SMEs and Social Upgrading in Developing Countries
– Doing Good or Evading Responsibilities?

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Visby, 30th of May 2016

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## Contents

### Introduction 4

### Theoretical Framework 5
- Social Upgrading in GPNs 5
- Small & Medium Sized Enterprises 7
- SME Characteristics 7
  - Owner-Managers Central Role 7
  - Human Centred Business 8
  - Focus on Day-to-Day Involvement 8
  - Conflicting Demands 9
  - Under the Radar 9

### The Research Process 11
- In-Depth Single Case Study 11
- Data Collection 12
  - Semi-Structured Interviews 12
  - Observations 14
- Analysis of Empirical Data 14
- Validity 15
- Ethical Considerations 15

### Empirical Fieldwork 16
- Background Valley Knitwear Ltd. 16
- A Working Day at the Factory 16

### Analysis 25
- Owner-Managers Central Role 25
- Human Centred Business 26
- Focus on Day-to-Day Involvement 27
- Conflicting Demands 27
- Under the Radar 28
- Summary of Analysis 29

### Discussion 29

### Conclusion 30

### Suggestions for Further Research 30

### References 32

### Appendix I 35

### Appendix II 37

### Appendix III 40
SMEs and Social Upgrading in Developing Countries – *Doing Good or Evading Responsibilities?*

Isabelle Guselin  
Johanna Olofsson

**Abstract**

Workers in labour-intensive industries in developing countries have been described as the ‘hidden hands’ in the making of valuable goods in global production networks (GPNs). The process of improving the rights and entitlements of workers in GPNs have been referred to as ‘social upgrading’. However, literature on social upgrading has tended to overlook the role of small and medium-sized enterprises (SMEs), and there is still little scientific understanding of how small businesses in developing countries can engage in social upgrading. The aim of this thesis is to enhance the understanding of how SMEs in developing countries can improve working conditions and labour rights. Through a qualitative case study, this study goes beyond statements of leading Fair Trade brands to provide insights based on voices of both workers and owner-managers in a small garment factory in Nepal. This study brings forward observations where SMEs, shaped by their characteristics, are enabled to evade responsibilities concerning working conditions and labour rights.

**Keywords:** Social upgrading, global production networks (GPNs), small and medium-sized enterprises (SMEs), developing countries

**Introduction**

Serving as ‘hidden hands’ in the making of valuable goods in global production networks (GPNs), workers in labour-intensive industries in developing countries commonly face exploitative working conditions (Drebes, 2014; Soundararajan et al., 2016, p.23). In addition, workers often lack the voice to engage in processes and negotiations concerning their fates (Khan et al., 2007; Soundararajan et al., 2016). Although working conditions of people involved in production in developing countries have been a matter of intense public concern (Soundararajan et al., 2016), violation of labour rights in the complex global networks of production remains an unsolved issue (Drebes, 2014).

Responsibilities for working conditions and labour rights in GPNs have been widely discussed. Scholars argue that global sourcing has become a way for businesses in the West to coordinate labour-intensive production without extending direct ownership or responsibilities (Drebes, 2014; Egels-Zandén, 2015). As a result of growing public concern, companies increasingly use policies, standards and reports to communicate terms and conditions under which the production takes place (Fassin, 2008; Drebes, 2014). Yet, companies face difficulties translating social responsibility strategies into actual improvements on the ground (Davis, 2005). This highlights the importance for further research in enabling socially responsible production (Soundararajan et al., 2016).
The process of improvements in the rights and entitlements of workers as social actors, by enhancing the quality of their employment has been described as ‘social upgrading’ (Rossi, 2011, p.14). To date, valuable contributions to the literature have been made, in example when it comes to the link between economic and social upgrading (e.g. Barrientos et al., 2011; Rossi, 2011). Nevertheless, there is still little scientific understanding of how small businesses in developing countries can engage in social upgrading.

Firstly, most of the literature on social upgrading has tended to focus on the role of multinational corporations (MNCs), largely ignoring the role of small and medium-sized enterprises (SMEs; Egels-Zandén, 2015). As SMEs make out as much as 90 percent of business worldwide and account for the largest share of global employment and job creation, it is time that literature on social responsibility move beyond the myth that large businesses are the norm (Jenkins, 2004; Fassin, 2008; ILO, 2015).

Secondly, it has been argued that existing literature on SMEs and social responsibility tend to focus on Western actors, and several studies highlight the remarkable void in how little understanding there is about the nature of social responsibility in developing countries (Meyer, 2004; Soundararajan et al., 2016).

Thirdly, literature on GPNs has been criticised for overlooking the role of labour, reducing the people that constitute the networks to a factor of production (Barrientos et al., 2011; Rainne et al., 2011). Within literature on SMEs, Jeppesen et al. (2012) note an over-representation of managers and owners, arguing that the voice of workers is insufficiently integrated into the literature. The authors point out that views of both managers and workers need to be represented in order to understand how complex processes of social responsibility unfolds in SMEs (Jeppesen et al., 2012).

Arising from the importance of addressing the above limitations, the aim of this thesis is to enhance the understanding of how SMEs in developing countries can improve working conditions and labour rights. More specifically, this thesis investigates how SME characteristics shape businesses’ work with social upgrading. Hence, the research question that has guided our research for the fulfilment of the aim is:

How do SME characteristics shape social upgrading for a small business in a developing country?

Through a qualitative case study, this study goes beyond statements of leading Fair Trade brands to provide insights based on voices of both workers and owner-managers in a small garment factory in a developing country. The study draws strength from the individuals' subjective experiences, while simultaneously acknowledges the need to understand the context surrounding these stories. Extending the literature on GPNs and social upgrading, this study contributes with empirical evidence on how the work with social upgrading unfolds in an SME, operating in a developing country context.

Theoretical Framework

Social Upgrading in GPNs

The majority of today's consumer goods are produced in a global context, where the production process involves multiple actors from various parts of the world. A wool sweater might for example be designed in Denmark, with yarn produced in China and buttons in Bangladesh, produced and packed in India, before finally marketed and sold in Germany. Literature on GPNs began to emerge in the early 2000s to better understand the contemporary global economy beyond the existing theories, which conceptualised production and distribution processes as vertical and linear. Henderson et al. (2002) suggested that these processes instead should be viewed as complex network structures that could be both multidimensional and nonlinear. In addition, the GPN perspective shifted focus.
from the commodities produced to the actual production process, in order to place the analytical emphasis on social processes involved in the production of goods and services (Henderson et al., 2002).

Social upgrading was initially studied within the GPN literature by scholars interested in how economic upgrading, the process where firms shift from low value to relatively high value activities, influence social aspects (Henderson et al., 2002; Brown, 2007; Barrientos et al., 2011; Rossi, 2011; Milberg & Winkler, 2011). Closely connected to working conditions and labour rights, social upgrading can be seen as a more narrow definition of social responsibility. Drawing on the literature on rights and entitlements pioneered by Sen (1999 and 2000), Rossi (2011) describes social upgrading as ‘the process of improvements in the rights and entitlements of workers as social actors by enhancing the quality of their employment’ (Rossi, 2011, p. 14).

Social upgrading can be divided into two broad categories; measurable standards and enabling rights (Elliott and Freeman, 2003; Barrientos and Smith, 2007; Rossi 2011). The category of measurable standards has been described as ‘easily measured and quantifiable’ and includes wages, health and safety, working hours and employment security (Rossi, 2011, p.62). Measurable standards represent important rights for workers, although often simultaneously aimed at increasing efficiency, for example by respecting working hours and ensuring a safe working environment (Rossi, 2011). In contrast to measurable standards, enabling rights have been described as more difficult to measure, quantify and observe due to their intangible nature (Rossi, 2011). Enabling rights include social climate and culture, freedom of association and collective bargaining, equality of opportunity and treatment and voice (Rossi, 2011; Drebes, 2014; Soundararajan et al., 2016). Enabling rights are also referred to as process rights, and it has been argued that they are crucial as they have the power to enable change, empower workers and therefore decrease embedded power inequalities (Drebes, 2014).

One example is the right to collective bargaining, which aims at ‘[...] ensuring that workers are able to obtain a fair share of the benefits arising from participation in the global economy’ (ILO, 2016). Hence, enabling rights can be seen as the ‘full expression of the rights and entitlements of workers as social actors’. (Rossi, 2011, p.63).

Research on social upgrading has contributed with several important findings to the GPN literature. One major finding is that raised productivity and added economic value in GPNs does not automatically translate into improvements in wages, conditions, rights, gender equality and economic security for workers (Locke, 2007; Brown, 2007; Barrientos et al, 2011; Milberg & Winkler, 2011; Lund-Thomsen, 2013). How businesses prioritise, with regards to working conditions and labour rights, has also been investigated and empirical evidence show that businesses often prioritise improvements of working conditions related to measurable standards over those concerning enabling rights (Barrientos & Smith 2007; Rossi, 2011), especially if they have a have a ‘minimum compliance approach’ (Drebes, 2014). These businesses often follow the existing norms within a context, and are ‘less likely to challenge embedded labour relations or social norms underlying the production process’ (Drebes, 2014, p. 1264).

Although valuable contributions have been made, the literature on social upgrading in GPNs is still limited in important ways. It has been argued that the role of labour has not received enough attention within the GPN literature, and that the people who constitute the networks have tended to be reduced to a factor of production (Barrientos et al., 2011; Rainne et al., 2011). Furthermore, the literature to date has tended to focus on MNCs, and the role of SMEs has been largely overlooked (Egels-Zandén, 2015). Additionally, the existing literature on social upgrading tend to focus on Western actors (Drebes, 2014), and several studies highlight a remarkable void in how little understanding there is about the nature of social upgrading in
developing countries (Soundararajan et al., 2016).

<table>
<thead>
<tr>
<th>Measurable Standards</th>
<th>Working Hours (e.g. working hours, working days per week, breaks and overtime)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employment &amp; Income Security (e.g. written contracts, reduced temporary and casual contracts, salary slips, registration with social security, maternity leave and pension)</td>
</tr>
<tr>
<td></td>
<td>Health &amp; Safety (e.g. facilities, heat, ventilation, comfortable working position and frequency of accidents)</td>
</tr>
<tr>
<td></td>
<td>Wages (e.g. payment of at least minimum wages to all workers)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enabling Rights</th>
<th>Social Climate (Social climate and culture at the workplace)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freedom of Association &amp; Collective Bargaining (The right to join or leave groups of a person’s own choosing, and for the group to take collective action to pursue the interests of members)</td>
</tr>
<tr>
<td></td>
<td>Equality of Opportunity &amp; Treatment (No discrimination based on gender, caste, ethnicity, disability, sexual orientation, transgender identity, age or religion, or between workers with different terms of employment)</td>
</tr>
<tr>
<td></td>
<td>Voice (e.g. the possibility to express opinions and influence working situation and communication with management)</td>
</tr>
</tbody>
</table>


Small & Medium Sized Enterprises

Research on social upgrading has extensively focused on large businesses (Jamali et al., 2009), retaining the classical view on business transformation where lead firms, occupying the most dominant positions in organizational fields are seen as actors with highest potential to transform business processes (Fassin, 2008; Levy, 2008). Since many studies have highlighted the size of businesses as a determinant for succeeded sustainability initiatives (Jorgensen & Knudsen, 2006; Fitjar, 2011; Egels-Zandén, 2015), scholars have featured SMEs as ‘less likely than larger companies to act as change agents for sustainable production’ (Jorgensen & Knudsen, 2006, p. 460). This has led the academic debate to centre on whether SMEs are less or more socially responsible, instead of seeking deeper understanding of how SME characteristics shape sustainable initiatives (Vives et al., 2005). Hence, when addressing the research question on how SMEs can engage in processes of social upgrading, it is not only relevant to understand how SMEs engage in social upgrading, but also how particular characteristics of SMEs shape and influence the work with social upgrading.

SMEs are defined as corporations having fewer than 250 employees, a turnover of less than 50 million euros, and a balance sheet total of less than 43 million euros (European Commission, 2016). Estimations conclude that SMEs constitute approximately 90 percent of business worldwide, accounting for the largest share of global employment and job creation (ILO, 2015). Not only as suppliers to international corporations, but also as forming foundations for economic health, and forces of continuity in local communities in developed as well as developing countries (Jamali et al., 2009). Thus, SMEs position in the global economy indicates relevance for further research.

SME Characteristics

Owner-Managers Central Role

Ownership and management often coincides within SMEs, which often results in a more personalised and informal way of management (Jamali et al., 2009; Egels-Zandén, 2015). As owner-managers of small businesses often are inseparable from its management, SMEs are strongly influenced by the owner-manager’s values and beliefs, which strongly affects the agenda and management of the business (Jamali, 2009; Fitjar, 2011; Egels-Zandén, 2015). Personal influence and social interaction of SME owner-managers furthermore shapes the entire business perception, attitudes of responsible behaviour
and ethics (Jamali et al., 2009). According to Vives (2006), personal influence and social interaction can be seen as the most persistent motives behind SMEs sustainability rationale.

Given owner-managers central role in SMEs, owner-managers become dominant actors, generally managing multiple business areas and tasks within the SME (Egels-Zandén, 2015). Representing a variety of roles, e.g. production manager, departmental supervisor, human resource manager as well as production worker when required, owner-managers naturally becomes featured as symbols of authority and providers of sustenance (Soundararajan et al., 2016). In contexts where the workforce is low skilled, owner-managers’ authority mitigate the possibility of workers to act against SME owner-managers (Soundararajan et al., 2016). Being aware of this, SME owner-managers tend to use workers’ emotional and economic dependency to ensure obedience and to avoid conflict (Soundararajan et al., 2016).

Combining postures of authority and responsibility for its workforce, SME owner-managers show tendencies to take on the role of a ‘father figure’, indicating a certain degree of paternalism (Jamali et al., 2015). Hence, owner-managers often assume that they are the ones who entirely understand their workers’ wants and needs, which raises their resistance to any external interference into their internal relationship with their workers (Soundararajan et al., 2016).

**Human Centred Business**

The differentiated stakeholder management found in SMEs external relationships is also mirrored internally, with particularly strong focus on the employees and issues concerning equity, health, well-being and worker participation (von Weltzien Høivik & Melé, 2009; Vives, 2006). Thus, it has been argued that SMEs are driven by another business agenda (Egels-Zandén, 2015) where a quest for long-term continuance form trust-based relationships built on solid foundations of personal engagement (Jamali et al., 2009). Moreover, owner-managers trust-based relationship with employees sometimes blur the division between employers and employees, and managers do sometimes rather acts as co-workers (Fitjar, 2011).

Close ties with employees, customers, suppliers and local communities unfolds in ‘a human element at the core of their work’ (Jamali et al., 2009, p. 358), shaping a socially responsible behaviour. SMEs community embeddedness leads SMEs to highly value external relationships based on trust and loyalty (Jamali et al., 2009). Several scholars have argued that external relationships based on trust are vital when improving workers’ rights (Locke et al., 2009; Egels-Zandén, 2015).

**Focus on Day-to-Day Involvement**

SMEs smaller size as companies generally result in flexible and informal operational structures, with lesser extents of codified and monitored sustainability processes (Fitjar, 2011; Egels-Zandén, 2015). Furthermore, this lead to less formal ways of decision-making processes, as well as reports, standards and mission statements (Fitjar, 2011; Egels-Zandén, 2015). Being established on less formal structures and looser control systems, where owner-managers often take on multiple business roles, contributes to a more personalised, informal and flexible way of managing SMEs business operations (Egels-Zandén, 2015). While some scholars argue that this can lead to SMEs being ‘unknowingly socially responsible’ (Jenkins, 2004; Jamali et al., 2009; Egels-Zandén, 2015), other scholars perceive SMEs as being more ‘socially and environmentally risk-prone companies’ (Jorgensen & Knudsen, 2006; Jamali et al., 2015, p. 4; Soundararajan et al., 2016).

As SME owner-managers generally manage multiple business areas, it leaves them with little time to organise and arrange business plans for a long-term future (Egels-Zandén, 2015). Time constraints, which scholars have argued result in a higher tendency of day-to-day involvement, results in SMEs spending minimal time on strategic planning and structuring, prioritising and doing what is...
being perceived as most important (Egels-Zandén, 2015). Hence, this result in SMEs being reactive to sustainability issues (Spence, 1999). Given SMEs reactive approach, sustainability strategies and initiatives unfolds in a patchy way, through emergent, rather than deliberate, processes (Jamali et al., 2009). The assumed reactiveness of SMEs have also led scholars to argue that, in contrary to other scholars (e.g. Jorgensen & Knudsen, 2006) that SMEs are in a better position to initiate and engage in sustainability initiatives, being ‘flatter and potentially quicker on their feet, less fixated by price and earning ratios, and more likely to revere qualities such as honesty and integrity’ (Jamali et al., 2009, p. 358; Egels-Zandén, 2015).

Conflicting Demands
Small businesses in developing countries generally operate with limited financial resources (Luken & Stares, 2005). Thus, indicating SMEs as resource constrained, which force SMEs to focus on day-to-day involvements, where immediate results often get prioritised over more costly, long-term investments (Jamali et al., 2009). Facing both internal and external demands, resource constraints impose conflicting demands on SME owner-managers, where intrinsic motivations can be hindered by a dependency on limited resources (Johnson & Schaltegger, 2016). Furthermore, resource constraints often affect how working conditions are organised and structured (Johnson & Schaltegger, 2016; Ogunyomi & Bruning, 2016; Soundararajan et al., 2016).

One the one hand, SMEs are put under external pressures to increase efficiency and decrease production costs, while simultaneously improve production quality (Soundararajan et al., 2016). On the other hand, sustainability management tools, such as standards, codes of conduct or certifications requires SMEs to comply to measurements that generally exceed regulatory working conditions requisites (Amaeshi et al., 2008; Lund-Thomsen & Nadvi, 2010). This put SMEs in between conflicting demands, where SMEs are more likely to focus on business related pressures and less on institutional demands, which SMEs might perceive as unrelated and less urgent (Ciliberti et al., 2011). Furthermore, SMEs dilemma in these conflicting demands also manifest a rivalry between actors coming from developed nations non-governmental organizations (NGOs) and the more powerful private firms inside global production chains (Jamali et al., 2015). Neither one of them represent the perspective of the SME, or the developing country (Meyer, 2004; Soundararajan et al., 2016).

Under the Radar
Being a small player in a GPN naturally make SMEs less visible to the public (Egels-Zandén, 2015). This enables SMEs to operate under the radar, where SMEs attract less media attention, rarely becoming targets for boycott or activism campaigns (Egels-Zandén, 2015).

Scholars have argued that operating under the radar allows SMEs to increasingly engage in sustainability initiatives, being detached from external intrusions (Egels-Zandén, 2015). This contributes to SMEs being increasingly internally driven (Egels-Zandén, 2015). Yet, whether SMEs have a higher internal drive for engaging socially responsible remains unclear. Other scholars have argued for an opposing view, where the possibility of operating under the radar rather can be perceived as a ‘smokescreen’ (Jamali et al., 2015, p. 3), where SMEs appear to conform to social and environmental requirements, while in reality violating fundamental sustainability principles and standards. Moreover, scholars have highlighted SMEs, especially in developing countries, to be excluded from regulatory compliances, e.g. labour laws (Soundararajan et al., 2016). As a consequence, this enables SMEs to get away with severe violations of labour and human rights, such as forced labour, sexual harassment and human trafficking (Khan et al., 2007).

While operating under the radar, scholars have highlighted SMEs as hard to detect, generally acting as lowest tiers in GPNs (Lund-Thomsen & Lindgreen, 2014; Jamali et al., 2015). Going even further, Soundararajan et al. (2016)
argues that SMEs ‘make disrupting efforts to reject or avoid the demands of dominant institutional structures’ (p.3). Aligned with Jamali et al. (2015, p.3) hypothesis of the SME ‘smokescreen’, SMEs evade responsibilities by ‘disrupt[ing] institutional demands that are ideologically misaligned with their values, and for which they do not possess the resources to commit’ (Soundararajan et al., 2016, p.3). The symbolic compliance is thus enabled by an insufficient regulatory capacity developing countries in general face, bolstered by SMEs low-tier position, being the ‘hidden hands’ in GPNs (Soundararajan et al., 2016, p.23).

Corrupt institutions and governmental authorities in developing countries are no news (Rodriguez et al., 2006). Yet, it is nevertheless problematic, as weak institutions in developing countries generally are in command of monitoring and regulating labour laws (Olken & Pande, 2012). Weak governance, often curbed by corruption leaves a void, where SME owner-managers have taken the advantage of, where bribes to government authorities halter further regulative demands (Soundararajan et al., 2016). Scholars have highlighted this as a primary reason in the shortfall of implementing satisfactory labour standards (Olken & Pande, 2012). Likewise, it manifests a way of evading responsibilities (Soundararajan et al., 2016). Given the disputed institutional environment in developing countries, SME owner-managers tend to ‘create a negative image of actors associated with institutional demands so as to demonize their normative foundations’ (Soundararajan et al., 2016, p.18). By proclaiming institutional actors, e.g. the government, as encouraging workers’ rights while disrupting the employers’, being the SMEs owner-managers (Soundararajan et al., 2016). This further coheres to high levels of authority, which SME owner-managers possess, claiming efforts of institutional actors to be neither compulsory nor valuable (Soundararajan et al., 2016).

The non-compliance with institutional demands, as well as the evasion of responsibilities, become authorised by dissociating the consequences of SMEs actions (Soundararajan et al., 2016). This is enabled, by not only creating a negative image of actors associated with institutional demands, but also by defending and blinding any possible negative effects of SMEs actions and behaviour (Soundararajan et al., 2016).

Although SMEs have received increasing scholarly attention, main characteristics of SMEs and the abilities for SMEs to improve working conditions remains a scholarly contested field (Rossi, 2011; Drebes, 2014; Lund-Thomsen & Lindgreen, 2014; Egels-Zandén, 2015; Jamali et al., 2015; Soundararajan et al., 2016). While some scholars feature SMEs as potential change agents, with high levels of intrinsic motivations for social responsible initiatives (e.g. von Weltzien Hoivik & Melé, 2009; Egels-Zandén, 2015) other scholars illustrate SMEs as more likely to evade responsibilities and suppress institutional demands, becoming ‘socially and environmentally risk-prone enterprises’ (Jamali et al., 2015, p. 4; Lund-Thomsen & Lindgreen, 2014; Soundararajan et al., 2016).
The Research Process

In-Depth Single Case Study

With the aim to enhance the understanding of how SMEs in developing countries can improve working conditions and labour rights, an in-depth single case study was proposed. This research strategy provided us with the possibility to seek a greater understanding of a dynamic present within a single setting (Eisenhardt, 1989), using multiple sources of evidence (Saunders et al., 2009). Furthermore, our study departed from an interpretative stance. By entering the social world of the people that were part of it, we were enabled to study ‘the complex world of lived experience from the point of view of those who live it’ (Schwandt, 1994, p. 118).

Moreover, as interpretative research acknowledges the relationships between people and organisations to be under constant change (Klein & Myers, 1999), the work with social upgrading as well as the context in which this work takes place, should be seen as dynamic and under change.

The selection of case for the study was theoretically guided, which means that the selection was not determined by statistical grounds, but chosen based on relevance to the research question and the theoretical position of the study (Silverman, 2014). To identify a relevant organisation for the study, we

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Model 2. SME Characteristics & Social Upgrading, compiled by authors.
initiated a screening of organisations that actively worked with social upgrading. Three criteria were used in the screening process. Firstly, the organisation had to fulfill the criteria of a SME, secondly, it had to be located in a developing country, and finally, the organisation had to work actively with social upgrading.

Initially, we contacted companies in the West, which were branded as 'socially responsible'. This facilitated relevant contact with companies’ respective suppliers in developing countries, which were likely to be engaged in social upgrading. After a number of initiated contacts, we received an invitation to a small garment factory in Kathmandu, Nepal. A Swedish customer had introduced the research proposal to a supplier in Kathmandu, which resulted in that the factory management invited us to conduct a field study at their factory. Prior to the empirical fieldwork, one of the managers explained that being socially responsible was a natural part of their everyday work. However, the owner-manager also admitted that working with social upgrading in the context of the garment industry in Nepal also could be challenging at times (Interview, M1).

Given this background, we decided to travel to Kathmandu to conduct a field study. The field study provided the opportunity to study the phenomena of social upgrading in its natural economic, social, cultural, historical, and physical setting (Silverman, 2014). This enabled us to get a contextualized, as well as nuanced explanation of the multiple dynamics of the phenomena (Bartunek, 2012; Eriksson & Kovalainen, 2015).

Data Collection

During the field study and collection of empirical data, our focus was on identifying and gaining in-depth knowledge of the work with social upgrading that the SME was engaged in. Under a time period of two weeks, we collected data through semi-structured interviews, as well as making observations of working days in the factory and everyday life in Kathmandu. Combining multiple methods provided us with comprehensive and multifaceted descriptions of the SME’s work with social upgrading (Silverman, 2014). In order to achieve rich data, it was of great importance to establish trust (Silverman, 2014). This was done by introducing us as students and learners, as well as encouraging the management and workers to ask any questions they might have concerning the study. Furthermore, the workers were informed about the aim of the study and ensured that all information would be handled confidentially and securely stored (see Appendix III).

Semi-Structured Interviews

In total, we conducted six semi-structured interviews with the SME management. Two interviews were held by telephone prior to our departure to Nepal, in order to gather initial information about the factory and the setting of the study. Furthermore, in the initial phase of the field study in Kathmandu, we held a pre-interview with the Nepal-based owner-managers to establish contact and trust. Thus, the pre-interview provided us with an opportunity to introduce ourselves, the aim and purpose of our study, as well as serving as a first opportunity to open up for questions from the management. The following two interviews were held separately with the two managers in order to be able to focus on their individual voices and experiences concerning their work with social upgrading (Byrne, 2004).

The interviews with the owner-managers were based on five themes. The themes covered multiple areas, such as the managers personal background, history of the factory, managers visions and values, as well as how the work was organised in terms of working conditions and employee well-being (see Appendix II). This gave us a multifaceted description of the factory's work with social upgrading. Moreover, the questions also covered how the factory's work was influenced by the context and relations with other actors. In final, we held a fourth semi-structured phone interview.
with the third owner-manager, guided by the same themes and methods as during the interviews with the owner-managers in Kathmandu.

Eight semi-structured interviews were held with the workers and took place in a meeting room in the factory. Through a ‘snowball sampling method’ (Saunders et al., 2009) we identified potential respondents, where already interviewed workers asked their co-workers for participation. Prior to the interviews, respondents were given an information sheet, containing information about the study and its purpose, the researchers, as well as ethical considerations in relation to the interviews (see Appendix III). The respondents were informed that taking part in the study was completely voluntary and that they had the right to decline to respond to any question, as well as withdraw from the study at any time, without giving a reason. Respondents were informed that the interviews would be audio recorded, and their identities were ensured to be held completely anonymous and information was to be stored securely throughout the entire research process (see Appendix III).

As the study was conducted with participants speaking Nepali, translation was a necessity. Thus, a translator, provided by the factory, enabled the translation between English and Nepali. In relation to this, it can be argued that the environment was not optimal for the workers. Not only with regard to the fact that the translator was provided by the factory, but also that the interviews were held in a meeting room at the factory. Although we did several attempts to locate another, more private setting for the workers’ interviews, we had to return to the meeting room, as there were no suitable locations nearby the factory. Thus, due to ethical considerations, we decided to adjust the final interview questions for the workers by removing sensitive questions when realising that the meeting room could intrude or harm the workers’ privacy. Yet, it could still have affected the workers will to freely express their experiences and concerns, as the interview setting might have caused important insights and comments to be remained unsaid. The final interview questions with the workers were based on four themes, covering the worker’s personal background, employment security and benefits, the worker’s rights and safety features in the factory, as well as how the worker viewed and prioritised different aspects of social upgrading (see Appendix II).

All interviews varied in length from 20 to 110 minutes, and were audio recorded and transcribed to ensure as concrete, transparent and accurate accounts as possible (Silverman, 2014).

A summary of all interviews can be found in table below:

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Date</th>
<th>Location</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>M1</td>
<td>16-01-28</td>
<td>Visby</td>
<td>0:48</td>
</tr>
<tr>
<td>M1</td>
<td>16-03-22</td>
<td>Visby</td>
<td>0:39</td>
</tr>
<tr>
<td>M2, M3</td>
<td>16-04-03</td>
<td>Kathmandu</td>
<td>0:32</td>
</tr>
<tr>
<td>M1</td>
<td>16-04-26</td>
<td>Stockholm</td>
<td>1:11</td>
</tr>
<tr>
<td>M2</td>
<td>16-04-04</td>
<td>Kathmandu</td>
<td>1:42</td>
</tr>
<tr>
<td>M3</td>
<td>16-04-08</td>
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<td>1:07</td>
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Model 4. Overview Interviews
Observations

Throughout the empirical fieldwork, we kept a research diary to document observations, instant comments and insights of the working days in the factory, as well the everyday life in Kathmandu. In order to capture an often neglected source of data, we also attempted to grasp not only visual observations, but to also use our ears to sense the tone of verbal conversations and note the frequency of talk between the owner-managers and workers in the factory (Stimson, 1986). Combined with photographs from the factory and streets of Kathmandu, we used the data to capture the economic, social, cultural, historical and physical setting in which the interviews were held (Silverman, 2014). Furthermore, the flexible nature of observations increased our possibility of coming across unexpected sources of data (Silverman, 2014). As the social world is established on mutual knowledge, created by both the observer and participants (Flyvbjerg 2006; Myers, 2009), the most advanced form of understanding is enabled when researchers situate themselves within the context setting of the study (Silverman, 2014). This made us spend as much time in the factory as possible.

Contesting Saunders et al. (2009) recommendations on mitigating ‘subject, participant and observer bias’ (p. 156), Fisher & Monahan (2010) argues that staged performances should be warmly accepted as gifts from respondents, as they ‘deeply reveal how individuals perceive themselves and would like to be perceived’ (Fisher & Monahan, 2010, p. 363). In social science, this can be seen as a strength and opportunity, where research within social science does not aim to determine one single truth, but to rather reveal and present multiple truths (Fisher & Monahan, 2010).

Complementary background information concerning the factory and its customers were retrieved from respective company’s website.

Analysis of Empirical Data

The empirical data was analysed in its digital form and to ensure that no changes were made to the original files, copies of transcribed interviews, field notes and photos were made for the purpose of the analysis.

We analysed the data using a constant comparative method, which is suitable for comparison between elements in a single case (Silverman, 2014). Furthermore, the analysis was guided by what Silverman (2014) refers to as ‘good practice in qualitative data analysis’ (p.135). The analysis started with a close inspection of the collected data. This included revisiting field notes and photos, as well as going through the transcribed interviews, one by one. We carefully read the interview transcripts several times in order to get a clear overview, but also to become familiar with the depth of their content. Our focus of the detailed inspection of the gathered data was to look for key, essential, interesting, repetitive or deviant things that the workers shared during the interviews or that had been observed during the empirical fieldwork. In order to analyse the data thoroughly and fairly, we avoided to establish early hypotheses or to focus on identifying telling examples.

Following, we systematically labelled the key, essential, interesting, repetitive or deviant things that we found in the data. The empirical data on social upgrading was labelled through our previous theoretical framework of SME characteristics, which was built upon a literature review and considered as relevant for our empirical fieldwork. The process of developing labels was not only built on the theoretical framework, but also complemented with ideas that emerged during the detailed reading of collected empirical data. To structure the analysis in an comprehensive way, each label was given a colour and short description and then used to highlight text, or tag digital photos and documents and make colour-coded comments related to the specific category.
For each label, all corresponding data related to the SME’s work with social upgrading were collected in a separate document. This included sentences from transcribed interviews, key examples, excerpts from field notes, ideas, as well as comments. The data under each label was then analysed to see if all the listed data and ideas was perceived as coherent. Initial labels were also compared to each other in order to identify similarities, repetitions and exceptions. This process resulted in that some labels were combined into one, changed by modifying descriptions, or by adding or reducing data. The process of evaluating, modifying and adjusting the labels was on-going until only five main categories of SME characteristics were remaining (Owner Managers Central Role, Human Centred Business, Focus on Day-to-Day Involvement, Conflicting Demands, Under the Radar). These main categories following consisted of two respective, more nuanced subcategories (Values & Beliefs/ Symbols of Authority, Trust-based Relationships/ Community Embeddedness, Flexible & Informal/ Reactive, Resource Constrained/ Conflicting Demands, Internal Drive/ Evasion of Responsibility).

In the final steps of the analysis, key labels were integrated and matched into the written theoretical framework of SME characteristics. The theoretical framework further guided and structured the write up of analysis. This enabled us a creative and dynamic opportunity to not only test, but also to some extent, identify areas for future research to build upon.

Validity

As social upgrading takes place in a social world at constant flux, the concept of reliability becomes problematic when considering qualitative studies (Marshall & Rossman, 1989). Nevertheless, it is at the same time problematic to argue that the social world is at infinitive flux, as a statement like that would out rule any systematic research, nor the possibility to build on its findings (Silverman, 2014). Instead, arguing for a processual world, researchers studying social phenomena should address a study’s reliability, as well as concerns for validity, by carefully describing the research process, ensuring as concrete, transparent and accurate accounts as possible (Silverman, 2014).

The main mission of this study has not been to achieve scientific generalisation. The aim has rather been to seek to capture and illuminate unique features of the studied SME (Flyvbjerg, 2006; Ruddin, 2006) to further understand the SME’s work with social upgrading. The context, such as the social, cultural and historical background of the research setting was therefore of great importance, since ‘the context is what defines the situation and makes it what it is’ (Myers, 2009, p.39). Thus, rather than reducing complexity in order to produce context-independent knowledge, this study has aimed to capture rich insights of the complex world that social relations provides (Saunders et al., 2009). In a similar manner, Flyvbjerg (2006, p.7) argues that ‘predictive theories and universals cannot be found in the study of human affairs’. In line with this study, contribution of context-dependent knowledge can be seen as more valuable than searching for predictive theories and universals (Flyvbjerg, 2006). With this said, there is always room for further expansion of methods, responses, and approaches while engaging in social research (Silverman, 2014).

Ethical Considerations

Guided by a deontological view, the results of this study have not justified any acts of unethical behaviour (Saunders et al., 2009). This has been considered during the entire research process, where collection of empirical data, as well as its storage, analysis and write up have been done with high morals and in a responsible way, following Saunders et al. (2009) recommendations on research ethics. To assure owner-managers and workers anonymity in this study we have used fictitious names in relation to the individuals, as well as with regard to the name of the SME and its customers.
Empirical Fieldwork

Background Valley Knitwear Ltd.

Valley Knitwear Ltd. was founded in 2008 when the three owner-managers met through their mutual interest in garment production (Interview, M1; M3). Coming from Nepal, India and Sweden, with different experiences and cultural backgrounds, they founded Valley Knitwear Ltd. using their personal savings. From initially only employing themselves they have grown to provide work for up to 120 workers. In 2015, the factory had a turnover of around 1.8 million Euro. Thus, Valley Knitwear Ltd fulfils the criteria of being an SME (European Commission, 2016).

Including both hand-made and machine-produced knitwear, Valley Knitwear Ltd. produces a wide range of sweaters, dresses and cardigans, to accessories such as scarves and hats. With suppliers located in China, Hong Kong and Italy, and customers from large parts of Europe, Valley Knitting Ltd. is a small actor in a global production network.

Several of the brands for which they produce, brand themselves as Fair Trade, Eco, and sustainable fashion and their products are marketed as ethically sourced and sustainably produced under fair and monitored working conditions. One of the factory’s customers describe themselves as pioneers in sustainable fashion and one of Europe’s’ leading fair trade brands. The brand state that when the factory has large orders, her working days start early, as she sometimes takes pieces with her home to work for a couple of hours in the morning (Interview, W8).

My husband has gone abroad to earn money, so I take care of the family. I learnt the skills here in the factory. I was away for a while, but now I am back in the factory again and earning money. – Elsa

Prabin sets his alarm at 05.10 in order to be at his college when the lectures start at 06.30. He is studying an IT bachelor and finances his studies by working afternoons and evenings in the factory (Interview, W6). The workers that live near the factory walk the busy and dusty roads to work, while others afford to take the bus. Either way, they have to be at the factory at 09.00 when the workday starts. The factory building however, is not empty. Some workers are already in the factory, since it is not only the place where they work, but also where they sleep at night.

The factory is located in Jorpati, a large, busy village in the outskirts of Kathmandu. The one-level concrete building is hidden behind large gates, and there are no signs signalling and states that the factory in Nepal, where a small part of their collection is produced, is managed according to fair labour guidelines created by the international and independent non-profit organisation Fair Wear Foundation (Sustainable Fashion Brand, 2016).

The owner-managers at Valley Knitting Ltd. work hard to expand their business and they describe that personal values and ethics are a natural part of their everyday work, where they acknowledge the workers as human beings as well as an important asset for their future expansion.

A Working Day at the Factory

As the sun rises in Kathmandu Valley, Asmita and Elsa are already awake, taking care of household duties and preparing food for their families. Elsa, who works in the hemming department, says that when the factory has large orders, her working days start early, as she sometimes takes pieces with her home to work for a couple of hours in the morning (Interview, W8).

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that it is a factory located behind. A guard greets visitors, and four lively and barking dogs let the people inside the factory know that there are visitors on their way. Johan, one of the owner-managers, explains that they want to stay under the radar as much as possible.

\[W\]e cannot be too visible, that would impact our business negatively. If the government see that our factory is doing well, we would be subject for higher bribes. – Johan

An office, a meeting room and a separate bathroom for managers and visitors are located in one end of the building. The rest of the building is divided into various departments where different steps in the production process are performed. One room is filled with large machines, and operators are walking between the machines to monitor the production processes. The constant mechanic movement of the machines leaves a metallic and distinct smell of chemically treated fabric in the air. Large backup batteries are placed on the concrete floor in one of the corners, which maintain the production during power cut-offs. The frequent power cut-offs during the days are hard to ignore as the lights shuts off and bring a loud, murmuring sound from the back-up batteries into the rooms. The power grid in Nepal is old and does not have the capacity to provide electricity to all connected buildings. During a usual workday there is at least one or two planned cut-offs, which lasts for several hours.

Other departments are located in smaller rooms, spread out in the rest of the factory. In one room, workers are using sewing machines to attach the machine-produced parts of knitwear together. In another room, exclusive garments are knitted by hand, and in a third room final details are made by hand and brand labels are attached to the garments. The final step of the process is performed in a washing room, where finalised pieces are washed, pressed and neatly packed in boxes, ready to be shipped across the world to Europe. There are no windows letting in natural light into the factory and most of the rooms are badly lit. Boxes of clothes are standing in almost every corner. Dust, mixed with tiny micro parts from processed fabrics flows around in the air.

There is no air-condition, which makes the factory hot during the warm summer days. Priyanka says that one of the things the factory could do to improve the working conditions is to install air-conditioning, to make the working environment more comfortable (Interview, W1). The workers have access to pure, filtered water during their workday, something that was not provided when the company first started eight years ago. Clean water is not something that can be taken for granted in Nepal.

\[N\]ow, when the summer season will come to Kathmandu, around thirty percent of the whole Kathmandu area will not have access to water. And people do not have the money to pay, so they have to stand in a queue for two, three hours. Actually, before I was running this business, when I was working somewhere else, I had to do the same thing. I would wake up at four o’clock to stand in the queue to get the water. Some companies even charge their workers if they take a glass of water. – Rabin

Owner-managers and workers agree that the facilities are better now in comparison to when the factory started in 2006. However, when asked about examples of improvements, both owner-managers and workers are struggling to name specific things that have changed for the better. Johan explains that the factory used to be located in much smaller facilities, with a lot of people in very small rooms (Interview, M1) and describe the working conditions as worse back then. He argues that it is more space and better organised now (Interview, M1). Furthermore, Johan states that he cannot think of any specific initiatives, but that the improvement is something that has gradually evolved ‘step-by-step’ (Interview, M1). When asked about the main challenges when working with different aspects of social upgrading, he states that it is costly to work with processes to improve working conditions and the main challenge is that there is not enough money for everything the factory would like to do (Interview, M1).
The garment industry has become a race to the bottom. If you are not able to produce to the price that the customer are willing to pay, they will find someone else that can produce to that price. And to be able to keep the prices so low, companies have to cut costs, which sadly mostly affects the workers. For example through low wages, by using production techniques that includes harmful chemicals and so on. – Johan

He continues by explaining that even if they have good relationships with most of their customers, they still face the pressure to be cost-efficient and at the same time have to care for the workers health and well being.

[You have to be cost-efficient for customers to buy from you, but at the same time you have to care about the well being of the employees. It is hard to find that balance. – Johan

Some of Valley Knitting Ltd.’s customers visit the factory on a regular basis. Prabin says that some of them even come two times per year, often staying for at least four weeks at a time. They come to look at the production, how everything is operating and to photograph samples, he explains. However, he cannot remember that they ever required him, or any of the owner-managers to change or improve anything related to the working conditions in the factory.

Johan says that if they had enough money he would like to build an entirely new factory (Interview, M1), and Rabin shares his future plan on opening a canteen where the workers can have their lunch, where the factory at least could afford to pay the half (Interview, M3).

In this way, he also envisions that the workers will become more motivated. Another idea is to offer child care in the factory, where the workers can have someone to look after their children while being at work (Interview M1; M3). The possibility for workers to leave their children at a day-care centre is currently limited, and Trinisha says that if her children are not at school they stay with one of her relatives (Interview, W4).

The factory is equipped with first-aid kits and fire extinguishers, which all workers seems to be aware of where they are located (Interview W6). The factory provides the workers with aprons. Rabin wishes to be able to provide them with gloves in the future, as the work is intense and the workers sometimes hurting themselves on the sharp needles (Interview, M3). While interviewing the workers, some say that they wish to have extra protection gear, like masks and gloves, while others do not see it as a particular necessity (Interview, W1, W2, W6).

When the devastating earthquake hit Nepal in May 2015, some of the workers recall that everyone in the factory ran out and gathered outside the building, holding each other’s hands while trying to grasp the situation. Shortly after the Earthquake, Rabin says that the factory offered the workers a small fund, which was given by the factory’s customers, to help workers rebuild their homes and to support the children with books and school material (Interview, M3).
Picture 1. Jorpati.

Picture 2. Hemming Department.
On the factory floor, the workers are working side by side, but their terms of employment differ and can be divided into two broad categories: salary or piece-rate. Terms of employment depend on what department the worker belongs to, their level of skills, and for how long they have worked in the factory. Some workers receive a monthly salary that comes with benefits like paid holiday and paid sick leave (Interview, W1, W3, W5, W6, W7, W8). Apart from being paid a share of their salary when being sick, or during the annual holidays, the salary-workers also receive fifty percent of their salary during a three-month maternity leave (Interview, M2).

However, the majority of the workforce is employed on terms of ‘piece-rate’, which means that they get paid for the amount of pieces the worker makes (Interview, M2; M3). This enables the factory to keep a high degree of flexibility. Piece-rate sometimes pays higher than comparison to the monthly salary (Interview, W2). Trinisha explains that she started to work in salary, but later chose to change to piece-rate as it pays better, even though there are no benefits included (Interview, W4). Priyanka, another worker, says that she feels more secure when being employed on a salary-contract, as she has a family to support and cannot risk to not receive any money if she would get sick (Interview, W1). She also explains that she, as being a salary-worker, have the opportunity to have an annual meeting with one of the owner-managers, where they evaluate her work performance and increase her salary step by step, as her skills get better (Interview, W1). When talking to the Alina, one of the owner-managers, she explains that she never had the opportunity to receive any feedback, or argue for a higher salary when she used to work as a garment-industry worker in the past (Interview, M2).

The owner-managers describe that their past experiences from being employed have influenced their way of managing the factory. They want to do things differently and treat the workers better than they were treated themselves (Interview, M2; M3). When talking about the workers, the owner-managers express their gratitude for their hard and honest work and say that they do their best to help them in any way that they can (Interview, M2; M3). Their view is that running the factory is not only about making profit at any cost; they acknowledge that the workers are also human beings (Interview, M1; M2). The owner-managers describe that working long days together in the factory have created close relationships with the workers (Interview, M1; M2; M3). They know each other well and one owner-manager describe that workers are always welcome to come and talk to her if they have any problems (Interview, M2).

I do not know what they are thinking, but I am always thinking of them like my family [...] I am not their boss, I see them as my children.
– Alina

The workers receive around 10 000 NPR (82,50 EUR; World Bank, 2016) per month, when being employed on a salary basis, and while being trained, learning required skills, they get 6000 NPR (49,50 EUR; World Bank, 2016). The minimum wage in Nepal is 8000 NPR per month (66 EUR; World Bank, 2016). Having faced many hardships while being raised in India under poor conditions, Rabin have enabled the workers to sometimes receive a part of their salary in advance (Interview, M3). He knows well that life can be hard and that workers unexpectedly can face immediate expenses. According to Johan, all workers are provided a written contract of employment where the term of employment, as well as wage is indicated (Interview, M1). Alina says that the salary-based workers have written contracts, whereas the piece-rate workers do not (Interview, M3). A majority of the workers, in contrary, say that they have not received any written contract at all, whether being employed on terms of salary or piece-rate (Interview, W4, W8). Whether the workers
have a written contract or not is unclear, however it is unmistakable that the workers are not registered with social security (Interview, M3). Neither are the workers paid shares for pension, which the owner-managers explain is a benefit that only employees in the public sector receive in Nepal (Interview, M2; M3).

The production goes on in a steady pace during the morning hours and the owner-managers and workers work dutiful and focused, accompanied by the sound of the automatic machines in the background, mixing up sounds of human moves with mechanic, noisy motions. However, in the middle of the various departments where the knitting, hemming and washing takes place, eight rooms remain quiet and empty during the workday. These rooms belong to the workers from Bangladesh, who has been recruited through an agency, bringing people from Bangladesh to Nepal where they are employed as workers, usually in the garment or building industry.

_They are illegal ones. You see the ones working with the round machine. That is them._ – Rabin

The rooms are small, completely in concrete, without windows or lighting. The floor is covered by carpets and mattresses, which the workers sleep on, sharing the thin mattress with sometimes up to four workers. In one corner there is a cooking plate, and on a few hangers by the walls the worker’s clothes hang. Rabin explains that the workers usually stay for a year at the factory, and then they bring the money back to their families in Bangladesh (Interview, W3). Even though the owner-managers are aware that they engage the business in processes that somewhat can be considered as illegal, one of the owner-managers explains that he feels that he is helping them, by offer them work at the factory (Interview, M3). What else would he do, Rabin says, describing that all manpower leave Nepal for other countries where the work is better paid. Left in Nepal are the owner-managers with their SME, which they want to expand, yet lacking workers that will operationalize the production (Interview, M3). That leaves the owner-managers, Rabin claims, with no other choice but to employ workers from Bangladesh (Interview, M3).

Around 12.00 it is time for lunch, which is the only break during the workday. A majority of the workers have prepared lunch at home, which they eat in the lunchroom located by the entrance to the factory. Asmita says that the lunchroom is new, and that is was built seven months ago (Interview, W2). Before that, the workers sat by their machines on the factory floor and ate. That did not look good according to Rabin, who made the owner-managers come up with something else (Interview, M3). The lunchroom is small, entirely made out of concrete, with a small window letting in a glimpse of natural daylight. A shelf for personal belongings is the only piece of furniture, leaving the workers having to sit on pieces of cardboard on the floor while having lunch.

Many of the workers are related, coming from the surrounding communities. Saroj says that he think the social climate in the factory is good, where the workers contribute to the familiar atmosphere (Interview, W6).

_In our teams we are a lot like friends, relatives. Someone could be like my sister. When we have free time we just talk each other about personal things too. Sometimes we make some plans and go out somewhere. And sometimes our factory even organises some like party like that, so we celebrate like that. You know, like a human mind is always facing, not only wants to work work work, so sometimes giving extra time to celebrate._ – Saroj

_As we do our work in our own home, we do work in here. We feel like that, everyone is like a member. We have good relations._ – Prabin

The workers’ positive and warm descriptions of their relationships to their colleagues add to the picture of the factory as a friendly and family-like workplace (Interview, W1; W5). When it comes to their relationships to the owner-managers, the workers describe them as good, but more formal (Interview, W1). Trinisha describes that she only talk to them.
when she needs to ask for holiday (Interview, W4).

*We have good relations with each other, male or female, all are happy people [...] While working with friends in the same department, we talk about personal things as well, but with the management we only talk about work and official things.* – Priyanka

After lunch the workers return to the work and the constant tapping, fast-paced automatic sounds of the machines increases, leaving a metallic and sweaty smell in the air. The workers move on quietly with their tasks, focused and hardworking. Many of them have learnt all their skills in the factory and this is the first, and only place where they have worked. The owner-managers have started to offer training opportunities to unskilled workers, where people are hired as a trainee and learn required skills to get an employment, while receiving a small wage.

The factory has implemented a system of department heads, responsible for giving the workers a voice and bring forward their ideas and opinions (Interview, M2; W1). Before the start of a new production process, the owner-managers invite the head of each department to evaluate on which improvements that can be made, to make the production more efficient. However, the workers say that they rarely take the opportunity to express their opinions.

*We have one person for each and every department that works like a link. So if someone has a problem they talk to that person, and then they come to us. Like a representative.* – Alina

The owner-managers describe Nepal as a diverse country and state that they employ workers from different castes and with varying cultural and religious backgrounds. According to one owner-manager, they have workers from at least ten different cultural backgrounds (Interview, M3). Several workers belong to the minority group Newar, which are the historical inhabitants of the Kathmandu valley. The urbanisation and migration of people from rural areas have led to Newars becoming minorities in their homeland (Interview, M2).

*We have a lot of Newaris. They have a very special culture, and needs related to that, so we provide the holiday, and opportunity to leave work earlier.* – Alina

*Beside work, I have a hobby, to dance, and to visit new places! I am Newari, so we have certain traditions.* – Asmita

Johan states that the factory strive to employ a mix of 'both young and old workers' in order to have a workforce that contribute with both experience and new ideas into the production (Interview, M1). When asked about different grounds of discrimination, the owner-managers state that they are not aware of any disabilities among workers or if any worker has a sexual orientation that deviates from the norm. Rabin explains that if it would be the case, it would not be any problem in their company. However, he also describes the heterosexual norm in Nepal as strong. (Interview, M3). When asked about the situation for transgendered persons, Rabin answers that they are 'hidden' in Nepal and become hesitant when asked about the possibilities of offer employment to someone who identifies as being transgendered (Interview, M3).

In interviews with owner-managers they often describe that they treat all workers equally. When asked, neither owner-managers nor workers can recall any situations where a worker have been treated differently based on gender, caste, ethnicity, disability, sexual orientation, transgender identity, age or religion, or between workers with different terms of employment.
Picture 3. The Factory.

Picture 4. The Lunchroom
The good thing is that we give the same opportunity to everyone. [...] We want to give everyone the same opportunity, so everyone grow. – Alina

When walking through the different departments in the factory, it becomes clear that there are mainly women working there, about seventy percent according to the owner-managers (Interview, M2; M3). Johan describes that empowering women in Nepal, by offering them employment in the factory, is the company’s main contribution to society. However, the other owner-managers seem to have other reasons for employing women as well. Alina argue that they mainly employ women because they can be trusted: they do not get drunk every night after work and they do not have the same possibilities quit their job and go abroad to earn money (Interview, M2). Johan adds that his colleagues find women ‘easier to communicate with and [that they] work more effectively’ (Interview, M1).

[W]omen has a very hard time to get a job, they are not very educated. And men are working not even one year, and then they plan to go to Qatar or Malaysia. Not possible to trust. – Alina

The female workers in the factory say that they are satisfied with their work situation (Interview, W1; W2; W7). However, when asked about what they think that they would be doing if they did not work in this factory, most of them answer that they had not thought about it or that they would probably be staying at home. They say that with no education, this is the only thing they know. There seem to be no time for daydreaming or making plans for the future.

I am not educated, so I do not know a lot of different works. I think I would still like to do hemming, here in this factory. – Priyanka

When bringing up trade unions during the interviews, the owner-manager immediately dismiss them as corrupt and state that they do not fight for workers, they only fight for themselves. (Interview, M3; M2). Rabin explains that they strongly advise workers not to join unions as that would ‘not benefit anyone’ (Interview, M3). Alina says that they are not able to comply with the union’s demands, as it would mean that the workers would demand money without working, eventually leading to a situation where the factory would have to close (Interview, M2). The factory uses bribes as a solution to keep trade union representatives and government authorities at a distance and avoid further demand (Interview, M1; M2; M3). Workers that have joined trade unions and ‘created conflicts’ in the past have been dismissed, and are no longer working in the factory (Interview, M3).

It means that after paying that much money, I am free to take any action and no one will interfere. Because the persons that have created the problems for us are not working for us any more. That four persons will get nothing and just they will lose their jobs. – Rabin

In the future Johan, Alina and Rabin dream of opening a school, which will provide free education to the worker’s children as well as children living in the nearby communities (Interview, M1; M2; M3). Education is something that Rabin acknowledges as important (Interview, M3). Apart from that, the owner-managers also mention their future ambitions of opening a hospital that can offer the community adequate and affordable healthcare (Interview, M2; M3). To give back to Nepal is something that the owner-managers often mention. They wish to be remembered for doing something good. Rabin explains that he already has started to search for a rural village, where the factory could offer support to enhance the rural village’s social development. With a smile on his face, Rabin ends the conversation by saying that these are things probably will take place in the longer future.

At five, most workers go home. During high season working hours are usually longer, and Saroj says that they sometimes are required to work overtime if a large shipment needs to be finalised on time (Interview, W6). During these time periods over-time can last until midnight. For those workers that do stay
however, the factory provides dinner for. Many of the workers come to the factory every day if they can. If not, Saturday is the official day off. The owner-managers usually work every day of the week, often staying late at night, coming in early mornings.

_When there is work, I come from all week. If there is no work, I stay home on Saturdays._

– Asmita

Some go home to spend the evening with their families. Other workers will have to wait months until they get to meet their beloved ones. The annual leave consists of eleven days per year and is set according to the Nepali and Indian religious festivals, as these are the religions of the owner-managers Alina and Rabin. Prabin says that he goes back to his home village once a year, where his wife and daughter live (Interview, W5). He might go back if a factory in the same village would pay him as good as here, but he explains that they never will, so therefore it is better for him to stay (Interview, W5). When the workers from Bangladesh have finished their work for the day, they go back to their rooms in the factory. After cooking something for dinner they try to get some sleep, before the sun rises again. Then it will be time to wake up to a new working day in the small garment factory.

Analysis

Owner-Managers Central Role

The owner-managers central role is strongly shaping the SME’s agenda and work with social upgrading. Empirical evidence illustrates the owner-managers will to contribute to the society in Nepal (Interview, M1; M3). Coming from poor conditions in India and Nepal, the owner-manager’s past experiences have inspired their visions to open a school, a hospital and to support the social development of a rural village. Furthermore, with experiences of having been employed in the garment industry, the owner-managers show an understanding of the workers’ life situation (Jamali et al., 2009). As they now manage a company on their own, they would like to do things differently (Interview, M2; M3). One owner-manager explains that his past experiences of struggling financially have influenced the decision to offer the workers a share of their salary in advance, when in need of urgent money (Interview, M3).

The owner-managers explain how they value a positive social climate within the SME, where they envision an un-hierarchical organizational structure, where workers freely express opinions and influence their work situation (Interview, M1; M2). The owner-managers state that they frequently tell workers that they are welcome to come and talk to them directly if they have any issues (Interview, M1; M2; M3). In relation to this, the SME have implemented a system of department heads to act as links between workers and the management, to support workers’ possibility to express opinions and influence the work situation (Interview, M2; W1). Furthermore, one owner-manager explain that the annual meeting scheduled with the workers, is a result from her past working experiences, where she never had the possibility to talk to the management and argue for an increased wage (Interview, M2).

The positive social climate described by the owner-managers is confirmed by the workers (Interview, W4; W7). However, from the interviews with the workers it is clear that there are distinct roles within the SME, where the owner-managers have a central role and high levels of authority (Interview, W1; W2). Since the owner-managers take on multiple roles e.g. production manager, sales manager, human resource manager as well as working side by side with workers, it puts them in a dominant position (Egels-Zandén, 2015), which contributes to workers’ perception of them as symbols of authority and providers of sustenance (Soundararajan et al., 2016). Likewise, the owner-managers are the ones dictating terms of working hours, taking final decisions concerning workers requests for leave, matters of working over-time and deciding the official dates for annual leave (Interview M2; M3), which further
demonstrates their authority (Soundararajan et al., 2016).

Empirical evidence indicate that workers rarely take the opportunity to express opinions, where only a few workers are able to exemplify moments when they have made their voice heard. Under conditions where owner-managers are seen as symbols of authority it can be difficult for workers to act against them and might prevent workers from speaking up (Soundararajan et al., 2016). Especially when considering the clear economic dependency, which leaves the workers with little room for opposing discussions and requirements of better working or living standards (Khan et al., 2007; Soundararajan et al., 2016). Considering the owner-managers emphasis on empowering women in Nepal (Interview, M1; M2), it could on the one hand be argued to be a case of socially responsible behaviour, based on owner-manager's values and beliefs, but on the other hand be argued to be a case of owner-managers taking advantage of workers' emotional and economic dependency. This provides the owner-managers a high level of control, which ensures compliance and mitigates conflicts (Soundararajan et al., 2016).

Additionally, the owner-managers demonstrate a paternalistic employee view, where they take on the role as a parent or protector (Soundararajan et al., 2016). One example of this can be shown where one of the owner-managers describes the workers as her children (Interview, M2). Another example is where the owner-managers are advising employees against joining trade unions (Interview, M3), stating that 'it would not benefit anyone', implying that they know what is best for the workers. Thus, raising their resistance to any external interference into their internal relationship with the workers (Soundararajan et al., 2016). Owner-managers good intentions to do things differently, stemming from their values and beliefs, have little effect on social upgrading in practise. For workers' to be able to comfortably express their opinions and influence their work situation, it requires a social climate, where workers that lack significant status and resources feel confident to express thoughts and opinions, knowing that it would not affect their employment negatively (Khan et al., 2007). Moreover, the owner-managers visions and agenda of contributing to society at large, seems to take focus from what could be improved within the walls of the actual factory.

Human Centred Business

Trust-based relationships with the workers, with an understanding for their personal matters, imply a human centred business approach (Vives, 2006). This is further illustrated in the owner-manager’s values of not wanting to make business profit at any cost, but where they acknowledge the workers as human beings (Interview, M1; M2). The human centred business approach is further exemplified in relation to the working hours, where they allow a certain degree of flexibility. Another example is where the owner-managers explain that they value good relationships with the workers, describing the social climate and culture in the factory as close-knit and family like (Interview, M1; M2; M3). The friendly, close-knit and family like environment in the factory is confirmed by the workers (Interview, W5; W6), where the workers further emphasize their relationships with their co-workers as honest and friendly.

Empirical data illustrate that owner-managers close relationship with the workers sometimes blurs the division, where the owner-managers at times rather acts as co-workers (Fitjar, 2011). However, in relation to the workers’ interviews, they describe their relationships with the owner-managers as more formal and distanced (Interview, W1; W2). This indicates a slight difference in the owner-managers and workers perceptions of their mutual relationship, where the owner-managers' high level of authority could be a reason for why the workers perceive the relationship to appear more distanced.
Focus on Day-to-Day Involvement

The SME has no formal strategies or policies regarding the work with social upgrading, which indicates a less formal decision-making process (Egels-Zandén, 2015). Even though the empirical data illustrates a hardworking workforce, the management allows a certain degree of flexibility when it comes to working hours and overtime, where workers are allowed to bring pieces home, enabling them to leave the factory a bit earlier (Interview W2; W4; W7). Moreover, the workers are allowed to take shorter breaks during the workday if they have an errand or personal issue, which they need to solve immediately (Interview, W7). Additionally, the SME shows signs of being flexible when it comes to workers’ cultural needs, for example by allowing workers from minority groups to take their holiday in connection to religious celebrations (Interview, M2; M3).

On the surface, there is no indication that workers are treated differently and the owner-managers clearly state that they want to give the same opportunity to everyone (Interview, M2). When it comes to different age groups, the owner-managers state that they strive to employ both young and old workers (Interview, M1). However, the SME has no policies guiding their work, neither in terms of recruitment, nor opportunities at the workplace. This indicates a priority of keeping a high level of flexibility to be able to focus on day-to-day operations, at the expense of implementing policies to ensure equality of opportunity.

Concerning the employment and income security, owner-managers claim that the SME provides written contracts, paid maternity leave and salary slips (Interview, M1; M2; M3). However, there is a discrepancy in relation to the written contracts, where the owner-managers state that all workers are provided with written contracts, whereas the workers do not confirm the statement (Interview W1; W4; W8). One owner-manager explains this inconsistency to be connected to the SME’s wish to keep the factory’s ‘workforce flexibility’ high (Interview, M3). In other words, the SME’s ability to focus on their day-to-day business operations (Egels-Zandén, 2015). The void of written contracts thus allows the owner-managers to mitigate the risk of having to guarantee workers monthly salaries if the factory does not have work to offer. Hence, the owner-managers can be seen as prioritising flexibility and low costs, over assuring the workforce employment and income security.

Conflicting Demands

Improvements in the work of social upgrading have been made in relation to the SME’s facilities and physical working conditions. However, the empirical data show that conflicting demands are affecting the SME’s work with social upgrading. Combined with the SME’s limited resources, conflicting demands hinder the owner-managers’ ambitions of further improvements of facilities (Interview, W1; Ciliberti, de Haan, de Groot, & Pontrandolfo, 2011). This is further demonstrated in relation to the SME’s wages, where empirical evidence illustrates how owner-managers ensures payment of minimum wages but where conflicting demands pressure the owner-managers to prioritise customers’ requests of pricing, rather than increasing workers’ wages (Interview, M1).

Moreover, the resistance of unions can be linked to conflicting demands where the SME, on the one hand face institutional demands concerning labour rights, while on the other hand face pressures to keep down production costs, increase efficiency and to improve quality (Interview, M1). This put the SME in between conflicting demands, where the SME is more likely to focus on business related pressures and less on institutional demands (Ciliberti et al., 2011). Consequently, when not being able to comply with institutional demands, the SME bribes trade unions and government authorities as a solution (Interview, M1; M2). This is in line with Soundararajan et al. (2016) argumentation that SMEs in developing countries commonly bribe government authorities that are
responsible for monitoring labour regulation to stop any further demands. As a result, the SME’s evasion of institutional demands hinders the process of strengthening workers as social actors (Rossi, 2011).

Operating with limited financial resources while facing conflicting demands force the SME to focus on day-to-day involvements. Consequently, immediate results such as improvement of physical working conditions get prioritised over more costly, long-term investments such as improvement in the rights of freedom of association and collective bargaining (Jamali et al., 2009; Soundararajan et al., 2016).

Under the Radar

The SME’s work with social upgrading is shaped by the characteristic of being under the radar, illustrated by empirical evidence throughout the interviews. Scholars have argued that operating under the radar allows SMEs to increasingly engage in sustainability initiatives, characterised by a higher internal drive, as being detached from external intrusions (Egels-Zandén, 2015). The study’s empirical data demonstrates the SME’s work to be shaped by the owner-manager’s values and beliefs. Not only in relation to create a positive social climate in the factory, but also in terms of the SME’s wages. In example, the SME pays the workers above the official minimum wage, provide the workers the opportunity to get paid during training, as well as an annual meeting where they discuss the worker’s terms of employment (Interview, M2). This results in socially responsible work, which can be seen as being internally driven (Jamali et al., 2009; Egels-Zandén, 2015).

However, rather than demonstrating an internal drive for engaging in social upgrading (Egels-Zandén, 2015), most of the empirical evidence indicate that the SME evade their responsibilities while operating under the radar (Soundararajan et al., 2016). In line with the opposing view of SMEs internal drive for engaging in sustainable initiatives, other scholars have argued that ‘being under the radar’ enables SMEs to rather evade responsibilities (Khan et al., 2007; Soundararajan et al., 2016). While appearing to conform to institutional demands, SMEs under the radar rather become enabled to get away with violations of labour and human rights (Khan et al., 2007).

Flexibility and low cost is prioritised by the SME over employment and income security. This is exemplified by the inconsistency of not providing the workers written contracts, which can be seen as an evasion of responsibility. Furthermore, in relation to the migrant workers from Bangladesh, the owner-managers are aware of the fact that they engage in illegal business (Interview, M1; M3). Yet, they justify their actions by placing the responsibility on the workers (Interview, M1; M3). Same argumentation is used in relation to the migrant workers’ living conditions in the factory, where poor standards are justified by claiming that they do not only offer them a job, but a place to live, and ‘if they wish to stay anywhere else they can do that’ (Interview, M3). Considering the economic dependency of the migrant workers, it leaves them little room for opposing discussions and requirements regarding better work- and living standards (Khan et al., 2007; Soundararajan et al., 2016).

In relation to acknowledging the workers’ rights to freedom of association and collective bargaining, the SME’s resistance can be seen as an evasion of responsibility (Soundararajan et al., 2016). Instead of strengthening workers’ role as social actors and improve their rights, the owner-managers justify their non-compliance with institutional demands by creating a negative image and demonising their normative foundations (Soundararajan et al., 2016). Likewise, it can also be seen as an example of where the SME disrupt institutional demands, that are not ideologically aligned with the owner-managers values, claiming to not have enough resources to comply (Soundararajan et al., 2016). Furthermore, the SME does not have any anti-discrimination policies and new employees are often recruited through contacts (Interview, M2). This indicates an evasion of the
responsibility to engage in processes of fair and equal recruitment (Soundararajan et al., 2016).

The SME’s interest in employing women can at first glance be seen as having a human centred business perspective, a high level of community embeddedness and an internal drive to act socially responsible. However, after a more thorough investigation, it becomes more complex. The owner-managers use their central role and authority as an advantage of using workers’ emotional and economic dependency in order to ensure compliance and to avoid conflict (Soundararajan et al., 2016). In line with Jamali et al.’s (2015) argument, which describes the characteristic of being under the radar as a ‘smokescreen’ (p.3), the SME can be seen as appearing to behave in in a socially responsible way, while buffering their non-compliance with other fundamental principles of responsible business practices.

Summary of Analysis

In sum, the analysis of the empirical data shows that the SME’s work with social upgrading is influenced by SME characteristics, and that these characteristics are closely intertwined. The results indicate that the SME characteristic of being under the radar (Egels-Zandén, 2015) is used as a vantage point by the SME in order to evade responsibilities related to working conditions and labour rights (Soundararajan et al., 2016).

Secondly, the study demonstrates how the SME characteristic of owner-managers central role (Jamali et al., 2009; Fitjar, 2011) shapes the SME’s work with social upgrading. Empirical evidence illustrates that owner-managers’ values and beliefs, combined with a high level of authority, not only shapes what work the SME prioritises in relation to social upgrading, but further how the work is operationalized.

Finally, the SME characteristic of operating with limited resources (Luken & Stares, 2005; Jamali et al., 2009) while facing conflicting demands restrain the SME’s work with social upgrading (Ciliberti et al., 2011; Johnson & Schaltegger, 2016; Soundararajan et al., 2016). This results in the SME’s focus on day-to-day operations, maintaining high levels of flexibility which hinders the SME to engage in long-term strategy formation regarding social upgrading (Jamali et al., 2009; Egels-Zandén, 2015).

Discussion

Throughout our study we encountered many interesting findings that were closely connected to social responsibility, but which did not fall under Rossi’s (2011) definition of social upgrading. Even if these findings do not cohere to the definition of social upgrading, it became however obvious that they had an indirect impact on the SME’s work. During our time at the factory in Kathmandu, it became clear that the owner-managers had a strong desire to contribute to the society in Nepal at large. Often described with colourful words, the owner-managers visions and ambitions seemed to shift focus from what could be improved within the walls of the actual factory. As a consequence, we found little evidence of actual accomplishments related to the SME’s working conditions and labour rights.

The owner-managers ‘meso’ visions and ambitions raise important questions in relation to the established academic literature on GPN actors’ spill over effects in developing countries. Previous research have tended to assume that Western actors within GPNs, by simply conducting their everyday business activities, would allow spill over effects to naturally be accumulated into developing country businesses, further enhancing local businesses and communities (Bardy et al., 2012). Following, this is argued to take place without the need for the Western GPN actor to engage in any way to the development of the host country in which it operates, since economic progress will be a by-product of its operations (Oetzel & Doh, 2009). Thus, assuming that businesses in developing
countries naturally would benefit from collaborating with Western actors, and further transform knowledge and economic benefits into intra-firm and local-context accomplishments (Easterly-Smith et al., 2009; Bardy et al., 2012). In contrary to this, our findings rather indicate that the owner-managers see and comprehend benefits from collaborating with Western GPN actors, having mutual visions of operating socially responsibly, yet fail to accumulate and transfer it into actual ‘micro’ accomplishments.

In addition, the socio-economic context, characterised by weak governance in relation to labour rights, affected the SME’s work with social upgrading. This allowed the SME, hidden under the radar, to continuously evade responsibilities related to adequate working conditions and labour rights. Firstly, the formal institutions, such as state law, proved to have limited reach and did not affect the daily operations of the SME (Jamali et al., 2015). Rather, the weak governance demonstrated by institutions in command of monitoring and regulating working conditions and labour rights, enabled the SME to evade responsibilities (Soundararajan et al., 2016).

Secondly, our study found little empirical evidence that indicated the SME to de facto engage in social upgrading. Although this could have several explanations, it should be noted that social upgrading has been developed and defined from a Western perspective (Drebes, 2014). Thus, the current definition on social upgrading might not fully capture the opportunities and challenges that emerge when addressing working conditions and labour rights in a developing country context.

Conclusion

Workers in developing countries, serving as the hidden hands in the making of valuable goods in global production networks, often face exploitative working conditions (Soundararajan et al., 2016, p.23; Drebes, 2014). Being less visible to the public, some scholars have indicated SMEs as more internally driven to act socially responsible (Egels-Zandén, 2015), whereas other scholars have perceived SMEs as being environmentally and socially risk-prone (Khan et al., 2007; Jamali et al., 2015; Soundararajan et al., 2016).

This study was set out to seek a deeper understanding of how SMEs in developing countries can improve working conditions and labour rights. More specifically, this thesis has investigated how SME characteristics shape businesses’ work with social upgrading in a developing country context.

The main finding of this study, supported by empirical evidence, shows that the SME evades responsibilities in relation to social upgrading. This goes against previous studies claims on SMEs internal drive to act socially responsibly (Egels-Zandén, 2015). Our findings can rather be seen as aligned with Soundararajan et al.’s (2016) research on SMEs social irresponsibility and evasion of institutional work.

This study brings forward observations where SMEs, shaped by their characteristics, are enabled to evade responsibilities. Challenging previous perceptions on SMEs as less likely than large companies to influence socially responsible production (Jorgensen & Knudsen, 2006), this study shows that SMEs play a crucial role in global production networks. To understand why violation of labour rights in global production networks remain an unsolved issue, we cannot continue to overlook the evasion of responsibilities made by small businesses in developing countries.

Suggestions for Further Research

Throughout the scholarly debate, it has been argued that simply communicating social responsibility through formalised policies, standards and reports is not enough to improve working conditions and labour rights (Fassin, 2008; Drebes, 2014). Formalisation
may improve transparency and accountability, but policies, standards and reports alone will not be sufficient to implement a socially responsible business practices at all organisational levels (Fassin, 2008). As other scholars have argued, social responsibility needs to be embedded into the organisational culture to truly enable a socially responsible behaviour. Yet, our findings show that simply relying on SMEs strong values and beliefs and internal drive to act socially responsibly, is not enough either. By going beyond the statements of leading Fair Trade brands it has become obvious that considerably more research is needed to better understand the existing gap between companies’ claims of acting socially responsible and the actual reality of the hidden hands in global production networks.

It is suggested that further research explore GPN actors potential to better collaborate to enable social upgrading in a developing country context. As this study has brought forward a GPN relationship that shows a mutual drive for acting socially responsible, yet facing hardships to realize them into actual accomplishments, future research could therefore concentrate on the investigation of how actual accomplishments in terms of social upgrading in GPNs might be further enabled.
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Appendix I

Interview Questions Workers

**Personal Background**
Tell us a little bit about yourself and how you started to work in the garment industry?
What is your position in the factory?
How long have you worked in the factory?

**Role in the Factory & Type of Contract**
How did you learn the required work skills? School? Self-taught?
What are your terms of employment?
Permanent
Contract
Intern or Trainee
Temporary
Other
Do you have a written or oral contract of employment?

**Employment Security and Benefits**
What are the regulations for maternity leave? How long? Is it paid?
If you have younger children, do you have the possibility to leave them at a nursery/childcare? If not, where are the children during working hours?
What is the duration of the sick leave? Is it paid? Is there a difference between workers?
Is there annual leave? What is the duration? Is it paid?
Are the workers treated differently, in terms of benefits etc.?

**Working Hours**
What are the standard working hours per day?
What are the standard working days per week?
How often do you work overtime? Are you paid?
Is it possible to refuse to work overtime?

**Health and Safety**
At the factory floor, do you have access to:

- First aid kit
- Toilets for women and men
- Drinking water
- Appropriate level of light

When it comes to safety, do you have access to:
- Fire extinguishers
- Protections, such as gloves, shoes, glasses, masks
- Training for emergency procedures

Have you had any accidents in the factory? What happened?
Wage and Remuneration
How are you paid (account, cash, cheque)?
Do you get salary slips?
Can you and your colleagues negotiate your wage? How?

Workers’ Rights
How would you describe the relationship between owners and employees?
How is the communication between owners and employees?
How would you describe the social climate in the factory?
Do you have the opportunity to express your opinion and influence your work situation? How?
Do you have freedom of association?
Have you ever experienced any strikes in the factory? Reason for the strike?
If a worker experience that they have been treated unfair, who should they talk to?

A Day at the Factory
Could you please describe a typical working day for you in the factory?
How do you get to the factory?
When do you start working?
What type of work do you perform?
How many breaks do you have?
Where do you eat?
When do you leave?
Any other details that you would like to share?
What are the things you like the most about your work?
Is it anything regarding your work situation that you would like to change?

Social Responsibility: Visions, Values and Strategies
Do you have any agreements, policies or strategies that guides your work? How are they used?
Can you give any examples of initiatives that the factory have done to help workers or increase workers’ wellbeing?
Have the working conditions and workers well being changed in the factory over time? How?
How do you believe that the factory could improve working conditions and increase workers wellbeing?
Finally, if you did not work in the factory, what do you think you would be doing?
Appendix II

Interview Questions Owners

**Personal Background**
Tell us a little bit about yourself and how you started to work in the garment industry?
What is your position at Valley Knitting Ltd?

**Background Valley Knitting Ltd.**
When and how was the company founded?
How is the company structured? Ownership?
What is your company specialised in?
What types of products are produced?

Are you involved in other activities besides manufacturing, such as:
Packaging
Logistics and transport
Design
Sales & Marketing

How is Valley Knitting Ltd performing financially?

**Work Organisation in the Factory**

**Roles in the Factory**
How many workers work in the factory?

How is the workforce divided into the following categories:
Permanent
Contract
Intern/trainee
Temporary
Other

How is the workforce divided into:
Female
Male

How is the workforce divided into the following categories:
Specialised workers
Skilled
Unskilled

What are the different roles of the workers in the factory?

**Type of Contract**
Do you provide written or oral contracts?
Difference between workers?
In which cases do you offer workers permanent contracts?

**Employment Security and Benefits**
Are the workers registered with the social security?
Are the workers paid shares for pension?
Do you treat the categories of workers differently, in terms of benefits etc?
What are the regulations for maternity leave? How long? Is it paid?
Do the workers have the possibility to leave their younger children at a nursery/childcare? If not, where are the children during working hours?
What is the duration of the sick leave? Is it paid? Is there a difference between workers?
Is there annual leave? What is the duration? Is it paid?

Working Hours
What are the standard working hours per day?
What are the standard working days per week?
Do workers work in shifts? If so, how many?
How often do workers work overtime? Are they paid?
Is it possible to refuse to work overtime?

Health and Safety
At the factory floor, do you provide:
First aid kit
Toilets for women and men
Drinking water
Appropriate level of light

When it comes to safety, do you provide:
Fire extinguishers
Protection, such as gloves, shoes, glasses, masks
Training for emergency procedures
Have you had any accidents in the factory? What happened?

Wage and Remuneration
How are workers paid? (Account, cash, cheque)
Do you provide workers with salary slips?
How can workers negotiate their wages? (Process)

Workers’ Rights
How would you describe the relationship between owners and employees?
How is the communication between owners and employees?
How would you describe the social climate in the factory?
Do employees have the opportunity to express their opinion and influence their work situation?
How?
Do workers have freedom of association?
Are there unions active in the factory? Are they allowed inside?
Do you have meetings with the unions? How often?
Have you ever experienced any strikes in the factory? Reason for the strike?
Do the workers have the right to engage in collective bargaining?
Are workers treated differently depending on their age? If so, how?
Are workers treated differently given different cultural backgrounds or religious beliefs? If so, how?
Are men and women treated differently in the workplace? If so, how?
Are transgendered workers treated differently?
Are workers treated differently depending on their sexual orientation? If so, how?
Are disabled workers treated differently? If so, how?
Have you experienced any issues related to discrimination at your workplace? What happened? Were the issues solved? How? By whom?
What would you do if you or any of your colleague would experience an act of discrimination?
Have you experienced any issues related to discrimination? What happened? Were the issues solved?
How? By whom?

A Day at the Factory
Could you please describe a typical working day for you at Valley Knitting Ltd?
How do you get to the factory,
When do you start working,
What type of work do you perform,
How many breaks do you have,
Where do you eat,
When do you leave,

Any other details that you would like to share?
Are you happy with your work situation? Is there anything connected to your work or workplace that makes you unhappy or uncomfortable?
Is it anything regarding your work situation that you would like to change?

Social Responsibility: Visions, Values and Strategies
Would you consider Valley Knitting Ltd. as being a socially responsible company? Why?
What would you consider being the most important areas for social responsibility for Valley Knitting Ltd.?
Do you have a goal or vision of what you would like to achieve when it comes to employee wellbeing and working conditions (social responsibility)?
Where does your inspiration come from?
Do you see your initiatives of social responsibility to be mostly altruistic, or strategic?
Do you have any agreements, policies or strategies that guides your work?
Can you give any examples of initiatives that you have done to increase social responsibility at Valley Knitting Ltd.?
What were the outcomes? What made it possible to make the change? What were the main challenges?
Have your social responsibility activities changed over time? How? What influenced the change?
What are your main challenges in working with social responsibility? Why? How?
What do you believe could help you to advance your work with social responsibility?
Do you see any connections between profitability and being socially responsible? If so, can you describe these connections?

Being Part of a Global Production Network
Who do you see as the main actors that affect your business? (NGOs, government, customers, buyers, suppliers, local communities etc.)
How would you describe your relationships with these actors?
Which actors do you consider most important to your company?
Do you see any actor in your network that could help you to advance your work with social responsibility? How?
Which actors make it more difficult? How?
How do you think that Valley Knitting Ltd., as a small company, can engage differently in social responsibility in comparison to larger companies? What are the opportunities and challenges?
How would you describe Valley Knitting Ltd. connections to the local communities in Kathmandu?
Appendix III

Information to Respondents

About us

We are two graduate students, Isabelle Guselin and Johanna Olofsson, writing our thesis in the master’s programme of Sustainable Management at Uppsala University in Sweden. As part of our master thesis, we will spend two weeks in Kathmandu (1 April – 15 April) to collect data before we return to Sweden to finalise our study.

Introduction to our Study

Our intention of this study is to get an insight and a deeper understanding of how Valley Knitting Ltd, as being a small company in a large global production network, work with social responsibility. We are interested to learn more about how the company engages in improving workers well being and workers’ rights and what opportunities and challenges the company faces. We are also interested in learning more about the company’s relationships with various actors in the network. We hope that these interviews will give us a better picture of the company’s situation today, as well as helping us to identify potential areas for improvement in working with social responsibility.

Ethical Considerations Concerning the Interviews

1. Participation is voluntary and all respondents are free to withdraw any time without giving a reason.
2. Respondents’ identity will be completely anonymous in the study.
3. Respondents have the right to decline to respond to any question.
4. The interviews will be audio recorded.
5. Anonymised quotes might be used in publications.
6. Information will be handled confidentially and stored securely throughout the study.
7. Respondents will be given the possibility to read through the work before it is published.