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Virtue out of Necessity? Compliance, Commitment, and the Improvement of Labor Conditions in Global Supply Chains

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Private, voluntary compliance programs, promoted by global corporations and nongovernmental organizations alike, have produced only modest and uneven improvements in working conditions and labor rights in most global supply chains. Through a detailed study of a major global apparel company and its suppliers, this article argues that this compliance model rests on misguided theoretical and empirical assumptions concerning the power *of multinational corporations in global supply chains, the role* information *(derived from factory audits) plays in shaping the behavior of key actors (e.g., global brands, transnational activist networks, suppliers, purchasing agents, etc.) in these production networks, and the appropriate* incentives *required to change behavior and promote improvements in labor standards in these emergent centers of global production. The authors argue that it is precisely these faulty assumptions and the way they have come to shape various labor compliance initiatives throughout the world—even more than a lack of commitment, resources, or transparency by global brands and their suppliers to these programs—that explain why this compliance-focused model of private voluntary regulation has not succeeded. In contrast, this article documents that a more commitment-oriented approach to improving labor standards coexists and, in many of the same factories, complements the traditional compliance model. This commitment-oriented approach, based on joint problem solving, information exchange, and the diffusion of best practices, is often obscured by the debates over traditional compliance programs but exists in myriad factories throughout the world and has led to sustained improvements in working conditions and labor rights at these workplaces.*

Keywords: *codes of conduct; labor standards; globalization*

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Absent a strong system of global justice,[1] and given that many developing country governments are either unable or unwilling to enforce their own labor laws,[2] private, voluntary "codes of conduct" and a variety of monitoring mechanisms aimed at enforcing compliance with these codes have emerged as the principal way both global corporations and labor-rights nongovernmental organizations (NGOs) seek to remediate poor working conditions in global supply chain factories.[3] As a result of their widespread use, much of the literature on labor standards in global supply chains has revolved around a series of highly polarized debates over what should (or should not) be included in the codes of conduct, how compliance with the codes (i.e., specific audit protocols) should be assessed, and who (company employees, state officials, NGO representatives, or even professional auditors) should monitor the factories to ensure the greatest transparency of the process.

These debates, we argue, are misguided in that they all share the same problematic assumptions about what drives compliance with basic labor standards in global supply chains. In other words, notwithstanding their particular arguments or positions, both critics and defenders of this extensive system of private voluntary regulation share similar assumptions about (1) the *power* of multinational corporations in global supply chains, (2) the role *information* (derived from factory audits) plays in shaping the behavior of key actors (e.g., global brands, transnational activist networks, suppliers, purchasing agents, etc.) in these production networks, and (3) the appropriate *incentives* required to change behavior and promote improvements in labor standards in these emergent centers of global production. Combined, these assumptions form the theoretical foundations for what we call the "traditional compliance model"—a model that, to varying degrees, most global brands and NGOs have sought to implement as a way of redressing poor working conditions in global supply chains. Yet each assumption rests on an incomplete if not inaccurate understanding of how global supply chains actually work in today's economy. We argue that it is precisely these faulty assumptions and the way they have come to shape various labor compliance initiatives throughout the world—even more than a lack of commitment, resources, or transparency by global brands and their suppliers to

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these programs or even their imperfect or incomplete implementation—that explain why this compliance-focused model of private voluntary regulation has produced, at best, limited improvements in working conditions and labor rights in most of these globally dispersed centers of production.[4]

In addition, we seek to demonstrate that a more commitment-oriented approach to improving labor standards coexists and, in many factories, complements the traditional compliance approach to labor monitoring. This commitment-oriented approach is often obscured by the debates, among scholars and practitioners alike, over how best to design or implement traditional compliance programs. But it exists in myriad factories throughout the world and has led to sustained improvements in working conditions and labor rights at these workplaces. In this complementary approach, information, incentives, and power relations also play important roles. But they are utilized in different ways. Rather than simply employing factory audits and the threat of sanctions (in the form of reduced or terminated orders) to drive behavioral change, the commitment approach uses this same information and the frequent presence of auditors in the factories to engage in a process of root-cause analysis, joint problem solving, information sharing, and the diffusion of best practices that is in the mutual self-interest of the suppliers, the auditors, and the global corporations for which they work.

The remainder of this article seeks to illustrate our argument by first examining in greater detail the assumptions underlying the traditional compliance model and how they came to shape most labor auditing efforts by global corporations and NGOs alike. We then illustrate the limitations of this traditional model in practice through a case study of ABC, one of the world's leading global apparel companies and a pioneer in corporate codes of conduct and labor compliance programs.[5] We revisit ABC's supply chain in our third section to illustrate how, notwithstanding all the difficulties with the traditional compliance model, significant improvements in working conditions and labor rights do, in fact, occur among some of the suppliers. We seek to explain these positive developments and suggest their significance for the creation of a complementary, more commitment-oriented approach to improving labor conditions in the concluding section.

This article is based on field research conducted in 2006 and 2007. Almost three hundred interviews were conducted with factory owners, managers, workers, NGO representatives, government officials, and union leaders in Bangladesh, China, the Dominican Republic, Honduras, and India. ABC compliance, operations, and purchasing managers were also interviewed in all of these countries, as were most of ABC's senior executives at the company's corporate headquarters in the United States. In addition, we observed audits by ABC's compliance staff in each country, providing first-hand data on the audit process. This qualitative research was complemented by quantitative analyses of ABC's factory audits conducted at more than one thousand suppliers located in more than thirty different countries.

THE TRADITIONAL COMPLIANCE MODEL: A CRITICAL ASSESSMENT

Codes of conduct and various efforts aimed at monitoring compliance with these codes have a long history. Initially, these efforts primarily focused on corporate compliance with national regulations overseeing various business practices (aka preventing corruption). Over time, monitoring efforts have become increasingly concerned with compliance to private, voluntary codes of conduct, especially as they apply to labor, health and safety, and environmental standards.[6] This model of workplace governance has provoked heated debates over either the particularities of the actual codes and their compliance efforts (i.e., how factory inspections are conducted, by whom, for what purposes) or their relation to other forms of regulation such as collective bargaining arrangements and state regulation. Critics of codes of conduct and voluntary monitoring programs argue that they displace more thorough government and union intervention and are designed not to protect labor rights or improve working conditions but instead to limit the legal liability of global brands and prevent damage to their reputations.[7] Others argue that those conducting compliance audits are either unqualified or untrustworthy and thus unable to make accurate assessments of factory conditions and transparently report their findings.[8] Although many codes of conduct are similar, they cover an extremely wide range of issues that puts great demand on the inspection protocols and the skills or professional backgrounds of auditors, leaving room for tremendous controversy over whose audit protocol is more thorough or more accurate.[9]

Yet regardless of the particular points being raised or positions being defended in these debates, just about all the participants seem to share a set of common assumptions about how compliance in global supply chains should or could work. In other words, the various arguments over codes of conduct and monitoring are all taking place within the same frame, and it is this frame, these shared assumptions that are problematic and need to be revised if we are to truly understand what drives sustained improvement in working conditions in today's globally dispersed world of production.[10]

The traditional compliance model derives its assumptions from three distinct (but related) literatures regarding the governance of global commodity (sometimes referred to as supply or value) chains, the role of auditing or monitoring in promoting corporate accountability, and alternative models of regulatory enforcement. Yet the key findings or insights of each of these literatures have somehow combined to form the theoretical underpinnings of a conceptual model and a set of practices used to promote labor standards in global supply chains. Closer examination of each of these assumptions, however, reveals their inherent weakness, which could explain why after a decade of concerted efforts by global brands and labor rights NGOs alike, the traditional compliance model has yet to deliver on its promise of sustained improvements in labor rights and

working conditions in today's emergent centers of global production.[11] This is not to say that the traditional compliance model has not delivered any improvements in working conditions. It has. Our point is that these improvements seem to have hit a plateau in which basic improvements were achieved in some areas (e.g., health and safety) but not in others (e.g., freedom of association, limits of excess overtime). Moreover, these improvements appear to be unstable in that many factories cycle in and out of compliance over time. To better understand the limits of the traditional compliance model, it is important to examine the theoretical and empirical limitations of its core assumptions.

The prevalence of asymmetric power relations between global buyers and their geographically dispersed suppliers is a central assumption of the traditional compliance model. Derived from the work of Gary Gereffi and his various collaborators on global commodity, supply, and value chains, this assumption holds that the economic leverage global brands exercise over their suppliers translates into their ability to enforce compliance with codes of conduct.[12] In its original formulation, the global commodity chain literature describes the geographic dispersion of production networks and the role key actors such as global buyers and vertically integrated transnational manufacturers play in the governance of these networks. In "buyer-driven" value chains, global brands maintain their authority over their suppliers by controlling key (high-value-added) functions such as product development, design, marketing, and brand management while outsourcing to their suppliers only low-value-added, labor-intensive manufacturing activities. As such, they not only impose strict conditions (regarding cost, quality, and delivery times) on their suppliers but also determine whether or not and to what extent these suppliers (and often the developing countries in which they are located) can upgrade their productive capacities and thus improve their standing in the international division of labor. Although much of the literature on industrial upgrading primarily focuses on the establishment of product and process standards, this analysis has been extended to include environmental and labor standards.[13] The logic of this argument is as follows: if all-powerful global brands are willing and able to dictate commercial terms and product standards on their weak and/or dependent suppliers, they must also (assuming that they have a genuine interest) be capable of forcing these same suppliers to comply with codes of conduct and labor standards.

A related literature on transnational activist networks (sometimes referred to as "global civil society") shares these same assumptions. It is precisely because global brands are so powerful that they have become targets for transnational activist groups and other NGOs. The Achilles' heel of these all-powerful global corporations is their reputation (brand value). Thus, transnational activist groups employ consumer boycotts and other campaigns to force global corporations to adopt voluntary codes of conduct and impose various independent monitoring systems on their suppliers.[14] The information generated from factory

audits is central to this activist strategy since it is employed both to "name and shame" companies that mistreat their employees (meaning the employees of their suppliers) and to mobilize activists and their allies in the media.

Without external monitoring, claims of corporate social responsibility may simply be a new marketing ploy. For consumers to be able to "hold companies accountable," they need accurate information, provided by independent monitors, who are not simply working on behalf of the companies themselves.[15]

The importance and quality of information derived from factory audits (preferably independent, third-party audits) constitute the second key assumption underlying the traditional compliance model. Information collected through factory audits is central to this model since it is used by both labor rights NGOs and consumer groups to exert pressure on global brands to reform their sourcing practices and by the brands themselves to police and pressure their suppliers to improve standards within their factories. According to Elliott and Freeman, there exists a "market for standards" in which informed consumers respond with their wallets to activist demands that global brands take responsibility for labor conditions in supplier factories.[16] These purchasing decisions will induce global brands to adopt codes of conduct and exercise their leverage over their suppliers to enforce compliance with these codes. Thus, according to this line of argument, accurate information about factory working conditions obtained through audits and various verification mechanisms is the best way to create a "credible commitment" for global buyers, guaranteeing that they enforce their own codes of conduct.

It is precisely because audit-generated information plays such a pivotal role in the traditional compliance model that so much of the debate has focused on various proposals aimed at ensuring its quality, reliability, and transparency. In some proposals, information obtained through monitoring is shared *within* global firms, between compliance officers and other, more business-focused (e.g., purchasing, operations, product) managers, to encourage suppliers to improve the quality and efficiency of their production systems. The exchange of information and the knowledge it creates will generate a virtuous cycle of process, product, and workplace improvements.[17] In another proposal, audit information collected by commercial and independent monitors is exchanged *among* brands and various multistakeholder groups and serves as the basis for an externally verified, public ranking system that will guide the decision making of concerned consumers and investors. Transparency—combined with the constant threat of customer (and investor) sanctions—will induce firms to compete for higher rankings, gradually leading to a "ratcheting up" of labor standards.[18] In short, once the proper information system is in place, firm incentives can be structured in a manner that is consistent with consumer preferences. And once this incentive system is operational, global brands will use their superior bargaining power vis-à-vis their suppliers to improve labor standards.

The third assumption, foreshadowed in the above discussion on power relations and information, concerns the correct mix of incentives required to induce changes in behavior among key actors in these global production networks. Drawing on economic models of regulatory compliance (sometimes referred to as deterrence theory), this assumption portrays compliance with codes of conduct as the product of a simple calculation by utility maximizing actors.[19] The costs of compliance are measured against the probability of being caught out of compliance, the probability of being punished for this "offense," and the severity of the punishment for failing to comply with the codes. Assuming that the costs of achieving or even remaining in compliance are fixed, whether or not a supplier chooses to actually comply with voluntary codes of conduct will depend on the values of the above three variables (the probability of getting caught, size of the penalty, and cost of compliance). This might explain why so many corporate and NGO compliance programs seek to measure or grade their suppliers' performance vis-à-vis compliance. In theory at least, well-performing factories will be rewarded with increased and/or long-term orders (see the Designated Suppliers Program proposal by United Students Against Sweatshops/ Workers' Rights Consortium) while poorly performing plants will suffer the consequences for poor compliance through either a reduction of their orders or even the termination of their business relationship with the global buyers. In sum, the traditional compliance model is based on a self-reinforcing cycle in which high-quality information generated by independent and transparent audits is used by both consumer groups and NGOs to pressure global brands to adopt codes of conducts and by these same all-powerful brands to either reward or punish suppliers for their performance (compliance) with these codes. Figure 1 depicts the causal linkages assumed in this model.

Assessed separately (and even in combination), these assumptions might seem reasonable. But when considered more carefully, one sees that they rest on theoretically misguided and empirically weak underpinnings. For example, notwithstanding the commonly held image that large, powerful global brands are riding roughshod over their smaller suppliers based in developing countries, power relations within global supply chains are far from asymmetrical. In fact, closer examination of the various levels at which power is assumed to work in the traditional compliance model reveals much more complex and subtle power relations among the various parties, that is, between global corporations and their suppliers, between compliance officers and the managers of the factories they inspect, and between compliance and other business (purchasing, sourcing, product) managers within the same global corporations.

In industries such as footwear and electronics, for example, Asian-based suppliers have grown tremendously both in size and sophistication and thus wield a tremendous amount of influence over the global brands they serve.[20] These suppliers have developed core competencies in both manufacturing and product

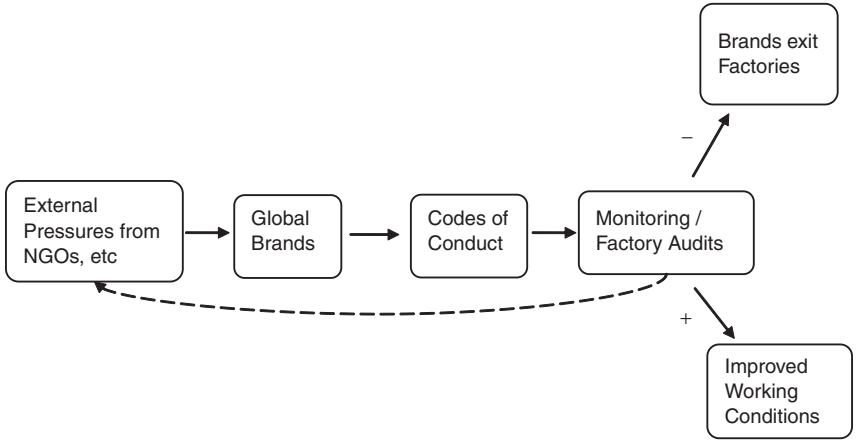

Figure 1. Traditional model of code of conduct or compliance.

design and development and thus have developed over time a more collaborative partnership with global buyers. In other sectors (e.g., apparel), we see the opposite phenomenon. For most apparel suppliers, individual global brands constitute but a small fraction of their total business (and thus of dedicated factory capacity), and even this is usually for only part of the year, for a season or two, and with no guarantee that orders will be repeated in the future. In this context, it is not at all clear that global buyers have the ability or leverage (let alone credibility) to pressure these suppliers to raise wages, reduce working hours, or even invest in costly improvements to their production systems to improve working conditions. It is an open secret that very few brands ever exit factories, even when they are found not to be in compliance with the codes of conduct. It is also well understood that most compliance officers have less influence than their purchasing or sourcing colleagues when deciding whether or not to place (or continue) an order with a noncompliant factory. Moreover, when brands do leave a factory, they lose any leverage they once had if the factory finds other, less-demanding clients. If the factory does go out of business, this penalizes both the workers and the management, and as a result many labor rights groups are now pressuring brands to stay with factories and work to remediate problems rather than exiting. All of this challenges the received wisdom that global brands, if only willing, are able to "force" their suppliers to comply with their codes of conduct.

Even if power relations were as straightforward as the traditional compliance model assumes, it would be not at all clear that global brands and their suppliers would really know what to do to improve working conditions since the root causes of many of these problems are not often identifiable through the standard

audit process. The fundamental limitations of audits, in a variety of settings, have already been documented.[21] In most workplaces, compliance would require constant vigilance by monitors trained in a variety of fields (e.g., health and safety, human rights, operations management, labor relations, etc.). The costs (in terms of people, resources, time) of such a system are much too high for most global buyers, let alone their suppliers. But even if such a system could be installed, it is not clear that it would ever fully work. Writing about occupational health and safety regulations in the 1970s, Steven Kelman describes a remarkably familiar scenario:

> A number of regulations involve conditions that are frequently changing. Slippery or cluttered floors may be clean today but messy tomorrow. A rope used as a hoist may have been sound when inspected last week but developed a defect this week. . . . These are some of the things that can go wrong when an employer is willing to comply with regulations voluntarily. How much more difficult, then, is achieving compliance where an employer would be unwilling to comply with some enforcement effort.[22]

In other words, even if one could afford to design and implement a rigorous monitoring system, it is not at all clear that a factory audit would be the most appropriate method of collecting—let alone communicating—up-to-date information about factory conditions.[23] This is especially true of many suppliers whose own operations are often affected by unreliable power grids, late arrivals of key inputs and materials, and even delayed (and changed) orders from their buyers. All of these extrafactory variables can affect working hours and working conditions within the factories, but none of them would appear in a traditional factory audit, no matter how rigorous it is designed or implemented.

Finally, there now exists an extensive body of literature on regulatory effectiveness (or lack thereof) in an array of arenas that indicates that companies comply with laws, regulations, and standards not simply because these "amoral calculators" have been "deterred" by the threat of sanctioning but instead because many of them have been assisted and/or educated to comply with regulations and standards by high-performing compliance officers and auditors. For example, in their study of regulatory effectiveness in diverse workplaces (e.g., nursing homes, chemical plants, manufacturing establishments, etc.), Bardach and Kagan convincingly argue that more aggressive, rule-based, legalistic enforcement practices sometimes discourage rather than encourage responsible behavior among corporations.[24] Although the deterrence approach led to greater enforcement of rules and regulations in some settings, in many others it generated unintended consequences and unnecessary costs that resulted in less compliance overall.

> The beneficial effects of legalistic regulation, however, should not blind us to the fact that the unreasonableness and unresponsiveness associated with those regulations can keep the full potential of regulations from ever being realized. From the sum of contributions to regulatory effectiveness brought about by threat we must subtract the unnecessary

costs and lost opportunities for progress that can result from legalistic narrow mindedness, from its tendency to destroy cooperation, and from its stimulation of legal and political resistance.[25]

This literature documents how the deterrence approach to compliance has rendered the factory inspection or audit process overly bureaucratic. Auditors arrive with lengthy, detailed checklists aimed at exposing record-keeping lapses and easy-to-detect code violations rather than discovering the sources or root causes of these various workplace problems. Managers, in turn, learn to be inspected by better preparing (sometimes doctoring) their records and do the absolute minimum to remain within compliance of the buyers' codes of conduct. Rather than dedicating the time and resources to redress serious problems, these factory managers engage in a ritual of compliance while growing cynical and resentful, sometimes outright resistant to the audit process as a whole.

Bardach and Kagan show that an alternative, more effective approach to regulatory compliance can and does, in fact, exist. Through numerous examples they show that when auditors possess the technical and personal (behavioral) skills to engage in joint problem solving, information sharing, and reciprocity with the factory managers, more effective enforcement of regulations and standards follows. As such, the "good inspector" behaves very much like the "good cop," tough but sensitive to particular situations, using his or her discretion to promote problem solving and rehabilitation rather than coercion and punishment.[26] Eungkyoon Lee's 2005 study of environmental regulatory compliance by small-scale, primarily Korean dry cleaners in California and Massachusetts makes a similar point.[27] Lee shows that California's more aggressive policing approach to the enforcement of percholoethylene emissions standards was less effective than the approach employed by the Massachusetts Environmental Protection Agency, which was based more on reciprocity, information sharing, and the establishment of trusting relationships between environmental regulators and small-scale entrepreneurs.[28]

In sum, more careful examination of the assumptions underlying the traditional compliance model reveals its serious theoretical and empirical limitations. Power relations among the key actors in the supply chains are far from unidirectional or unambiguous and thus render simple responses (e.g., comply or else) unrealistic. Given the complex and interdependent nature of relations among the different actors in the supply chain, it is not clear whose behavior (the brands, the purchasing agents, the auditors, the suppliers, etc.) should be induced to change. Likewise, the incentives underlying the traditional compliance model are far from clear and thus provoke mixed, often contradictory behaviors. Suppliers are asked to invest in improved labor and environmental conditions but are pressured to (and rewarded for) produce ever-cheaper goods at better quality with shorter lead times. Even when some suppliers do invest in new systems or

training programs aimed at improving labor and environmental standards, they are not always rewarded for these investments since price-sensitive and fashion-conscious buyers may shift next season's orders to less-expensive or more responsive suppliers elsewhere. Finally, the information on which this entire system rests is by its very nature incomplete, biased, and often inaccurate and thus cannot serve as the basis for well-informed and reasoned decisions and strategies aimed at remediating poor working conditions in the suppliers' factories. In short, regardless of how well financed, well staffed, committed, or even transparent these traditional compliance programs are, they will always suffer shortcomings because of the faulty assumptions underlying them and shaping their core practices. Again, we are not arguing that these compliance programs have never generated positive outcomes. Of course they have. But these improvements have often been limited in their scope and not always sustained.

To illustrate the limits of the traditional compliance model, we now examine the case of ABC, a pioneer in corporate codes of conduct and labor compliance programs. ABC is recognized by industry and multistakeholder initiatives alike for its leadership on workplace issues and its commitment to improved labor standards among its suppliers. But as we will see, even in this "most likely" case of successful compliance, ABC's programs faced serious limitations.[29]

THE TRADITIONAL COMPLIANCE MODEL IN PRACTICE: THE CASE OF ABC

ABC is a well-known, global apparel company that produces dress shirts, sportswear, outerwear, and other garments that are marketed under a variety of major brand names and private labels, ranging from low-cost goods to high-end fashion. In 2007, ABC's total revenue amounted to $2.4 billion, a 16 percent increase from the previous year.

The company began producing dress shirts as a small family firm in the late nineteenth century and gradually became a global leader by acquiring several well-known brands with their own product lines and retail operations. In response to increased low-cost foreign competition, ABC (like most of its competitors) initially shifted its manufacturing activities to lower cost countries in Latin America and Asia and eventually began outsourcing production to independent suppliers. In 2006, the company sourced its products from more than 233 different factories in more than thirty different countries in the Americas, Asia, Europe, and Africa.

Like other global corporations, ABC's moves to cut labor costs and offshore production generated financial benefits for the company but also exposed it to the risks associated with sourcing production from low-cost factories with poor working conditions. In the early 1990s, one of ABC's factories in Central America became the target of a major six-year international labor-organizing campaign that brought together U.S. and local labor, religious, and human rights

advocacy groups. These activists accused the company of paying wages that were below the poverty level and of repressing union organizing drives through intimidation, bribery, excessive disciplinary actions, and threats of violence. The scandal hit ABC hard because it cast doubt on the veracity of ABC's efforts to promote itself as a socially responsible company. Along with the Levi Strauss Company, ABC was one of the first global corporations (1991) to develop a voluntary code of conduct for its suppliers. ABC was also a founding member of the Apparel Industry Partnership—a multistakeholder organization that included NGOs, apparel brands, and unions formed under the Clinton administration to regulate labor conditions in offshore factories.[30.]

During the 1990s, ABC expanded its Human Rights Program, developed an elaborate monitoring system to uncover violations of its code, hired a senior vice president for human rights, and built up its human rights group. This group now includes twenty-one full-time and twenty-six part-time staff to monitor suppliers for compliance with the company's code of conduct and has helped ABC position itself among the most socially responsible companies in the industry. Official company policy states that no orders will be placed with supplier factories that have not passed the company's human rights (code of conduct) audit. As a member of the Fair Labor Association (FLA), ABC must submit to annual, external, independent audits of its suppliers to verify the robustness of ABC's monitoring, training, and auditing standards. The results of these external audits led to ABC's accreditation by the FLA, which stated that "the Board not only found them to be in compliance [with FLA requirements] but noted an exemplary display of leadership in the spirit of corporate responsibility"[31]. In short, all indications suggest that ABC takes its compliance program seriously, and other groups (e.g., the FLA) have held up ABC's compliance program as one of the best in the industry.[32]

Notwithstanding the significant public pressure on ABC to improve working conditions in its factories and the efforts and resources ABC has dedicated to promoting compliance with its code of conduct, over the course of this research project, in which we examined both ABC's factory audit reports and visited many suppliers located in China, India, Bangladesh, the Dominican Republic, and Honduras, we found significant compliance issues among many of ABC's suppliers. For example, we analyzed the results of ABC's own audit data for the 210 factories that ABC reported to the FLA and were actively producing for ABC in May 2006.[33] Out of these 210 factories, only 51 (24 percent) were in full compliance with the company's code of conduct. Another 53 percent of these suppliers were explicitly "not approved," while 22 percent of them were categorized as either "in progress" or "requiring follow-up," meaning that some combination of "terminal," "significant," and/or "minor flaws," as described by the company's auditing protocol, was found during the audit and thus the factory needed to be placed on hold, not allowed to produce for ABC, until these

Table 1
Compliance Status for ABC Active Suppliers as of May 2006

	United States and Canada (%)	Latin America and Caribbean (%)	Europe, Middle East, Africa (%)	South Asia (%)	East Asia (%)	Total (%)
Approved	100	74	50	14	12	24
Requires follow-up	0	22	0	27	7	14
In progress	0	4	50	3	9	8
Not approved	0	0	0	56	72	53
Total	100	100	100	100	100	100

issues were rectified. In East Asia, 72 percent of the factories actively supplying ABC were technically not approved to produce for the company. In South Asia, 56 percent of the active suppliers had not been approved by the human rights audit (see Table 1).

Violations of the code's health and safety, overtime and work hours, and freedom of association provisions were widespread not only in Asia but also across Latin America, Europe, and the Middle East. How do we explain this mismatch between company policy and the facts on the ground? ABC's decision to continue working with factories that are out of compliance stems in part from the belief that dropping factories would not necessarily improve labor conditions and that it may ultimately harm workers.[34] Yet still, how can a company such as ABC, which has clearly invested in developing a serious compliance program, face such problems (as indicated by its own factory audits)? After more than a year of interviewing company managers, visiting supplier factories, shadowing auditors, analyzing audit reports, and meeting with local and national NGO representatives, labor inspectors, trade unionists, and so on, we believe that these persistent labor problems are not because of a lack of will by ABC and its employees. In fact, during our field research we were very impressed by the sincerity, commitment, and hard work of ABC's human rights team. Instead, we argue that the persistent problems that are manifest among ABC's suppliers are the product of structural deficiencies inherent in the traditional compliance model.

POOR INFORMATION AND FLAWED INCENTIVES: WHY TRADITIONAL COMPLIANCE PROGRAMS DO NOT WORK

Across the different regions, our field research consistently observed the enormous difficulties auditors face as they seek to collect accurate, objective, and comprehensive information about working conditions and labor standards in the factories they inspect. These difficulties are the result not solely of the nature of the audit process itself, which is ill suited at observing, let alone measuring, various components of labor standards (i.e., unhindered expressions of freedoms and rights), but also of resource constraints and the inadequate training of the auditors themselves. These factors combine to make the information generated by the factory audits often inaccurate, biased, and incomplete.

The factory audit is modeled on the financial audit in that it is based on a long checklist of items to be "inspected" and "verified." That approach privileges documentary records such as pay stubs, birth certificates, and attendance records rather than careful and time-intensive examination of the factory work processes or interviews with workers.[35] ABC auditors typically spend one working day on a factory visit; more than half of this time is consumed by reviewing documents, while the physical inspection of the factory may take a few hours. The worker interviews may consume less than an hour. Thus, the audit is primarily based on factory records, which the auditors themselves claim to be unreliable and often inaccurate. With limited time, auditors cannot verify all factory records, making it very difficult to find noncompliance in factories that falsify records. For example, a senior auditor explained, "Mandatory overtime, a double set of payrolls: you might find it, you might not find it. Failure to pay the Christmas bonus is not possible to find if you don't find the double set of books, because if you only base it on the official set of payrolls, everything matches perfectly."

In all the regions visited during the course of the fieldwork, auditors cited lack of transparency and poor record keeping as a major problem in accurately collecting information about factory conditions. In China, auditors described the typical interaction with factory management as a "cat and mouse" game in which auditors uncover fabricated documents on wages and overtime hours and managers promise to come clean and produce real figures but instead only present a new set of fabricated books and develop yet another way to hide violations in follow-up audits. ABC's auditors have become highly skilled at catching such hidden violations by developing tricks such as examining the pattern of wrinkles on the identification cards of suspected underaged workers or asking them their Chinese zodiac signs rather than their ages or checking the "broken-needle record" for evidence of unauthorized overtime. While such tactics attest to the creativity and determination of the auditors, they also reveal how easily the auditors can become engrossed in this game, spending scarce time trying to trap management and workers in lies rather than uncovering the root causes of many labor compliance issues.

The lack of transparency and cooperation by factory management is exacerbated by the limited resources available to ABC's compliance team. Auditors are stretched very thin, and given the amount of time they dedicate to each factory audit, doing a thorough job is nearly impossible. Once approved, ABC audits factories every eighteen months. By performing either periodic audits or follow-up checks, the ABC compliance officers visit suppliers on average once a year (see Table 2). Given that audits typically last one working day, auditors cannot hope to exhaustively document every violation of the code of conduct. In China, the three auditors employed by ABC conducted 138 audits in 128 factories in one year, meaning that each auditor visited three to four factories per week. As the team leader must also review all audit reports and attend to

Table 2
Average Number of Audits per Factory in the Period 2003 to 2005

Region	Audits per Factory
United States and Canada	2.12
Latin America and Caribbean	1.95
Europe, Middle East, Africa	1.39
South Asia	2.08
East Asia	1.77
World	1.84

other administrative work, the brunt of the audits fell on two junior auditors who spent Monday through Thursday visiting factories dispersed throughout the country and Friday in the regional office writing up their reports. To cope with this lack of time, the auditors satisfice by moving quickly through a factory until they have uncovered a set number of violations. An auditor in Latin America acknowledged that he regularly misses code violations in the factories he inspects and could easily "find more problems with more time" but that after he discovers forty noncompliance items during his visit, he calls it a day and moves on to the next factory. A review of hundreds of ABC's audit reports revealed that they were filled out neither completely nor consistently across all regions and among all auditors. Whole sections were left blank, violations were not documented, and corrective action plans varied tremendously. Clearly, the auditors largely decide for themselves what items should receive most of their scarce attention. Time constraints are compounded by the fact that in some regions, such as Latin America, auditors dedicate only part of their time to the compliance process, employing the rest of their time working as production, logistics, and quality assurance managers. Interestingly enough, previous research on other, better financed and staffed compliance programs also observed this same "satisficing" behavior and inability to comprehensively assess all aspects of the company's code of conduct.[36] Of course, ABC's auditors would be able to do a better job inspecting the factories if they possessed greater resources and staff. But we are trying to illustrate the very real constraints that hard-working, well-intentioned auditors face as they try to work within the traditional compliance model and how difficult it is to collect accurate, complete, and timely information through this process.

The academic and professional background of most compliance officers further distorts their ability to collect accurate and comprehensive information through the audit process. Most of the auditors we interviewed were hired for their training and experience in either operations or human resources management.[37] As a result, they are more likely to notice and report on blocked aisles, uncharged fire extinguishers, and irregular personnel records rather than worker or union harassment, illegal firings, or failure to pay severance. The pattern of

noncompliance items discovered through the audit process at the factories we visited bears out this set of biases: Health and safety and wages and overtime violations were uncovered much more commonly than violations related to freedom of association, worker–management relations, or illegal or improper dismissals. By far, the most common violations involved blocked aisles, uncharged fire extinguishers, an insufficient number of functioning toilets or bathroom facilities, and obstructed emergency exits. In contrast, when asked about freedom of association, one auditor in India replied, "It has not been a focal area so far. We talk to workers and talk to management, and they both say that 'we have no union.'" When we subsequently asked *why* the factory did not have a union, this same auditor reported that management simply claimed that the workers did not want a union and the workers chose not to answer the question by remaining silent ("going blank"). Our field research uncovered a variety of noncompliance issues in Latin America from union leaders who had never spoken to ABC auditors. In one case, ABC was not even aware of a union in one of its supplier factories, and the union leaders were not aware that ABC's compliance staff visited the factory on a regular basis. When freedom of association violations were brought to the attention to ABC auditors, the auditors did take action to address them. However, the barriers to finding these violations on their own are extremely high, and this explains why auditors regularly miss these infractions during their audits. A review of several hundred audit reports from the different regions over the last several years revealed that this bias was not unique to our factory case studies but was far more generalized. All of this indicates that notwithstanding the hard work, dedication, and even creativity of ABC's auditors, the audits themselves are producing, at best, incomplete and biased information about existing working conditions and labor rights in their supplier factories. These biases are not unique to ABC but are mirrored in other recent studies investigating the implementation of codes of conduct.[38]

FLAWED INCENTIVES

Yet even if all of ABC's auditors were trained in a variety of different disciplines (e.g., human resources management, operations management, health and safety, human rights, etc.), and even if all the audits conducted by ABC's compliance staff were accurate and comprehensive, it is not at all clear that this information would succeed in changing factory workplace conditions. Consider how audit information is translated into purchasing decisions. Fieldwork in India revealed that orders are often in the pipeline well before audits have been scheduled. In addition, ABC managers from other regions, who lack knowledge of the underlying social context and root causes of labor problems, play a significant role in assigning flaws to factories and designating them in or out of compliance. More important, as we reported earlier, ABC continues to place orders in many

factories that have not passed its code of conduct audit and thus been approved by the human rights staff. This reality does little to create the right incentives needed to shift the calculus of compliance by raising the cost of code violation above the cost of compliance and motivating steady improvements in factory conditions. Across the globe, ABC maintains business relationships with factories that have never passed its audits. In Bangladesh, out of a total of fifty active suppliers working with ABC at the time of this research, not one single factory had been approved by the compliance team. In India, one outside contractor hired to perform audits for ABC and several other major brands asserted that "auditing is a farce." While sourcing departments continue to squeeze factories on price, compress lead times, and demand high-quality standards, compliance officers visit the factories and document the problems but do little to change the root causes underlying poor working conditions. Another auditor reported that "if [the sourcing department] has already sold the sample before I set foot in the factory, I know that we will give them business no matter what."

Conversely, "good" factories are seldom rewarded by a sourcing strategy that is designed to seek out the cheapest sources of production rather than factories with the best working conditions. An executive at ABC's headquarters made clear to us that in her division, pulling out of a factory or an entire region can be a matter of 20 cents per garment because the average price amounts to only $6.75.[39] To the great dismay of one of ABC's compliance officers, the company dropped a Honduran factory that had worked very hard to come into compliance with the code of conduct, citing business-related reasons. Auditors in several other regions echoed this concern, explaining that the worst thing that ABC can do is to pull out of a factory once it comes into compliance, as this undercuts the company's ability to encourage compliance in its factories. Yet given the volatility of this fashion-conscious but price-sensitive industry, there appear to be few (positive or negative) incentives driving factories to comply with ABC's code of conduct, let alone improve working conditions.

In sum, although the traditional compliance model assumes that working conditions in supplier factories can improve through a combination of audits and threats, our field research at ABC and its suppliers illustrates the empirical weaknesses of these assumptions. In the traditional model, accurate information collected through independent monitors informs global brands where to place their orders and how best to reward (or punish) their suppliers for their compliance with the code of conduct. In reality, the information collected through the audits is biased, incomplete, and thus often inaccurate. Even where audit information is accurate, the process of translating that information into measures of factory performance (e.g., assigning "flaws") that feed into decision making is open to error as well. On the incentives side, the threat of sanctions in the form of reduced orders for noncompliant suppliers is rarely enforced, nor are factories that systematically improve their working conditions always rewarded (again, in

the form of increased orders) for their efforts. Even where this threat is enforced, it has the potential to create perverse outcomes by punishing workers along with management and removing any continuing incentive for factories to improve working conditions. These problems are not unique to ABC but are common among an array of other global companies, all seeking to redress poor working conditions among their suppliers through the traditional compliance model.[40]

BEYOND THE TRADITIONAL COMPLIANCE MODEL: VIGNETTES OF CHANGE THROUGH COMMITMENT

If the traditional compliance model is so deeply flawed, then we should not expect to find any meaningful improvements in working conditions or labor standards among supplier factories. Yet our fieldwork did uncover significant changes taking place at some of the factories we visited throughout the world. At these better performing factories, an alternative, more commitment-oriented approach to improving labor standards appeared to be at work. Information, incentives, and power relations were still very much present at these factories. But they were utilized in somewhat different ways. Rather than simply employing factory audits and the threat of sanctions (in the form of reduced or terminated orders) to drive behavioral change, the commitment approach used information gathering (as imperfect as it is) and the tracking of workplace conditions over time to engage factory managers and owners in an ongoing conversation over how best to tackle workplace problems in a cost-effective but sustainable manner. The frequent presence of auditors in these factories—and the fact that they had been visiting these same factories for several years—meant that these auditors had developed a different kind of relationship with the factory managers. Rather than act as "inspectors" whose job focused primarily on uncovering code of conduct violations and scolding management for these infractions, these specific auditors appear to be more inclined to engage in joint problem solving, information sharing, and the diffusion of best practices that were in the mutual self-interest of the suppliers, the auditors, and the global corporations for which they work. As such, the incentives of the various actors appeared to be better aligned. Factory managers gained valuable advice, and sometimes even technical assistance, that allowed them to improve their operations and hence their competitiveness. At the same time, these improvements in management systems were often accompanied by (and, at times, rested on) improvements in working conditions, thus benefiting the workers as well. Finally, by embracing the role of consultant, advisor, and even teacher and layering this on top of their traditional role as compliance officer, the auditors were able to enrich their own jobs and gain legitimacy in the eyes of both the firms they audited (by giving them valuable advice) as well as ABC's headquarters since their work was clearly leading to sustained improvements in working

conditions and labor standards at these particular factories. The threat of sanctions (power) was still present in these settings, but it served less to force the suppliers to comply with ABC's codes of conduct and more as a background condition or fallback mechanism, aimed at fostering the joint problem-solving initiatives under way at these factories.[41] If anything, through these various activities, auditors and factory managers alike came to recognize their mutual dependence and thus their continued need to cooperate and communicate more openly with one another.[42]

To illustrate this more commitment-oriented approach, we now describe examples of information sharing and joint problem solving between factory managers and ABC auditors and how this led to the resolution of critical labor problems at suppliers operating in very different countries and regions throughout the world.

Improving Competitiveness and Compliance at Sula Shirts

One factory that we studied in Honduras, Sula Shirts, illustrates how competitiveness and labor conditions can improve in tandem and how ABC's engagement was essential to this transformation.[43] Sula, located near the Port of Cortez, employs more than 1,400 workers who cut and assemble dress shirts for ABC (which accounts for 90 percent of its production) and other major brands. The Honduran owners of this factory began producing clothing in the 1920s, originally for the local market and for the banana companies that had large operations at that time. As the company grew, it began exporting to the United States. By the 1970s, Sula began working with ABC through a licensing agreement to produce ABC brands for the local market. In 1989, Sula started to assemble ABC-branded shirts for export to North America. By 2001, Sula had switched from assembling precut materials to full package production. With full package, Sula receives design specifications from ABC and is responsible for purchasing the material inputs, cutting the fabric, assembling the garments, and packaging the garments so they are ready (down to the price tag) to be sold in North American retail stores.

Changes in the global market and the recession in late 2001 provoked a general exit by global brands from Central America toward Asia in search of lower production costs. Over the past several years, hundreds of Central American factories have closed down. This trend was accelerated in 2005, with the end of the Multi-Fiber Arrangement (MFA), that had regulated global garment trade through quotas and thus created a place for Central American producers in the global textile–apparel industry. Following the demise of the MFA, the only way many Central American producers believed they could compete with producers from South and East Asia was by cutting wages, sweating workers, and succumbing to a classic "race to the bottom."

Notwithstanding its long relationship with Sula, ABC made it clear that the factory was no longer competitive with its East Asian rivals and that if the factory did not alter its strategy, ABC would cease to source from Sula. It is interesting that ABC helped Sula develop a new, more viable strategy based on rapid replenishment: quickly producing small batches of goods in response to changing market demands. With "quick turnaround," Sula could take advantage of its proximity to North American markets, making speed and responsiveness the crux of its competitive strategy, and ABC could count on rapid replenishment of styles that had proven popular in the marketplace, which could not be sourced from their lower cost suppliers in East Asia.[44]

ABC invested a tremendous amount of time and resources to help Sula make this transition. For example, ABC sent several full-time staff with experience in running quick turnaround operations to the Sula factory to help factory management through test runs of quick turnaround orders, minimize time-consuming errors, and maintain high levels of quality. In addition, ABC took Sula staff to other production facilities, including what was its last remaining shirt factory in the United States, to observe replenishment in action and learn through experience.

ABC and Sula came to a new agreement on financing the fabric used for rapid replenishment orders: ABC would continue to own the fabric that was stored at Sula's warehouses until the fabric was pulled off the shelf, thereby signaling Sula's "purchase" of this input. This shift in financial burdens allowed Sula to stock a variety of fabrics necessary to quickly react to changing demands. By freeing the capital that a factory would normally need to invest in its fabric inventory for quick turnaround, ABC mitigated the tremendous risks faced by Sula in this transition. Describing an earlier switch from assembly to full-package production, the factory's general manager said that mismanagement of fabric inventory could bankrupt a factory in two months. Inventoried fabric at Sula is worth in excess of $1 million.

Moving to rapid replenishment, while providing a new basis for competitiveness, was not a panacea for compliance. Indeed, quick turnaround potentially puts pressure on labor standards, especially overtime.[45] Under normal production, Sula receives orders from ABC two and a half months before the date that the shirts have to be exported. For the 10 percent of their production that is dedicated to rapid replenishment, Sula has only one week to ship the finished product after receiving the order. Common delays in production (e.g., late inputs, inaccuracies in order specifications, poor quality, etc.) can only be made up by overtime, particularly in the finishing and packing departments, which execute the last step in the production process before shipment. Moreover, the rapid changes in style demanded by a replenishment strategy provoke a large drop in efficiency because of time-consuming adjustments to machinery and loss of efficiency from workers.[46] Initially, the lines dedicated to quick turnaround

experienced 20 percent drops in efficiency because of the constant switching of styles, exacerbating pressures for long overtime hours to complete orders.

Soon after Sula began its rapid replenishment operations, the factory began to encounter problems complying with ABC's code of conduct. In a routine audit, ABC auditors found that a portion of the workers had exceeded the maximum and that employees were not given one day of rest per week. These audits focused attention on the issue of overtime, forcing Sula to make correcting this violation a priority as to not strain its long-term relationship with ABC by being out of compliance. At first, Sula tried to rectify this problem by adding an additional night shift from 6:30 p.m. to 4:00 a.m. The auditors from ABC returned and verified that with this new system in place excessive working hours were reduced. However, this new strategy to reduce overtime did not last long because paying night wages significantly increased costs. At this point, having encountered increased costs in their effort to comply with the code, Sula could have gone back to the more profitable work organization and excessive working time. However, ABC continued to pressure Sula to comply and monitored working time at the factory. Crucially, ABC combined elements of the traditional model (monitoring and the threat of sanctions) with technical assistance to find a solution that identified ways of achieving both compliance and economic viability. As a result, and with the assistance of ABC, Sula introduced a more flexible shift structure and improved the efficiency of the operations dedicated to rapid replenishment. Sula relocated machines so that replenishment production took place in one area of the factory. The factory placed red tags on the replenishment bundles so that workers knew they were a priority, assigned quick turnaround status to a select group of workers who were skilled at making rapid adjustments, and solicited those workers' input about how to streamline the process. Workers' suggestions included sorting the replenishment orders by style, color, and size so that switching between styles would require less and smaller machine adjustments. Although old procedures made it inefficient to run a style for less than a day, consolidating and sorting by style, color, and size allowed workers to streamline thread changes and machine calibration, thus minimizing lost time. These changes reduced the initial 20 percent drop in efficiency for quick turn production to a 4 percent drop, making it economically viable. The changes were possible because of the consistent pressure on Sula to comply, the technical assistance from ABC, which gave Sula the means to comply, and the commitment by ABC to keep sourcing from Sula as it made the costly transition. Months later when we visited the factory, there were no signs of excess overtime, and Sula was fulfilling the quick turnaround orders it saw as its one path to remain competitive.[47]

Tackling Excess over Time: The Case of Ambar Designs

Ambar Designs was established eight years ago in the fast-growing city of Bangalore. It is one of thirteen factories owned by a major garment export house in South India. The factory employs more than one thousand workers who cut, sew, finish, and pack woven tops and bottoms for several leading brands. ABC has been sourcing woven tops and bottoms at Ambar for nearly six years, though at the time of our fieldwork ABC orders accounted for just 10 percent of production in the factory. Excess overtime had always been a major problem at Ambar. Workers routinely clocked well beyond the state-mandated sixty hours per week. Many worked more than seven consecutive days without any holiday, in violation of Indian labor law. Over the past few years, the factory had reduced overtime significantly. That ABC was able to facilitate positive changes at Ambar, notwithstanding its small share of production, reveals how auditors can help improve labor conditions in India, not merely through incentives and information but by building relationships with company managers and facilitating cross-divisional collaboration.

To better situate the case of Ambar, we must first take stock of the institutional and cultural context underlying India's integration into the global apparel market.[48] Since independence, the Indian state has used a range of regulatory mechanisms and policies that encourage small-scale production in the apparel sector. Only recently have firms shifted to mass production for export markets, which brings a new set of organizational challenges, from sourcing fabric to maintaining productivity. Perhaps the greatest challenge is learning how to manage a newly formed industrial workforce. Worker absenteeism and turnover tend to be high. The majority of workers, particularly in South India, are young women who commute to urban apparel clusters from city outskirts and rural villages nearby. Having a predominantly female, rural workforce carries its own set of labor-related issues. Stricter regulations are placed on the hours that women can work. Factories are required to provide crèches for workers' children, and, given widespread undernourishment and high rates of anemia, subsidized food and health facilities are also necessary.

Such are the conditions faced by Ambar Designs. Audit documents revealed that 80 percent (twenty-four out of thirty) of active factories producing for ABC in South India during 2005–06, faced significant problems of excess overtime. Ambar was once among them. Interviews conducted during our field research revealed that seventy-five-hour workweeks were common at the factory. There are multiple reasons behind excess overtime. The one most commonly cited is production delays because of problems in the supply chain, such as the late arrival of raw materials, problems with the color and quality of fabrics, and other inputs. These delays can have a cascading effect, as factory managers often compensate for them by having machine operators work longer hours

and/or reducing their weekend breaks. The crunch to get orders out on time is exacerbated by the fact that customers increasingly demand shorter lead times and higher quality products. A high rate of absenteeism and turnover of workers is a second reason for excess overtime. Typically, 4 to 5 percent of workers at Ambar (mostly sewing machine operators) are absent on a given day, and the factory experiences between 5 and 8 percent monthly turnover of its workforce. Rather than directly address these problems or plan around them, factory managers have workers take up the extra work, many of whom welcome the opportunity to earn additional income.

An ABC auditor identified the problem of excess overtime at Ambar after several audits and worked with the corporate human resources manager to develop a plan to address it. This manager was willing to work with the ABC auditor because, unlike other auditors, she believed the ABC auditor was far more sensitized to the local conditions of the factory. In her experience, the compliance programs of most brands lead to "firefighting" in preparation for their visits. In contrast, she found the ABC compliance program to be "far more sensitive to the economic and social conditions in which the factory is working."

To tackle the persistence of excess overtime at Ambar, the ABC auditor worked with Ambar's management to uncover the root causes of this persistent problem. A combination of poor supply chain planning and a lack of coordination among factory management (operations), supply chain managers, and human resources planning led to a consistent lack of workforce capacity to handle volatile fluctuations in orders. Through a series of discussions and the sharing of best practices from other factories in the industry, the ABC auditor was able to help Ambar better coordinate among its functional areas, smooth out its production processes, and thus eliminate the need for excess overtime at the factory.

Health and Safety Improvements in the Dominican Republic

Heat is a constant problem in factories in the Dominican Republic, especially in factories that have large areas dedicated to ironing and laundering garments. One ABC auditor showed factory managers how to install ventilation systems to reduce heat in a factory. Although the factory already had some fans in place, managers were able to add to their existing ventilation system by opening up additional holes in the roof of the factory above the ironing area. Four months later, when we visited the factory, new fans and vents had been installed, and the temperature had been reduced. This same auditor instructed the management of another factory on how best to install new water fountains, change the angle of the ramp on an emergency exit, install a new ventilation system, and better identify shop floor workers responsible for first aid. None of these changes were expensive. It was simply that the factory's management did not know how to create a safer and healthier work environment.

Low-cost solutions are one way to move factories toward compliance, especially given the lack of immediate sanctions. For example, workers often use noxious chemicals to remove unwanted stains on garments. Chemical exposure is often a serious problem in factories that cannot afford modern ventilation systems. Because of the high costs of purchasing and installing these modern ventilation systems, many factories in the Dominican Republic have resisted correcting this very real health and safety hazard in their plants. ABC's auditors searched for a solution that would not incur high costs. The solution they found was to move the chemical-intensive processes to the edge of the factory, which is open to the outside, and to install a series of powerful fans to push the fumes outward. This generated a much cheaper solution than what the auditors, had they stuck to their traditional roles as "compliance officers," would have insisted on, but one that was actually implemented and not resisted by factory management

ABC's auditors in the Dominican Republic spend a lot of time visiting many different factories and, as such, often act as agents of change, diffusing innovative ideas from factory to factory. For example, an endemic problem in many factories is the lack of protective guards on the sewing machines, guards that prevent workers from being injured by needles. This is an especially serious problem because in many factories highly pressured workers remove the guards to work faster. Inevitably, however, without needle guards there are numerous injuries. The auditors say they can tell if there are no needle guards simply by checking the infirmary records in a factory because of the sheer volume of needle punches. Managers often resist requests from the auditors to install needle guards because they say that workers will just continue to take them off, and constantly replacing them is costly. One ABC auditor discovered a solution to this problem. While visiting one factory, she noticed that the needle guards were welded on to the sewing machines, thus making them difficult to remove. Using her presence and relationships at many local factories, she quickly diffused this practice among them. Instead of threatening the factories with sanctions unless they repaired the problems, she instructed the managers on how to find solutions. She took pictures of the welded needle guard and showed them to all factory managers she met.

Common to all these vignettes is a set of behaviors by the auditors that extends beyond their traditional roles. In addition to inspecting factories and documenting workplace problems, these same auditors also worked with the factories to develop innovative solutions to an array of workplace problems. In some instances, auditors enlisted ABC's operational managers to help instruct the factory on how best to implement rapid replenishment; in others, auditors promoted coordination among the suppliers' functional staff so that production schedules could be leveled out and excess overtime avoided. In still other cases, the auditors acted as agents of innovation, sharing and diffusing low-cost best practices for health and safety problems. In our discussions with ABC auditors throughout the globe, they told us how coaching, mentoring, and engaging in joint problem solving became a central part of their jobs.

After years of staying within the traditional compliance system, many of these auditors realized that even when they approved a factory, there was a good chance that the factory would backslide and the problems would return in subsequent audits. As one auditor noted, "Finding the problems is not a problem for me, the problem is making them comply and getting them to comply sustainably." In describing one particularly intractable factory, this auditor's assessment was that even "if I am able to get them to pass an audit, the next day they will be doing something [wrong]." While he can continually harass the factory about compliance, "babysitting is not equal to sustainability," and eventually there will be problems. To improve the sustainability of compliance, one ABC compliance manager said that they came to the conclusion that "if we can explain to [factory managers] why [they] have to do this stuff and the benefits, they are going to be more apt to sustain it and do it."

As a result, many of the auditors we interviewed began to see a large part of their job as helping to bring factories into compliance (auditors as consultants) rather than threatening factory managers who do not comply (auditors as police).[49] They see their role, in their own words, as teachers, psychologists, or salesmen, trying to convince factory managers that compliance is in their own interest and showing them how to comply. At times, they find ways to improve production and compliance and "kill two birds with one stone." For example, one manager from the ABC compliance team said that by creating "a voluntary program [for overtime] . . . you require the management to go through an exercise of evaluating their planning techniques." Forced overtime is reduced, and production is improved through better planning. Not all issues or factories are amendable to this commitment approach. Some factory managers simply do not "get it," and for some issues, such as freedom of association, these rights need to be enforced not one factory at a time but rather throughout the territory, and this entails a more active role by the state rather than by a small group of activist auditors. It bears emphasizing that a commitment approach to private governance (or any approach for that matter) cannot replace state regulation of labor conditions. Nor can it substitute for the countervailing power that strong labor unions provide. As our fieldwork demonstrates, the relations between global buyers and factory labor were not uniformly or even significantly transformed. Notwithstanding these limitations, the various behaviors associated with this commitment approach to labor standards appear to be becoming an important part of the auditors' practices in some of the factories we studied, leading to sustained improvements in working conditions and perhaps a new, complementary approach to the traditional compliance model.

CONCLUDING CONSIDERATIONS

Through the case of ABC and its suppliers, this article has sought to document the inherent limitations of the traditional compliance model and the promise of

Table 3
Comparison of the Compliance versus Commitment Approach

	Compliance	Commitment
Approach	Rules or standards focus, meeting standards	Uncovering, analyzing, and correcting root causes of current issues
Mechanisms	Policing, detailed audit protocols (checklists), inspections, documentation	Joint problem solving, information sharing, trust, reciprocity
Dynamics	"Us vs. them," functional division of labor, mixed signals	Mentoring, coaching, diffusion of best practices, integration of standards with operational excellence
Drivers of change	Repeated audits, pressures from above, (negative) incentives	Learning, capacity building, (positive) incentives, mutual respect

a more commitment-oriented approach to improving labor standards in global supply chains. (for a comparison of the compliance and commitment models, see Table 3). Although these two approaches are often portrayed as alternatives, we have argued that, in fact, they are complements and that elements of both approaches are necessary to improve working conditions at most factories.[50]

The existing literature on regulation demonstrates the relationship between traditional compliance and commitment approaches.[51] For example, the background condition of penalties is thought to help get the conversation going and create the conditions for the types of collaboration that we found. In our fieldwork, we found that even though ABC was not typically dropping factories that were out of compliance, factory management acknowledged an implicit threat of buyer exit, which may have helped generate a willingness to work with auditors in joint problem solving. Even as some of ABC's auditors work with suppliers to improve an array of problems, engage with them in a mutually beneficial process of production and workplace improvements, these apparently alternative interactions take place within the context of the traditional compliance model. In other words, ABC's auditors continue to collect information on workplace practices among their suppliers, and the threat of sanctions (reduced orders) is always in the background. Yet the needs to collect information and track developments, like the auditors' responsibility to prevent ABC from being targeted once again for sourcing from exploitative factories (hence, their real power to sanction), are not ends in and of themselves but rather vehicles and/or background conditions under which the compliance officers and the suppliers they inspect operate. Merely collecting incomplete and biased information or threatening sanctions will not drive improved working conditions, let alone labor rights, in a sustainable manner. Instead, when auditors focus on remediation as opposed to coercion and engage in joint problem solving, information sharing, and mentoring, a very different relationship develops between them and the factory managers with whom they interact. Under these circumstances, the "good inspector" really does resemble the "good cop", using authority and

discretion to act tough with factories that persistently and willfully violate labor codes but mentoring factory managers who are open to change.[52] In these latter cases, mutual respect, trust, and even reciprocity begin to develop as the auditors gain influence and standing at the factories by helping them resolve compliance problems and improve competitiveness. The suppliers, in turn, come to see these auditors as allies and not foes. They learn that improving working conditions and labor standards is in their own self-interest. Developing these relationships between auditors and factory managers requires a lot of time and frequent interactions between the factory managers and the company auditors. Real (even if small) improvements need to occur to overcome the mutual suspicion that exists between these two actors. But these developments can and do occur not just among ABC's suppliers but also in a variety of different settings.[53]

These findings raise several questions regarding a commitment model for improving labor standards in global supply chains. Perhaps most important, why do some companies and factories embrace a commitment approach while others do not? Although answering this and related questions is largely a matter for future research, some points can be gleaned from our fieldwork. There are many reasons why some buyers and factories may or may not adopt a commitment approach, and here we identify what appear to be some necessary (though perhaps not sufficient) conditions. First, a commitment approach is possible only if buyers work with factories for more than just a few months and if there is likely to be a strong connection between the desire between both buyers and suppliers to cultivate long-term business relationships and adopting a commitment approach. In our fieldwork, we found that ABC auditors actively sought to build relationships with factory management and collectively solve problems with them over time. For example, in India this was embodied in ABC's Critical Engagement and Impact Program, and, informally, it was also a strategy of the auditor. On the part of the factory, the commitment approach really seemed to work when factory management held a long-term vision of business regarding not only the supplier–buyer relationship but also the worker–factory relationship. This was most clearly evidenced in the investment to develop human resource programs that address worker needs. The better performing factories in India typically form parts of larger business groups, which tend to have better resources and greater exposure to global business practices.

At the same time, however, it is clear from our fieldwork that a long-term view of business is not enough, which brings us to a second necessary condition: having auditors who are trained and empowered to engage in commitment rather than just traditional compliance. Auditors stand at the front line of private initiatives to improve labor conditions in global supply chains, and in each of our factory case studies they played a critical role in applying the commitment approach. Drawing on the Indian example again, we found that factories that embraced a commitment approach with ABC did not always engage in the same

relationships with auditors from other firms. Factory management felt that ABC's auditors were more open to discussion and joint problem solving rather than the typical "firefighting" that others would do. Why was the ABC auditor more open to commitment? Part of it stemmed from having a more contextual understanding of the issues facing factory management and labor. In this case, the contextual understanding was amassed over a decade of prior experience doing economic development work in India, *not* from any formal training provided by ABC. ABC's compliance program did, however, encourage the auditor to cultivate relationships with factory management. Although we were unable to analyze how other companies implemented their compliance programs in these factories, interviews with factory management suggest that auditors are not always trained or empowered to think along the lines of commitment.

Showing that a commitment-oriented approach to improving labor conditions in global supply chains exists in some factories supplying ABC does not constitute proof of the extensiveness or even robustness of this alternative to the traditional compliance model. Nor do these findings indicate that a commitment-oriented approach is without limitations and should be privileged over state regulation and robust labor unions. In fact, our fieldwork supports the argument that even under the best conditions private, voluntary regulation is limited in guaranteeing citizenship rights and needs to be one of many initiatives aimed at improving labor conditions.[54] The design of our study was not focused on assessing the relative strengths of the commitment versus compliance, or private versus state, approaches to labor regulation but rather to investigate whether or not, and under what conditions, traditional compliance practices could lead to improved labor conditions. Thus, we honestly have little way of systematically estimating how extensive these commitment-oriented practices are within ABC's supply base or even among suppliers of other global brands, but the data gathered in our fieldwork suggest that they are most likely found only in a small minority of the total factory base. This question requires further research.

Given all the advantages we describe above, one would expect that the commitment-oriented approach would be broadly diffused among these suppliers since it appears to be the economically and socially rational thing to do. Yet as prior research on the limited diffusion of high-performance work systems in the developed economies shows, an array of reasons prevents the "natural" diffusion of workplace innovations, even after years of research documenting their rewards.[55] These reasons include the following: social influences and contagion, intracompany power relations, implicit and explicit assumptions about human and organizational behavior, and some very real difficulties of actually measuring benefits associated with these new work systems. If this is true for workplace innovations in the advanced economies, one can only imagine how much more difficult it must be to diffuse the commitment approach to improving labor standards in the developing

economies. If anything, this would seem to be an insurmountable problem. And yet, as we saw in the better performing factories we studied, these difficulties were overcome and traditional behaviors, assumptions, and practices were changed through a process of repeated interactions, joint problem solving, and even trust building among the key actors. Whether or not this process can be replicated elsewhere, among other ABC suppliers or even among suppliers in other global supply and value chains, is unclear. This too requires future research. Yet given that we believe that this approach, combined with strengthened state regulation and unions, may be our best hope for improving labor standards in today's global economy, it may all be well worth the effort.

NOTES

1. Joshua Cohen and Charles Sabel, "Extra Rempublicam Nulla Justitia?" *Philosophy & Public Affairs* 34, no. 2 (March 2006): 147–75.

2. Lucio Baccaro, "Civil Society, NGOs, and Decent Work Policies: Sorting Out the Issues," International Institute of Labour Studies, Discussion Paper No. 127, 2001; Kimberly Ann Elliott and Richard B. Freeman, *Can Standards Improve under Globalization?* (Washington, DC: Institute for International Economics, 2003).

3. For a good description of this movement, see Elliot J. Schrage, "Promoting International Worker Rights through Private Voluntary Initiatives: Public Relations or Public Policy?" University of Iowa Center for Human Rights, http://www.uiowa.edu/~uichr/publications/documents/gwri_report_000.pdf; and Ivanka Mamic, *Implementing Codes of Conduct: How Businesses Manage Social Performance in Global Supply Chains* (Geneva, Switzerland: International Labor Organization, 2004).

4. Although these other issues have, in fact, undermined many labor compliance programs as well.

5. For confidentiality reasons, we have changed the name of this company.

6. For an interesting historical review of corporate codes of conduct and their evolution over time, see Rhys Jenkins, "Corporate Codes of Conduct: Self-Regulation in a Global Economy," United Nations Research Institute for Social Development, http://www.eldis.org/static/DOC9199.htm. Another interesting historical parallel can be found in Gay W. Seidman, "Monitoring Multinationals: Lessons from the Anti-Apartheid Era," *Politics & Society* 31, no. 3 (2003): 381–406.

7. For a review of the displacement hypothesis, see Timothy Bartley, "Corporate Accountability and the Privatization of Labor Standards: Struggles over Codes of Conduct in the Apparel Industry," *Research in Political Sociology* 14 (2005): 211–44. The concern for displacement is often alluded to in much of the literature and more directly in Jill L. Esbenshade, *Monitoring Sweatshops: Workers, Consumers, and the Global Apparel Industry* (Philadelphia: Temple University Press, 2004); "Overview of Global Developments and Office Activities Concerning Codes of Conduct, Social Labelling and Other Private Sector Initiatives Addressing Labour Issues" (report GB.273/WP/SDL/1(Rev.1), 273rd Session of the Working Party on the Social Dimensions of the Liberalization of International Trade, International Labour Organization Governing Body, Geneva, Switzerland, November 1998), http://www.ilo.org/public/english/bureau/exrel/global/index-wpsdg.htm; Dwight W. Justice, "The Corporate Social Responsibility Concept and Phenomenon: Challenges and Opportunities for Trade Unionists" (paper, International Labor Organization Training Seminar, Kuala Lumpur, Malaysia, November

28–December 3, 2005), http://training.itcilo.org/actrav/courses/2005/A3-50909_web/resources/technical_files/3.2%20CSR_unions.PDF; and Henry J. Frundt, "The Impact of Private Codes and the Union Movement" (paper, Latin American Studies Association, Washington, DC, 2001).

8. For a critique of the auditing process, see Dara O'Rourke, "Smoke from a Hired Gun: A Critique of Nike's Labor and Environmental Auditing in Vietnam as Performed by Ernst & Young," Transnational Resource and Action Center, 1997, http://www.corpwatch.org/article.php?id=966.

9. For an overview of these debates, see Richard Locke, Fei Qin, and Alberto Brause, "Does Monitoring Improve Labor Standards? Lessons from Nike," *Industrial and Labor Relations Review* 61, no. 1 (2007): 3–31.

10. See Donald Schon and Martin Rein, *Frame Reflection: Toward the Resolution of Intractable Policy Controversies* (New York: Basic Books, 1994).

11. Locke et al., "Does Monitoring Improve Labor Standards?"; and Stephanie Barrientos and Sally Smith, "Report on the ETI Impact Assessment 2006," Institute of Development Studies, University of Sussex, 2006, http://www.ethicaltrade.org/Z/lib/2006/09/impact-report/index.shtml.

12. Gary Gereffi, John Humphrey, and Timothy Sturgeon, "The Governance of Global Value Chains," *Review of International Political Economy* 12, no. 1 (2005): 78–104.

13. Lizbeth Navas-Alemán and Luiza Bazan, "Local Implementation of Quality, Labour and Environmental Standards: Opportunities for Upgrading in the Footwear Industry" (SEED Working Paper 45, International Labour Organization, Geneva, Switzerland, 2003).

14. See, e.g., Margaret E. Keck and Kathryn Sikkink, *Activists beyond Borders: Advocacy Networks in International Politics* (Ithaca, NY: Cornell University Press, 1998); Gay Seidman, *Beyond the Boycott: Labor Rights, Human Rights, and Transnational Activism* (New York: Russell Sage, 2007).

15. Seidman, *Beyond the Boycott*, who quotes Ronen Shamir, "The De-radicalization of Corporate Social Responsibility," *Critical Sociology* 30, no. 3 (2004): 669–89.

16. Kimberly Ann Elliott and Richard B. Freeman, *White Hats or Don Quixotes? Human Rights Vigilantes in the Global Economy* (Cambridge, MA: National Bureau for Economic Research, 2001); and Elliott and Freeman, *Can Standards Improve*.

17. Charles Sabel, "Learning by Monitoring," in *The Handbook of Economic Sociology*, ed. Neil Smelser (Princeton, NJ: Princeton University Press, 1994), 137–65.

18. Archon Fung, Dara O'Rourke, and Charles Sabel, *Can We Put an End to Sweatshops? A New Democracy Forum on Raising Global Labor Standards* (Boston: Beacon, 2001).

19. Gary S. Becker, "Crime and Punishment: An Economic Approach," *Journal of Political Economy* 76, no. 2 (1968): 169–217.

20. Gereffi et al., "Governance of Global Value Chains."

21. Steven Kelman, *Regulating America, Regulating Sweden: A Comparative Study of Occupational Safety and Health Policy* (Cambridge, MA: MIT Press, 1981); Marilyn Strathern, *Audit Cultures* (London: Routledge, 2000); Michael Power, *The Audit Society: Rituals of Verification* (New York: Oxford University Press, 1997).

22. Kelman, *Regulating America, Regulating Sweden*, 178–79.

23. For a fascinating description of the limits of traditional monitoring systems, see T. A. Frank, "Confessions of a Sweatshop Inspector," *Washington Monthly* 40, no. 4 (April 2008): 34–37. For another fascinating account of the limits of monitoring approaches, even by well-financed, well-trained, committed auditors, see Gay W. Seidman, "Constructing a Culture of Compliance," in *Beyond the Boycott*, 102–31.

24. Eugene Bardach and Robert A. Kagan, *Going by the Book: The Problem of Regulatory Unreasonableness* (Philadelphia: Temple University Press, 1982).

25. Ibid., 93.

26. Robert Kagan and John Scholz, "The Criminology of the Corporation and Regulatory Enforcement Strategies," in *Enforcing Regulation*, ed. Keith Hawkins and John M. Thomas (Boston: Kluwer, 1984); James Q. Wilson, *Varieties of Police Behavior: The Management of Law and Order in Eight Communities* (Cambridge, MA: Harvard University Press, 1968).

27. Eungkyoon Lee, "Why Did They Comply while Others Did Not? Environmental Compliance of Small Firms and Implications for Regulation" (PhD diss., Massachusetts Institute of Technology, 2005).

28. In a more recent study of corporate compliance with environmental regulation, Neil Gunningham, Robert A. Kagan, and Dorothy Thorton, *Shades of Green: Business, Regulation and Environment* (Stanford, CA: Stanford University Press, 2003) show that those companies that operated "beyond compliance" with existing standards and regulations were not simply responding to external pressures by various stakeholders but rather embedded a set of managerial attitudes and styles that embraced environmental concerns. All of these examples illustrate the "commitment" approach we outline later in this article.

29. For more on different approaches to selecting case studies, see Harry Eckstein, "Case Study and Theory in Political Science," in *Regarding Politics: Essays on Political Theory, Stability, and Change*, ed. Harry Eckstein (Berkeley: University of California Press, 1991), 117–76.

30. Apparel Industry Partnership subsequently became the Fair Labor Association (FLA), which remains active.

31. Fair Labor Association, *2005 Annual Public Report*, (Washington, DC: Fair Labor Association, 2005): 178.

32. ABC is at the forefront of private firms engaged in trying to govern labor standards. Although absolute levels of compliance may appear low, ABC maintains relatively high levels of compliance when compared to other firms. Moreover, ABC's compliance program remains open to external monitoring and evaluation.

33. This list of factories was developed by crossing ABC's internal factory database with the list of factories that ABC submits to FLA to be included in FLA's external auditing program. We were unable to directly use ABC's complete internal database, which includes data on 1,311 factories, because many factories no longer producing for ABC were not correctly coded as inactive, thus distorting the analysis by including many factories that are in fact out of the compliance system. By using the FLA list, we were able to correct for this data problem in ABCs internal data and make a more conservative estimate of the factories that are indeed in ABCs compliance program. If anything, these data likely overstate the degree of compliance in ABC's factories because they do not include "licensee" factories that are not submitted to FLA. However, by making a conservative estimate of noncompliance, these data show that there is a large mismatch between ABC's policy and its own estimates of factory compliance.

34. Most global activists currently share this belief as well. For example, the Maquila Solidarity Network advocates for companies to stay with factories to work with them to improve labor conditions.

35. This monitoring process is common among leading multinationals, multistakeholder groups such as the FLA, and even the International Labor Organization's Better Factories Cambodia program. See International Labor Organization, "Monitoring Process Brochure," 2007, http://www.betterfactories.org/content/documents/1/Monitoring%20Process%20Brochure%20(en).pdf.

36. For how Nike's well-staffed and well-resourced compliance program also encounters similar challenges, see Locke et al., "Does Monitoring Improve Labor Standards?" For other examples that illustrate the real limits of the auditing process, see Frank, "Confessions of a Sweatshop Inspector"; and Seidman, *Beyond the Boycott*.

37. A few of the auditors we interviewed were neither industrial engineers nor human resources managers but rather were trained in foreign languages, and this, plus their commitment to human rights, seems to be their principle qualification. As a result of this mixed background, ABC, like other global brands, organizes a series of training workshops for its compliance staff to better prepare them for their jobs. But this training, as helpful as it is, cannot fully compensate for the other structural problems inherent in the traditional compliance model.

38. Barrientos and Smith, "Report on the ETI Impact Assessment 2006"; Ivanka Mamic, *Business and Code of Conduct Implementation* (Geneva, Switzerland: International Labour Organization, 2003); Philip Hunter and Michael Urminsky, "Social Auditing, Freedom of Association and the Right to Collective Bargaining," in *Labour Education*, *no. 130/1*, *Corporate Social Responsibility: Myth or Reality?* (Geneva, Switzerland: International Labor Organization, 2003), 47–53.

39. This price reflects the free on board, or FOB, price, which denotes the price of the good minus its shipping to market. Companies vary on who (manufacturer or buyer) is responsible for the cost of shipping.

40. Locke et al., "Does Monitoring Improve Labor Standards?"; Barrientos and Smith, "Report on the ETI Impact Assessment 2006."

41. For more on the differences and synergies between the forcing and fostering approaches to labor–management relations, see Richard E. Walton, Joel E. Cutcher-Gershenfeld, and Robert B. McKersie, *Strategic Negotiations: A Theory of Change in Labor-Management Relations* (Ithaca, NY: Cornell University Press, 2000).

42. For more on how situations of pervasive uncertainty can complicate power relations among otherwise unequal actors, hence leading them to cooperate and communicate more openly with one another, see Joshua Cohen and Joel Rogers, "Power and Reason," in *Deepening Democracy: Institutional Innovations in Empowered Participatory Governance*, ed. Archon Fung and Erik Olin Wright (London: Verso, 2003), 237–55.

43. This is a false name to protect the identity of the factory.

44. It takes two days to ship garments by sea from Honduras to the United States, whereas for China it takes between twelve and eighteen days and for India forty-five to sixty days. See Robert Devlin, Antoni Estevadeordal, and Andrés Rodríguez-Clare, eds., *The Emergence of China: Opportunities and Challenges for Latin America and the Caribbean* (Washington, DC: Inter-American Development Bank, David Rockefeller Center for Latin American Studies, Harvard University, Harvard University Press, 2006), 188.

45. See Verité, "Excessive Overtime in Chinese Supplier Factories: Causes, Impacts, and Recommendations for Action," http://www.verite.org/news/Excessiveovertime.

46. The complexity of dress shirt production, involving over seventy operations, rules out modular or lean production and lends the process toward a progressive bundle system, where shirts move through islands of thirty-year-old machines, originally created for use in factories in Alabama, which have been shipped by ABC to Sula's factory.

47. We confirmed the improved working conditions with local labor rights NGOs that support the workers at Sula Shirts, with government officials who field complaints, and through four days of interviews and observations in the factory.

48. This discussion heavily relies on Henrietta Lake, "Production and Principles: A Study of Work Organization in the South Indian Apparel Industry" (PhD diss., Tufts University, 2006).

49. See Kagan and Scholz, "Criminology of the Corporation."

50. See Bardach and Kagan, *Going by the Book*; and for an early formulation of these two models as they applied to U.S. workplaces, see Richard E. Walton, "From Control to Commitment in the Workplace," *Harvard Business Review* 63, no. 2 (March–April 1985): 77–84.

51. The tensions and symbiotic relationship between elements of the traditional compliance model and commitment approach are brought out most clearly in Keith Hawkins, *Law as a Last Resort: Prosecution Decision-making in a Regulatory Agency* (Oxford, UK: Oxford University Press, 2003); and Ian Ayres and John Braithwaite, *Responsive Regulation: Transcending the Deregulation Debate* (Oxford, UK: Oxford University Press, 1992).

52. Kagan and Scholz, "Criminology of the Corporation"; and Wilson, *Varieties of Police Behavior*.

53. For interesting examples of analogous processes, see David Weil, Carlos Mallo, and Amanda Pyles, "Regulating Labor Standards in the Garment Industry" (paper, Just Supply Chain Workshop, Massachusetts Institute of Technology, January 11, 2008); and Roberto Pires, "Promoting Sustainable Compliance: Styles of Labour Inspection and Compliance Outcomes in Brazil," *International Labour Review* 147, no. 2–3 (2008): 199–229.

54. For further discussion of the limitations of private initiatives with regard to citizenship rights, see Seidman, *Beyond the Boycott*.

55. See Jeffrey Pfeffer, "Human Resources from an Organizational Behavior Perspective: Some Paradoxes Explained," *Journal of Economic Perspectives* 21, no. 4 (Fall 2007): 115–34.

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