2017

Symbolic Versus Sustainable: Tracking the Apparel Industry’s Response to Crisis Over Time

Sadell R. Crabb
Utah State University

Follow this and additional works at: http://digitalcommons.usu.edu/etd

Part of the Sociology Commons

Recommended Citation
http://digitalcommons.usu.edu/etd/5416

This Thesis is brought to you for free and open access by the Graduate Studies at DigitalCommons@USU. It has been accepted for inclusion in All Graduate Theses and Dissertations by an authorized administrator of DigitalCommons@USU. For more information, please contact dylan.burns@usu.edu.
SYMBOLIC VERSUS SUSTAINABLE: TRACKING THE APPAREL INDUSTRY’S RESPONSE TO CRISIS OVER TIME

by

Sadelle R. Crabb

A thesis submitted in partial fulfillment of the requirements for the degree of

MASTER OF SCIENCE

in

Sociology

Approved:

_______________________ __________________________
Erin Hofmann, Ph.D.
Committee Member

_______________________ __________________________
Mark McLellan, Ph.D.
Vice President for Research and Dean of the School of Graduate Studies

_______________________ __________________________
Christy Glass, Ph.D.
Major Professor

_______________________ __________________________
Alison Cook, Ph.D.
Committee Member

________________________________________

UTAH STATE UNIVERSITY
Logan, Utah

2017
ABSTRACT

Symbolic Versus Sustainable: Tracking the Apparel Industry’s Response to Crisis Over Time

by

Sadelle R. Crabb, Master of Science
Utah State University, 2017

Major Professor: Christy Glass
Department: Sociology

In this study I investigate the impact different director types have on firm commitments to voluntary labor regulation. Using an author-constructed dataset of eight focal firm’s boards of directors for a nineteen-year period, I examine the impacts of gender and racial diversity, as well as the inclusion of independent interlocking board members on firm commitments to voluntary labor regulation following a legitimacy crisis in the 1990s. Framing firms’ responses within a chronological approach to institutional theory, I test how trends for these three director types varied for firms most and least committed to voluntary labor regulation, as well as for firms that underwent bankruptcy, an acquisition, or split into various firms between 1996 and 2014. Findings suggest that firms view gender and racial diversity in similar ways, but independent interlocks as a separate strategy. All firms increased the number of women and racial minorities on their boards, with least committed firms having the highest percentages of both over this entire
period. Use of independent interlocks increased at a moderate rate for most committed firms, decreased over time for least committed firms, and increased significantly for firms going through additional crises (bankruptcy, an acquisition, or splitting up). This study contributes to theory and research on organizational change by extending understanding of mechanisms that drive organizational change in response to crisis by analyzing internal normative mechanisms that shaped firms’ responses. It extends research on board composition by analyzing the conditions under which board diversity and interlocked board members are sought by focal firms. Understanding how and why board diversity and independent interlock membership serve as mechanisms of internal, normative change provides insight into what internal mechanisms shape organizational policies and practices, and provide a correction to the over-focus on external, coercive mechanisms in existing scholarship.
CONTENTS

ABSTRACT ......................................................................................................................... iii
LIST OF TABLES .................................................................................................................. vi
LIST OF FIGURES ............................................................................................................... vii
INTRODUCTION .................................................................................................................. 1
LITERATURE REVIEW ......................................................................................................... 6
THEORETICAL FRAMEWORK ............................................................................................. 9
METHODS ........................................................................................................................... 22
FINDINGS ............................................................................................................................. 28
DISCUSSION ......................................................................................................................... 32
CONCLUSION ....................................................................................................................... 39
REFERENCES ..................................................................................................................... 41
TABLES AND FIGURES ...................................................................................................... 49
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>49</td>
</tr>
<tr>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>3</td>
<td>51</td>
</tr>
</tbody>
</table>

1. Sampling Criteria for Focal Firms .................................................................49
2. Data Collection for Focal Firms .................................................................50
3. Data Collection for Race/Ethnicity ..............................................................51
## LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Framework for the Chronological Approach to Institutional Theory</td>
<td>52</td>
</tr>
<tr>
<td>2</td>
<td>Percentage Independent Interlocks on BOD of Different Firm Groups</td>
<td>53</td>
</tr>
<tr>
<td>3</td>
<td>Percentage Independent Interlocks on BOD of Firms that Experienced: Bankruptcy, Acquisition, or Split</td>
<td>54</td>
</tr>
<tr>
<td>4</td>
<td>Comparison of Tenure (in yrs.) of All Directors Versus Independent Interlocks On BOD for Different Firm Groups</td>
<td>55</td>
</tr>
<tr>
<td>5</td>
<td>Percentage Female Membership on BOD of Different Firm Groups</td>
<td>56</td>
</tr>
<tr>
<td>6</td>
<td>Percentage Racial/Ethnic Minorities on BOD of Different Firm Groups</td>
<td>57</td>
</tr>
<tr>
<td>7</td>
<td>Percentage Female and Racial/Ethnic Minority Members on BOD of Most and Least Committed Firm Groups</td>
<td>58</td>
</tr>
</tbody>
</table>
INTRODUCTION

In the mid-1990s, the apparel and footwear industry faced a legitimacy crisis stemming from intense public backlash for their labor practices in global supply chains. Concerns over sweatshop production abroad included issues of unsafe working conditions, provision of extremely low wages, as well as employing very young workers (Spar 2002). This was a period of strong political organizing against the industry, and aggressive campaigns were launched by labor groups, NGOs, and student groups such as “Students Against Sweatshops.” These efforts aimed to raise public awareness of harmful corporate practices in relation to labor rights in global manufacturing (USAC & Featherstone 2002; Gereffi et al. 2001).

Following intense media attention and subsequent public outcry, President Clinton called for a Presidential taskforce to study the issue, and called leaders in the apparel and footwear industry to meet with representatives of NGOs, unions, and the US Department of Labor. When industry leaders met with labor activists alongside President Clinton in 1996, they formed the Apparel Industry Partnership (AIP). The AIP crafted a code of conduct to guide industry labor practices, and subsequently established the Fair Labor Association (FLA) in 1999 to implement and monitor this code (Gereffi et al. 2001, Hemphill 1999). Thus, these founding firms voluntarily agreed upon constructing a shared labor standard for the industry (crafted by the AIP) as well as to voluntary regulation of labor practices (monitored by the FLA). These voluntary actions reflected a collective attempt to overcome this legitimacy crisis in the short term.
Since the formation of the FLA, much scholarship has analyzed the efficacy of the FLA’s (and similar voluntary regulatory organizations’) certification strategies—specifically, the monitoring standards for implementation of the codes of conduct (Pruett et al. 2005; Emmelhainz & Adam 1999; O’Rourke 2003; Conner & Dent 2006; Distelhorst et al. 2015a; Distelhorst et al. 2015b; Locke et al. 2007a; Locke et al. 2007b). While many scholars have critiqued the efficacy of voluntary regulation in general, scholars have also sought to distinguish supply chain management efforts that seek to transform and sustain best practices from those aimed merely at symbolically addressing activist concerns (Weaver et al. 1999; MacLean & Behnam 2010; Seuring and Mueller 2010).

Most scholarship on the evolution of global labor standards in the apparel industry has focused on external pressures (such as political organizing) as the primary mechanism driving organizational change in the industry (e.g., Spar 2002; Emmelhainz & Adams 1999; Seuring & Mueller 2008). Much less scholarly attention has focused on the internal pressures and mechanisms that shaped corporate policies and practices in response to the crisis. Recent scholarship provides mounting evidence that internal changes to firms’ governance—namely, increased diversity on the board of directors and/or the appointment of independent interlocked board directors—are associated with stronger efforts to achieve corporate social responsibility (CSR) outcomes (Fondas & Sassalos 2000; Brown et al. 2002; Hillman et al. 2002; Bear et al. 2010; Glass et al. 2015). However, there is a lack of scholarship concerning the conditions that motivate organizations to seek more diverse board members (women and/or racial minorities).
and/or independent interlocked directors and the mechanisms by which such leaders facilitate organizational change.

This study fills that gap by analyzing how the current system of voluntary regulation was established, and testing whether or not the development of this system in the short, medium, and long terms was (at least in part) the result of specific and deliberate internal changes to the composition of focal firms’ boards of directors (BODs). Specifically, this study asks: did firms respond to the legitimacy crisis in the 1990s by seeking to alter the composition of their boards of directors, either through the appointment of women and minority directors and/or through the appointment of independent interlocked directors? And was this adaptive strategy sustained over time through the short, mid, and long term periods?

Positioning the increased BOD diversity and CSR outcomes research within the symbolic versus sustainable labor governance debate, I hypothesize that firms that have maintained their commitment to voluntary labor monitoring to the present day (representing firms attempting to transform and sustain best practices) will have pursued changes to BOD compositions towards the inclusion of more independent interlocked board members and/or more women/racial minorities serving as board members over time. Conversely, I hypothesize that firms whose commitments to voluntary labor monitoring have dissolved by the present day (representing firms whose changes are of a more symbolic nature) will exhibit inclusion of more diverse board members in the short run, but will have returned to more of a “business as usual” board composition, featuring mostly white men, for the medium and long terms.
By answering these questions, this study advances the literature in three ways. First, it extends our understanding of mechanisms that drive organizational change in response to crisis by analyzing internal normative mechanisms that shaped firms’ responses. Second, it extends research on board composition by analyzing the conditions under which board diversity and interlocked board members are sought by focal firms. Thirdly, understanding how and why board diversity and independent interlock membership serve as mechanisms of internal, normative change will provide insight into what internal mechanisms shape organizational policies and practices, and provide a correction to the over-focus on external, coercive mechanisms in existing scholarship. Lastly, findings relating firms going through additional crises with drastically increased use of independent interlocks provides new avenue for research.

I begin in the next section by reviewing how the current system of voluntary regulation of global labor practices was established. Next, I situate the relevant literature within the framework of a chronological approach to institutional theory, and distinguish between the different mechanisms institutional theory provides that contribute to organizational change: coercive, mimetic, and normative. I then introduce my deductive, explanatory trend analysis of how many independent interlocking and/or female and racial minority directors were on focal boards in the short, mid, and long terms between 1996-2014. Subsequently, in the findings I demonstrate that both the least and most committed firm groups pursued a strategy to appoint more female directors, more racial minority directors, and more independent interlocking directors to their boards over this period. However, the group of firms least committed to voluntary labor regulation had the
highest percentages of directors in each of these categories over this entire period (1996-2014), contrary to the hypothesized relationships. Finally, I discuss the theoretical implications of this BOD management strategy for scholars discussing sustainable supply chain management, as well as the implications it may have for both theory and practice related to global labor governance practices now and in the future.
LITERATURE REVIEW

The History of Labor Regulation in the Global Apparel Industry

By the 1990s, globalization of the apparel industry (similar to other secondary labor sector industries such as manufacturing) had resulted in the geographical dispersion of the production process. This global division of labor often spanned several countries throughout the process and was characterized by brand’s dealing with various contracted and subcontracted suppliers. The global division of labor incentivized retailers and brands to push the risks of production associated with demands for cheaper apparel items further down the division of labor pipeline towards the contractors and subcontractors.

Stemming from these increased pressures on contractors and subcontractors in the global production process, reports of labor abuses gained critical media attention in the early to mid-1990s. Much of this critical media attention was directed at Nike, who was a visible industry leader during this period. As early as 1992, Nike was the primary target of labor activist and sweatshop critic Jeff Ballinger, who ran the AAFLI office in Indonesia where Nike had numerous operations (Spar 2002). In the August 1992 issue of Harper’s magazine, Ballinger published a comparison of a typical Nike paystub from an Indonesian factory and Michael Jordan’s Nike endorsement contract. This comparison reported that it would take an Indonesian worker 44,492 years to make the equivalent pay of Jordan’s endorsement contract, sparking outrage among American consumers (Spar 2002). Over the next few years other media outlets soon followed suit in posting articles critical of Nike’s global labor practices including Nike’s hometown newspaper: the Portland Oregonian, Life magazine, and editorials in Business Week (Spar 2002).
Additionally, some scholars viewed the role of Charles Kernaghan—executive director of the National Labor Committee—as pivotal in bringing media attention to the apparel industry’s labor issues. Kernaghan testified before Congress on April 29, 1996 about the garment manufacturing of the Kathy Lee Gifford label, retailed by Wal-Mart. He revealed that Honduran girls as young as 13 years old were working under armed guard for approximately 31 cents per hour (Hemphill 1999). Responding to the media attention on Nike, Kernaghan’s Congressional testimony, and the subsequent public outrage, President Clinton called for a Presidential taskforce to study the issue, and called leaders in the apparel and footwear industry—including Nike and Kathy Lee Gifford—to meet with labor activists. These industry representatives met with President Clinton and labor activists in 1996 and formed the Apparel Industry Partnership (AIP) with 18 original corporate members (Hemphill 1999). The AIP issued a report to President Clinton on April 14, 1997 containing agreed-upon “Workplace Code of Conduct” and “Principles of Monitoring” documents that were to be included in a formal “Partnership Agreement” (Hemphill 1999).

Following this agreement, members of the AIP committed to form an association to enforce these new standards in the following 6 months. However, further progress on the Partnership Agreement was grid-locked throughout 1998, due to the failure of member firms to comply with the demands of the labor activists for the inclusion of a provision of a “living wage” to be paid to workers, restrictions for operating in countries that repress unions, and for a higher percentage of manufacturing facilities to be externally monitored annually (Hemphill 1999). From this gridlock, nine of the original
eighteen members continued to meet throughout 1998 and eventually provided the Clinton Administration with a finished Partnership Agreement on November 3, 1998. The Fair Labor Association (FLA) was formed from the final AIP members, and with the intention of facilitating the voluntary implementation of the “Workplace Code of Conduct” and “Principles of Monitoring” of the Partnership Agreement in the production facilities of member firms (Hemphill 1999).

The primary function of the FLA and other regulatory organizations is to assess production facilities through scheduled audits (Hemphill 1999). The regulatory organizations essentially assess the implementation of the codes of conduct and on-site interviews with facility employees; they then certify firms based on their results and provide publicly accessible reports of their findings. Since the formation of the FLA in 1999, this voluntary regulation has been the dominant model used to monitor labor standards in facilities around the world and still is today. Although it started in the apparel and footwear industry exclusively, these organizations have since branched out into serving industries “from agriculture and technology to apparel and footwear” (Fair Labor Association 2016). The FLA’s most notable entrance into the tech industry was in 2012, when Apple joined their ranks as a member company and opened their notorious Foxconn factory facilities in China to FLA inspection. Today the FLA has over 40 member firms, several representatives of civil society organizations, and university representatives; however, no union representation.
THEORETICAL FRAMEWORK

Originally formulated to explain how organizations respond to uncertainty, DiMaggio & Powell’s (1983) theory of institutional isomorphism provides a range of mechanisms that contribute to organizational change. “Isomorphism” refers to constraining forces that make units within a given environment more similar to one another through simultaneous pressures. In the case of institutional isomorphism, these units are organizations. This concept is especially valuable when considering ways in which—aside from economic competition—organizations interact and affect one another: “organizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness” (DiMaggio & Powell 1983, 150). Thus, this theoretical perspective is particularly relevant to understanding organizational responses to an exogenous crisis such as that facing the apparel industry in the 1990s.

Chronological Approach to Institutional Theory

This study applies the framework of institutional theory to the legitimacy crisis experienced by focal firms in the 1990’s with a unique approach: considering the isomorphic forces—coercive, mimetic, and normative—as shaping organizations in a chronological sequence rather than simultaneously. Specifically, this study considers the internal, normative organizational changes to corporate policies and practices that were triggered by the external, coercive forces of this legitimacy crisis. This chronological framework is applied to the apparel industry as a whole at the macro level.

This chronological approach to institutional theory is based in part on the model developed by Seuring and Mueller (2010), describing “triggers for sustainable supply
chain management” (1703). In their model, external pressures and incentives from multiple groups (government, customers, and other stakeholders) are the initial “trigger” that pushes firms towards adopting more sustainable supply chain practices. Following these pressures, Seuring and Mueller note that firms “usually pass the pressure on to suppliers” through mechanisms such as codes of conduct (1703). More generally, Seuring and Mueller categorize firms’ responses to increased pressures in one of two ways: “supplier management for risks and performance”, more symbolic in nature, and “supply chain management for sustainable products”, more sustainable and focused on long-term transformation of supply chain management practices (1703).

Organizational Change: Symbolic or Sustainable?

In “supplier management for risks and performance”, the firm’s priority is centered-around reputation maintenance; their response under this strategy is to implement additional environmental and social criteria for evaluating their suppliers. This model is consistent with the actions of the member firms of the FLA because they opted to enforce codes of conduct in their suppliers’ production facilities. The second strategy, “supply chain management for sustainable products”, addresses the environmental and social impacts of products throughout the entire lifecycle—therefore, implementing standards throughout the supply chain is only one part of this more comprehensive strategy. Seuring and Mueller describe “sustainable products” as: “all kinds of products that have or aim at an improved environmental and social quality, which can be related back to the…implementation of environmental and social standards” (1705). This distinction between more sustainable responses (commitments to true transformation in the production process) and responses focused on risk management (more symbolic in
nature) informs the framework’s meso-level distinction between “symbolic” and “sustainable” commitments to changing their labor governance practices. The full theoretical framework is provided on the following page in Figure 1.

**Institutional Theory and Organizational Change**

Institutional theory is effective in analyzing the legitimacy crisis faced by the apparel and footwear industry in the 1990s because it specifically discusses the means by which organizations pursue change in order to secure legitimacy among various stakeholders in the environment. The theory posits that, at some point, organizations make changes aiming beyond increasing efficiency, and towards increasing legitimacy: “As an innovation spreads, a threshold is reached beyond which adoption provides legitimacy rather than improves performance” (DiMaggio & Powell 1983:148).

The transition apparel firms made over the past 20 years epitomizes this sentiment: leaving behind practices of sweatshop labor, though economically efficient, and aiming towards improved labor governance strategies, to maintain legitimacy. According to the theory, three types of pressures motivate firms to alter practices and policies: coercive, mimetic and normative. Each of these pressures influence firms to adopt strategies that improve the performance of the firm but also advance the legitimacy of the firm’s practices in the eyes of various stakeholders. I review each of these mechanisms below before turning to the focal mechanisms of this study.

**Coercive pressures:**

Coercive pressures can be understood as external pressures that come from political influence and the issue of legitimacy (DiMaggio & Powell 1983). They include formal mandates by the government or by other organizations they are dependent upon,
but they also include cultural expectations from the broader environment in which the organization operates within, such as consumers or competing firms. Thus, the social/political backlash and pressures exerted by formal and informal external sources in the 1990s—such as the US government, consumers, the media, and other politically organized groups—can be seen as coercive pressures. Additionally, actions taken by competing firms can be externally constraining and considered coercive. For example, when firms started to outsource production to Asian countries, this significantly decreased the costs of production so they could lower prices. In order to compete, other firms followed suit and also outsourced production to cut costs and maintain competitive price levels—thus, to remain competitive, they were coerced to take these actions by the external actions of their competitor firms.

Scholarly focus since the formation of the FLA and other private third-party labor auditing organizations has primarily been on testing the efficacy of social auditing programs, codes of conduct, etc. For example, Pruett et al. (2005) details the emergence of social auditing to check working conditions for several companies in the mid-1990s, including Nike, Gap, Levi Strauss, and C&A. They conclude their overview with a critique that these social auditing efforts were “weak” and in need of help from independent, civil society organizations. This critique is similar to those waged by Emmelhainz & Adam (1999), who studied the new industry initiatives and corporate codes of conduct of the mid-1990s. They found that although many firms did have codes of conduct, they lacked uniformity across the industry, there was a major lack of detail within the codes, and they were overall too lenient in the area of monitoring and
enforcement. Looking at the new nongovernmental systems for advancing labor standards that had surfaced between 1998 and 2003 (including the FLA), O’Rourke (2003) concluded that these organizations needed new mechanisms for accountability to workers, greater transparency, and improved technical capacity.

Alternatively, the reactions of the business community to the legitimacy crisis aimed to soothe investors’ concerns. Rivoli (2003) compared the changing expectations for humane labor practices to the industrial revolution, and suggested there would eventually be a compromise that would appease critics but still allow firms to make a reasonable profit (and thus still provide adequate shareholder returns).

*Mimetic pressures:*

Mimetic changes reflect efforts by organizations to seek legitimacy by modeling their behavior on that of other organizations in their field, and firms’ responses to mimetic pressures have been documented in previous literature (Galaskiewicz and Wasserman 1989; Haveman 1993; Kraatz 1998). Organizational mimicking is evident in the case of the apparel and footwear industry’s transition since the late 1990s. During that time, several smaller firms have joined the FLA. Today, over 40 firms belong to the organization (Fair Labor Association 2016). Additionally, other external regulatory organizations have formed, including the Sustainable Apparel Coalition (SAC), founded in 2009 by Wal-Mart and Patagonia and the Better Work program, founded in 2007, which represents a partnership between the UN’s International Labor Organization (ILO) and the International Finance Corporation (IFC). The SAC includes over 160 members
from academia, brands, foundations, nonprofits, retailers and other sectors, and the Better Work program works with private enterprises in about 100 countries.

Although mimetic pressures are clearly present in the apparel and footwear industry’s evolution from the 1990s to the present day, these pressures are not of primary concern to the current study. The focus of this study is on the internal adaptations of pioneering firms, not those mimicking these early adopters.

**Normative pressures:**

The key theoretical focus for this study, normative pressures can be understood as those related to institutional theory’s concept of “professionalization”, meaning: “the collective struggle of members of an occupation … to establish a cognitive base and legitimation for their occupational autonomy” (DiMaggio & Powell 1983:152). In this study, we extend this grouping from the focus on a shared occupation, to the entire apparel and footwear industry. Of central importance to the concept of professionalization are formal education and membership in professional networks. This study will also expand the concept of membership of individuals in professional networks to membership of whole organizations (focal firms) in external regulatory groups (such as the FLA).

Importantly, institutional theory states that one mechanism that helps to facilitate normative pressures is the “filtering of personnel”, or, all professionals coming from similar backgrounds and having membership in professional networks making the leaders at the very top “virtually indistinguishable” (DiMaggio & Powell 1983:153). This phenomenon can contribute to homogeneity of thought in which novel or non-traditional
ideas and/or innovative solutions to complex problems are inhibited. The “filtering of personnel” is problematic when a firm (much less an entire industry) is faced with a legitimacy crisis; because top leaders are so similar, they will not tend to generate innovative problem solving strategies (Østergaard et al. 2011; Torchia et al. 2011).

The filtering of personnel provides a basis for how normative pressures shape organizations in the same environment to be increasingly similar. Organizational or industry-level professional norms are reproduced through shared cognitive, cultural and demographic profiles of key personnel (DiMaggio & Powell 1983). This concept can be extended to consider what conditions would pressure such norms to change. Considering previous scholarship linking diversity of leadership with changing CSR outcomes for the better, this project aims to understand whether the normative organizational responses to the coercive, external forces of the legitimacy crisis of the 1990s—the development of the voluntary labor regulation system (changed industry norms)—resulted at least in part from increased diversity among industry leadership (combating the filtering of personnel phenomenon). While homogeneity among key personnel would inhibit organizational change and innovation, increased diversity among leaders and decision-makers would allow for normative shifts in thinking and, potentially, organizational changes aimed at counter-acting or diffusing external critiques. Additionally, understanding the difference between firms’ supply chain management efforts that seek to transform and sustain best practices from those aimed merely at symbolically addressing activist concerns is paramount to understanding the depth of this normative shift—as well as substantive issues of labor rights and sustainability.
Dhanarajan (2005) describes the transition businesses underwent in their social and environmental responsibility policies from a “deny and defend” position to “paying penance” through analyzing a study conducted by Oxfam International focused on the retail sector’s donation and philanthropy practices. By 2005, retail firms in Oxfam’s study had transitioned into a phase based on risk management. This risk management is often characterized as those discussed in the coercive forces segment: firms instituting codes of conduct for their suppliers to follow concerning social and environmental responsibility, especially acceptable labor practices. Similar to Dhanarajan’s conclusions, other scholars consider risk management strategies—such as codes of conduct—to be a step in the right direction but ultimately inadequate. Many scholars conclude that future efforts of firms need to be supplemented with oversight from regulatory institutions, implementation of further policies and practices, and further involvement of civil society organizations (Egel-Zander 2007; Locke et al. 2007a; Locke 2009; Conner & Dent 2006; Distelhorst et al. 2015).

In summary, the existing norms of the apparel and footwear industry were under intense scrutiny during the early 1990s by a variety of external stakeholders. It was clear to corporate leaders during this period that they would need to change their practices, as evidenced by the proliferation of codes of conduct, risk management programs, and participation in external regulation, such as that provided by the FLA. However, institutional theory posits that the “filtering of personnel” among top leaders with similar backgrounds will stunt firms’ ability to adequately adapt and identify innovative solutions during times of crisis.
From this dilemma we discern the focus of this study: did firms pursue internal, normative changes to counter-act the homogeneity of thought encouraged by the “filtering of personnel” and did these internal changes enable firms to navigate this crisis of legitimacy? Previous scholars have failed to analyze the internal mechanisms of change that initiated and/or implemented these responses. By analyzing the increased involvement of independent interlocking board members and/or increased race and gender diversity of BOD membership, this study aims to better understand how and why these individuals have the documented associations with increased CSR outcomes. Understanding how and why these board members serve as mechanisms of internal, normative change could lend insight into their role as change-makers towards more sustainable organizational policies and practices, and provide a corrective to the consistent focus on external, coercive pressures to change in the literature today.

**Hypothesized Mechanisms**

Within the context of the “filtering of personnel”, information sharing and decision-making among like-minded individuals will not necessarily maximize innovation. However, institutional theory provides an additional concept that allows for innovation: the exchange of information among professionals (DiMaggio & Powell 1983). This concept allows for innovation only if individuals come from backgrounds different from those typically “filtered” to top-level management positions—typically white males with elite educational backgrounds.

This project utilizes the concept of the exchange of information among professionals as a mechanism to counteract the homogeneity of thought that comes from the “filtering of personnel”. This concept is operationalized into two hypothesized
mechanisms, both of which make the board composition more diverse in nature. Firstly, this study looks at the appointment of professionals from outside of the firm to focal firms’ boards. The inclusion of independent board members provides outsiders with decision making power over firm governance. Further, independent directors that are interlocked—serving on one or more board(s) in addition to the focal firm’s board—have been documented as channels of communication and facilitators of information flows across firms (Mizruchi 1996; Shropshire 2010; Bazerman & Schoorman 1983).

Secondly, this study looks at the appointment of professionals to focal firms’ boards that provide greater board diversity in terms of gender and racial composition. Previous research has documented an association between the inclusion of more women and/or racial minority board members and positive corporate policy changes, especially in regards to better CSR outcomes (Brown et al. 2002; Cook and Glass 2014; Glass et al. 2015; Hillman et al. 2002).

*Interlocking Directors:*

This study tests whether bringing on an outsider that provides a fresh perspective—especially one with a unique background different from the majority of the firms’ top leadership—to the BOD was a strategy used by the founding firms of the FLA to navigate the legitimacy crisis of the early 1990s. These outsiders are referred to as independent “interlocks”, and are defined as individual whose primary employment is external to the company—an independent board member—and serves on multiple boards of directors—an interlocking director. An interlock is formed when an executive or board member joins the board of a separate firm, and thus facilitates a connection between the
two firms (Shropshire 2010; Mizruchi 1996). Interlocks have been identified as mechanisms for communication across firms (Mizruchi 1996; Shropshire 2010; Bazerman & Schoorman 1983) as well as mechanisms of reducing environmental uncertainty (Pfeffer & Salancik 1978; Bazerman & Schoorman 1983).

This study’s focus on selecting interlocking directors as an organizational response during times of uncertainty is informed by previous research, including Hillman et al. (2000) which found that firms responded to significant changes in environment by shifting board composition to include more interlocks. More contemporary research has also pointed to interlocks as mechanisms of change, establishing a quantitative association between interlocking directors and positive social responsibility outcomes, especially related to environmental responsibility issues (Glass et al. 2015; Ortiz-de-Mandojana et al. 2012). Additionally, Webb (2004) found that socially responsible firms have more characteristics associated with effective board structures, with one of those effective board structures being the inclusion of more interlocking board directors.

**Hypothesis 1:** Apparel firms that have sustained their commitment to voluntary labor monitoring over time will be more likely than other firms to appoint interlocking directors to their boards between 1996 and 2014.

**Director Diversity:**

In addition to interlocked directors, board diversity has also been documented as a mechanism for organizational change. Women and racial/ethnic minorities bring perspectives and priorities to boards that otherwise are not present due to the “filtering of personnel”. Women and minorities affect companies because they bring different
perspectives—thus disrupting issues stemming from homogeneity of thought. Evidence of the limitations of filtered personnel for innovation risk management is provided by Brown et al. (2002). They found that firms with boards that included three or more women were significantly more likely to implement a code of conduct compared firms with all-male boards.

Additionally, in their study of the relationship of racial/ethnic board diversity and equity initiatives, Cook and Glass (2014) found that a higher percent of minorities on the BOD was significantly related to better social and environmental practices. Further, a study by Glass et al. (2015) found gender diverse leadership teams to be more effective than their less diverse counterparts in pursuing environmentally friendly strategies. As these examples illustrate, when a company brings on more women and/or ethnic/racial minority directors, there are documented positive changes to social and environmental policies and practices. Non-traditional directors, female and/or racial minority board members, have been found to have differences of background important for counteracting the impacts of the “filtering of personnel”. For example, Hillman et al. (2002) found that female and racial minority board directors differ from white males in education, occupational background, and even in patterns of board affiliation.

**Hypothesis 2**: Apparel firms that have sustained their commitment to voluntary labor monitoring over time will be more likely than other firms to appoint women and racial/ethnic minority directors to their boards between 1996 and 2014.

To answer the research questions, this study employs a deductive/ explanatory trend analysis to better understand the role independent interlocking and/or more women and racial minority directors might have played in helping this global industry navigate
this legitimacy crisis since the 1990s. Results from the trend analysis will determine
whether including independent interlocking directors and/or women and racial minority
directors was a strategy these leading focal firms used in navigating this crisis. These
trends might highlight divergent patterns in directors’ backgrounds between firms that
were more dedicated to changing their global labor governance practices over time versus
those whose commitment was of a more symbolic nature.
METHODS

Research Design

This project conducts a deductive/explanatory trend analysis to determine if firms that are most committed to voluntary regulation did in fact recruit more independent interlocks and/or female and racial minority directors between the years of 1996 to 2014 than firms that are least committed (as theory and previous empirical studies suggests they will have). Further analysis will determine the average tenure of all directors and compare this with average tenure for independent interlocks, in order to determine whether or not these directors were added recently (short tenures) or were existing board members that just took on additional board memberships over this period. While all components analyzed—gender, race, tenure, independent status, and interlocking status—is included in individual’s professional biographies, information for both hypotheses was compiled into the same author-constructed dataset.

Sampling

The ten focal firms selected are the firms of the Fair Labor Association (FLA) that were members by the first operational year (2001) and remained with the FLA through at least 2005, if not longer. This sample was selected because the formation of the FLA was the first initiative to regulate global labor governance practices of apparel and footwear brands that firms voluntarily consented to participate in (Fair Labor Association 2016). It was started in close conjunction with Nike, the highest valued apparel brand of 2015 (Friedman 2015) and the frequent focus of supply chain management studies looking at global labor governance (Conner & Dent 2006; Distelhorst et al. 2015a; Distelhorst et al. 2015b; Locke et al. 2007a; Locke et al. 2007b).
Several academic studies and news articles have included the FLA (and Nike, specifically) as integral components in the private regulation of global labor governance (Guthrie 2012; Locke et al. 2007b; Distelhorst et al. 2015b). Locke et al. (2007b) explain that these monitoring practices are “currently the principal way both global corporations and labor rights non-governmental organizations (NGOs) address poor working conditions in global supply chain factories” (3).

Further criteria for gauging firms’ commitment to the external, private regulation of global labor governance will be operationalized through membership in a similar organization, the Sustainable Apparel Coalition (SAC), founded in 2010. Specific points of commitment are outlined in the figure below, and constitute important benchmarks in the development of firms’ responses to the labor governance legitimacy crisis in the short, medium, and long terms. These points include meeting with President Clinton in 1996 regarding the Fair Labor Coalition initiative/formation of the AIP, being a member of the FLA by the first operational year (2001), being a founding member of the SAC (2010), being a current member of the FLA (2016), and/or being a current member of the SAC (2016). An overview of the sampling results for each firm is located in Table 1.

Although there were an additional 5 firms that were early members of the AIP and/or the FLA, the sample only included firms that transitioned from the short into the medium term, so that “symbolic” versus “sustainable” commitments could be determined. Additionally, two firms that met the criteria were ultimately excluded due to data limitations—Patagonia and Zephyr Graf X. Both of these companies are private and are therefore not required by the SEC to report their board membership information.
Data Collection

I compiled the data into an author-constructed dataset of all directors that served on BODs of the focal firms between 1996 and 2014. Overall, there were 131 BOD lists and 199 individual directors. Initial data collection came from the Wharton Research Data Services (WRDS) database, which collects a range of variables related to board directors from S&P 1500 companies, and has BOD information beginning with this project’s starting point of 1996, and with the most recent data available being 2014. WRDS data was available for 5 of the 8 firms including: Nike, PVH, Nordstrom, Liz Claiborne, and Polo Ralph Lauren. Variables provided by WRDS that are relevant to this study include: name, age, gender, board affiliation (employee of firm or independent), primary company name, and number of other public company boards serving on (number of interlocks).

Information not available from WRDS included the names of any interlocking firms, tenure as a board member (available only for more recent years), as well as educational background. I collected information unavailable through WRDS—as well as for provided information that was incomplete or conflicting—from official corporate websites and documents published online, such as PDFs of firms’ Annual Reports to Shareholders and documentation on the SEC’s “Edgar” (Electronic Data Gathering, Analysis, and Retrieval System) database, such as the 10-K Annual Report forms. Ultimately, data on interlocking directors was very limited from WRDS and so I pulled that information from additional sources for all 199 directors.

For firms that were not on the S&P 1500 companies lists, and therefore not included in the WRDS database (i.e. Adidas, Reebok and Eddie Bauer), I pulled board
membership lists from PDFs of firms’ 10-K Annual Report forms available online from the SEC’s “Edgar” database. Overall, I pulled 65% of director lists from WRDS, and 35% from 10-K filings. A complete inventory of whether each firms’ director lists for each year came from the WRDS database or from Annual Report documents is found below in Table 2.

**Measurement**

**Operationalization:**

The number of interlocking directorships, and names of those firms, was recorded for each independent director for every year between 1996 and 2014, with numbers often changing throughout one director’s entries. For example, an independent director may be on a focal firm’s board for the entire 1996-2014 period and throughout that 19-year period hold various additional directorships. Directors were counted as an “interlock” for each year they served on one or more additional boards outside of their membership on the focal firm’s board. For example, if a director served on three additional boards between 1996 and 2000, two between 2001 and 2007, and no additional boards between 2008 and 2014, this hypothetical director would be counted as one interlock for each of the 12 years between 1996 and 2014 that she served. Meaning that only interlock status was counted, not the actual number of board interlocks (which in this example would be 29).

Director gender was determined first by any available WRDS data. If the data for a given director for a given year was incomplete, then gender was determined from information provided in professional biographies including name, photos, and use of
gender-specific pronouns. Director race/ethnicity was determined in a similar fashion. If WRDS data was unavailable, listed as “unknown” or had conflicting information—differing racial categories for different years (such as “Hispanic” in 1997 and then “Asian” in 2002) — information provided in professional biographies was also consulted. Race/ethnicity was preliminarily surmised from professional photos. Further research was done to confirm (when possible) the individual director’s association with ethnically identifying organizations—such as the Black Business Association or the National Hispanic Business Group.

Reliability/Validity:

For the validity of the racial/ethnic identification of directors, multiple steps were taken to confirm the accuracy of a director’s classification. In terms of the reliability of racial/ethnic classifications, the accompanying chart (found below in Table 3) shows how many directors for each company were determined by the author, with approximately 23% of all race/ethnicity entries being determined by the author.

Gender classifications for directors were readily available for the five firms included in the WRDS data (Nike, PVH, Nordstrom, Liz Claiborne, and Polo Ralph Lauren). Less than 10% of each of these firms’ entries had an “unknown” gender listed and none of them had conflicting genders listed in different entries for the same director. For the firms not included in the WRDS data, gender was clearly identifiable from biographical information including name, photos, and use of gender-specific pronouns.

Additionally, to ensure inter-coder reliability, a random sample of a third (33%) of all directors for which the author determined the race/ethnicity classification (31 of the
93 author determined directors) were sent to a colleague. The reviewer was also asked to identify the directors’ gender. Both race/ethnicity and gender classifications were confirmed by the reviewer with full accuracy: 100% matches in both categories for all 31.

Despite the inclusion of the “Interlocking Directorship” variable by WRDS, data for independent interlock status pulled from WRDS was extremely limited. This was due to: (1) a majority of initial lists being incomplete or inaccurate—almost completely filled with “0” for all firms for all years; and (2) interlock status was indicated in WRDS data for directors of both board affiliation statuses: both independent and employees. Therefore, independent interlock status was determined by the author for each director included in the dataset (a total of 199 individuals). All directors’ biographical information was sourced from company websites, official documents filed with the SEC and available online, and/or from websites including Bloomberg and Forbes. The names of the firms where directors were independent interlocks were also collected for each year.

Data Analysis

Once data collection was completed, a trend analysis was conducted. The three primary trend analyses included: 1) number of female directors per year for each focal firm 2) number of ethnic/racial minority directors per year for each focal firm and 3) number of independent interlocks per year for each focal firm. Trends were compared for each of these variables between firms with shorter commitments to labor regulation and those with the longer, more sustainable commitments to voluntary regulation of labor governance in global production facilities.
FINDINGS

My hypotheses examine two primary questions: whether apparel firms that have sustained their commitment to voluntary labor monitoring between 1996 and 2014 will be more likely than other firms to, firstly, appoint independent interlocking directors to their boards and, secondly, appoint women and racial/ethnic minority directors to their boards. All firms increased the number of women and racial minority directors over this period, however, least committed firms actually had the most in both categories over the entire period. Additionally, trends in the number of independent interlocking directors varied quite widely across firm groups within this time period.

Interlocks

Hypothesis 1 predicts that firms with sustained commitments to voluntary labor monitoring will have been more likely to appoint independent interlocking directors to their boards. Results do not support this hypothesis. Firms that were least committed to voluntary labor monitoring were found to have a higher percentage of independent interlocking directors than more committed firms for all years from the beginning in 1996 through the end of the period in 2014. However, least committed firms were the only group that decreased the overall number of independent interlocks over this period; they maintained a higher number than most committed firms merely by started out with significantly more independent interlocking directors in 1996. More committed firms had a steady increase across the entire period from 19.3% up to 38.7%. Least committed firms started much higher at 51%, decreased through the short and medium terms, and then leveled off in the most recent period to end at 43%. Thus, the gap between the most and least committed firms significantly converged from a 31.7% difference in the
baseline period (1996-2000) to a difference of only 4.3% in the most recent period (2010-2014) (refer to Figure 2).

Bankrupt, Acquired, and Split Firms:

A finding of surprising strength came from the category of firms that either went bankrupt (Eddie Bauer), were acquired (Reebok), or split into separate firms (Liz Claiborne). Collectively, these firms saw an average increase of nearly 60% between 1996 and 2009: with average independent interlocking director percentages rising from 22.70% to 82% over this period (refer to Figures 5 and 6). This rise was much sharper than that of the most and least committed category groups, indicating that recruiting independent interlocking directors served a function during times of other firm crisis as well outside of the legitimacy crisis of the 1990s. Suggestions for further research in this area are discussed in the conclusion segment of this study.

Gender and Racial Diversity

Hypothesis 2 predicts that firms with sustained commitments to voluntary labor monitoring will have been more likely to appoint women and racial/ethnic minority directors to their boards. Results do not support this hypothesis, while least committed firms had higher percentages of women as well as racial minorities on their boards for all years between 1996 and 2014.

Gender:

The percentage of female board membership increased for all groups over the 1996 to 2014 time period. With firm groups having averages between 8.5% and 15% in the baseline period (1996-2000), firm groups ended with averages between 13.7% and 23.5% in the final period (2010-2014) (refer to Figure 5).
Race:

The percentage of racial minority board membership increased for all groups over the 1996 to 2014 time period. With firm groups having averages between 8.5% and 15% in the baseline period (1996-2000), firm groups ended with averages between 13.7% and 23.5% in the final period (2010-2014) (refer to Figure 6).

Gender and Racial Similarities:

In the first transition period, between 1996-2000 and 2001-2005, trends in gender and racial minority board membership were the same: most committed firms actually decreased their percentages of female and racial minority board memberships, while least committed firms increased both of these categories. In the next transition period, between 2001-2005 and 2006-2009, both least and most committed groups increased their percentage female BOD membership, while the most committed group increased and the least committed group decreased racial minority membership—thus decreasing the gap created in the initial period. In the final transition period, 2006-2009 to 2010-2014, female membership converged slightly, ending with a difference of ~10% (least committed firms with 23.5% and most committed firms with 13.7%) and an almost full convergence in the racial minority membership leaving only a 1% gap, between 15.70% (most committed) and 16.5% (least committed) (refer to Figure 3).

Additionally, the least committed firm group had the most variance in both percentage of female board membership—18.5%—and percentage of racial minority board membership—15%. The racial minority percentage increase of 15% took place between the baseline and short term years, and was an increase of 276%—almost tripling
the original percentage from 8.5% to 23.5%. The group comprised of firms that were bankrupt, acquired, or split into multiple brands had the least amount of variance, with 3% variance in female board membership and 2% variance in racial minority board membership (refer to Figure 7).

Lastly, there was a very large contrast between US-based firms and the 2 foreign-based firms: Eddie Bauer and Adidas (both of which are German). The two German-owned firms had the two lowest percentages of female and racial minority board membership. Adidas had 0% female or racial minority board members for all years, while Eddie Bauer had 0% racial minorities for all years and 0% (1996-2000), 6% (2001-2005), and 11% (2006-2009) female board membership.
DISCUSSION

This study developed a theoretical framework rooted in institutional theory to frame the actions of firms in times of crisis—in this instance, during a legitimacy crisis stemming from highly publicized labor abuses in foreign production facilities. In considering the different pressures firms face from an institutional theory perspective, internal changes to corporate governance represent normative change, while membership in voluntary regulatory groups (such as the FLA) represent a coerced change. The relationship between normative changes to firms’ BODs and commitment to changes brought about by coercive forces (commitment to voluntary regulatory organizations) were analyzed. While much scholarship has already established the relationship between increased diversity of boards through the addition of women and racial minorities and the inclusion of independent interlocks, these internal, normative changes—represented in this study by changes to firms’ BOD composition—are the focal point of this study as they have not previously been considered by scholars or activists as a mechanism of change towards more humane and sustainable labor practices.

My findings suggest that firms in both the least and most committed groups pursued a strategy to appoint more female directors and more directors of racial minority background to their boards over the period of 1996 to 2014. However, the group of firms least committed to voluntary labor regulation had the highest percentages of both female and racial minority board members over this entire period, contrary to the hypothesized relationship of the most committed firms having the highest amounts of female and racial minority board members. Similarly, firms that were least committed to voluntary labor monitoring had a higher percentage of independent interlocking directors than more
committed firms from the beginning in 1996 through the end of the period in 2014. Yet, least committed firms were the only group to decrease their overall percentage of independent interlocking directors over the 1996 to 2014 period. Both most committed firms and firms that went bankrupt, were acquired, or split increased their percentages of independent interlocking board members over this period.

**Implications for Theory**

This article adds to the understanding of mechanisms that drive organizational change in times of crisis by analyzing the internal, normative mechanisms that shaped the responses of focal firms during their legitimacy crisis of the 1990’s. It also adds to research on board of director composition through analyzing the conditions in which firms seek out certain board members, including more diverse members and/or independent interlocking board members.

**Separate Strategies**

This study intended to synthesize the research on board diversity and interlocks, by testing them as similar strategies for firms to deal with an environment of uncertainty. However, despite the gender and racial minority data having similar overall trends, these trends were very different from those of independent interlocking board members. This finding extends current understanding in two ways. Firstly, it sheds more light on mechanisms that drive organizational change by illustrating that firms view the internal, normative changes of including more directors that promote board diversity—more women and racial minorities—as a very different strategy than including more independent interlocking directors on the board. Secondly, it extends research on board
composition by finding separate reactions to these two board member types by focal firms experiencing a common crisis. Especially when paired with the extreme increase of independent interlocks over time by firms in the bankruptcy, acquisition and split group, these findings provide further insight into what types of external mechanisms (such as a legitimacy crisis or other times of crises), motivate firms to seek more diverse boards and/or more interlocking board members.

**Symbolic vs Sustainable**

This project also extends knowledge of organizational change by analyzing the different internal normative mechanisms (increased board diversity and increased interlocking board memberships) that shaped firms’ responses to external pressures (maintaining their commitment to voluntary regulation or not). Despite findings being overall consistent with the theoretical premise that firms would increase the amount of women and racial minorities on boards, as well as increase the number of independent interlocks in response to this time of crisis, the fact that the results find the group of firms least committed to voluntary labor regulation as having the highest percentages directors in each of these categories over this entire period has important theoretical implications.

This finding indicates support for the argument that firms have made symbolic changes to their internal practices that do not translate into meaningful and sustainable changes in labor governance in global supply chains. This increased inclusion of racial minorities and women, as well as independent interlocks, could represent a symbolic gesture in the area of firm governance, mirroring symbolic changes and commitments to bettering labor conditions abroad illustrated by previous scholars. These new board memberships that add to board diversity could be symbolic in nature, with new members
not participating in any meaningful way or contributing any meaningful normative changes.

**Implications for Policy and Practice**

The regulation of major firms’ global labor practices has been a contentious issue for more than twenty years, and both scholars and labor activist groups are still critical of the voluntary compliance model for regulating global labor practices in the present day. When considering options for changing the system of voluntary regulation, most scholars and activists have focused on external pressures to coerce firms to change. Although this study is focused on the internal, normative mechanisms to promote better labor governance outcomes, some of the key arguments posed by scholars and activists calling for coercive pressure to steer firms away from harmful labor practices and towards more humane and sustainable ones are outlined in the following segments.

**Central Critiques of Voluntary Regulation**

Criticisms of voluntary regulation of labor practices posed by scholars and activists in the late 1990’s centered around a few major areas ignored by the AIP/FLA agreements. The major points of contention were that the AIP/FLA code of conduct agreement did not include a living wage provision and also had poorly-ensured enforcement for freedom of association and collective bargaining of works (Hemphill 1999). Secondly, the monitoring procedures put forth by the FLA to enforce this code of conduct were criticized for two main reasons. Firstly, the extent to which the external monitoring was truly “independent” was questioned, while member firms are allowed to choose who will perform the monitoring and which factories will be monitored (Hemphill
1999). Secondly, union officials questioned the low percentage of eligible manufacturing sites to be sampled annually, and stated that it should be much higher (Hemphill 1999).

**Corporate Control over Voluntary Regulation**

Ironic to the focus of this study, the legitimacy of the FLA is also questioned by many in large part due to the governance nature of the FLA’s board of directors. The FLA’s board always has enough corporate members for them to outweigh representatives from labor rights groups and to hold the super majority the FLA requires for key decision making (United Students Against Sweatshops 2016). Critics argue that due to this unbalanced relationship between activists and corporate interests, the FLA is beholden to corporate members (United Students Against Sweatshops 2016). Additionally, the FLA does not have any union representation; the only union ever to be a part of FLA (UNITE) resigned in 2003, just two years into the FLA being operation (Hemphill 1999). Critics further argue that the FLA does not provide any meaningful role for workers, while they only perform on-site interviews which allow for worker intimidation (United Students Against Sweatshops 2016). Lastly, critics question the transparency of the FLA, because they do not provide the actual names of factories they monitor (they provide reports with general location areas rather than by identifying factory names) which makes it hard for other groups to confirm or deny their findings (United Students Against Sweatshops 2016).

**Voluntary Regulation as an External Function**

Perhaps the most salient criticism of the private regulation model of organizations like the FLA suggested by scholars is that it separates the labor regulation into an
external function, rather than integrating it into core business functions. The result is a focus on risk management and compliance rather than a genuine commitment to sustainability. This critique has been echoed by several scholars: Kytle and Ruggie (2005) suggest linking CSR efforts with core business functions to reap full benefits; Dhanarajan (2005) seconds this concern by arguing that companies need to forge “connectivity and coherence” between their core business operations and their ethical and environmental commitments for those commitments to become sustainable. Further, Seuring and Mueller (2008) consider this distinction to be between “supplier management for risk and performance” (decoupled) and “supply chain management for sustainable production” (integrated). Barrientos and Smith (2007) deem the decoupled approach the “corporate approach”, focused on compliance and outcome standards, and the integrated approach the “civil society approach”, focused on process rights for workers.

The importance of compliance and risk management programs being decoupled from or integrated into core business processes cannot be understated. MacLean and Behnam (2010) explain the “dangers of decoupling” in their study looking at an extreme case of deceptive sales practices occurring within a large financial services firm. At worst, compliance/risk management programs decoupled from core business practices can be of a purely symbolic nature, characterized by MacLean and Behnam (2010) as a “legitimacy façade”, enabling the company to conduct itself in an unethical manner, without the threat of losing its external legitimacy.

Mechanisms of Change
Scholars and activists alike are very critical of the existing voluntary compliance model for regulating global labor practices that has been the FLA’s legacy. However, in considering possible ways to change corporate practices, scholars and activists tend to focus on coercive measures of external control. This study’s findings also have important implications for public policy as well as corporate practices. By increasing understanding of how and why increased board diversity serves as a mechanism of internal, normative change—this study provides further insight into these board members’ role as change makers towards more sustainable organizational policies and practices related to labor governance and other important issues aside from coercive alternatives imposed on these organizations from outside.
CONCLUSION

In studying the apparel industry’s response to the legitimacy crisis, and subsequent formation of the FLA, this project was limited by a number of inherent factors. Firstly, it provided a rather narrow sample size. Although there were fifteen firms associated with the formation of the FLA in some way before 2001, only eight of these firms continued with the FLA into at least the second (“short term”) time period of 2005. These eight firms were further divided down into sub-categories of being most and least committed, and then the additional third category of bankrupt, acquired, or split. Thus, each group only had 2-3 member firms. Data was also limited by the inclusion of information from the 1990’s, which is less readily available, as well as from foreign firms—Eddie Bauer and Adidas. While other countries do not have the same reporting requirements as the United States, data was especially difficult to acquire for these two firms. Finally, data was constrained to beginning in 1996 and ending in 2014, rather than 2015, because that is the most recent data available from Wharton’s WRDS database that was utilized.

In addition to sample size and data availability issues, this project also used membership in voluntary labor regulation organizations as an indicator of commitment to bettering labor conditions in global supply chains. Although this was done out of necessity to analyze firm’s reactions to the legitimacy crisis of the 1990’s—creating and joining these organizations was their collective response—scholars and labor activists have posed numerous, salient criticisms questioning the efficacy of these organizations.
Future research could expand this study in a few different directions. Researchers could replication and expand the trend analysis this study utilizes by conducting an additional explorative analysis looking for trends in directors’ background information, including professional history and educational history. In addition to the Board of Directors composition, future scholars should consider the changing composition of senior executive leadership teams as a possible normative mechanism and their impact on sustainability outcomes.

Additionally, Scholars could conduct qualitative interviews with firm decision makers and ask about how and why gender and racial minority board memberships are thought about differently than independent interlocking board memberships. Qualitative interviews would also provide an opportunity to inquire about the activity of these different types of board members—asking about how frequently female and racial minority board members attend board meetings, vote on important issues, and/or generate unique policy suggestions in comparison to white male board members as well as independent interlocking board members. Scholars could further investigate the relative level of influence each of these director types have on sustainability outcomes, such as labor governance decisions.

Lastly, scholars could further explore the relationship between independent interlocking board members and other types of firm crises. As evidenced by this study’s findings, the firms experiencing bankruptcy, mergers, and splitting off into multiple brands had extremely high numbers of independent interlocking board members over these periods of crises.
REFERENCES


brand-in-the-world.html?_r=0).


Short, Jodi L., Michael W. Toffel, and Andrea R. Hugill. 2015. “Monitoring Global Supply Chains.”


### Table 1. Sampling Criteria for Focal Firms

<table>
<thead>
<tr>
<th>Sample Criteria</th>
<th>Focal Firm</th>
<th>Short Term</th>
<th>Medium Term</th>
<th>Long Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air 1996</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>FLA 2001</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>FLA 2005</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>SAC 2010</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>FLA 2016</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>SAC 2016</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

### Notes
- Yes: Focal Firm meets the criteria.
- No: Focal Firm does not meet the criteria.
- NA: Data not available.
Table 2. Data Collection for Focal Firms

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Zephr Crt</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Peragona</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Cadila</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
</tr>
<tr>
<td>Reckitt</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
</tr>
<tr>
<td>Edicl Peter</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
</tr>
<tr>
<td>H. L. Bower</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
</tr>
<tr>
<td>Nordstrom</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
</tr>
<tr>
<td>Polo RL</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
</tr>
<tr>
<td>Le Creuset</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
</tr>
<tr>
<td>P&amp;G</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>o</td>
</tr>
<tr>
<td>Nike</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Rem</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>
Table 3. Data Collection for Race/Ethnicity

<table>
<thead>
<tr>
<th>Entity</th>
<th>Directors</th>
<th>Directors Corrected</th>
<th>Total Directors</th>
<th>Unavailable for Firm Enrollment</th>
<th>Ethnicity</th>
<th>Unavailable for Enrollment</th>
<th>Ethnicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adidas</td>
<td>1/223</td>
<td>1/227</td>
<td>27</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Reebok</td>
<td>8/190</td>
<td>28</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Eddie Bauer</td>
<td>33/7/33</td>
<td>7/3/3</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Northstar</td>
<td>4/24</td>
<td>9/24</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Polo RL</td>
<td>6/11/21</td>
<td>3/1/2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>PHV</td>
<td>1/23</td>
<td>1/22</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>23/23</td>
<td>19/16</td>
<td>16</td>
<td>2</td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>23/23</td>
<td>19/16</td>
<td>16</td>
<td>2</td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>

One director may have served multiple years between 1996-2014. Constituting between 1-19 entities per director.
Figure 1. Framework for the Chronological Approach to Institutional Theory
Bankruptcy, Acquisition, or Split

Figure 3. Percentage Independent Interlocks on BOD of Firms That Experienced
Figure 4. Comparison of Tenure (in yrs) of All Directors Versus Independent Directors on BOD for Different Firm Groups
Figure 7. Percentage of Female and Racial/Ethnic Minority Members on BOD of Most and Least Committed Firms Groups