are recognized by their operations in the third world, due to lower environmental (i.e. “eco-dumping”), worker safety (i.e., “Social dumping”), and product safety standards. As we have discussed in this paper, companies who operate in such opportunistic ways, are taking advantage of the laws in the developing countries.

Today however, based on our experiences with the Varner-Group in India, we will place them more towards the (iv) Economic/Ethical segment. Companies situated in this category do not necessarily base their CSR activities on legal consideration, but rather on ethical and economical reasons. Virtually all activities in this category will involve passive compliance with the law, because almost all illegal activities will be unethical (Crane et al. 2014). As we mentioned above, this category is considered through a normative point of view, to be where companies should seek to be situated. The Varner-Group’s CSR activities’ development during the last few years has ensured them to be placed in this segment. Firstly, because of their increased transparency through their yearly reporting through ETI-N, and more recently because of the opening of their suppliers lists. Furthermore, the opening of a separate CSR department in Norway and the establishment of the office in New Delhi testify to a willingness to except responsibility for their actions. We were positively surprised by their focus on unionization in India, however it remains to be seen how much impact such a small company can have on the situation in India.
10.0 SUMMARY AND FUTURE RECOMMENDATIONS

This section summarizes the main findings presented in the study, followed by future research recommendations. In relation to the first research question in objective one, we found, through a constructivist approach, that CSR is on the verge of becoming a globally institutionalized norm. CSR as a norm has ventured through the emergence and cascade stage of the norm life cycle, and today the norm is working in between the norm cascade and norm internalization stage of the cycle. The norm consolidation actors, those who operate between this second and third stage, have various motives depending on how close they are to cascade stage or the internalization stage of the norm life cycle.

The increased cross-boarder trade, the flow of capital and communication technology, has lead to an interconnected and globalized world. Large MNCs have as such moved much of their production to low income countries. However, the MNCs corporate conduct lead to attention on corporate behavior. Norm entrepreneurs demanded MNCs to take responsibility for their actions, and such the attention lead to the emergence of CSR. Globalization was hence an important precondition for the emergence of CSR. Furthermore, institutional isomorphism, identity building and a wish for international legitimacy, were recognized as important constructivist features, in pushing the norm life cycle towards its final stage.

Norm consolidation actors we recognized in Norway were the Varner-Group, Euro Sko Norge AS, the ETI-N, IN, the FIOH, Bellona and the GPFG’s ethical council. In India, we acknowledged the CRB and CUTS International, and internationally, we recognized the ISO, the UN, and the CCC as norm consolidation actors. In research question one we also discussed the role of the media as a driving force for the norm life cycle, and the medias influence on the opening of suppliers’ lists. We noted that several Norwegian companies have opened their supplier’s lists in the aftermath of the documentary Kalla Fakta, the factory collapse in Bangladesh and the involvement of the Consumer Affairs Minister Thorkildsen. The Varner-Group claimed the media attention after these incidents was only partially the reason why they opened their lists. They explained this with the fact that the opening of suppliers’ lists is a time-consuming process. However, we argued that media attention in 2012/2013, together with pressure from norm consolidation actors such as the FIOH and ETI-N, should be seen as a catalyst for the opening of suppliers’ lists.
With regards to the second research question, objective one, we discussed the implementation of CSR in Norwegian and Indian state legislation. We argued that the changes in the Norwegian accounting law in 2013 emerged because norm consolidation actors influenced the government. Furthermore, there was a shift in the understanding of what was appropriate behavior on the international arena regarding corporate conduct, manifested as CSR. Already in 2004, Norway’s GPFG was influenced by the norm cascade of the 1990’s and introduced ethical guidelines for their investment universe. In accordance with constructivist emphasize on institutional isomorphic pressure, it was predicted that institutions such as the GPFG would introduce CSR at an early stage, as government institutions are often more susceptible to isomorphic pressure. The shift in the prevailing standard of appropriateness came timely with Norwegian identity change. Today, Norway is gradually positioning itself more towards a new role as a responsible global partner.

The Companies Act, 2013 makes India one of the first nations to have social welfare spending as a part of companies’ statute by law. We found that the bases for the implementation of CSR in the Indian legislation, was different to that of Norway. Firstly, we argued that India had a need for CSR after the failure of the mixed economy because of the country’s societal challenges. Additionally, the initial introduction of the mixed economy shifted the task of taking social responsibility, to be divvied between the country’s powerful private companies, the state and the large NGO sector. With such a shift it was no surprise that Indian CSR has a philanthropic framework. Further, we argued that the Indian liberalization process from the 1990s and onwards was timely with the CSR norm cascade. Furthermore, the economical liberalization lead to an increased inclination toward Europe and the USA and such Indian identity has changed. Prior to liberalization India sought non-alignment and had anti-colonial policies. Quickly after the liberalization India positioned itself as an emerging power. However, we claimed that Indian identity is constructed more softly in order to seek legitimacy on the international arena, today. Also, that the introduction of CSR in the Companies Act, 2013, together with the inclination to ratify international conventions, must be seen as part of this changed identity.

The case study also posed two research questions. The first research question concerned the development of CSR within the Varner-Group. The Varner-Group was engaged in CSR when the norm was at he second stage of the cycle, because norm entrepreneurs from the first and
second stage influenced them. During the last ten, the Varner-Group’s CSR work has changed. They have increased their focus they are more directly involved in the CSR work through the establishment of foreign offices, such as the one in New Delhi. Additionally, since the Varner-group’s CSR department was established in 2003, transparency seems to have increased. This was seen through the reporting to the ETI-N, opening of supplier’s lists and through wage-level mapping and disclosure of wage levels at the suppliers. We argue that today, the Varner-Group can be viewed as a norm consolidation actor because they are considered leaders of CSR in Norway. Additionally, we considered them consolidation actors because opening of suppliers’ lists they seem to socialize other companies and because they engage CSR professionals. Although the Varner-Group can be considered a leading CSR actor in Norway, we claimed that their operations are not flawless and that there is room for improvement.

In the second part of the case study, we discussed a range of challenges related to the Varner-Group’s business practices in India. We found that corruption, the Indian legislative system and labor rights, the issue of child labor, different views on CSR, religion and caste, together with a limited chance to influence, were the main challenges the company faced when operating in India. Furthermore, we learned that the purposes of the Varner-Group’s CSR practices were based on the Indian context. The company was engaged in projects related to strengthening of labor unions, regulation of overtime payment, homeworkers, and the environment. We investigated their work on unionization, with a particular focus on the Social Dialogue program and the RAGS/BBW. Additionally, we placed the Varner-Group in the (iv) Economical/ethical segment of the Three-Domain Model of CSR. From a normative perspective this category is not far from what companies should seek to operate, because in the (iv) Economical/Ethical segment, one assumes that the company is passively complying with the law.

The first of our future research recommendations is that IR scholars should further investigate CSR. As we have seen, CSR is important within many aspects of constructivism, because taking social responsibility is increasingly becoming related to state identity and legitimacy. A future research field should be on the impact of CSR initiatives such as the Companies Act, 2013 and the changes in the Norwegian accounting law. Moreover, we would like to recommend further research on the influence American businesses have in Indian textile factories. Winum, Neverlien and Lie all spoke of confusion around CoCs and CSR work at
the factories where both European and American companies were present. Winum explained that American businesses have a “compliance” approach to CSR, and that their expectations of relationships in the supply chain, does not take into account the structural conditions.

A final recommendation for future investigations is the issue of “fast fashion”. The topic was brought up during interviews with Neverlien, Winum and Euro Sko Norge AS. We did not have the time to thoroughly investigate this matter, but we argue it is important in CSR investigation in IR. Winum called fast fashion a counter wave to CSR. She explained this consumer trend as the demand for new items in shops constantly. Consumers demand cheap and new clothes frequently, and fashion trends have to change accordingly. This trend puts pressure on companies to exercise proper CSR. Lie explained, procurement and CSR departments’ needs to communicate and synchronize on CSR activities. It is important that the production process is planned out, in a way that it is physically and responsibly possible for a factory to produce the goods. Winum went as far as blaming the disaster in Bangladesh in 2013 to account for this trend. She further explained that factories are assembled in a quick and careless manner and that dangerous working conditions apply in the factories, to keep up with the demands of the consumers. The Rana Plaza, which collapsed, was regulated for housing, not for the heavy machineries needed for textile production (Aftenposten 2014). The issue of “fast fashion” highlights the differences between the developing and developed world, and should be seen in relation to the globalization process. Is this a trend we would like to see further diffuse between nations? We would recommend further investigation on this consumer trend, and the impact it has on intergovernmental relations, corporate conduct and CSR.
12.0 REFERENCES


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