



Julia Grimm

# Private Governance as an Institutional Response to Wicked Problems

A Study of the German Partnership for Sustainable Textiles



Nomos

The Series „Nachhaltige Entwicklung“

Prof. Dr. Michael von Hauff  
Prof. Dr. Uwe Schneidewind  
Prof. Dr. Gerd Michelsen  
Prof. Dr. Georg Müller-Christ  
Prof. Dr. Klaus J. Zink  
Prof. Dr. Katharina Spraul

Volume 9

Julia Grimm

# **Private Governance as an Institutional Response to Wicked Problems**

**A Study of the German Partnership  
for Sustainable Textiles**



**Nomos**

The project was funded by the Karl Schlecht Foundation.

The PhD “Private Governance as an Institutional Response to Wicked Problems: A Study of the German Partnership for Sustainable Textiles” has been successfully defended and accepted at the Martin-Luther-University Halle-Wittenberg in February 2019.

**The Deutsche Nationalbibliothek** lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data are available on the Internet at <http://dnb.d-nb.de>

a.t.: Halle-Wittenberg, Univ., Diss., 2019

ISBN 978-3-8487-5949-1 (Print)  
978-3-7489-0079-5 (ePDF)

#### **British Library Cataloguing-in-Publication Data**

A catalogue record for this book is available from the British Library.

ISBN 978-3-8487-5949-1 (Print)  
978-3-7489-0079-5 (ePDF)

#### **Library of Congress Cataloging-in-Publication Data**

Grimm, Julia

Private Governance as an Institutional Response to Wicked Problems

A Study of the German Partnership for Sustainable Textiles

Julia Grimm

186 pp.

Includes bibliographic references and index.

ISBN 978-3-8487-5949-1 (Print)  
978-3-7489-0079-5 (ePDF)

1st Edition 2019

© Nomos Verlagsgesellschaft, Baden-Baden, Germany 2019. Printed and bound in Germany.

This work is subject to copyright. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or any information storage or retrieval system, without prior permission in writing from the publishers. Under § 54 of the German Copyright Law where copies are made for other than private use a fee is payable to “Verwertungsgesellschaft Wort”, Munich.

No responsibility for loss caused to any individual or organization acting on or refraining from action as a result of the material in this publication can be accepted by Nomos or the author.

*To my parents*

*Amanda and Christian Grimm*



## Foreword

The many instances of human rights violations in the textile industry are outrageous. But while there is broad consensus on the need to prevent such instances, there is less agreement on how exactly to achieve this aim. This book rests on the assumption that social standards in the textile industry are a *collective* problem that requires a *collective* solution. That is, securing basic human rights for workers requires the joint effort of firms, the state, and members of civil society. This book was written to further our understanding of the factors driving the emergence, stability and effectiveness of collective action initiatives.

The German Partnership for Sustainable Textiles is a fascinating example of such initiatives. The Partnership was founded to improve social and environmental standards in the textile industry, mostly in textile factories in emerging economies. It involves various stakeholders, including firms, state, and civil society organisations. The Partnership is an interesting endeavor as it unites members with partly converging, and partly diverging interests. Although all members share the common goal of improving the situation of millions of workers, opinions differ on how to best achieve this goal, and how responsibilities should be shared amongst the parties involved. Not surprisingly, the Partnership has had its ups and downs, including moments in which some observers predicted its failure. But as of 2019, it seems the initiative is strong and active, including major German textile brands, state ministries, and relevant organisations from civil society. The specific history of the Partnership makes it a formidable case for the author's research purpose: to explore the conditions under which collective action initiatives succeed—or fail.

Dr. Julia Grimm's analysis of the problem in general, and the Partnership in particular, is remarkable in several ways. She offers a thorough theoretical treatment of why collective action is an adequate response to human rights violations in the textile industry, and what it takes to get firms engaged throughout the entire process. Her analysis is innovative and integrative: In contrast to large parts of the prior literature, she refuses to opt for *either* an economic *or* a sociological perspective on the matter, but argues that it takes *both* theoretical perspectives to gain an understanding of initiatives such as the Partnership.

*Foreword*

The second major part of the book presents the result of the author's own empirical study. The goal of the study was to better understand the rationale for joining or leaving the Partnership, and the mechanisms through which the details of the Partnership were negotiated. To this aim, the author conducted dozens of interviews with the parties involved and worked her way through countless documents and archival records. The result is a fascinating reconstruction of a long-lasting process in which various actors with diverging interests soon came to the opinion that no agreement would ever be possible; and in which finally the very same actors managed to develop a shared conviction that an effective solution can be realised.

Through her thorough analysis, the author offers some rare insights into the inner mechanisms of a collective action initiative. With her interesting and innovative results, she contributes to our understanding of how such initiatives emerge and under what conditions they can be effective. It hence deserves the attention of anyone interested in the functioning of collective action initiatives. Eventually, this book nurtures the hope that some of our most urging ethical problems in business can be alleviated – if we learn how collective action initiatives need to be designed to ensure the commitment of the firms involved.

Philipp Schreck

*Halle, June 2019*



## Preface

Whether it be child slavery, gender-based sexual violence or the toxification of land, the business activities of globally active firms are time and again embroiled in or are the cause of the ‘wicked problems’ of our time. These social and ecological issues, which are highly complex and difficult to address, transcend national borders and occur both inside and outside of global supply chains. Given the transnational reach of these problems, legally binding rules intended to establish an industry-wide level playing field have proven to have a limited problem-solving capacity when imposed at national level; they can also endanger the competitiveness of internationally operating firms.

Therefore, the focus has shifted more and more to those embroiled in wicked problems: the firms whose business activities are associated with human rights abuses and environmental destruction. Firms are increasingly responding to the issues that their activities cause, not only in an attempt to bestow their organisational legitimacy, but also because of the actual power corporate actors have to tame wicked problems. While corporate sustainability practices on an individual level are often interpreted as a competitive disadvantage with regard to those who do not voluntarily engage, collective activities of private governance – such as multi-stakeholder initiatives – have become pivotal, given that the costs for cooperation can be shared within or across industries.

To address wicked problems and better understand how private governance institutions can be used as an effective response to it, I have studied the emergence of multi-stakeholder initiatives for collective action and the reasons why firms are willing to engage with it. To examine the ‘how’ and ‘why’ of the establishment and persistence of this phenomenon, I drew on the case of the German Partnership for Sustainable Textiles. Interestingly, the case reveals that the role of framing is crucial in the establishment of voluntary arrangements and shows that the conditions influencing participation can shift from incentive-based to norm-based over time.

These findings generate in-depth insight to add to existing contributions on the formation and functionality of private governance institutions. Furthermore, these findings can fertilise economics-based and – its partly opposing counterpart – sociology-based literature on institutions. This had been my ambition ever since starting my PhD and realising that different

*Preface*

research communities tend to talk about the same phenomena using a different vernacular and, as a consequence, miss out on the possibility to inform one another.

## Acknowledgements

An academic piece of work is never solely a single author's contribution, but always builds upon intellectual exchange with superiors and peers, collaboration with informants and support through one's social network. While crafting a doctoral thesis as a scholarship holder is a great luxury, allowing for intellectual freedom and the development of one's own research identity, it is at the same time an incredibly lonely journey, requiring an enormous amount of self-discipline and motivation.

This thesis would not exist without the support of many individuals along the way. In the following, I would like to acknowledge those that have made this journey possible.

First and foremost, I would like to express my deep gratitude to my PhD supervisors Philipp Schreck and Juliane Reinecke. Thank you for taking me on as a student; for showing me what rigorous and sharp academic craft looks like and for always having an open ear about the intellectual and personal challenges a PhD student faces along the way. But also: thank you for challenging me and being critical when it was needed; for providing structure but at the same time giving me full freedom to find my own position within the research community and for opening up two crucial research perspectives to me. I am beyond fortunate that I was able to work with you and I am looking forward to further collaboration in the future.

I also want to thank my 'bema-family' at the Martin-Luther-University Halle-Wittenberg for developmental comments on my project along the way and the possibility of sharing both the rough and the smooth (misery loves company!). To Tassilo Sobotta, Tobias Hübotter, Simon Piest, Linda Kannenberg, Rebecca Ruehle, Andani Thakhathi, Nils Kruse and Gonzalo Conti: spending bi-yearly DokSems and bi-weekly BrownBags with you in the Eastern German countryside has always been a great pleasure.

I am also indebted to my qualitative research network at the Martin-Luther-University Halle-Wittenberg, including Anne-Katrin Neyer and Julia Müller-Seeger, as well as Juliane Müller, Yvonne Haas and Sebastian Everding. Thank you for sharing your ideas and perspectives over many coffee breaks and 'Prof over lunch' sessions.

Next, I would like to express my gratitude to the Wittenberg Center for Global Ethics and the Karl Schlecht Foundation for founding this research project and providing a stimulating framework for it in the form of the in-

### *Acknowledgements*

terdisciplinary PhD programme ‘Ethics and Responsible Leadership in Business’. I would like to thank the chairing professors Philipp Schreck, Andreas Suckanek, Josef Wieland and Ingo Pies for providing me with important and alternative perspectives on my research project. I am also thankful to the programme coordinators Anja Staemmler and Lisa Schmalzried as well as my PhD fellows for the many interesting *jour fixe* sessions, seminars, treasure hunts and cocktail hours in Wittenberg. Also, thank you to Martin von Broock for putting me in touch with important informants and the entire team around Waldemar Hötte for joyful lunch breaks at the WCGE.

I would also like to thank Scott Pearsall for his patience, flexibility and great work in language-editing this dissertation project.

Spent making sense of my data and wrapping up my thesis, the last year of my PhD has surely been the hardest year. Therefore, I would like to thank my network in Switzerland, which has made this time so much more bearable. My gratitude goes to Andreas Georg Scherer and his team at the University of Zürich, who – in their bi-weekly research colloquium sessions – gave me much food for thought and important new insights for my project. I also would not want to miss the many lunch and sport sessions with Dorothee Winkler and Mischa Haberthür, which were crucial to balance out life as a PhD student.

Besides, I would like to thank the research group ‘Complex Materials’ from ETH Zürich, for countless fruitful interdisciplinary discussions over lunch, which were central to keep in mind to think out of the box.

Four special colleagues and friends have been real ‘game changers’ in these last years, without who this journey would have been so much more difficult and so much less fun. Rebecca Ruehle, thank you for not only being an incredible friend, but also for being the smart and sharp colleague that you are, from whom I have learned so much about the philosophical underpinnings of business ethics. My deep gratitude belongs also to Andani Thakhathi and Camilo Arciniegas Pradilla, who have not only been amazing friends and PhD allies, but who have literally taught me everything I know about qualitative research today. I am also thankful to Nora Lohmeyer, who – with an always open ear during dinners and evening walks through Berlin – has made life so much easier for me.

Also without my best friends, who cheered me up during low points and who were there to celebrate success and high points, all of this would have been so much more difficult: Anna Lena, Sarah, Vincent and Tini, Tanja, Natalia, thank you for being there along the way.

*Acknowledgements*

However, most importantly I would like to express my deep gratitude to my family, whose emotional support was crucial at every step of the way. Thank you Christian, Amanda, Marc, Anna and Damien for always being my biggest supporters. I am also thankful to my nephews Nikolas and Louis, who did not bother me a single time with questions on progress and submission deadlines.

The last person I would like to express my gratitude to is my partner Etienne, without whom this thesis would not exist today. Thank you for being there during the few emotional ups and the many emotional downs throughout this intense journey. I am forever grateful for your humour, patience, and everlasting positive attitude.

Julia Grimm

*Amsterdam, June 2019*



## Table of Contents

List of Figures	19
List of Tables	21
List of Abbreviations	23
1. Introduction: Facing Wicked Problems	25
1.1 Background and relevance: Human rights violations in global supply chains	25
1.2 Problem statement and research object: Second-order free-riding in the context of private governance institutions	27
1.3 Purpose statement and research questions: A study to better understand private governance institutions	28
2. Theoretical Underpinnings: An Institutional Approach to Private Governance	30
2.1 The importance of cooperation	32
2.2 Motives for cooperation	33
2.3 The importance of institutions	36
2.4 Implementation of institutions	42
2.5 The problems that institutions may entail	43
3. Literature: A Review of Conditions Influencing Institution Formation	47
3.1 Reviewing economics-based literature on institution formation	49
3.1.1 Conditions inherent in the environment of the firm	50
3.1.2 Conditions inherent in the environment of the institution	56
3.1.3 Intermediate conclusion: What economics-based literature reveals so far	59
3.2 Reviewing sociology-based literature on institution formation	62
3.2.1 Conditions inherent in the environment of the firm	64

*Table of Contents*

3.2.2	Conditions describing how firms relate to their environment	69
3.2.3	Intermediate conclusion: What sociology-based literature reveals so far	73
3.3	Insights from both literatures and research gap	76
3.3.1	Additional insights: Reviewing literature on the effectiveness of institutions	76
3.3.2	Open questions	79
4.	Methodology: Studying the German Partnership for Sustainable Textiles	86
4.1	Research design: An in-depth, longitudinal and single case study	87
4.2	Research setting	88
4.2.1	Case selection criteria	88
4.2.2	Industry context: The ready-made garment industry in Bangladesh	90
4.2.3	Institutional context: Responses to the Rana Plaza building collapse	91
4.2.4	Case description: The German Partnership for Sustainable Textiles	93
4.3	Data sources and collection	94
4.3.1	Data collection process	94
4.3.2	Primary data sources	95
4.3.3	Secondary data sources	99
4.3.4	Challenges and ethical considerations	100
4.4	Data analysis	102
5.	Findings: Evidence from the Field	107
5.1	Case history: The evolution of the German Partnership for Sustainable Textiles	107
5.1.1	Phase I (t0): From mid-2001 to early-2014	108
5.1.2	Phase II (t1): From early-2014 to late-2014	110
5.1.3	Phase III (t2): From late-2014 to mid-2015	113
5.1.4	Phase IV (t3): From mid-2015 to mid-2016	114
5.1.5	Phase V (t4): From mid-2016 to mid-2018	117



5.2 From defection to cooperation: Shifting frontiers of possibility	122
5.2.1 Initial field frame: Cooperation as an impossible endeavour	123
5.2.2 The social construction of a 'possibility' frame	124
5.2.3 Current field frame: Cooperation as a possible endeavour	128
5.3 Normativity and cognition over pragmatism and the role of time	129
5.3.1 Conditions connected to the pragmatic pillar of legitimacy	129
5.3.2 Conditions connected to the moral and cognitive pillars of legitimacy, the role of adjustment mechanisms and time	132
5.4 Fragility of frames and stabilising criteria	142
5.5 An extended process model	148
6. Discussion and Conclusion: From Competition to Cooperation	150
6.1 Summary and contributions: How the impossible became possible	152
6.2 Limitations and outlook: Avenues for future research	163
6.3 Practical implications: Lessons learned	165
References	167
Index	185



## List of Figures

Figure 2.1: Overview of institutional research streams	32
Figure 2.2: Overview of different institution types	38
Figure 2.3: Conceptual reconstruction of second-order free-riding from an economics perspective	45
Figure 3.1: Theoretical framework from the vantage point of economics	60
Figure 3.2: Theoretical framework from the vantage point of sociology	75
Figure 3.3: Theoretical framework on institution effectiveness	79
Figure 4.1: Overview of number of participants	94
Figure 4.2: Overview of data collection process	95
Figure 4.3: Five stages of data analysis with process lens	103
Figure 4.4: NVivo coding tree	105
Figure 5.1: Visual map of the Partnership's development process	120
Figure 5.2: Shift of frontiers through frames	123
Figure 5.3: Adjustment mechanisms leading to frames shifts	142
Figure 5.4: The composition of components to construct frames – Illustration 1	146
Figure 5.5: The composition of components to construct frames – Illustration 2	147
Figure 5.6: A process model of possibility	149



## List of Tables

Table 2.1: Overview of arguments of different institutional research streams	41
Table 2.2: Overview of theoretical underpinnings of cooperation and institutions	46
Table 3.1: Trade-off between antecedents and factors of success	61
Table 3.2: Framework for data distinction	83
Table 4.1: Overview of interview phases	98
Table 4.2: Overview of collected documents and archival records	100



## List of Abbreviations

ACT	Action Collaboration Transformation
AGT	Agreement on Sustainable Garments and Textile
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development)
BSCI	Business Social Compliance Initiative
CAQDAS	Computer-Aided Qualitative Data Analysis Software
CCC	Clean Clothes Campaign
CCC-D	Clean Clothes Campaign Deutschland (Germany)
CMiA	Cotton Made in Africa
CSR	Corporate Social Responsibility
CSU	Christlich-Soziale Union (Christian Social Union)
EU	European Union
FLA	Fair Labour Association
FSC	Forest Stewardship Council
FWF	Fair Wear Foundation
G7	Group of Seven
G8	Group of Eight
GFA	Global Framework Agreement
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Association for International Cooperation)
GPN	Global Production Network
ILO	International Labour Organisation
LOHAS	Lifestyles of Health and Sustainability
MNC	Multinational Corporation
MRSL	Manufacturing Restricted Substance List
MSI	Multi-Stakeholder Initiative
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-Operation and Development
PCSR	Political Corporate Social Responsibility
RCP	Responsible Care Program
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals

*List of Abbreviations*

RMG	Ready-Made Garment
SAC	Sustainable Apparel Coalition
SDG	Sustainable Development Goal
SME	Small- and Medium-Sized Enterprise
SPD	Sozialdemokratische Partei Deutschland (Social Democratic Party Germany)
TIRA	Transnational Industrial Relations Arrangement
UK	United Kingdom
UN	United Nations
US	United States
ZDHC	Zero Discharge of Hazardous Chemicals