

# **Role of International Buyers in the Compliance Management Process of the RMG Industry and Mitigation of Human Factors Thereby: A Bangladeshi Case**

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## **Abstract**

*International buyers are acknowledged as the primary catalysts of compliance management in the Bangladeshi RMG industry, mitigating potential human factors. Nonetheless, various researchers cast doubt on their motivations to push compliance and question their role in sharing the related financial burden. Following this gap, this study investigates the role of international buyers in the Bangladeshi RMG industry in pushing compliance endeavors and whether they financially support these efforts. By pursuing a thematic analysis of the interview transcripts and related documents, it is concluded that international buyers are incredibly tight in ensuring their compliance checklists through various auditing platforms, creating an 'audit fatigue' for the suppliers; however, they indirectly share the financial burden in an insignificant manner and are most eager to reimburse for the safety-related compliance issues owing to media pressure. This finding will benefit academics, government agencies and HR/compliance managers revolving around the RMG industries.*

**Keywords:** RMG, Compliance, Audit, International Buyers, Human Resource Management (HRM).

## **1.0 Introduction**

Currently, the USA, UK, Germany, France, Spain, Italy, Japan, and Canada are among the major buyers of Bangladeshi RMGs. Giants of the world fashion—Adidas, H&M, Wal-Mart, GAP, Levi's, Nike, US Polo, Zara, Puma, Umbro, Sumitomo—purchase a large volume of their merchandise from here (Merchandising, 2022). Thanks to the order of these humongous global brands Bangladesh has been holding on to one of the top RMG exporter positions for the last decade (Akter, 2020); this scenario will likely be static for several upcoming years.

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It is noted from the history of the Bangladeshi RMG sector that these major international buyers, following a couple of disasters in Tazreen Garments and Rana Plaza, changed the whole scenario of compliance that contributed intensively to transforming the attention towards human factor/ human rights management (Alam, et al., 2017). Human factors are central to how managers connect with and influence employees and can immensely impact employees' engagement, creativity, efficiency, and productivity (Southern Illinois University, 2021). These impacts may pose implications to the individuals' performance, efficiency, health & safety, and social dynamics (Stanney et al., 1998). In their seminal work related to the interaction between automation and human beings Sheridan and Parasuraman (2005) unearthed various human factors that emerge from the utilization of automation: unemployment, erratic workloads and dissatisfaction, anxiety, deskilling, technological illiteracy, and enslavement.

There are various sources for driving compliance. The management bodies of the RMGs believe that international buyers set the tone for the compliance context, and they push the most in upholding human factor issues through inspection and audit (Akter, 2022); Ahmed (2012) confirmed the influence of international buyers in this sector, too. Pursuing this context, Bangladesh now has 187 LEED-certified green garment factories, the highest in the world (TBS, 2023). These compliance efforts impose additional financial and/or operational burden on the RMGs management; however, vouching intensively for the social compliance and/or auditing efforts, the major international buyers might be (seemingly) legitimizing their irresponsibility by shifting the responsibility of the human rights issues to the least developed countries (Rahim et al., 2021) and are unlikely to share the weight of this financial burden (Alamgir and Banerjee, 2018; Oka, 2009). Therefore, it is evident that even if international buyers are the frontrunners in establishing compliance platforms to address related human factors-based issues, their core intention to initiate this platform and related responsibilities to sustain the same is under scrutiny – the motivation of this paper lies here, i.e., to manifestly understand and interpret the efforts of the international vendors in the compliance management process.

Moreover, numerous researchers have confirmed the intended and unintended negative consequences of the compliance process on the suppliers of RMG products (Belal and Roberts, 2010; Busch, 2011; LeBaron et al., 2017; Marques,

2019; Marshall et al., 2016; McKinnon, 2012; Ponte and Gibbon, 2005; Rammohan, 2009; Taylor, 2011); however, this process is also understood as a mitigating catalyst of human factors (human rights) based issues in the apparel industry (Ahamed, 2013; Akter, 2022; Baral, 2010); a confusion clarification opportunity—research gap—lies here highlighting the impact of compliance-based management of the international buyers on the aftermaths of the Bangladeshi garment suppliers' automation efforts.

The value addition of this study comes from this angle of the role gap of the major international buyers. Therefore, the core objective of this paper is to understand the contribution of the major international buyers in installing and sustaining human factor-related compliance issues. To provide for the objective a few related queries are answered in this study, such as a) how the international buyers audit the Bangladeshi RMG factories for compliance? b) what are the sources of the costs of compliance and c) who bears the compliance cost – the supplier or the buyer? These questions are panned out based on the facts that international buyers' role in compliance management is diversified into setting the compliance platform, auditing for the predetermined compliance checklists and sharing the burden of the compliance execution. To answer these questions an inductive thematic analysis based on a latent analysis approach is utilized in this study. The primary data are collected through unstructured questionnaires; there are 9 respondents from 3 LEED-certified RMG factories. Moreover, various secondary data sources are used to comprehend the buyers' Code of Conduct (COC) and audit process.

The schema of the rest of the paper is as follows: section 2 enumerates the related literature and background; Section 3 describes methodology; Section 4 holds findings and discussion focusing on the above-mentioned three specific queries and lastly, section 5 concludes this paper accommodating for the final verdict, study-limitation, implication and related future research scope.

## **2.0 Literature Review**

Before the compliance management wave in 2013, most of the RMG factories in Bangladesh had been experiencing various human rights issues for a long period, such as lack of labor rights, ineffective labor laws, forced labor, child labor, limited application of social compliance, unhealthy & unsafe working environments and lack of collective bargaining freedom (Alam et al., 2018; Ansary and Barua, 2015; Sharma, 2015; Siddiqui and Uddin, 2016). Afterward, this scenario was altered owing to the sincere attachment to social compliance. However, currently, automation-based human factors—unemployment, de-skilling, desocialization, technological illiteracy and abandonment of responsibility—have become pertinent in the Bangladesh RMG scenario (Akter, 2022; Sheridan and Parasuraman, 2005).

The major goal of social compliance-based initiatives is to protect human rights in RMG factories so that the potential human factors are lessened (Ahamed, 2013; Baral, 2010). In the Bangladeshi RMG factories, the international brands, through the strict implementation of a compliance-based COC, have made an exemplary impact in minimizing human factors (Akter, 2022).

Keeping in mind this paper's research questions, the following subsections cover the compliance-based governance process of the international buyers and its consequences, the related audit body and audit process, the compliance benchmarks and certifications formulating the metrics of the audit process and unavoidable challenges faced by the HR/compliance departments of the RMG factories. Finally, this section ends with the related literature that backs up the hypothesis of this study.

### **2.1 International Buyers' Governance in Developing Countries' RMG Industry: A Compliance Focus**

Governance is a systemic way companies direct and control their operations (Cadbury Report, 1992). The global value chain literature concluded that there are two kinds of governance: buyer-driven and supplier-driven (Gereffi, 2001). International buyers' governance (buyer-driven) plays a pivotal part in global value chain management; they want to ensure their product standards and compliance requirements through it. On the same note, in a developing country, such as Bangladesh, the suppliers of the RMG sector are dominated by the buyers

since they do not have enough bargaining power to negotiate with the big international brands (Frenkel and Schuessler, 2021). These buyers keep tight control over the production process and quality of products by setting a code of conduct (compliance standards) and pushing all the current/potential suppliers to follow those through a closely governed audit cycle (Selim, 2018). Additionally, for the sake of survival and profit, both the buyers and suppliers aspire to ensure various aspects of sustainability in their transactions (Hasan et al., 2017). This sustainability requirement demands alternation in business function models, cost models, and specific governance parameters, such as compliance protocol (Haesun et al., 2021). Consequently, the requirements from the buyers have pushed the suppliers to shift towards sustainable amenities, e.g., environmentally friendly technologies and humanitarian working conditions (Grossi et al., 2019). Disproportionately, these demands are imposing heavy challenges on the suppliers, leading to delays and escalating costs (Frenkel and Schuessler, 2021).

## **2.2 International Buyers and their Code of Conduct (COC)**

International buyers play a pivotal role in the social compliance alignment of the RMG suppliers of Bangladesh, some of which are directly related to the ideas of human rights/ human factors. Hossain and Arefin (2015) highlighted these human factor-based compliance issues in their study: child labor, forced labor, working time, leisure time, workers' union, skill orientation and so on.

Additionally, since Bangladesh is a member of the UN, the Bangladeshi RMG industry is bound to pursue various forms of convention and guidelines, such as ILO conventions, the Universal Declaration of Human Rights (UDHR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR); various clauses of these pacts relate to human factors/rights (Hasan, 2017).

ILO conventions focus on the removal of forced labor, collective bargaining opportunities, equal remuneration prospects, removal of discrimination, removal of child labor, the minimum age to access jobs, occupational health and safety, limitation of working hours, wage protection, maternity protection, etc. Article 7(b) of the ICESCR highlights the importance of a befitting working environment (ICESCR, 1966). Moreover, various articles of UDHR ponder about the right to life, freedom and safety, the right to social security, the right to act in a suitable environment, the right to similar and equal remuneration, the right to

form trade unions, the right of relaxation and right of non-discrimination (UDHR, 1948). Interestingly, international buyers refer to these ideas and ask the RMG suppliers to integrate those in the attributes of compliance.

Interestingly, the USA (the largest buyer of Bangladeshi RMGs) initiated the Harkins bill in 1992 to eliminate child labor and devised guidelines for the importers by formulating the Apparel Industry Partnership agreement in 1996. Therefore, apart from the national or statutory bodies the

RMG suppliers are confronted with various social compliance standards stemming from various other NGOs and international organizations—sometimes from a buyer’s own firm—termed as ‘third-party’. Table 1 offers various compliance standards/certifications that most international RMG buyers warrant; these notions provide the base of the global vendors’ COC.

Table 1 – Five compliance categories and related platforms (source: author’s compilation)

Compliance category	Standards/Certification/Benchmark
Social	BSCI (amfori), SEDEX, WRAP, SAI
Technical	CTPAT
Environmental management	LEED, HIGG FEM, ISO 14001
Chemical management	ZDHC (MRSL), LEED
Safety	ISO 45001, Accord-Alliance

When buyers source their materials from various sources and are wary about the social indications of the whole supply chain, they refer to BSCI (amfori) benchmark/certification. A total of 12 SDGs (health, education, gender equality, water & sanitation, energy, decent work & growth, responsible consumption & production, climate, land-life and partnership) are tied with the compliance checklists of this body. Both the buyers and suppliers can access real-time data from an online repository (Amfori, 2019). Supplier Ethical Data Exchange (SEDEX) is one of the largest databases for storing and sharing information regarding ethical/social supply chain practices. In this platform, the buyer can map the risk associated with the suppliers’ operations and the suppliers can share their compliance alignment with multiple buyers from a single platform. It focuses on labor standards, health & safety, the environment and business ethics (SEDEX, 2022). Worldwide Accredited Production (WRAP) utilizes 12 criteria (principles) to certify the suppliers’ manufacturing facility as compliant, e.g.,

workplace regulation, forced labor, child labor, harassment & abuse, compensation & benefits, working hours, discrimination, health & safety, freedom of association & collective bargaining, environment, customs compliance and security (WRAP, 2021). Social Accountability International (SAI) focuses on human rights-based issues and is aligned with UDHR, ILO Conventions and national laws. It serves RMG factories with SA8000 standards scrutinizing them with these elements: child labor, forced labor, health & safety, freedom of association & right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration and management system (SAI, 2023).

Customs-Trade Partnership Against Terrorism (CTPAT) is rooted in the 9/11 event and focuses on the supply chain and the USA's security. It considers the suppliers along with all the members of a supplier's backward linkage and assesses the embedded risk through a 5-step process leading to certification. This certification is given based on various security checks on these issues: personal & physical setups, storage & distribution, shipment information control, information access control, contractor control, export logistics, records & documentation and facility photos. CTPAT-certified members are considered low-risk suppliers and are less likely to be examined at ports (CTPAT, 2020).

Leadership in Energy and Environmental Design (LEED) certification stems from the US Green Building Code (USGBC); this certification is extremely imperative for any export-oriented Bangladeshi RMG. This certification is provided when an organization excels in 7 categories: site sustainability, water usage efficiency, energy efficiency & atmosphere, materials & resources, indoor environmental quality, innovation in design and regional priority. LEED certification has 4 categories—platinum, gold, silver and certified—and the platinum certification is urged by most buyers; organizations' resource usage efficiency plays a key role here (Kaizer, 2020; Shumon et al., 2019). HIGG Facility Environmental Module (FEM) is a sustainability assessment tool standardizing the related measurement of a manufacturing facility and its environmental performance. It focuses on environmental management systems (EMS), energy usage, greenhouse gas emission, water usage & wastewater management, waste management, chemical usage & management (SAC, 2022). ISO 14001 aligns with EMS's pressing on resource efficiency and reduction of

wastage and cost. It's a generic management providing certification for factory-based and/or supply chain-related environmental issues; this is pushed especially by the European suppliers following the EU's Eco-Management and Audit Scheme (EMAS) (ISO 14001, 2021).

Zero Discharge of Hazardous Chemicals (ZDHC) certification checks for Manufacturing Restricted Substances List (MRSL), e.g., Carcinogenic/mutagenic/reprotoxic, endocrine disruptors, organ toxic, acute toxic for oral/dermal/inhalation route, developmental toxin/neurotoxin, respiratory sensitizer, substances toxic to aquatic life, Skin irritant/skin sensitizer/eye irritant, etc. and provide three levels of certification (ZDHC, 2022). ISO 45001 is an internationally recognized certification that ponders on occupational health & safety issues aligning with related regulatory and legal clauses to safeguard employees & visitors from operational accidents and diseases; it replaced the OHSAS 18001 certification in 2021 (ISO 45001, 2018). Following the devastation of 'Rana Plaza' disaster, the initial flow of compliance hit the Bangladeshi RMG factories in the form of Accord & Alliance, in 2013. It is a consortium of international brands that checks for the structural integrity of the suppliers' factories along with its fire and electrical-related safety issues. Additionally, it arranges for training for the employees and publicly discloses the results of inspections. The initial agreement expired in 2018; it was renewed again till 2021 and beyond this timeline, it has been renamed as 'International Accord' (Accord, 2018; International Accord, 2023). Interestingly, buyers may have their own code of conduct based on their ideas of corporate social responsibility (CSR) and human rights.

### **2.3 Audit and Inspection in the RMG Factories**

The RMG audits are typically done by the buyer, supplier or a third party, depending on various contexts. Interestingly, to start with, a pre-audit is conducted with the assistance of an internal auditor of the supplier. The objective of such an audit is to go through various pre-determined checklists to find out any issues that require specific or extended attention while the actual audit is done. Moreover, it aids in preparing the audit budget and timeline. Based on the declaration pattern and timeline, the audit might be announced (fixed time and date), semi-announced (a specific range of date and time), or unannounced (any

day beyond the audit fee payment). There are three kinds of audit, such as first party, second party and third-party audit.

Table 2 – Common third-party auditors in the Bangladeshi RMG factories (BV, 2023; ELEVATE, 2023; Hasan, 2017; SGS, 2023)

Third-party auditors	Scope/ COC platform reference
Bureau Veritas (BV)	SAI's SA8000 audit, SEDEX Members Ethical Trade (SMETA) audit, customized social compliance audit
International Talent Support (ITS)	Quality testing and inspection
Société Générale de Surveillance (SGS)	ISO9001, social accountability, quality & consumer safety, information security, health & safety, regulatory compliance
ELEVATE	BSCI (amfori), SEDEX SMETA, WRAP, HIGG FEM, building & electrical safety,

The supplier itself conducts a first-party audit. It resembles the form of an internal audit evaluating its operations referring to the internal process requirements or benchmarking the external standards, which could be subjected to a voluntary or imposed effort. On the other hand, a second-party audit is performed by the buyer or a contracted organization on behalf of the buyer. This type of audit follows various contractual requirements focusing on the goods and/or services along with the context of the operations. Interestingly, if the supplier and buyers want to avoid potential conflicts of interest arising from an audit process, they might prefer a third-party audit. Third-party auditors remain independent throughout the audit process and such audits might lead toward registration, certification, award, licensing, recognition, approval, sanction, etc.

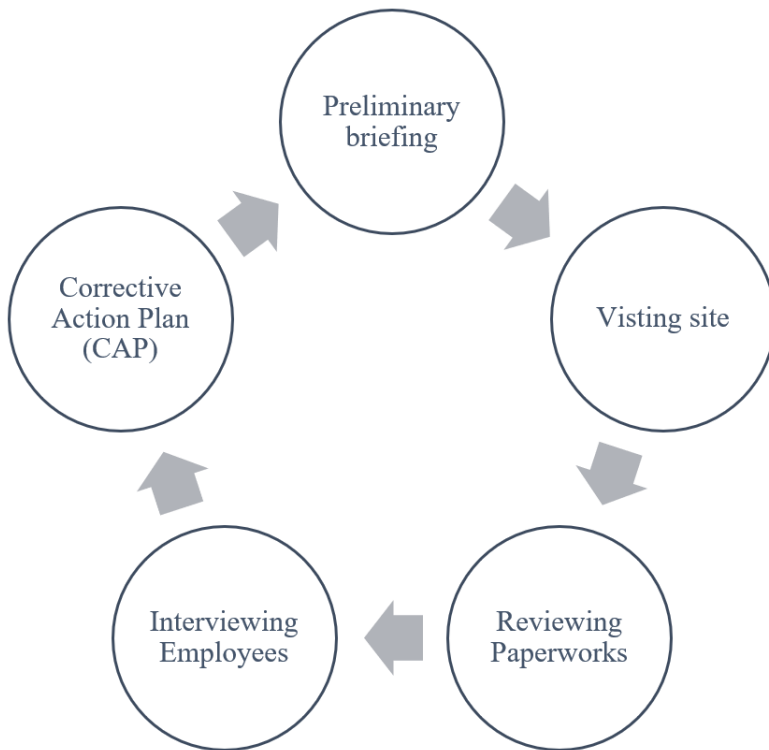
These big third-party auditors (generally) have physical offices in the sourcing countries and conduct the whole auditing process with their own auditors. However, the auditing flowchart and modalities differ from buyer to buyer and auditor to auditor. Various phases of social compliance audits are performed by third-party auditors.

These social compliance audits follow a certain audit cycle. It starts with a preliminary briefing session, where the auditors offer an overview of the audit process, requirements, steps and expectations from the management of the audited supplier. To follow, the auditors conduct an on-site visit to experience

and evaluate the factory environment based on a pre-determined checklist and consequently, they review the related documents. On top of it, they conduct various focused group interviews in a confidential manner, randomly selecting employees. To close the curtain, the auditors meet with the top management of the supplier, convey their findings and ask for the supplier’s Corrective Action Plan (CAP) (Hasan, 2017). As an aftermath, the third-party auditors mark the suppliers with different kinds of ratings; some of these ratings are categorical and some involve quantitative ranges. Table 4 denotes various ratings based on categories.

Table 3 – Various phases of the third-party audit (Hasan, 2017)

Phase	Context	Timeline
Initial	While getting fresh registration against a specific buyer	60 days from the registration
Follow-up	Takes place based on the evaluation (probationary/ requires improvements/ pending termination) found in the initial audit	Within 3-10 months
Annual audit	If a factory is stamped with an acceptance with issues marking	Within 12 months
Annual+	If a factory is marked with no or minor issues	Within 18 months
Pre-approval audit	It is conducted before the production starts in a factory given that the previous audit led to a ‘termination’ mark	Unannounced or on an agreed date



*Figure 1 – A typical audit cycle of the RMG factories*

Intriguingly, the third-party auditors might offer percentage-based scores (CTPAT, 2020), a grading-based certification (Amfori, 2019), a color-based certification—Gold-Silver-Orange-Platinum—based on scores (WRAP, 2021) or there might only be a qualitative overall reporting of the audited supplier (SEDEX, 2022). Hence, the scoring and ranking of the audited suppliers might take numerous forms based on the various certification and/or benchmarking platforms the third-party auditors are asked to pursue. However, such a tight audit procedure governed by the international imposes a heavy toll on the suppliers, both financially and non-financially, and leads to various intended and unintended consequences.

Table 4 – Third-party auditors’ rating based on categories (Sears, 2015)

Rating	Violation context	Timeline of follow-up audit	Impact on order
Acceptable	No violation	18 months	Nil
Acceptable with issues	Minor issues, such as violations in occupational health & safety, record keeping, cleaning or working hours	12 months	Nil
Probationary	Multiple issues including significant violations, e.g., inadequate overtime payments for a few workers	10 months	Nil
Needs improvement / pending termination	Multiple issues including major violations, e.g., incomplete time/ job record, payment below minimum wage, delayed payment of wage, inconsistent/misleading documentation, fire safety risk, etc.	3 months	Risk in future orders
Termination	Appalling violations in various issues, such as child/forced labor, bribery, discrimination, and harassment, when a factory receives three consecutive ‘needs improvement’ ratings without depicting any sign of development and when the supplier denies access to the auditors on two successive audits and/or threaten, harass or retain auditors.	N/A	No new orders

#### 2.4 Aftermath of a Compliance-focused Governance: Unintended Consequences

Ticking the compliance checkboxes and pursuing a stringent audit cycle consumes a huge volume of resources on the part of the suppliers. Repetitive audits, the ever-increasing complexity of the supply chain and varied requirements of sustainability standards (compliance) escalate compliance costs and related efforts (Marques, 2019; Marshall et al., 2016) and ultimately give rise to ‘audit fatigue’ (Rammohan, 2009; LeBaron et al., 2017; McKinnon, 2012). Fatigued suppliers are likely to get themselves distracted from the true audit objectives—compliance, transparency, and self-improvement—and might

consider the audit process as a routine task that has to be completed quickly even with falsified claims and documentation. Moreover, to have an upper hand in the negotiation the buyers utilize frequent audits as a pressure tool (Busch, 2011). Consequently, the suppliers want to be at par with the requirements and restore to misleading sustainability claims (KPMG, 2020); thus, a new term is coined, i.e., ‘sustainability fraud’ (Steinmeier, 2016).

Various tiers—top, middle, and low—of garment factories respond to compliance pressures from international vendors in distinguishable ways. Higher-tier suppliers replace labor with capital to reduce per-unit cost, middle-tier factories illustrate their adherence to their compliance strategically by focusing on quantifiable compliance measures and the low-tier ones fabricate compliance-based efforts and their reporting (Taylor, 2011). Furthermore, the suppliers, especially, the lower and mid ones, are hindered by the ‘tacit promissory contracting’—and informal contract of placing future orders—of the buyers (Hoque et al., 2016); since the contract is tacit, the suppliers are reluctant to pursue long-term compliance focused investments (Sinkovics et al., 2016).

In addition, compliance is imposed externally, and the suppliers (mostly) pursue it for survival. Therefore, compliance might positively impact the working conditions of an RMG factory; nonetheless, it may impose an additional financial burden on the suppliers and the cosmetic nature of the code of conduct aids in ignoring various pragmatic issues (Belal and Roberts, 2010). Sinkovics et al. (2016) investigated the unintended consequences of the compliance-based governance of international buyers and found that the bare minimum wage of the workers has increased and the opportunity to earn overtime allowance has decreased even though they work overtime – this has caused escalated stress in the workplace. Adding to the negativity, to make room for the additional compliance costs the suppliers have cut corners by abolishing various services, such as free meals and prayer facilities destroying the prevailing social values. Interestingly, they opined that international buyers’ compliance-based governance stimulates the suppliers to uphold ‘prescribed’ needs rather than ‘felt’ needs, i.e., child labor is eliminated, however, the rehabilitation of those children remains beyond consideration.

The ‘felt’ needs might remain unconsidered in the governance process of the international buyers mainly because they do not understand the requirement-matrix of a developing country’s marginalized communities (Belal and Roberts, 2010). On the same note, the failure of the compliance process should be credited to the poor comprehension of these international brands, not to the bad intentions of the suppliers (Locke, 2013). A blended version of the top-down approaches (codes, agreements and guidelines) and bottom-up approaches (needs and constraints) might aid in solving this issue (Sinkovics et al., 2016); contextual information flowing from the suppliers could assist in realizing the bottom-up approach and to go beyond the hedge of the ‘prescribed’ needs. Intriguingly, there happen to be a few critical perspectives regarding the compliance-based governance efforts of the vendors, such as they seek global-operational legitimacy highlighting their compliance tightness (Belal and Owen, 2015), benefit directly from the misery of these workers and lobby for measures that might even worsen the context (Newell, 2008), utilize compliance to succeed in the ‘politics of production’ (Taylor, 2011) and to control the suppliers (Ponte and Gibbon, 2005).

A compliance and audit-focused governance process may give rise to several negative consequences; however, a number of researchers have positively opined on the role of buyers’ governance process in reducing various catalysts of human factors. According to Ahamed (2013) and Baral (2010), the major goal of social compliance-based initiatives is to protect human rights in RMG factories so that the potential human factors are lessened. Moreover, In the Bangladeshi RMG factories, the international brands, through the strict implementation of a compliance-based COC, have made an exemplary impact in minimizing human factors (Akter, 2022).

## **2.5 Challenges of the HR/Compliance Managers in Implementing Compliance**

In RMG manufacturing companies, compliance management is conducted by either a traditional HR wing or a dedicated compliance management department. In either case, the managing bodies face numerous hurdles to establishing and maintaining compliance-related endeavors in their factories (Akbar and Ahsan, 2019). It is imperative to note the challenges faced by compliance managers

(Table 5) to understand the role of international buyers and RMG companies in the compliance management process.

Among the four categories mentioned in Table 5, challenges cited in the financial concern category are directly related to the research objectives of this study. Later, this paper will try to gather evidence regarding the existence of similar financial challenges in the Bangladesh RMG industries.

## **2.6 Research Gap**

Numerous researchers postulated that although the international buyers' compliance-based governance process gives rise to various unintended consequences, it has a role in reducing the human factors in the RMG industry; thus, an investigation is still to be conducted to declutter the impact of the buyers' compliance-based management practices on the automation consequences of the Bangladeshi apparel suppliers. Figure 2 clarifies the already researched arenas in the literature and the related research gap connected to the core query of this paper.

## **2.7 Hypothesis Development**

International buyers' affiliation with various partnerships, compliance benchmarks and third-party auditing bodies has formulated a defined code of conduct that happens to be one of the major factors vibrating the compliance motivation and management of the Bangladeshi RMG manufacturers (Hasan, 2017). There are various other authors (Ahmed et al., 2020; Ahamed, 2013; Alam et al., 2017; Ashadujjaman, 2019; Azim et al., 2020; Khan et al., 2019; Mamun, 2016; Oka, 2010; Rahim, 2017) who have walked on the same path by backing the compelling influence of international buyers in installing and sustaining compliance management in the Bangladeshi RMG factories.

Moreover, Akter (2022) confirmed the intensive compliance influence of international brands on the Bangladeshi RMG factories by interviewing the compliance managers; they also supported the fact that the compliance pushes from these brands aid in upholding potential human factors/human rights issues. Furthermore, Ahamed (2013) and Baral (2010) have claimed that social compliance efforts are positively linked to the mitigation of human rights (human factor) based issues. In contrast, a handful of authors have opined in an alternative way, highlighting the impression management-based motivation of

international buyers while contributing to the compliance management process (Rahim et al., 2021). These buyers are also reluctant to split the financial burden of the costly compliance implementation process, and their main intent happens to be reducing the cost (Alamgir and Banerjee, 2018; Oka, 2009). However, pillaring on the postulations of numerous researchers, it is safe to formulate the following hypothesis:

‘International buyers play a significant role in establishing and maintaining compliance management-based efforts in the Bangladesh RMG factories and aid in mitigating human factors thereby’.

Table 5 – Challenges faced by the compliance/HR managers of RMG factories in implementing compliance requirements (adapted from Akbar and Ahsan, 2019; Ashadujjaman, 2019)

Category	Compliance implementation challenges
Capacity and capability of RMG factories	Absence of support from the top management
	The dearth of qualified personnel to manage compliance
	Issues arising from unauthorized subcontracting of RMG factories
	Interrupted energy supply
Financial concerns	Pressure from the buyers to reduce pricing
	High investment requirements to install green mechanisms
	Buyers’ reluctance to support compliance implementation
	Deficiency of long-term buyer-commitment
	Costs arising from underdeveloped government infrastructure
Social and cultural aspects	Disregard for the native safety regulations
	Corrupt trade unions
	Systemic bureaucracy and corruption
Regulatory and compliance issues	Contradictory government regulations and policies
	Substandard implementation of government rulings
	Deviation in the buyers’ compliance-based requirements

<p><b>Query: What is the role of the major international buyers in installing and sustaining human factor-related compliance issues?</b></p>		
<p><b>International buyers' auditing process</b>                  Basic principles of compliance are derived from ILO, UN conventions, and UDHR.                  Other players: WRAP, FLA, CEPAA, BSR and ETI                  Country catalysts: local culture, labor law, and various regulatory guidelines                  Compliance is ensured through tight audit processes through site visits, documentation, worker meets, and corrective action plans</p>	<p><b>Consequences of tight Compliance endeavors</b>  <i>Negatives</i>                  The complexity of the supply chain increases                  Financial burden on the suppliers of RMG increases                  Audit fatigue and sustainability fraud arise                  'Prescribed' needs are met rather than 'felt' needs  <i>Positives</i>                  Potential human factor-based issues could be minimized</p>	<p><b>Compliance cost bearers</b>                  Compliance cost escalates due to highly demanding COC and audit/certification requirements                  Suppliers are more likely to bear the increased financial burden, not international buyers</p>
<p><b>Research Gap</b>                  In the BD RMG sector, what is the ultimate (net) consequence of the international buyers' compliance management process?</p>		

*Figure 2 – Summary of review and research gap related to the core query*

### 3.0 Methodology

This is an exploratory study focusing on the notion of grounded theory. The grounded theory explains how a phenomenon emerges within the study setting and participants and captures reality in theory building. Grounded theory techniques aid in thematic analysis, identifying concepts to build theories (Strauss and Corbin, 1990). The core data handling technique of this paper is thematic analysis to identify, analyze, correlate and report various patterns of data (Boyatzis, 1998). Since the data are qualitative and unstructured, such a method is chosen. Themes capture vital aspects of data focusing on the pre-

determined research questions or hypothesis to portray patterns or meaning within the data set (Braun and Clarke, 2006; Clarke and Braun, 2017). Following the hypothesis, various themes are developed, such as international buyers' COC, compliance operation, audit/inspection process and compliance cost bearing. Consequently, primary data are collected through unstructured interviews (Appendix 1) focused on the above themes. Nine responses are gathered from three LEED-certified RMG suppliers, who are conveniently selected; here, LEED certification is used as a reflection of compliance alignment. Respondents are selected from the HR or compliance management departments and each interview took roughly 60-70 minutes, originally collected in Bangla and later transcribed into English. Secondary data are collected from related articles, newspapers, various compliance/certification platforms' checklists and suppliers' audit/inspection checklists and questionnaires. This paper follows a hypothesis-driven confirmatory qualitative data analysis (Guest et al., 2012); a latent approach of thematic analysis is preferred over semantic analysis to interpret and infer in an in-depth manner (Kiger and Verpio, 2020). Figure 2 gives a detailed idea regarding the research process of this study.

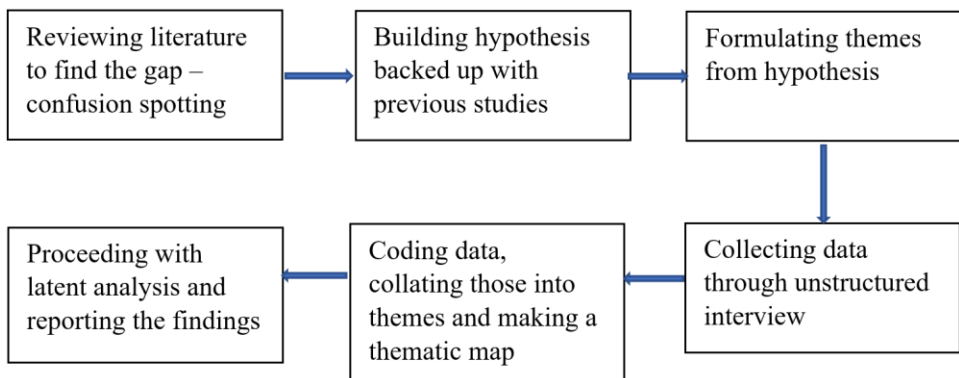


Figure 3 – Research flowchart (adapted from Braun and Clarke, 2006; Guest et al., 2012; Kiger and Verpio, 2020; Sandberg and Alvesson; 2011)

A thematic map aids the reader in navigating and connecting the core ideas of research and provides her with a framework for thematic analysis (Byrne, 2022). In addition to the research flowchart, a thematic map of this study is presented in

Figure 3.

The thematic map depicts four core themes, i.e., buyers' COC, compliance operations, audit process and compliance cost bearing. Buyers' COC, consisting of five sub-themes, influences the other three themes and compliance cost-bearing is additionally vibrated by the audit process. The roles of the buyers and sellers are investigated from the purviews of compliance operations and compliance cost bearing. Furthermore, the audit process is studied with three sub-themes, such as the body/firm doing the audit, evaluation modalities and ranking & reporting process. Interestingly, despite the four themes being pre-determined following the hypothesis, the sub-themes, along with the portrayed relationships, are a product of multiple iterations and reviewing processes.

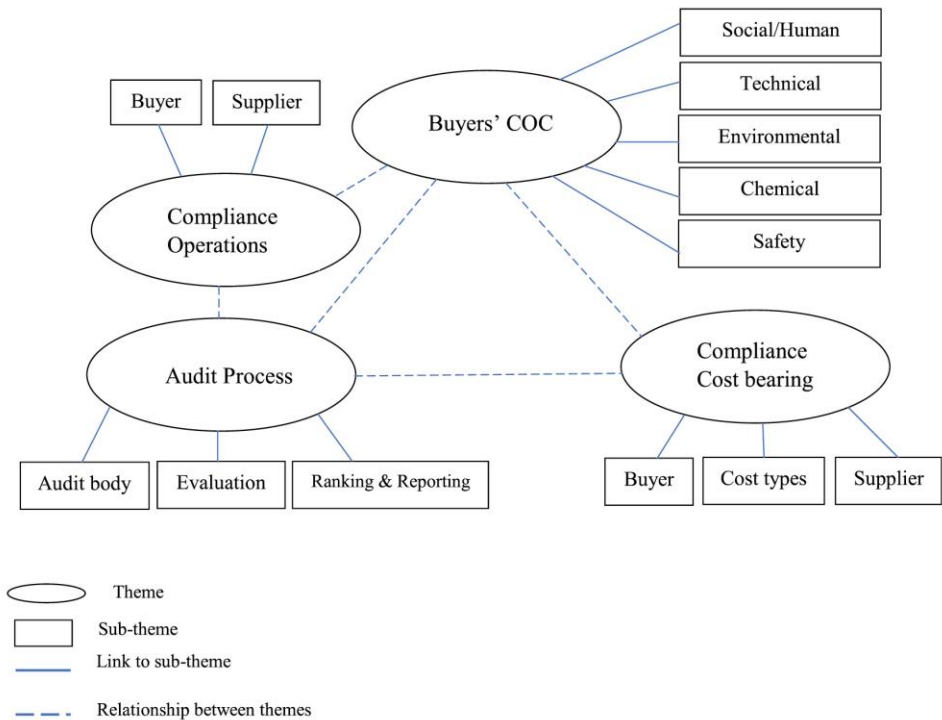


Figure 4 – Final thematic map of this study (map template is adapted from Byrne, 2022)

#### 4.0 Findings and Discussion

Pursuing the hypothesis, related findings from the interviews are presented here, highlighting the audit process of the international buyers covering their compliance COC, compliance cost heads, and how the financial burden of the compliance management is shared between the supplier and the vendors.

#### 4.1 How do international buyers audit Bangladeshi RMG factories for compliance?

First stage: firstly, the buyers set their code of conduct (COC), locking various specific platforms and their checklists. Commonly these platforms are rooted in the EU—BSCI (amfori) with 11 checklists, SEDEX with 9 checklists—and USA—WRAP with 12 checklists, CTPAT with security checks—jurisdictions. Secondly, the vendors finalize a contract with a third-party international auditor, communicating their specific platform and/or certification requirements. Popular international third-party auditors in the Bangladesh RMG context are BV, SGS and ELEVATE. These auditors have universal acceptance their compensation (per audit) ranges between BDT 200,000 – 1200,000.

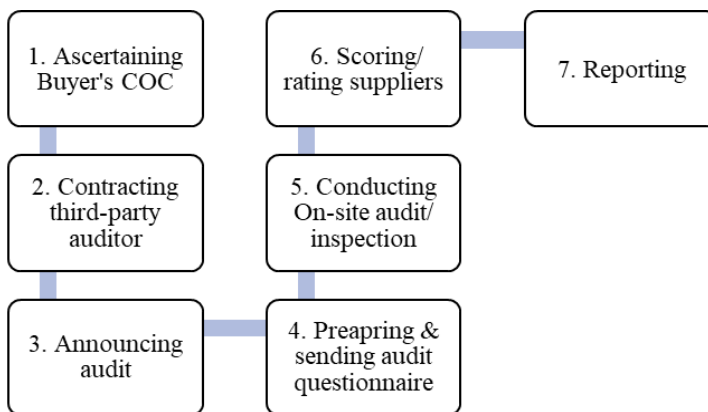


Figure 5 – Compliance-related audit flowchart of the international buyers

Second stage: the audit process could be announced, semi-announced, or unannounced. Generally, before starting the formal audit process, the auditors email a lead time ranging between 30 to 120 days. Consequently, the audit firm sends questionnaires with varied checklists based on the vendor’s choice of compliance platform(s). The number of queries may reach beyond 100 and the

type could be dichotomous (yes/no), scale-based and/or semi-structured. Following these questions, the supplier sends preliminary responses and the whole process is done through an online software-based platform. Followingly, the auditors conduct an on-site visit and try to align the preliminary responses with the ground reality; they keep uploading the information to the online platform as they become able to confirm a response.

Third stage: the auditors award various types of ranking based on the platforms they are following as per the demand of the international buyer. If they follow BSCI, the raking has a letter-based—A/B/C/D/E/F—output; ‘A’ is the best possible position and ‘F’ defines failure. Most of the factories receive ‘C’ and only a handful, around 150, of the manufacturers receive ‘B’. WRAP-based ranking receives color—gold/silver/orange/platinum—codes; ‘gold’ is the most received color. Furthermore, CTPAT-based audit fetches percentage-based ratings ranging between 1-100%; USA-rooted buyers demand a beyond 70% score to place an order. Interestingly, SEDEX-based audit results in an overall qualitative report based on different categories, and it is interpreted by vendors in their own manner, such as color—red/orange/yellow/green—coding or even a simple ‘pass-fail’ rating. Finally, the report is sent within 10 days from the date of the on-site visit to the sponsor (supplier or vendor) of the audit.

A few brief studies were done regarding the audit process in the Bangladeshi RMG industry (Huq et al., 2014; Hasan, 2017); nonetheless, they didn’t put up a step-by-step auditing process. Interestingly, this hectic audit process of international buyers creates ‘audit fatigue’ among the Bangladeshi RMG suppliers and is focused mostly on compliance checklists, finding out deviations and giving short-term solutions (Hasan, 2017). Moreover, the buyers are keener on legitimizing their supplies and maximizing profit rather than truly contributing to the compliance management process (Nasrullah, 2014).

#### **4.2 How about the Cost of Compliance?**

Broadly, five streams give rise to the compliance cost. The contribution of each of these streams depends on the size of the manufacturer, the types of products they are supplying and the specific requirements of the international buyers. It is

extremely difficult to mention a monetary value for the various types of compliance costs; nonetheless, a ratio compared to the total compliance cost is figured for all the categories in Table 6.

Table 6 – Compliance cost chart

Type	Instances	Ratio
Infrastructure development	Accord-Alliance-compliance: building, fire & electrical safety-focused structure and equipment/tools; LEED-compliance: sustainable and efficient structure/ machines; purchasing software and/or online platform for reporting audit/ compliance performance (results)	30-60%
Human resource	Higher salary for the specifically skilled personnel: Environmental Management System/ Chemical Management System /Industrial Production/ Information Technology based engineers/ executives/ operators	15-25%
Operational	Highly expensive imported chemicals, to comply with ZDHC requirements, software/ cloud renewal, documentation, regular hardware/ infrastructure maintenance	20-30%
Audit/inspection	Getting audited by an accredited third-party auditor, such as ELEVATE	10-15%
Miscellaneous	Other facilitation costs	5-10%

Baral (2010) studied the initial investment and running cost requirement for compliance management of the Bangladeshi RMGs; Ahmed, et al. (2020) studied the various types of compliance costs in the same; notably, categorizing compliance cost with proportional segregation is a fresh contribution.

#### 4.3 Who bears the compliance cost – the supplier or the buyer?

The cost of compliance increases with the number of brands a supplier serves. Relating compliance costs with the buyers, one of the respondents mentioned:

*“... if we serve 50 global brands, then to fulfill the compliance demand of those brands we have to incur (roughly) BDT 25 million every year, i.e., BDT 500,000 per brand. Furthermore, per audit, we need to pay the international third-party auditor between BDT 200,000-1200,000.”*

Logically, such figures impose a heavy financial burden on the suppliers. However, it will be interesting to find out as regards how much of these compliance burdens are shared by international buyers.

In the cases of Accord-Alliance based audit (safety compliance), the vendors almost pay the full cost. Additionally, international brands are ready to pay more for their products when there are certain certifications, such as LEED, WRAP and so on. On a few occasions, vendors might aid in capacity development: H&M—through SAC (Sustainable Apparel Coalition)—aided in initiating HIGG FEM (Facility Environmental Module); they introduced the notion of online platform-based environmental and chemical issues related compliance management in the Bangladeshi RMG context. It is not uncommon for the buyers to arrange skill and/or social compliance-based training/ workshop sessions.

Specifically, global brands may bear only 10-15% of the overall auditing cost. Remarkably, if the total cost of the compliance is considered, they do not contribute more than 2-5% of it; in some rare optimistic cases, this rate could shoot up to 10%, which is insignificant. Moreover, a large chunk of this contribution is targeted toward safety compliance and the other four categories are almost overlooked. It is inferred that in Bangladesh, the compliance wave hit the RMG industry after major safety disasters, such as Rana Plaza and Tazreen Garments (Alam et al., 2017; Siddique and Uddin, 2016), for which the buyers are more focused on the safety compliance category. Additionally, Islam and Deegan (2010)—based on the ‘media agenda setting’ theory—suggested that big international buyers are sensitive to negative media attention and that media sets the agenda, In the Bangladeshi RMG case, the media is more concerned about the inhuman working condition, safety compliance and how the buyers go by the audit, not about the fair distribution of compliance cost; hence, the buyers are less concerned about this phenomenon.

## **5.0 Conclusion**

The international buyers are adding additional certification and audit attestation to their compliance bucket. Some buyers push the suppliers to achieve certification from their (uniquely) self-developed compliance and/or audit platforms; these scenarios have generated ‘audit fatigue’ among the suppliers. Moreover, the audit rating/attestation is mostly controlled by the vendors and the

only significant control the suppliers have is over the production mechanism. Alternatively, global brands might resort to such compliance efforts to legitimize their existence in the murky world of fast fashion and questionable RMG sourcing. Interestingly, the buyers do not share much of the compliance costs directly. Nonetheless, they occasionally aid in providing heads-up for the compliance process through initial capacity building, are ready to pay (partially) for the compliance costs indirectly through an extended per-unit quote and generally arrange for compliance-focused training/workshop. Notably, they are eager to pay for safety compliance (similar to Rahman, 2014) since the media highlights safety failures more and may ignore other compliance category-based costs.

Compliance endeavors' core objective is to reduce human rights-based (human factor) issues (Ahamed, 2013; Baral, 2010) and the initiating roles of international buyers in upholding compliance management are visible. Although their audit procedure is getting tighter day by day, they do not embrace a fair burden of the compliance management process and impose most of it on the supplier; similar evidence was found by Ruwanpura and Wrigley (2011). Likewise, Akbar and Ahsan (2019) noted a few critical hindrances to materializing social compliance, such as buyers' price pressure and reluctance to support the supplier financially. To conclude, in the Bangladeshi RMG industry, international buyers play a role in establishing a compliance framework but not in maintaining and supporting compliance management; therefore, their contribution to human factor mitigation is questionable.

In the Bangladeshi RMG factories, the global brands insignificantly contribute to compliance management costs indirectly, whereas a direct contribution based on long-term commitment and investment is recommended (Tate and Bals, 2018; Wilshaw, 2010). In addition, they might minimize the burden on the suppliers by providing /accepting universally accepted central certification and auditing processes comparable to external auditing of financial reporting.

The potential theory emerging from this study is that international buyers' significant financial involvement in the compliance management process will mitigate the human factors more. Academics investigating in the RMG context, government agencies related to RMG-factory-related compliance and the

compliance managers of the suppliers are the direct beneficiaries of this research. A specific academic contribution is that compliance cost was not wholly figured in the studies of Baral (2010) and Ahmed et al. (2020); this study figures a categorized compliance cost chart with proportional mentions. International vendors may take a leaf out of this paper to stretch their assistance toward the suppliers in managing compliance. Additionally, the findings of this paper will aid the management of the RMG factories to further their operational and strategical insights focused on compliance management. They will be able to poise themselves better in the negotiation/management process relating to vendors' COC. The generalizability of this research is hurt by its limited sampling and future research scope lies in designing a transparent and fair compliance management process focusing on the roles of both the suppliers and buyers of RMGs.

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## Appendix 1

Questions asked to the respondents from the HR/Compliance management department of selected LEED-certified RMGs

1. What is the international buyers' role in the compliance management procedure?
2. How the international buyers ascertain their compliance-related Code of Conduct (COC)?
3. Who are the auditors of the compliance procedures?
4. What is the flowchart/steps of the audit procedures?
5. What are the different types of costs associated with compliance management?
6. Who pays for the compliance management costs?
7. What are the specific contributions of international buyers in upholding compliance management procedures?