



UNIVERSITY OF AGDER

Master thesis

An ethical perspective on problems multinational companies in the apparel industry face, when outsourcing their production to developing countries with inadequate institutions.

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This master`s thesis is carried out as a part of the education at the Univesity of Agder, and is therefore approved as a part of this education. However this does not imply that the University answers for the methods that are used or the conclusions that are drawn.

University of Agder, 2014
School of Business and Law

Abstract

This thesis addresses the ethical problems multinational companies in the apparel industry face, when outsourcing their production to developing countries with inadequate institutions. I will use a case study of Bangladesh, to reveal the actions of Primark, Kappahl and the Benetton Group. These companies will be evaluated in light of three main schools of ethics; Virtue ethics, consequentialism, and deontology. I will show how companies have been dealing with ethical problems, and I will in relation to the ethical schools find out how these problems should be dealt with. The thesis shows that problems in the apparel industry of Bangladesh are not being handled in a satisfactory manner according to the three schools of ethics. The findings in the thesis also show that the allocation of responsibility in the apparel industry of Bangladesh has to change. Corruption and low levels of transparency prevent human flourishing, and the deviation in how companies try to portray themselves and how they actually occur, has revealed dishonest companies willing to break many ethical barriers to earn a profit. Finally the consequences of inadequate institutions have been shown.

Acknowledgements

I would like to thank Professor Andreas Falckenberg for helping me. He has supported me all the way and given good advice on how to keep the master thesis simple and strait to the point. Without his guidance I would have lost my way in thousands of questions, which would only lead to a confusing thesis. He helped me with his great knowledge of the topic and clear sightedness towards the final goal of the thesis, which was to find out what difficulties multinational companies are facing and how they can solve the problems.

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December 1st, 2011

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1. Introduction

The world is changing, and these changes are creating new problems that companies have to learn how to react to. The new possibilities of the world market has led to many developed countries outsourcing their labor intensive products to other underdeveloped countries where the salaries are much lower. The way we produce and sell our products have been through massive transformation and relocation, leading to the fact that distances are becoming smaller and bigger at the same time. The distance between Europe and Asia with regard to transportation cost and trade barriers have gone down drastically, at the same time distance between production and management, management and the final consumer has grown in the past decades. The world is getting smaller and in that paradox it's becoming bigger. More people can buy your products, more people can invest in your products, and there are more options available to help any companies overcome problems they would not have been able to solve in their own country or even their own continent.

New problems appear in the form of, more suppliers in the production chain, more regulations and laws to take into consideration, different levels of developed countries in which you can do business, inadequate institutions, and different cultures.

In a world where everything is replaceable and the competition is as high as it's never been before, companies are expected to find revenue in a net of practical difficulties and ethical problems. Responsibility becomes a term that has to be revised and as we can see the responsibility is being spread to involve more than just the controlling government.

In this thesis I will look into the ethical problems that companies in the apparel industry are facing when they outsource the production to underdeveloped countries with inadequate institutions. The thesis will use 3 major apparel

companies and look at how they handle the ethical obstacles they face when outsourcing production to an underdeveloped country with inadequate institutions. I will use 3 ethical perspectives to create a foundation on which I will conclude on whether or not these companies effort to handle these delicate situations have been done in a satisfactory manor.

Bangladesh is a perfect country that meets all the requirements needed to complete this study, and will be used as a case study throughout the thesis. Bangladesh is the second largest apparel exporter after China and with its short history of independence it has a big problem regarding inadequate institutions. Corruption is widespread and laws and regulations are not sufficient to protect the people's rights.

I have chosen to write a thesis about this topic because I believe it is one of great relevance, both in light of the current situation in the apparel industry and when looking at how the Norwegian economy and the world economy as a whole has been changing. Outsourcing has been around for quite a while now, but the media focus on the workers rights in the latest years has shown the world a side of the story that has been hidden way to long.

Companies that have been used to doing business in countries with well-developed institutions, are now doing business in countries where the institutions that where supposed to control the businesses and support the workers of the country, have turned out to do almost whatever it takes to get money in their own pockets by using these institutions to serve them selves. A deeper understanding of what is going on in Bangladesh is needed to better understand the next steps to be taken to improve this industry which involves millions of workers and their families.

From a company's perspective this thesis will not only serve as a judging thesis trying find to the bad in what is being done in Bangladesh, it will also serve as a guideline on how to improve worker satisfaction, consumers perception of the company and a way to avoid some of the scandals that can lead to a devastating

loss of revenue due to bad company reputation, which deteriorates the brand value and lowers the sales of their soon to be unpopular products.

The promotion of human rights will be used in collaboration with the ethical perspective to find the optimal solution to the problems in this thesis. The 3 ethical branches of moral philosophy will be presented and the United Nations Act of Human Rights will help compute a final goal to which the companies should try to achieve.

2. Theory

This will be the part of the thesis where I will introduce the relevant theories that I am going to use throughout this thesis. These theories will be used as a foundation for making a good and well-formulated analysis and conclusion. The goal is to give companies advices on how to act accordingly to the presented theories regarding ethics and human rights. The theory presented will include the three major schools of ethics, an explanation of inadequate institutions, Bangladeshi laws and regulations as well as international laws and enforcements.

2.1 Definitions of institutions

As stated in the headline for the thesis I want to look at the problems faced by companies outsourcing to developing countries with inadequate institutions. Inadequate institutions is a term that is fundamental for the research and not very easy to understand without previous knowledge related to the subject, it is natural to start of by explaining this term first. After explaining the term I will explain what makes institution inadequate.

As there is no single definition on the subject I have to look at multiple sources to be able to find a definition suitable for this thesis.

Thorstein Veblen (1857-1929) was an economist and sociologist who focused on how institutions that have evolved from the beginning of mankind and up to date. He is one of, if not, the most famous and influential institutionalists who has inspired and defined the work of many institutionalists after him.

His simple definition stated that institutions are:

"habits of thought"

This is also one of many definitions he made, but it is the one that most institutionalists after him have been referring to. What is important to understand is that institutions are not something constant. The institutions are evolving, and as Veblen stated in his paper from 1898 “Why is Economics not an Evolutionary Science?” The institutions are always evolving and so it is interesting to look at how far the institutions have evolved in Bangladesh.

Geoffrey M. Hodgson, defined it as:

“...we may define institutions as systems of established and prevalent social rules that structure social interactions, language, money, law, systems of weights and measures, table manners and firms (and other organizations) are thus all institutions.”

(Hodgson, 2006)

The definition of Geoffrey R. Commons also has to be included:

“If we endeavor to find a universal circumstance, common to all behavior known as institutional, we may define an institution as collective action in control, liberation and expansion of individual action.”

(Commons, 1931)

To bring these definitions up to date, we must take a look at the current definition of the Oxford English Dictionary:

*“The giving of form or order to a thing; orderly arrangement; regulation.
The established order by which anything is regulated: system; constitution.”*

“An established law, custom, usage, practice, organization, or other element in the political or social life of an organized community or the general ends of civilization.”

One reason for all the different definitions of an institution is that it changes over time. This is strongly supported by Veblen's view. A definition made by using the main parts from the different definitions will serve as an excellent guidance in determining the state of the institutions in Bangladesh.

The definitions seem to be built around common terms like structure/system, control and rules/laws. These terms give a good indication of the purpose of an institution.

An institution is supposed to control the outcome of certain actions, and make sure that the outcome is the same every time (a system). Based on the laws and rules made, the system shall control people and actions made by people. This makes society more predictable and easier to manage. If you know how the system works it is easier to predict the outcome of an action. If the system is constructed in way that promotes stability and efficiency, then this will make society more efficient.

In this thesis we will look at institutions where this is not the case.

“Institutions are not necessarily or even usually created to be socially efficient; rather they, or at least the formal rules, are created to serve the interest of those with the bargaining power to create new rules.”

(O'Hara, 2002)

2.2 Ethics

Ethics is the understanding of moral, and is also called the moral philosophy. Moral, being the way we truly act, and ethics how we are expected to act in order to do what is good. Ethics originate from the Greek word ethikos, which come from ethos meaning “custom, habit” (dictionary, 2014a). It’s a custom or a habit to react in a certain way to certain situations. The fact that this philosophic term is descending from the Greek language is not a coincident as many view the thoughts of the great Greek philosopher Aristotle to be the foundation for much of today’s ethics. Although Plato influenced Aristotle, just like Socrates influenced Plato, Aristotle was the very first to write ethical treatises.

These Greek philosophers are known for many other works than their works on ethics, but it is clear that their connection in ethics was the greatest. Plato was Socratic in his conviction that knowledge is virtue, in and of itself. He believed that knowing the difference of right and wrong would lead to one automatically doing the right thing; this implied that virtue could be taught by teaching someone right from wrong, good from evil (Kraut, 2004). Aristotle argued this by saying that one had to choose to act in the proper manner—in essence, to create the custom/habit of doing good. This definition places Aristotelian ethics on a practical plane, rather than the theoretical one promoted by Socrates and Plato.

Today’s ethics is divided into 3 general subject areas:

- Meta ethics
- Normative ethics
- Applied ethics

(IEP, 2014)

Metaethics is the knowledge of where our ethical perspectives come from. Normative ethics on the other hand is more practical and tries to regulate the wrong and the right. The applied ethics are more specific and focuses on single actions like abortion, death sentences, animal rights, homosexuality or rules of

war. As the purpose of this thesis is to find out how the MNCs can navigate through the web of ethics I will use normative ethics to find the best solution. The normative ethics is again divided in three branches of theory: Virtue theories, Duty theories and consequential theories (IEP, 2014).

2.3 Aristotle

As one of the greatest philosophers Aristotle laid the foundation of today's ethics by introducing the Nicomachean form of ethics. He stated that for an action to be ethically correct it had to be an action where the final goal was to achieve something good. And if something were purely good, you would achieve the ultimate state called Eudaimonia. He called this the highest good. That was a definition he meant most people agreed upon. In later years it has been discovered that this is not sufficient to explain such a complex phenomenon as ethics. It's a really complicated term that cannot be looked upon in colors of black and white.

Many definitions have been developed throughout history, and I am going to focus on the three main branches of ethics:

- Virtue ethics
- Consequentialist ethics
- Deontology ethics

(IEP, 2014)

The good was meant to make humans flourish. Eudaimonia means just this, as the Greek meaning of the word is "happiness" and "living well". To achieve eudaimonia is the same as having "all good", it is not something you want to achieve to gain something more. Eudaimonia is the highest end, and health, wealth, education, and other goods are simply the means to achieve it.

2.4 Virtue Ethics

Virtue ethics is one of the three major normative perspectives to ethics, and originates from the Greek philosophers Plato and Aristotle, mostly Aristotle (SEP. 2012). According to virtue ethics it is not the action it self that matters, more interesting is the character of the actor performing an action. If a person possesses a certain virtue like honesty or generosity he or she would be expected to act in a certain way to moral impediments.

The word Virtue origins from the Greek language of Greece and can be explained as: *“the quality or practice of moral excellence or righteousness”* or *“a particular moral excellence: the virtue of tolerance”* (Dictionary, 2014b).

To possess a virtue is perceived as possessing a skill, a skill of which the possessor has to improve and later on implement into his own life in order to become a virtuous person. Just like learning to play an instrument you have to learn how to be virtuous. Knowledge is crucial in the process of embodying virtues, and in the book Nicomachean Ethics, Aristotle explains how a judge in the judicial system has to have the most upright knowledge about the laws and the crime committed to know whether or not the actions of the accused was wrong or justifiable. (Aristotle. 1999, p. 3). If you are to be the judge in your own life, you will be in the need of knowledge and experience to know whether your actions are just or not.

There are many virtues, and I will not be able to mention all of them here, but some relevant once are listed below to help understand the meaning of virtues:

Virtue	Explanation
Accountability	The quality or state of being accountable; especially: an obligation or willingness to accept responsibility or to account for one's actions.
Charity	Generosity and helpfulness especially toward the needy or suffering. Aid given to those in need.
Cooperation	To associate with another or others for mutual benefit/to

	achieve a shared goal.
Dependability	Reliable, worthy of reliance or trust.
Diligence	Conscientiousness in paying proper attention to a task; giving the degree of care required in a given situation. Persevering determination to perform a task.
Empathy	Identification with and understanding of another's situation, feelings, and motives.
Knowledge	Part of the hierarchy made up of data, information and knowledge. Data are raw facts. Information is data with context and perspective. Knowledge is information with guidance for action based upon insight and experience.
Honesty	Truthful; sincere; not lying or cheating.

(Virtuescience, 2014)

According to Aristotle the reason anyone want to be virtuous is to achieve the ultimate end, eudemonia. This was according to Aristotle a definition that most people agreed with. But he also said that human flourishing was the goal of all ethical decisions, the problem here was that the perception of human flourishing differed among different cultures and different people. (Aristotle, 1992)

2.4 Consequentialism

Consequential theories essentially judge actions by their consequences to determine if they are morally just or not. The motives behind a decision are irrelevant as long as we try to maximize the good (Sinnott-Armstrong. 2006)
There are many different schools of the Consequentialism, but there is one that is far more accepted and used today than any other, that is the utilitarianism.

As the name suggest it focuses on the utility of actions to determine the moral righteousness. Advantages of this theory are that it is fairly strait forward and can also account for the context of actions. Disadvantages are that it alienates the

individuals, as there is no extra weighting of any individuals, and you need an ideal observer, which can be perfectly objective. This is difficult if not impossible, and so bias observers can lead to the wrong option being chosen. An ideal observer needs to have full information of all the consequences related to the action, something that can be very challenging when making big decisions. So the happiness of someone close to you, say a friend or family member, is not worth any more or less, then that of a stranger. Also the motives are irrelevant, so as long as the overall good is increased, it does not matter what the intentions were. There are many types, and the most well known form is the school of utilitarianism, which seeks to maximize pleasure. Ends justify the means.

Term	Claim
Consequentialism	Whether an act is morally right depends only on <i>consequences</i> (as opposed to the circumstances or the intrinsic nature of the act or anything that happens before the act).
Actual Consequentialism	Whether an act is morally right depends only on the <i>actual</i> consequences (as opposed to foreseen, foreseeable, intended, or likely consequences).
Direct Consequentialism	Whether an act is morally right depends only on the consequences of <i>that act itself</i> (as opposed to the consequences of the agent's motive, of a rule or practice that covers other acts of the same kind, and so on).
Evaluative Consequentialism	Moral rightness depends only on the <i>value</i> of the consequences (as opposed to other features of the consequences).
Hedonism	The value of the consequences depends only on the <i>pleasures</i> and <i>pains</i> in the consequences (as opposed to other goods, such as freedom, knowledge, life, and so on).
Maximizing	Moral rightness depends only on which consequences

Consequentialism	are <i>best</i> (as opposed to satisfactory or an improvement over the status quo).
Aggregative Consequentialism	Which consequences are best is some function of the values of <i>parts</i> of those consequences (as opposed to rankings of whole worlds or sets of consequences).
Total Consequentialism	Moral rightness depends only on the <i>total</i> net good in the consequences (as opposed to the average net good per person).
Universal Consequentialism	Moral rightness depends on the consequences for <i>all</i> people or sentient beings (as opposed to only the individual agent, present people, or any other limited group).
Equal Consideration	In determining moral rightness, benefits to one person matter <i>just as much</i> as similar benefits to any other person (= all who count count equally).
Agent-neutrality	Whether some consequences are better than others does not depend on whether the consequences are evaluated from the perspective of the agent (as opposed to an observer).

(Sinnott-Armstrong, 2006, p.1)

2.5. Deontology

Deontology is the last major school of ethics being used in this thesis to ethically evaluate the problems MNC's face when outsourcing their production to developing countries with inadequate institutions. The word deontology is descendant from the Greek words "deon" meaning duty, and "logos" meaning study of. Deontology ethics, also known as duty ethics, focuses on what choices are morally required, forbidden and permitted (Alexander & Moore, 2008) The

characteristics of the agent or the utility gained by the action is not relevant to decide if an action is immoral or not. The objective is to do what is right, not what is good. You have a duty to do what is viewed as morally right, no matter the consequences. Because of this consequential ethics and deontological ethics are believed to be the opposite of each other. In deontology and act or a choice is only morally correct if it conforms to a moral norm.

The most famous and used works on deontological ethics comes from Immanuel Kant (1724-1804). I will use his works to evaluate the MNC's in this thesis, and so I will now present two ethical perspectives from Kant.

Kant believed that only human beings are capable of rationality. He thinks that it is our responsibility to protect our ability to be rational, because to take away our ability to be rational is to take away our humanity. He also meant that only humans are autonomous, meaning that we can make choices. We can choose to do something even though it might not benefit us. Animals can not, they will always react to their bodily needs. This meant that if we knew something to be morally wrong we would not do it, even if it would result in something good for the agent/actor.

Kant formulated a categorical imperatives that are widely accepted in today's ethics:

“Act only according to that maxim by which you can at the same time will that it should become a universal law”

(Kant, 1992, p. 1013)

Kant called them categorical imperatives explaining that categorical means across the board, or that it includes all categories, and imperative meaning command. Categorical imperatives are then commands that can be applied to all categories. This categorical imperative demands a maxim, or a subjective decision principle, that should be followed as a universal law by all people. Kant strongly believed in every human's ability to find the morally correct way to act. He said that immoral actions violate the categorical imperative, and by that they

are irrational (Johnson, 2008) So he constructed a test for the maxims to morally reason your way to concluding on whether or not the maxim I morally acceptable.

The first thing you have to do in this test is to create a maxim using your ability to think rationally. One maxim could be “ I will always tell the truth”.

Secondly you imagine that this maxim would become a universal law. Meaning that all people would act by this maxim no matter what.

The third thing to do is to consider if the world imagined is possible, in other word, are there any logical conflictions to the maxim?

The fourth question to ask is whether or not you could will this maxim to become a universal law. Meaning that you have to decide your self if the world seem like a good place.

A maxim has to be able to pass all these four steps to be accepted as morally acceptable. And acting on it would be a moral act. But according to Kant, just acting on an act that you know to be morally accepted is not enough.

On the topic of good Kant believed that the only good without qualifications was a good will. The meaning of good will was connected to the idea of a good person. A person that always makes morally accepted decisions, based on consideration of moral law. (Johnson, 2008) This person had to do morally accepted decisions without limitation, and without qualification. Without limitation mean that under no circumstances would the person abandon his good will. And that he does not value his good will because it leads to some desire. The only reason for committing to the good will is the moral justification on own (Johnson, 2008). Meaning that this man would have to control his own desires to follow his duty of committing to the good will. If other motivations are behind the person's action then the action has no moral worth.

3. Research methodology

This thesis consists of one main question and two secondary questions that I will try to answer. The main question is “what ethical problems are companies in the apparel industry facing when outsourcing the production to underdeveloped countries with inadequate institutions”. This question will be supported by the two secondary questions; “how are the companies currently dealing with these problems” and “how should these problems be dealt with”.

An exploratory research design based on secondary data will help me create a clear understanding of the situation today in a very time saving and cost efficient way. The importance of choosing good sources will be important in keeping the validity of the thesis at a satisfactory level. Information will be gathered in three different categories; country, company and the ethical perspective of the thesis. The country will be Bangladesh, and I will focus on the living and working conditions of the people living there. I will also investigate the institutions and the government in Bangladesh. The three companies that are being researched are; H&M, GAP and Kappahl, all of which are multinational companies operating in Bangladesh. I will investigate how these companies are operating in Bangladesh as of today, and I will also investigate what impact they have on the people and the country of Bangladesh. How have they influenced the government and the industry, and what are they doing to improve the current situation. I will also see how they are marketing themselves regarding their social responsibility by looking at their own statements on the subject. I will also look at some of the tragedies that have occurred throughout history to help visualize some of the problems that MNC's operating in such a country might encounter. This information will help make a discussion where the ethical perspectives can serve as a guideline and final justice in finding the best path for an ethically correct or improved way of doing business in countries like Bangladesh.

As the goal of this thesis is to enlighten something that is already there as supposed to finding or creating new information through primary data, an

exploratory design fit just perfect. I will not be testing any hypothesis and the thesis will be strictly discover-oriented.

4. Bangladesh

I selected Bangladesh because it is the perfect example of an apparel exporter with inadequate institutions. This developing country fits all the parameters required to thoroughly answer the complicated questions that I am trying to enlighten with this thesis. Bangladesh fits because it's a country that exports clothes to most of the world, the tragedies of an industry in distress has caught the attention of consumers and politicians, making the handling of the situation relevant to the thesis, and they have had the focus of the world media for some years now, making information more accessible. Many ethical questions have been asked and companies have had a hard time trying to protect their reputation and brand value when faced with difficult questions regarding the state of the apparel industry in Bangladesh. Also the condition of the institutions in Bangladesh are known for being inadequate, and in so not being able to protect the rights of workers in the industry. To better understand the circumstances of which this discussion will be based on I will explain the history of Bangladesh, how it's being governed and looking at sheer facts regarding this country. To better understand the situation of the people living in Bangladesh I will give a brief but accurate introduction on the justice system, perceived level of corruption, the economy, health conditions, and education. This will help better understand the problems that MNC's face when outsourcing their production to Bangladesh, a country with inadequate institutions, answering the primary question asked in this thesis which will be edified by looking at how three different companies are doing business today, and how they should go about the future.

4.1 Introducing Bangladesh

Bangladesh has had a short and rough ride from where they were, as a part of British India, and to the free and independent Bangladesh we can see today. In fact the borders creating the shape of which we recognize Bangladesh today,

where created only 67 years ago back in 1947. Back then Bangladesh (then called East Pakistan) became part of the newly formed State of Pakistan, a partnership that did not work. After years of being ignored and neglected by the western part of Pakistan a civil war broke out on the 26th of March 1971, which on the 16th of December 1971 lead to the liberation of Eastern Pakistan and the creation of the sovereign independent state of Bangladesh, making it one of the 20 youngest countries in the world today (Wikipedia, 2014). But the decades after liberation where not filled with a joyful sequence of events. Poverty, lack of educated people and the fact that they had been controlled by the western part of Pakistan for year, created a political vacuum that gave room for people with guns instead of people with clever minds to run the country. Political turmoil and military coups was the reality in a country where lack of judicial stability created one of the poorest corrupt countries in the world. It was not until democracy finally triumphed in 1991 that progress was slowly being made. But adjustments are constantly being made to improve the conditions in Bangladesh, and on the 11th of January 2007 the military had to intervene to stop the gigantic problems Bangladesh faced regarding corrupt politicians. As much as 160 politicians, civil servants and businessmen were arrested on corruption charges. (Wikipedia, 2011d). It can be assumed that the people who got into governing positions when the country transferred into a state of democracy, were the same unethical people that had controlled the country before 1991, and the problems accumulated until the army had to intervene in 2007. In the transfer toward a new government, cleaning out all the bad people, and keeping their strong standpoint against corruption, Bangladesh managed to climb to 147th place on the TICP index (Transparency International Corruption Perception-index), from where you might ask, well all the way from the very bottom of the list.

Today Bangladesh is a parliamentary democracy with elections every 5 years. The prime minister deals with day-to-day decisions, and the parliament (the Jatiyo Sangsah), which is controlled by a large mandate of the Awami League checks on the government to se that things are done correctly. Sheikh Hasina is currently the prime minister. The level of corruption is constantly improving and

Bangladesh is today number 120 on the TICP-index (Transparency International, 2011), still not very good, but improving.

As we can see Bangladesh is a country that with issues and problems that they have had to handle, but improvements are constantly being made and they are perceived as a country moving forward at great pace. In fact Standard and Poor's gave them a BB- on long-term credit rating (SPRS, 2012), which is ok. In 2005 a team lead by Jim O'Neill published a paper in cooperation with Goldman Sachs investment bank, where they identified 11 countries which they thought would grow to become the largest economies in the 21st century, Bangladesh was one of them (Goldman Sachs, 2005). But Bangladesh's largest export market USA completed a multi-year review through the U.S. Trade Representative, and this review revealed that the judicial and law enforcement institutions in Bangladesh are still comparatively weak (US Department of State, 2014). And According to the World Bank one of the most significant obstacles to growth in Bangladesh are poor governance and weak public institutions (The World Bank, 2014).

When it comes to health and education Bangladesh has a long way to go, people are suffering under virtually no guarantees to get medical treatment unless they have a substantial amount of money. Health expenditures by the state are as low as 3,7% (2011) of total GDP, this puts Bangladesh in 174th places compared to other countries. CIA's estimates show a high degree of risk in relations to getting major infectious diseases, and there are only 0,6 hospital beds for every 1000 person living in Bangladesh. Education has also been badly prioritized with only 2,2 % (2006) of total GDP spent on educating the people.

Bangladesh is "a land of people" being one of the densest populated countries in the world with as much as 1203 people/km² (The World Bank, 2013), which is more than 100 times the density of Norway. Population as of 2014 has reached 157 million (BBS, 2014) making it the 8th largest country in the world by population (Wikipedia, 2014a). The capital Dhaka is the densest of all the megacities of the world with as much as 45 000 people/km², and also being the

10th biggest city in the world holding more than 14 million people (Wikipedia, 2014b). In a country with little natural resources to use, the greatest resource is the people. Bangladesh is so small in land size that it is hard to find on a global map, but still they are the second largest apparel exporter in the world with more than 4 million people, mostly women working in the apparel sector, only beaten by China (World Trade Organization, 2012). Most of the clothes produced in Bangladesh come from Dhaka, and the city has been growing rapidly over the last decades, attracting labor from the rural places. The infrastructure is built around the production and exportation of apparel products, making it the perfect city for efficient production. Fast and reliable delivery is important in an industry where demand is volatile and short, the clothes made yesterday might not be in fashion the next day so fast and reliable delivery is at the upmost importance. Some even say that the clothes coming from Bangladesh have a better quality than those from China, that combined with many Americans having a depraved sentiment towards products “made in China” makes Dhaka and Bangladesh fascinating for the apparel industry. The salaries are one of the lowest in the world with a minimum wage as low as 49,56 € (Clean Clothes Campaign, 2014).

4.2 Conditions in production factories

For many years the secret behind the success of the apparel industry in Bangladesh has been a total neglect of worker rights, using them as disposable objects. This is a serious accusation to make towards the retailers buying their clothes cheap from Bangladesh, but the state of the industry that has been revealed in recent years has shown that this statement is becoming harder and harder to contradict. But before blame is placed on the people buying the clothes, the retailer, the government, the workers trade unions, the factory owners or the workers themselves, here is a short introduction on how the apparel industry works in Bangladesh.

Almost all the foreign retailers buying clothes from Bangladesh have no ownership in the companies producing the clothes. This independence makes it easier for MNC's to pick producers that can deliver the cheapest and fastest. MNC's can also change supplier if anything should go wrong, like a fire at the factory or a worker demonstration stopping the production. It is the government's responsibility to create laws, and check that factory owners comply with and follow the laws.

On the 24 of April 2013, 1132 people got killed in a factory collapse near Dhaka. The building called Rana Plaza collapsed the day after an inspector had been done, the inspector evaluation the building structure revealed big cracks in the pillars supporting the weight of the 7 stories high building. This was reported to the factory owner, but he was under strict delivery time limits and could not afford to stop production, so he hid the information from workers, so that they would go to work (Clean Clothes Campaign, 2014). It was after this collapse that the media attention turned to the Bangladeshi apparel industry. This was a game changer showing the need for MNC's to step up to the plate and take responsibility. But this was not the first tragedy to happen here is a list of some of the worst:

Accidents:

27.12.1990 – Factory fire at Saraka Garments, 32 killed.

11.04.2005 – Factory collapse Savar, 64 killed.

23.01.2006 – Factory fire in Cittagong, 63 killed

25.02.2010 – Factory fire Garib & Garib 21 killed

14.12.2010 – Factory fire, that's it sportswear 24 killed.

11.09.2012 – Factory fire at Ali Enterprises in Pakistan, 257 killed.

24.11.2012 – Factory fire at Tazreen Fashion, 117 killed.

24.04.2013 – Factory collapse Dhaka, 1132 killed.

(Deadly Secrets, 2012. p. 27-29)

The Solidarity Center, which works for promoting worker rights worldwide, posted a report in 2013 showing all the latest factory accidents in Bangladesh,

they have reports of 62 accidents just from the factory fire at Tazreen Fashion to the 9th of April 2014, these tragedies are and endemic problem for the industry (Solidarity Center, 2013).

Three weeks after the factory collapse that happened on the 24th of April 2013, many of the leading retailers signed the Accord on Fire and Building Safety Agreement in Bangladesh on the 16th of May 2014, a contract made by labor organizations and non-governmental organizations with the International Labor Organization (ILO) acting as the independent chair (Accord, 2014a) All four MNC`s presented in this thesis have signed the agreement.

“The Accord is an independent agreement designed to make all garment factories in Bangladesh safe workplaces. It includes independent safety inspections at factories and public reporting of the results of these inspections.”

(Accord, 2014b)

The accord is a five year contract, so companies signing this accord can not stop importing from Bangladesh for the next 5 year, it is like a contract to stay committed and don't just leave if hazardous conditions are revealed. The accord may have started a collaboration trying to improve working conditions for garment workers. But the multiple fires and collapses in the industry has shown that audits alone is not sufficient to prevent disasters from happening. In fact audit have shown to have little to absolutely no effect on lowering accidents in factories. This is a view that is supported by two major studies (deadly secrets and tailored wages), which are writes about the situation in the Bangladeshi apparel industry. Deadly Secrets is a report from International Labor Right Forum *“a human rights organization that advocates for workers globally”* (ILRF, 2014), and Tailored Wages report published by the Clean Clothes Campaign, which is *“dedicated to improving working conditions and supporting the empowerment of workers in the global garment and sportswear industries”* (Clean Clothes Campaign, 2014).

As stated by Khondaker Golam, senior researcher at the Dhaka-based center policy dialogue back in 2010:

“The industry is growing so fast now, but we are failing our garment workers. We can build huge multi-story factories but we can’t ensure they meet basic health and safety standards”

(Times Online, 2010)

Signing on agreements is good, but until we can see the change in the industry, it is still just words and promises ready to be broken. In this case we can’t do anything else then to wait and see.

4.3 Price

In June 2012 the US Ambassador to Bangladesh, Dan Mozena, said at the meeting of the Bangladesh Garment Manufacturers Export that:

“I believe that within a decade or two Bangladesh could be a middle income country, where its people have the means to create a good quality of life for themselves and their children, where people have ample and nutritious food, decent housing, access to quality education for their children, affordable and effective health care, and prospects for a secure and even better future for the next generation.”

(Interactive Investor, 2012)

This statement is incredibly relevant for this study. Could this be their way out of poverty and into a middle-income country with great human flourishing? Here another characteristic of this industry has to be enlightened, price! Bangladesh owes its success in the apparel exporting industry thanks to rock-bottom wages, labor rights restrictions, and poorly enforced health and safety standards. The wages are in fact the lowest in the world (Tailored Wages, 2014. p. 7), and the building safety in the factories is extremely bad. So how can you get a middle

class income country with income that low? Will the salaries rise as time goes on?

This brings me to discuss the McKinsey study; Bangladesh's ready made garments landscape: The Challenge of growth.

This study shows that out of all the chief purchasing officers participating in the McKinsey study, every single one of them named prices as the number one reason for purchasing garments from Bangladesh (McKinsey&Company, 2011). This is something that the Bangladesh industry have been aware of since they entered the garment exporting industry back in 1978. In fact the Bangladesh knitwear manufacturers and exporters association states that Bangladesh underprices their competitors; China, Vietnam, Indonesia, India and Cambodia in 15 out of the 16 top apparel items in the US-market (Deadly secrets, 2012). In the Mckinsey report Li & Fung, one of the top suppliers for Walmart, states that the reason for decreasing the sourcing from China is the strong rise in wages for the garment workers in the latest years (McKinsey&Company, 2011). This requirement to push prices down in Bangladesh has created a strong pressure on the government to meet the wishes of the MNC's looking for cheap places to produce their clothes. With the media focus after the Rana Plaza collapse, and the many deaths in the industry Bangedesh's reputaition is starting to feel the consequences a government which has been bending to the demand from the MCS's for way to long. As consumers start to see the true condition for the workers companies outsourcing their production to Bangladesh are starting to fear that their brand value will decrease drastically. Many MNC's try to say they didn't know, but this is far fetched as they have been doing audits, seeing buildings collapse, and people dying in factory fires for many years. Now many MNC's have started to warn the government that they will leave Bangladesh if nothing changes for the better. And in doing so threatening to tear down an industry which is the only lifeline Bangladesh seems to have, as they have gone all in trying to become the biggest exporter in the world of garment products.

4.4 Conditions for the workers

As stated earlier in the thesis institutions are inadequate in Bangladesh. Because of this the labor unions are having a really hard time being heard. On June 16th 2010 Aminul Islam, a labor activist and president of the Bangladesh Garment and Industrial Workers Federation's local committee in the Savar and Ashulia areas, and a senior organizer with a well-known labor rights group, The Bangladesh Center for Worker Solidarity was beaten and detained by the National Security Intelligence. And even though the government try to beat him to silence he kept on being the voice of the poor workers, until he was violently tortured and killed in early April 2012. Speculations in the media claimed the government was responsible for his death. To date, nobody has been held responsible for this crime (New York Times, 2012).

In Bangladesh it has been very clear for many years that the workers in the garment industry have been suffering for a long time. For many years the Bangladeshi police have been using force to tear down demonstrations where workers have been trying desperately to be heard. Aminul was facing, just like many other protesters, multiple trials and spent time in jail for what seemed to be spurious accusations and falsified proofs. According to the deadly secrets report there was an estimated 71 incidents of labor disturbance from January 1 to June 30 2010, that is just 6 months. The violence from the police left at least 988 workers injured, and this all caught the world media attention when children were trapped in battles between 15000 protesting garment workers and the police. Images of the event showed police kicking the children with hard police shoes and hitting them with baton. (The Guardian, 2010)

So what did the workers want?

“wage increase, workers protested non-payment of wages, the mistreatment of their coworkers, the curtailment of leaves and holidays, and the sudden closure of factories without paying workers their due wages”. (Deadly Secrets, 2012. p. 30)

4.5 Multinational companies producing clothes in Bangladesh.

Here I will introduce the three MNC`s. These companies are all in the business of buying cheap clothes from Bangladesh.

4.5.1 Benetton Group

Luciano Benetton in 1965 founded the Benetton group in the city of Ponzano Veneto, Italy. The name of the group has stayed constant since 1965, but the size of the group has changed drastically, today Benetton has a network of more than 6000 stores worldwide (Benetton, 2011a). Revenues for 2013 added up to 1602 million euros, with a profit of minus 199 million euros (Edizione, 2013).

"By choosing social themes – actively promoting freedom of speech and giving visibility to humanitarian causes which otherwise would not have been communicated on a global scale – Benetton has given meaning and value to its own brand, building a lasting dialogue not only with its customers but with people from all walks of life, all over the world."

(Benetton, 2011b)

The social themes refer to their marketing strategy where products were never displayed: the messages were about civil, social and political issues. By taking stands on issues like this they have been able to separate them selves from the other brands by creating a brand identity their consumers could relate to. But to be able to differentiate them selves they have had to stay in front of the development making it a risky market strategy most companies would try to avoid. But Benetton have been successful for a long time, and today Benetton is focusing on supporting UN Women who is working to stop violence against women. But when it comes to supporting the poor workers of Bangladesh Benetton has received a lot of bad attentions, as they seemed slow and resistant

to help the workers of the Rana Plaza factory collapse in 2013 (Clean Clothes Campaign, 2014).

For a company that has been strongly criticized for the way they handled the Rana Plaza disaster, they are not afraid of expressing their great concern for and focus on Corporate Social Responsibility (CSR). This statement has been posted on their homepage:

“Benetton is a global company with a global impact: for this reason, the Corporate Social Responsibility (CSR) strategy that the company is developing is implemented on various, closely connected levels, covering its entire sphere of influence. Benetton Group’s approach to CSR specifically entails the adoption of processes for integrating social and environmental criteria, concern for human rights, product safety and transparency towards consumers in its business strategy, creating shared values within and outside of the company, and anticipating and identifying potential negative impacts of its activities.”

(Benetton, 2013)

This is a fairly standard proclamation on CSR and should not be given any value unless they can be respected by actions.

4.5.2 Kappahl

Kappahl is one of the leading fashion stores in northern Europe, with more than 400 stores located in Sweden, Norway, Finland and Poland. It was founded in Göteborg in 1953 by Per-Olof Ahl (1919–1996), and continues to respect their early and simple business idea; “ To offer price competitive fashion for all” (Kappahl, 2014a). Their target group is all people, but still their main focus is on women in the middle of their lives. The production is mainly done in Asia and Bangladesh is their second largest producer of clothes surpassed only by China. All suppliers are independent. With a revenue of 4,7 billion (2013/2014), total earnings of 272 million (2013/2014) and more than 4000 employees, this truly is a multinational company worth studying further.

As stated on their home page Kappahl seem aware of their responsibility regarding their suppliers, “Our presence leads to improved terms” cover their homepage under the category “our responsibility”. (Kappahl, 2014b)

They have a codex with standards and commitments that all suppliers have to accept to be able to sign a delivery contract with Kappahl. This code of conduct is not very comprehensive, but it’s a good way to show what kind of focus Kappahl have on the ethical issues of doing business with independent suppliers.

Whether or not these demands are being hand held in every case is uncertain, but publishing it helps increasing transparency. The codex covers subjects like child labor, freedom of joining work unions, slavery/forced work, salaries and work safety.

Kappahl is a member of Accord on Fire Safety and Building Safety in Bangladesh, an initiative that work for better worker safety for the textile workers.

There is a special commitment in Kappahl to help women as 93,6% of people working in the company are women (Kappahl, 2014a). This is done by supporting “The Hunger Project”, a project who`s mission is: “To end hunger and poverty by pioneering sustainable, grassroots, women-centered strategies and advocating for their widespread adoption in countries throughout the world” (The Hunger Project, 2014).

Except from stating that they have helped more than 400 women in their school in Bangladesh, little to no actual examples can be found of any specific actions to improve the situation of the workers in the supplying companies on their home page.

The fact that the link to their financial statement on their homepage does not work is not ok, making it seem like they want to hide it. The fact that they have a list of all their suppliers is good, from this it’s clear that Kappahl have 25 suppliers in Bangladesh. City, factory name and address are listed here, improving the level of transparency.

4.5.3 Primark

Primark is an Irish clothing retailer that opened their first store in Dublin back in 1969 under the name Penney's. Today they have more than 270 stores in nine countries in Europe and plan to open their first US store in Boston in 2015 (Primark, 2014). Their revenue of 2014 was 4950 million pounds, with a net profit of 662 million pounds (Associated British Foods, 2014). Supplier lists are hidden from the public as Primark regards this information to be commercially sensitive, but the annual results announcement of ABS shows that Primark currently have 80 factories to which they outsource their production.

As most brands retailing clothes in the lower price segment of the market Primark is making clothes for both men and women of all ages, and they also make accessories, beauty products and confectionary.

As Primark is owned by Associated British Foods (ABF), Primark does not have a motto of its own that goes across all shops, but in Germany Primark's motto is "look good, pay less" (Sportswear international, 2011). On their home page however, they state that they share the same values as their mother company ABS, which is; "taking care of our people, being good neighbors, and fostering ethical business relationships" (Primark, 2014).

Primark made a new webpage after the 2013 Rana Plaza factory collapse in an attempt to show their commitment to ensure ethical responsible business behavior. This new page has a huge focus on the ethical aspect of outsourcing which separates them from Kappahl's and Benetton's homepages in a positive way. From this site we can see that Primark has supported the workers of the factory collapse in Dhaka by giving them long-term compensation. The total aid payments to Rana Plaza sums up to be 7 million \$, this is the biggest payment out of all the companies that has compensated the workers of the factory (Clean Clothes Campaign, 2014). Primark has also been contributing to the employment of the Global Ethical Trade Team, training their buyers on ethical issues, managing and paying for external audits and helping their supplier achieve the demands put up by the Primark Ethical Trade team.

On the 23rd of June 2008 BBC put Primark to the test by making a documentary uncovering the actual working conditions of workers in Bangladesh making clothes for Primark. The documentary called "Primark: On the Rack" was showing women working overtime for only 7 pence an hour and 3 children, the youngest one not being more than 7 years making clothes for Primark (BBC, 2008). Primark investigated the findings of the documentary. The investigation concluded that the clips used were fake and constructed to make a fallacious expression of Primark, this was later recognized by BBC and an apology was given.

"Panorama is to make an on-air apology after a BBC Trust investigation found "serious failings" in the making of a documentary about Primark's working practices and concluded it was "more likely than not" that a section of the film was not genuine."

(The Guardian, 2011)

These kinds of incidents make harder to trust the information coming out via reports and video, and so the testimonies upcoming from brave workers of Bangladesh are compromised. But still the numbers cannot be undermined, there are numerous documentaries and clips on YouTube and well respected news channels reporting on terrible working conditions for workers of the apparel industry in Bangladesh. Long hours, bad equipment, terrible storing of flammable material and blocked emergency exits, in many, many factories cannot be excused by claiming the evidence is fake.

5. Discussion

In this part I will implement fact about the companies into the theory of the three schools of ethics. Based on the different ethical perspectives I will figure out how ethically the companies have been acting, and what they should do to improve.

5.1 Virtue ethics perspective

As the virtue ethics centers around the actor rather than the action being performed I will now focus on the values of the company. Just as Aristotle applied virtues to people I will take a look at some virtues that companies can possess. Many companies and especially apparel companies try to build an image that can translate into the style of clothes they are selling. If they can portray themselves as a company with good values then people will feel trust and they might end up buying their clothes. The thought is that the character of the company can translate to the internal culture of the company, showing if the company is ethical in its ways. To do that I will investigate the MNC's values and stands on ethical issues. Like people, companies want to portray themselves as virtuous as they can, so to just blindly accept the values that the company is claiming to possess would be naive. To truly know what virtues people have, you need to see the consequence of their virtues in their actions. Even though virtue ethics is not focusing too much on the specific action performed, actions are results of virtues. If you know what virtue the possessor is claiming to have, then you should know how they should act in certain situations. So in this part I will use the actions of the company to test some of the virtues mentioned earlier.

Accountability is a virtue that should be essential to MNC's doing business in a developing country with inadequate institutions to be viewed as a company taking ethics seriously. For Primark, Kappahl and Benetton that means that they have an obligation or willingness to accept responsibility or to account for their actions. In this case that would mean that the companies should be willing to accept that their actions affect the workers of the apparel industry, and in so take actions to ensure that unethical actions do not occur. In this case that could be shown by accepting that if they want to do business with Bangladeshi apparel exporters the MNC's have to take the cost of ensuring the workplace is safe and all the minimum demands regarding wage, work hours and financial support to victims of workplace accidents are in place. The MNC's are big businesses and they know better than most, that costs accumulate, you can't just make them go away. To say that they don't want to spend money fixing problems that the factory owner should fix on their own makes no sense, in a free market these costs will accumulate to the top no matter what. Pushing factories and

governments on price and to set no demands on the wages, work hours or worker safety without taking the cost for these things themselves is a great example that MNC'S in Bangladesh have not been possessing the virtue of accountability. As revealed earlier all companies have agreed to sign the clean clothes campaign that meant that all companies had to pay money to ensure workers were treated as they should. Benetton was the last of the three to the agreement raising a red flag about their willingness to accept responsibility. The first one to sign of the three MNC's in this case was Primark, a company that has received much praise for their quick handling and support to the Bangladeshi workers. But this does not mean that they possess the virtue, for a company to truly possess a virtue the actions have to be done solely because they feel it is the right thing to do, not because they were afraid of the consequences of not doing so. When the Rana Plaza factory collapsed in 2013 there was a massive pressure from media, demanding that companies took responsibility. The fact that it took that much pressure for the MNC's to react makes them all look unaccountable, and in so one virtue poorer.

But virtues are not black and white or plus and minus. Aristotle pointed out that virtues are connected to feelings, and feelings can be in excess or deficiency. Just like a man is not just happy or mad, a person can be more than just accountable or not accountable. People can ask; "how happy are you?" or "how accountable are you?" In this case it has to be taken into account that it is not certain that the company is totally unaccountable. A person can have too much of a virtue and that is not good, Aristotle believed that you have to find the perfect balance, something that required skill, knowledge and experience. So what would be too much? In this case too much can be that the company feels so obligated to take responsibility that they lose all of their competitive advantage in price towards their competing brands that they go bankrupt. On the other side of the scale you have accepting no responsibility whatsoever, and in this case that would mean not demanding anything that would help the workers, as long as the clothes were delivered in time and at the lowest possible cost. As the McKinsey report showed that every single chief purchasing officer named price to be the number one reason when choosing suppliers also point to the companies being pretty

bad when it came to taking responsibility before they were pressured into taking it.

Honesty is another virtue that is very relevant to address in this thesis. If the MNC's in this thesis were truly honest they would resent lying, stealing and deceptive behavior. Honesty is a very highly respected and virtue and a virtue that is even more appreciated in relations to friends. As it is important for the companies in the apparel industry to build a close relation to their customers, honesty is a requirement to do so. To know if someone is honest or not requires for others to be able to see the truth about what you have done, are you really doing what you are claiming to do? For a company to be perceived as honest it then has to do what they say they are doing, and at the same time allow the public to be able to see what they are actually doing. The companies have to have a high level of transparency throughout the business. With this virtue as well as with the other one a path between two extremes is the best solution. For a company to be in excessively honest it would have to reveal all information on how they run their business. This would give competing MNC's a chance to use this information to overcome their competitor and in so stealing the customers of the business. They would also have to do absolutely everything they have claimed they are doing with regards to CSR and ethical proclamations towards their business. It should be ok to keep some information to you self, so that it does not damage the company too much. Showing nothing at all would be deficient and not acceptable for a company wanting to be honest. From the investigation I have done on the home pages of all the MNC's in this thesis, I have found that only Kappahl and Primark have posted their supplier list on their home page, again critique worthy behavior from the Benetton group. I have not been able to find any direct lying from any of the MNC's, but the reality in Bangladesh does not correspond to the code of conduct published by any of the MNC's.

To be a virtuous person, or in this case a virtuous company is, as Aristotle put it, a skill. It is a skill that has to be formed through knowledge and practical wisdom/experience. This means that it takes time to become fully virtuous, or

even to get a single strong and good virtue. That can explain why it has taken so long for the MNC's to learn how to act ethically, giving them an excuse for not doing what be many today would be perceived as a minimum, when it comes to human flourishing or ethical behavior. But this lifeline is at best extremely thin and fragile, and as demonstrated in this thesis MNC's did know about the terrible conditions of the industry. Companies have been doing private audits for years, and fires, demonstrations and poor labor institutions have been too many in numbers and too much out in the public for any MNC's not to know about it.

Aristotle was intrigued by the concept of human flourishing and so this has to be addressed in this discussion on the virtue ethics. Human flourishing is achieved when a person is living well, and when that person lives in accordance with virtue. For humans to live well they need some basics good like health, wealth, food, family and friend in good health and wealth, and freedom to some degree. A company can easily say that they do not want to commit to these kinds of social responsibility, but as stated by all three of the MNC's this is something they say they want to do. So if the MNC's want to act ethically according to virtue ethics, then they should contribute to human flourishing in Bangladesh. This is being done and as you can see that all the companies are involved in projects helping people in Bangladesh, but the amount they spend could have been bigger to show that they are not doing it only to ease protesters and worker organizations.

It seems that the solution for companies outsourcing to Bangladesh and wanting to act ethically good in accordance to virtue ethics have to, take responsibility by demanding that the industry changes for the better, and then making sure that breaking the codes of conduct set by every MNC should have consequences. Also transparency is really important so that trust can be rebuilt and companies can again call them self-honest. To be a virtuous company human flourishing should be prioritized and knowledge must be gathered to be able to act morally correct.

5.2 Consequentialist perspective

As in the introduction of the consequentialist perspective I have chosen to apply the classics utilitarianism to the help MNC's come closer to determining the

ethical righteousness of outsourcing production of apparel to a developing country with inadequate institutions. This perspective will serve as a good guidance in the quest of knowing if there is an overall good that is being achieved. In a free and open market where nobody is being forced to go to work, nobody is forced to accept MNC's into their markets, and the MNC's are not forced to entering the markets this perspective seem pretty strait forward and easy to conclude on. If all parties involved have chosen to participate by free will, it is only natural to assume that they have done so, because they feel like it will increase their utility. They have chosen to get involved because the alternative, that is not to, seems to bring them less good, less utility. The fact that there will be much suffering is then just the result of the people being poor and not being able to sufficiently improve their situation on their own. This is why utilitarianism is the most popular and implemented ethical perspective in the business world. But to simplify it like this would be to ignore the actual concept of classical utilitarianism, which states that you have to consider all the alternatives an calculate the utility for each of them, so that you can compare them and make pick then pick the best one. Leaning back and saying that the calculation of the option you are currently using showed a positive total utility will not be enough.

I will try do honor this side of the utilitarianism by doing this as good I can in this thesis. To do so with the constraints of time and money I have to make some simplifications. First off all I cannot take a look at all the alternatives, so I will choose to look at the three most relevant alternatives for the MNC's outsourcing their production to Bangladesh. These alternatives are:

1. Staying in Bangladesh and continue outsourcing in the same way as they have been doing for years.
2. Leave Bangladesh and find somewhere else to produce their clothes.
3. Try their upmost best to take responsibility and fix the major ethical problems in apparel industry of Bangladesh.

I will also have to make adjustments to the calculation of utility in each of the alternatives as decisions as complicated at these alternatives have extremely many parties involved and many different possible outcomes. The fact that it is hard to know the probability of a specific outcome put me in a position where I have to choose the outcome I find most likely to occur based on the investigation I have made on the industry, the Bangladeshi institutions and the apparel workers. Finally I have to view the different parties involved: The workers, the government, the suppliers, the MNC's and the consumer buying the clothes.

1. Staying in Bangladesh and continue outsourcing in the same way as they have been doing for years.

From the consumers perspective this results in cheaper clothes something that would increase their utility, but as the consumers are mostly from developed countries it is natural to assume that they already have enough clothes, and that the utility increase would not be too big. This is due to the principle of marginal utility, Marginal utility states that as you get more, the increase in utility will drop for every extra good received. An example could be that the happiness of a poor man receiving 100 \$ would be much greater than that of a millionaire. In this case the millions of consumers receiving cheap clothes will receive a small increase in utility.

The MNC's will make a large profit on exploiting the conditions in Bangladesh, increasing the profit, and ensuring jobs for all the workers in the company: And with high profits comes pay in form of dividends to shareholders, increasing their utility. Having a job and earning money on your investments can be valued as a high level of utility, but the numbers of people affected is not near as big as the numbers of consumers affected.

Suppliers will not have to think about taking extra cost to ensure that workers have ethically acceptable working conditions. As competition is hard in Bangladesh I don't think that this would necessarily mean that the suppliers can earn more money as they have to push prices to a bare minimum to win contracts. But know people don't know how to run a complicated business

structure that perfects all part of the business will get the chance to run a supplier business successfully.

Having such people running the business is not good for the workers. The workers will also experience much suffering through bad health, low salaries, long working hours, and that would again result in less time spent with family and friends. But as the option to go to work is fairly optional, and it has to be assumed that the total utility is slightly positive. So for the workers it will increase the utility very slightly for the million of workers in the apparel industry.

Regarding the government it is clear that supporting this way of doing business by doing nothing to stop it, contributes to the institutions staying inadequate, this will not be beneficial for the people of Bangladesh in the long run.

All in all the effect of continuing as before seem to be slightly positive for most of the parties involved.

2. Leave Bangladesh and find somewhere else to produce their clothes.

For the customers this would result in prices going up on the clothes they buy. Again the utility of losing 1000\$ should be the equivalent of gaining 1000\$ so in this case there will be a small decrease in utility for millions of customers. If the MNC that they are buying clothes from go bankrupt due to the increase in production cost and the extra cost of changing suppliers, then the consumers can just find a substitute brand. If the relation to the brand is very strong the loss of utility will increase, but I believe that in the low cost part of the fashion industry, brand loyalty is not as strong as to the more expensive retailers.

The MNC's would lose profit as they have to find other suppliers that cost more, this we know as Bangladesh beats all of their competitors in 15 out of the top 16 apparel items in the US market. This increase could be enough to bankrupt the company, but it is more likely that the profit will just go down, as many of these companies already have been having big and steady profits for many years. In

that case a drop in profit would not affect the people working in the MNC, only shareholders would suffer from less dividends being pay out.

For suppliers in Bangladesh there are two scenarios that could happen. One could be that they go bankrupt, as there is nobody buying their product anymore. The other scenario is that the exiting companies makes room for other companies to move inn and take their place. In the first scenario it would mean a devastating loss of income to the factory owners and supplying companies in Bangladesh. The government would have to change the laws to make sure institutions protect the workers of the industry and companies are held responsible for their actions, so that they could start attracting companies again. This would be positive for the workers and the people of Bangladesh in the long run if it works out. But in the short run money would stop coming into the country slowing down the improvement of hospital, infrastructure, and improvement in education. Also a failed attempt to bring back companies would result in money wasted in building factories, the workforce in the apparel industry that have been used to making clothes for years would have to first find a new occupation, and then learn how to do it better than others that have been doing the same for many years. All in all this is a vicious circle that goes on and on, but the conclusion is clear. It would have result in a devastating loss of utility for the suppliers, the workers and the people of Bangladesh. The second alternative “new companies move in” nothing would change from the first alternative ”continue in the same way”, as production would come back to the same level within a relatively short period of time. When reflecting on the fact that many companies feel like the brand value can be contaminated by being related to Bangladesh, that other companies would consider twice before entering this morally crippled industry. The conclusion is that the probability for failure combined with the devastating consequences should imply that the utility of this alternative would not be good at all.

3. Try their utmost best to take responsibility and fix the major ethical problems in apparel industry of Bangladesh.

To figure out the effect on utility for the consumers, the consequences of taking responsibility on the MNC's have to be investigated first. There are many reports showing that there can be many positive effects of respecting you employers and giving them good working conditions, and in so contributing to an increase in productivity. The McKinsey report revealed that the second most important requirement from the MNC's to the suppliers was delivery time (McKinsey&Company, 2011), fast and reliable delivery is very important in the fashion industry. Respecting their responsibility in the apparel industry of Bangladesh would lead to less obstruction in delivery due to factory fires, factory collapses, and worker demonstrations. Whether or not these gain will surpass the cost of implementing these values are not easy to address, but the company will never go bankrupt, as they will only give as much help as they can, which is totally acceptable. So the effects on the costumers, the company and the shareholders are uncertain, but it is not believed that the consequences can be strongly uncomfortable.

When it comes to the workers they will gain tremendously on this alternative, as the principle of marginal utility states that someone with little will have great utility gain of getting more, it can only be assumed that a change in labor work hours, wages, better compensation for work related injuries and more time off work would have very high level of utility increase for the millions of workers in the apparel industry. The institutions and MNC's would have to change fighting corruption and transparency, promoting human flourishing and making it better for all people wanting to make an honest living in Bangladesh. Once again I don't think suppliers will be affected by this alternative as costs related to improving conditions would be covered by more stabile production, and more productive workers. If there is to be extra costs related to the improvements then the high level of competition would mean that the suppliers would still have to compete on prices, eating up their profit to be just enough for them to keep on supplying clothes. Making sure that the MNC's have to cover the accumulated costs The total utility change would be very positive with this alternative if all MNC's did the same.

From performing this calculation it seems as two of the alternatives might lead to improvement of the institutions, but the fact that the probability for change is higher in the last alternative, compared to the second makes it more desirable when it comes to this aspect of the action. The massive utility gain for the workers and people of Bangladesh shows that the clear winner of these alternatives is the third. From the rough calculation I have done, the alternatives can be rated like this:

Alternative 3. This is the alternative that seems to bring the most pleasure and utility of the three, winning with what seem like a clear margin.

Alternative 1 is the second best alternative. This was the alternative that had a small increase in pleasure for most of the parties involved. This is an argument that can be used to create an image of outsourcing, as something that improves the utility for all. When it is put next to the third alternative its becomes clear that from a ethical utilitarian view this option would be robbing many people of utility gains, making the first option unethical.

Alternative 2. This is the worst option, and a totally unethical move to escape responsibility for once actions. Not recommended for any MNC'S wanting to act ethically.

5.3 Deontological perspective

When looking at ethical questions with a deontological perspective some maxims have to be created. These maxims are constructed by envisioning that one act is not executed only by the acting person, or in this case the MNC'S, but that its is accepted as a social norm that everyone have to follow and will act upon when put in similar situations. I will make 1 maxim relevant to what has been discussed earlier in the thesis and test whether or not a world/reality with such maxims would be desirable to live in, and if this maxim would promote human flourishing.

Maxim 1. "If the circumstances allow for me to get away with something bad without being punished, I will do so as long as it benefits me."

In Bangladesh the inadequate institutions allow for MNC's to commit to actions that would not be legal in their country of origin. Therefore they can act as bad as the corrupt judicial system of Bangladesh allows them to without receiving any form of punishment for their actions. This seems to have been the case in Bangladesh for many companies over the years, I am not to put the blame on everyone, or someone specific, but this seems to have been the way of many MNC's in the apparel industry. For a world like this to function there would have to be laws for every possible action, a judicial system that covered all imaginable unjust actions, which would be close to impossible. But not only so, there would have to be police everywhere, because the maxim also implies that as long as it is possible to get away from the consequences of my actions I will still do it. But the fact that the police officers would also commit to bad actions as long as it benefitted them and they could get away with it, it would be hard to imagine the police have any effect at all at upholding the laws. A maxim like this is how you could imagine a criminal to want. They try to gain something out of any situation where they feel like they are not going to be caught. Imagine a society where everyone where criminals looking for the next opportunity to do something bad that benefitted them, this would not work as you could never be able to trust anybody. People would start becoming paranoid, and the belief that there are some good people in the world would disappear, as nobody would have any objections against doing bad actions to gain something for them self. Ethics would only be used to make laws and there would be no such thing as moral. There are no contradictions here so this world would work if we imagine that this maxim was universal law. Everybody would look for the next opportunity to gain something from bad actions. This is a world that I can not will t live in so the act is immoral. It is also important to remember that the companies would have a great time being believed when they claim to have good will, when it seem more like the companies attempts to act morally only comes from outer pressure. For an act to be morally acceptable in deontology you have to will

without limitations and qualifications. Something the MNC's have failed miserably.

6. Summary and conclusion

One big problem for retailers trying to behave in an ethically correct way is that some of their competitors do not. And especially in the lower price range of the clothing market, losing the competitive advantage in price could have severe consequences. For example, Primark, not only are they the best at accepting the responsibility of the MNC's mentioned in this study, but they are also widely recognized for their will to carry out their statements to the fullest.

In this practice they have to pay for audits and inspections of factories making clothes for many different retailers. This gives the competing retailers an extra advantage in production cost. In a perfect world all "free riders" like this, and all companies that do not respect the cost to ensure human rights would be exposed, facing a catastrophic loss in sales and brand revenue. But due to the vast amount of information it is hard if not impossible to reveal all the "free-riders. If companies were owning their own factories, then all this effort in making the workplace safer, and giving the workers better working condition would result in less demonstration from workers, more efficient production, healthier and happier workers, and a more reliable delivery due to fewer fires burning down finished products. The cost would benefit the retailer that respected these aspects of doing business. Today this is impossible as any ignores these responsibilities.

Transparency is needed, and it should be illegal to hide information that could have fatal consequences. Information regarding workplace hazards should be shared, and cannot remain in private hands. Valuing and respecting the voices of the workers can be shown by allowing the worker to participate in decisions that affect their health and livelihood. Bringing the worker into the discussion a

broad range of stakeholders who have not shared their ideas before can create a joint effort that can benefit all.

Everyone who has a stake in the global apparel industry should confront and accept responsibility toward the once who makes their clothes. These terrible disasters that have killed thousands of people are not the product an exceptional circumstances. Nobody should try to move focus away from the responsible parties by blaming chance, calling the fires freak accidents that happen. And it is important to realize that the tragedies cannot be blamed on unique examples of bad men, neglecting owners or corrupt government representatives. This is the result of a culture that has poisoned an entire industry, making it hard for individuals to break with the routines.

It seem like the industry is compromising the human flourishing of many, many workers, with exhausting working hours and abusive working conditions that give many workers a worse health. Now is the time to seize the opportunity to rethink the Bangladeshi apparel industry.

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