WHY CARE?

A Critical Review of the Processes behind the International Council of Toy Industries' Ethical Manufacturing Program

Abstract
In 2003 the International Council of Toy Industries ratified an ethical manufacturing program governing the manufacturing processes throughout the industry's global supply-chain. By doing so, the industry became part of an increasingly significant development, partly spurred by the forces of globalization, towards more rule-setting and standardizing.

This thesis aims at providing increased understanding of why and how global standards appear. Applying a new institutional perspective on how organizations function and act, the authors analyze the processes preceding the ratification of the global toy industry's ethical manufacturing program. The results, presented in the way of a case-study, show that a combination of institutional forces and individual actions, in the form of 'game-playing', contributed to the final result. The role of the professional public relations-consultant and her relationship with the client, in this case the US Toy Industry Association, is high-lighted, as well as the context in which such a relationship develops.

Master's Thesis

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FOREWORD

Our interest in standard setting and decision-making processes was evoked by Professor Nils Brunsson at the Stockholm School of Economics. At the time of attending his class in the spring of 2004, we both worked part-time at Kreab, a PR/communications consultancy in Stockholm. By applying some of the theories discussed in class, we soon found that they had qualities which enhanced our understanding of daily work-life situations. When discussing themes for our thesis we decided to combine our practical work experience with our interest in decision-making theory and with the help of our colleague, Janerik Larsson, at the time Partner at Kreab in Stockholm, we were guided to the ICTI CARE Process.

Without the support of Janerik and our friends at Strategy XXI in New York we would not have been able to come through with this project. Also, Mats Jutterström, our academic supervisor at the Stockholm School of Economics, has provided us with valuable feedback and insights. We would also like to thank David Brent without whom we never would have endured this meticulous task. You're simply the best!

1. INTRODUCTION

Globalization is generally recognized as one of the imperative forces of our time. In his newly published best-seller "The world is flat"[1], New York Times columnist Thomas L Friedman argues that the powers behind global integration have shifted in strength and character over time. While the early forms of globalization (or colonization as it is probably more accurately referred to) was spearheaded by nation-states, the most powerful forces during the recent decades have been transnational corporations (so called TNCs). By 'off-shoring' and 'outsourcing' production to countries across the globe, using means of modern technology, TNCs are becoming part of increasingly complex networks of interconnected manufacturing and supply chains.

In this process, issues of control and responsibility have emerged as a practical problem for many companies. One particular issue with growing impact on companies engaged in activities in so called low-cost countries, is labor conditions. As networks of sub-contractors and sub-sub contractors grows wider and deeper, with factories serving a multitude of global TNCs, it confuses the allocation of accountability, raising questions like: Who is actually responsible for what goes on in these factories? Is it the sub-contractors? The local law enforcers? Or the transnational corporations?

It is sometimes argued that developing countries, where low-cost labor and poor labor conditions are most frequently found, are merely going through the initial phases of industrialization, similar to what Western world experienced more than a century ago. With time and economic growth, sophistication and workers rights will follow, some argue. Along the same lines of reasoning, some even claim that workers in low-cost countries should have to, if you excuse the pun, sweat it for a while, like 'we' did. So why care?

One industry that, for different reasons, has felt obliged to care is the toy industry. The lion's share of the (Western) world's toys is produced in China and the industry has received much criticism over conditions in these factories from NGOs[2] and the media. In 2003 the International Council of Toy Industries (ICTI), the global toy manufacturers' association, introduced a comprehensive ethical manufacturing program called the ICTI CARE Process. The aim of CARE—an abbreviation for Caring Awareness Responsibility and Ethical—was, and still is, "to promote safe and humane labor standards in the production of toys". The main proponent of this initiative is the US toy

[1] Friedman (2005).

[2] Non Governmental Organizations.

industry association, Toy Industries of America (TIA), which due to its members' dominance on the world market, has been the most influential and active member of ICTI historically. Working together primarily with consultants from the public relations consultants field, TIA has spent the last decade on what would eventually become a coherent set of principles and implementation practices for ethical manufacturing standards worldwide.

The ICTI CARE Process has become widely recognized by, among others the United Nations, as a good example of a global standard for ethical manufacturing. As such, it should not only attract the interest of practitioners and students in the field of standards, but also those seeking answers to some of the more complex issues of global responsibility and human rights.

In seeking answers to our overarching question "why care?", we have focused on the procedures and relationships which lead up the ratification of the ICTI Care Process. One of the focal points of our discussion relates to the role of the professional consultant and the function of individuals in a globalizing context. We hope the reader will find some valuable points not only about how and why standards appear, but also take the opportunity to think about why, and if, we *should* care. During the time of working on this thesis, this question have certainly pondered in our minds.

2. THE ISSUE AT HAND

The purpose of this case study is to understand why the International Council of Toy Industries' ethical manufacturing program, the ICTI CARE Process, came about. In our quest for understanding, we traced down the initiative to New York City, where we spent three exciting weeks talking to the people behind the scenes and searching the filing cabinet for clues that would reveal how and why the CARE Process appeared.

A more general purpose is to contribute to the knowledge how global standards are created. Our theoretical base is in new institutionalism and non-normative decision-making theory, which we will use (and possibly also abuse) in our discussion of this case study.

The study's question

The research question is hence:
- *Why was the ICTI CARE Process invented?*

THE STRUCTURE OF THE THESIS

We have, guided by Barbara Czarniawska, chosen to make use the 'classic form of thesis', containing the following elements:

1. Exordium: catches the audience's interest while introducing the subject.
2. Narration: sets forth the facts.
3. Proposition: sets forth points stipulated and points to be contested.
4. Proof: Sets for the arguments in support of the case.
5. Refutation: refutes opponents' arguments.
6. Peroration: sums up the arguments and stirs audience.[3]

In practice, this means that we will, having hopefully already caught your interest (*exordium*), first introduce you to what we call the Predominant view, which is what the outsider can learn about the toy industry and the CARE Process (*narration*). After having set the stage we briefly state our *propositions*, which serve as a filter to our research question and outline the theoretical framework we have chosen to employ. We will also provide the reader with a methodological discussion and details about our research approach.

[3] Czarniawska (2004), p. 123; c.f. Lanham (1991).

This will be followed by, what we call the backstage memoirs, which are summaries of six of our interviewees' stories (*the proof*). Having presented this, we will move on to discuss our findings and more openly express how we interpret them using our theoretical framework (*refutation*). Finally, we will summarize our arguments and elaborate what we infer from our case study and hopefully stir the reader (*peroration*).[4]

[4] Czarniawska (2004), p. 123.

3. THE PREDOMINANT VIEW

The purpose of this section is to provide the reader with an understanding of a) the US toy industry and b) the basic concepts of the CARE Process including a brief chronology of events prior to the ratification by the International Council of Toy Industries (ICTI). Together these elements make up an important part of our empirical framework. After reading this section, the reader should have a clear understanding of the content and scope of the CARE Process, as well as the context in which it was developed. This includes some of the main actors and events which contributed to the working process. (As always, it is difficult to narrate *all aspects* with a possible impact on the end result. The stories outlined in this section represent *one* of many perspectives, as we shall see later.)

In putting together this section we have used sources representing what we refer to as the 'predominant view'. These sources include official documents and statements as well as business- and newspaper articles—all easy accessible via Internet or article databases. The stories produced by these sources are the ones we, as external viewers, first encountered when starting our research. Also, they are the ones most widely spread outside the industry. They can thus be seen as somewhat of an outsider's perspective, as opposed to the 'behind the scenes'-stories narrated in the interviews presented in the next section.

THE US TOY INDUSTRY

The US harbors the world's largest market for toys and games with estimated annual sales of approximately USD 37 billion. The market has grown steadily since 1997, with an estimated 39.5 percent share of global sales in 2002.[5] The market can be divided in three primary sectors: games consoles, games software and traditional toys and games.[6] Despite a growing demand for high-tech toys within the games consoles and software markets, the traditional segment, which is the focus of this thesis, still holds a majority of the market with a USD 20.7 billion market share.[7]

Major actors

A small number of large multinational corporations dominate the toy industry. The major players within the traditional toys and games segment are: Mattel,

[5] Datamonitor (2004).
[6] Datamonitor (2004).
[7] NPD Funworld (2004).

Hasbro and Leap Frog. Mattel is the single largest manufacturer with annual revenues of approximately USD 5 billion. The company's product portfolio includes well-known brands like Barbie, Fisher-Price and licensed Disney items. Hasbro, the second biggest manufacturer, sells toys at a value of approximately USD 3 billion annually, carrying brands like Furby, Monopoly and Playskool. The two companies, as well as the industry's number three, Leap Frog, are public companies listed on the New York Stock Exchange. Like the rest of the industry, Mattel and Hasbro have witnessed a decline in annual sales the last few years.[8]

The Toy Industry Association

Toy Industry Association Incorporated (TIA Inc), up till 2001 known as the Toy Manufacturers' Association (TMA), is the trade association for US producers and importers of toys and games. Its approximately 400 members account for 85 percent of the sector's total sales.[9] TIA is a rather small organization with some 40 employees. A majority of its annual revenues come from hosting toy fairs where manufacturers and brands come together to show their products. The other main source of revenues is membership fees.[10]

Since its founding in 1916, the organization has acted to promote its members' interests. One major issue has been toy safety, for which TIA, together with the US government and several independent organizations have developed and implemented through its members a comprehensive set of voluntary standards (known as the ASTM F963). The association has also been involved in direct collaborations with well-known consumer organizations, such as the International Consumer Product Health and Safety Organization and the National SAFE KIDS Campaign to promote the importance of safe play throughout the country.[11]

The International Council of Toy Industries

The other major issue on TIA's agenda is the ethical manufacturing program, labeled the CARE Process, the details of which we will return to in a moment. In the process, TIA has worked very closely with the international umbrella organization for national toy industry associations, the International Council of Toy Industries (ICTI), a non-profit incorporated association functioning under the laws of the State of New York. Among its stated objectives are:

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[8] NPD Funworld (2004).

[9]Internet: http://www.toy-tia.org/Content/NavigationMenu/Toy_Industry_Association /About_TIA/About_TIA.htm [2006-02-01]

[10] Interview, T Conley 2004-11-12.

[11]Internet:http://www.toy-tia.org/Content/NavigationMenu/Toy_Industry_Association /About_TIA/About_TIA.htm [2006-02-01]

- To promote the interest of toy manufacturing in its 18 member countries.
- To act as a center for discussion and the exchange of information on a regular basis to improve communications on important toy industry issues and trends.
- To promote toy safety standards.
- To foster relationships with consumers and accredited representatives of the trade.[12]

The members of the organization, founded in 1974, consist of each member-country's trade association and the presidency revolves on a six-month basis among the member countries. The members associations come from Australia, Austria, Brazil, Canada, China, Denmark, France, Germany, Hong Kong, Hungary, Italy, Japan, Mexico, Russia, Spain, Sweden, Taiwan, the UK and the US.[13]

As the name—and the above stated objectives—indicate, ICTI's function is that of a *council* or a discussion forum on issues of international or multi-regional interest. The CARE Process being such an issue, ICTI has become the natural focal point and carrier of the process. Since the decision in 2002 among its members to launch the CARE Process, it has become one of ICTI's main undertakings.[14]

Market characteristics and recent developments

In order to cut costs and increase efficiency throughout the supply chain many manufacturers have off-shored production to low cost countries, primarily to China. In order to give a more comprehensive picture of why many companies have found this necessary, we will briefly describe some of the recent developments within the industry.

The Wal-Mart effect

The toy industry mainly operates on a business-to-business basis; i.e. toy companies sell their products to retailers not end-consumers. In terms of retailers there has been some major changes the last couple of years; in the last three years, the industry has lost some 500 shops. Some of the big well-known US retailers, like FAO Schwarz and KB Toys, have been forced out of

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[12] Internet: http://www.toy-icti.org/about [2006-02-01]
[13] Internet: http://www.toy-icti.org/about/history.htm [2006-02-01]
[14] Interview, Conley, 2004-11-12; Mouchly-Weiss, 2004-11-09.

business as the big discount chains have seized greater market shares.[15] Other specialized toy retailers like Toys R Us and Disney have been forced to restructure their businesses in face of the new threat generally referred to as the "*Wal-Mart effect*." What has happened in the toy industry, as in several other industries, is that the discount chains have with the power of economies of scale "squeezed" the smaller, independent shops out of business. They have also put increasing pressure on the major retailers within the toy industry, mainly through extensive price-cutting activities. The entrance of actors like Wal-Mart, Target and Kmart is perceived as bringing a definite change to how toys are being marketed and sold in the US.[16]

Shortened product life cycles and increased seasonality

What is also happening in the industry is that products experience a decreasing life cycle. In 2003, toys introduced between 2000 and 2002 comprised over 55 percent of the market. A large share of those were sold in the fourth quarter, around Thanksgiving and Christmas, creating a growing dependence for toy manufacturers on sales revenues from this particular time period. The fact that toys are so sensitive to shifting market demand, especially around the major holidays, is placing mounting pressure on manufacturers to be flexible and able to shift production according to the latest consumer demand. In terms of the products being sold, branded and media licensed toys were the two most profitable product categories in 2003.[17]

Kids getting older younger

In the last decade there has been a shift in demand towards high-tech products such as video games, computers and internet gadgets. The phenomenon is generally recognized as "Kids Getting Older Younger" (KGOY) and represents a big challenge to the industry—how to incorporate more technical features into the products being manufactured.[18]As a result of the KGOY phenomenon, and changes in the supply chain, US producers of traditional toys and games have seen profits decline in the last three years. The structural and operational shifts have forced many companies to re-evaluate their product portfolios—i.e. what to produce and where—as well as the means of reaching end-use customers.[19]

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[15] The Economist (2004).
[16] The Economist (2004).
[17] NPD Funworld (2004).
[18] The Economist (2004).
[19] The Economist (2004).

Off-shoring production to China

The developments outlined above have lead to a search for more efficient ways to manufacture toys. A place—or *the* place—to which most have turned for cheap and effective production is China, and the Guangdong province. Located in the southeastern part of China, the Guangdong province, harbors a cluster of apparel, hi-tech and toy manufacturers. The large factories situated here generally produce for several large multinational corporations and are called subcontractors. The toy companies close deals for production with manufacturers directly or use so-called vendors that function as middlemen. A widely spread assessment is that approximately 70 percent of the global toy production stem from this region,[20] employing almost one million people in roughly 5,000 factories.[21]

Although cheap and efficient, doing business in China is not all pros—especially when production is outsourced to subcontractors. The conditions Chinese workers work under many times deviate from the standards of the western world. A growing number of so called NGOs—non-governmental organizations—have gained access to the area and called the world's attention to poor conditions and violations of internationally acknowledged human rights.[22]

ADDRESSING THE ISSUE OF ETHICAL STANDARDS

NGO reports have evoked much attention—spurred by governments, labor movements and the media—and prompted action by the toy industry.[23] In the mid 1990's Toy Industry Association of America (TIA), at the time known as Toy Manufacturers of America (TMA), responded to the pressure by adopting a two-page Code of Conduct that essentially restated ethical business practices in running factories wherever they might be. This code was adopted by ICTI in 1995, and complemented two years later with a 'methodology' (how factories should transfer the ethics into practice), a 'check list' (what the manufacturers was expecting the factories to do) and a 'corrective action plan' (what would happen if the factory failed to meet the standards).[24]

Despite these efforts the issue did not go away. The US National Labor Committee in cooperation with China Labor Watch published a series of

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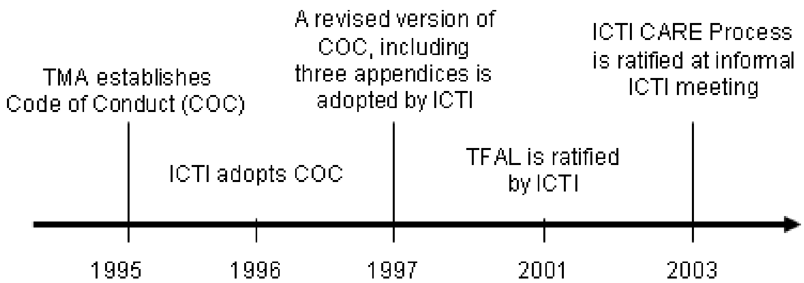
20 The Guardian (2004) c.f. Hogan, S.
21 The Times (2003).
22 The Guardian. (2004).
23 The Guardian (2004).
24 The ICTI CARE Process briefing Book (2004).

reports on worker exploitation in toy factories in China by some of the leading brands including Mattel, Disney, and Hasbro.[25] Another NGO, the Hong Kong Christian Industrial Committee, presented reports on working-conditions in which they revealed seven-day working weeks, 360-day working years and workers being locked in for up to 18 hour shifts.[26] Calls were made for so-called party auditing, which would ensure that the codes of conduct was implemented properly by actors without vested interest in the industry.[27]

In June 2001, the ICTI Code of Conduct was revised a second time and renamed into the ICTI Code of Business Practices. The code with its three appendices was accompanied by a plan for how it would better be put into practice. This was to be done through the an audit company, named Toy Factory Audit Limited (TFAL), based in Hong Kong for the purpose of auditing toy factories in China (primarily Guangdong province) using the ICTI Code of Business practices and Appendices.[28] The organization was to be funded initially by members of ICTI and then, after a couple of years, become self-sustaining on fee-revenues which factories paid to get audited. For unclear reasons, however, TFAL was soon shut down and two years later, in 2003, ICTI presented new comprehensive program, which among other things, included a third party auditing system.



Time-frame of events prior to the ratification of the ICTI CARE Process.

Introducing the ICTI CARE Process

At an informal conference in Paris in 2003 ICTI's members agreed to take the process one step further, launching a worldwide auditing process to implement the Code of Business Practices in accordance with the guidance document and

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25 The two organizations annually publish a report entitled "Toys of Misery" which takes a critical stand against manufacturing processes in factories in China.
26 Hong Kong Christian Industrial Committee (2001).
27 The ICTI CARE Process briefing Book (2004).
28 The ICTI CARE Process briefing Book (2004).

audit protocol approved by the 18 member countries.[29] This was later named the ICTI CARE Process (from now on referred to as 'CARE') was ratified with the purpose to:

> enable the worldwide toy industry to assure the consumer that its products are manufactured in safe and humane environments. Within this purpose, its intent is to provide a single, fair, thorough and consistent audit program for the factories. [30]

In a more practical sense, the objective of CARE (an abbreviation selected to symbolize the toy industry's pledge to act in a Caring, Aware, Responsible and Ethical manner in the production of its products) is to move from setting to evaluating standards. Hence, it is described as:

> […] the next step in promoting safe and humane labor standards in the production of toys. With the CARE Process, ICTI goes beyond defining standards. The focus is shifted to implementing a program for how compliance to these standards is ensured and verified. [31]

In order to not only promise high standards, but also to ensure compliance, a monitoring process was introduced including a comprehensive factory audit system, which included using certified third party auditors. This in order to establish a standardized system for monitoring compliance with the Code of Business Practices.[32]

Another central add-on to the original Code is something called convergence, which in simple terms is an effort to make all retailers and manufacturers adhere to the same standards, instead of having their own. The stated purposes of this is:

1) To create a 'leveled playing field', meaning everyone in the industry must make the same demands on Chinese manufacturers;
2) To make it easy for factories in China. Instead of having to adhere to 30 or 40 different standards, by the convergence process they should only need to adhere to one.[33]

The CARE Process also has as one of its main pillars a section on transparency and independence. The central part here is the oversight committee, which is to make sure that the audits are conducted correctly.[34]

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[29] Internet: http://www.toy-icti.org/about/history.htm [2006-01-16]
[30] ICTI Newsletter, April 2005.
[31] The ICTI CARE Process briefing Book (2004).
[32] The ICTI CARE Process briefing Book (2004).
[33] The ICTI CARE Process briefing Book (2004).
[34] The ICTI CARE Process briefing Book (2004).

Below, the five central pillars of CARE are outlined in some detail:

> *ICTI Code of Business Practices*: This is a code of ethical practice in manufacturing, subscribed to by members of all 18 national associations that form the membership of ICTI.
>
> *ICTI Code Guidance Document and Audit Protocol*. These provide the practical specifics as to what the terms of the Code mean and how factories should be audited for compliance with it. They were developed by a worldwide toy industry panel (The Industry Advisory Panel, IAP).
>
> *Convergence Process for Codes and Guidelines*. This is a meticulous process of working with individual toy brands and retailers to approach as closely as possible the ideal of a single code and guideline, used to audit all toy factories. ICTI's realistic goal is to achieve 95 percent convergences, with only 5 percent specialized requirements to be added to an audit in order for it to be accepted by specific brands and/or retailers.
>
> *The Factory Auditing System*. An Industry Advisory Panel (IAP) develops the system and keeps auditor requirements up-to-date. Business for Social Responsibility trains auditors, which are then approved by the CARE Executive Committee. Certified auditors then conduct audits and annual re-audits, including corrective plans, and provides the factory and ICTI with the results. As of October 2004, ICTI has accredited six auditing firms.
>
> *The Oversight Committee*: This is to be an independent committee, whose purpose is to ensure that the CARE Process is conducted in an open and correct manner. Once established, it will set its own rules and standards, provide advice to ICTI and report publicly on its findings. Two specific roles include quality control, using check audits at its discretion, and the adjudication of disputes.[35]

Taking a closer look at the auditing process

One of the main ideas behind CARE is to provide a fair, thorough and consistent monitoring program for factories producing for the toy industry. Participating factories are in turn required to pay an application fee as well as annual fees in order to be members of CARE. These fees cover administrative costs, fund oversight activities and the development and maintenance of the website, which is used to provide information to factories, auditors, consumers and any other interested parties. The steps for factory approval by CARE are:

[35] ICTI CARE Process Message Points (2004).

1. The factory pays application/registration fees to ICTI Asia Limited (currently USD 500).
2. The firm negotiates and chooses one auditor to perform audits.
3. After audits have been performed, the auditing company issues reports for each audit in accordance with the format available in the CARE Guidance document.
4. These are sent to the factory as well as to ICTI Asia Limited. (Please observe that only the factory can authorize the audit firm to issue controlled copies of the final audit reports to any other parties, such as current and prospective customers and clients.)
5. Once approved, ICTI Asia Limited issues so-called Seals of Compliance for the factories, that they then can show to customers or whoever they want (at a cost of USD 350).
6. The factory is then re-audited annually to renew the Seal of Compliance (at a negotiable cost).[36]

As of March 2005, 208 factories had been audited of which 112 had been approved and granted the Seal of compliance.[37]

Taking a closer look at transparency and independence

The way in which ICTI is to make sure that the different parts of CARE are executed in a fair and unbiased manner is to install different means of transparency and independence in several ways:

> Selection of audit firms via an open process with standards for qualification that are clear and uniformly applied
>
> Selection and training of auditors is in the hands of the independent auditing firms or (initially) third-party experts.
>
> Solicitation, contracting for and conduct of audits is entirely within the hands of the independent auditing firms. They must adhere to CARE Process guidelines and submit to periodic check audits.
>
> The establishment of an independent governance board.
>
> The open Code of Business Practices, Checklist and guiding documents, which are all available for public scrutiny.[38]

[36] The ICTI CARE Process briefing Book (2004).
[37] ICTI Newsletter, March 2005, p. 6.
[38] The ICTI CARE Process, Message Points (2004).

The ICTI CARE Process Foundation

In order to supervise the operations of the CARE Process, in effect handle all practical and financial matters, ICTI has established the ICTI CARE Process Foundation. The foundation, which reports to the ICTI Executive Board through the President, is responsible for enrolling participants, resolving convergence issues, supervising and updating standards and procedures, internal and external communications, education and training and finance and budget.[39]

Date-certain campaign

The latest addition to the CARE Process is what is known as the "date certain campaign," which was initiated by the TIA. All member associations are being asked to urge their members to set a date certain after which they will order products only from factories which have received the Seal of compliance from CARE. At this point in time, 60 companies, representing approximately 65 percent of the industry, have signed on to the date certain campaign.[40]

[39] The ICTI CARE Process briefing book, 2004.
[40] The ICTI CARE Process briefing book, 2004.

4. OUR PROPOSITIONS

Now that we have introduced the reader to the toy industry, its main actors and the CARE Process, we will take a brief moment to state our propositions. We argue that the answer to the question *why the CARE process was invented* can be understood using basic new institutional theory, arguing that a changing environment induced the organizations of the toy industry to engage in isomorphic behavior as a matter of survival *and* alternative decision-making theory, which allows us to analyze and understand what role the involved actors and their choices have played. We will in the coming section present our theoretical framework, which essentially constitutes a zooming device—it will allow us to move from the greater perspective to the small dynamics of the issue at hand.

We will also take a brief moment here to advise the reader about the implications of this choice. The theoretical framework provides 'one' way to make sense of the case; had we chosen another, for example more positivist stance, our conclusions would have been quite different. Some may feel that the chosen perspective is a bit disillusioned—cynical; at least we did so at times. It is perhaps also worth pointing out that there is a multitude of theories that could have been applicable, for example translation theory.[41] We have also looked at more hands-on, normative, theories on standards. However, given the scope of this thesis we feel that the chosen framework generates plausible, and interesting, explanations.

[41] see e.g. Sahlin-Andersson; Czarniawska.

5. LITERATURE REVIEW

In this section we present the theories through which we interpret the results of our case-study. We will:

- Set the stage by discussing the concept of rationality as a model for organizational decision-making and the concept of action rationality;
- Introduce the new institutionalist perspective, with focus on rationalized myths, legitimacy, decoupling and organizational survival in highly rationalized environments;
- Briefly discuss the term 'others' and the dynamics of standards, standard-based organizations and the basic argumentations within the CSR-field;
- Present some alternatives to rational decision-making like the legendary garbage-can theory, Kingdon's concept of policy entrepreneurs and the logic of game playing.

ON RATIONALITY

> In the modern world the individual and the organization are both expected to be rational. It is generally assumed that we would all be better off, were we only more rational. We ought to make decisions by predicting our preferences, examining all our action alternatives and all the consequences of these alternative and comparing preferences with consequences in order to find, and then adopt, the alternative offering the best consequences.[42]

However, meeting these expectations in decision-making is difficult, Brunsson argues. Instead, he suggests that other forms of 'intelligence'—or logics—are used. Some of these include following rules, imitating or experimentation. Instead of ruling out these alternative decision-making methods as 'irrational' and undesirable, Brunsson suggests that we instead acknowledge that they may very well be intelligent.[43] When it comes to generating action, he argues that systematic irrationality in decision processes (e.g. only looking at one alternative) is far more effective than rationality. In fact, increasing rationality is a highly successful strategy for obstructing action, Brunsson points out. [44]

[42] Brunsson (2000), p. ix.
[43] Brunsson (2000), p.p. ix
[44] Brunsson (2000), p. xiv.

How to achieve organizational action

Having abandoned the notion that all decision making is generated by rational choice, Brunsson argues that organizational action is contingent on three things: 'expectation': that individuals believe that their actions will result in organizational action; 'motivation': a desire to contribute; and 'commitment': a sufficient amount of faith in and endorsement of the joint action. The stronger the prevalence of these three elements, the larger the chance of organizational action.[45] When it comes to decision processes, Brunsson describes the following as the most effective:

> [F]ew alternatives should be analyzed, only the positive consequences of the chosen actions should be considered, and objectives should not be formulated in advance.[46]

This basically describes what Brunsson calls 'action rationality', which serves the purpose of 'getting things done', as opposed to 'decision rationality', which is effective when it comes to choosing 'the right thing to do'.[47] We will argue that the case that we have studied bears all the trademarks of 'action rationality', which hence serves the purpose of getting things done.

ORGANIZATIONS IN HIGHLY RATIONALIZED INSTITUTIONAL CONTEXTS

Conventional organizational theories assume that a rational formal structure is the optimal way to coordinate and control modern work activities. Meyer and Rowan point out in their 1977 paper that this assumption stems from what Weber calls "*the historical emergence of bureaucracies as consequences of economic markets and centralized states*"[48].

Brunsson defines an organization as something that "*exists to co-ordinate action and to achieve results which would be beyond the reach of unorganized individual actions.*"[49]. In fulfilling this overarching mission—to perform a certain function or action—the organization engages in a few important activities that have a definite impact on the final outcomes. However, actions taken within the organization need not always be what would be considered efficient from a classic 'rational'—profit maximizing—standpoint. In line with a research paradigm generally referred to as new institutionalism scholars and practitioners:

[45] Brunsson (2000), p.p. 18.
[46] Brunsson (2000), p. 22.
[47] Brunsson (2000), p. 27
[48] Meyer & Rowan (1977), p. 342.
[49] Brunsson (1985) p. 4.

> […] are now giving greater weight to the fact that organizations are embedded in society, which makes them susceptible to rules that come from their environment rather than from their own management. Studies are undertaken of how organizations are affected by institutions, by ideas, rules and legitimate patterns of action that are generally taken for granted.[50]

Ergo: a key point is that formal structure and actual activities are two different things. Put simply, this means that what organizations say they do need not necessarily describe what they actually do. Instead, it is argued, the formal structures reflect the myths of their institutional environments.[51] Let us first define some key terms and then move on to discuss the implications of this perspective on our specific case.

Institutional rules, formal structures and myths

To start off, institutional rules are defined as "*classifications built into society as reciprocated typifications or interpretations*"[52]; i.e. rules that are more or less taken for granted. In order to reach this status, ideas need to go through an institutionalization, i.e. a "*processes by which social processes, obligations or actualities come to take on a rulelike status in social thought and action*"[53].

Formal structure is a highly rationalized plan for the organization; its offices, departments, positions and programs, et cetera, which in turn are held together by a set of explicit goals and policies that create the intricate strategy for how and why actions are taken. This coordination and control is, by normative management theorists, thought to hold the organization together and more or less accurately describe how it functions. Although the acknowledgement of a discrepancy between theory (formal structure) and practice was nothing new, Meyer & Rowan build upon the idea of 'loose coupling'[54] (also denoted decoupling) and argue that formal structure has another, independent, meaning other than that of coordinating and controlling action.[55]

In Meyer & Rowan's framework, formal structure reflects the common perception of social reality, or myths, about how things are to be done. These myths have two key properties:

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[50] Brunsson (2000) p.7-8, cf: Meyer Rowan (1977).
[51] Meyer & Rowan (1977) p.p. 340.
[52] Meyer & Rowan (1977) p. 341; c.f. Berger & Luckmann (1967), p 54.
[53] Meyer & Rowan (1977) p. 341.
[54] See March & Olsen (1976); Weick (1976).
[55] Meyer & Rowan (1977) p. 343; cf. March & Olsen (1976).

> First, they are rationalized and impersonal prescriptions that identify various social purposes as technical ones and specify in a rulelike way the appropriate means to pursue these technical purposes rationally.[56]
>
> Second, they are highly institutionalized and thus in some measure beyond the discretion of any individual participant or organization.[57]

The myths create the institutional structure that constructs the idea of a legitimate organization. Meyer & Rowan make six propositions, which will be presented accordingly. The first two are:

> Proposition 1. As rationalized institutional rules arise in given domains of work activity, 'formal organization's form and expand by incorporating these rules as structural elements.
>
> Proposition 2. The more modernized the society, the more extended the rationalized institutional structure in given domains and the greater the number of domains containing rationalized institutions.[58]

So, essentially as society evolves more and more rules, institutions, arise and the complexity of the institutional structure increases. Meyer & Rowan identify three specific processes that generate rationalized myths of organizational structure:

> The elaboration of complex relational networks;
>
> The degree of collective organization of the environment;
>
> Leadership efforts of local organizations.[59]

The institutional environment develops when powerful organizations force organizations close to them to adapt to their structures and these organizations attempt to make their goals and procedures a part of society's general institutional rules. So by pushing for changes in their immediate and more remote environment powerful organizations alter the institutional framework, which organizations then have to incorporate in order to be perceived as legitimate. We argue that this case is precisely about this: a powerful organization developing the institutional environment and hence adding on to the list of rationalized myths, which are adopted for the reasons presented in the next section.

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[56] Meyer & Rowan (1977) p.p. 343; cf. Ellul (1964).
[57] Meyer & Rowan (1977) p. 344.
[58] Meyer & Rowan (1977) p. 345.
[59] Meyer & Rowan (1977) p.p. 347.

Why organizations engage in isomorphic behavior

The incorporations of these myths and ideas is an 'isomorphic' process, in the sense that organizations incorporate mostly the same institutional elements. The ability to adapt to the institutional environment becomes a prerequisite for survival, since it "[…]*becomes, in a word, legitimate, and it uses its legitimacy to strengthen its support and secure its survival.*"[60]

Failure to adopt necessary institutions creates uncertainty, it is perceived as irrational and possibly even negligent. In order to mobilize people in and outside the organization, appropriate labels need to be used—like having a CEO, an accounts department, a receptionist, a PR Consultant et cetera. This is Meyer & Rowan's third proposition:

> Proposition 3. Organizations that incorporate societally [sic!] legitimated rationalized elements in their formal structures maximize their legitimacy and increase their resources and survival capabilities.[61]

The requirements in the rationalized environment is created by stakeholders like nation states (with legislative power), but also environmental-, human rights groups (commonly called non-governmental organizations: NGOs) and so on.[62] But in understanding this rationalization of the environment the individual actors are not in focus. Instead, Meyer proposes that Mead's concept of the 'generalized other' be used. They describe their function as: providing

> […] actors with reflexive depictions of their proper roles. […] they provide identities, structures, and recipes for activity routines that make sense in terms of some larger (nowadays universalized and rationalistic) community.[63]

Handling the inconsistencies

Organizations in highly institutionalized environments generally engage in isomorphic behavior in order to survive—i.e. they adopt similar solutions. A multitude of (sometimes conflicting) myths are make up the organization's environment.[64] Organizations will sometimes have trouble meeting demands, in our case trying to maintain a responsible manufacturing policy and at the same time maximize production efficiency. In order to resolve the conflicts

[60] Meyer & Rowan (1977) p. 349; c.f. Scott & Lyman (1968).
[61] Meyer & Rowan (1977) p. 352.
[62] For a discussion about this see Meyer (1994).
[63] Meyer (1994) p. 47.
[64] Meyer & Rowan (1977) p. 355.

between the clashing demands, Meyer & Rowan argue that organizations employ two strategies: 'decoupling' and maintaining 'the logic of confidence'.[65]

Decoupling

When engaging in decoupling, organizations protect their formal structures—which reflect the ceremonial rules of the institutional context—by simply obstructing actual evaluation or scrutiny. This is summarized in Meyer & Rowan's fourth proposition:

> Proposition 4. Because attempts to control and coordinate activities in institutionalized organizations lead to conflicts and loss of legitimacy, elements of structure are decoupled from activities and from each other.

This way, the inconsistent practices remain undisclosed and the organization is able to satisfy various stakeholders in and outside the organization. Essentially, the organization can go about its business behind the façade of its 'formal organization'.[66]

Maintaining the logic of confidence

However, the success of an decoupled organization is contingent on the confidence and good faith of its members and other stakeholders; i.e. that they keep 'face'.[67] Decoupling and good faith maintain the belief that organizations function as their formal structures suggest. This leads us to Meyer & Rowan's fifth proposition:

> Proposition 5. The more an organization's structure is derived from institutionalized myths, the more it maintains elaborate displays of confidence, satisfaction, and good faith internally and externally.[68]

So essentially, organizations incorporate and boast the myths, which some maliciously call corporate bullshit. Meyer & Rowan's sixth—and last—proposal addresses an act that could violate this good faith; namely inspections and evaluations:

> Proposition 6. Institutionalized organizations seek to minimize inspection and evaluation by both internal managers and external constituents.[69]

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[65] Meyer & Rowan (1977), p. 356.
[66] Meyer & Rowan (1977), p.p. 356.
[67] Meyer & Rowan (1977), p 358; cf. Goffmann (1967) p.p. 12.
[68] Meyer & Rowan (1977), p 358.
[69] Meyer & Rowan (1977), p. 359.

Instead organizations perform inspections and evaluations ceremonially; and this is accepted by all stakeholders following the above mentioned logics.

THE CALL FOR CORPORATE SOCIAL RESPONSIBILITY

Within the institutional context of transnational corporations, the issue of CSR has emerged as a new potential 'must-have' in order to be perceived as legitimate. Corporate social responsibility (CSR) is an overarching term for a number of concepts with the common purpose of bringing corporations to take greater responsibility for various societal issues and problems.[70] Svedberg-Nilsson presents an excellent short analysis of the literature on 'corporate social responsibility' (CSR) and 'corporate citizenship' (CC)[71] analyzing how the case for and against CSR and CC generally is made.[72]

Arguments in favor of CSR and CC

Svedberg-Nilsson presents what she calls "*argumentative themes*", which she has divided in two main groups: "*The Business Case for CSR and CC*" and "*Doing the Right Things for the Right Reasons*"[73].

The Business Case for CSR and CC

The starting point of these argumentative themes is that CSR and CC initiatives are taken to serve the self interest of the organization; i.e. that the main objective of the initiative is to bring benefits (preferably affecting the 'bottom line') to the company. These are:

1. Regulatory benefits: Arguing that it's better to take preemptive action than waiting for regulators to step in.
2. Increased control in business networks: Arguing that a) CSR/CC initiatives allows tighter control of suppliers/customers and b) they reduce uncertainty about what rules apply.
3. A range of other benefits: Arguing e.g. that CSR/CC initiatives can be used in marketing, boost an organization's reputation, increase its ability to attract staff et cetera.
4. Cost vs benefit: Arguing that the costs and benefits have to be measured and evaluated. This theme offers a wide array of evaluation principles and conclusions.[74]

[70] Svedberg-Nilsson (2004), p. 5.
[71] Please note that no distinction is made between the two concepts.
[72] Svedberg-Nilsson (2004), p. 5.
[73] Svedberg-Nilsson (2004), p.p. 6.

Doing the Right Things for the Right Reasons

The second group of arguments appeals to other motives; namely duties and morality, and is a "deontological" meaning basically that intentions, not effects matter when an action is evaluated. These arguments appeal to moral virtues and conceptions of what is 'right' and what is 'wrong'.[75]

Arguments against CSR and CC

The case against CSR and CC is, according to Svedberg-Nilsson, made using three main argumentative themes:

1. The Business of Business is Business: Arguing basically that a company's only social responsibility is to produce profits.
2. Corporate Colonization: Arguing that businesses engaging in CSR and CC are co-opting areas that would be better served by other actors. Basically, these arguments mean that there is no point in forcing a profit maximizing organization to do stuff that isn't aligned with this purpose.
3. A PR-Project: Arguing that CSR and CC initiatives are merely public relations (PR) hoaxes; measures taken merely to boost reputation and hence is purely opportunistic.[76]

Svedberg-Nilsson concludes that the various demands and evaluation principles leave the business deemed immoral/irresponsible, as many of the demands are irreconcilable. She argues that the underlying assumption of the entire discussion—namely that of the profit maximizing firm—is perhaps what should be revisited. Put simple, this means that those arguing in favor of CSR and CC initiatives would be better served if they let go of this imperative.[77]

BRUNSSON'S FOUR META-INSTITUTIONS

When analyzing the coordination between individuals in our modern society, Brunsson argues that there are four concepts that keep society together: 'formal organizations', 'markets', 'standards' and 'normative communities'. These four concepts coordinate, i.e. control people's actions and act as, what Brunsson refers to as, 'meta-institutions'.[78] The first three concepts:

[74] Svedberg-Nilsson (2004), p.p. 6.
[75] Svedberg-Nilsson (2004), p.p. 9.
[76] Svedberg-Nilsson (2004), p.p. 10.
[77] Svedberg-Nilsson (2004), p. 14.
[78] Brunsson (2000), p.p. 21. Brunsson uses Berger & Luckmann's (1966) definition of institutions which means that they are: "*defined, and different, patterns of action, rules and beliefs*".

organization, market and standardization are highly rationalized (in the sense described in the section above). They are hence all legitimate. Of course, different rules apply to different situations, which implies that an individual or organization acting on any of the three institutions will, given the context, be comprehended.[79]

THE BASICS: INTRODUCING THE CONCEPT OF RULES

In their anthology about standards, Brunsson, Jacobsson et al argue[80] that standards are a "core aspect" of society, since standards—interpreted in a broader sense—enable individuals to have plausible expectations—expectations being, mind you, one of the three conditions for organizational action. The standards create rules for how things are (to be) done. Of course, rules can be broken/bent, but in most cases they are followed and this regularity makes all forms of interaction and cooperation easier. One property of rules is that they are specific: they apply only to certain people and/or contexts. When following rules, it could be argued that individuals have consciously (or unconsciously) asked themselves three questions:

> Who am I?
>
> What sort of situation am I in?
>
> What is appropriate for a person like myself to do in a situation like this?[81]

When doing this individuals/organizations abandon the logic of rationality and instead resort to the 'logic of appropriateness', or rule-following, i.e. they follow historically determined rules. There are different kinds of rules, generally defined by how explicit they are, who constructs them and what degree of sanction is associated with them.

Norms

The most abstract kinds of rules are *social norms*; which are inherent in society and generally accepted as natural to follow.[82] Norms are seldom established by a specific actor, but are a part of every day life in that they control many of our actions. Norms are best noticed when broken since they generally are internalized.[83] An example could be the norm of being dressed, which is a rule

[79] Brunsson (2000), p. 22.
[80] Brunsson (2000), see e.g. p. 10.
[81] Brunsson & Jacobsson (2000) ,p 10;
cf: March & Olsen (1989). Also see March (1999), p.p. 21.
[82] Brunsson & Jacobsson, (2000), p.12, cf: Durkheim (1906); Coleman (1990).
[83] Brunsson & Jacobsson (2000), p. 12f.

that is so internalized that (most) people are appalled by the thought of naturists and eyeball the guy who regardless of the weather dwells the streets and subway system of Stockholm wearing merely a pair of red shorts, a walkman and a fanny pack. The fact that we notice this guy is an indication that he is into seriously norm-breaking business.

Directives

There is also a more explicit kind of rule, called a *directive*, which is mostly conveyed in writing. Such rules are often issued by a person or an organization with some sort of authority, like a boss or legislator. Oftentimes directives are enforced with the threat of sanctions. Directives are abundant in formal organizations and regulate things like wages, what employees wear and how the staff may use their cell-phones.[84]

Standards

The third type of rule goes under the label of a *standard* and is, generally referred to as a less rigid type of directive, i.e. as a rule that is not mandatory to comply with and is not accompanied by targeted sanctions. Like the case for directives, the inventor of a standard is usually an organization or a person. Whether the standard is followed or not depends on the standardizer's authority over the ones that are supposed to follow it. Standards are thus often motivated by the proposition that they are constructed in the best interest of their target audience.[85] There are a number of interesting properties to standards, which is why we will dwell on this subject a little further.

Brunsson & Jacobsson stress that voluntarism is a key element of standards. Standardizers can't force others to follow their standard, that would make them issuers of directives, and would hence require authority. So, in order to make their standard successful, they must instead convince potential followers that it is in their best interest to follow the proposed standard. The voluntary nature of standards has implications on the allocation of responsibility and the effects of dissatisfaction: since compliance is induced by advice, not coercion, those adhering to the standard are still generally held responsible and those dissatisfied will stop complying with the standard, find a new one or in some cases create a standard of their own. Furthermore, standardizers are not liable in a legal sense; since standards constitute advice oftentimes given on in general terms.[86]

[84] Brunsson & Jacobsson, (2000), p.12f.
[85] Brunsson & Jacobsson (2000), p. 13.
[86] Brunsson (2000) p.p. 25.

The web of coordination

The four rules create what you could call a web of coordination. When one string breaks, a different line of rule may be spun—and we might as well point out right away that who actually spins the line is not the focal point in Brunsson & al's framework, which is why we will present another theory for the purpose of a micro analysis. Anywho, a string breaks and the diffuse call for coordination comes. Which of the four methods that is employed is difficult to predict, according to Brunsson. However, Brunsson does argue that two trends speak in favor of an increasing degree of standardization:

Mega-trend no. 1: Individualization

As the prevalence of individualization increases, both on an individual and organizational level, standardization can be expected to become more and more common. A vital part of being an individual is independence, having:

> […] clear boundaries and their own norms, interests, and goals and that they want to or have to express their individuality in their social relations.[87]

So, rather than joining an organization (and surrendering independence) or yielding to a normative community, voluntarily taking advice (i.e. following a standard) is more likely to become commonplace.[88]

Mega-trend no. 2: Globalization

Brunsson uses Robertson's description of globalization, meaning that it manifests itself: *firstly*, in the increased interaction between individuals situated in different geographical areas; *secondly*, the increased prevalence of transnational organizations (both private corporations and NGOs); *thirdly*, the facilitation of communication over large distances; and *fourthly*, mentally in a sense of closeness despite vast geographic distances.[89] As globalization increases, argues Brunsson, the need for standardization increases since there are no sufficiently strong formal organizations on a global level. In addition, the lack of a common culture and common norms, also opens for standardization. So, in cooperation on the global level, standards emerge to (sometimes successfully) bridge gaps.

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[87] Brunsson (2000), p. 36; c.f. Thomas et al (1987).
[88] Brunsson (2000), p.p. 36.
[89] Brunsson (2000), p. 37; c.f. Robertson (1992).

THE ROLE OF STANDARD-BASED ORGANIZATIONS

Standard-based organizations, which are organizations formed around standards, are according to Ahrne et al growing in numbers. Essentially, these are created by standardizers, who by creating a 'formal organization' use the dynamics of the meta-institution of organization and transform their standards into directive by requiring membership. In a sense, this phenomenon could be viewed as something different than standardization since it manifests 'formal organization' and directives. But, it could also be perceived as a way of standardizing and the 'formal organization' as a mean rather than an end. But first things first: 'standard-based organizations' are present in an institutional context, or field, which always is more or less organized. The level of organization reflects the level of rationalization; i.e. the prevalence of rules in the field. So when standardizers create 'standard-based organizations' they create rules and hierarchies and hence alter the dynamics in the institutional field.[90] Ahrne et al point to four roles of the standard-based organization:[91]

Status

Given the underlying imperative of standards as a matter of improvement, a standard based organization will generally render its members status. Merely issuing standards may also boost status, but the question of compliance will always be present. The creation of a standard-based organization 'solves' this problem, since organizations can exclude members who don't comply. Furthermore, an organization with several members can be expected to generate more status than an organization can do on its own by claiming to comply with what you could call open standards. It's simply a question of credibility.[92]

Interaction

The standard-based organization may also function to facilitate interaction and exchange and to regulate competition. Ahrne et al use the example of an trade organization, which can increase the level of regulation of the field played by competing companies. In doing so, they regulate matters that otherwise would have been solved by the 'market', i.e. competition. In doing so, the 'standard-based organizations' dictate where similarity between its members is required and where it's not.[93]

[90] Ahrne et al (2000), p.p. 50.
[91] Direct quote of headings from Ahrne et al (2000).
[92] Ahrne et al (2000), p.p. 55.
[93] Ahrne et al (2000), p. 56

Working on behalf of members

By creating a standard-based organization, standardizers not only promote (and dictate) members goals, they also serve to protect them from outside attacks and/or attempts to regulate from e.g. the state. The threat of outside regulation can be argued to be a driving force behind the creation of 'standard-based organizations'.[94]

Organizing fields

As pointed out above, 'standard-based organizations' organize the institutional field they are a part of. They differentiate status between actors, set and monitor the standards for the field, accumulate resources and downplay competing organizations. In addition, the 'standard-based organizations' influence the competitive climate and rules of cooperation within the field.[95]

Spreading the gospel

The main reasons for joining a standard-based organization are:

> […] gives a member a certain status, facilitates interaction with important others, or provides resources or protection.[96]

Recruitment of members is facilitated if compliance with the standards is not too burdensome, costly or controversial. Or even better: if the organizations already complies with them (i.e. don't have to change anything). The fact that standardizers use the standard-based organization enables them to control the number of actors following the standard, enhance this number and if suitable limit the number of complying actors.[97]

According to Ahrne et al's findings, the 'standard-based organizations' and their rules are normally set by a small number of people representing key actors. These individuals then move on to present the rules and recruit members. The process is hence normally not necessarily democratic or a result of the members ideas and norms. Revisions may take place, but normally most rules are kept in place and supplements and expansions are introduced.[98] A peculiar effect of 'standard-based organizations' that Ahrne et al have observed is that they actually may lead to non-compliance with standards since they protect members from outside monitoring. The sheer membership in the organization inclines stakeholders to assume compliance, which they otherwise

[94] Ahrne et al (2000), p. 57.
[95] Ahrne et al (2000), p.p. 57.
[96] Ahrne et al (2000), p. 59.
[97] Ahrne et al (2000), p.p. 61.
[98] Ahrne et al (2000), p.p. 64.

would have checked. In this sense, the standard-based organization functions as a 'buffer' between its members and the outside world.[99] This makes the standard-based organization an excellent vehicle for decoupling, following the logic of Meyer & Rowan's fifth and sixth propositions.

One interesting point that Ahrne et al make, is that 'standard-based organizations' often organize members globally, and in doing so they make up for the lack of global legislation—and ultimately a world state. This does not mean that the 'standard-based organizations' don't interact with nation states. Instead, they oftentimes collaborate with nation states by lobbying and organizing organizations in the states.[100]

ALTERNATIVE DECISION MAKING THEORIES

In this section we take a closer look at some theories relating to the role of the individual actors in the decision-making processes.

The garbage can model

Cohen, March and Olsen's[101] garbage can model has become somewhat of a classic in the study of organizational decision making. This is how March describes it today:

> Such ideas have been generalized to deal with flows of solutions and problems, as well as with participants in what has come to be called a 'garbage-can decision process' (Cohen & March, 1986; March & Olsen, 1976). In a garbage-can process, it is assumed that there are exogenous, time-dependent arrivals of choice opportunities, problems and solutions, and decision-makers. Problems and solutions are attached to choices and thus to each other, not because of their means-ends linkage but in terms of their temporal proximity. At the limit, for example, almost any solution can be associated with almost any problem—provided that they are contemporaries. The temporal pooling is, however, constrained by social and organizational structures (Levitt & Nass, 1989; March & Olsen, 1986).[102]

The model applies to organizations where decisions are not made according to the traditional rational model, but in a more ad-hoc fashion. According to this viewpoint, organizations should be seen as 'organized anarchies', which have

[99] Ahrne et al (2000), p. 64.
[100] Ahrne et al (2000), p.p. 67.
[101] Cohen et al (1972).
[102] March (1999), p. 33.

three general traits: they have problematic preferences, unclear technology and fluid participation. The problematic preferences lead to the organization being "*a loose collection of ideas [rather than] a coherent structure; it discovers preferences through actions more than it acts on the basis on preferences*"[103] The unclear technology refers to what the organization is actually doing, which in a organized anarchy is rather unclear; individual members of the organization may have a pretty clear idea of what and why they are doing, operating mainly by trial and error. Finally, the fluid participation refers to unclear boundaries—there is no clear cut as to who is and who isn't a member of an organized anarchy. Despite these things, organized anarchies tend to function. How, is explained by the garbage can model!

The main properties of the garbage can model

In the 'organized anarchy', there are four separate, unrelated, 'streams', in the metaphor referred to as garbage: 'problems', 'solutions', 'participants', and 'choice opportunities' flow freely.[104] This makes choices:

> […] a garbage can into which various kinds of problems and solutions are dumped by participants as they are generated. The mix of garbage in a single can depend on the mix of cans available, on the labels attached to the alternative cans, on what garbage is currently being produced, and on the speed with which garbage is collected and removed from the scene.[105]

The streams of 'garbage' meet in decision situations resulting in choices and/or action. Obviously, this is not consistent with inherent causality of the rational model for decision-making, presented above. Instead it presents a different explanation to decision-making where problems and decisions essentially have the same status. A solution may just as well be attached to a problem as a problem to a solution.

What is meant by a decision-/choice situation

The choice-situation referred to in the garbage can model is exemplified with decisions concerning the signing of a contract, the hiring of staff or the division of responsibility. For the purposes of his study of decision-making processes in the European Union, Jutterström argued that March and Cohen's definition of the decision situation is too narrow. Like Jutterström, we will

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[103] Kingdon (1995), p. 84; cf. Cohen et al (1972) p. 1.
[104] Kingdon (1995) p. 85; cf. Cohen et al (1972) p. 2.
[105] Kingdon (1995) p. 85; cf. Cohen et al (1972) p. 2.

apply a broader definition of the decision-situation, referring to it rather as a decision-process.

In our study of the decisions leading up to the ratification of the CARE Process by the International Council of Toy Industry's we will argue that there were a number of such processes—or "garbage cans"—which lead to the end of story.

Constraints in decision making process

The garbage can model, in its purest form, depicts an organization in anarchy—where problems, solutions and actors can come together at any point in time, in endless combinations to form a choice situation. In order to use the model to understand 'reality', however, certain structural elements that control the flows can be introduced. For this purpose, Jutterström uses the term "constraints".[106] The author points to two types of constraints, decision-constraints and access-constraints. While the first kind of constraint decides which *actors* should, or should not, be part of the choice-situation, the second kind controls which *problem and solutions* that have access to the decision. Levitt and Nass[107] point to another form of access-constraint, namely the institutionalized environment, with more or less formalized rules and norms that guide the streams. The authors refer to these constraints as the lid of the garbage can.[108]

By implying that there are certain structures and constraints to how decision-/choice situations appear, we are hinting at what the attentive (or conspiracy-minded) reader may already have realized: that there are ways for individual actors to influence decision-making processes for their own purposes. Empirical research conducted and presented after the introduction of garbage can concludes that actors involved in decision-making process in fact play an important role. Two authors who have noted this are John W Kingdon and David Jansson, which we will make you more familiar with in the forthcoming section.

KINGDON'S REVAMPED GARBAGE CAN MODEL

In order to analyze the agenda setting within the US federal government, Kingdon revamped the garbage can model. He introduced the concepts of

[106] Jutterström, M (2004) p.p. 194.
[107] Jutterström, M (2004) p. 195; c.f. Levitt, B. and Nass, C. (1989).
[108] Jutterström, M (2004) p. 195; c.f. Levitt, B. and Nass, C. (1989).

windows of opportunities and suggested that certain actors can act strategically within the garbage cans by acting as policy entrepreneurs. But lets start with the basics. Kingdon identifies three overarching, independent, process streams in the garbage can:

The *problem streams* include conditions which may or may not become a problem, depending on if they attract enough attention by actors within the decision process. There are different means by which conditions can become problems. Indicators are used to assess the magnitude of a condition, a focusing event, such as a disaster or a crisis, draws immediate attention to a condition, and feed-back may also act as a means by which a condition become a problem. When a problem is defined within the problem stream, certain solutions will appear more attractive than others.[109]

The second set of explanations for why policies end up high or low on the decision agenda is found within the *political stream*. Political events, such as elections or swings in national mood, act as powerful agenda setters. Kingdon claims that a new administration, for instance, can change decision agendas in many ways and places by highlighting new problems and solutions they perceive as important. Also, interest groups can act to press their demands and alter the political stream.[110]

Within the *policy stream*, alternatives, solutions and policies are generated. Ideas can float around for some time, maybe hook up with other ideas to form a new set of ideas. Kingdon refers to this as a primeval soup, where policies float around and wait to be discovered. The origins of a policy may be difficult to track down—however, that does not mean there are no rules by which policies are judged. Actors within the decision process as well as events in the larger context act to set criteria by which policies are judged.[111]

These three streams come together at 'critical times', which Kingdon call 'windows of opportunity'.[112] This is when a pressing problem demands attention and a policy proposal is coupled to the problem as its solution at a time when the setting in the political stream is right, the policy has good chance of reaching the decision agenda of a certain choice-situation.[113]

[109] Kingdon (1995) p. 197-198
[110] Kingdon (1995) p. 198-200.
[111] Kingdon (1995) p. 200-201.
[112] Kingdon (1995) p.p. 87.
[113] Kingdon (1995) p. 201.

An 'agenda' is "*the list of subjects to which people in and around the government are paying serious attention at any given point in time*", and within that agenda there is a shortlist of items that are up for decision, which is called the 'decision agenda'.[114]

Policy windows

> The policy window is an opportunity for advocates of proposals to push their pet solutions, or to push attention to their special problems.[115]

Advocates of a specific solution have, in order to be successful, bid their time till the moment when a problem 'floats by' to which they can attach their solution, and hope for a favorable mood to rise in the political stream. When that moment comes, the advocate must act fast, because the windows close. But, what makes them open?

Why policy windows open

A policy window opens because of changes in the political stream, which could be set off by for instance changes in the administration, power structure of the senate or a change in national mood set off by a 'focusing event'. The latter could be critical event like an accident, a scandal or equivalent that stirs up a lot of emotion and attention.[116] Kingdon calls it that "*an idea's time has come*".[117]

Why policy windows close

But that time also passes, and it may do so for a number of reasons. For instance, actors may feel that they have "*addressed the problem through decision or enactment*"[118], regardless if this actually has been done or not, this may close the window. A window may also close if actors experience that no action is

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[114] Kingdon (1995), p. 166.
[115] Kingdon (1995), p. 165.
[116] An example from the Swedish context could be the corporate scandal in the insurance company Skandia, where it was revealed that top managers had received very large compensations in a questionable manner. These focusing events, which have come to be called the largest corporate scandal in the Swedish business community, you could argue opened a policy window. Advocates of a stricter code of conduct for Swedish corporations did not hold their breath for too long and the fact that we now have a legally binding Code of corporate governance could be perceived as an effect of effective policy entrepreneurship. But the outcome could just as well have been sheer indignation and individual lawsuits.
[117] Kingdon (1995), p.p. 168.
[118] Kingdon (1995), p. 169.

taken, out of what you could call frustration. The interest in the 'focusing event' that opened the window passes, and the window closes. If the catalyst for the opening of a window was a change in staff, the window naturally closes when he or she leaves. The fifth and last reason why a window might close is that there simply was no alternative available. Kingdon also underlines that the perceived urgency of a problem diminishes over time; which basically implies that if you live with a problem for a (long) period of time you don't feel as inclined to deal with it as you did when it first emerged. Jumping into a half-open window is of course harder than a wide open one—hence: "*strike while the iron is hot*", as Kingdon puts it.[119]

Problem windows

Problem windows open when decision-makers perceive a problem as pressing. At any given point in time there will be an infinite number of issues that could be perceived as problems, naturally only a few can be dealt with—i.e. be on the agenda at once. The dynamics of problem windows are pretty much similar to that of the policy windows, they too can open due to changes in staff, power structure or national mood. The two types of window are related. Obviously, if a problem emerges, there will be a call for policy to solve it and vice versa.

How to get an issue on the decision agenda

In order for an issue to reach the decision agenda, all three streams have to come together. Kingdon calls this 'coupling'—the process of getting an issue from the governmental agenda onto the shortlist of the decision agenda. Although it may seem a mystery which items make the decision agenda and which don't, there is one factor that can offer one explanation: behold, the 'policy entrepreneur'.

The policy entrepreneur

The 'policy entrepreneur' is an actor who is:

> [...] willing to invest resources—time, energy, reputation, money—to promote a position in return for anticipated future gain in the form of material, purposive, or solidary benefits.[120]

Kingdon has in his empirical studies been able to distinguish three categories of qualities that characterize a successful 'policy entrepreneur': *Firstly*, they have a 'claim to a hearing' based on expertise, mandate to speak for others, or

[119] Kingdon (1995), p.p. 169.
[120] Kingdon (1995), p. 179.

an authoritative decision-making position. *Secondly*, they have powerful connections and/or vested negotiating skills. *Thirdly*, they are persistent.[121] All of these three qualities are valuable in the crucial softening-up process that precede most successful processes.

DECISION-MAKING PROCESSES AS GAMES

The garbage can model in its purest form describes an organized anarchy in which problems, solutions and actors float around, seemingly on random, and hook up with each other to form choice situations. Based on the findings in later empirical studies, we add structures and constraints and allege that there are certain *ways* to which decision-making processes happen. Digging deeper, with the help of Kingdom's theories on the policy entrepreneur, we have in fact pin-pointed how actors who are aware of the different streams can influence decision-making process to promote their own agendas. Policy entrepreneurs, according to Kingdon, understand the basic features of the garbage can model and are able to direct the flows/streams to influence decisions. Policy entrepreneurs are thus actors with good potential to deliver a problem *and* a solution to a choice-/decision situation/process when they believe the time is right.[122]

Jansson refers to the opportunities and efforts by certain actors to influence the decision-making process by breaking down the constraints which surround as the "logic of game playing"[123]. According to this logic, actors involved in any decision-making process ask themselves:

- What is the issue at hand?
- In acting on this issue, which rules apply?
- What strategies are made possible by the rules?
- How will other actors respond to my actions?
- Which action will generate success?

By applying the "logic of game playing" actors combine their own self-interest with what is perceived as appropriate within the given institutional surrounding.[124] This way of thinking, of course, departs from rational decision-making and adds an important tool to the policy entrepreneur's repertoire—the ability to use her/his knowledge of the rules in the institutional setting to promote her/his problem/solution.

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121 Kingdon (1995). p.p. 180.
122 Compare discussion in Jutterström, M. (2004), p.p. 196.
123 Jansson (1992), p. 182.
124 Jansson (1992), p. 159.

6. METHODOLOGICAL DISCUSSION

This case study can be divided into four phases. The first, which took place in early 2004, was when we decided to team up to write our Master's thesis and begun our search for an interesting topic. We both share a love of the States and Janerik Larsson, at the time Partner at Kreab's Stockholm office, helped us find a case that we could study, and more importantly introduced us to Harriet Mouchly-Weiss and Frank Clarke. The second phase begun: the phase of preparations, containing challenges ranging from research design, learning about the toy industry to finding an affordable apartment in NYC. During this time Mats Jutterström gave valuable advice and insights on research design and interview techniques.

The third phase begun November 1st when we settled in our crib in Harlem and experienced the last hours of presidential campaigning. Three intense weeks of data collection followed. During this time, we spent a significant amount of time searching filing cabinets, pondering potential explanations and exploring the culinary scene of NYC.

The fourth, and most difficult, phase begun when we came back to Sweden in December 2004: making sense of the information we had gathered and deciding on how we would construct our thesis. We accelerated our search for relevant theories and classified and pieced together the puzzle of information. Finding the reporting form also took its time; we experimented with forms, but at last, guided by Barbara Czarniawska, we decided to use the well-tested classical form of rhetoric that stems from the early days of the Greeks.

THE DESIGN OF OUR CASE STUDY

Conducting case study research is not easy, we learned that quickly. At the beginning we felt quite unsure, being the novices we are in this field. In designing our case study, we found Robert Yin's[125] insights to be very helpful. We have used his book *Case study research, Design and methods* to guide us through our work. Yin points to five components of case study research design which are particularly important:

i. The study's questions
ii. Its propositions

[125] Yin (2003).

iii. Its units of analysis
iv. The logic linking the data to the propositions
v. The criteria for interpreting the findings.[126]

We have chosen a very simple and straightforward research question: why the CARE Process was initiated. This is of course a question that could render many answers, and must hence be understood together with our propositions, which act as a filter, or a framework to what units of analysis we are looking at.

On triangulation and the sources of data

A common method employed in case study research is 'triangulation', i.e. using multiple sources of evidence. There are basically four types of triangulation[127]: of data sources (data triangulation); among different investigators (investigator triangulation); of perspectives to the same data set (theory triangulation); of methods (methodological triangulation). Given the scope of this thesis, we have chosen to mainly triangulate our data sources implying that we actively sought to complement our main data collection, interviews, with written documentation printed email discussions, drafts, meeting protocols et c and articles from newspapers and magazines. Searching the media was actually one of our first steps.

There are, according to Yin, six main categories of data, of which we have used the first three: documentation, archival records, and interviews.[128] The strengths of documentation are that it is stable over time; was created without regard to the purposes of the case study—Yin calls this "unobtrusive"[129]; is exact in terms of names, dates and details; and, offers a broad coverage. The weaknesses mainly relate to difficulties in retrieving and evaluating the documents as they may be biased. The same problems apply to archival records, which present an even greater access problem. Interviews have the strength of being targeted and insightful in the sense that during an interview, the researcher can focus on the things that are specifically relevant for the case study and draw inference from the experiences of the interviewees. On the other hand, the researcher faces the risk of missing out on important aspects due to poorly constructed questions, response bias, inaccuracies due to interviewees faltering memory or propensity to say what he or she thinks the interviewer wants to hear.[130] Aware of these difficulties, we have done our best

[126] Yin (2003) p.p. 21.
[127] Yin (2003) p.p. 98: cf. Patton (1987).
[128] Yin (2003), p.p. 85.
[129] Yin (2003) p. 86.
[130] Yin (2003) p.p. 85.

to mitigate them. We will comment more specifically on the nature of interviews below.

The logic linking the data to the propositions

Since the question at hand in this thesis is *why* the CARE process was invented, the choice to turn to the individuals who had participated in the process was easy. This could have presented a problem, but thanks to (in Marcus' case former) colleagues within the Kreab Group, we were given a very valuable level of access, which will be presented in the next section.

ACCESS TO INFORMANTS AND DOCUMENTATION

US member of the Kreab Group, Strategy XXI Ltd., as our informant and facilitator. They gave us time to interview consultants and, after some persuasion, let us access their detailed archive. However, perhaps most importantly, Strategy XXI took the role of what some call a 'door opener;' i.e. they made it possible for us to book interviews with busy people. We were also given access to Strategy XXI's office on Manhattan where the conference room served as our 'home base'. Let us take a brief moment to present Strategy XXI:

Introducing Strategy XXI

Strategy XXI is a small New York-based communications consultancy (PR Firm) specializing in "global issues management; crisis management and litigation; corporate communications and branding; international public affairs; and CEO and senior management training." The firm is managed by its founder, Harriet Mouchly-Weiss and has thirteen consultants working in the New York and Beijing offices. Chairman of the Board is former Swedish Prime Minister Carl Bildt. On its website, Strategy XXI describes its collaboration with the TIA as follows:

> Strategy XXI, which has helped the TIA in the U.S. to address many different issues for nearly a decade, was called in, first by TIA and subsequently by ICTI, to spearhead the development of a single, fair, consistent monitoring program for toy factories in China.

In doing so, Strategy XXI specifies providing the following services: Global project management; Strategic planning; Business plan development; Coalition building; Government relations; Communications planning; Website and newsletter development and publication; and Grant-writing.[131]

A brief note on integrity

This type of collaboration of course has implications on the data you receive. Although very grateful for the people that we did get a chance to meet, there are maybe others that we were not presented to—not necessarily for reasons that would easily lend themselves to conspiracy. But, the fact that there is a customer-client relationship between TIA and Strategy XXI is worth underlining, as it may effect the informants' willingness to speak freely and the inclination to take up people's time. It is however worth noting, that we were surprised at the sincerity that we met in most of our informants. Nonetheless, we have not abandoned the ideal to maintain the perspective of the skeptical—but curious—outsider that characterizes good science.

OUR APPROACH TO INTERVIEWS

We used a semi-structured model for our interviews; i.e. we had prepared questions but posed follow-up questions freely. We prepared all of the interviews with a 'battery' of questions tailor made for the specific informant. By doing this we were able to pick up on suggestions that previous informants hade made and fill in blanks. In terms of time, the interviews lasted between thirty minutes and two hours. The interviews with Clarke and Mouchly-Weiss were held at Strategy XXI's office, the two with Miller at his office, and the interviews with the people from the TIA at their office in downtown NY. For practical reasons we interviewed Brown, Klein and Smith[132] using a conference phone (i.e. with speaker and multiple microphones). We both participated actively during all interviews.

We found Kylén and Vestlund's (1980) review of interview techniques and strategies most helpful; unfortunately it's only available in Swedish. We used their structure for all of our interviews. Basically, they suggest that interviews be prepared so that it consists of six phases devoted to the following:

1. Warm-up: presentation of the study's scope and the layout of the interview.
2. Open story: the informant is asked open and encouraging questions. Key words, and crucial information is noted.

[131] Internet: http://www.strategy-xxi.com/toyindustry.html [2006-01-15].
[132] We have for reasons of integrity chosen to make the industry representatives anonymous.

3. Getting the story straight: questions are repeated and the informant is requested to be specific in his/her answers. "Tougher" questions may be posed.
4. Control: even greater accuracy is sought and the interviewer may present an interpretation to check its validity.
5. Last questions/additional information: the informant is allowed to pose any questions he/she may have and "easy" questions are asked.
6. Conclusion: thank the informant for his/her valuable insights and tell the person how the information will be used.

In order to be able to focus on asking the right questions and not on taking detailed notes, we recorded all interviews using an Apple iPod with a voice recording gadget called an Griffin iTalk. This allows you to record long interviews and converts them into .wav files. We have afterwards typed out most the interviews to be able to abstract accurate quotes and more importantly make sure that we be able to make use of all of the information obtained. The typed out interviews amounted to approximately 60 pages.[133]

Comments on the nature of interviews and interviewees

Although we spent a considerable amount of time carefully preparing our interviews, we still ended up with less consistent material than we had hoped. Czarniawska has summarized her experiences of interview situations in her report "*Interviews, Narratives and Organizations*". She too had—what she describes as "*vain*" hopes—to be able to collect "*information and facts*" in interviews. Her verdict is painfully striking: "*the unaided memory always falters: people do not remember dates and numbers.*"[134] She argues that:

> […] what people present in the interviews are but the results of their perception, their interpretation of the world, which is of extreme value to the researcher, because one may assume that this is the same perception that informs their actions.[135]

Czarniawska also underlines the tendency among informants to resort to what Bourdieu calls 'officialization'[136], or in Czarniawska's words: 'representation',

[133] The interview with Ian Andersen, which was conducted at the Oyster Bar in Grand Central over a three-hour dinner, we did not type out. Partially for technical reasons, the recording was muddled by conversations at neighboring tables (and the guy was Australian, which didn't exactly make it easier to understand what he was saying). But also since the he had played a peripheral role in the process. Nonetheless the dinner/interview was very useful since it allowed us to discuss some ideas.
[134] Czarniawska (1999), p. 3.
[135] Czarniawska (1999), p. 3.
[136] Czarniawska (1999), p. 12; c.f. Bourdieu (1990).

which she compares to the habit of putting on a nice suit when visitors are expected. It essentially describes the tendency among informants to present themselves "*in a good light*,"[137] leaving the interviewers with a biased and incomplete story, consciously and unconsciously.

Making sense of interviews: criteria for interpretation

Faced with sixty pages of interview transcripts and the above nations on the nature of interviews we were at first petrified. We read through the scripts, made several timelines, tried to reconstruct one story, but it simply didn't work out, there was simply no 'one' story there. The best solution, we decided, was to use what Czarniawska calls a multi-voiced story. For this purpose we chose to lend the voices of two representatives from the three perspectives: Miller and Conley from the TIA; Brown and Smith from the toy industry; and Mouchly-Weiss and Clarke from Strategy XXI. In order to facilitate the reading and analysis we chose to apply the same structure to all stories, in which we have chosen to include quotes. *Nota bene*, that the stories will be ours since we did the cutting and pasting.[138]

A brief introspective comment

Although of course exciting, working in a new cultural context presents some challenges. We have both lived one respectively three years in the US, and can hence credit ourselves as having overcome the initial cultural and language related barriers, but still, we cannot say that this change of setting did not affect our ability to collect and analyze data. One positive aspect of us being "Europeans"—as the Americans liked to call us—is that unaware of implicit rules and codes we may have been able to ask questions that a more culturally fit person would have felt uncomfortable posing. On the other hand, this also means that we may have missed out on things that were said 'between the lines'.

[137] Czarniawska (1999), p. 12.
[138] Czarniawska (1999), p. 29.

7. BACKSTAGE MEMOIRS

In this section we will take you backstage, to the areas of the decision process that the outside observer does not have access to. As outlined in our methodological discussion, we have chosen to present the voices of six of our informants. We will begin each story with a short introduction of the informant and then continue to tell their stories.

DAVID MILLER'S STORY

David Miller was the President of the Toy Industry Association until Tom Conley was elected. During his time, TIA—with the help of Strategy XXI—started thinking about how to best develop a process for implementing the codes of conducted. Note that Miller left TIA/ICTI in 2000, thus cannot report on the details of all parts of CARE.

What was the state of things?

David Miller's story begins with the toy industry off-shoring operations to China. Miller points to what he perceives as one of the origins of the problem: the lack of enforcement of existing labor laws in China.

> […] ethical manufacturing really goes back to the beginning of the toy industry; I guess since the late 1950's the US toy industry has migrated out of the country: first to Hong Kong, then to Taiwan and Korea and then to China. […] the laws in China, going back to the days of Mao, were labor friendly. So there has been very little need to change legislation. It was all on the books; but the ability to enforce the laws is something else... difficult.

Miller also brings up the complexity of the current supply-chain. Producers of toys in China have developed a comprehensive network of subcontractors, which makes it difficult for buyers to gain full insight into the manufacturing process.

> In China there was a wall—well, the Great Wall is one thing—but there was a wall about getting in and being able to talk to employees about union representation and so on.
>
> Take a company like Mattel […]Now today, they have grown in size so much that they have so many suppliers in China that they cannot control them as good as they like. […] Another example is Walt Disney and the famous mouse. At any one point in time, they have between 1,000 and 1,500 factories putting that one mouse logo on

> something: apparel, pencils, toys et cetera. You cannot control it. I don't care who you are. So you have some difficult questions.

In the eighties, Miller claims there was an increase in NGO activities directed at the toy industry:

> When we saw, I guess in the eighties, the coming of a great deal of activism, with respect to conditions in factories we began to work on a process for monitoring factories, particularly in China. It […] coincided with the rise of the—if you will—NGOs as we know them today.

The industry realized they had a problem on their hands. When addressing the issue, Miller claims TIA draw advantage of some of the processes used when working on safety standards.

> The thing that give the industry the edge is that the toy safety regulations in the US are fist rate, hazard based and the consumer product safety commission and while the industry has fought all the time with them.

What was the intended change, the objectives?

Miller first points to the need to appease important stakeholders, primarily end-customers, as one of the main objectives for initiating the work on what would later become the CARE Process.

> It was responding to the next risk in our business so to say. […] The needs of your customers is what drives you. If they focus on one thing, you do that, if they focus on another, you focus on that.
>
> Q: So there was customer pressure for this type of action?
>
> Well, not originally. We saw it long before the retailers and you know they only get it when they get pickets outside of their stores overt statements like that. Well, of course statements in themselves don't necessarily move them. Well, many times they will turn to their vendors, manufacturers, and say: "take care of the problem; it's your factory, your problem."

As well as motivating the actions from a business perspective, Miller points to altruistic reasons. The desire among serious business people to do the right thing, in order "*to be able to go to sleep at night*". In passing, he also brings up the benefits of being able to control complex supply-chains by using the same standards everywhere.

> I would say that the large companies would continue these programs even if customers were totally indifferent because it's the

> right thing to do—the ethical thing to do. And people who take pride in their products know only one way to do it.
>
> Q: But you still have to use business arguments…?
>
> I think that is the second argument. I really do. I think that people who have ethical values are going to impose them on their organizations. I'm not a cynic. If the management is made up of believers the rest will follow. […] The NGOs have a role, governments have a role, the consumer has a role. But essentially it's what you see in yourselves…

What did you do?

Miller claims the (immediate) response by TMA was to create a specific forum consisting of representatives from Mattel and Hasbro, together with TIA and Strategy XXI, to address the issue. Within the group it was decided that efforts should be concentrated on developing a process for how to implement the existing codes of conduct throughout the supply chain. No retailers were invited to join this group.

> The beginning was collegial and there was a sense of urgency in getting it done. And Mattel and Hasbro were keeping retailers apprised at certain levels.

When creating the working-group certain actors were given more power than others. The two major actors, Mattel and Hasbro, were given a seat at the table because they (or at least Mattel) had the "technical expertise"; they had a comprehensive code in place and had previously worked with implementation of the codes in China.

Retailers had no access to the decision-making process. Miller gives two explanations for this: 1) they had nothing to contribute, since they no first-hand experience from manufacturing in China 2) this knowledge was based on previous experience when working with safety standards for the industry.

> Outside of Mattel, none of the companies had comprehensive ethical standards […] We started early on in the process [to work with Mattel and Hasbro]. Without their technical input the code would never have happen. […] They set the standard and it was argued out among the other technically competent people at TIA. There are a lot of people who would take credit for the good things that happened, but the reality is this standard was written by Mattel and Hasbro.
>
> Q: Was it never a problem among other members that this was all taken care of by just a few actors?

> No, because the toy safety standards people understood perfectly well where the technical expertise was coming from. And all of them were free to inject themselves where they felt they had sufficient expertise. And we kept everyone informed about what we were doing and there was a lot of success.

In the process, a proposal for an auditing organization, based in Hong Kong, called Toy Audit Factory Limited (TFAL) was drafted.

> Very early on, Frank and I developed the concept of TFAL, which was to have an inspection organization. What I was trying to do with the consent on the board, which [later] gave me USD 1 million to try and implement it, was to create a transparent, independent organization, free of the testing organizations[139] because they are in the system to make money. […]And we had some examples, auto, aircraft industries… I was able to go to the top management in the toy industry and say 'look, we're not inventing the wheel'… This has been done before and succesfully so.

TFAL was to make sure the industry's Code of conduct was implemented in factories in Southern China.

> It was a year and a half, two year process. […] We had hired inspectors, trained inspectors, taken an office in HK to use as base to go out in the factories. It was beginning to take whole. And I don't mean to brag but it was my force of will that was pushing it through. The board was supporting me totally. […] The industry would fund it till it got up and running and then it would be self liquidating. It would not be industry controlled, and when an inspection got done, the industry would not modify the findings.

The idea of having a third party do the auditing was rapidly erased from the agenda. David Miller was a strong opponent of this:

> I felt very strongly that this would have to stay within the industry, not to some third party who knew nothing about this. And we had some examples, auto, aircraft industries… And I was able to go to the top management in the toy industry and say 'look, we're not inventing the wheel'… This has been done before and successfully so. […] It [third-party auditing] would cost a lot and there is no benefit to it.

TFAL encountered resistance; critics claimed TFAL wasn't transparent enough, and that the implementation would be in better hands with a third-party auditor. However, David Miller feels the criticism was unjust.

[139] By "testing organisations", Miller means independent third party auditors.

> They wanted to reinvent the wheel, wanted to bring in the testing agencies. I wanted to force through the success of TFAL and enlist the support of Wal-Mart, Target and Toys R Us.
>
> The criticism is ill-founded. It [TFAL] was not an industry organization. We were funding to get it up as an independent organization and there was no intention to control it. […] I feel bad about TFAL not happening because it would have saved the industry millions of dollars.

When David Miller left TIA in 2000, TFAL was shut down and the industry went ahead to reform the program to include third party auditors. Miller argues that the fact that he left the organization was the reason to why TFAL was closed down.

> I left at a time when the boat was in the midstream and without somebody driving it the way I did, it wasn't going to succeed. It left an opening and the process then became what it is today. […]I think we were headed the right way but we needed time. And we needed the major retailers in the US. And that took one by one selling, and I was gone…
>
> Q: What about Tom Conley?
>
> He came in as a professional manager […] with no institutional memory and no knowledge of toy industry. But in the areas of safety and standards we had on staff competent people and outside consultants like Harriet who kept the institutional memory. But without an autocratic leader like me with all my experience… I was short with people who tried to slow down the process…

TOM CONLEY'S STORY

Tom Conley was appointed President of the TIA in 2000. Conley had no background in the toy industry, and was by Miller described as a "professional manager."

What was the state of things?

> We've discovered—what we, I, believe—is that retailers have become the strongest players in the chain. De facto, [they have become] the voice of the consumer, the NGO community and of the shareholder community, because they are the most visible—they are all public companies. They get the pressure from shareholders, consumers, NGOs.

Under this mounting pressure, the retailers are looking for solutions to assure that they are perceived as socially responsible. They do not, according to Conley, want to have to deal with codes for individual (product) segments. Nonetheless, taking the example of Wal-Mart, they are currently having trouble with their own auditing programs. Although Wal-Mart has external as well as internal auditors, they have been accusations made alleging inconsistency and bribery. In response to this, Wal-Mart has been forced do additional audits.

According to Conley, change is slow, especially in China, which is why focus should be on transparency and making progress. When it comes to NGO pressure, he describes toys as a very "*visible category*," since they are made for children, and also volatile, since most toys are sold before Christmas. There is also a spill-over effect of negative publicity—i.e. a sort of guilt by association [meaning that sales of other product categories could suffer]—that should encourage retailers to make sure that this type of publicity is avoided.

One "frustration" that Conley puts forth, is that the industry leaders, who feel burdened by the threat of negative publicity, take action to act responsibly, whereas the smaller companies don't. Conley believes that this can be explained partially with the pressure on margins and profitability that these companies suffer under, but also their sourcing routines. According to Conley, the smaller firms have little control over their supply chains since they oftentimes basically only talk to an agent who will then independently "shop around" to find someone that can manufacture the product. What they worry about, is "paying the bills". Essentially, this results in a situation where the "good guys loose".

> Once again, for all those trying to do the right thing, their costs are going up and they get no reward. They are getting punished economically for doing the right thing and the bad guys can continue to prosper, and that's not fair. That's the biggest conundrum I go to sleep with every night—how we construct a system which forces the bad guys to comply? I'm not worried about Mattel, Hasbro and Lego. They have got to be competitive, but they have been industry leaders in social responsibility and trying to do the right thing. It's the cheap competitors that we never hear about that are making it hard for everybody. They are giving the industry a black eye. And we find ourselves having to defend people who, a) aren't even members most of the time and b) as far as I'm concerned ought to be in jail.

This situation is, according to Conley, fuelled by the lack of law enforcement in China. Regional exemptions and special permits open for lawless manufacturing.

How would they change?

Conley said that cost reduction was the key argument. However, he stresses that he would have had to "phrase it differently" if we had been members of the media. He underlines that this is "the reality"—publicly traded companies are very focused on cost. Although following the ICTI Code is the "right thing to do" the main argument has to appeal to these people's business sense. Using the visible and volatile product category that toys is, Conley believes that the ICTI Code is a good "baseline to focus the supply chains around the world around."

With respect to the current situation where the good guys "loose," Conley's objective is to:

> […] try to build a system that recognizes and supports and forces all competitors to do the right thing. Otherwise the slime balls can get away with murders.

What did you do?

When Conley was appointed President of TIA, TFAL was in place. Conley describes TFAL as "*an attempt by the US toy industry to put pressure on Chinese factories to get audited*". There were, according to Conley several problems with TFAL:

> […] the main problems were: one, the retailers weren't demanding that the audit take place and two, that association could say what

> they wanted, but its own members weren't really demanding that there would be audits. So we were out there starting a business, selling something the factories didn't really want. This without the support of the two most important actors in the process, which were the manufacturers and more importantly the ultimate customers: the retailers.
>
> The first thing we had to do was to get out of TFAL, kill it, and then move on.

After having closed down TFAL, the idea of third party auditing was brought back on the agenda. The main objective became to obtain recognition from retailers, and to reduce the number of audits. Efforts to get the convergence process going.

> Many of the retailers had their own codes, there were also other codes, so we had a big meeting in Paris. [It was] put together under the auspices of ICC—[they] did a fabulous job in bringing together many of the global players and we were able to talk about what the challenges and opportunities were to create a global code for the toy industry, which was what the ICTI Code was, but then how to implement it through the supply chain.

The meeting was in October 2003 in Paris. A group was set up containing representatives from Disney, McDonalds,

> A couple of Europeans—Karstadt, which also represented the AVE.[140] That group still exists, [and it] has gone with a pan-European approach to CSR. So we are seeing this catch on.

Wal-Mart was not present at the Paris meeting, but:

> Harriet and I went to Wal-Mart, we finally got a meeting, went on Good Friday, got their agreement that they would start looking at the ICTI Code and consider it. Since then we've had three meetings with them and we are moving forward to hopefully do a test with them where they will accept the code. Also in the process are people from the apparel industry, which is WRAP, which we modeled the ICTI Code off, have come to Wal-Mart with us and we are trying to create—and this is the working title—a super code.

Where has this left you?

Conley argues that the ICTI Code is transparent and will have NGOs on the board.

[140] AVE stands for Außenhandelsvereinigung des Deutschen Einzelhandels e.V. (AVE), i.e. the Foreign Trade Association of the German Retailers. [http://www.ave-koeln.de/aktuell/index.htm].

> It's basically the kind of system that the most aggressive of the social advocates have been pointing towards. We are still not at the point where the Chinese factories will be opening up their factories to the media.

With reference to the "slime balls"—i.e. the companies who haven't decided to require ICTI Certification at the factories manufacturing their products, TIA has launched the Date Certain campaign.

> At the February toy show we are going to have a press conference when we're going to tell the retailers and more importantly the consumers that these are socially conscious companies. And by implication, those that haven't signed are probably not. Hopefully, we'll see pressure being exerted either in the buying offices, or by the NGOs, or hopefully the customers.

When we asked Conley how much pressure he feels that he can place on members to, he said "not a lot".

> We really need a little bit of prodding, begging and yelling—the combination is probably what works. […] We might be slicing our throats here.

When we asked Conley about the fact that some members have developed their own codes, he said that this 'dual tracking' is a problem. Pressure from their respective boards to resolve these matters in a cost effective way (not necessarily acting in the industry's best interest) and the fact that the ICTI CARE Process hasn't been "as controllable as they'd like," are two explanations to this.

CHRISTOPHER BROWN' STORY

Christopher Brown is Senior Vice President, Corporate Quality Assurance, at Hasbro, Inc.. In this role Brown has spend a considerable amount of time working for the TMA/TIA and was a member of the TIA group that drafted the ethical manufacturing code.

What was the state of things?

Hasbro had been manufacturing in China and Hong Kong for "a long time". Business had initially been conducted on an informal basis—i.e. with little control. But Hasbro started to monitor the conditions its products were being produced under; a vendor approval process was created. A fire in an factory in Thailand[141] prompted Hasbro to take action:

> Following the fire in Thailand, the Kader factory, in 1993 I think, really was what prompted us to take what we had internally and develop the fire safety and emergency preparedness manual […]

The fire made it clear that the industry needed to assume responsibility for the conditions in its subcontractors' factories, since they apparently were insufficient.

Efforts have been made to communicate with NGOs. Brown did not want to give any specific names, however he underlined that NGOs have influenced the course of things.

> I must be careful, and I don't mean to downplay the NGOs part in this process. Their role has been valid and the NGOs have struggled to get attention and recognition. And the way they do that is to get into the newspapers. And that is much easier if you make an accusation of Disney, Mattel or Hasbro than if you make claims against small companies. So they are always going to do that. By the same token there are times when it's really not clear whether they are trying to help the workers or maintain their recognition.

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[141] For the record: Kader Industrial Co. Ltd, in the Sam Phran District of Nakhon Pathom Province, Thailand, produced stuffed animals and plastic dolls. On May 10, 1993 a fire broke out in the factory. Due to insufficient fire safety measures 188 workers, mainly young women, died and a large number were injured, making it one of the worst work-related fire catastrophes in modern industrial history. For a short analysis of the event, see the ILO's report, available at: http://www.ilo.org/encyclopaedia/?doc&nd=857100058&nh=0 [2006-01-23]

Brown believes that NGOs are particularly prone to scrutinize the toy industry because of its connection to children—he believes that this is done because children have an 'emotional pull'.

> Everybody likes to throw stones at the toy companies; partly, because children make very good news. So we've always had some awareness that that goes on. I think that makes more conscious of it and we're kind of used to being a target some times.

Another fact of matters is the large number of factories producing for the toy industry.

> […] there are something in the region of 35,000 toy factories in southern China. The large companies like ourselves – you need to deal with relatively large factories. They tend to be much better than the small ones. They got more exposure to western needs, they have to be more efficient, and that drives the safety requirements that we have. They have to meet these issues. So even if we get those factories complying, it's still a relatively small percentage of the total toy industry in China. When other customers don't have the same requirements that we do, it puts them [the factory owners] in a little bid of a dilemma. […]

How would they change?

Starting with manufacturers' shortcomings, which Hasbro became fully aware of after the fire in Thailand, Hasbro determined to help factories understand what they needed to do; i.e. which standards with respect to fire and safety they would have to uphold. The intended change implied taking a whole new role: acknowledging that the subcontractors are developing companies in developing countries, Hasbro takes on a teaching role.

> We've made it much more transparent. The factories, what it is we except of them. The guidance document, we've tried to make in a learning process as much as a monitoring process. Other groups that have done this really haven't used their monitoring process as a teaching tool. They go in and evaluate a factory and it passes or fails at some level. We've tried to go out and say: [since we are] primarily working with developing countries and developing companies, the best way to get them to change is to make sure they understand at least what they are expected to do, even if they don't understand why they have to do it. So we try to give them a lot more information to make it easy for them to implement a good program.

With respect to the diverging requirements, a wider scope was called for. The intended change was essentially to align requirements across the industry, also outside the US (i.e. TIA) into the world (i.e. ICTI) hence creating a 'leveled playing field'.

> […] The only way to make change is really at an industry level—we have got a better chance of taking the message out and helping the small factories… Event though we did this at TIA, it was really through the ICTI process that we got to a wider number of people. Also this helped us to create a more leveled playing field among the sourcing lines, and take it to our customers in large.

What did you do?

A committee was formed to deal with the issue In doing so they looked at the apparel industry for advice. Brown brings up two organizations: WRAP and FLA.

> And within that committee we have what we call the technical advisory board to the CARE process. The intent is to respond to any issues that come up from a technical point of view and resolve them.

Brown remarks that an important part of the decision-process leading up to CARE was to look at what was going on in terms of ethical standards in other industries with manufacturing in China.

> Yes, we've looked at an organization called WRAP [Worldwide Responsible Apparel Production[142]] and FLA—the Fair Labor Association[143]. Plus other companies within the industry. Disney, McDonald's etcetera. We've really separated it into two areas. What I would call the non-technical areas, which include child labor, working-hours, discrimination, freedom of association—relatively self-evident issues. Then there is the health and safety area which is a lot more technical and I think we've done probably a much better job than other organizations in defining that more clearly. The non-technical issues have some nuances but they are relatively self-evident and easy to understand…

In terms of Hasbro's own actions, Brown tells us that the content of the ICTI has been used as a monitoring process for the last two years (which today makes it three years).

> We've had our own code and monitoring process which has been very similar. And since we've been involved in the ICTI process we've been confident that the ICTI code covers 99 percent of what

[142] See: http://www.wrapapparel.org
[143] See: http://www.fairlabor.org

> we expect to have covered. So we have effectively used that as our monitoring process. Been doing so for the last two years.

Where has this left you?

When we ask Brown what he believes the critical success factors are he brings up to things: getting all members to use the ICTI Care certification so that it becomes a true industry initiative. Once this has been accomplished, Brown believes that the industry can extend the program beyond the borders of the industry; i.e. gain recognition from its customers: the retailers.

> Q: What are the CSF:s to make the program work?
>
> One: getting the association members to put a date certain in place. The more companies that do that, the better the message gets out to the factories, the more we can talk as an industry to our customers—the Wal-Marts and Toys R Us of the world—and get them to recognize the validity of the program. The retailers have a big part to play because they are the common denominator across the factories. A factory who is doing business for ten different brands probably all sell to Wal-Mart. So having Wal-Mart recognize the program really cuts across the factories. So that's our main goal at the moment and a CSF.

ROBERT SMITH'S STORY

Robert Smith is Senior Vice President of Quality Assurance and Compliance at Mattel Inc.. He was also a member of the group developing TIA's ethical manufacturing standards.

What was the state of things?

The first thing Smith told us about in our interview was Mattel's own program, Mattel Independent Monitoring Council (MIMCO), which was founded in 1997 under the guidance of Dr Prakesh Sethi and other CSR experts. MIMCO provided Mattel with what Smith refers to as a "truly independent monitoring system", which in short implies that Mattel's factories are audited on Mattel's Global Manufacturing Principles (GMP) and that the results are made public without Mattel having any direct input—in essence a third party audit. Having heard this, our reaction was naturally that this sounded similar to the CARE Process.

> Sure. That's why I wanted to give you that background. Mattel was, and still is, unique in this regard. We conduct audits every year through this independent organizations. [to be continued below]

Having established that, Smith pointed to three main problems in the state of things in the mid 1990's. Since Mattel owns and operates the factories that produce roughly half of all their products, Smith believes that Mattel has a more "vested interest" to ensure compliance with their standards.

> Even in countries where the [general manufacturing] standards are either non-existent or in our minds not sufficient, we can rely on our knowledge of standards in US and Europe to develop requirements that we can apply more broadly.

When it comes to maintaining high standards, there were two stakeholders pushing for it: retailers and NGOs. Starting out with the retailers, they have essentially been compelled to place greater demands on the conditions that the products they sell in order to prevent negative publicity stirred up by NGOs. This has led them to establish their own standards, which they would have the factories audited against. Since most toy manufacturers were doing the same, this led to factories manufacturing for several companies being audited several times.

> Well, what has developed over the years, because one half of our products is made through contract manufacturers/vendors, we found that these were being audited multiple times. The story that you hear—the folklore—is that some factories are audited an excess

> of 50-60 times per year. That's exaggerating a little bit, but you have slight modifications on a very central theme. These companies were having to deal with not only the time and energy to accommodate the audits, but they also had to deal with these slight modifications and figuring out ways to address them. So there was a lot of time and money spent, sometimes wasted, on these duplicative audits.

The excessive audits essentially led to manufacturers' wasting of time and money on making meaningless changes to comply with conflicting standards. To move on, Smith also points to some more controversial differences in standards.

> In some cases the differences were significant, and they were most prominent and disconcerting when they existed between manufacturers and their customers, the retailers. Surely the public and the stakeholders were holding them responsible too… For example, say Mattel and Hasbro say workers must be 16, Target comes in and say they must be 18. What's the factory going to do?

With respect to criticism, Smith believes that NGOs are playing the role of the critic, which eventually leads to improvement.

> You have to assume there will be criticism, that's the role various NGOs play and they will continue to play that role. While I argue with them and they do play a critical role, because they are the ones that affect change whether it be in us or others. So that role will continue and I don't want anyone out there to think that this is going to solve all problems… It's a lot easier though to face criticism if you have control of the program. When you rely on a program you don't have to control over what do I say? If it's my program I can easily defend it.

How would they change?

Smith's solution is simple: the objective is to apply knowledge from the Western world and create a consistent set of standards for the toy industry.

> So we decided to get together, and this goes back a number of years, to establish a consistent set of standards that the entire the industry could adhere to.

What did you do?

Robert Smith described how he teamed up with representatives from Mattel, TIA and Strategy XXI to work out a way to construct a valid auditing program for the industry. According to his point of view, Mattel at the time had the most comprehensive ethical manufacturing program and could thus contribute with their expertise on the subject.

> You asked about my input and I think very specifically we brought to the table our knowledge in areas of EHS [environment, health and safety] and I will say that the ICTI Code/Checklist is essentially the same as what is contained in Mattel's principles. I think the industry recognized that 'hey these guys are one of the few companies that own and operate factories, they got a very well developed and sophisticated set of requirements and they know it works. Let's just incorporate them into the ICTI Code' and that's what's happened.

So essentially, Mattel's Global Manufacturing Principles, were adopted by [presumably first TIA] and then ICTI. But when we later discussed what had been most difficult in the development of the code, Smith answered "*lengthy and detailed discussion about the standards themselves*".

> […] The items that appeared on the checklist and the wording. It was just very time consuming to go through that, because you had people that were very dedicated to this and maybe had their own set of standards and had to compromise a bit on what they had always believed in to establish a universal set of standards.

This resulted in a code, a document containing general principles, and a specific, concrete checklist, which would be used to specify what the factory would be audited on.

> I like to think of the CARE Process as having three components: Think of it as a pyramid. At the top is the code itself which is a set of statements that indicates what this process is all about.[…] At the bottom of the pyramid you have the various items in the checklist, the very detailed checklist. […] In the middle is this not very well defined area called oversight. That is who is going to train the auditors to insure that we get consisted audits; who is going to review the audits once they are conducted to make sure that they are conducted properly and that the factories were rated consistently and appropriately. Who is going to settle disputes between the factories and audit firms, who is going to settle disputes between brands and factories?

When discussing the issue of oversight, Smith expresses concern regarding the level of involvement of NGOs in this process. according to Smith, NGOs should be given the right to direct input but not control, since this would mean that the industry looses control of the process.

When we asked Smith about TFAL, he said that he had been involved in the discussion, but added:

> At that point Mattel made a decision that we were going to continue with our [own] program. We were not ready to fully embrace the concept of TFAL. Let me also say, I looked at TFAL as an option in terms of an auditing organization. I talked about our two-phase program we had our own internal auditors and we had corporate oversight. Part of that corporate oversight included the option of having an independent audit firm go in and audit. In other words I could use staff that I had or I could use an outside audit firm. It was just a matter resources and cost et cetera. So when I spoke with TFAL I said: look we use outside, independent auditors and you are welcome to participate. If you guys want to bid for the business or if you can convince us that there are advantages. But I really didn't see TFAL as anything more than an option in terms of an outside auditing organization.

So it seems that Smith perceived the creation of TFAL as a cross-road, at which he chose to carry on with MIMCO. This was Smith's response when we asked him about Mattel's dual tracking—the fact that it has two pretty much identical programs in place.

> Let's say we abandoned our own program, and rely solely on the ICTI CARE Process. And all of a sudden various NGOs or shareholders were finding faults and deficiencies with the process, I personally would get criticized for my role in allowing that to happen and Mattel would get criticized and people would say how could you rely on this organization. So there's a real concern among a lot of the people involved that the process be robust, consistent that it have integrity so that we can withstand criticism. I will tell you, I don't think there is anybody who thing the criticism will go away – if they do, they're wrong.

So[MA1], instead Mattel has chosen to continue to work with Dr Sethi and his organization ICCA.

> The results [of the independent audits] are published on our web-site, and they contain both good and bad news. Some things that we are very proud of, some things where we are proud of the progress but still contain some deficiencies that need to be addressed. By the way, MIMCO has become, as of January 2004, the ICCA, International Center for Corporate Accountability. MIMCO no longer exists. ICCA is still under Dr Sethi, but the concept has expanded to other companies and industries. We didn't feel it would be appropriate that this organization to be working specifically, or 70-80 percent, with Mattel. And in order for them to be truly

> independent we said you need to be involved with other companies to a larger extent. And this is what they've done.

Where has this left you?

We concluded our interview with Smith by asking about his thoughts on the Date Certain campaign, which as it turn out Mattel was first in class to sign up on.

> Yeah, I think it was a critical concept. And I'm proud to say we were the first to issue a date certain. It was last January when I attended the HK toy's council meeting in HK, Mattel got up and said: We're convinced this is a viable program and we're going to require that anybody that does business with Mattel will have to have them certified by 2006. And that then led to a number of other companies issuing date certain. And you're seeing a lot of movement towards this January 2006 concept.

HARRIET MOUCHLY-WEISS' STORY

Harriet Mouchly-Weiss (MW) is Managing Partner of Strategy XXI and she has been working with the TIA for over a decade.

What was the state of things?

The situation in the late 1990's was that the toy industry as a whole lacked a good answer to questions regarding what they were doing to ensure acceptable manufacturing conditions in China. Some of its main actors did, however, not. According to MW, Mattel and Hasbro had their own 'in-house auditing programs'. But these were, according to MW, not perceived as credible, since self auditing implied a conflict of interest.

> People like Walt Disney, Universal and Wal-Mart want third-party audits, because they want the transparency. Which is not to say that in-house audits are necessarily bad, but you have to figure out who the target audience is that you're trying to convince: it's the NGO community and the media community; they want transparency.

MW also commented on the situation in China, and pointed to the inconsistency between Chinese legislation and enforced policy. Chinese laws on are actually adequate, according to MW. The problem is that factory owners are granted special permits, despite an overall vision of full employment. MW pointed to a general unwillingness among factory owners to comply with the relatively strict rules for overtime of workers. She stresses that this 'problem' isn't unique for China and underlines that it isn't likely to go away either.

> Most factories don't want to comply, either have workers who want to be working these hours. That's not particular to China; [there are] sweatshops all over. You are never going to get a 100 percent perfect world, but if you could get the major 6 to 10 thousand factories to conform to the code, you will have come a long way. China is a member of WTO, so they have to be ILO confirming on age. It's a question of time and how you run your factory. If a factory becomes too expensive, buyers can always move elsewhere. So you'll be chasing your tail…

Although stressing the potential of the ICTI Code, MW underlines the discrepancy in NGOs' [i.e. activists'] perception of how quickly things can change and the 'reality'—i.e. that of the toy industry. MW also points to the cultural differences between China and the western world and underlines that Chinese citizens do not have 'Right of Association', i.e. they are for instance not free to join independent labor unions. This remark is made with reference to the fact that this is a demand made by some NGOs.

> ICTI code very good model of what can be done within an industry. It also shows it can't be done overnight. Far more complex than most NGO's think. Cultural aspects, workforce has to be trained et cetera. […]You have to deal with cultural norms all the time. For instance, Right of Associations are not allowed in China. One day it probably will, but not now.

MW also brought up the role of consumers. Her perception is that consumers basically don't care about the conditions that the products they buy have been produced under. She describes her task as "scaring the brands and the retailers," since consumers "barely look at the package" of the toys they are buying.

> Well, I think this is why things are moving so slow; there is no pressure. I have to self-create the pressure! Around toy time as the holidays we begin to get some pressure—the activists use the toy-buying season to say: look at the conditions of the factory and so on. But, the overall noise level is not very high. It's higher on issues like toy safety and those companies aren't even members of the TIA or ICTI. Even though that's on the hit list—it's still a three-day wonder.

What finally made MW act on the issue by bringing it to the TIA was a television-program:

> Let me tell you why I invented the code [MW uses the word 'code' synonymously with what by others is referred to as the factory audit certification program]. I don't remember when—I'm not very good with dates—but it may have been in 1998, anyways: there was this television show called Dateline run by Brian Ross. He did this exposé on factory conditions—in toy factories and other factories—in Indonesia, and he accused the toy industry of employing underage employees. As the communications consultant of the industry, we brought this up.

What was the intended change, the objectives?

The objectives, according to MW, was to be able to communicate better with important stake-holders.

> I said: well, in order for me to be able to answer a reporter, I have to be able to say: that we are going to find out if these children really are underage, which we never really would find out, but anyways—and then I have to be able to say: these are our principles, and this is what we're doing.

In order to meet the demands by NGOs and others, the most important elements, according to MW, was an "audit process which was transparent and independent".

> When you read about organizations like SA8000, Alice Tepper Marlin, they have the ILO and Toys'R'Us on their board, they make a very wide board, because they are "transparent"—and they are actually teaching this. But when you get to the business world; corporations believe that they can do this on their own; that they are transparent enough.

When making this point, she refers to two well-known stories of, the criticism made against Nike and Liz Claiborne. According to MW, these companies learned the lesson that self-auditing is insufficient the "hard way." The solution was to change the state of things in the toy industry enough to convince the actors pressing for change that the toy industry was doing enough.

What was actually done?

At this time Strategy XXI and TMA were in a close collaboration which included regular meetings with the purpose of addressing issues regarded as pressing for the industry. At one of the meetings following the TV-program, MW brought this issue up along with a proposal for how to solve it. She proposed that a factory audit program would be set up and that an investigation of the allegations be done. MW recognized that the industry had principles of conduct, but regarded these as "nothing real".

A working group was put together, the Toy Manufacturing Committee, which consisted of people from the industry—Christopher Brown and Robert Smith—who were familiar with production process. This group drew up an outline for what was to be included in the process.

The first thing that was done was to translate the principles of conduct into a code. People from the industry wrote this, since they would understand the factories. MW used the Bible as a metaphor what was to be written.[144]

> Q: And this was before you even thought about implementing it?
>
> Yes, first you need Bible. And once we had the Bible we then had a start meeting in Beijing. […]

[144] The metaphor is one of the four 'classical rhetoric tropes'. A metaphor describes a less familiar word with a well known one. In this case: the code is a Bible. The other three are metonymy, synecdoche, and irony. These tropes, figures of speech, are context specific narratives. For a discussion of these and their meaning see Czarniawska (2004), p.p. 20.

MW recalls that this process took two to three years to complete. The next step became to ensure independence and transparency, with the objective of creating credibility.

> The next thing to do was to set up a process; as we already had a Code, so the question was, what are you going to do with it? So we decided to set up the process to find independent audit companies that would audit according to the code.

The decision to launch Toy Factory Audits Limited (which MW mentioned only after we had asked about it) was an attempt to appease the stakeholders by providing an independent and transparent auditing program.

> TFAL was originally going to be an audit company. But US manufacturers said 'how can we also be an audit company. Too big investment. There is already SGS, ITG… [Independent audit organizations]. We can't compete.' There was a conflict of interest to have people to sign up for both auditing and the code. It also died because it was too big of an investment.

After TFAL was shut down, MW insisted that the program should include third party auditors. The next step in MW's story is the appointment of six independent auditors. A company called Business for Social Responsibility was appointed to train the auditors. With funds from a US State Department grant, which Strategy XXI had helped secure, a program for training Chinese factories was also initiated.

> We decided to establish independent auditors. I said let's do away with TFAL as a name and then CARE was invented. It was just a re-branding of the same process. In order to demise it, it was absorbed by ICTI CARE Asia so there is consistency in the branding.

Where has this left you today?

After the process had been ratified by ICTI in 2002, it was decided that it should be an organization in itself—with a website, regular newsletters; like a business. The process was also assigned a legal entity, called the ICTI Care Foundation, which allowed for donations. Christian Ewert, who has worked for European toy companies, was headhunted by MW to be CEO. Ewert promotes the foundation and was in 2004 working on raising enough funds to hire a permanent secretary.

There are still some issues that remain unsolved. For instance getting the retailers to acknowledge the ICTI Code and use this certification instead of their own programs. This is still, according to MW, a matter of cost and of convergence:

> We are working on convergence and we are trying to get the ICTI code as a standard—so, in an ideal world, you would walk into a factory with your big book and you would have 95 percent be the same. Just some extra pages for Disney, Wall-Mart et c..

The convergence process is currently proceeding and it's basically a matter of sitting down and comparing the codes issue per issue. The problems usually arise when it comes to wages and overtime. There are still some issues that need to be solved. Ensuring transparency is essential:

> The last step is transparency, because you should be doing spot checks for your auditors, because say there is a definitional problem. Now we're looking at setting up the transparency, or governance, function/committee. I just talked to Mary Robinson, she could be a] potential chairman of such a committee. Need enlightened NGO's and business who want to be part of the board. The same as with the oversight committee.

FRANK CLARKE'S STORY

Frank Clarke is Partner at Strategy XXI and the 'client leader' for TIA; i.e. their primary contact at Strategy XXI. Clarke has served on several committees and executed much of the practical work for TIA.

What was the state of things?

> I can tell you how it started. It started about 4-5 years ago when it was just a code, it was still a TIA project. In all honesty, the world was becoming more sensitized to what was happening in the apparel industry and the fact that brands could be held accountable for conditions in factories in the supply chain. […] In essence, people are unused to being responsible for the supply chain. [For them it has] only been a price issue. With the whole interest by consumers and particularly by activists and the interest of media; [this is a] circle that feeds on itself: the media, government, and activists.

Frank Clarke has a recollection of events that is similar to MW's. The world was becoming more aware of the conditions that consumer products were being manufactured under. This was creating a problem. When we asked Clarke how NGOs affect the industry, he basically replied that the sheer threat of them alleging misconduct prompted preemptive action.

The situation in China was especially problematic since labor laws—with a forty hour work week and a limited amount of overtime—were not being enforced at the provincial level. This created a situation where workers were being exploited. The problem was also caused by a desire among workers to work as much as possible. They were not, as workers in the western world, interested in a nine-to-five job. Frank Clarke underlines that those observing the terms that the Chinese labor force is working under, should bear in mind that the general standard of living is lower—or at least different—from those of the western world.

Another starting point, according to Clarke, was complaints by Chinese factories that they were being subject to too many audits.

> The fact is that the main things that came up when we talked to owners of factories, […] was they said: 'we have five different toy brands that we work with and maybe seven different retailers that order, and companies like McDonalds and Disney that order stuff from us. They all have auditing codes and auditing protocols; one factory said it had been audited as many as 40 times during the last

> year and they had to pay for all those audits'… [to be continued in next section]

What was the intended change, the objectives?

> … And that's a 'no brainer': its better to pay for one than forty. Compliance with the code does cost them money, because they have to do a number of things. If everyone in the toy industry would say: this is how we operate, then it's a leveled playing field. So it is in the factories' interest.

One clear objective was to 'create a leveled playing field'—to set rules for how to operate that all players would have to adhere to. This objective is directed at the industry itself and appeals to the 'self interest of the companies'.

Another objective was to take action to change the state of things so that the toy industry would be able to credibly assure stakeholders that it is assuming responsibility for the conditions in its suppliers' factories; according to Clarke, this is the main idea behind the process:

> In a single sentence: the toy industry wants to be able to assure its consumers, which is retailers, that the toys they buy are produced in a safe and ethical environment.

One popular CSR standard is the SA8000. When we asked about why this wasn't adopted, Clarke clarified that SA8000 represents a more "philosophical approach," which in part is unrealistic in its demands, since it would require factories to essentially violate Chinese legislation.

> We are trying to deal with the actual situation and to make it better. They want to bring it up to international standards. We can't do that. It's against the law in China to promote anything other than the official labor union. And we're not going to not certify a factory because it's not disobeying the Chinese law. That's the difference.

What did you do?

> It all started, I guess, with one of our [Strategy XXI] assignments for TIA [at the time it was called TMA], which was to see what issues the business may come up against; lots of different things. This sort of grew, and with MW's interest in China, and with our interest in this, it sort of grew. Most of it was done together.

When we asked if the initiative was taken following some special event or such, Clarke said no.

> We were proactive on this. […] It's difficult to say who did what. We worked as a team with TIA and now ICTI. Having gotten ahead of the curve we were able to say yes we know about this and this is what we're doing about it.

Clarke's perspective is geared to the industry's, stressing technical aspects of the code and certification process. He recalls first of all using outside consultants to "pull together" the documents and protocols. After this a draft was drawn up and people from the industry, from Hasbro, Mattel "et cetera", were called in to participate in a Business Committee. They had a series of work-sessions

> There was a business group with no formal name. Worked together since… Let's go back. Going from code to development of implementation system […] It reviewed all this and brought up things which should be corrected and came up with something that a broad section of the industry leadership could agree on being the right approach.

The business committee transformed the Code into an actual auditing protocol. On their suggestion, Clarke and David Miller worked together to construct a business plan for the implementation through TFAL.

> A lot of things had to happen, the CARE Process, or the ethical manufacturing program as it was called at that time, had to move to a certain point where there was something concrete; something to sell. I tend to think in marketing terms; what I mean is that it's something that we could sell to people, and say: 'this is something that really exists, it's not just a code, it really works.' We helped put together the line of reasoning that sold it to TIA's board at the time and got them to commit the fund. Working for TIA's management to persuade the board.

Representatives of the US toy industry approved the process and when they felt that they had developed a program that they believed would work, TIA summoned the remaining 19 members of ICTI to gain acceptance. This was partially done for funding reasons; the US toy industry wanted the other members to "pitch in".

> It was also an issue: 'where is the right place for it to be'? Strategically, you don't want a worldwide effort to be sitting in a national association.

When we asked about the process of gaining acceptance from the members of ICTI, Clarke said it was mainly a matter of funding, since ICTI has a "tiny budget". Currently, the CARE Foundation is being funded by Alan Hassenfeld, who himself has donated USD 100,000 hoping that others will follow his example. Clarke feels confident that the CARE Foundation will become self-sustaining within a couple of years since it will receive fees from all factories that apply to be certified.

Where has this left you?

Clarke points to convergence as the main challenge ahead; i.e. getting the retailers, to recognize the standard.

> It's been a little harder with the retailers. The problem there is that most retailers sell other things than toys. The big mass merchandisers sell a lot of stuff manufactured in underdeveloped countries; Wal-Mart or AWE and therefore they are looking at what they call 'super codes', which covers it all. So it has been very important to be with them in that process so that we at some point are reciprocally, either we're a part of the super code or recognized by the super code. That whole issue is crucial.

So, being recognized or incorporated into a 'super-code' is crucial for the success of the ICTI CARE Process. Clarke explains some retailers hesitance with their unwillingness to deal with industry codes, since they sell a large number of categories of things in their stores. Furthermore, the retailers have expressed concern about the transparency and independence of the process.

> It's important to get legitimacy. Transparent isn't so difficult but what you need is the oversight. There needs to be a complaint process. In part, this is a financial issue. Step by step process. First we need to get the process working, and then figure out what the committee should be for oversight. ICTI will be putting in place the first stage of an oversight function. Someone who can take complaints et cetera. All basics are there. What you need is funding, convergence and oversight.

8. DISCUSSION

In this section we will interpret the results of our case study using the theoretical framework presented in the literature review and provide the reader with some answers to why the CARE process was invented. We will, as stated in our propositions, do this in two steps. First, we will discuss how forces in the institutional environment worked to put pressure on the US-, and consequently the global, toy industry to adopt rules for ethical manufacturing. Second, we will focus on some of the central decision-making processes that lead up to the ratification of the CARE Process.

THE CHANGING ENVIRONMENT

If we go back to the fundamentals of Meyer & Rowan's 1977 theory on institutionalized organizations, they argue that formal organizational structures are created as reflections of rationalized institutional rules, or myths, which over time develop and expand into new domains of activity. Organizations incorporate these myths in the institutional environment in order to sustain legitimacy. In doing so they increase the complexity of their formal structures. The institutional environment develops when powerful organizations take action to force members in their environment to adopt the same structures as they have.

The global value chain of the toy industry, as pointed out in the section on the Predominant view, stretches from retailers, licensers, to toy companies (the official manufacturers), to vendors, contractors and factories (actual manufacturers); clearly a complex relational network that stretches beyond the boundaries of nation states and normative communities. Most organizations in the industry have hence separated their production from the rest of its activities by off-shoring, i.e. contracting factories in low-cost countries like China to produce the toys. This is consistent with the imperative of Brunsson's second meta-institution 'the market', to seek the cheapest means of production, and an indication of the decoupling of activities that organizations engage in order to maintain legitimacy.[145]

Legitimacy lost

By now it should be clear that this case describes an industry that has experienced a crisis of confidence. Specific organizations, mainly the larger

[145] See Meyer & Rowan (1977).

organizations, were confronted with allegations of unethical manufacturing practices, which threatened their survival and prompted action. By the end of the late the nineteen-nineties, Frank Clarke described that the world was "becoming more sensitized to the issue of labor standards." Attributing responsibility to the factory owners in China (and other developing countries) was no longer accepted. Stakeholders were demanding that organizations assume responsibility for the entire value chain. With Meyer & Rowan's terminology, it could be argued that the 'others' were no longer 'keeping face'—the discrepancy between transnational corporations' formal structures and ongoing activities was revealed, hence impairing legitimacy. Merely having a code of conduct was no longer perceived as a legitimate solution.

At first, the large companies made individual efforts to restore confidence by setting up more rigorous auditing programs and other displays of confidence and good faith.[146] But soon the so-called in-house audits lost credibility because of allegations of corruption and biased reporting made by NGO's. The organizations needed another, legitimate, solution. As pointed out by Brunsson et al, globalization operates a vacuum when it comes to 'rules'[147], or to use their metaphor: there are holes in the web of coordination. One of few strings at hand to mend this web is standardization. In this case, it turns out that it was the TIA (or rather the TMA, as it was called at the time) that picked up the needle.

TMA/TIA enters the arena

TMA/TIA decided, with the help of their communications consultant Strategy XXI, to develop the existing code of conduct into a more comprehensive program for factory auditing. A new set of 'rules', or industry standards, which would specify the appropriate conditions to manufacture under. This essentially constitutes an attempt by the industry association to take control over a domain of its members' activities. However, TMA/TIA did not issue a directive, which it could have by making compliance mandatory for members. Instead it chose a voluntary solution, a standard, perhaps because it did not have the authority to place such demands on its members.

The mishap of TFAL

The industry run auditing company called TFAL, which was set up in Hong Kong, had little success. Its failure to win support could perhaps be attributed

[146] See Meyer & Rowan (1977)..
[147] i.e. norms, directives, standards. See Brunsson (2000).

to the fact that it wasn't perceived as a viable, legitimate solution. We believe that this was because the TMA/TIA had failed to sufficiently incorporate the demands of the 'others' in the solution. The auditing procedure and certification ceremonies were not appeasing those that it should have. The office was shut down and a new effort to create a solution explicitly aligned with retailers and critics' demands was made. The result, the CARE Process, essentially provides its users—both on an industry association and organizational level—with a comprehensive corporate social responsibility agenda; an excellent package to use in their display of confidence, satisfaction and good faith.[148] All that is really required of them is that they demand that their (sub)-contractors be certified.

CARE goes global

A more genuine attempt to make this a worldwide effort was made; the other nineteen national toy industry associations were asked to let ICTI incorporate CARE, making the standards available for members worldwide. Ergo: TIA has managed to spread its standard across the world and has thereby added new rules to the global network of toy manufacturers, hence altering the institutional environment of the toy industry. Who came up with this brilliant idea? It's time for us to take a closer look backstage, into the garbage cans in which the CARE Process was created and provide additional answers to why the CARE Process was initiated.

THE ACTORS AND THEIR CHOICES

In order to explain why individuals and organizations make certain choices, Jutterström argues it is important to understand the processes preceding the 'formal decision'. In forums where formal decisions are made, such as board meetings or parliamentary sessions, problems, alternatives, and solutions are likely to have been carefully prepared and the participants are likely to be given the slim choice of declining or ratifying the proposal. Thus, Jutterström (and Brunsson, Jönsson, 1979), argue that formal decision situations sometimes have little to do with the content of the decision. This notion is confirmed in this case.

Like Jutterström, we will apply a broader definition of the decision-situation, referring to it rather as the decision-process(es) preceding the formal decision situations, i.e. the decision by the International Council of Toy Industries to adopt the program for third party auditing in 2002. Prior to this decision-

[148] Compare Meyer & Rowan (1977).

situation, however, there were several other formal decisions with an impact on the end result. The most important being the TIA and ICTI's decisions to adopt TFAL, and TIA's to adopt CARE as an US industry standard.

PR-advice within a garbage can

Toy Manufacturers of America started to collaborate with the strategic PR-consultancy Strategy XXI in the mid-1990's[149]. The collaboration was based on a steady long-term relationship including regular meetings in which PR-/communications-related issues were discussed and plans of action were made. Using the terminology of Cohen et al, these meetings, or choice-situations, could be seen as a garbage-can, in which streams of problems and solutions come together with a number of actors to make choices. The meetings were, however, not the result of random coincidences, as in the purest form of the garbage-can model. Certain constraints, or 'structures' in Cohen et al's terminology, governed which actors, problems and solutions had access to the choice-situation.

The decision-constraints

In terms of what actors were allowed into the garbage-can—what Cohen et al refers to as decision-constraints—the agreement stipulated that the main participants would be the client, TMA/TIA, and the consultant, Strategy XXI. The two main actors in this relationship were Harriet Mouchly-Weiss, partner and client-leader at Strategy XXI and David Miller, CEO of TMA. These two ran the show, so to speak, although they had co-workers who participated in meetings. The meetings also had constraints as to which problems and solutions could be brought in, what Cohen et al refers to as access-constraints. These weren't as clearly stipulated as the decision-constraints. Rather they were seen as prerequisites for collaboration by the involved actors.

The access-constrains

First of all, what was discussed had to be perceived, by TMA/TIA as an existing or potential problem for the business. If the problem was not seen as a something which would impact sales of TMA/TIA's members, then it would be considered irrelevant. Second, it had to be framed as PR- and/or communications related. In their role as consultants with certain knowledge of PR-/communications matters they were expected to bring problems to the table that related to their field of expertise. Third, the issues had to concern the industry as a whole. As an industry organization, TMA/TIA needed to be able to speak for all—or at least large parts—of its members. Together these

[149] Internet: www.strategy-xxi.com/toyindustry.html [2006-01-15]

access-constraints made up what Levitt-Nass refer to as the 'lid' to the garbage-can; rules regarding the meetings that were taken for granted by the involved actors and determined what was to be discussed within the can.[150]

The assigned policy entrepreneur

Within the framework of the agreement outlined above, one of Strategy XXI's services was so-called 'issues-management',[151] a practice in which the PR-consultant identifies conditions in the organization's surroundings that may turn into problems, and produces solutions to these issues. Frank Clarke and Harriet Mouchly-Weiss recall that the issue of ethical manufacturing was brought up first sometime in 1998, which initiated a discussion on how TMA would respond to the demands by stakeholders for better control of the manufacturing conditions in China.

The task of aligning problems and solutions given certain events in the societal context is described by Kingdon as the role of the policy entrepreneur.[152] The policy entrepreneur, as outlined above, is a person who is able to bring different streams within a choice-situation together to push an issue onto the agenda. We argue that Strategy XXI, and primarily Harriet Mouchly-Weiss as client-leader, within the framework of the retainer agreement was *assigned the role of the policy entrepreneur with a mandate to identify issues and, at the same time, present solutions to these issues*. By framing a problem and solution as relevant to TMA given the constraints which governed the choice-situation, Harriet was able to present a policy which would become an item on TMA/TIA:s decision agenda for the next coming years. Kingdon also stresses that policy entrepreneurs have 'pet proposals', which in this context can be assumed to be selling additional services and/or initiating exciting projects.

Getting the factory audit certification program on TIA's decision agenda

In order for a policy to reach a decision agenda Kingdon argues that elements from the problem-, policy- and political streams need to be joined at a certain time.[153] In order to deconstruct the content of the policy presented to TMA we

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150 Jutterström (2004), p. 194; c.f. Levitt-Nass (1989).
151 "Issues management is the process of prioritizing and proactively addressing public policy and reputation issues that can affect an organization's success. Many large companies, in particular, use issues management techniques to keep all of their external relations activities focused on high-priority challenges and opportunities." Doug Pinkham, President, Public Affairs Council. Internet: www.pac.org/public/issues_management.shtml [2006-02-01].
152 Kingdon (1995) p. 182.
153 Kingdon (1995) p. 201-202.

will attempt to identify the elements within the different streams, and illustrate how they were combined by Harriet Mouchly-Weiss and her colleagues at Strategy XXI and finally ended up on TMA's decision agenda.

The problem stream

Within the problem stream there were several conditions relating to the manufacturing situation in China floating around at the time. Indicators, such as reports by NGOs, showing malpractice within the toy-industry's supply chains were getting increased attention. Some of the CSR-programs conducted by companies within the industry were receiving criticism for lack of transparency and so called 'in-house audits' were losing credibility. Media reports amplifying the criticism from NGOs became what Kingdon refers to as focusing events, the trigger which turned the conditions into a problem. Harriet recalls that when one of the most acknowledged news programs on US television, *Dateline*, showed a one-hour special on the US toy industry's failure to comply with their own codes of conduct, she realized that they had to take action to address the problem once and for all.

The policy stream

Policies, alternatives and solutions are generated within the policy stream where they can float around for some time before being acknowledged.[154] It is clear that the alternatives presented in connection to the problems within the US toy industry were not new. They belonged to an existing field of organizational/management theories referred to as corporate social responsibility (CSR), which we briefly outlined in the Literature review. Within this field of expertise, implementation of ethical standards has been discussed for quite some time. In terms of manufacturing conditions in China, there are comprehensive sets of arguments for what should/should not be done, what responsibility the developed countries of the world have, and so on. Some of the proposed solutions put forward at the time of our discussion was to increase the pressure on the Chinese government through acts of lobbying and working closer with local factory owners to overcome the 'cultural differences'. In order to achieve this, some argued that a 'leveled playing field' had to be created. That meant making all manufacturers and retailers adhere to the same rules (i.e. manufacturing standards), so that no one could benefit on behalf of the others. Tom Conley, among others, strongly emphasized this solution.

Political stream

The situation was also effected by events and processes within the political stream. Kingdon refers to activities within the political stream as those "related

[154] Kingdon (1995) p.p 200.

to the authoritative allocation of values, or the distribution of benefits and costs".[155] Pressure groups, during the late 1990's, were perceived as becoming more effective in disclosing illegitimate behavior in Chinese factories and telling the world about it using the Internet and other modern means of communication. The fact that China joined the World Trade Organization (WTO) in 2001 and, as a prerequisite for membership, had to become more open spurred these activities. The toy industry was not the only industry affected by their actions. As Bill Clinton took office in 1992, the issue of how US companies were treating workers in developing countries, was pushed by parts of the labor movement and discussed in the US congress.[156] Although no legislative action was taken, it showed that the issue had potential to grow in importance. Also, within the toy industry, things like the Wal-Mart effect acted to shift some of the power to retailers, which were starting to demand change. In terms of the US companies' own audit programs, factories in China were expressing concern over the large number and different demands placed on them which consumed time and energy from producing toys.

Combining the streams

Strategy XXI, through the actions of Harriet Mouchly-Weiss, clearly played a key role in the process leading up to TIA giving the green light to start working on a solution. By defining the criticism (and the underlying conditions in the factories in China) as a pressing problem, using events in the political stream, and combining them with a solution, she provided TMA with a complete package containing problems, solutions and policy. The regular meetings between TMA/TIA and Strategy XXI provided a forum, or policy-window in Kingdon's terminology, for Harriet Mouchly-Weiss to present these elements as a complete package and get in on TMA's decision-agenda.

The success of Harriet Mouchly-Weiss' coupling was contingent on the fact that she knew the rules of what Jansson refers to as the game[157], the specific constraints governing the choice-situation. The alternative presented to TMA/TIA—a framework for ethical standards including a comprehensive auditing system—satisfied all access-constraints: it was framed as a pressing problem; it stemmed from bad publicity meaning it was PR-/communications related; it concerned the industry as a whole. It is worth noting that the fact that the problem was framed as PR-/communications related is likely to have had an impact on the range of solutions that were considered.

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155 Kingdon (1995), p. 145.

156 Invitation for a proposal to create a factory audit certification program (1998), letter from David Miller to Diane Bové.

157 Jansson (1992).

A new garbage can appears!

The CARE Process was, at this stage, merely an idea of what needed to be done in order to address the problems facing the industry. In order to formalize the content a new forum was established: a working-group which was to meet on certain occasions to specify the problems which needed to be addressed and formulate solutions to these problems. The forum had certain constraints, with regards to who was to participate and what was to be discussed. Thus, it bore many of the characteristics of a garbage-can.

The constraints for the new garbage-can were created within the collaboration between Strategy XXI and TIA, mainly by Harriet, who in her role as policy entrepreneur also assumed the role as 'project leader'[158]. For instance, retailers were not invited to join because they (were thought to) lack the technical expertise; Mattel and Hasbro on the other hand were asked to join the process because they did. The access-constraints, formulated within the idea of a factory audit certification program, were that it needed to be transparent and independent. The formulated criteria responded to criticism by external stakeholders and were thus deemed necessary for success, effectively worked as a lid on the garbage can in terms of what solutions and problems could be part of the choice situation.[159]

The CARE process takes shape

When analyzing the content of the second garbage-can it has been difficult to pinpoint the exact order of events. Czarniawska points out the difficulties encountered when attempting to collect information from informants about a series of events, dates etc[160]. This notion was confirmed by our informants. Frank Clarke declared that "*it's difficult to say who did what.*" However, there is some evidence to support that the process deviated from the rational model outlined in the literature review. Rather, it consisted of elements which enhanced what Brunsson refers to as action rationality, through imitation and the enforcement of motivation, commitment and the right expectations.

Looking for clues

We have outlined above the access-constraints constructed by Strategy XXI and TMA which governed the (second) garbage-can and narrowed down the alternatives considered. Another limiting factor was the inclination mainly by David Miller to benchmark other industries. Miller obviously felt that he, when

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158 Jansson (1992).
159 Jutterström (2004), p. 24; c.f. Levitt & Nass (1989).
160 Czarniawska (2004), p. 48.

presenting the results of the work-group's efforts to the board of TMA, needed to be able to point to the success of other industries. Informants within this small group recall looking initiatives like Worldwide Responsible Apparel Production (WRAP)[161]—to see how they had solved the problem. This also reflects vague preferences, which strengthens the notion that rationality in the traditional sense was not what governed the process.

The group also looked at what actors within the industry had done. Several of the informants conclude that much of the contents within the factory audit certification program was based on the program developed by Mattel. The rationale behind this was to avoid "*reinventing the wheel*". Imitation, both in terms of adopting ideas from outside the industry and from within the industry, was thus seen as the 'logic of appropriateness' throughout the decision-making process.

Why did TFAL fail?

The concept of Toy Factory Audit Limited, the independent audit organization working exclusively with the implementation of the toy industry's factory audit certification program, was also part of the group's efforts to imitate other industries, primarily the auto- and aircraft industries. At the time of the launch it was thought to be both transparent and independent, however it clearly lacked support among important participants and other stakeholders—as concluded in the previous section—and after Tom Conley took over as president of TIA it was quickly shut down. Pressure for a more legitimate solution (as outlined above) was part of the problem; it was also affected by a shift in leadership, what Kingdon refers to as a change in the political stream, and lack of commitment among the involved actors.

When Tom Conley took over as president of TIA he brought along a new set of preferences regarding on how ethical manufacturing was viewed. This change in the political stream altered the access- and decision constraints of the decision-process. While David Miller had a clear preference for 'in-house' solutions, i.e. that the industry should do this by themselves, Conley's approach was more pragmatic and business oriented. Realizing that the auditing must meet the criteria of independence and transparence, he started pushing for solutions which included third party auditing. Harriet welcomed this development and used the opportunity to strengthen her and Strategy XXI's position as the "institutional memory" (in the words of David Miller) of the CARE Process.

161 For more information on WRAP, go to: www.fairlabor.org

Brunsson argues that in order for decisions to be turned into actions, there needs to be sufficient, motivation, commitment and expectation among the involved actors.[162] While Tom Conley's entrance clearly altered the scope of the factory audit certification program, the main reason to why TFAL failed was lack of commitment among the involved actors. Robert Smith implies that he was uncertain whether TFAL would provide the company with the legitimacy needed to survive the pressure from NGOs and the media. According to his view, it lacked the independence and transparency needed to make it a success. TMA and Strategy XXI had failed to commit Mattel to the end result in the decision-making process, and when TFAL was implemented, one of the large companies—which presumably would be important in rendering support for the business within the industry—had abandoned the ship. It must also perhaps be added to the case, that Smith expressed clearly that he did not perceive it as safe enough to rely on a program that Mattel did not control itself, mainly for fears of it faltering. This can be regarded as an example of organizations wishing to maintain their individuality. In addition, Mattel's dual tracking is also symptomatic of a complex and hence loosely coupled organization.

Setting the right mood

Throughout the decision-making process there were several events which could have tested the willingness among the participants to go through with the project. The failure of TFAL and the subsequent withdrawal of Mattel could have put an end to the process. However, the working group continued to elaborate a different solution for a factory audit certification program, and eventually came up with the CARE Process. Besides imitation, there were other important elements which acted to strengthen the action rationality among the involved actors. During the entire time, and especially after David Miller's departure, Harriet Mouchly-Weiss acted to strengthen the actors' motivation and commitment to come through by emphasizing (and enforcing) the problems the industry was facing. In her own words, she had to *"self-create some of the pressure"* in order to get the process going. At times when it wasn't apparent to the involved actors why they were into the process, Harriet, in her role as 'project-leader', thus acted to boost motivation and commitment and thereby increased the chances of action. Meaning that she from time-to-time, went into the garbage-can to remove some the 'garbage' which she considered to obstruct the process, in order to create more action-rationality. As policy entrepreneur she held the 'key' to what's right and wrong and was able to endorse or discard solutions which she did not believe matched the criteria.

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[162] Brunsson (2000), p.p 18.

Many problems – one solution

With Tom Conley's entrance into the process, the argument of creating a leveled playing field among the actors received more attention, and an element of 'convergence' was added to the solution. The convergence process also contains plausible expectations of concrete business effects, in that it strengthens the industry's relationship with its customers, retailers, and cuts cost by eliminating excess audits. This is likely to strengthen commitment. In addition, the different elements of the CARE Process answer to different preferences and demands expressed at the time, hence, it can be said to include something for everyone, which of course increases the likelihood of acceptance.

What happened after our story ends?

What we know as the CARE was accepted by ICTI in 2002. It was renamed the CARE Process at the informal meeting in Paris in 2003. We know very little about this meeting, except that apart from the representatives from different national toy industries, retailers were part of the discussion. Since then, TIA has been working to commit all US manufacturers and retailers to commit to the program. This activity goes under the name 'date certain campaign' and includes making companies commit to a certain date when they will only collaborate with CARE-certified factories. The CARE Process has also turned into a separate organization, which works exclusively with administrative matters relating to the program. Right now, one of its main tasks is to implement a functioning oversight-committee.

9. CONCLUDING REMARKS AND REFLECTIONS

In our propositions we hinted that the answer to our research question "Why was the CARE Process invented?" may be found using different perspectives. If there is one single answer to our question it would probably be: "Everyone—and nobody—invented the CARE Process". As pointed out by several others, this is also sometimes the most plausible answer. It is indeed difficult to pinpoint exactly who was the initiator of such a complex process, including so many different decisions and actors, as the CARE Process. However, we shall try to point in the direction of some of the answers which we have found—and outlined—through this thesis.

Based on our discussion on the changing institutional context it can be argued that the initiative to address the issue of corporate social responsibility can be regarded as simply isomorphic behavior. In order to survive the organizations incorporated a CSR agenda in their formal structures in order to generate legitimacy.

In outlining the decision-making processes which preceded the official ratification of what would become CARE we argue that Strategy XXI—and mainly Harriet-Mouchly Weiss in her role as project leader—has had substantial influence over the initiation and formalizing of the CARE Process. From our own experience within the line of PR-/communications we also feel we can draw some inference from Harriet and Strategy XXI's function in this specific case.

The role of the consultant

The type of agreement which constituted the basis for the collaboration between TIA, the US toy industry, and Strategy XXI, its PR-/communications consultant, is generally referred to as a "retainer agreement". It is, more or less, a norm within the industry with this form of client-consultant relationship, which implies that the client pays a certain fee each month/quarter/year to have the consultant 'stand by' to address PR-related matters. Within this framework, issues-management—identifying and solving 'conditions' which may turn into 'problems' (to use Kingdon's terminology)—is normally an integrated service, provided by most strategic PR-agencies today.

What this kind of agreement implies, and what our discussion has showed, is that within the client-consultant relationship the consultant is assigned the role of what Kingdon refer to as a ‘policy entrepreneur’. He or she not only uses the logic of coupling the different streams in order to put a policy on the agenda—but makes a whole business out of doing so. Using the concept of the policy entrepreneur in a commercial context as we have has implied some modifications. This is an area that could be interesting to explore in further research. Research on ‘professional policy entrepreneurs’ we believe could generate interesting insights into the dynamics of the relationship between PR-consultants and their clients.

Using Meyer/Rowan’s terminology, the PR consultant can further be seen an expert in helping organizations maintain the logic of confidence—reaching out to the stakeholders and aligning solutions with demands. When searching for solutions consultants will oftentimes contribute to the spreading of standards; either by having their own as for example the big management consultants do or by simply benchmarking others.

The role of the consultant is, in the perspectives employed in this case, quite similar to that of a doctor, who determines what kind of disease the patient suffers from, relating to circumstances in the patient’s general condition, and provides the treatment to cure it. In doing so, the consultant/doctor is able to bring a whole package to the problem situation. The consultant takes on the role of a discrete legitimacy provider since (s)he never—or at least rarely—discloses the details of the relationship. It is—in the truly professional segments of the PR industry—frowned upon to mention who your clients are. This discretion should be a key element to anyone seeking to generate legitimacy by de-coupling the formal and informal structures of an organization.

Why care?

Our research question “Why CARE?”, as the attentive reader probably has reflected upon, goes beyond standard-setting and evokes questions which relate to the essence of human behavior. During the time of working on this thesis we have often found ourselves discussing and debating whether the people who have taken part in this project were doing it to actually improve the world or just to put up a façade and maximize profits. However, as long as the end results are the same, the motives behind the actions may not matter as much. Some may want to save the world, some may want to save their face—as long as people’s lives are improved we figure it should all be worthwhile.

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