

# Ethics in Supply Chains: An Illustrated Survey

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This is a pre-proof version of a chapter in:  
Sweeney, E. (ed). (2021). *Global Logistics: New Directions in Supply Chain Management*. London: Kogan Page. 306-337

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*“These motherf\*\*\*ers know how to exploit people like us.  
They make profits like hell and pay us in peanuts.”<sup>1</sup>*

*“I have concluded that in truth Boohoo has not felt any real  
sense of responsibility for the factory workers in Leicester  
and the reason is a very human one: it is because they are  
largely invisible to them. It is hard for people to empathise  
with the plight of those of whom they know little.”<sup>2</sup>*

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<sup>1</sup> Leicester textile worker cited in Wheeler (2020).

<sup>2</sup> Levitt (2020:9).

## 1. Introduction

In this chapter I provide a brief introduction to the field of supply chain ethics and use the case of Boohoo – a UK-based online fast fashion retailer – to reflect on two key issues: what drives ethical change in the supply chain, and what is the nature of supply chain responsibility? The term ‘supply chain ethics’ is open to several interpretations, but here I concentrate on how firms handle those issues (for example, worker exploitation, environmental harm) that arise in firm’s extended supply base.

Boohoo is a UK-based fast fashion retailer. On the fifth of July 2020, the UK’s Sunday Times ran a front page story about the firm’s suppliers in Leicester. In particular, the article made claims that suppliers were paying less than the minimum wage. The accusations followed several years of claims of exploitative sweatshop labour in the city, and concerns that workers were being forced to labour in unsafe conditions during the Covid-19 pandemic. The story had an astonishing short-term impact: within the next two weeks the company’s share price dropped by over forty-five per cent, taking over £2 billion off the value of the firm. The firm responded by commissioning an independent review by the eminent lawyer Alison Levitt QC (Levitt 2020), and in the following months the firm’s leaders were grilled by two parliamentary committees<sup>3</sup>. The case provides an insight into the operations and culture of the firm that would normally be inaccessible to conventional academic inquiry. Although there are obvious dangers in tying an analysis to the details of a single firm in a

single industry, the Boohoo story is rich and complex enough to give substance to arguments that could otherwise appear abstract and merely theoretical. .

The chapter is organized as follows. In Section Two I provide an overview of the field, making comments on both supply chain ethics as handled in practice and research. In Section Three I pick out two key issues (the drivers for supply chain ethics and the nature of the ethical connection between buyer and supplier) to develop a simple framework for understanding different types of responsibility. I then deploy these ideas to help illuminate the Boohoo case, before offering some concluding thoughts in Section Five.

## 2. Characterising the Field of Supply Chain Ethics

### 2.1 Alternative Narratives

It is possible to choose different embarkation points for a discussion of supply chain ethics. One starting point is to point to the horrors of modern slavery, child labour, exploited and unsafe workers and environmental damage that persist across the globe. In this view, the industrial system that has worked so brilliantly to bring unimaginable wealth and comfort to the privileged comes at the cost of cruelty and injustice for others. If *my* cheap goods come at the cost of *your* suffering, the response needs to be outrage. It is easy to juxtapose the mental images from ‘different ends of the chain’: plenty versus starvation, freedom versus bondage, instant gratification versus environmental catastrophe. These vignettes bring immediate moral clarity: a global economy that rests on oppression and harm is just *wrong*. We (the consumer, the global firms) are culpable as the beneficiaries of institutionalised injustice, because the system of trade and exchange – which the textbooks tell us should lead to mutual benefit – is broken. The problem is that in every exchange, at every opportunity, the powerful seem to wring advantage at the expense of the weak. Prices are driven down; corners are cut. Multinational companies seek out the supplies from the places with the weakest standards and lowest wages. The supply chain is a story of moral failure. In the words of Martijn Boersma (2014), “global supply chains link us all to [the] shame of child and forced labour.” The supply chains of major firms are thought to be responsible for nearly a fifth of all carbon dioxide emissions (Zhang et al 2020).

But, alternatively, we might see the supply chain as a story of hope. The world economy – and thus, ultimately, all of human society – rests on trade. That trade is dominated by firms buying from one another. What if we could inject ethicality into firms’ procurement practices? Perhaps there is space for a ‘market-embedded morality’ (Shamir 2008)? What if we could change the supply chain from one that generates harms into one that raises standards (Girling 2020)? Perhaps even those workers working in countries with feeble legal protection from their own state might find shelter and help in the munificent influence of the Walmart or the Nestlé supply chain? The great corporations can exercise extraordinary influence on their suppliers and in turn their suppliers and so on. Perhaps, as best practice cascades down the supply chain, corporate procurement can be the vehicle for delivering, *inter alia*, economic development, the empowerment of women, the safeguarding of minority rights and the protection of the environment (Hartmann and Moeller 2014; Wilhem et al 2016; Åbländer et al 2016; Zhang et al 2017)?

Over the last thirty years or so, many organizations, activists and academics have launched out on a journey into supply chain ethics from these contrasting points of departure. What is not clear is where we've landed. If one reads the websites and reports of major corporations, it is possible to dizzy oneself with high claims of ethical commitment, virtue and progress. Expensive (and glossily photographed) corporate initiatives give an impression of huge effort and serious moral purpose. If you attend the corporate practitioner conferences associated with the various incarnations of supply chain ethics (environmental or social), it is impossible to ignore the exciting buzz: people really feel they are making a difference. But go to different conferences – for example, those of non-governmental organizations (NGOs) and activists groups – and the energy is all about the continuing struggle against the hypocrisy of those same powerful firms. It's not difficult to find media stories of exploitation and environmental damage in supply chains. Frankly, it would be difficult to argue that thirty years of firms' interest in supply chain ethics has made significant improvements. The much predicted 'cascade effect' doesn't seem to be a reality yet (Villena and Gioia 2020). But it is clear that the field continues to generate substantial interest and activity in both management practice and academia.

## 2.2 Supply Chain Ethics as Practice

There is no doubt that over recent years supply chain ethics – broadly defined – has become a major element of corporate 'best practice'. Leading firms produce extensive reports detailing considerable levels of activity. Comparing, say, the corporate responsibility reports of Intel Corporation from 2010 and 2020, one can see that although the format and structure of activities remain broadly the same (and the layout of and structure of the reports are eerily similar), the latter showing an increasing level of sophistication. In 2010, Intel reported very few onsite labour and environmental audits of suppliers (just eight per year); by 2019 this had risen to 207 per year<sup>4</sup>. In the later report, the firm claim that audit all high-risk supplier sites over a two-year cycle. Major consulting firms offer supply chain ethics services (e.g. KPMG, Deloitte<sup>5</sup>) and large numbers of firms have emerged offering technology solutions targeted at managing ethics and sustainability in the supply chain (for example, Ulula<sup>6</sup> provides systems to enable vulnerable workers in the supply chain to report issues; Provenance uses blockchain technology to enable product traceability<sup>7</sup>).

Despite these developments, it is fair to say that progress has been slower than predicted (including by me, New 2010). A recent survey of 710 mostly US-based supply chain professionals reported only 62% of respondents reporting that their firms monitored or evaluated their supply chains for ethical practices, even though 94% reported that they felt that their organization should practice or have a plan to 'operate an ethical supply chain'<sup>8</sup>. In some organizations, this work is framed as part of 'compliance' (Picot 2019) and tends to span across many functional groups in an organization (e.g. procurement, logistics, accounting); what is clear is that the apparatus of supply chain ethics can become highly bureaucratic (Neef 2004; Cranmer and New 2012).

## 2.2 Supply Chain Ethics in Research

The academic literature related to this field is vast, and this chapter will not attempt a systematic review. However, it is worth making some observations about the range of academic lenses which can be applied to the domain, each bringing different disciplinary and philosophical perspectives. These are illustrated in Table One.

++++ TABLE ONE ABOUT HERE ++++

Although the extensive body of work on global commodity chains and global production networks – which very loosely might be associated with the work of Gary Gereffi and others (e.g. Gereffi and Lee 2016; Gereffi 2019; Coe and Yeung 2015) – rarely addresses ethical issues head on, it is undeniably connected with the broad idea of supply chain ethics. The work typically rests on implied ethical assumptions about the merits of economic development and the desirability of improved working conditions. Several threads of this work construct the question of supply chain ethicality in terms of private regulation (e.g. companies and corporate groups applying standards, certification and inspection regimes) versus state regulation (Vogel 2010). This body of work often draws on disciplinary perspectives such as politics, geography and economics, frequently dealing with macro-level data. It is largely targeted towards the discourse of national and international policy. This is an academic tradition which is often concerned with supply chain ethics, even though the terms ‘supply chain’ or ‘ethics’ may not be deployed.

In contrast, another substantial body of work is more commonly based within business schools and tends to be more interested in the actions and programmes of companies; in recent years this has typically been characterised by framing questions of supply chain ethics within a broader context of sustainability, where the ‘social’ becomes a subset of wider set of issues associated with the environment. ‘Sustainability’ becomes a coverall term for a generalised sense of virtue (Montiel 2008). This fusion makes some sense as the machinery of what organizations actually do (e.g. audits, supplier prequalification, codes of practice) applies in similar ways to both domains. This body of work is very diverse but is perhaps best exemplified by the prolific contributions of Stefan Seuring at University of Kassel in Germany (Seuring and Müller 2008; Yawar and Seuring 2017). and Rob Klassen at the Ivey Business School at Western University in Canada (Linton et al 2007; Klassen and Vereecke 2012). In recent years there has been a spate of slightly repetitive review articles which attempt to summarise this burgeoning field: these include Gimenez and Tachizawa (2012); Tachizawa and Wong (2014); Köksal et al (2017), Nakamba et al (2017); Sodhi and Tang (2018); Koerber and Longoni (2019); and, Govindan et al (2020).

It is interesting to note that while much of the work discussed in these reviews is empirical, there tends to be more discussion of companies’ practices than of actual ethical outcomes. For example, work on modern slavery in this framing often considers data about companies’ policies more than the actual experiences of exploited workers. Most of this work also tends to skip quite lightly over the core ethical questions, and in some cases is conceptually located in the field of reputation management. This reflects an assumption that an important – if not the major – reason why firms should be interested in supply chain harms is that it could damage corporate reputations and thus diminish profits or the share price. This – perhaps curiously – permits a discourse where ethical concerns conveniently align with a financial logic: supply chain ethics can be then seen as unthreatening to business even from a Friedman-esque view of the primacy of shareholder value, and so arguably stops being about ethics at all and becomes a branch of marketing. In other words, it means that the question of supply chain ethics becomes less about the question ‘what is right?’, and becomes ‘what will important stakeholders perceive as serving their interests?’ This may even lead to a perverse position where what is ‘ethical’ is that which you can get away with<sup>9</sup>. This is illustrated in many firms’ approach to the ‘risks of modern slavery in the supply chain’ – the risks in question are not the risks of actual people being actually exploited, but the risks of a reputational scandal. In this perspective, due diligence activities are driven by a desire primarily to protect the

firm, rather than eliminating the harm. Protecting people becomes a means to an end, not an end in itself.

Supply chain ethics are also considered by many legal researchers; the work is typically framed in the context of human rights and company law. Although the relationship between law and ethics is complex (for example, see Starr 1984), there has been an explosion of research from this perspective, particularly with the emergence of legal instruments which seek to either directly regulate or encourage good behaviour in supply chains, such as the California Transparency in Supply Chains Act of 2010, the UK's Modern Slavery Act of 2015. Recent contributions in the vein include Cullen (2016); Nolan and Bott (2018); Landau (2019); and, Hess (2019).

Relatively little research concerns itself directly with the detailed ethical theory of supply chain ethics, and that which has emerged has made little impression on the debates in the other academic silos. The recent thesis by Kingston (2019) makes a detailed argument that the fundamental premise underlying most work in the field is flawed. Buyers (consumers or firms), in his view, do not have obligations for the behaviours for their trading partners other than in very narrow circumstances. Kingston makes important arguments about the limitations of ethical shopping in terms of the extent to which consumers/buyers can fully understand the 'harms' in the chain, and the extent to which applying remedies can have unintended consequences. This brings to the surface the distinction between deontic and consequentialist reasoning. In the former, ethical arguments start from the idea of non-negotiable principles that guide action whatever the context: for example, don't murder people. These principles might be disputed between people and subject to definitional complexity, but when someone holds a deontic principle, the value of action is not subject to the balancing of pros and cons – something is wrong (or right) and that's it. In contrast, a consequentialist view is one in which an action is evaluated by considering all of the effects of the action, and calculation of the net ethical effect: the overall ends might justify controversial or problematic means. In supply chains, nearly all discussions of ethics are framed in consequentialist terms. For example, applying the principle that 'child labour in supply chains is a bad thing' seems sensible at first glance, and seems like an important ethical idea that should be rigorously applied. But as Berlan (2013) shows, once the lived experience of children is understood, in some circumstances, some kinds of child labour might be preferable to the available alternatives. In Berlan's study, she illustrated how some Ghanaian children were stopped from working on family cocoa plantations as a result of the producers needing to receive Fairtrade certification. However, the schooling that was available as an alternative was in many senses more dangerous. This doesn't mean, of course, that, overall, education is not to be preferred to child labour, but it points out that in any given circumstance there may be complex trade-offs. A firm may drop a supplier for unsafe working practices – but where does that leave the workers and their families if no alternative employment is available? This level of complexity means that the application of supply chain ethics requires deep understanding of the situation in question, and a need to avoid approaches in which rules and codes are applied in a ham-fisted or short sighted way. For Kingston, this risk – together with some less convincing arguments about compromising 'liberal democratic values' – means that the exercise of supply chain ethics is intrinsically misguided.

An alternative critique by Amaeshi et al (2008) focuses on the logic of transferring ethical responsibility from, say, a firm providing poor working conditions to its employees (for example, Foxconn in 2012) to the firm's customer (Apple; see Garside 2012). This makes sense, they argue,

only in situations in which the buying firm has particular kinds of power over the supplier. This resonates with an argument I made in an earlier contribution (New 2004). In normal discourse, some types of responsibility seem obvious – “of course big food companies have obligations to the poor farmers that provide the crops”. But although it is easy to jump to the conclusion, for example, that Mars Inc. might be culpable for the use of child and forced labour in the West African cocoa production involved in its products, on what basis should that culpability be allocated to Mars? Why not ascribe the responsibility to the (several) intermediary stages in the supply chain – or why not to the cocoa farmers themselves? Or – going in the other direction along the chain – why not to Walmart, or the tiny cornershops, who sell the products? In practice, people generally allocate responsibility to those perceived to have some kind of controlling influence. This seems to be fairly obvious in some cases, but not in others: in the car industry, for example, it is fairly easy to generate an approximate map in which the major assemblers as the ‘kings’ of the supply network, with successive tiers representing often smaller and smaller firms. This matches a logic in which the buyer has more power of the suppliers, although of course the degree of influence will depend on the detailed structure of the network: some suppliers may have many customers, so the influence of a single customer might be very small; as one goes down the network towards raw materials, it is likely that firms in the supply network are supplied by firms much larger and more powerful than they are: in this case, the idea of projecting upstream ethical responsibility becomes problematic. The implications of this for supply chain ethics are significant, as it calls into question the idea that buyers can necessarily have influence on their suppliers, either by Voice (i.e. exercising power within a relationship) or by Exit (using the threatened or actual end of a relationship to exert power – Hirschman 1970; Pedersen and Andersen 2006). The extent of possible influence depends on not only the relative size of the firms, but also their relative interdependency, the availability of alternative trading partners, the switching costs involved and the level of asset specificity reflected in the relationship (Williamson 2008). In ethical terms, a lack of power must have some relevance to the degree of responsibility: Tesco and Walmart have great power over many of their supplying firms, whereas an independent cornershop selling the same goods does not. This does not mean that the cornershop has no ethical issues to consider in its supply – it could still, in some cases, choose to simply not sell products originating from particular suppliers or geographies. But its ability to exercise influence over, say, Kraft or Unilever is minimal. In terms of supply chain ethics, it seems a reasonable position that those actors with significant power carry a heavier ethical responsibility than those who don’t. Hojmosse et al (2013) find some evidence that collaboration between buyers and suppliers is more successful in conditions where the power is balanced between them.

Another perspective on supply chain ethics is provided by the work of Ha-Brookshire (2017). In a clutch of interesting papers, she draws on Kantian ideas for considering supply chain obligations (in the context of sustainability) as either ‘perfect’ or ‘imperfect’ obligations (terms which are well established in ethical theory, but uninformative and potentially misleading to the casual reader). The former category relates to universal and absolute duties that are universally applicable (such as telling the truth, not murdering people); the second relates to things that are good to do, but not ethically necessary (such as giving to charity). Imperfect duties, in this sense, are acts of choice which allow flexible interpretation. In Ha-Brookshire’s view, sustainability in corporate operations (including supply chain operations) is often perceived as falling into the imperfect category, because it is understood to play a secondary role to the organization’s core goal of financial success. In this case, the best that can be hoped for is for a supply chain that is ‘consistently sustainable’ or

‘occasionally sustainable’ in only selective areas of operations. She also points to the problem of corporate hypocrisy in undermining efforts to achieve sustainability, concluding that “...corporations must work on having clear and convergent goals, and a well-defined corporate structure toward sustainability.”

For firms working in the supply chains, there are interesting choices to be made regarding this distinction. For several years many major companies (Unilever and Sainsburys are good examples) have adopted a public stance whereby their work in supply chain is targeted at going well beyond simply ‘not being bad’. For example, they have engaged with educational and gender equality issues in the communities in which their suppliers operate. Other firms – often those without direct contact with consumers – tend to settle for more limited ambitions. However, an important question that follows from Ha-Brookshire’s distinction is the extent to which the ‘imperfect’ agenda might serve as a kind of ‘greenwash’ or smokescreen to steer attention away from a firm’s limited success with perfect obligations. There is also a possibility that concern with ambitious imperfect obligations might act as a distraction mechanism for managers within a company – in Sendlhofer’s (2020) evocative phrase, ‘visionary procrastination’ – which pulls them away from more prosaic and less glamorous perfect obligations.

### 3. Two Key Issues in Supply Chain Ethics

#### 3.1 Drivers

A key element in much work in supply chain ethics is the idea of transmission of ‘pressure’ in trading relationships, and much attention has been given to the ‘ethical shopping’ element of consumers bringing ethical concerns into their purchasing behaviour. Ethical pressure is assumed to make virtue ripple down the chain. However, after many years of predictions of the growth of this phenomenon, much of the literature is nowadays concerned with why there is so little ethical shopping, and why, to the extent that it does happen, ethical shoppers are so fickle and inconsistent. Many writers (e.g. Nicholls and Lee 2006; Chatzidakis et al 2007; Eckhardt et al 2010) observe that there seems to be a persistent divergence between consumers’ espoused values and their actual purchasing behaviour: the so-called ‘attitude-behaviour gap’ (also sometimes reported as the ‘value-action gap’ or the ‘intention-behaviour gap’. This might be driven by a range of factors: Bray et al al (2011) enumerate them as price sensitivity (i.e. ethical products too expensive, or non-ethical products very cheap), personal experience (i.e. not recognising the ethical consequences of purchasing choices); ethical obligations (i.e. prioritising different agendas, feeling that actions would have no impact); lack of information; assumptions that ethicality implied lower quality; inertia; cynicism; the limited availability of ethical goods; and, effort. On this last point, Reimers et al (2016) discuss the complexities faced by consumers who might be presented with environmental and ethical credentials across a range of issues: if someone is seeking to buy ethical meat, they not only, say, have to appraise performance on animal welfare, the labour standards in production, or the energy used in production, or the use of additives and preservatives, and the recyclability of the packaging, but also have to operate some mechanism for rolling together these evaluations into an overall preference. In decision theoretic terms, not only are they faced with a large number of variables, but also the mathematical function with which to combine these variables into a composite score. Furthermore, they have to account for the credibility of the information provided. To this could be added that consumers may be interested in the supplier’s overall *corporate* performance, not just

the attributes of a particular *product*. For products with complex, multi-stage supply chains, the cognitive burden of 'ethical shopping' is vastly more than consumers might be reasonably expected to process.

Jacobs et al (2018) also point out that it is not necessarily the case that 'green' or 'ethical' consumption – even when it happens – is necessarily driven by ethical principles. Although it is possible that preferences for ethical products might be driven by ethics of benevolence and universalism (Schwartz 1994) it is also the case that they might be driven by the desire for self-affirmation and display (i.e. showing off to oneself or others).

In the context of business-to-business markets, it appears that the obstacles to ethical procurement are not dissimilar, although in previous studies (New et al 2000a; 2000b) it was observed that 'customer pressure' for ethicality is sometimes reified by those within firms as a justification mechanism for (in the cases studied, environmental) initiatives which are in fact driven by more institutional reasons. These might include pressures from leaders within the organization (either expressing their own ethical agenda, or using ethical issues as a political device). The recent paper by Soderstrom and Weber (2020) illustrates the complex organizational processes that can lead to organizations adopting environmental initiatives, including the example of a supply chain manager's 'self-image as a sustainability professional'.

Ethical supply chain management practices may also be driven by the owners and investors in a firm, and there is increasing interest in the strengths and weaknesses of the so-called ESG approach, which entails the aggregated ranking of firms according to Environmental, Social and Governance indicators (Bassen and Kovács 2008; Buchanan and Rogers 2020). However, there are widespread criticisms – mirroring the challenges facing putative ethical shoppers – that the complexity of firms' operations is at odds with the desire to simplify things down to simple ratings and rankings (Thamotheram 2012; Poh 2019). The key test is the extent to which firms with poor performance on supply chain ethics are punished with low share prices.

Two other sets of actors that need to be discussed in relation to supply chain ethics are civil society and governments. Civil society relates to the disparate web of activists, campaign groups and non-governmental organizations who attempt to hold firms to account; also included in this heading are investigative journalists and (occasionally) academics. The extent to which civil society groups can be effective in providing some regulatory force depends heavily on the extent to which firms reveal information – an issue discussed in depth in New (2021). One of the key problems here is the extent to which a firm's approach to transparency enables outsiders to challenge and test corporate claims. In recent years, governments in several jurisdictions have passed laws relating to Modern Slavery which require firms to make declarations about their actions towards the elimination of modern slavery in their supply chains. The legislation is crafted in the hope that consumers and civil society then act on the published information to provide a kind of outsourced regulation that relieves the government from the need to explicitly monitor or regulate itself. The effectiveness of this approach has been widely debated, and it is fair to say that there is an emerging consensus it has serious limitations (LeBaron 2020; Hsin et al 2021; New and Hsin 2021). Civil society's ability to participate in the regulation of firms is fundamentally hamstrung if neither consumers nor investors are able to interrogate and test the firm's claims (New 2021).

### 3.3 Power and Culpability

If a supplier does some kind of harm – how much and what kind of ethical responsibility is carried by the customer? To support the discussion that follows, consider the model presented in Figure One. This takes into account the different types of responsibility, and focuses on what the buyer knows and doesn't know about the harm in question.

++++ FIGURE ONE ABOUT HERE +++++

The three levels of the model refer to increasingly significant levels of connection between the buyer and the supplier; the two columns refer to the degree of knowledge and certainty the buyer has about the harm in question. In the bottom right of the diagram, the situation is one where the supplier knows about the problem and 'passive complicity'. Here, the buyer is not to blame for the harm, but finds itself implicitly condoning the supplier's conduct by continuing to trade. At one level it is easy to imagine a situation where the buyer says "The problem is nothing to do with me; my actions probably won't make a difference, so I have no ethical issue to address". At a trivial level, this is the position taken by many consumers who have significant reservations about, for example, the tax arrangements of Amazon and Starbucks; I might rationalise my continuing custom and shrug off a feeling of moral contamination or ethical repugnance. However, it is important to note that it seems that this kind of position is always contingent on the degree of the harm involved. It is always possible to imagine some level of harm that would make the ongoing connection untenable. For example, many people and organizations would draw the line at knowingly buying products produced by forced labour or modern slavery (New 2015). Even if their actions (i.e. to boycott or to continue to trade) might have no significant consequence one way or another on the situation, there is an ethical urgency in not wanting to have anything to do with the harm. Otherwise, the buyer becomes complicit in the harm. An example of this kind of situation is provided by the way in which western clothes retailers have responded the claims regarding the human rights situation in Xinjiang, China (Kelly 2020).

The next level in the table – structural culpability – is the situation in which the harm *does* have something to do with the buyer, even if the buyer did not directly cause the harm. This can be where, for example, the buyer's business model is such that it encourages or necessitates the supplying organization towards the harm in question. The seminal work of Richard Locke (Locke 2013; Distelhorst et al 2017) and his colleagues illustrates this idea well: following a series of high profile scandals, Nike committed to extensive programmes of supplier factory inspection and audit. Locke and his team discovered that years of effort ended up having little effect on actual working conditions – but that problems were in part generated by Nike themselves in their ordering patterns (resulting in excessive unplanned overtime). One rather simplified takeaway from this and subsequent studies is that Nike might better direct its efforts at being a better customer (smoother schedules, sharing expertise) than by seeking to police its suppliers.

This speculation is important because the thrust of much work (including my own, e.g. New 2015; 2020) is that suppliers' bad behaviour is driven by the (bad) fundamental business approach applied by powerful buyers. For example, supermarkets might adopt extensive policies and procedures for ethical procurement but *simultaneously* use the exercise of brute commercial force to drive down costs to the point at which exploitation becomes inevitable. In other words, the exploitation of the workers (or the suppliers' environmental corner-cutting) is fundamentally driven by the exploitation

of the suppliers. From this perspective, the key issue is the imbalance of power within the organization-to-organization relationship. Indeed, it could be argued that some of the ethical sourcing initiatives of large companies are merely distracting window-dressing if the question of the concentration of corporate power is not addressed.

The top level of Figure Two represents the most egregious case where the buyer has explicitly caused or specified the harm. This does not absolve the supplier, of course, but means that the harm ultimately originates from the intention of the buyer.

The model in Figure Two seeks to capture more of the reality of supply chains by including the left hand column. In many – perhaps most – cases in real supply chains, there is a degree of opacity in the relationship between the buyer and supplier. The buyer may have grounds for suspecting the harm in question, but does not know for certain. If challenged, the buyer might be able to say that they were ignorant of the harm, and it might be difficult for anyone to prove that they did. The crucial issue here is that firm's may choose to ensure that this comforting veil of ignorance is in place. How can you be responsible for things you did not know? However, there is a not only an ethical principle at play in respect of acting on what you know; there is also – in some circumstances – an ethical obligation to know things, and to acquire the knowledge in order to be able to act ethically (Ginet 2000; New 2004; Zimmerman 2008).

These puzzles – how pressure is exerted on organizations, what type of ethical connection is drawn between supplier and buyer, what is known and unknown – turn out to be central to understanding the Boohoo case, to which I now turn.

## 4. The Boohoo Case

The tale of Boohoo's public shaming in 2020 is rich and complex: a full exposition will not be attempted here (the Levitt report is itself 234 pages long, and the press coverage extensive). Instead, the bare bones of the story will be presented, with enough detail provided only to sustain the analysis.

### 4.1 The background

The global fashion industry has undergone very substantial changes in recent years, and is probably the sector in which the ethical concerns about sweatshops and environmental damage have been most sharply in the public focus. This is not new: the textile industry was central to the industrial revolution, and was central in the emergence of slavery in antebellum USA<sup>10</sup>. For many, clothing plays an important role in defining personal identity: vast sums are spent on advertising and marketing. The global industry was transformed with the abolition of the multi-fibre arrangement in 2005, which hastened the shift towards increasingly globalized production<sup>11</sup>. As production has become global – and distant from many of the consumers - there has been a rise in interest in studies that address 'where do our clothes come from?'<sup>12</sup> and an increasing interest in the possibilities of 'ethical' fashion. Many NGOs have been founded specifically to monitor safety, labour standards and environmental impact in the fashion sector<sup>13</sup>, with concern particularly rising after the Rana Plaza disaster in 2013.

In the UK, the British textile industry – once the driving force of industry – entered steep decline in the 1920s, following a long period of limited investment, insufficient scale and a reluctance to invest

in new technology. By the 1990s, with some specialist exceptions, the UK garment sector was heavily dependent on one retailer, Marks and Spencer; this firm operated in a widely reported 'partnership' mode with highly dependent suppliers. Driven by cost cutting initiatives, the firm proceeded to shift its sourcing offshore, causing the collapse of several of its major suppliers (Toms and Zhang 2016). Meanwhile, the new global sourcing (and then the arrival of the Internet) led to an extraordinary drop in the costs for consumers: in the UK the prices of clothes dropped in real terms by approximately over two-thirds in the period 1991 to 2020<sup>14</sup>.

This is the context of the rise of Boohoo – an extraordinarily successful Manchester (UK) - based online fashion retailer. Founded by 2006 by Mahmud Kamani and Carol Kane, the firm has achieved astonishing growth by targeting young (16-30) consumers; it listed on the London (AIM) stockmarket in 2014, since when its annual turnover has grown from £110m to £1.2bn and 2,700 direct employees<sup>15</sup>. The firm has expanded organically, and also by buying other brands: the business trades under the boohoo, boohooMAN, Prettylittlething, Nasty Gal, Misspap, Karen Millen and Coast labels. The firm has been one of the main UK exponents of the so-called 'fast fashion' approach, pioneered by Zara (Inditex) (Ferdows et al 2005; MacCarthy and Jayarathne 2010). This approach enables the firm to go from design to initial sale of an item very quickly, enabling it to be highly responsive to rapid developments in fashion; the firm's marketing makes extensive use of social media, producing clothes at very low prices. The business model is one which relies on high levels of consumption, and there has been extensive debate about the very high environmental cost of clothes that move within days or weeks 'from influencer to landfill' (EAC 2019; Davis 2020). Laville (2019) reports an estimate that a typical dress would be discarded by consumers after a mere five weeks.

As Boohoo has grown, it has become increasingly reliant on clothes production in Leicester, a city of 552,000 that has a large ethnic minority population that is just over two hours drive from Manchester and two and half hours from the firm's main distribution centre in Burnley. Once one of Europe's most prosperous cities, Leicester has experienced substantial economic decline, but many of the large and decrepit factory buildings have become the home of many small garment manufacturers (often with less than fifty workers). For several years, the city had come under scrutiny for exploitative and unsafe working practices: in addition to academic reports (e.g. Hammer et al 2015), the Channel 4 investigative series Dispatches made television documentaries in 2010 ('Fashion's Dirty Secret')<sup>16</sup> and 2017<sup>17</sup>; the latter mentioning Boohoo as a customer to the firm in question. A major Financial Times article gave a similar account in the following year (O'Connor 2018), as did a BBC report the year after (Heighton-Ginns and Prescott 2019): both reports also mentioned Boohoo, but scrupulously avoiding making direct accusations. In the BBC story, Boohoo were given space to explain the measures it was taking to ensure good working practices, including making "unannounced site visits monthly to every manufacturer" and setting up an office to maintain close ties with local suppliers. Also in 2019, a review by HM Revenue & Customs across the whole UK textile sector found it to be rife with exploitation and underpayment. One of the problems identified by Adam Mansell, chief executive of the UK Fashion and Textile Association (UKFTA) was the 'phoenix system' where factories "close one day, and then open up under a different name the next day" (BBC 2019).

By August 2019, approximately 40% of Boohoo's clothing was made in the UK, mostly in Leicester. In June 2020, the activist group Labour Behind the Label published a report claiming the workers at

Boohoo's Leicester suppliers were being forced to work in unsafe conditions during the first UK Covid-19 'lockdown', and that some workers were forced to attend work even when sick with the virus (Labour Behind the Label 2020). On the 4<sup>th</sup> July, the Daily Mail ran with similar stories, again name checking Boohoo (Bracchi 2020). So when the Sunday Times ran its front page story the next day, the ground was already laid for widespread media interest. The key additional evidence was obtained by an undercover journalist, who was offered work at a supplier at less than the minimum wage. The killer blow was the photographic evidence of Nasty Gal product being made in the factory.

Boohoo's immediate response was to issue a Regulatory News Service posting (a press release system for listed companies) which declared "We are grateful to The Sunday Times for highlighting the conditions at Jaswal Fashions, which, if as observed and reported by the undercover reporter, are totally unacceptable and fall woefully short of any standards acceptable in any workplace".<sup>18</sup> (It later transpired that the factory was misidentified – the sign on the wall of the factory referred to a company that had ceased to trade. However, it was clear that the work was being done for Morefray Limited – a Boohoo supplier with some complex family and corporate connections to Boohoo (Davies 2020). Boohoo then went onto to appoint Alison Levitt QC to produce an independent report into its sourcing from Leicester, promising to publish the report in full. The report was completed at speed and was published on the 24<sup>th</sup> September.

It is difficult to overstate just how remarkable a document the Levitt report is. The Financial Times commented: "ohhh boy, does it contain some pretty eye-opening details" (Powell 2020). The report was described as 'damning' in the Guardian (Bland and Makortoff 2020). A piece in the Evening Standard called for the resignation of the firm's chairman (Armitage 2020b). Although some groups complained the report did not go far enough, it came to some strident specific conclusions; perhaps more importantly, it painted a vivid picture of supplier relations that was chaotic, under-resourced and poorly managed. The report makes it clear that senior managers – although not necessarily aware of the specific detail of the malpractice in the supplier firms – would have had a very clear idea of the type of conduct present in the Leicester suppliers. It also is clear that Boohoo had such poor records of their supply base that they were unable to know definitively how many suppliers they had in Leicester, and certainly very poor visibility of the complex system of subcontracting used between suppliers. The report also shows that Boohoo's previous claims about its factory monitoring processes were simply untrue – claims that Boohoo had made repeatedly in, for example, its Modern Slavery Statements, to the press, and to parliamentary select committees<sup>19</sup>. They had a very small and poorly organized process of factory inspections, and although they had begun to establish a more formal system by the time of the Sunday Times story, they were still in the early days of establishing appropriate systems and procedures.

Following the report, Boohoo have made a number of commitments to transform their approach, including more extensive training for buyers, and the establishment of their own 'model' factory in Leicester, at which Boohoo staff (including buyers) can become more familiar with manufacturing and costing processes. The firm has also committed to improve its internal technology so it can more easily track what is being made where. It has also promised to publish supplier lists in early 2021, although it is perhaps instructive that the firm remained unable to reveal the information (or even numbers of suppliers) when grilled by a parliamentary select committee on December 16<sup>th</sup> 2020. The

firm recruited a “Responsible Sourcing and Product Operations Director” in mid-September 2020, and this may have some impact in the future approach taken by the firm.

## 4.2 Analysing the Boohoo Case: Drivers

The Boohoo story provides a discouraging story about the prospects of supply chain ethics being driven by consumers, investors or managers.

Boohoo’s customers appear to be completely unaffected by the scandal. Just six days after the publication of the Levitt report, the company was able to report a ‘profits surge’ (Nazir 2020); although there was a very brief burst of the hashtag #boycottboohoo on social media, this subsided as the firm was able to ensure its products were endorsed by key fast fashion influencers on Instagram and You Tube, notably Chandra and Sydney Crouch (Armitage 2020a). The firm was actually able to raise forecasts of sales and profits from that predicted in early 2020.

Equally, despite the rapid sell off of the firms’ stock, the share price rapidly rose to nearly completely recover the losses by the time the Levitt Report was released. The publication triggered another fall, but by the end of 2020 the firm’s share price had still risen by over 6% over the year (compared to a drop of about 12.5% for FTSE100 index). Some analysts were predicting that the stock would rise strongly in the following year, on the basis that the publication of the report would enable the firm to put the reputational issues behind them (Oscroft 2020).

The Levitt report makes it clear that many senior managers in the organization did not consider the working conditions in the supply base to be of much interest – Levitt is clear that she is shocked by the attitude taken by some. She concludes that commercial concerns “were prioritised in a way which made substantial areas of risk all but invisible at the most senior level.”

In terms of civil society, the Boohoo story suggests some important conclusions. Firstly, the persistent coverage of the Leicester supply base by journalists over a ten year period eventually allowed the Sunday Times story to have substantial impact; it is unlikely that the paper would have run with the story were it not building on the previous investigations by the Financial Times and Channel Four in the years before. However, it is interesting to note that other fast fashion chains also operate from Leicester, and the focus on Boohoo may give those other firms a degree of ‘cover’. It may be the exhaustive coverage of Boohoo will have now ‘exhausted’ the media’s appetite for similar stories, making it more difficult for NGOs to gain traction with further campaigns on the same issues. It is also salutary to note that the chairman of the firm, when repeatedly challenged by MPs at the December select committee meeting, refused to engage in any way with trades unions to discuss the situation in Leicester<sup>20</sup>.

But perhaps the most telling conclusion about the role of civil society that emerges from the Boohoo story is unequivocal proof that the glossy statements made by the firm (for example in the Modern Slavery statements for 2018 and 2019) about their scrutiny of the supply base were unreliable. Many cynical readers of these statements might suspect that the truth is often stretched by companies in these declarations; the literature refers to the idea of what is euphemistically called ‘decoupling’ between firms’ statements and actions (Boxenbaum and Jonsson 2008; Bromley and Powell 2012), and the use of ‘aspirational’ language (Christensen et al 2013). The Levitt report is interesting because it not shy away from pointing out this dishonesty; it is difficult to imagine an academic research project which would either have sufficient access to a company’s operations to come to the

conclusion, or a mandate which allowed publication without censorship from the organization. This finding casts significant doubt on the value of civil society activity which focuses on merely summarising or comparing the statements and policies generated by firms. The case shows that these cannot be taken at face value. It also shows that a firm's dishonesty can be broadcast widely – and even posted on its own website (as Boohoo have done with the Levitt report) and not face serious long-term commercial harm.

### 4.3 Analysing the Boohoo Case: Power and Culpability?

The Levitt report provides a vivid explanation of how Boohoo's buying practices led to the firm to be ruthless in reducing the prices paid to supplying firms. The pattern of operation intrinsic to the firm's fast fashion model was driven by three elements which contributed to the abuses in Leicester.

The first of these is that the fast fashion model used by the firm relied on small quantities of clothes under a system known in the firm as "Test and Repeat" (Sullivan 2017; MacDonald 2018) in which small quantities (less than 300 items) would be designed, manufactured and available for sale in as fast as two weeks (with an average of between four to six weeks); this compared with approximately five weeks for fast fashion pioneer Zara. If successful, more repeat orders could follow. These small, urgent batches were suitable for small production facilities – so called CMT units ("cut, make and trim") – with as few as ten employees. The lack of continuity for these second tier suppliers meant they were kept eager for new work.

The second element of the model was that the allocation of work to suppliers was done largely by buyers who were not equipped to make judgements about the actual costs of manufacturing, but who were socialised to relentlessly drive down prices. Suppliers would be forced to underbid one another in what one supplier in described as 'a cattle market': "It's ruthless" (O'Connor 2018). Levitt (2020:98) notes that:

*"There seemed to be little or no recognition at Board level of the danger that Boohoo's predominant place in the Leicester clothing industry meant that this may not be a free negotiation."*

The final element in the model arose from the chaotic processes for administration in the firm in terms of keeping track of subcontracting between suppliers; although formally a system of approval was needed before work was allocated, the speed of the business meant that this could not work properly, and standards of record keeping were too low to enable a systematic approach.

Levitt's report is fascinating not just for its rigour, but also the vivid picture it paints of the attitudes of senior managers in the firm. She states (210):

*"...the fundamental allegations made in the articles are plainly true, that is to say, that much of the time, Boohoo has simply no idea where its clothes are being made and thus has no chance of monitoring the conditions of the workers who make them."*

She adds that – in relation to where the clothes that featured in the Sunday Times article were made (212): "they did not know and did not really care". Also striking is the report's account of the defensiveness and air of denial of some senior people in the organization; this tone is strongly echoed in Mahmud Kamani's performance at the meeting of the parliamentary Environmental Audit Committee on 16<sup>th</sup> December 2020<sup>21</sup>. In both cases, it easy to see the main features of the

‘neutralization techniques’ (Ball 1966) that are used by criminals to explain or justify their actions: (1) the denial of responsibility, (2) the denial of injury, (3) the denial of the victim, (4) the condemnation of the condemners, and (5) the appeal to higher loyalties (in this case, the support for ‘British manufacturing’).

It is interesting to note a slight disjuncture between the wording in Levitt’s summary and the grisly detail of the full report. Despite the information given in the report, Levitt concludes that (224):

*“I am satisfied that Boohoo did not deliberately allow poor conditions and low pay to exist within its supply chain, nor did it intentionally profit from them. I do not accept that Boohoo’s business model is founded on exploiting workers in Leicester.”*

In terms of the model presented in Figure One, how should we classify the Boohoo case? Although the initial diagram was presented as a categorical table, if it is reinterpreted as a crude interval scale, then this places Levitt’s conclusion (in the current author’s judgement ) somewhere around the zone marked A on Figure Two. However, if the full meat of the report is taken into account, it could be argued that the region marked B would be more appropriate. In either case, it is clear that there are elements of structural culpability in this story. Furthermore, it seems likely that the lack of visibility that Boohoo had over its supply chain was a design feature and not an accidental flaw.

++++ FIGURE TWO ABOUT HERE +++++

It is interesting to note that subsequent to the report, at the end of 2020, further allegations were made about Boohoo’s sourcing in Pakistan (Bland et al 2020; Chua 2020). In this case the media coverage was slight, and there appears to be no prospect of anything similar to the Levitt Report to address the international supply base.

## 5. Concluding Comments

This chapter has presented a brief overview of a number of key issues in the field of supply chain ethics. It is instructive that even a discussion of this length can do little more than scratch the surface of the subject. Particular attention has been given to the drivers for supply chain ethics and the nature of responsibility of buyers, and these issues illustrated with reference to the Boohoo case.

There are three final observations that are worth pulling out of the current discussion that serve as recommendations for future research. Firstly, it is worth noting that the extensive body of research relevant to supply chain would benefit from more work which sought to span the disciplinary silos sketched out earlier (Table One). Secondly, the current discussion makes clear that there is a need for explicitly addressing the ethical/philosophical issues that underpin the idea of supply chain ethics. In moral philosophy, it is common for to use little paradigmatic devices or illustrations to try to guide reasoning (for example, Butt 2007); however, supply chain relations have distinctive features that are not easy to capture in this way, and so ethical reasoning needs to be more grounded in specific examples. Finally, the paper has highlighted the extraordinary value of an independent review of the detail of a firm’s operations that is produced without the need for either clearance by the firm concerned or without the need for retaining the firm’s favour. Perhaps a

crucial element in the progress of research in supply chain ethics is finding a way for academics to speak and write with greater candour about specific organizations.

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<sup>3</sup> House of Commons Environmental Audit Committee. (2020). *Oral evidence: Fixing Fashion: follow-up, HC 874* Wednesday 16 December 2020. <https://committees.parliament.uk/oralevidence/1442/pdf/>

House of Commons Business, Energy and Industrial Strategy Committee. (2020). *Oral evidence: Forced labour in UK value chains, HC 890*. 5<sup>th</sup> November 2020. <https://committees.parliament.uk/oralevidence/1161/pdf/>

<sup>4</sup> Intel Corporation (2010). *2010 Corporate Responsibility Report*.

<https://www.compromisorse.com/upload/estudios/000/143/CSR2010.pdf>; Intel Corporation (2020). *2019-2020 Report: Corporate Responsibility at Intel*. <http://csrreportbuilder.intel.com/pdfbuilder/pdfs/CSR-2019-20-Full-Report.pdf>

<sup>5</sup> <https://home.kpmg/uk/en/home/insights/2020/08/ethical-supply-chain.html>;

<https://www2.deloitte.com/uk/en/pages/risk/solutions/ethical-value-chain.html>

<sup>6</sup> <https://ulula.com/home/>

<sup>7</sup> <https://www.provenance.org/>

<sup>8</sup> <https://scg->

[scmr.s3.amazonaws.com/pdfs/SCMR1811\\_Ethical%20Supply%20Chain\\_SCMR\\_APICS%202018.pdf](https://scmr.s3.amazonaws.com/pdfs/SCMR1811_Ethical%20Supply%20Chain_SCMR_APICS%202018.pdf)

<sup>9</sup> Kitson and Campbell (1996) comment that "...maintaining a strict ethical stance can be important in projecting the right image of the company."

<sup>10</sup> Beckert, S. (2014). *Empire of Cotton: A Global History*. New York, NY: Vintage.

<sup>11</sup> Lopez-Acevedo, G. and Robertson, R. (eds). (2012). *Sewing Success? Employment, Wages, and Poverty following the End of the Multi-fibre Arrangement*. Washington, DC: World Bank.

<sup>12</sup> Rivoli, P. (2005). *The Travels of T-Shirt in the Global Economy*. New York: Wiley; Bennett, J. (2008). *Where*

*Underpants Come From*. London: Pocket Books; Brooks, A. (2015). *Clothing Poverty: The Hidden World of*

*Fast Fashion and Second-Hand Clothes*. London: Zed Books; Thomas, D. (2019). *Fashionopolis: The Price of Fast*

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<sup>13</sup> RCGD (2020) *Seven organisations working to improve labour conditions in fashion amid the covid-19 crisis*.

17<sup>th</sup> April. <https://www.rcgdglobal.com/2020/04/17/7-ngos-working-to-improve-labour-conditions-in-fashion-amid-the-covid-19-crisis/>;

Doyle, M. (2018). *Five sustainability groups reshaping fashion*. 15<sup>th</sup> August.

<https://www.ordre.com/en/news/sustainable-fashion-textiles-ngos-589>

<sup>14</sup> Adjusting for general inflation (using the consumer price index), the UK cost of clothing in 2020 dropped to just over 30% the 1991 level, although this number is very difficult to estimate as the clothing bought shifts with demography, consumer taste and clothing technology..

<https://www.statista.com/statistics/285120/clothing-and-footwear-cpi-uk>

<sup>15</sup> Boohoo Group plc 2020 annual report. <https://www.boohooplc.com/investors/results-centre/year/2020>

<sup>16</sup> <https://www.channel4.com/press/news/dispatches-fashions-dirty-secret>

<sup>17</sup> <https://www.channel4.com/press/news/undercover-britains-cheap-clothes-channel-4-dispatches-mon-30th-jan>

<sup>18</sup> <https://www.investigate.co.uk/boohoo-group-plc--boo-rns/response-to-media-commentary/202007060700060571S/>

<sup>19</sup> House of Commons Environmental Audit Committee. (2018). Environmental Audit Committee

Oral evidence: Sustainability of the fashion industry, HC 1148 27th November.

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/environmental-audit-committee/sustainability-of-the-fashion-industry/oral/93123.html>

<sup>20</sup> House of Commons Environmental Audit Committee. (2020). *Oral evidence: Fixing Fashion: follow-up, HC 874* Wednesday 16 December 2020. <https://committees.parliament.uk/oralevidence/1442/pdf/>

<sup>21</sup> House of Commons Environmental Audit Committee. (2020). *Oral evidence: Fixing Fashion: follow-up, HC 874*

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	Commodity Chains/ Global Production Networks	Sustainable Supply Chains	Law	Ethical Theory
<b>Perspective</b>				
<b>Conceptual Anchors</b>	Industrial relations, development economics, politics, human geography	Supply chain management; procurement; marketing; reputation management; corporate social responsibility	Human Rights, corporate regulation	Responsibility
<b>Focus</b>	Policy	Business processes	Legislation/ regulation	Moral philosophy
<b>Explicit discussion of ethics</b>	Rare. Often based on implicit assumption of ethical priority of, for example, better working standards, collective bargaining	Occasional. Although individual companies are often discussed, direct criticism is very rare	Common, but complicated	Central, but under-developed

TABLE ONE: A ROUGH CHARACTERISATION OF THE RELEVANT LITERATURE

Active Responsibility	Example: a buyer demands price reductions paid in the knowledge that this will likely result in corners being cut in the safety of workforce	Example: A firm directs its supplier to use cheap raw materials known to be produced by forced labour
Structural Culpability	Example: a firm's buying processes mean that is likely but not certain that a supplier's workers will need to work excessive unplanned overtime	Example: a firm knowingly deals with its suppliers in a way that it knows will result in exploitative practices
Passive Complicity	Example: a firm suspects its supplier of applying racist and discriminatory employment practices, but does not seek to check this	Example: A firm knowingly buys from a supplier that pollutes its local water supply
	Suspicion of harm	Knowledge of harm

FIGURE ONE: TYPES OF RESPONSIBILITY

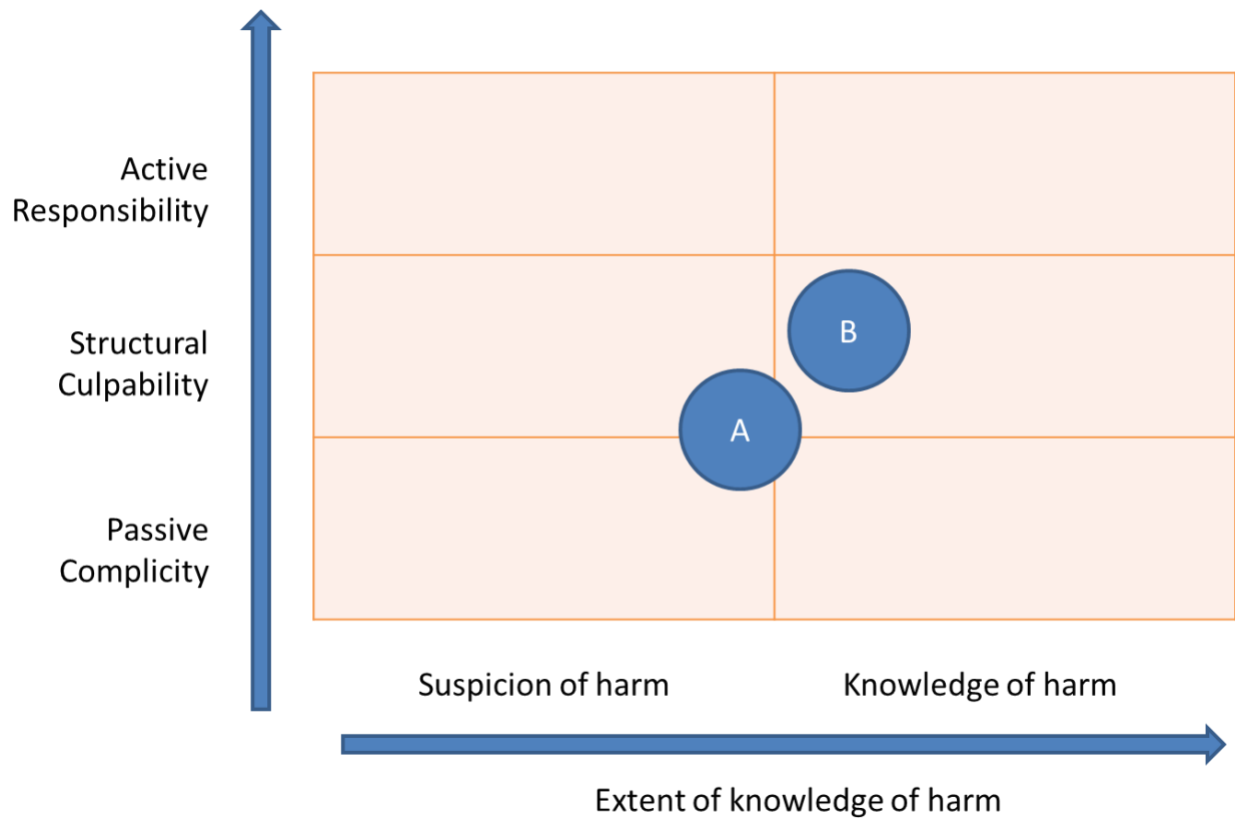


FIGURE TWO: SUBJECTIVELY LOCATING LEVITT'S (2020) CONCLUSIONS (A) AND CONTENT OF REPORT (B)