

Managing Corporate Legitimacy Through CSR Reporting

*A Qualitative Case Study of Apple Inc.'s Supplier
Responsibility Reports*

Bendik Granheim Mogensen



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**Managing Corporate Legitimacy Through
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Summary

The aim of this thesis has been to explore how Apple Inc. utilizes corporate social responsibility reports as a tool to manage corporate legitimacy, and how this shapes their reporting. To explore this, I provide an introduction to the historical development of CSR as a concept, and some of the different theoretical lenses applied to its research. I analyze the 11 Supplier Responsibility Reports published by Apple between 2007 and 2017. Through a content analysis of these reports based on legitimacy theory I uncover a number of legitimacy strategies. These strategies are utilized in order to either gain, maintain, or repair legitimacy. Based on the theory I develop a coding agenda aligned with the data material. I argue that in order to gain legitimacy, Apple relies on strategies such as *Image Enhancement*, *Alignment with Legitimate Structures*, two types of *Corrective Actions*, and *Institutionalization*. I argue that Apple's legitimacy maintenance strategies mainly flow through two channels, *Collaboration* and *Protective Communication*. Lastly, in order to repair its legitimacy, I argue that Apple relies on *Denial*, *Excuses*, *Justifications*, *Explanations*, and *Reorganization* at various degrees. I argue that there is an overlapping tendency in these strategies, and that legitimacy negotiation can be seen as an ongoing process rather than as a response to specific negative events. I also include third-party reports from the media, NGOs, the academic literature and documentaries. These third-party reports are often in contradiction with the findings reported by Apple. Based on the inconsistency between Apple's reports and the third-party reports I argue that there is a contention between Apple and its stakeholders over where responsibility in the supply chain lies. This tension indicates that Apple's supplier responsibility reports become a manifestation of the tactics and strategies employed to manage corporate legitimacy. I argue that due to this manifestation of legitimacy strategies in the reports, the reports become selective and self-laudatory in their nature, mainly aimed at gaining legitimacy. This also undermines their usefulness as a tool for transparency. This can have implications for regulators, as the general assumption is that voluntary corporate reporting provides sufficient evidence of corporate practice.

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Abbreviations and Definitions

Abbreviations:

3TGs: Tin, Tantalum, Tungsten and Gold
ACFTU: All-China Federation Federation of Trade Unions
BSR: Business for Social Responsibility
CFP: Corporate Financial Performance
CFSP: Conflict-Free Smelter Program
CLD: China Labor Dialogue
CLW: China Labor Watch
CSP: Corporate Social Performance
CSR: Corporate Social Responsibility
DRC: Democratic Republic of Congo
EHS: Environment Health and Safety
ESG: Environmental, Social and Governance
FDI: Foreign Direct Investment
FLA: Fair Labor Association
FoN: Friends of Nature
IBHR: International Bill of Human Rights
ILO: International Labour Organization
IPE: Institute of Public and Environmental Affairs
MNC: Multinational Corporation
MNE: Multinational Enterprise
OECD: Organization for Economic Cooperation and Development
RRA; Risk Readiness Assessment (tool)
RSS: Regulated Substance Specification (list)
SACOM: Students and Scholars Against Corporate Misbehaviour
SEC: U.S. Securities and Exchange Commission
SEED: Supplier Employee Education Development (program)
SRR: Supplier Responsibility Report
TNC: Transnational Corporation
UN: United Nations

Definitions:

Legitimacy: *[a] generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995:574).*

Stakeholders: *identified through the actual or potential harms and benefits that they experience or anticipate experiencing as a result of the firm's actions or inactions (Donaldson and Preston, 1995:85),*

Such as: owners, customers, employees, communities, competitors, suppliers, social activist groups, as well as the public at large and the environment.

1 Introduction

To look closer at the notion of Corporate Social Responsibility (CSR), we must first reject the separation thesis postulating business and ethics as two separate concepts, where any attempt at improving the ethical conduct of business becomes a “Sisyphean task¹” (Freeman et al. 2004:364). Only by the rejection of this thesis can we begin to discuss the implications of CSR, which sits at the nexus of business and ethics. This concept revolves around the idea that business has responsibilities to stakeholders beyond the financial obligations. However, a single universal and operational definition of the concept has not been developed or agreed upon (Dahlsrud, 2006).

Numerous studies have looked at stakeholder management by corporations, and most have come out of academic fields such as accounting and business ethics (e.g., Donaldson and Preston 1995; Mitchell et al. 1997). An integral part of corporations’ stakeholder management is the preservation of legitimacy, and how corporations negotiate this legitimacy with their stakeholders (e.g., Gray et al., 1995; Breeze, 2012; Hahn and Lülfs, 2014). Stakeholder and legitimacy theories can, therefore, arguably be seen as overlapping theories (Gray et al., 1995).

I argue that CSR becomes an arena for the politics of corporate legitimacy, where politics refers to the strategies and tactics employed in a relationship of power. This negotiation can take different forms, but CSR reports can be seen as representation of this negotiation between a corporation and its stakeholders.

The increasing need for corporations to negotiate their relationships and legitimacy with society, can be seen in the context of globalization and the evolution of technology. Consumers and stakeholders can put corporations under increasingly greater scrutiny and demand greater transparency. Factors such as stakeholder and shareholder activism, media exposure, changing cultural norms and the demand for transparency continuously challenge corporate legitimacy (Baumann-Pauly et al., 2015; Campbell, 2007; Schmeltz, 2014). Stakeholders are also able to seek out and acquire more information about corporate practice through channels such as the internet and the media. This urges corporations to remain vigilant and possibly attempt to stay ahead of stakeholders’ and society’s ideas of corporate

¹ Endless and ineffective

conduct and social responsibility. A corporation's legitimacy can be seen as contingent on society's perception of its actions. To communicate congruence of moral values and what is believed to be socially responsible between the company and society becomes an integral part of the communication between corporation and stakeholders (Waddock and Googins, 2011; Deegan, 2002).

CSR reporting has become one of the most widely relied upon channels corporations utilize to inform their stakeholders about their practice and values, and in turn, attempts to negotiate their legitimacy. CSR reports and codes of conduct have however not stood free of criticism. They are often blamed for being mere PR, marketing strategies or tactics referred to as "greenwash" or as parts of, ethnocentrism (Banerjee, 2008); Orientalism (Sklair and Miller, 2010) or imperialism and postcolonialism (Kahn and Lund-Thomsen, 2011).

An analysis of Apple Inc.'s CSR reports will shed light on how the world's most valuable brand manages its corporate legitimacy through CSR reporting. The following set of research questions sets out as the starting point for the thesis:

In what ways do Apple utilize CSR reporting as a way to negotiate its corporate legitimacy, and how does this shape their reporting?

MNCs' influence and practice can be seen as impacting stakeholders such as workers, communities, customers and the environment across the globe. Addressing latent motivations in their communication can be seen as an important task to inform these stakeholders as well as regulators. If legislators rely on biased information, it can have detrimental effects on those the regulations are intended to protect. It can also impact consumers who are striving to make conscious purchasing decisions but operate within bounded rationality. Biased information might lead to purchasing choices consumers might not otherwise have made. Further, provision of biased information might assist corporations in maintaining a social contract they would not have been granted if transparent information was disclosed.

Even though previously examined under critical lenses (Chan et al., 2013; Chan et al., 2015b; Ngai et al., 2016) no previous study to my knowledge has addressed the legitimacy management manifested in Apple's SRRs. Previous studies addressing legitimacy management in CSR reporting has often looked specifically at environmental disclosures

(Brown and Deegan, 1998; Cho et al., 2010), or focusing on oil companies (e.g., Hooghiemstra 2000; Deegan et al. 2002; Cho, 2009) or pharmaceuticals (Trullen and Stevenson, 2006). This thesis will, therefore, add to this literature by examining a company operating in the ITC sector.

To answer the research questions, I will conduct a content analysis of the eleven Supplier Responsibility Reports (SSRs) published by Apple between 2007 and 2017. By applying the lens of legitimacy theory to Apple's annual SSRs, I will address the negotiation of legitimacy manifested in the documents. A legitimacy analysis, according to Sheehy (2015) has the potential to add to the definition of CSR by an assessment of the political power nested in multinational corporations which shape the dialogue and definitional aspects, by questioning the undemocratic private regulation of these companies, and juxtaposing private and public relations in an attempt to compare efficacy. This thesis is, however, not aimed at definitional development, but rather addressing the legitimacy strategies in Apple's CSR reports and to illuminate how these reports become an arena for the negotiation of corporate legitimacy.

The thesis is structured as follows; chapter (2) *CSR*, discusses the concept of globalization and its effects on the global economy and the influence of multinational corporations. It further explores the definitional issue and historical development of CSR. Chapter (3) *Theory*, addresses the theoretical lenses applied to research on CSR before providing a description of legitimacy theory and the development of a coding agenda based on the strategies proposed by Suchman (1995). The subsequent *Method* chapter (4) describes how the research was designed and conducted. Chapter (5), *Apple and CSR* describes Apple's CSR policies and efforts. Chapter (6), *Supplier Responsibility Reports: Strategic Management of Corporate Legitimacy* provides the analysis of the main data material in light of legitimacy theory. In closing, chapter (7), *Third Party Reports*, brings in independent reports describing the conditions in Apple's supply chain - often contradicting Apple's reports - to present a discussion and shed light on the latent themes and motivations in these reports. Lastly, chapter (8) *Summary and Conclusion*, ends the thesis. Appendixes are found in the back of the thesis.

2 CSR

To provide a backdrop for the issues discussed in this thesis, it is important to briefly introduce the concept of globalization and its effects on the economy and social welfare policies. There is no consensus on the definition of globalization, and much has been written about the concept (e.g., Giddens, 1991; Beck, 2000). Its effects have also been widely discussed in relations topics such as education (Dale, 2010), international markets (Mosley, 2009) and regulation (Teubner, 2004).

Globalization revolves around the idea of increased transnational influences and extended international relationships. According to Giddens (1991), globalization has caused an amplification of global social relations causing events in one locality to be affected by factors in a different geographical region and vice versa. Despite the reduction of complexity and oversimplification caused by categorization of such a multifaceted concept as globalization, Giddens (1991) postulates its four main issues as; the world capitalist economy, international division of labor, nation-state system, and the world military order. Matten and Crane (2005:171) view globalization's most central characteristics as the "deterritorialization" of social, political, and economic interaction. Beck (2000) sees this as problematic because it leaves room for exploitation by MNCs who are in a position to cherry-pick the sites of production and labor costs wherever they are the cheapest. He also sees them as able to reduce their tax burden to a minimum by registering wherever taxes are the lowest (such as tax-havens) while externalizing costs of unemployment onto local governments leaving the welfare state with the tab for those left where employment was outsourced and to where the corporate taxes never returns (Beck, 2000). What has followed is an increase in outsourcing of production creating global supply chains and a race-to-the-bottom practice and discourse. This discourse supposes no room for wage or standard increases for factory workers as corporate managers are constantly on the lookout for more vulnerable and cheap labor forces to assure competitive prices for their production and products (Ballinger, 2011). Ballinger (2012) argues, however, that this is a misconception.

According to Sklair and Miller (2010) we have entered a capitalist globalization due to political decolonialization in the wake of the Second World War which created sites for offshore production and sourcing. This has led to what they call the "crisis of class polarization" referring to the triple effect of capitalist globalization in former colonies:

“simultaneously enriching rapidly increasing minorities, failing to bring the poorest out of debilitating poverty, and cementing economic insecurity for those in the middle” (Sklair and Miller, 2010:479). According to the authors, the CSR narrative has provided MNCs access to former colonies by promises of providing developing countries in the global South with wealth and development opportunities, while in reality only a minority reaps the benefits, while the majority of people in these countries remain impoverished (Sklair and Miller, 2010). They see the world as “dominated by transnational corporations, run by the transnational capitalist class and inspired by the culture-ideology of consumerism” (Sklair and Miller, 2010:485).

This has led to reduction and diffusion of power from nation states onto other transnational actors, in particular the power that derives from a state’s legal authority to be a provider of rights and entitlements (or social goods) for citizens within their jurisdiction. This diffusion has eroded the power (and responsibility) of nation states (Scherer and Palazzo, 2007) and deflected them onto corporations who now span the entire globe in complex networks of suppliers, manufacturers, workers, consumers and the environment. These are social policy issues such as health, education, and protection, as well as deeper issues such as poverty and equity (Pearson and Seyfang, 2001:50). The failure of nation-states to remain the sole provider of these citizenship rights can be seen as the most important transition into a globalized era (Matten and Crane, 2005) where a range of supranational actors have become involved in the provision of social policies in the globalized context (Pearson and Seyfang, 2001).

Alongside corporations who are becoming increasingly sought out for provision of such citizen rights are civil society groups and NGOs (Braithwaite and Drahos, 2000; Habermas, 2001 cited in Scherer and Palazzo, 2007). These groups can be seen as watchdogs (Suchman, 1995) participating in “anticorporate” behavior, as globalization has led to increased attention towards the relationship between these two ‘opposing forces’ (Scherer and Palazzo, 2007:1108). As power and responsibility is shifted from nation-states onto corporations, the problem in question becomes defining what the responsibilities of these, primarily, economic entities are. This is where the concept of CSR has emerged. The general contemporary idea is that a corporation has responsibilities beyond the economic sphere as their operations impact the lives of people and the environment in areas where nation-states might be weak or increasingly dependent on foreign investment. MNCs have, therefore, become an integral part

of society and can be seen functioning as social actors. Some claim that corporations, like any other actor, are responsible to and for the society in which they exist and operate. This notion is however widely discussed and exactly what these responsibilities are, have yet to be agreed on. The lack of a single definition has made it challenging to establish a universal framework for corporate practice.

In the next section I will discuss some of the issues around the development of a definition and briefly explore the history of CSR as a concept and its inclusion in corporate practice.

2.1 A Developing Field

There is no set date as to when the idea that business has a responsibility beyond its financial returns first emerged, but according to Carroll and Shabana (2010), it has been around for centuries. The concept of corporate social responsibility is however mainly a product of the second half of the 20th century with its importance becoming increasingly prevalent during the 1950s and onward (Carroll, 1999; Carroll and Shabana, 2010; Frederick, 2006). A universal definition has been the topic of ongoing discussions, but there has yet to emerge a single operationalized and internationally agreed upon definition, and the spectrum of definitions is broad.

Sheehy (2015:625) argues that due to the large amount of resources invested by both private and public spheres, it becomes essential to develop a precise operational definition. He stresses the importance of the issues being addressed – social, ecological and economic – which makes the task more complex as they are all interlinked and involve a myriad of heterogeneous stakeholders. First, what issues are to be included? The inclusion or exclusion will set a standard for what issues are considered important or not, and to whom (which might all relate differently to different industries, actors, and stakeholders). Second, who is responsible for what? To whom is a corporation responsible? By what standards, and by whom should these responsibilities be regulated?

To illustrate by an example of supply chains; how far down a supply chain is a corporation responsible? To its main suppliers? To Second-tier suppliers? Or to everyone its operations impact? If we consider foreign direct investment (FDI), where business assets are bought and ownership or partial control of the business operations of a foreign company is made. To what

extent is the new owner or partner responsible for the acquired company's current and previous practices? And what about the action of hired security forces or other subsidiaries the attained company might already be involved with? An interesting case is the ongoing legal battle between residents of Ecuador and Chevron for the environmental violations conducted by Texaco before its acquisition by Chevron in 2001 (Stempel, 2016).

Dahlsrud on the other hand (2006), analyzed 37 different versions of the definition and concluded that they are all mostly overlapping and consistently referring to five dimensions: economic, environmental, social, stakeholders, and voluntariness. Based on this he does not see a problem with business' lack of a single definition, rather a challenge "to understand how CSR is socially constructed in a specific context and how to take this into account when business strategy is developed" (Dahlsrud: 6).

2.2 Concepts of Corporate Responsibility before 1950

As mentioned above, the 1950s and 1960s were the decades which mark the modern-day era of CSR and where its importance truly became significant in how business is run (Carroll, 1999). To better grasp the concept and the evolution of CSR as a practice, it can be beneficial to briefly include the period up until that point to demonstrate how the development of CSR is part of a society in constant flux. CSR can be seen as a construct under continuously changing societal pressures.

Post (2003) considered E. Merrick Dodd one of the first writers on CSR. Dodd (1932:1149) saw the corporation as a creation by law in "service to the community" rather than "a source of income to its owner." Young (1939:88 emphasis original) considered religious ethics to be a central part of business, and only through Christian principles could business fulfill its main purpose: "to give *maximum servitude to the community*." According to Frederick (1960), others have later repeated this idea of the relevance of Christian Ethics (e.g., Ohmann, 1955; Johnson, 1957). What is considered socially responsible by corporations is arguably historically and culturally contingent (Campbell, 2007).

According to Hay and Gray (1974), the notion of responsible practice has gone through and been formed by three different historical phases. They suggest that the phases that formed CSR started in a period defined by profit maximization management. During the nineteenth and first half of the twentieth century, the American society was one of economic scarcity. At

the same time, it was heavily reliant on Calvinistic philosophy² influenced by Adam Smith's (1776) idea of the "invisible hand of the market."

Two main structural changes in business institutions and society shaped the US during the 1920s and 1930s and marked a new conceptual phase. (1) The development of a pluralistic³ society and a (2) diffusion in ownership of shares in American corporations. This phase can be labeled 'trusteeship', shifting the focus from managers' role as strictly responsible for maximizing profit towards "managing an equitable balance among the competing claims of customers, employees, suppliers, creditors, and the community, as well as the stockholders" (Hay and Gray, 1974:135). External pressures from labor unions and the federal government also grew during this period.

As the main concern up until the 1950s had been raising the standard of living and increasing the production of goods and services, direct and indirect effects of this had led to numerous societal ills and challenges such as pollution, poverty and deteriorating cities (Hay and Gray, 1974). The resulting efforts in attempts to deal with these problems marked the third phase outlined by Hay and Gray (1974), namely "quality of life management" where corporations were expected to apply their technological and managerial skills as well as financial resources towards solving these issues.

Contrary to this, others like Hayek (1944) questioned the social responsibility of business, warning of the misallocation of competencies, claiming economic and business knowledge was not intended for solving social issues.

² Calvinism: or protestant Christianity is based on the belief that the road to salvation is through hard work and accumulation of wealth (c.f. protestant ethic).

³ Pluralistic society: "One which has many semi-autonomous and autonomous groups through which power is diffused. No one group has overwhelming power over all others, and each has direct or indirect impact on all others" (Hay and Gray 1974:137)

2.3 Corporate Social Responsibility after 1950

2.3.1 1950s

Business like government is basically “of the people, by the people, and for the people”.

-Howard R. Bowen, 1953

Bowen is referred to as the “Father of Corporate Social Responsibility,” and his seminal book *Social Responsibility of the Businessman* is considered to mark the modern era of CSR (Carroll, 1999; Lee, 2008; Ghobadian et al., 2015). Recognizing the fact that CSR is no panacea, Bowen (1953:xi-6) argued for the necessity of welcoming it as a positive development that contained an important truth and should be encouraged and supported to guide business. While posing key questions about what responsibilities can be assumed by business and to what extent societal and business interests align, he also provided the first definition of social responsibility. He saw it as the “obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of society” (Bowen, 1953:6). His writings are said to have shaped the field of CSR in the following years (Carroll, 1999; Carroll, 2008; Carroll & Shabana, 2010; Ghobaidan et al., 2015).

The debate during this era mainly revolved around what responsibilities could be expected of business. Frederick (2006) has argued that in addition to the view of managers as public trustees and the balancing of competing claims to corporate resources, a focus on corporate philanthropy also became apparent.

Levitt (1958) closed out this decade by raising a concern which would later be echoed by the famous economist Milton Friedman (1962/1982). Possibly affected by the political atmosphere of the time, Levitt warned of the danger of social responsibility. If business and government are not kept separate we run the risk of becoming a monolithic society in the resemblance of the fascist regimes of Europe and Latin America, he argued (Levitt, 1958).

2.3.2 1960s

Another prominent writer was Keith Davis who saw CSR as a nebulous idea and would propose many different definitions. His most well know definition saw it as “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s economic and technical interest” (Davis, 1960:70). One of his later definitions now famously known as the ‘Iron Law of Responsibility’ addressed the relationship between social responsibility and social power: “society grants legitimacy and power to business and in the long run, those who do not use power in a manner which society considers responsible will tend to lose it” (Davis, 1973:314).

William C. Frederick was another author known for his contributions to the field (Carroll, 1999). He observed an abundance of thoughts emerging around the issue, but none that “[explained] in unequivocal terms what would constitute socially responsible business behavior” (Frederick 1960:58). He further suggested his own definition: “production and distribution should enhance total socio-economic welfare...and not simply for the narrowly circumscribed interests of private persons and firms” (Frederick, 1960:60).

Carroll (1999) has pointed to the growing social movements such as the civil rights and women’s rights movements as well as environmentalists and students during this decade as powerful external pressures leading business to adopt CSR practices and governments to implement new legislatures (Lee, 2008; Vogel, 2005).

This arguably forced CSR on the agenda of virtually every CEO at the time but was criticized for being ‘whitewash’ and PR strategies, and not considered at all organizational levels (Lee, 2008). This discrepancy in rhetoric and practice drew even more wide-spread criticism, and one of the most well-known critics of CSR is economist Milton Friedman who argued that the only business of business is to make profit. He considered CSR a “subversive doctrine” threatening to “undermine the very foundations of our free society” (Friedman, 1962:112-113).

2.3.3 1970s

At present, business has seldom enjoyed so much power with so little responsibility.

-Nicholas Eberstad, 1973

The 1970s was marked by a proliferation of new definitions of CSR, there was, however, a shift from a normative to an increasingly more pragmatic agenda. Researchers were now interested in the possible profitability of CSR practices and policies (Carroll and Shabana, 2010; Lee, 2008).

Lee (2008:59) has stated that “most of the research that followed in this decade [conceptualized] CSR as supporting corporations’ long-term interest by strengthening the environment which corporations belong to.” This era was shaped by a focus on ideas of corporate social performance, and responsiveness, in addition to corporate social responsibility (Carroll, 1999, 2008; Carroll & Shabana, 2010; Ghobadian, 2015; Lee, 2008). The most significant contributions to the development might arguably be the Committee for Economic Development’s (CED) (1971) proposal of a three-concentric circle definition, and Johnson’s (1971) four views of social responsibility according to Carroll (2008). Johnson ultimately hinted at a stakeholder model – which would come to define the research on CSR. In attempts at establishing a business case for CSR Sethi’s (1975) concept of Corporate Social Performance (CSP) can be considered the earliest contribution (Carroll, 1999). Sethi (1975) saw a three-dimensional structure to CSP consisting of corporate social responsibility, social issues management, and social responsiveness.

Carroll (1979) marked the end of the decade with his widely applied, and perhaps most well-known definition of CSR. Building on Sethi’s model of CSP he proposed a four-part definition, later depicted as the ‘pyramid of CSR’ (Carroll, 1999) comprised of *economic*, *legal*, *ethical* and *discretionary* (later referred to as philanthropic) responsibilities. The foundational ‘economic responsibility’ refers to the production of goods and services. Second, every corporation is bound up in forms of legislation establishing a ‘legal’ responsibility, referring to society’s expectations of a corporation to pursue its interests within the boundaries of legal frameworks. The third component, ‘ethical responsibility’ suggests that a corporation is expected to follow certain social norms and go “over and beyond” what is required by law (Carroll, 1999:500), often referred to as a ‘social contract’ (Deegan et al., 2002; Garriga and Melé, 2004). The fourth and final component, ‘discretionary/philanthropic

responsibility' represents the voluntary roles that a corporation might take in society. These are, however, not provided in a clear-cut manner and are therefore harder to define.

2.3.4 1980s

The 1980s was shaped by a new alignment in CSR research. This decade gave rise to new concepts and alternative themes, while less focus was given to definitions of CSR. Corporate social responsiveness, business ethics, public policy and stakeholder theory, were some of the new constructs that emerged (Carroll, 1999). A noteworthy writer entering the discussion in the early 1980s according to Carroll (1999) was Thomas M. Jones. He defined CSR as “the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract...” which “...must be voluntary...” and “[extend] beyond the traditional duty to shareholders...” (Jones 1980:59-60). Carroll (1999) claims that one of the most significant contributions made by Jones is the idea of CSR as a process, rather than a set of outcomes. Tuzzolini and Armandi (1981) offered a needs-hierarchy for corporations based on Maslow’s (1954) psychological needs-hierarchy, Wartick and Cochran (1985) proposed a model of CSP contingent on *principles*, *practices*, and *policies*, while Drucker (1984) in contrast reemphasized that profitability is a firm’s fundamental responsibility.

2.3.5 1990s

Building on Wartick & Cochran’s (1985) expanded model of CSP, Wood’s (1991) model became the first major contribution to the CSR literature during the 1990s. Carroll (1999:289) has claimed Wood’s model to be “much more comprehensive than the earlier versions...and [introducing] matters that the earlier models had not explicitly addressed.”

In the same year, Carroll (1991) fully embraced the idea of the pyramid of CSR and was wholly referring to his discretionary category as philanthropic. He argued, “The CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen” (Carroll, 1991:43). Carroll saw the components of CSR as part of a pyramid with the economic responsibility at the base, ascending upwards through legal, ethical and philanthropic responsibilities. He asserted, however, that these are all responsibilities that should be addressed simultaneously, and not seen as a continuum (Carroll, 1991). In addition, he referred to stakeholders as: owners, customers, employees, community, competitors,

suppliers, social activist groups, as well as the public at large, thus providing a segue to stakeholder theory (Freeman, 1984; Donaldson & Preston, 1995), which has become be closely linked to Suchman's (1995) legitimacy theory. Legitimacy theory will be discussed in detail in the theory chapter.

In what Sheehy (2015:635) calls a “refinement of the normative foundation,” Elkington (1994) presented the idea of the triple bottom line, considering economic prosperity, social justice, and environmental quality as three measures of a company's total performance, taking *profit, people* and the *planet* into consideration. Frederick (2008) claims the 1990s and 2000s became the era of global corporate citizenship.

2.3.6 Contemporary CSR

The turn of the century saw a shift, where an empirical focus had now replaced the previous theoretical emphasis on the development of concepts and meaning of CSR (Carroll, 2008). McWilliams et al. (2006) have argued that the shift from seeing corporate social responsibility as a ‘moral’ obligation of managers to viewing it as a strategic resource to strengthen a corporation's bottom line seen in the 70s increased and intensified during the 90s and through the turn of the century. This also applied to activist approaches, who now attempted to persuade business to become more responsible based on economic arguments rather than moral (Vogel, 2005).

It was, however, still argued for the need of a clear universal definition, as the continuous confusion was seen as a main hampering factor of empirical research on CSR. McWilliams et al. (2006:10) argued that: “It is impossible to measure what we cannot define and, as long as we use different definitions, we will get empirical results that cannot reliably be compared.”

Nowadays companies are increasingly conducting social audits and report on their operations. In comparison to financial auditing and reporting which has been around since the early 1900s, CSR reporting and auditing can be considered to still be in its infancy (Livesey, 2002; Tschopp and Huefner, 2014). According to Chua (2006), social auditing and accounting has focused on examining and comparing reporting initiatives, their substance, and compliance and enforcement mechanisms (cited in Sheehy, 2015:632). The definitional aspect has tended to fall on the “codes of conduct” themselves in the literature focused on standards, and on the “Social Reports” in themselves in the literature focused on social reporting (Sheehy, 2015).

This has yielded a plethora of different approaches to the definitional aspect and posed a threat to the operationalization and enforcement of CSR according to Eabrasu (2012), as accusations of or defenses against greenwash becomes impossible without an agreed upon definition of the socially desirable goals. Sheehy (2015) has argued that this renders any measure of efficacy meaningless. This cannot, however, be considered a universal view (c.f. Dahlsrud, 2006).

Today most companies address issues of CSR through environmental, social, and governance (ESG) criteria (Herzig & Schaltegger, 2011). Most assume that there is a link between CSP and corporate financial performance (CFP). There have been extensive attempts at coupling the two concepts (Margolis & Walsh, 2003; McWilliams et al., 2006; Porter & Kramer, 2002, 2006, 2011) yielding somewhat inconclusive results for a positive relationship (Margolis and Walsh 2003; Margolis et al. 2009; Orlitzky et al. 2003). These studies have, however, confirmed that there exists no negative relationship, suggesting CSR efforts will not hurt a corporation's bottom line strengthening an argument for such efforts based on moral grounds.

The above historical review has illustrated a consistent debate between two camps, one seeing business as having no responsibilities beyond its economic and legal duties, while the other has argued extensively for the inclusion of more dimensions of responsibility to corporate behavior. The discussion and focus nonetheless shifted from a search for a universally agreed upon definition and model of CSR towards a more managerial and pragmatic view at the turn of the century. The contemporary writings on CSR has focused on the relationship between CSR and corporate financial performance on the one hand, often ignoring the more latent power dynamics and relations between MNCs, states, and stakeholders through the rhetoric of corporate responsibility (Banerjee, 2008). It is the negotiation of these relationships that this thesis seeks to address.

Critical writers such as Newell (2008:1067) stress a need to “de-link the coupling of profitability and legitimacy as incentives for responsible conduct and apply new lenses to look at the concept of CSR.” He sees the two as rather distinct, and that the business-case for CSR only serves as a vehicle for tapping into the bottom-of-the-pyramid, rather than actually improving conditions. “Regulation remains an important part of the picture” and “[c]ompliance should be with basic rules and regulation” according to Newell (2008:1076) who emphasizes the need for regulation over private *self*-regulation.

The following section will look at some of the theoretical approaches taken towards analyzing CSR.

3 Theory

3.1 Theoretical Approaches

Sheehy (2015) argues that each discipline or school of thought dealing with the concept of CSR is predisposed to their own political agendas and interests. “The various academic attempts at a definition...tend to reflect distinct disciplinary perspectives and priorities” and ultimately suffer from their individual biases inherent in their normative agendas (Sheehy, 2015:626), all “[traversing] toward their own methodological and epistemological goals” (Sheehy, 2015:629). He provides an overview of what he considers the most central disciplines in the academic analysis: economics, business, law, and political science, which I categorized as instrumental (economic and business) and moral/ethical (law and political science). In the following section, I will utilize Sheehy’s overview to provide a brief introduction of how these different disciplines view CSR and subsequently argue that there is a need for multi-disciplinary approaches.

3.2 Economic theory of CSR

These theories according to Sheehy (2015), revolve around the economic system as a whole and the firms and individuals operating within it. According to Sheehy (2006) things like socio-cultural values and practices that cannot be measured in economic terms are considered by some economists as valueless, as they have no commonly recognized economic value. Issues such as the environment and cultural aspects of societies are not taken into consideration in economic analysis (Daly and Cobb, 1989; Sheehy 2015) and any investment in activities that cannot be or is not measured in financial terms are considered wasteful or as a misallocation of resources and knowledge (Hayek, 1944; Levitt, 1958; Friedman, 1962). Due to this, economic researchers like Reinhardt et al. (2008) adopts the simple definition offered by Elhauge (2005) considering CSR to be nothing more than sacrificing profits in the social interest. This is a narrow and problematic definition as other researchers such as Porter and Kramer (2011) and Crane et al. (2014) has found that certain CSR decision can be profit-enhancing, earlier referred to as “enlightened self-interest” (Keim, 1978).

According to Sheehy (2015), economic theory primarily sees CSR through three frames: first, a theory of the firm which views CSR initiative as a misallocation of company resources,

second, agency theory focused on the discretion of agent-managers and the potential moral hazard allocating them too much power can have. Lastly Heal (2005:408) argues that CSR can play a resource-allocating role in the case of market failure, by ensure “that the invisible hand acts, as intended, to produce the social good.”

Sheehy (2015) argues that economic theory places a paramount value on efficiency which leaves a narrow and problematic window for defining social responsibilities as it is contingent on being measurable, profitable, and can be assigned a price tag. Social externalities are hard to quantify in a cost-effective manner and are therefore often not considered.

3.3 Business theory of CSR

“The focus of business scholarship is on the business organisation and consumption” (Sheehy 2015:630), and according to Porter and Kramer (2006), four main arguments for CSR has been made by its proponents; moral obligation, sustainability, license to operate and reputation. One area of business that has sparked the most interest in CSR is the search for a relationship between CSP and CFP as previously mentioned (Margolis and Walsh, 2003; Margolis et al., 2009; Orlitzky et al., 2003). Some business scholars view CSR as a part of the relationship between corporations and society, and see it as a manifestation of business ethics, a social license, a reputation risk management tool studied for its marketing implications, and a type of social consumption, according to Sheehy (2015:630). In business, CSR is primarily considered a managerial concern but is also prepared to identify the corporation as a site for addressing societal interests (Sheehy, 2015).

Ballinger (2011), a critic of corporation’s current CSR efforts observes that industry CSR initiatives tend to focus on environmental aspects rather than labor and human rights violations. This might stem from the fact that they are more easily measured, quantified, and produce measurable financial impact. Management and monitoring systems designed to measure operational issues such as air emissions, waste, and water usage can provide metric feedback to managers enabling them to implement cost- and environmental-saving structures. Improvements in manufacturing processes such as new and more efficient equipment and the replacement of outdated appliances are seen as effective ways to drive down both environmental impact and cost over time (Apple, 2017d), yielding a return on investment. On the other hand, applying a price tag on issues such as human or worker rights violations and

enforcement is not as straight forward. Strictly investing in better equipment does not solve this issue, nor does it necessarily yield a concrete financial return. Social issues also tend to be more hidden while also more difficult to detect (Stauffer, 2017).

A corporation's social responsibility seen through a business lens will subsequently take into account more factors than economic theories. Business scholars view a corporation as "a social body with multiple functions" rather than just a "nexus of contracts" (Sheehy, 2015:630). What is generally problematic with CSR research according to Sheehy (2015:630-31), however, is that it is "often carried out in disciplinary silos." Consequently, business scholarship is prepared to incorporate a variety of social factors in defining CSR offering important insights, "but, a phenomenological, epistemologically derived definition has not been put forward by business scholars" (Sheehy, 2015:31).

3.4 Legal theory of CSR

Contemporary legal scholars have applied a widening understanding of CSR as it has becomes increasingly recognized as a private self-regulatory scheme. Legal theory has seen the "beyond compliance" aspect of CSR as problematic, as it lies beyond the scope of positivist legal scholarship and is often ignored (Zerk, 2006). Contemporary legal scholars have tended to follow an economic normative view of CSR, where it becomes equated to "the use of corporate assets to benefit non-shareholder constituents" (Sheehy, 2015:631) favoring business activities over social responsibilities. The new widening understanding that has led legal scholars to view CSR as a form of private self-regulation has also lead to an examination of its legal implications (Sheehy, 2015). According to Herzig and Schaltegger (2011), researchers are calling for at least some form of mandatory reporting, a minimal regulatory framework, or "some kind of universal charter that corporations are accountable to" (cited in Banerjee, 2008:74). There have been mixed responses to the implementation of a general international treaty on human rights, forming a polarized debate where proponents tend to be civil society organizations and developing states, while opponents consist of the developed nations (Simons, 2017). The most powerful states, supported by influential business actors, have deliberately worked against the implementation of international hard-law on issues of human rights, maintaining a stance that self-regulatory measures are adequate. Simultaneously, these states have relied on the formal international law to protect multinational corporations' activities through trade agreements. This has undermined

developing states' ability to regulate multinational corporate actors (Simons, 2017), maintaining the current international power structure and political divide between the global North and South (Benvenisti, 2012).

The most glaring illogicality of Westphalian international law is that it applies only to states and not to the transnational corporations whose global activities generate more product and greater influence than many UN member states will ever possess ... Given their actual and potential complicity in human rights violations and their capacity – so much greater than individuals – for paying reparations, how long can multinationals keep their heads below the parapet of international law?
-Geoffrey Robertson (in Horrigan, 2010:306)

In practice, multinational corporations operate in a legal sphere where subjection to hard-law or international regulation becomes increasingly challenging. MNCs operate globally as an integrated group or entity, but legally the parent company and each of its subsidiary become individual “legal personalities,” subject to the jurisdiction in which they operate (Ruggie, 2013). This makes regulating them particularly difficult. The Universal Declaration of Human Rights (UDHR) and its additional Covenants – covering civil, political, economic, social, and cultural rights – has laid out commitments that are ratified by states and implemented as domestic law. The UDHR was later supplemented by seven additional treaties addressing issues such as gender and racial discrimination and affirming the rights of children and workers (Ruggie, 2013). These in combination are now what is referred to as the “International Bill of Human Rights (IBHR)” (Ruggie, 2013: xxix). They do not become legally binding unless ratified and implemented by states, and to date, countries like China and the US have not fully ratified the entire bill⁴. While legally enforcing human rights in relation to business is difficult, legal measures to protect corporate global business interests exist in international and multilateral investment agreements where corporations can withdraw investments or sue governments through international arbitration for negatively affecting investments by legislative or administrative measures (Ruggie, 2013:xxxiii). This creates a biased international legal framework favoring business activities over human rights (Simons, 2017). What then becomes a reality is a global economy where business interests are protected and enforced by financial and economic hard-law while human rights violations are regulated by domestic state law - hard to enforce due to the transnational nature of multinationals - and voluntary international soft-law or guidelines such as the UNGP, and the

⁴ China has not ratified the Civil and Political Rights Covenant, while the US has not ratified the Economic, Social and Cultural Rights Covenant (Ruggie, 2013: xxix-xxxii).

OECD Guiding Principles. There are arguments both for and against imposing human rights obligations directly on corporations at the level of international law. Some, like Ruggie (2013:52) argue that this will undermine and “reduce individual governments’ discretion.” Others argue in favor of a general treaty on business and human rights that develops substantial obligations at the level of international law for business actors, arguing that there is a gap between these corporations’ rights and their responsibilities (Aragão and Roland, 2017; Simons, 2017).

3.5 Political Theories of CSR

Political theories tend to view CSR in light of the power vested in business and its interaction with society, and therefore consider business as having an inherent responsibility (Garriga and Melé, 2014). Business is often seen as having some form of social contract based on the philosophical thoughts of Locke (Garriga and Melé, 2014.), or the expectation to act as a good corporate citizen (Sheehy, 2015). The idea of corporate citizenship stems from the notion that a corporation has social duties and ought to act in ways – often beyond legal compliance – similarly to any good citizen. The corporate citizenship narrative is arguably the part of political theory which has developed in most recent time (Matten et al., 2003; Matten and Crane, 2005). However, the central idea is not new (c.f. Davis, 1973). Due to increased globalization of corporate activities and the diminishing state power in some regions of the world, Matten and Crane (2005:174) argue that “corporations have replaced some of the functions of the institutions deemed the most powerful” and should fill the gap where “governments fail in their responsibility to facilitate citizenship.” Political theories can be seen as “focused on rights, responsibilities and possible partnerships of business in society” (Garriga and Melé, 2004:57).

The basic idea of the social contract is that “business exists at the pleasure of society; its behaviors and methods of operation must fall within the guidelines set by society. Like governments, business has social a social contract – an implied set of rights and obligations” (Wartick and Cochran, 1985:759). In order to uphold their social contract and acceptance by society, business must follow the specifics of this contract which is grounded in society’s norms and expectations. The social contract becomes the “vehicle through which business behavior is brought into conformity with society’s objectives” (Wartick and Cochran,

1985:769), and “remains as the source of business legitimacy” (Donaldson, 1983, cited in Wartick in Cochran, 1985:759).

3.6 A call for multidisciplinary approaches

Scholars of sociology often view CSR through an institutionalist lens. Subsequently seeing it as “an institutional response and a political contest at a higher, even global institutional level” and as a “global business norm” (Sheehy, 2015:632). As demonstrated above, research tends to stem out of a few disciplinary camps and often remains disciplinarily encapsulated (Timms, 2012; Sheehy, 2015).

There is limited sociological literature dealing directly with the issues of CSR. This literature often focuses on CSR’s role in the contested power relations between corporations, the state, and civil society, where corporations seek to protect and promote their social role (Timms, 2012). CSR can thus be seen as a way for corporations to legitimate their societal power. CSR is also seen as a tool that helps corporations avoid or circumvent national and international regulation, as well as a means of corporate lobbying to influence governmental decisions and maintain power-positions (Lim and Tsutsui, 2012; Pearson and Seyfang, 2001; Timms, 2012; Vogel, 2005; Zadek, 2000). To illustrate the integral role that CSR plays in promoting and protecting corporate power, Banerjee describes CSR as an “ideological movement that [is] intended to legitimize and consolidate the power of large corporations,” corporate discourse as ‘ethnocentric’ and stakeholder theory as “a form of stakeholder colonialism that serves to regulate the behaviors of stakeholders rather than serving in their interest” (2008:51).

Campbell (2007) argues that a variety of institutional conditions shape the reasons corporations choose to behave responsibly. Others argue that CSR is needed as a tool to “bridge the gap between rhetoric and reality of corporate conduct” as the capitalist globalization has caused class polarization and ecological unsustainability, while simultaneously utilized by corporations to gain strategic positions in social policymaking. Hence, seen as a form of lobbying to further gain corporate power, often referred to as “regulatory capture,” enabling further deregulation (Sklair and Miller, 2010).

Wills and Hale (2005) states that even though many companies are now recognizing responsibility and often include these in their codes of conduct, “these do little to improve the

structural conditions of the global economy which arguably can be seen as the root cause to the inequality and erosion of worker's rights" (cited in Timms, 2012:22). What has become evident is the inherent struggle between corporations and stakeholders over the power to define whom and to what extent corporations are responsible in their supply chains. The language and rhetoric of CSR disclosures include some stakeholders while excluding other, arguably legitimizing the current status quo of power relations within the global economy.

What unfolds is a politics of corporate legitimacy, manifested in CSR reporting, where the legitimacy of the corporation becomes contingent on the negotiation these reports represents. An analysis of corporate CSR communication, and specifically SSRs, will provide a fruitful window into the politics of corporate legitimacy, where politics are seen as a form of bargaining or strategy applied in a power relationship. This will further add to the limited sociological research existing.

3.7 The Social Contract and Managing Corporate Legitimacy

A corporation's legitimacy can be seen as contingent on the acceptance of society, and as society provides corporations their legitimacy, this relationship can be viewed as a 'social contract' between the two parties. The idea of the social contract is central to legitimacy theory. The social contract has been said to afford the corporation its *raison d'être* (see Cho, 2009; Deegan et al., 2002), and corporations will invest great efforts to maintain this contract. Legitimacy can therefore be thought of as a resource on which corporations are dependent for their survival (Dowling and Pfeffer, 1975).

As the definition and concept of CSR itself is dynamic, so is legitimacy (Lindblom, 2010), and in turn *corporations'* legitimacy. The management of legitimacy becomes a crucial challenge for managers, because something seen as acceptable at one point in time, might not be at another. This drives managers to remain vigilant about fluctuations in stakeholders' and society's values and norms (Zadek, 2004).

Ballinger (2012) illustrates how "sweatshop" scandals and issues of worker exploitations in the late 1990s and early 2000s lead to increased media attention to CSR. He found that less than one percent of corporate CSR press releases dealt with issues of workers' rights while

the vast majority tended to focus on environmental issues. Interestingly, the issue of CSR in global value chains saw its extreme growth spurt out of human abuses, but corporations have tended to aim their focus and efforts exclusively on environmental issues (Ballinger, 2012). This might possibly explain why some CSR managers have replaced “responsibility” with “sustainability” (Ballinger, 2012). As discussed above, this might stem from the quantifiable, detectable and manageable nature of environmental efforts which can provide managers with positive corporate improvement information to relay to stakeholders in attempts to manage legitimacy.

The idea of legitimacy being something assigned and revoked by society and held by corporations can be traced back to Davis’ (1973) ‘Iron Law of Responsibility’ (c.f. p. 11). Banerjee (2007) argues that this is a naïve view, as legitimacy is an outcome of power relations, which the ‘Iron Law’ does not acknowledge. Banerjee (2007:20) views stakeholders’ ability to withdraw corporations’ legitimacy as “constrained” as the power inherent in economic systems, government and institutions often determine what is considered legitimate in the first place. Thus, “the parameters that define legitimacy are sometimes determined by a system of rules and exclusions that do not address concerns of marginalized groups in society” (Banerjee, 2007:21). Similarly, Foucault (1980) has also pointed to how knowledge and power are inextricably linked, arguing for a circular relationship where truth and power becomes a reinforcing regime.

3.8 Theoretical framework

The idea of corporations being responsible to others than just their shareholders have frequently been addressed throughout the history of CSR but was first formally introduced as a theory by Freeman’s (1984) book *Strategic Management: A Stakeholder Approach*. Arguably a managerial theory attempting to better address the responsibilities of corporate managers and how value-creation is increased through the acceptance and inclusion of multiple stakeholders (Donaldson and Preston, 1995; Freeman 1994, 2004). Following the argument of Gray et al. (1995) stakeholder and legitimacy theory will be considered overlapping perspectives addressing issues within the political economy, “emphasizing the role of economic dependence and power relations” (Lim and Tsutsui, 2012:78), rather than treated as two competing theories. Stakeholder theory will, therefore, be briefly discussed at the outset of this section, while the main focus will be on legitimacy theory.

In economics, shareholder theory has reigned supreme and arguably does to this day perpetuating business as an amoral economic activity (Freeman et al., 2004). There has developed a norm of shareholder primacy (Taylor and Sjøfjell, 2014), echoing economist Milton Friedman (1962), where a corporation's sole purpose and obligation is seen as creating value for its shareholders often at the expense and infringement on others' rights. Freeman (1994) however, argues that this is a faulty theory.

Stakeholder theory incorporates the complexities of society and the world as a part of the value-creating task of corporate managers. Following the rejection of the separation thesis, stakeholder theory poses two fundamental questions: 'what is the purpose of the firm?' and 'what responsibilities does management have towards its stakeholders?' (Freeman et al., 2004). According to Donaldson and Preston (1995:85), "Stakeholders are identified through the actual or potential harms and benefits that they experience or anticipate experiencing as a result of the firm's actions or inactions." Following this definition, I define stakeholders similarly to Freeman (1984) but also including the environment, addressing all entities which have an interest or stake in the activities of the corporation. This interest, however, does not have to be mutual, but they are considered stakeholders nonetheless, and their interests have intrinsic value to the corporation (Donaldson and Preston, 1995). Hence, achieving "maximum overall cooperation between the entire system of stakeholder groups and the objectives of the corporation" is seen as a key task and only achieved through stakeholder management. Carroll's (1979, 1991) pyramid of CSR hence suggests responsibility towards a myriad of stakeholders within each domain.

What becomes apparent is that definitions of responsibility and to whom one is responsible become contingent on the social and ideological lens managers view the world through. This in turn naturally shape the way one views and defines a company's responsibility. Even though the theory has normative values, some argue it remains largely instrumental (Moir, 2001). The legitimizing aspects of CSR reporting can be seen as directly related to which stakeholders are considered important by a corporation (Ullman, 1985). Pfeffer and Salanick (1978) has suggested organizations tend to focus on those stakeholders considered most important and who control the resources the organization requires to further its interests. Thus, more effort by the corporation will be exerted to maintain and manage the relationship with these groups, while other groups viewed as less central to the core interest of the corporations will receive less attention. Neu et al. (1998) found that the demand of financial

stakeholders and government regulators received more response by particular companies, often disfavoring environmentalists. According to DiMaggio and Powell (1983), an organization will adapt and manipulate their operations to conform to external expectations, further suggesting that corporations do take stakeholders' interests into consideration. This adaptation does, however, depend on the perceived legitimacy of the stakeholder. Mitchell et al. (1997) have suggested that a corporation's most salient stakeholders are those who possess one or more of three relationship attributes; power, legitimacy, and urgency. Thus, stockholders and state institutions might be seen as high on at least both legitimacy and urgency, and not surprisingly often considered some of the most important stakeholders. A part of the negotiation between the corporation and its stakeholders can be seen as a negotiation of corporate legitimacy, where the corporations manage or construct their legitimacy through CSR communications. In turn, CSR reports such as Apple's SRRs, become a way for corporations to negotiate their legitimacy.

3.9 CSR Communication

CSR communication can be defined as how corporations communicate the ways it handles economic, social, and environmental issues faced in its operations. Through this communication, the company negotiates its relationship with stakeholders and society based on the expectations of how these issues should be addressed and dealt with by society (Ihlen et al., 2011:8).

As the value chains of multinational corporations become globalized and increasingly complex, transcending national borders and impacting a myriad of nationalities, cultures, and societies, stakeholders are inevitably becoming equally diverse and complex. Again, posing the central questions to CSR; to whom is business responsible? With a multitude of stakeholders with diverse demographics and socioeconomic characteristics, the needs and interests of these groups are naturally heterogeneous. This makes a tough challenge for corporate managers to grapple with, as they only have limited resources, attention and, knowledge.

Annual CSR disclosures have become a strategy for corporations to negotiate legitimacy with stakeholders (Deegan et al., 2002; Breeze, 2012), which again takes on different forms depending on activity and context (Waddock and Googins, 2011). This has not come without scrutiny, and these disclosures and corporate codes of conduct are seen by some as "tactics"

used to refute allegations, where self-regulating efforts by corporations through CSR can be seen as a “chimera”⁵ (Ballinger, 2011:58).

Some argue that stakeholders have little awareness of corporations CSR efforts, and tend to be skeptical of these, making CSR communication a “delicate matter” (Du et al. 2010: 17; see also Ashforth and Gibbs, 1990, Suchman, 1995). Cho (2009) found that the French oil company Total relied on multiple legitimacy strategies in response to environmental disasters (see Table 4 in Appendix 3) but could not establish their effect on image restoration. He further argues that the tone in such disclosures tend to be overly optimistic (Cho, 2010). Preston et al. (1996) found that corporations emphasize image enhancement through images in annual reports, as well as relying on the reports to deny problems and responsibility.

A reliance on symbolic management is supported by Ashforth and Gibbs (1990:180) who see CSR communication as way to “*appear* consistent with social values and expectations” as well as Brown (1997:659), who considers it “self-aggrandizement” focused on “prowess and accomplishments” that are “exhibitionistic and exaggerated.” Holder-Webb et al. (2009) similarly argues that CSR reporting is shaped by a positive ‘self-laudatory’ tone.

To maintain or repair corporate legitimacy corporations are most likely to be selective in their reporting (Sullivan, 2011) as well as in who they consider important stakeholders, where one of the contingent factors is the stakeholders’ legitimacy (DiMaggio and Powell, 1983). This notion is further supported by Kostova and Zaheer (1999) suggesting organizations rely on legitimacy spillovers (c.f. p. 64).

Neu et al. (1998:279) argues that due to the control corporations have over the design of environmental messages, they are able to design them in order to shape the way stakeholders “know” and “feel” about the corporation. They suggest that corporations will adopt strategies in attempts to “to communicate legitimating characteristics,” and that these strategies are relied on in combination (Neu et al., 1998:271). Analyzing semi-structured interviews with managers about hypothetical disclosure responses to negative environmental events, O’Donovan (2002) found support for the explanatory power of legitimacy theory in managers’ decision making. He also concluded that the main reason environmental

⁵ An illusion or fabrication of the mind (Merriam-Webster, 2018)

disclosures were made, was “on the basis of presenting the corporation in a positive light” (O’Donovan, 2002:364).

Herzig and Schaltegger (2011:13) welcome new adaptations and ways of communicating CSR as it has the potential to increase transparency, however, they argue that “continuous...change of reporting contents and formats...hamper its comprehensibility.” Dowling and Pfeffer (1975) has argued that one way of upholding the social contract and to preserve legitimacy, is through the utilization of legitimacy strategies in communication.

3.10 Legitimacy Theory

Gray et al. (1996:47) consider legitimacy theory to be a systems-oriented theory that lets the researcher “focus on the role of information, and disclosure in the relationship(s) between organizations, state and the individual group.” This relationship becomes integral to corporations’ survival as they are inherently reliant upon the acceptance of society for their survival. According to Deegan (2002:292): “the perspective provided by legitimacy theory indicate that organizations are not considered to have any inherent right to resources, or in fact, to exist. Organizations exist to the extent that the particular society considers that they are legitimate” or in other words, upholding their social contract.

The notion of organizations’ management of legitimacy has been a part of the organizational, political, and institutional research for a long time, however, Mark Suchman’s (1995) *Managing Legitimacy: Strategic and Institutional Approaches* is considered by many the first development of a comprehensive theory, synthesizing previous work in the field. Because of his synthesis, I will describe the theory, mainly as laid out by him. Suchman (1995:574) defines legitimacy as:

[A] generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.

He distinguishes between two groups of theoretical traditions within the studies of legitimacy. The *strategic* tradition, which “adopts a managerial perspective and emphasizes the ways organizations instrumentally manipulate and deploy evocative symbols in order to garner societal support” and the *institutional* tradition which “adopts a more detached stance and

emphasizes the ways sector-wide *structuration dynamics* generate cultural pressures that transcend any single organization's purposive control" (Suchman, 1995:572 emphasis original). This he argues, tends to make the two 'talk past one another' due to their divergent views about agency and cultural embeddedness. The main difference between the two rests on the scale of inquiry as strategic theorists tend to focus on strategic legitimation efforts of individual organizations, while institutionalists focus on the "collective structuration of entire *fields* or *sectors*" providing an idea where the former view managers as looking "out" while the latter view society as looking "in" (Suchman, 1995:576-7 emphasis original).

At the core of Suchman's (1995) legitimacy theory lies what he sees as three different clusters of legitimacy which shapes how managers and organizations gain, maintain and repair organizational legitimacy. He considers these clusters to be either pragmatic-, moral- or cognitive. These can again be divided further into subsections, depending on how one views organizations' and managers' relationship with society and its stakeholders.

Pragmatic legitimacy can be described to reflect "direct exchange and influence between a focal organization and specific constituents" (Suchman, 1995:591). Generally speaking, pragmatic legitimacy is seen as instrumental, addressing how an organization manages relationships of self-interest with its immediate audiences, and tend to involve a direct exchange between the two entities. It can first be seen as either a sort of *exchange* legitimacy, where the legitimacy of an organization rests on its ability to provide what is desired by its constituents. This type of legitimacy postulates "a somewhat generalized and collateralized variant of more conventional materialistic power-dependence relations" (Suchman, 1995:578). Second, it can be labeled *influence* legitimacy, which rather than relying on some form of exchange between the organization and its constituents depends on an organization's ability to adopt and implement constituents' values and standards as its own, providing some sort influence on organizational behavior to its constituents (Suchman, 1995). Lastly, pragmatic legitimacy can be characterized as a type of *dispositional* legitimacy, where the organization is seen as possessing personal characteristics such as morality and autonomy and deriving legitimacy from its constituents' view of the organization as having the right "qualities" or being "trustworthy" or "honest" (Suchman, 1995:578). This type of legitimacy can therefore be seen as derived from the organization's perceived 'good character.'

Suchman's (1995:579) second cluster of legitimacy is seen as 'sociotropic'⁶ and "reflects a positive normative evaluation of the organization and its activities (e.g., Parsons, 1960)." This cluster of legitimacy can be described as either *consequential*, *procedural*, *structural* or *personal*. All describing some form of judgment of an organization's ability to effectively promote social welfare and "doing the right thing" rather than providing some desired outcome (Suchman, 1995). It can be seen as displaying some set of shared values or beliefs. *Consequential* legitimacy relates to the organization's audience's judgment of said organization's accomplishments, such as the quality and value of its products or materials used and if they produce socially valued consequences (Suchman, 1995:580). *Procedural* legitimacy is more targeted and evaluates organizations' routines or processes, and whether these are socially accepted. *Structural* legitimacy, on the other hand, focuses on the moral aspects of organizational features in systems of activity rather than some specific practices. Hence legitimacy becomes contingent on whether audiences view organizations as "the right organization for the job" based on sets of held structural characteristics that are viewed as morally favorable (Suchman, 1995:581). Lastly, *personal* legitimacy is contingent on audiences' evaluation and judgment of personal characteristics and charisma of individual, organizational leaders. This is arguably the least sociologically understood type according to Suchman (1995).

The third cluster of legitimacy works on a more institutionalized level and is referred to as *cognitive* legitimacy. Suchman (1995) delineates between *comprehensibility* in legitimacy which views legitimacy as building from cultural models and patterns in the audience's lifeworld that provides explanations for the existence and consequentially the legitimacy of an organization. "To provide legitimacy, an account must mesh both with larger belief systems *and* with the experienced reality of the audience's daily life" (Suchman, 1995:582), establishing itself or its processes as a part of a means to an end (Scott, 1991). *Taken-for-granted* legitimacy, on the other hand, represents an organizations ability to make sense of or provide explanations of a rather chaotic cognitive environment for its audience, which subsequently renders the organization as "necessary" or "inevitable" (Suchman, 1995:582). Examples of such organizations can be banks, hospitals or educational institutions.

⁶ "An excessive investment in interpersonal relationships" (Sato et al., 2004:67).

3.11 Legitimacy Strategies

Suchman (1995) discusses types of strategies organizations and managers can utilize in order to either gain, maintain or repair legitimacy. To gain legitimacy, he describes strategies of either conforming, selecting among, or manipulating organizational environments as three key strategies. To maintain legitimacy, he considers attempts to perceive change and protect its accomplishments as central. Lastly, in order to repair legitimacy Suchman suggests different strategies of normalizing negative incidents or restructuring (for an overview of Suchman's original framework see Table 3 in Appendix 3).

These can be applied at the pragmatic, moral and cognitive level, and take somewhat different approaches. The different clusters, however, do not represent a central part of my analysis but I believe the brief introduction above serves purposefully to show how legitimacy can be affected in different ways. As the framework has been adapted to Apple's SRRs which rely on combinations of strategies through communication, catering to multiple clusters simultaneously, addressing different clusters become less significant to the analysis. CSR communication can however mainly be seen as attempts to gain moral legitimacy by rhetorically aligning with stakeholders' morals, values and beliefs (Suchman, 1995) rather than through pragmatic and cognitive approaches.

Acquisition of legitimacy through pragmatic strategies assumes that the corporation has the power to influence its context, while cognitive institutional approaches can arguably be seen as somewhat outdated as the institutional environment has grown increasingly fragmented and diversified (Castelló and Lozano, 2011). The legitimacy of institutions like banks and churches cannot be considered to have the same taken-for-grantedness they once did. I have therefore chosen to focus my framework on the alignment with the data material investigated, rather than vice versa (c.f. *Designing the Coding Agenda* in the Method chapter). This allowed for a better analysis of Apple's strategies and motivations rather than a test of legitimacy theory itself.

3.11.1 Gaining Legitimacy

Suchman (1995) has suggested multiple examples of strategies to gain legitimacy. He suggests that definitions of goals and portrayal of positive values underlined by demonstration of success and meritorious outcomes in congruence with societal values and norms can be

effective. Character reference, and reliance on friendly co-optees “who does not fundamentally challenge the overall organizational goals,” or manipulation of environments through advertising are also mentioned (Suchman, 1995:587-588). Unfortunately, however, legitimacy is regularly gained through symbolic displays as “organizational goals often serve primarily as rationales for existence rather than technical directives” and amount to little more than what Goffman (1967) has termed face work (Suchman 1995:588). I have adopted Cho’s (2009) *Image Enhancement (IE)* category as an umbrella-category for these strategies. Cho (2009:37) describes image enhancement as an “attempt to appear legitimate by linking itself to positive social values disclosing self-praising information about its commitments and accomplishments in regards to social and environmental matters.” This can be seen as a single strategy utilized to gain legitimacy. This kind of symbolic management is supported by Ashforth and Gibbs (1990) who see it as way to “*appear* consistent with social values and expectations” as well as Brown (1997:659) considering it “self-aggrandizement” emphasizing “prowess and accomplishments” that are “exhibitionistic and exaggerated.”

In addition to Image Enhancement, I developed two similar but separate strategies named *Alignment with legitimate structures (ALS)* and *Institutionalization* capturing efforts to gain legitimacy through reliance on other established legitimate actors and legitimate ways of operating. They differ however in that *institutionalization* strategies refers to internally developed initiatives and programs, whereas *ALS* strategies draw on other organizations’ legitimacy. According to Anner (2012:633), “multi-stakeholder initiatives are seen as providing more legitimacy than wholly corporate controlled programs.” *ALS* captures efforts such as embedding new structures of already legitimate institutions, which according to Suchman (1995:588) is another common approach where an organization integrate its “new structures and practices in networks of other already legitimate institutions...to associate the organization with respected entities in its environment.” This is a strategy my analysis will demonstrate to be highly relied on. Backer (2013:849) argues that even though corporations might lose autonomy by “adhering to collaborative standard-setting and transparency-facilitating outside institutions” they’re ultimately aimed at gaining legitimacy. Not too different is seeking out certification. This can gain legitimacy as well as provide access from certain formal gatekeepers and to restricted areas. The sourcing of conflict minerals (c.f. p. 87) and section 1502 of the Dodd-Frank Wall Street reform can be seen as an example. In 2010 the U.S. Securities and Exchange Commission (SEC) required all publicly traded firms in the US to disclose where their supply of the tin, tantalum, tungsten and gold (3TGs) was

sourced from (Owen, 2012), leading to the creation of a “conflict-free” certification system through the Responsible Minerals Initiative. Another example which falls under the ALS category is what is referred to as mimetic isomorphism, where an organization attempts to conform or model itself on other organizations (DiMaggio and Powell, 1983), “mimicking the most prominent and secure entities in the field” (Suchman, 1995:589).

Institutionalization captures efforts to professionalize, standardize, and formalize organizational practices. Suchman (1995:589) describes the formalization of organizational operations as “codifying informal procedures, bringing previously marginal activities under official control, and establishing hierarchical links with superordinate environmental units.” Similarly, the organization can also link their “activities to external definitions of authority and competence” in an attempt to professionalize (Suchman, 1995:589). An organization can further gain legitimacy from institutionalizing efforts such as popularization and standardization. The former, according to Pfeffer (1981:23) suggests that a new social perspective sought by the organization can be attained “through continually articulating stories which [illustrate] its reality.” Standardization, on the other hand, falls along the line of gaining legitimacy through an organization’s “simple prevalence” (Pfeffer and Salanick, 1978:201) or by “remaking others in their own image, either through success and modeling or through coercion and regulation” (Suchman, 1995:593).

With a framework based on Suchman’s (1995) original strategy categories, *gain*, *maintain*, and *repair* briefly introduced in the previous section, certain aspects of the SRRs analyzed became increasingly overlapping and repetitive, not necessarily providing good data for analysis. An example will make this clearer; all of Apple’s SRRs are structured a little different, but the basic components remain the same (c.f. chapter 5). To better address these instances, I restructured the coding scheme adding a new strategy to the *gain* category borrowing from Benoit (1997) and Hahn and Lülfs (2014) named *Corrective Action*. This category, similarly with Hahn and Lülfs (2014:23) can be considered widely relied on as it captures the corporation’s “ideas, intent or measures for how to tackle or avoid negative aspects in the future” and show how the corporation “judges the negative effects or impacts as being so important to take corrective action.” This provides a category capturing the overlapping tendencies in use of strategies. The way these corrective actions are described further separates the strategy into two sub-categories labeled *Type 1* and *Type 2* (Hahn and

Lülf, 2014), where the first – Type 1 – refers to elusive descriptions of the corrective actions such as:

[T]he actions that followed have improved the working and living conditions at this facility. The housing conditions are better, pay practices are clearer, and employee benefits have expanded in the areas of educational programs and recreational options. Also, this supplier has incorporated the lessons learned into the design of new facilities (Apple, 2007:1).

Type 2 refers to more clear and explicit descriptions of the measures taken such as:

[W]e required facilities to store, move, and handle hazardous chemicals properly; for example, by providing antileakage devices for hazardous chemicals and separate storage for incompatible chemicals (Apple, 2012:20).

Both types of the *Corrective Action* strategies can be seen as falling under each of the original categories of attempts to gain, maintain and repair legitimacy. I will nonetheless argue that the main goal of this strategy is to gain legitimacy through disclosure of negative events, but by focusing on the positive actions taken to improve situations and the produced positive effects. Therefore, this strategy was added to the *gain* category in the coding agenda and therefore discussed in this section.

Based on this I argue that Apple's efforts to gain legitimacy mainly flows through four channels; *Image Enhancing* efforts such as disclosing self-praising information and descriptions of positive outcomes and values, *Alignment with Legitimate Structures* such as mimetic isomorphism and embedding itself within established legitimate institutions drawing on the legitimacy of other entities, *Institutionalization* of external and internal operations such as the inclusion of previously external operations under internal control and the creation of programs and initiatives, or either clear or vague descriptions of *Corrective Actions*. To briefly address Suchman (1995) legitimacy clusters, *IE* strategies can be seen as falling mainly within the pragmatic and moral clusters, while *ALS* and *institutionalization* strategies can be seen as rather cognitive strategies. The corrective action strategies, in turn, becomes – as argued above – a somewhat special case as it combines the reparation of legitimacy with the acquisition, but ultimately as a means to further gain legitimacy.

3.11.2 Maintaining Legitimacy

In a social world in constant flux, maintaining organizational legitimacy should never be taken as a completed task by managers, as stakeholders and their values are continuously changing (Morsing and Schultz, 2006). However, legitimacy maintenance is considered less of a challenge than gaining legitimacy and tend to become “perfunctory” and “increasingly routinized” (Ashforth and Gibbs, 1990:183).

The heterogeneity of an organization’s audience coupled with organizational tendencies to become rigid over time, while also creating its own opposition, is what Suchman (1995) recognizes as the main threats to the maintenance of organizational legitimacy. As an organization becomes increasingly stable, there is a tendency of mutual agreements, isomorphism, and taken-for-grantedness within the institutional environment, which in turn can make organizations vulnerable as this often hampers responsiveness. Besides, legitimacy projects taken on by organizations - like proactive actions such as advertising – can be a double-edged sword as it attracts a potential audience but will also inevitably create hostility from groups not considering the organization itself or its offering desirable or morally sound (Ashforth and Gibbs, 1990; Suchman, 1995). O’Dwyer (2010) found that managers shared this view, remaining doubtful of the legitimizing effects of CSR reporting.

Suchman (1995) argues that corporations can maintain their legitimacy be either perceiving change or protecting their accomplishments. Perceiving change is done through consultations and reliance on relationships with stakeholders and people considered outsiders to the corporation. These types of strategies have been combined and renamed *Collaboration* as it ultimately attempts to maintain and protect legitimacy through the inclusion of entities and actors independent of the organization. Protecting accomplishments is done through policing of internal structures, specific ways of communication and stockpiling trust, esteem, and interconnections (Suchman, 1995). In relation to Apple’s SRRs, these strategies revolve around different ways of communicating and displaying efforts and commitments. According to Suchman (1995), these types of exchanges between a corporation and its stakeholders need to be conducted honestly, authoritatively, and matter-of-factly, clearly displaying how the corporation is policing its structures and procedures while stockpiling esteem, reputation and interconnections. These strategies are in turn combined to make up the category named *Protective Communication*.

3.11.3 Repairing Legitimacy

Lastly, are the strategies used by organizations to repair legitimacy often following negative events. In these instances, overall strategies usually include communicational practices (Dowling and Pfeffer, 1975). Suchman (1995) argue that four main strategies are possible to organizations which accordingly can either, *deny*, *excuse*, *justify*, attempt to *explain* or commit to *restructuring* in the wake of a delegitimizing event. Similar to Suchman, some have suggested that organizations rely on *denial*, *evasion of responsibility*, *reducing offensiveness*, *corrective action* and *mortification* (Benoit, 1997) or *avoidance/deflection*, *disclaimer* and *image enhancement* (Cho, 2009) when reporting on negative events. These can all be seen as ‘reactive’ approaches to legitimacy restoration (Hahn and Lülfs, 2014). An overview of these ‘reactive’ and as well as ‘proactive’ strategies to negative events are presented in Table 4 in Appendix 3.

Due to these previous studies focus on responses to negative events and the reparation of legitimacy, I have chosen to keep the original strategies in this category the same, as this thesis seeks to analyze Apple’s SRRs in their totality over time. I have, however, added one subcategory to the restructuring strategy.

According to Poppo and Schepker (2010) the success of the strategy type employed hinges on the kind of trust violation committed by the organization, suggesting a need for vigilance by managers when utilizing such strategies. Hahn and Lülfs (2014) have shown that there is an increased risk to an organization’s legitimacy if negative aspects are uncovered by third parties. Nike’s reputation and legitimacy took a hard hit during the 1990s after sweatshop allegations (Zadek, 2004; Ballinger, 2012). Similarly, Shell found itself in harsh weather due to its handling of the Ogoni tribe in the Niger-delta (Livesey, 2001, 2002). The initial four strategies are fairly self-explanatory. However, Suchman (1995) suggests that there are two types of restructuring that can be undertaken following a legitimacy crisis. According to the author (Suchman, 1995:598), an organization may restructure by either creating what he calls ‘monitors and watchdogs’ or by disassociating from “bad influences.” Monitors and watchdogs can be seen as auditing procedures, inviting government regulation, or other types of third-party monitoring systems. I have also added a third strategy to this category, which I have called *Adjustment of Requirements* seeking to address instances where guidelines and requirements are changed and enhanced, often in response to negative events. The final coding agenda is presented in Appendix 1.

What becomes apparent is that the acquisition, maintenance, and restoration of an organization's legitimacy can take on many shapes and forms, and certainly requires vigilance and work on managers' part. For the researcher, on the other hand, it becomes important to "examine any particular corporate behavior within its context and in particular to look for alternative motivations" (Moir, 2001:12) other than those explicitly stated in corporate communications such as CSR reports.

4 Method

4.1 Case Study

In contrast to previous studies analyzing corporate reporting (e.g., Breeze 2012; Deegan et al. 2002; Livesey, 2001, 2002), this project aims to look at Apple, the leading brand in the ITC sector, listed as the most valuable brand in the world (Badenhausen, 2017). While other studies usually focus on how a corporation manages and repairs its legitimacy in the wake of negative events, this thesis aims at addressing all three categories of legitimacy management presented by Suchman (1995) in order to address how CSR reporting is utilized by MNCs as a continuous tool to manage and construct its legitimacy.

As stated by Yin (2014) and Kohlbacher (2006), a case study should rely on multiple sources of evidence. The researcher might therefore be required to utilize different methods. Due to Apple's known culture of secrecy (FoN, IPE and Green Beagle, 2011; Wier, 2012), and possible bias in corporate self-disclosures the SRRs might not provide sufficient evidence of the conditions situation in its supply chain (Gray, 2010). Nor will simply relying on these documents provide enough substance to debate the degree of CSR's role as a negotiation tool between the corporation and its stakeholders as corporate self-disclosure tend to be "self-laudatory and thus not objective" (Cho, 2009:37). To give a nuanced picture of the situation as well as to provide a discussion on how legitimacy shapes the negotiations, independent data has also been relied upon. This will allow me to better address the issues and aspects of Apple's operations that are left out or selectively reported on in the reports. The thesis has applied the combination of content analysis of Apple's annually published SRRs as the main source of evidence combined with independent third-party evidence to illuminate the legitimacy strategies and latent motivations in Apple's documents. The third-party evidence was included to provide a wider context and forum for alternative arguments and rivaling explanations.

Questions about different social actors' relationships can only be properly answered if one has obtained information directly from several sources, as strictly relying on information from one actor will not provide sufficient insight to draw an unbiased conclusion about the relationship (Yin, 2014:29). The use of multiple sources of evidence better equips the

researcher to confirm and corroborate findings. Apple was also contacted in an attempt to acquire first-hand data directly, but a response was never received (see Appendix 5).

4.2 A qualitative investigation of Apple's Supplier

Responsibility Reports

As the reports published by Apple consists of both numerical, textual, and visual data, Apple's reporting on corporate practices in regards to CSR makes up the case for this thesis, while the themes and presentation of information in the reports become the center of the analysis. The thesis takes a qualitative approach to the research. Qualitative research methods can be said to differ from quantitative methods due to its reliance on linguistic rather than numerical or statistical data and tend to be meaning-based and explorative (Elliot and Timulak, 2005).

Qualitative research can provide fruitful information and new insight by understanding phenomena in their own right. The researcher is thus provided with the ability to foster his or her own - and possibly new - understanding of the topic under investigation through her own style of collecting and analyzing data as well as through a mix of methodological approaches such as grounded theory for example (Elliot and Timulak, 2005). It provides the ability to collect and analyze data in an iterative process, moving back and forth between data collection and analysis (Corbin and Strauss, 2008). Corbin and Strauss (2008:1) define qualitative analysis as “[a] process of examining and interpreting data in order to elicit meaning, gain understanding, and develop empirical knowledge.”

To best address how varying strategies of corporate legitimation are apparent in the SRRs published by Apple and discuss this in the context of larger systems and structures, a certain degree of previous knowledge is imperative.

4.3 Apple's CSR reporting as a case

Even though Apple is one single corporation whose procedures, operations, and internal and external workings cannot be considered applicable to the electronics industry as a whole, it is nonetheless not operating in a vacuum. As the most successful, and valuable brand in the world it makes up an excellent case to investigate further how a highly successful MNC manages and negotiates its corporate legitimacy. Due to its worth, reputation, influence and,

success it makes a great example for other corporations which might drive industrywide mimetic isomorphism (DiMaggio and Powell, 1983; Suchman 1995). This arguably positions Apple as an especially compelling case for investigation.

Yin (2014:4-12) argues that a case study can be “used in many situations to contribute to our knowledge of individual, group, organizational, social, political, and related phenomena” and can be seen as a preferred tool in studying contemporary events where “relevant behaviors cannot be manipulated.” He goes on to argue that case studies are especially applicable when studying themes such as organizational processes and international relations and allows the researcher to “understand complex social phenomena” while retaining a “holistic and real-world perspective” (Yin, 2014:4).

Before moving on to describe the applicability, design and procedural aspects of a case study, a definition should be provided. According to Hartley (2004:323), case study research “consists of a detailed investigation, often with data collected over a period of time, of phenomena, within their context” aiming “to provide an analysis of the context and processes which illuminate the theoretical issues being studied.” Yin, on the other hand, offers a two-fold definition of a case study (Yin, 2014:6-17):

1. “A case study is an empirical inquiry that
 - investigates a contemporary phenomenon (“the case”) in depth and within its real-world context, especially when
 - the boundaries between phenomenon and context may not be clearly evident.
2. The case study inquiry
 - copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result
 - relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result
 - benefits from the prior development of theoretical propositions to guide data collection and analysis.”

It can, therefore, be seen as a contextualist approach to a phenomenon. Through such an approach the “strategy of generalization is to generalize only within the specified context”

where “the challenge of generalization is the investigation of smaller number of cases explained by concepts with high internal validity” (Mjøset, 2009:53-54). The specification of a single case, however, can “[feed] back into the local research frontiers, adding to the generality of knowledge, even though its ties to the context are not cut” (Mjøset, 2009:61).

Rather than a method in its own right, case studies can be seen as a research strategy where a number of methods can be relied on. It is thus not defined by its methods, but “rather in terms of its theoretical orientation and interest in individual cases” (Kohlbacher, 2006:6).

Case studies are therefore utilized in research inquiring about how and why some contemporary event is taking place (Yin, 2014). How and why questions in turn are of a more explanatory nature, quite contrasting to a general belief that case studies can only be exploratory or descriptive. According to Yin (2014:10), these questions “deal with operational links that need to be traced over time, rather than mere frequencies or incidence.”

4.4 Building the case; Apple’s Legitimacy Management

There is no such a thing as a standard and comprehensive catalog for case study research. Unlike natural sciences or psychology where experiments can be conducted in a controlled environment like a laboratory exposing the subjects to different sets of stimuli often following a previously developed design, case study research requires careful craftwork.

A modified version of Yin’s example of organizational relationships describes this thesis perfectly: “suppose you want to study a single organization’s relationship with *stakeholders* – their competitive or collaborative nature, for example. Such questions can be properly answered only if you collect information directly from the *stakeholders* and not merely from the *organization* you started with” (Yin, 2014:29 *modified*). By relying on evidence from one single source, the analysis will arguably end up biased. To best avoid such biases, proper research design is desirable.

Yin (2014:29-36) has outlined five central components of research design:

1. a case study’s questions;
2. its propositions, if any;
3. its unit(s) of analysis;

4. the logic linking the data to the propositions;
5. the criteria for interpreting the findings

The process of conducting a case study is an iterative process and one has to assume and welcome a research process which moves back and forth as new evidence, themes, and issues arise.

4.5 Developing the Research Questions

The research questions, their focus, and substance were not developed at the outset of this study. Rather, they were formed during the research process. This allowed me to both attain knowledge, develop an understanding and a critical lens to the data material, the field and its central debates.

Previous knowledge became imperative looking at how corporate legitimacy is negotiated through the medium of Apple's SRRs. Without knowledge about the field and how others have looked at, and analyzed such reports previously, applying a critical lens would prove increasingly challenging, and the information presented in these documents might have been taken for face value. From initially having limited knowledge of CSR I develop an understanding of the field, its history and current theoretical perspectives and approaches. This process enabled an understanding of the more prominent structures at play while also narrowing my focus and research question down to something attainable and fruitful, leading me to the final research questions presented on page 3.

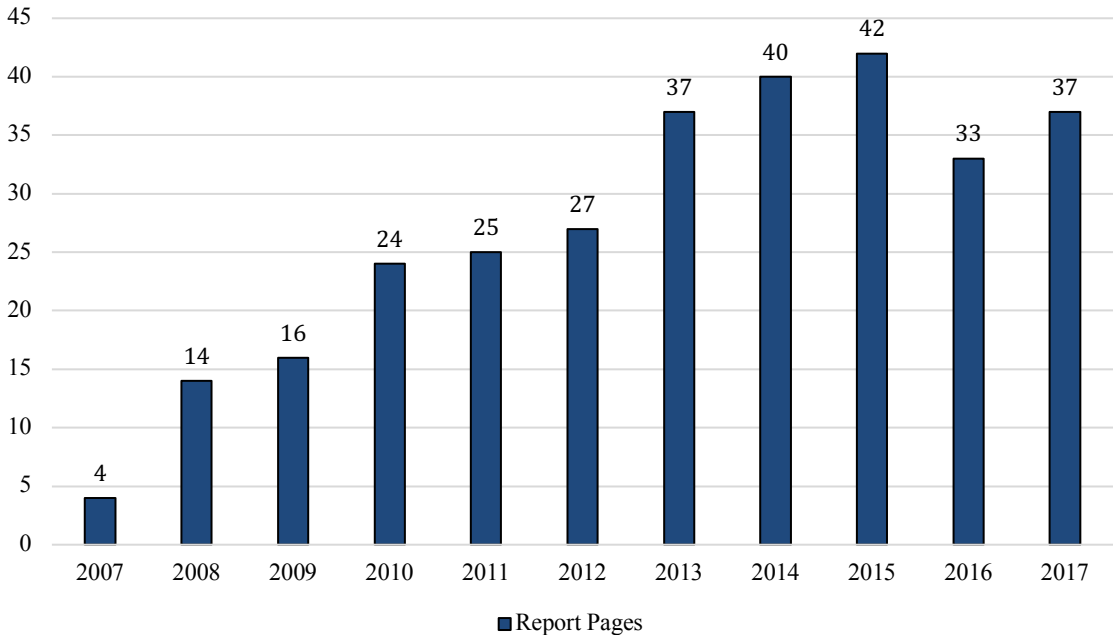
4.5.1 Propositions

My initial propositions revolved mostly around answers to why Apple would choose to act responsibly as this can be seen as contradicting rational economic behaviors such as profit maximization and the purpose of the corporation (e.g. Friedman, 1962). This consisted of broad general ideas such as "doing the right thing" but also hinting at issues such as "reputation management." After reading through the literature these propositions became more specific, and arguably more aligned with a single hypothesis; namely that Apple relies on CSR reporting to construct and negotiate legitimacy.

4.5.2 Unit of Analysis and data collection

To build the case and capture the legitimacy strategies relied on by Apple in its SRRs, several steps were taken. The first step towards an analysis of these strategies was to collect and carefully read through all of Apple’s annually published SRRs. These were downloaded from Apple’s website (see <https://www.apple.com/supplier-responsibility/>). Apple published its first SRR in 2007, leaving a total of eleven such reports published. The documents range between 4 and 42 pages with an average page length of approximately 27 pages displayed in Figure 1:

Figure 1: Number of pages in Apple Supplier Responsibility Reports 2007-2017



Source: (Apple, 2007-17)

The SRRs describe audit-based findings at Apple’s suppliers, which in turn are assessed in accordance to Apple’s Code and its accompanying Standards. These documents and their revisions⁷ are therefore relied on as the main evidence for the analysis. A description of these documents is presented and illustrated in Table 7 in Appendix 4. As noted above, by only collecting data from the source under question the information will most likely be biased, and additional independent sources of evidence were therefore sought out. As argued by Yin (2014:108 emphasis original): “Important in reviewing any document is to understand that it was written for some specific purpose and some specific audience *other than* those of the case

⁷ Both the 2015 and 2017 version of the Apple supplier Code of Conduct was read.

study being done” and “the evidence reflects a communication among...parties attempting to achieve some...objectives.” “By constantly trying to identify those objectives, you are less likely to be misled by documentary evidence and more likely to be correctly critical in interpreting the content of such evidence.”

Apple’s first SRR states the following (Apple, 2007:1):

In the summer of 2006 we were concerned by reports in the press alleging poor working and living conditions at one of our iPod final assembly suppliers in China.

Consequently, I argue a natural first place to look for rivaling explanations contradicting Apple’s reports would be in media accounts. I found that if data relied on was not gathered by the news outlet itself; most descriptions could be traced back to NGO reports. The NGOs most consistently investigating and reporting on the conditions in Apple’s supply chain are Students and Scholars Against Corporate Misbehavior (SACOM), and China Labor Watch (CLW), others are however also included. Keep in mind, just like Apple, NGOs also have a political agenda and can be considered biased in their own right. I will address this further below discussing the reliability and validity of the thesis.

Searching these organizations’ online archives returned multiple reports, statements and publications relating to Apple and its suppliers. In addition to the 14 Apple documents, 21 NGO reports, 13 media reports, and 11 academic papers specifically addressing Apple and its supply chain were read. Two documentaries were also watched as supplemental evidence leaving a total data pool of 59 documents consisting of 1364 pages and two documentaries spanning 147 minutes. See Appendix 2 for an overview of the included data. This should provide the basis for a fruitful discussion of the strategies employed by Apple. The data gathered was restricted to the period between 2006 and 2018. The online archival searches were done by year starting in 2006 and ending in 2018 and gathered between August 15th 2017 and May 1st, 2018.

The reports included are from NGOs mainly investigating social issues at Apple’s suppliers. I have excluded reports from NGOs such as Greenpeace, and Green Choice Alliance as they mainly address environmental aspects of Apple’s practice. Online searches and literature reviews have led me to the conclusion that the reports included provide the best first-hand

independent evidence of Apple's supply chain. Other organizations allowed to conduct audits by Apple such as the FLA, have subsequently fallen under critique for being funded by the industry (and Apple) and reporting in their favor (Fick, 2004; Anner, 2012; Cole and Chan, 2015). Some of the NGO reports included are in contrast done by researchers documenting the conditions disguised as workers. To my knowledge, these are the only NGOs reporting with this kind of first-hand accounts, as well as having consistently investigated Apple since they first introduced their supplier responsibility program. I therefore believe that the reports included provide the best possible first-hand documentation of Apple's supply chain available to researchers independent of the company and the NGOs.

The last two steps laid out by Yin (2014), *the logic of linking the data to the propositions* and *the criteria for interpreting the findings* will be further discussed under the following section on designing the coding agenda as a part of content analysis design. Consequently, the case or unit of analysis can be defined as Apple's CSR reporting, where the aim is to uncover the strategies employed in these as an effort to manage and construct legitimacy. I will now turn to a further elaboration on the more significant aspects of qualitative content analysis as ways to connect the data with propositions.

4.6 Content Analysis

To delve below the quantifiable and measurable aspects of the SRRs, in an attempt to address the more latent themes, a content analysis was utilized. This section will discuss the applicability of content analysis in case study research and show how a coding agenda was designed for the analysis based on the theoretical framework proposed by Suchman (1995).

Content analysis was initially thought of as quantification of words or categories, measuring their frequency within the text. However, “[Kracauer] contended that the quantitative orientation neglected the particular quality of texts and that it was important to reconstruct context. According to him, it is not by counting and measuring that ‘patterns’ or ‘wholes’ in texts can be demonstrated but by showing the different possibilities of interpretations of ‘multiple connotations’” (Gläser and Laudel, 2004:192; [Kracauer, 1952:637] cited in Kohlbacher 2006:11). Krippendorff (2013:24) defines content analysis as “a research technique for making replicable and valid inferences from texts (or other meaningful matter)

to the contexts of their use.” Hence, it can be considered a way to seek out the “underlying themes in the material being analyzed” (Bryman, 2004:392 cited in Kohlbacher, 2006).

Others like Gläser and Laudel (1999; 2004) argue in favor of a theory-based system where new and relevant information that surfaces during the extraction can be used to make the category system more open and flexible (cited in Kohlbacher, 2006). This creates room for the researcher to modify old categories or create and introduce new ones to the theoretical framework employed. This subsequently allows for expansion and improvements of pre-existing frameworks by moving between literature and data. This iterative process has been central to the final development of the coding agenda as well as the analysis of this thesis as it has taken a flexible approach theory application and category development, moving back and forth between the two. This process can arguably enhance sensitivity and make the “[meaning] and significance of data...become clearer” (Corbin and Strauss, 2008:32).

4.7 Designing the Coding Agenda

A coding agenda can be seen as a structure providing “explicit definitions, examples and coding rules for each deductive category, determining exactly under what circumstances a text passage can be coded with a category” (Mayring, 2000:4). In this view it can be seen as a strictly deductive approach and a form of theory-testing (Mayring, 2000; Kohlbacher, 2006).

In contrast, this thesis rather relied on previous research or local research frontiers (c.f. Mjøset, 2009), applying legitimacy theory and a flexible approach to category development. The SRRs were first assessed in accordance to Suchman’s (1995) theoretical framework to acquire a sense of overview and impression of correspondence. Subsequently, adjustments were made to the original framework to better capture the underlying themes and processes within the documents. Suchman’s (1995) three main categories of legitimation goals; *gain*, *maintain* and *repair* was kept, while some of the subcategorical strategies were collapsed and combined into more applicable categories to the empirical evidence. Adjusting the original categories to the patterns and themes apparent in the data material as described in the theory chapter provided a more applicable framework and analytical tool. It allowed the revealing of strategies employed in Apple’s SRRs, and ultimately leading to an improved final analysis. The final coding agenda is presented in Appendix 1.

The application of this coding agenda through a content analysis provides the *logic of linking the data to the propositions* and in turn the *criteria for interpreting the findings*.

4.8 The Analysis Process

The Apple SRRs were initially read with no prior knowledge, re-read in light of Suchman's (1995) categories, and then read a third time and coded in accordance with the coding agenda developed from the iterative taken. The coding was conducted in Nvivo 11 to better keep track of the codes as well as providing for an easier final comparison. After the final round of coding was done, all the independent data sources were read to address possible contradictions to claims made by Apple. Where contradictions were discovered these were noted in Nvivo 11 with references to Apple's statements.

The analysis can be separated into two parts, which outlines the following analysis chapter. The first part analyzed Apple's SRRs in light of the developed coding agenda addressing the legitimacy strategies. The second part considers the contention between Apple's SRRs and third-party reports. Here the contradicting evidence found in the independent reports are juxtaposed to Apple's statements. The coding and analysis process proved to be a continuous movement back and forth between the literature, evidence, and independent data, reading and re-reading the documents multiple times. Similar to Castelló and Lozano (2011:16) the data analysis can be said to have been characterized by "a hermeneutic, iterative process going back and forth from critical reflection to the data, adding from part to whole, searching for key themes and patterns, and questioning, redefining or buttressing with evidence the themes identified."

In short, the coding agenda was applied to Apple's SRRs to illuminate the legitimacy strategies relied on, while NGO reports, academic articles, media accounts and documentaries, were used to create the contextual backdrop necessary to make an inference about how Apple's SRRs are in fact a tool to manage corporate legitimacy.

4.9 Quality Criteria

Making sure one's research, in fact, answers the research questions laid out, certain quality criteria has to be fulfilled. In content analysis, reliability and validity are the most central concerns regarding the research's innate quality (Kohlbacher 2006).

4.9.1 Validity and Reliability

According to Kohlbacher (2006:20), it is the criteria of validity and reliability which governs content analysis. Validity, according to Kohlbacher (2006) takes priority as the arguments concerning the content is seen as more important than methodological issues.

According to Krippendorff (2013:268) a researcher's ability to discuss some phenomena with "members of a community of stakeholders relies heavily on a consensual reading and use of the data that represent, point to, or invoke experiences with the phenomena of interest."

Reliable data can be considered data that "remain constant throughout variations of the measuring process" (Kaplan and Goldsen, 1965 cited in Krippendorff, 2013:267). As the main data of this thesis consists of publicly available documents, there should be no reason to expect any infringes on reliability as all stakeholders have access to the data material, and - unless somehow retrospectively edited by the authors - will provide the same information to everyone. However, the substance of the data must be addressed. Both Apple's SRRs and the third-party analyses are all subject to their own particular bias and political agendas. This leaves me in a position where I have had to navigate between the two, in an attempt to remain as objective as possible. As the self-disclosed reports published by Apple represents a potentially biased portrayal of the situation, so might the third-party evidence. NGOs are not and cannot be expected to remain unbiased in their aims, as corporations and NGOs can be seen as opposing forces (Scherer and Palazzo, 2007). As a researcher working strictly with secondary data it becomes important to try to remain neutral and view the contrasting evidence, not as two different realities, but rather constructed realities with underlying agendas.

This thesis is not aimed at addressing the actual reality of the conditions in the supply chain as I only rely on second-hand accounts, but rather consider the two narratives in order to address how the reality painted by Apple revolves around an attempt to construct and manage its corporate legitimacy.

The NGO reports are, however, in contrast to multinational corporations' self-disclosure reports, said to be of "good quality and reliability" as the findings are "largely consistent with the existing literature on factory conditions in China" (Mingwei Liu, Associate Professor of Labor Studies and Employment Relations at Rutgers University, quoted in CLW, 2016:8).

This lends some credibility to the reliance on the third-party analyses in order to display how Apple practices selective reporting in a strategic manner. Having studied CSR and Apple

extensively, Backer (2013) states that looking at the SRRs of Apple in comparison to third-party reports provided by the media and NGOs provides a fruitful evaluation of Apple's CSR efforts, lending some further validity claim to the analysis.

Methodological reliability rests on the trustworthiness of the coding (Kohlbacher, 2006:21), where inter-coder reliability addresses the congruence and agreement on a set of codes between different coders, explaining how stable codes are. In regards to this thesis, inter-coder reliability cannot be proven as the research was conducted solely by the author. The final coding agenda was also adjusted, and new codes developed, leaving a possibility that other researchers would not have concluded with the same definitions or amount of codes. Further, there is a question of construct validity, or whether my codes are measuring what they in fact are intended to measure or can be seen as "adequate definitions" (Chronbach and Meehl, 1955). As this is a research project wholly conducted by myself, the issue of validity of the final codes is unavoidable and it is fair to assume that there exists some degree of subjective bias in the final framework.

4.9.2 Ethical Considerations

The ethical considerations needed to be taken into account in this study are not as pressing as would be in other social science studies such as psychology where direct manipulation of stimuli provided to research subject is employed. As the majority of data utilized is publicly available, no individual's rights are infringed upon. In order to invite Apple and other persons familiar to Apple's operations to comment via interviews, an application was sent to Norwegian Center for Research Data (NSD) for approval. None of the contacted informants, including Apple, responded, and no interviews were therefore conducted. (The NSD approval and interview request forms can be seen in Appendix 5).

5 Apple and CSR

In March 2017 Apple released its annual SRR which covers the 2016 fiscal year, where responsibility is defined as a “commitment to improve lives and protect the environment” (Apple, 2017a:2). This is their 11th annual report of such kind. The first report addressing concerns about poor working and living conditions within their iPod assembly line which had surfaced in the media the previous year was released in 2007 (Apple, 2007). Apple stated they had started working closely with their suppliers to improve both conditions and practices at their suppliers’ facilities (2007). As a result of the auditing process which took place during the summer of 2006, and the following corrective actions both working and living conditions, as well as organizational practices such as payment structures and benefits, saw an overall improvement according to Apple (2007). This report only covered Apple’s tier-one suppliers (factories assembling final products) and only addressed issues related to Labor Standards, Discrimination, Freedom of Association, Employee Treatment, Compensation, Working Hours, Working and Living Conditions and Health and Safety.

The auditing process has advanced quite a bit, and their 2017 report covers a vast array of issues under the following categories: Labor and Human Rights, Health and Safety, and Environment (Apple, 2017a). To provide its suppliers with principles and requirements to run operations by, Apple has developed its own Code of Conduct (hereafter the Code). The Code is supplemented by a document named the Apple Supplier Responsibility Standards (hereafter the Standards) explicitly defining requirements for compliance with the Code. Supplier operations, processes, and management are in turn audited, and compliance is assessed based on the criteria in these documents.

In the following section, I will provide a brief overview of the information in the Code, the Standards, and the Apple SRRs. This following section is meant as a brief introduction to Apple’s supplier responsibility program and how they address and deal with these issues in their supply chain and what these documents focus on. Following I will analyze these reports under the theoretical framework and developed coding agenda, providing for a discussion of how the SRRs are relied on for legitimacy management.

5.1 Apple Code of Conduct & Supplier Responsibility Standards

These two documents can be said to bear the central guidelines and requirements of conduct for any company doing business with Apple. They lay out how socially and environmentally responsible processes are required and what rules and restrictions to follow. Apple has developed and expanded both its Code, and its Standards as time has progressed, laws have changed, and in response to changing pressure from stakeholders.

5.2 Apple Supplier Code of Conduct

In 2005 Apple created the *Apple Supplier Code of Conduct* which sets out specific requirements and commitments that suppliers are required to follow, and which Apple claims to be “one of the strictest in the industry” (Apple, 2016:5). The Code follows the same outline as the Electronic Industry Citizenship Coalition’s (EICC) (now known as the Responsible Business Alliance (RBA)) Code of Conduct addressing issues under five separate topics: *Labor and Human Rights, Health and Safety, Environment, Ethics, and Management Systems* (Apple, 2017b). While, fairly consistent, the Code has also gone through some revisions and expansions between the initial 2005 Code and the newest version published in 2017 (Apple 2005; 2017b). The latter addressed the requirements in more detail. It “requires [Apple’s] suppliers to operate in accordance with principles in this [Code] and in full compliance with all applicable laws and regulations” while also “[going] beyond mere compliance with the law by drawing upon internationally recognized standards to advance social and environmental responsibility” Most of the principles in the Code follow the EICC Code of Conduct verbatim. This makes sense as it is an industry-developed and -driven initiative by a coalition of leading corporations in the electronics industry.

Following the development and expansion of the Code, a word count to compare the Code released in 2005 with the version released in 2017, show a 15% increase from 1770 words in 2005 to 2062 in 2017. This increase might provide some evidence of growing societal and legal expectations and responsibility.

To further the claim of responsibility and address the differences in multiple national legislatures and the complexity of extraterritorial legislative reach, Apple claims their Code

holds suppliers to the “strictest applicable standard” (Apple, 2017b:1). In doing so the Code addresses the issue of legislative differences the following way: “When differences arise between standards and legal requirements, the stricter standard shall apply, in compliance with the law” (Apple, 2017b:1). The Code outlines responsibilities and expectations of conduct which applies to all “Apple suppliers and their subsidiaries, affiliates, and subcontractors (each a “Supplier”) providing goods or services to Apple, or for use in or with Apple products” (Apple, 2017b:1.).

This is, however, a later addition to the Code, as the initial Code stated that Apple’s suppliers are “obligated, in all their activities, to operate in full compliance with the laws, rules, and regulations of the countries in which they operate” and that the Code was only applicable to their final assembly suppliers (Apple, 2005:1). This shows that in its expansion, the Code has increased in both scope and scale, now applying stricter enforcement, requiring compliance beyond national legal parameters, while also reaching further down the supply chain⁸.

5.3 Apple Supplier Responsibility Standards

In 2014 Apple published a document called *Apple Supplier Responsibility Standards* referred to as “the Standards” providing further detailed descriptions of the principles outlined in the Code. This is a 93-page document - more than 15 times that of the 6-page Code. The document describes the policy procedures, operational practices, training and communication, and documentation required by Apple. These Standards supplement the Code “by providing additional clarity regarding Apple’s requirements” stating that “Apple Suppliers must meet these Standards to be in compliance with the [Code]” (Apple, 2017c:1). To further exemplify; one of the principles in the Code outlines the requirements for working hours:

A workweek shall be restricted to 60 hours, including overtime, and workers shall have at least one day off every seven days except in emergency or unusual stations. Regular workweeks shall not exceed 48 hours. Suppliers shall follow all applicable laws and regulations with respect to working hours and days of rest, and all overtime must be voluntary (Apple, 2017b:2)

⁸ Earlier versions of the Code (except for 2005) and the Standards are not available, so it is not possible to say what year Apple expanded its requirements beyond their final assembly suppliers

This gives suppliers a straightforward set of criteria to follow. What the Standards then does is to provide in further detail how this requirement is to be upheld and respected. If we look at the same requirement; *Working Hours Management*, the Standards break the initial requirement down into four subtopics, which again are specified with its own subtopics. Hence, it addresses (1) Policy and Procedures, (2) Operational Practice, (3) Training and Communication, and (4) Documentation. A part of the *Operational Practices* of *Working Hours Management* are sub-subtopics such as (2.1) Weekly Working Hours, (2.2) Day of Rest, (2.3) Ergonomic Breaks and (2.6) Work Activities, to name a few (Apple, 2017c:24-26). Point 2.3 addresses *Ergonomic Breaks* the following way: “Supplier shall compensate Workers for breaks and include breaks as regular working hours as all Applicable Laws and Regulations” (Apple, 2017c:25). This provides a deeper outline of the requirements in regards to each of the principles listed in the Code and “any violation of [the] Code may jeopardize the supplier’s business relationship with Apple, up to and including termination” according to Apple (2017b:1).

When auditing suppliers to assess compliance with the Code, Apple categorizes breaches or non-compliance in three various degrees of severity: administrative non-compliance, non-compliance, and core violations. Consequently, Apple evaluates supplier non-compliance based on the following criteria (Apple, 2017a:28):

“**Administrative non-compliance** denotes policy, procedure, training, or communication-related findings. Examples include:

- Inadequate record keeping
- Inadequate documentation of policy procedures
- Insufficient training or policy

Violations denote implementation-related findings. Examples include:

- Insufficient provision of benefits
- No or inadequate pre-placement/on-job/post-employment occupational health check
- No or inadequate environmental permits

Core violations include what Apple considers the most serious breaches of compliance.

These are issues for which we have zero tolerance. Examples include:

- Underage workers and involuntary labor
- Document falsification

- Intimidation or retaliation against workers
- Environmental and safety threats”

Demonstrably, Apple lays out clear guidelines and requirements for their suppliers and subsidiaries and seems to be making great effort to take responsibility and reach as far down its supply chain as possible. The language of these documents mainly places the responsibility on the individual supplier, who runs the risk of having its business relationship terminated if found in violation of the Code.

5.4 Apple Supplier Responsibility Reports

Apple’s first SRR covered issues in regards to *Labor Standards, Discrimination, Freedom of Association, Employee Treatment, Compensation, Working Hours, Working and Living Conditions, and Health and Safety* (Apple, 2007). Since then a lot has happened to these reports. The page count increased from four pages in 2007, to as many as 42 in 2015, and down to 37 in 2017. The development of these reports is illustrated in Table 9 in Appendix 4 (see also Table 8 in Appendix 4).

In addition to case studies, graphs and pictures, the increase in volume can be seen as a way to better address the specifics of compliance and non-compliance with, as well as expansions to the Code. More critical readers, however, might see it as what is referred to as carpet bombing⁹ (Vogel, 2005). See Table 8 in Appendix 4 for a detailed synthesis of the metrics provided by Apple in its reports for a better impression of a timeline. The auditing process has developed significantly. What initially began as an audit carried out by “third-party experts” and covered “working and living conditions including wages, work hours, health and safety and other practices,” reviewing “thousands of records,” interviewing over 500 employees, and physical inspections of 11 factories, support facilities, dining halls and dormitories (Apple, 2007:1) has come to take on a whole new shape and form.

In their latest SRR, Apple audited 705 suppliers who were all assessed and scored on a 500-point scale (Apple, 2017a). In contrast, the first audit only covered issues at its final suppliers’ factories and auxiliary facilities such as dormitories and dining halls (Apple, 2007) and did

⁹ “bombarding readers with an increasing amount of information without explaining its relevance” (Maitland, 2002: 9 cited in Vogel, 2005)

therefore not cover those manufacturers producing smaller individual parts and components. The more recent SRRs are reaching increasingly farther down the supply chain.

The current auditing process is done onsite by Apple auditors and third-party professionals, covering onsite inspections, document reviews and interviews with management and line operators (Apple, 2016; 2017a). In some of the reports, Apple names the third-party professionals or organization they have cooperated with, such as Verité (Apple, 2008), and the FLA (Apple, 2010). According to Apple, their suppliers continue to demonstrate “an improved ability to meet our stringent standards,” and in 2017 they saw an increase of 59 percent in high-performing suppliers and a decrease of 31 percent in low-performing suppliers (Apple, 2017a:2).

The first report provided no metrics or compliance rates, only mentioning the individual violations, if any, under each of the assessed categories. According to Apple they found two cases of hiring discrimination based on medical tests, no incidents of child labor, no incidents of forced, bonded, indentured or prison labor at any facility, while finding that “the overwhelming majority of employees interviewed were pleased with the work environment and how they were treated” being “generally pleased with working conditions” (Apple, 2007).

In the following year’s SRR titled “Driving Change” metrics on compliance was added. In this report, Apple first introduced ‘Core Violations’ covering instances of “abuse, underage labor, forced labor, falsification of audited materials, significant threats to employee safety, or any intimidation or retaliation against employees participating in an audit” (Apple, 2008:7). ‘Significant threats to the environment’ was not added as a core violation until 2010. By 2017 the core violations are defined as those including “underage workers or involuntary labor, document falsification, intimidation or retaliation against workers, and egregious environmental and safety risks” (Apple, 2017a:4).

5.5 Current Situation

The values held and efforts undertaken by Apple to improve the conditions in its supply chain is summed up by COO Jeff Williams opening sentence of his letter in the Apple 2016 SRR (Apple, 2016:4):

At Apple, we are deeply committed to making sure everyone in our supply chain is treated with the dignity and respect they deserve. Our team works hard to raise the bar every year to improve working conditions, provide educational opportunities, push for higher standards of living and protecting human rights.

The language utilized in Apple's SRRs portray a company with the best intentions, undertaking major efforts and investments to promote corporate responsibility, sustainability, and transparency when it comes to issues such as labor and human rights, health and safety, environment and management. Rhetorically positioning itself as an 'industry leader', Apple's SRRs boasts headings such as "Driving Change" (Apple, 2008:1), "Empowering Workers" (Apple, 2011:5) and "We believe in accountability – for our suppliers and ourselves" (Apple, 2013:7). There has in fact been committed great amounts of resources towards improving practices, and conditions within their supply chain, and the efforts and initiatives have developed along with both the Code, audits and alongside the sociopolitical and economic environment Apple operates in. Apple claims to be working closely with many key stakeholders, NGOs, and industry partners to improve the situation for workers in their supply chain as well as the environment. They have been involved in a myriad of initiatives and different working groups attempting to improve practices such as the sourcing of minerals, preventing underage labor and protecting migrant and foreign contract workers as well as students, in addition to providing training and educational opportunities for workers.

I will now turn to the analysis, displaying how Apple's SRRs align with the goals and strategies outlined in legitimacy theory in an effort better uncover the latent themes in these negotiations of corporate legitimacy. The following section is structured in accordance with the coding agenda, initially addressing the strategies employed to gain legitimacy, before looking at how Apple utilizes the reports to maintain and repair its legitimacy.

6 Supplier Responsibility Reports: Strategic Management of Corporate Legitimacy

The Code, the Standards and the SRRs can be seen as examples of strategies intended to gain legitimacy themselves. According to Suchman (1995), a corporation can gain legitimacy by manipulating its environment in the form of strategic communication and trading on good reputation. Woodward et al. (2001) similarly see legitimacy as a resource which can be manipulated through reporting. The reports can thus be seen as a form of advertising, sought to bolster Apple's branding as a socially responsible corporation. In addition, it can also be seen as legitimacy acquisition as the reports become a collection of all the meritorious outcomes produced by the requirements defined in the Code and the Standards, which in turn demonstrates Apple's success. The production of meritorious outcomes, the definition of goals and demonstration of success are clear examples of how Apple utilizes the documents to negotiate its moral legitimacy with its stakeholders. These reports can be seen as the accumulation of good reputation and self-praising disclosures outlining positive social values relating to issues such as workers' rights: "Workers everywhere should have the right to safe and ethical working conditions. They should also have access to educational opportunities to improve their lives" (Apple, 2009:3), or issues of environmental aspects: "Our planet's natural resources must be protected for future generations" (Apple, 2015:27), as well as their general commitments: "Apple is committed to ensuring the highest standards of social responsibility throughout our supply chain" (Apple, 2009:3). Castelló and Lozano (2011:21) argued that moral legitimacy is gained through this communicative activity where "the actors try to persuade each other...supporting their 'pathos' with constructs that are close to the values and beliefs of their stakeholders."

These statements are often presented in large-point fonts and tend to be part of the introductory paragraphs or sentences and can be classified as an attempt to gain legitimacy through image enhancing strategies. The following sections will further discuss how Apple utilizes their CSR reports to gain legitimacy through *Image Enhancement*, *Aligning with Legitimate Structures*, *Institutionalization*, and *Corrective Action*.

6.1 Leading the Industry: The Acquisition of Legitimacy

As described in the theoretical framework, there are multiple strategies a corporation can rely on in order to gain legitimacy. This section will show how Apple utilizes these strategies in attempts to gain legitimacy through their CSR reports, as well as demonstrating some overlapping nature and how they are used in combination in attempts to further strengthen the legitimizing effect.

6.1.1 Image Enhancement

Image enhancement seem to be the most relied on practice throughout the material and are utilized in various forms. Parallel to the efforts of adopting and conforming to its stakeholders' values and morals, are attempts at what Suchman (1995) refers to as manipulation of the organizational environment and stakeholders. It can be argued that the majority of these reports revolve around the demonstration of Apple's successful attainment of goals and improvements in its supply chain. The most apparent image enhancing practice might be through a high focus on meritorious outcomes based on set goals, and a demonstration of accomplishments such as improved compliance and ratings:

We performed 705 comprehensive site audits, our largest number to date. Our suppliers demonstrated an improved ability to meet our stringent standards. In fact, the number of high-performing supplier sites increased by 59 percent, while low-performing sites decreased by 31 percent (Apple, 2017a:2).

For the third straight year, Apple achieved the top score in the Corporate Information Transparency Index ("CITI") with a score of over 80, the first company to do so (Apple, 2017a:12).

In 2016, we tracked working hours on a weekly basis at supplier sites that employed nearly 1.2 million workers in our supply chain. We improved upon our previous year's results by achieving 98 percent working hours compliance across all workweeks (Apple, 2017a:9).

By focusing on accomplishments, Apple portrays continuous improvement throughout its supply chain, displays its commitment to responsible practices, and shared social values. These findings support previous findings of Brown (1997) who argued CSR communication tend to be "self-aggrandizing" and focused on accomplishments. While measures of increased performance and positive outcomes from the auditing process seem to be a greatly relied on

strategy, the provision of metrics and monetary values can also be found as a central aspect of the image enhancing strategies.

A willingness to invest money towards social and environmental efforts underline Apple's commitment to their expressed values and goals. This can be exemplified by how they present their investment in the SEED (Supplier Employee Educational Development) program:

We invested millions of dollars to expand our Supplier Employee Education and Development (SEED) program since it began. SEED now totals 48 classrooms in 23 facilities — equipped with iMac computers, iPad devices, education software, video conferencing systems, and more. Since 2008, over 861,000 workers took courses, free of charge, for personal development, and some workers have received college degrees through the program (Apple, 2015:5).

These types of disclosures become a way for Apple to conform to the moral ideals of the larger society, by adopting its values. “Apple has always believed in the importance of education” it's 2009 SRR reads (Apple, 2009:15), underlining how ideals and norms separate and independent from Apple's own business operations are incorporated to further gain legitimacy. First introduced as a pilot program at one supplier factory in 2008 the SEED program has proven highly successful according to Apple and has provided over two million workers with additional education “bringing the total number of participants receiving associate and bachelor's degrees to more than 10,600” (Apple, 2017a:16). By 2014 it had expanded from only one manufacturing campus to a total of 48 classrooms at 23 sites (Apple, 2015). The success of the program is referenced in every supplier report since its implementation, often addressing how many workers have participated or acquired a degree. To further underline its devotion to workers, statements like “we've invested millions of dollars to equip factories with computers, educational software and video conference capabilities” (Apple, 2015:12) displays that Apple does not only share the same norms and values as its stakeholders, it is willing to invest large amounts of resources to improve the situation of the working in its suppliers' factories.

Further, as stakeholder-focus on environmental issues has grown, disclosed metrics on these matters have grown in parallel throughout the reports highlighting efforts such as waste management, CO₂ emissions, and water usage. This provides further evidence of Apple's goals and accomplishments as well as alignment with the sociopolitical environment and stakeholder values. The focus on environmental efforts has intensified since its first

introduction in the reports in 2008 when suppliers were only audited on their environmental permits and reporting (Apple, 200). The 2016 report outlines environmental efforts in the following way:

Apple's push for more rigorous environmental standards and renewable energy production has delivered substantial results: Suppliers have diverted more than 73,000 metric tons of waste from landfills. Our Clean Water Program has saved more than 3.8 billion gallons of freshwater. And in the first year of our energy efficiency program, suppliers have prevented more than 13,800 metric tons of carbon emissions (Apple, 2016:4).

Symbolic display is another Image Enhancing practice that becomes very apparent in the documents and can best be seen by how Apple declares itself as an industry leader in both social and environmental responsibility. By consistently referring to having the strictest standards in the industry, as well as leading the industry towards more responsible practice, it creates an image of itself as a good Samaritan with workers and the environment at its center-focus. Apple also asserts to be "going beyond" what is required both by law, industry, and international standards:

"It's a level of transparency and independent oversight that is unmatched in our industry" (Apple, 2012:3).

"We're going deeper into the supply chain than any other company we know of, and we're reporting at a level of detail that is unparalleled in our industry" (Apple, 2013:5).

"Leaving no area for improvement unturned" (Apple, 2016:5).

Apple positions itself as both a caring company – one that puts people and the planet at the core of its business operations – while also separating itself from its competitors, branding itself as an "industry-leader." This self-laudatory tone was also found by Holder-Webb et al. (2009), while also proven highly successful to gain competitive advantage in multiple industries (Du et al., 2010).

The last couple of years the reports have also seen an increase in the reliance on character reference and the co-option of friendly constituents and further displays of symbolism such as the inclusion of pictures and anecdotes (see Table 9 in Appendix 4) This supports the findings of Preston et al. (1996) who suggested that images are relied on for impression management in corporate reporting. The 2015 and 2016 reports included an opening letter from key

personnel such as COO Jeff Williams (Apple, 2015; 2016) – referenced above – and later SRRs have shown an increasing emphasis on case studies devoting multiple pages to issues such as situations and life-histories of individual factory workers, environmental protection and safety measures at the factories, again often accompanied by pictures and quotes (See Image 2 in Appendix 4).

The personification of workers might improve readers' impression of the corporation. Fleck et al. (2014) found that the portrayal of ordinary people as spokespersons can elicit empathy and effectively help humanize the corporation. The reliance on case studies of individual workers utilizing them as spokespersons for Apple might increase the readers' empathy and can consequently reinforce legitimacy. This focus on "hero stories" where individual workers were identified with name and pictures was also found in Buhr and Reiter's (2010) discourse analysis of Canadian oil company Noranda's sustainability reports and seen as a way to "humanize" the company. Apple's devotes over 15% of its latest report to case studies, making it highly anecdotal and personal.

6.1.2 Alignment with Legitimate Structures

Apple can also be seen as attempting to gain legitimacy from conforming to its environment by embedding "new structures and practices in networks of other legitimate institutions" (Suchman, 1995:588) and mimic already developed standards. This can be exemplified in Apple's reports and Code:

This Code references internationally accepted principles such as the Electronic Industry Code of Conduct, Ethical Trading Initiative, International Labor Organization's (ILO) International Labor Standards, Social Accountability International, SA 8000, ILO Code of Practice in Safety and Health, National Fire Protection Association, OECD Guidelines for Multinational Enterprises, and OHSAS 18001 (Apple, 2017b:6).

As illustrated, Apple relies on established institutions as a way to portray itself as part of a larger community committed to promoting and requiring responsible business practices. This is a way for Apple to conform to its environment through embedding itself in legitimate institutions, through mimetic isomorphism and professionalization of its operations. By adopting industry codes of conduct and international standards, Apple both embeds itself within these larger international institutions, mimics and conforms to the current legitimate environment and practices, while also linking its activities to "external definitions of authority

and competence” (Suchman, 1995:589). Institutional theorists provide further evidence, suggesting that “the interest of organizational survival lead them to accede to the demands of other actors (usually organizations) on which they depend for resources and legitimacy” (Zucker, 1988:8; see also DiMaggio and Powell 1983).

This can thus be seen as reliance on legitimacy spillover (Kostova and Zaheer, 1999). If we assume stakeholders’ evaluation of a corporation are made under bounded rationality,¹⁰ stakeholders will “[make] sense of the legitimacy of a given unit based on the legitimacy of other similar units – for example, other units of the same organization or classes of organizations to which the focal unit belongs” (Kostova and Zaheer, 1999:68). This is a reflection of Perlmutter’s (1969) idea of a “geocentric” MNE. Geocentric MNEs “develop a global, cosmopolitan orientation that is not tied to any particular national identity” and is, therefore, “able to respond successfully to the multiple institutional requirements in different countries by adopting supranational structures, policies, and practices that are legitimate worldwide” (Kostova and Zaheer, 1999:73):

We have long-standing relationships with many industry groups—and we look for new ways to address important issues in our industry by collaborating with experts around the world. In 2012, we became the first technology company to join the Fair Labor Association (FLA). At our request, the FLA launched an unprecedented audit of our largest final assembly supplier, Foxconn. The FLA’s independent findings and progress reports have been published on its website. We’ve invited the Institute of Public and Environmental (IPE) Affairs and other environmental groups to work with us on specialized audits. We’re also continuing our work with Verité, a non-governmental organization (NGO) focused on ensuring fair working conditions, to develop new strategies for worker-management communication. We participate in the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI) to promote the use of conflict-free minerals (Apple, 2013:5).

By referencing these organizations, Apple can portray membership of, and affiliation with morally legitimate entities, hence having their legitimacy positively influence their own. Apple draws upon positive legitimacy spillover by adhering to and positioning itself within these supranational structures. This type of strategy is highly prevalent throughout the reporting history, and Apple consistently refers to partnerships with and membership of numerous groups intended to further provide and strengthen its legitimacy. As illustrated in

¹⁰ Bounded rationality views an actor’s decision making and rationality as contingent on the available information to the actor at the time of decision-making (Simon, 1972).

the excerpt above, Apple draws on other legitimate organizations for the auditing of its supply chain, to bolster its legitimacy through transparency efforts. By allowing independent organizations such as Verité, the FLA, and the Institute of Public and Environmental Affairs (IPE) audit their supply chain, legitimacy is gained through independent monitoring channels. “These enterprises are retained for the same legitimacy enhancing function as FLA – they assure outsiders, principally consumers and investors, of the integrity of Apple’s efforts at enforcing its own regulatory structures and thus at strengthening at the operational level, the cohesion of its control” (Backer, 2013: 845-6).

6.1.3 Institutionalization

Apple’s SRRs codify informal procedures and bring “previously marginal activities in under official control...establishing hierarchical links with superordinate environmental units” (Suchman, 1995:589). Where responsibility used to be left with individual suppliers, Apple has increasingly taken control of these marginal activities, governing the auditing, reporting, and operational and management practices of its suppliers. This creates a codified and hierarchical system of requirements and responsibilities, where Apple sits at the top dictating the processes. The clearest examples of these efforts are the development of numerous programs and initiatives. The Supplier Responsibility program, in itself, where Apple makes sure its suppliers who are business entities, in and of their own are operating by Apple’s standards is a primary example. In addition to building capacity to manage social risk, the creation of individual programs designed to further monitor and improve conditions in its supply chain can be seen as ways that Apple attempts to gains legitimacy through institutionalization by professionalizing and standardizing its operations. A list of some of the programs developed through the reporting years are presented below:

- The supplier worker and manager training program
- SEED program
- EHS (Environment, Health and Safety) Academy
- Underage Labor Remediation Program
- Employee Assistance Program (EAP)
- Workweek tracking program
- Clean Water Program
- Ethical Hiring program
- Conflict-Free Smelter Program (CFSP)
- Clean Energy Program
- Subject Matter Expert (“SME”) Program
- Chemical Management Program
- UL Zero Waste to Landfill validation program

This practice can be seen as an attempt to gain legitimacy as operations become increasingly formalized as well as through persistence by the standardization of practices providing

metrics on outcomes over time. Through annual disclosure, the sheer reproduction of information and processes which for the most part is shedding a positive light on Apple drives the legitimation process. Additionally, the continual articulation of efforts, goals, and results promotes its comprehensibility providing stakeholders with a reason for its existence, while standardization of its processes can promote and coerce other corporations to follow suit, pushing the industry to adopt Apple's practices and values. This can "enhance its taken-for-grantedness by remaking others in [its] own image" (Suchman, 1995:593). Apple might, therefore, be able to gain legitimacy through their reporting practices, not only by taking a position of control and authority by demanding responsible practices from its suppliers, but also by including societal values and norms independent of its business targets into its operations. Programs such as education and environmental protection can display a congruence of values and norms, supporting Ashforth and Gibbs (1990) argument that CSR communication is a way to demonstrate this correspondence to stakeholders.

6.1.4 Corrective Action

What might have taken up most of the space in these reports are the descriptions considered corrective actions. These strategies address the violations and the measures taken to improve and remedy the issue. They describe how compliance is to be achieved and how future violations should be prevented. However, the way in which they are articulated vary and can be categorized as *Type 1* or *Type 2* suggested by Hahn and Lülfs (2014), based on how clear their description of the corrective action is. What seems to be the main differentiating factor between the two types is whether the violations are considered a core violation or not. Core violation and their respective corrective actions are often described in great detail while the violations Apple doesn't consider as significant, are often not explicitly addressed.

Type 1

When non-core violations occur, Apple states it takes measures to prevent reoccurrence. This is not always done in a very concrete way, and the descriptions tend to be rather vague and unprecise. The specifics are seldom mentioned but rather addressed as something collectively audited and amended during their corrective action process:

Apple reviews all audit findings with the facility's senior management team. When a violation is found, we require the facility to implement a corrective action plan that addresses the specific violation, as well as the underlying management system. We expect that all corrective and preventive action plans will be closed within 90 days after the audit (Apple, 2011:14)

The overall structure and procedure of the corrective action process are described requiring a corrective action plan and a timeline for the implementation. There is seldom information about what violations have occurred or what types of corrective actions are expected, or how they are to be implemented. The compliance rates are in turn reported in numbers and percentages, which have varied in their presentation over the years. What was reported in percentages of compliance up until 2016, were in 2017 reported in points based on a 100-point scale rendering any form of comparison to previous reports impossible. Apple states that their suppliers are now “thoroughly evaluated on more than 500 data points corresponding to our Code of Conduct” (Apple, 2017a:4) which are further used to assess and rank a supplier on the above-mentioned point-scale (Apple, 2017a). Herzig and Schaltegger (2011) has previously commented on how this continuous change of reporting hampers comprehensibility and comparability. There is also no explanation of how these two sets of metrics correspond, or how a supplier receives a certain score on the final scale. Consequentially, the scores reported by Apple becomes meaningless to the reader underlining the ambiguity of the corrective action and reporting in itself.

To postulate an example; Apple provides their Labor and Human Rights assessment the following way: “The average Labor and Human Rights assessment score across our 705 supply chain assessments in 2016 was 85 out of 100” (Apple, 2017a:30). What these points consist of or how they are calculated is never explained. Apple also states that in its assessment they found 22 core violations, where 10 of these represented bonded labor violations, 2 harassment violations, 9 working hours falsification violations, and 1 underage labor violation. One can try matching these, which results in the 10 bonded labor violations equaling a score deduction of 0.1 points, so does the 9 working hours violations. The different violations must, therefore, weigh differently while also only deduct about 0.01 points each. The chart and table presenting these scores can be seen Figure 5 and Table 5 in Appendix 4. Again, none of the calculations or methods employed for these calculations are provided by Apple. In turn, there has developed an overall unprecise description not only of the specific actions but in the reporting itself over time, with the recent report having become increasingly imprecise. This supports Aras and Crowther (2009), who have previously argued that sustainability reporting tends to be vague and obfuscating.

The corrective actions category makes up a somewhat special category, as it can arguably be seen in the light of the theoretical framework as a way for Apple to repair its legitimacy through an explanation of the found violations. However, as it ultimately emphasizes the positive efforts and outcomes of the corrective actions, I have chosen to classify it as a way for Apple to attempt to gain legitimacy. This can be demonstrated in how Apple presents its procedures dealing with recruitment fees paid by dispatch workers:

Going into debt as a result of unfair recruitment fees is no way to start a job. Bonded labor is a core violation of Apple's Code of Conduct and we have zero tolerance for it. If a case is found, we require the supplier to repay all recruitment fees back to the worker. In 2016, uncovered violations resulted in US\$2.6 million being repaid to over 1000 supplier employees. To date, a total of US\$28.4 million has been repaid to over 34,000 workers. Virtually all bonded labor violations occur during a supplier's first assessment, which is why we now include this in our onboarding process for new suppliers. Repeat cases are very rare—the few such instances have resulted in the end of the business relationship (Apple, 2017:7).

Apple references its positive moral values in the explanation of how some workers are required to pay fees for recruitment, which they do not tolerate. Corrective action is put in place where the workers are in fact reimbursed, and Apple's policies have resulted in repaid fees upwards of US\$30 million. What might go unnoticed, and in turn leads to this being a way of turning a negative occurrence into something that provides Apple with legitimacy is the fact that this is a persistent problem, which they have not been able to eradicate. Instead, it is spun around by providing positive metrics shining a positive light on Apple. This can be seen as an example of how a negative event is utilized in an attempt to gain legitimacy and how strategies are relied on in combination as this can be seen as an attempt to repair but ultimately gain legitimacy. Another issue with this example is that it does not necessarily provide any information about Apple's intent to avoid violations in future, other than upholding the requirement for suppliers to reimburse workers who have paid recruitment fees. One can speculate about whether the reimbursement is more cost-effective than trying to solve the root cause of the issue, leading to the persistence of the problem. If so, it can become cost-effective to maintain the problem, as structural change to business practice might require more resources. Besides, it also provides positive metrics and accomplishments that can be communicated to stakeholders.

However, this cannot be considered an Apple-specific problem as large supplies of workers in combination with poverty creates structural problems in the global labor market, making it a complex issue that is challenging to eradicate alone. Structural problems might call for structural, not individual change.

On the other hand, non-compliance issues considered core-violations are often reported on in more detail, with clear descriptions of the required and implemented corrective actions, they therefore fall under the Type 2 category.

Type 2

Core violations as termed by Apple, are regarded as the most serious breaches of their Code, and it is the corrective action plans for these violations that tend to fall under the Type 2 category. It seems as if Apple is making a value judgement on which violations are taken most seriously by their stakeholders and therefore need to be reported on in more detail. This value judgment or assumption by Apple might therefore be what separates the two types of corrective action descriptions. Issues such as underage labor are well outlined in the reports by Apple:

Our policy on underage labor is clear: We don't tolerate it, and we're working to eradicate it from our industry. Any supplier found with underage labor is placed on probation. In the most egregious cases, we terminate the business relationship. We use a comprehensive audit approach to uncover underage labor, including reviewing thousands of employment documents — comparing workers' onboarding and birth dates to make sure they were not underage when hired. We also look for signs of underage labor during factory tours, we conduct face-to-face interviews to verify the workers' photo IDs, and we ask questions about the facility's recruitment and applicant screening process.

In 2013, we audited deeper in our supply chain than ever and conducted 451 audits of supplier facilities that collectively employ nearly 1.5 million workers. Those audits uncovered 23 workers who were underage when hired — significantly fewer than the previous year.

As part of our Underage Labor Remediation Program, suppliers found violating underage worker rules must return underage workers to school, finance their education at a school chosen by their families, and continue providing income to the workers matching what they received while employed. We follow up regularly to ensure that the workers remain in school and that suppliers continue to uphold their financial commitment (Apple, 2014:14-15)

There is a demonstration of both moral values and efforts taken to prevent and remedy instances of this type of violation. This example shows reliance on a combination of strategies

as it refers to positive social values, metrics on meritorious outcomes in the decrease of violations, institutionalizing the process of preventing these violations under its own program, as well as clearly outlining the remedial efforts. This provides evidence of reliance on multiple strategies simultaneously to gain legitimacy further suggesting overlapping features of the strategies. The corrective actions implemented for environmental violations also tend to fall into this category as seen in Table 6 in Appendix 4 and in the coding agenda in Appendix 1. In support of what has been suggested earlier, the reason for this detailed description remedy might stem from the fact that environmental improvements such as investments in new equipment might prove more financially beneficial in the long run and is easier to implement and monitor, providing improved metrics.

6.2 Policing the Supply Chain: The Maintenance of Legitimacy

Asforth and Gibbs (1990:183) have suggested that the maintenance of legitimacy poses less of a challenge to corporations and rather tend to be “perfunctory” and “routinized.” Under the scope and application of the categories developed in the theoretical framework, the following analysis supports this notion. The following section addresses *collaboration* and *protective communication* practices.

6.2.1 Collaboration

By referring to the invitation and inclusion of non-specific groups or outsiders such as ‘third-party experts’ or ‘NGOs’ to be a part of its own auditing process, Apple attempts to maintain its legitimacy by creating an image of transparency and openness around its supply chain management. This category is comparable to *Alignment with Legitimate Structures* (c.f. p. 34, 62, Appendix 1), however, *Collaboration* is distinct from *ALS* in its substance:

Third-party experts carried out comprehensive audits that covered working and living conditions including wages, work hours, health and safety and other practices at these facilities (Apple, 2007:1)

Unlike *ALS*, the function of *Collaboration* is not to build legitimacy through association to specific legitimate actors, but to maintain legitimacy by showing ethical practice. However, this creates an illusion of transparency as it refers to instances where the referenced group or entity’s identity is not provided in detail or might be less known. Laufer (2003) has previously pointed to the lack true transparency in voluntary reporting. There is no way of knowing who

these groups are, or to establish that these practices, are in fact, taking place. The reference to “third-party experts” are routinely employed as the auditing process is described over time, and they are commonly found as part of how the auditing process takes place in every report since 2007:

- “Apple employees conduct every audit, with support from third-party experts” (Apple, 2008:5).
- “When Apple audits a supplier, our employees take the lead—with the support of in-region staff and third-party experts who know the language and understand local regulations and practices” (Apple, 2009:5).
- “When Apple audits a supplier, an Apple supplier responsibility auditor takes the lead—with the support of local third-party auditors” (Apple, 2010:14).
- “An Apple supplier responsibility auditor leads every audit, supported by local third-party auditors trained to use our detailed audit protocol and to assess the requirements specified in our Code” (Apple, 2011:13).
- “An Apple auditor leads every audit, supported by local third-party auditors (Apple, 2012:5)
- “An Apple auditor leads every onsite audit, supported by local third-party auditors who are experts in their fields (Apple, 2013:9)
- “An Apple auditor leads every onsite audit, supported by local third-party auditors who are experts in their fields (Apple, 2014:27).
- “Every audit is led by an Apple auditor and supported by local third-party auditors. These third parties are experts in their fields” (Apple, 2015:8).
- “Every audit is led by Apple and supported by local third-party experts who have been trained on our auditing protocols” (Apple, 2016:7).
- “We continue to partner with independent third-party auditors to review documents, interview management and line operators, and perform onsite inspections” (Apple, 2017:4).

Both the routinized language and persistent referral to these unknown third-party experts underlines and supports Ashforth and Gibbs’s (1990) conclusion that the maintenance of legitimacy becomes routinized possibly “perfunctory.” In addition, a consistent reference to the inclusion of outsiders creates a notion of stakeholder involvement that fosters an image of transparency which is a critical part in the trust-building strategies of corporations (Goodman, 2006) to display how it abides by its social contract.

6.2.2 Protective Communication

Communicating the control and policing of operations and relying on people external to the corporation to confirm this, is another practice arguably seen in the maintenance of legitimacy. Through *Protective Communication*, Apple asserts how it makes sure its

operations are taking place under responsible conditions, in an honest and authoritative way. Often by referral to its Code:

To make sure suppliers adhere to the Code, we have an aggressive compliance-monitoring program that includes Apple-led factory audits and corrective action plans, and confirmation that these plans have been carried out (Apple, 2013:8).

There is also a clear, authoritative tone, suggesting they are “aggressive” in their policing. By relying on outside individuals’ testimonials vouching for their efforts, Apple stockpiles esteem, reputation, and interconnections. This can be seen in the inclusion of quotes and statements from people outside of the company confirming Apple’s own statements:

“Apple pushes suppliers through the whole corrective action process, which includes third-party audits under the supervision of local NGOs. This approach requires a high level of transparency and public participation and can be viewed as a sign that Apple is serious.” Ma Jun, Director, Institute of Public and Environmental Affairs (Apple, 2013 26)

“Apple’s approach to addressing the enormous vulnerability faced by migrant workers makes it one of the leading companies tackling this issue. Critically, the company has extended its efforts to a root cause of the problem, namely abusive recruitment practices in workers’ home countries. The result is tangible, financial benefit to migrant workers.” Dan Viederman, CEO, Verité (Apple, 2013:20)

The examples above suggests that maintenance of legitimacy becomes an integral and routinized part of Apple’s reporting. Often employing the same language and sentence structure in their disclosures while also relying on individuals external to the corporation to confirm this to build trust, esteem, and reputation. The prevalence and consistency in the language further lend evidence to the overlap or combination of strategies. As argued by Suchman (1995) legitimacy can be drawn from prevalence, which in turn shows that strategies cannot be seen as mutually exclusive as they are relied upon in combination.

6.3 Repairing Legitimacy

The need to repair legitimacy can usually be seen in response to negative events such as the spate of suicides in 2010 (c.f. *Suicide Express*), the harsh critique for the use of student labor and migrant workers as well as overall working conditions at its suppliers. Following I will

address the strategies employed in order to repair legitimacy as suggested by Suchman (1995); *Deny, Excuse, Justify, Explain, and Restructure*.

6.3.1 Deny

The outright denial of responsibility for violations of the Apple code of conduct, law, and international standards is not often found in the reports. There is, however, some evidence of denial after reports of the continuous use of the harmful chemicals benzene and n-hexane in 2014. Benzene is believed to be carcinogenic causing leukemia while n-hexane has been linked to nerve damage, both have nonetheless been widely used in manufacturing processes (Branigan, 2010). Apple was initially warned about the harms of these two chemicals in 2011 after 137 workers suffered adverse health effects. In 2014, Apple was again made aware by NGO concerns about the use of these chemicals (Apple, 2015). In response, Apple launched its own investigation, which allegedly did not provide any evidence of the use of these chemicals:

In response to stakeholder questions about benzene and n-hexane, we conducted a four-month investigation at 22 facilities and found no evidence that the roughly 500,000 people who work there were being endangered by exposure to these chemicals. In 18 of the 22 facilities, we found zero evidence of benzene or n-hexane. And the amounts found at the other four factories fell well within acceptable safety levels (Apple, 2015:25).

We can see Apple denying the use of the chemicals at most facilities investigated as well as pointing to the use being within acceptable legal levels where it was found. This can be seen as an attempt to preserve its position and repair its legitimacy from the potential undermining of its legitimacy by the NGO concerns. Apple did, however, increase and strengthen the regulation of these substances in response to these concerns. I will address this reaction further in the section on *Disassociation* below.

What should also be mentioned is the way in which Apple distances itself from the responsibility through its disclosures. One of the main points here is the fact that the reports are named *Supplier Responsibility Reports*. Here Apple indicates that the ultimate responsibility for health and safety violations lies with the supplier by linking the two together in the documents' name. In this way, Apple distances itself from violations and positions itself as the good Samaritan who makes sure that the irresponsible suppliers adhere to Apple's responsible values and standards:

And by making social responsibility part of the way we do business, we ensure that suppliers take our standards as seriously as we do (Apple, 2009:3)

Another way that denial can be seen happening is through Apple's portrayal of itself as the victim of other immoral and irresponsible actors' practices. By turning the focus to how other actors outside of their control can be seen as causing violations or immoral practices, Apple is implicitly denying its responsibility. Through manipulation of agency (Chilton and Schäffner, 1997), Apple paints itself as the victim of other actors' unethical behavior and in this way distances itself from responsibility for activity in its supply chain:

How dishonest third-party labor agents conspire to corrupt the system. In many of the cases of underage labor we've discovered, the culprit behind the violation was a third-party labor agent that willfully and illegally recruited young workers. In January 2012, for example, we audited a supplier, Guangdong Real Faith Pingzhou Electronics Co., Ltd. (PZ) that produces a standard circuit board component used by many other companies in many industries. Our auditors were dismayed to discover 74 cases of workers under age 16—a core violation of our Code of Conduct. As a result, we terminated our business relationship with PZ. (Apple, 2013:18)

This can be seen as an example of Apple distancing itself from the responsibility not only by targeting other actors as the main violator but also questioning its responsibility by emphasizing that the supplier does not exclusively produce parts for Apple. Apple suggests that because this supplier is “used by many other companies” the responsibility should not be theirs, further attempting to strengthen this assertion through the fact that these companies are not only from the electronics industry but a variety of industries. This decouples and distances Apple from the notion of responsibility for what happens in their supply chain. The final restructuring and termination of a business relationship can be seen as what Breeze (2012) has referred to as a ‘survivor narrative’, where the corporation is forced to combat some external force, representing itself as a victim that overcomes adversity and reestablishes order. In this way, Apple denies its responsibility through a subtle shift in focus and manipulation of its perceived agency and ability.

6.3.2 Excuse

Through this strategy, Apple is perceived asserting their moral superiority over less ethical suppliers, and by blaming unethical behavior on these actors, Apple implies that they might not be technically responsible as the principle perpetrator of the violations.

This questioning is emphasized by descriptions of intricate and complex structures of global supply chains and how this poses a challenge to Apple's oversight and control:

The supply chains for “conflict minerals” consist of many types of businesses—family-run mines, brokers, smelters, refiners, and commodity exchanges—before reaching a component or subcomponent manufacturer. The combination of a lengthy supply chain and a refining process makes it difficult to track and trace these materials (Apple, 2011:11)

By emphasizing the problematic nature of maintaining responsible practices and the complexities they are faced with supplying from all kinds of businesses all over the world, Apple implicitly questions the realism of maintaining control and oversight over the entire supply chain. This is accurate in that it is not a simple exercise. However, the function of such statements is to help them repair their legitimacy in the wake of criticism by providing critics information about the intricacies, inviting them to view the problem from Apple's standpoint. The most effective excuses can be said to be those that offer “a believable explanation for the problem” (Hooghiemstra, 2000:61), fostering empathy and understanding, and in turn, reduce criticism and repair legitimacy.

6.3.3 Justify

Another similar way in which Apple attempts to repair its legitimacy following negative events can be seen in statements of justification. These are not necessarily significantly different from the excuses. However, they tend to contrast the negative event to some positive aspect or later outcome, rather than questioning the moral responsibility of the corporation. Here attempts at minimizing the offensiveness often take the form of trying to shift the focus away from the negative, juxtaposing it to positive results:

In 2013, we audited deeper in our supply chain than ever and conducted 451 audits of supplier facilities that collectively employ nearly 1.5 million workers. Those audits uncovered 23 workers who were underage when hired — significantly fewer than the previous year (Apple, 2014:14).

By emphasizing the “significant” decrease in cases of underage hiring, as well as the total amount of workers in their supply chain and the number of audits, Apple attempts to make the 23 cases found seem small and insignificant in comparison to previous years. Another way of justifying irresponsible findings or practices is done by placing

negative realities in the supply chain alongside company decisions based on positive morals and values:

Though it would be a simpler solution to stop our suppliers from sourcing from Indonesian smelters — and to distance ourselves from Indonesia entirely — doing so goes against our core value of leaving the world better than we found it. So we're choosing to stay, working on the ground to bring about sustained change by holding Indonesian smelters accountable for how they operate. Just as we continue to do in the DRC (Apple, 2015:21)

By leaning on moral values and ideals, Apple justifies the practice of mining conflict minerals from Indonesia and the DRC (Democratic Republic of Congo) based on the fact that distancing itself from the region might hurt the individual miners more than the current conditions are. This can be seen as a justification by appealing to positive values or “higher loyalties” (Sykes and Matza, 1957). They are in a sense accepting responsibility for operations quite far upstream in its supply chain, but not accepting that the sourcing practice and its implications are in themselves irresponsible, or part of perpetuating the conditions in these regions (c.f. chapter 7: Mineral Sourcing).

6.3.4 Explain

These strategies often revolve around listing the number of violations found, owning up to and attempting to explain the event:

Three core violations involved suppliers who deliberately provided falsified records during our audit. One facility attempted to conceal evidence of historical cases of underage labor. Two other facilities presented falsified records that concealed evidence of violations of Apple's Code regarding working hours and days of rest (Apple, 2010:18)

This type of strategy seems to have decreased over time after the implementation of metrics and disclosures of corrective actions. This strategy can, therefore, be seen as the least relied on, as most instances would fall under one of the two types of corrective action strategies. Seeing these strategies as a type of impression management and a way to repair legitimacy, strictly admitting to irresponsible behavior without any provision of a solution or remedial effort does not make much sense, suggesting that explanations in and of themselves are not heavily relied on.

6.3.5 Restructure

Lastly, in efforts to repair corporate legitimacy after negative events or findings, a corporation can restructure in three different ways. Either it may attempt to disassociate with the irresponsible structure, whether it be a supplier, practice or region; implement monitors and watchdogs, or increase and strengthen its policies by adjusting requirements.

Disassociation

Apple is most often seen relying on this type of practice in severe cases of core-violations such the previously mentioned underage labor case and those of repeat offenses. The most common way is therefore to end business relationships with supplier due to their irresponsible practices, or not being able to live up to the requirements outlined in the Code. By 2017 Apple had cut ties with a total of 23 suppliers:

Core violations negatively affect the suppliers' business relationships with Apple and can lead to termination. To date, we've ended contracts with 20 suppliers (Apple, 2016a:7)

As a result of our policy on inadequate performance, we significantly reduced business allocation to 13 suppliers and cut business ties altogether with three suppliers in 2016 (Apple, 2017a:4)

It is somewhat uncertain when a violation leads to termination of business ties. A total of 514 core violations (see Table 8 Appendix 4) have been documented (some at the same facilities) since 2007. Some of the most egregious, such as suicides at Foxconn and explosions killing and injuring workers at Foxconn and Pegatron factories have not led to termination of relationships as these suppliers remain in Apple's supply chain. This questions the consistency, implementation, and reasoning behind the final decisions to end relationships.

Another example of disassociation is seen in Apple moving away from and restricting the use of benzene and n-hexane due to their negative health effects as previously mentioned:

In 2010, we learned that 137 workers at the Suzhou facility of Wintek, one of Apple's suppliers, had suffered adverse health effects following exposure to n-hexane, a chemical in cleaning agents used in some manufacturing processes... We required Wintek to stop using n-hexane and to provide evidence that they had removed the chemical from their production lines (Apple, 2011:20)

After being questioned about the use of these chemicals again in 2014, Apple released their Regulated Substances Specification (RSS) list for the first time providing a list of all prohibited and regulated chemicals and began mapping their supply chain for the use of these:

In our ongoing effort to be more transparent, we publicly released our Regulated Substances Specification (RSS) list for the first time in 2014. This list highlights chemicals our suppliers are prohibited from or limited in using during the manufacturing process (Apple, 2015:25)

Keep in mind, that the use of benzene has been heavily criticized, and strictly regulated in the use of consumer products in the western world since the late 1970s. Article 4 of ILOs Benzene Convention (C136) even mandates the prohibition of its use, except under special conditions (ILO, 1971). Both of these chemicals are still allowed in production at limited levels by Apple (Apple, 2016b).

Apple's choice to regulate and disassociate with the use of certain chemicals and procedures is an example of an attempt to repair legitimacy after it has been undermined by revelations from stakeholders. However, the ban on certain chemicals was not imposed by Apple voluntarily, but rather in response to a petition drive initiated by CLW and Green America (USA Today, 2014). This lends support to the theory that these tactics are reactive in nature, as suggested by Hahn and Lülfs (2014). It also suggests Apple presents changes to its practice as its own initiative, when in some cases these changes may be the result of external pressure for change.

Monitors and Watchdogs

The efforts to map their supply chain for chemical use can be seen as part of another strategy, namely the implementation of *monitors and watchdogs*. After negative publicity, such as the adverse effects on workers' health by chemical exposure, communicating the implementation of stricter oversight and monitoring was relied on as a means of restoring legitimacy. Examples of this can be seen in the wake of the suicides committed by multiple workers at Apple's main supplier Foxconn during the spring of 2010:

Apple then commissioned an independent review by a broader team of suicide prevention experts. This team was asked to conduct a deeper investigation into the suicides, evaluate Foxconn's response, and recommend strategies for supporting workers' mental health in the future.

The team commended Foxconn for taking quick action on several fronts simultaneously, including hiring a large number of psychological counselors, establishing a 24-hour care center, and even attaching large nets to the factory buildings to prevent impulsive suicides. The independent team also found that Foxconn had worked openly with many outside experts and government officials in reacting to the crisis (Apple, 2011:18-19).

And the subsequent inviting and involvement of the FLA to conduct independent audits of their supply chain:

Apple recently became the first technology company accepted by the Fair Labor Association (FLA), and we look forward to working with them. While we have worked with third-party auditors for several years, Apple will also open its supply chain to the FLA's independent auditing team, who will measure our suppliers' performance against the FLA's Workplace Code of Conduct and the results will appear on their website. It's a level of transparency and independent oversight that is unmatched in our industry (Apple 2011:3)

The FLA has subsequently fallen under critique for not targeting the root cause of the problem in relation to the suicides and being "strongly corporate *influenced*" (Anner, 2012:615 emphasis original) as it consists of and is funded by industry entities such as Apple themselves (see also Greenhouse, 2012; Nova and Shapiro 2012). According to Anner (2012:617): "approximately two thirds" of the FLA's budget comes from corporations, and "the corporate share of the budget appears to be growing over time," further suggesting that corporations will "favor [auditing programs] that enhance their legitimacy but do not hamper their control" (Anner, 2012:633).

The inclusion of the FLA as an independent auditor can be seen as an example of how the implementation of mechanisms and structures to better provide monitoring and oversight is relied on in the aftermath of negative events. The FLA has never been referenced as an independent monitor since its last inclusion in the 2013 report, and the last requirements laid out by their reports have never been reported complete (Nova and Shapiro, 2014). Nor is Apple still an FLA member (FLA, 2018). This might suggest that watchdogs and monitors are relied on as a reactive and temporary strategy to satisfy the urgent need but are rolled back or forgotten once the criticism or attention of stakeholders has turned elsewhere. While a

company like Apple is expected to be responsive to events and criticism, the appearance of a less than consistent engagement in such responses suggests that Apple's principle concern is legitimacy management.

Adjusting Requirements

Lastly, a final strategy relied on to repair legitimacy can be seen in the adjustment of requirements. This usually takes the form of an emphasis on increased requirements in the Standards or the Code:

As in previous years, we've continued to strengthen the Apple Supplier Code of Conduct based on our audit experience and input from stakeholders. Our recent updates make the Code even more protective of the workers in our supply chain and further clarify our expectations (Apple, 2009:4).

Or in more specific requirement such as the reimbursement of foreign workers, where suppliers have to pay recruitment fees directly to the third-party labor agencies:

The bar for Labor and Human Rights performance was raised in 2016. For example, in cases where foreign workers paid fees to private employment agencies before being reimbursed by the supplier, we enhanced our requirements to mandate that suppliers should pay such recruitment fees directly to the private employment agency, thus avoiding putting workers in a debt situation (Apple, 2017:30)

This strategy might be seen as more validating by stakeholders as they are providing evidence of responsiveness on the part of the company and a willingness to make change to company practice, through improvement and strengthening of core values, policies and requirements of responsibility.

This chapter has indicated that different legitimacy strategies and tactics are prevalent in Apple's CSR communication. It has also demonstrated a tendency of these strategies to ultimately revolve around the acquisition of legitimacy and often seen as tactics in response to potential legitimacy undermining by NGO, which might question the transparency of the SRRs.

7 Third Party Reports

It pays to be good, but not too good (Mintzberg, 1983:10)

Apple's SRRs analyzed above are voluntary forms of self-disclosure. An argument can be made that the reader might be denied information about actual performance. This raises the question as to whether "those organisations producing sustainability or related reports are in fact, acting in more virtuous ways" (Gray, 2010:364) or not. This is "not a question which can be answered from the reports of the organization" (Gray, 2010:364). Gray (2010:366) further suggest that there seems to be little evidence "in the literature to help us state categorically that voluntary disclosure reliably signals or influences social and environmental performance."

By incorporating evidence from third-party reports on Apple's supply chain, I will in the following section provide a critique of Apple's supply chain management, reporting practices, and business model. These reports are conducted by NGOs, media, and documentary filmmakers, as well as academics, most having done undercover investigations experiencing the conditions first-hand. I have selected some issues to highlight the contradictions that rise when the data sources are compared. I do not argue that these are the most serious or severe, nor do I claim to cover all violations. They are rather relied on to provide additional evidence that the legitimacy strategies illuminated in the previous section are attempts by Apple to manage and construct its legitimacy. As I have not documented any of the evidence myself, and all data material is from secondary sources, I cannot say anything about the actual reality faced by workers in Apple's supply chain. However, contrasting these findings, helps to illustrate my main argument about how CSR reporting is used by Apple to negotiate and construct legitimacy through selective reporting.

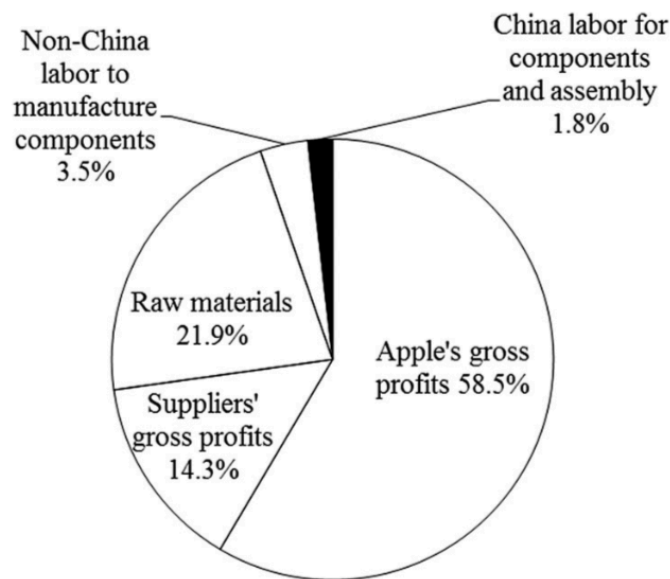
7.1 The Root Cause

The problems described in Apple's SRRs might arguably arise from supply chain practices. The supply chains of most MNCs involved in production, including Apple's, operate on a model commonly referred to as Just-in-Time production designed to minimize flow times. Apple does not keep inventory for parts but has their suppliers finish and deliver products based on orders. Their suppliers often operate under the same model, sourcing materials as orders are received (SACOM, 2016). This can put strain on production systems and workers

during peak seasons when large orders are expected to be produced in short amounts of time. Author of the UN Guiding Principles on Business and Human Rights, John Ruggie (2012) has stated that “Apple contributes directly to the problems at supplier factories” as short notices of change in production “[requires] assembly line overhaul and production schedule in the supplier factory that simply [cannot] be met without violating already weak workplace standards.”

The pay structure Apple operates with can be seen as exacerbating this strain. To illustrate, a breakdown of the profit margins of a single iPhone 4 is presented in Figure 2. Apple claimed close to 60% of the profits per unit, while the labor costs in China accounts for less than 2% (Ngai et al., 2016). This means that the labor costs going into an iPhone retailing for US\$549 is about US\$10.

Figure 2: Distribution of Value for the iPhone



Source: Ngai et al., 2016:169

Little room is left for improvement of working conditions at the suppliers as they are struggling to meet the high demands and short delivery times required. When Foxconn promised to improve conditions and raise wages for its workers after much media criticism in the wake of the 2010 suicides, Apple split their iPhone production and moved half to Pegatron, who could offer cheaper production rates and allowing Apple to diversify risk and

further minimize costs (Chan et al., 2015b). This demonstrates some of the power asymmetries that exist between Apple and its suppliers (Chan et al., 2013).

Placing suppliers in an economic bind, seemingly imposing costs on them despite attempts and promises to improve conditions, Apple may be indirectly putting the final strain on workers who are the means through which supplier meet their production targets. By minimizing costs and maximizing profits, Apple generates in profit margins almost four times as high as those of other actors in the electronics industry per unit (Ngai et al., 2016). This profit pressure means Apple's suppliers and their workers face increasingly tougher expectations: "Faced with Apple's ruthless demands for products to meet demand, Foxconn was compelled to increase the already heavy pressures on workers for overtime, resulting in weeks of 60-70 hours of work" while also having to rely profoundly on large numbers of student interns during peak production months to meet its "need for flexibility and cost competitiveness" (Ngai et al., 2016:170). These practices often violate Apple's requirements for the protection of juvenile and student workers (Smith and Chan, 2015) as well as the work standards laid out in their Code.

This practice might put management under increasing pressure, potentially leading to the militaristic style of management and harsh treatment allegedly faced by workers addressed below. Ngai et al. (2014:217) found that the "compressed delivery time of new products has repeatedly taken precedence over protecting workers' health, safety, and rights, at times with tragic consequences. As a result, whatever the stepped-up audits, the tremendous pressure for suppliers such as Foxconn to cut corners continued and intensified."

7.2 Challenging Apple's Constructed Legitimacy

"Working twelve-hour days with a single day off every second week, there's no spare time to use the facilities like swimming pools, or to window shop for smartphones in the commercial districts within the enormous complex" (Interviewed worker quoted in Chan 2013:88)

According to Apple (2007), what sparked the initiation of supply chain audits and their supplier responsibility program was the attention drawn to the dire conditions faced by workers in their supply chain by the media. The Daily Mail's (2006) undercover investigation documented workers living "100 to a room", working 15-hour days with monthly earnings about half the wage of weavers in the UK in 1805 adjusting for inflation, while being subject to military-style management." Apple stated it was concerned about these findings, and in

turn, initiated their supplier responsibility program. According to Apple, this resulted in overall improvements where “housing conditions are better, pay practices are clearer, and employee benefits have been expanded in the areas of educational programs and educational options” (2007:1). Apple admitted to a certain degree of working hours and overtime violating legal limits, and that about 2% of the interviewed workers had witnessed some form of disciplinary action. An “overwhelming majority” of the workers, however, were pleased with their working situation according to the report, and Apple points to dormitory amenities such as recreational options, TV rooms, and movies, as well as quality food in the dining areas (2007:1). The results represent a stark contrast between what Apple finds during their internal audits and what is reported by independent investigations, especially in the realm of worker treatment and working and living conditions.

7.3 Suicide Express

“The environment on the shopfloor is so cold, it depresses me. If I continue to work at Foxconn, I may commit suicide too” (Interviewed worker quoted in Ngai et al., 2016:174)

The international attention to conditions faced by workers in Apple’s supply chain can be said to have reached a peak during the spring of 2010 when a spate of suicides dubbed the “suicide express” by Chinese media (Ngai and Chan, 2012) took place at Apple’s major supplier Foxconn. A total of 18 workers between the age of 17 and 25 years old attempted suicide allegedly in reaction to the conditions faced in the factories. Fourteen succeeded. In response to the devastating tragedy, Apple addressed the issue in their 2011 SRR, stating that the company was “disturbed and deeply saddened” by the events. According to statements from Foxconn, the suicides were results of workers’ emotional problems (Chan, 2013). To prevent further incidences of this sort, Apple and Foxconn erected “suicide prevention nets” around factory facilities to “prevent impulsive suicides” and urged workers to sign ‘no-suicide pledges’ (Chan, 2013). Steve Jobs, Apple CEO at the time can be seen as having attempted to minimize the issue. He reminded the public that in comparison to the total amount of workers at Foxconn, this number was “well below” the Chinese rate (FoN, IPE and Green Beagle, 2011:4). He also suggested it to be below the US rate, shifting the focus to amenities such as restaurants and movie theaters (Beaumont, 2010). In addition to the suicide nets and pledges, a telephone hotline and 24-hours care center were implemented at the factory to provide distressed workers with psychological counseling services. An attempt to implement similar hotlines for workers in order to improve living and working conditions was proposed by

consultancy group Business for Social Responsibility (BSR) as early as 2006 according to BSR consultant interviewed by Duhigg and Barboza (2012). The project fell through by 2008 after too many reorganizing requirements from Foxconn. Apple allegedly failed to pressure Foxconn. “We could have saved lives, and we asked Apple to pressure Foxconn, but they wouldn’t do it,” a BSR consultant told the journalists (Duhigg and Barboza, 2012).

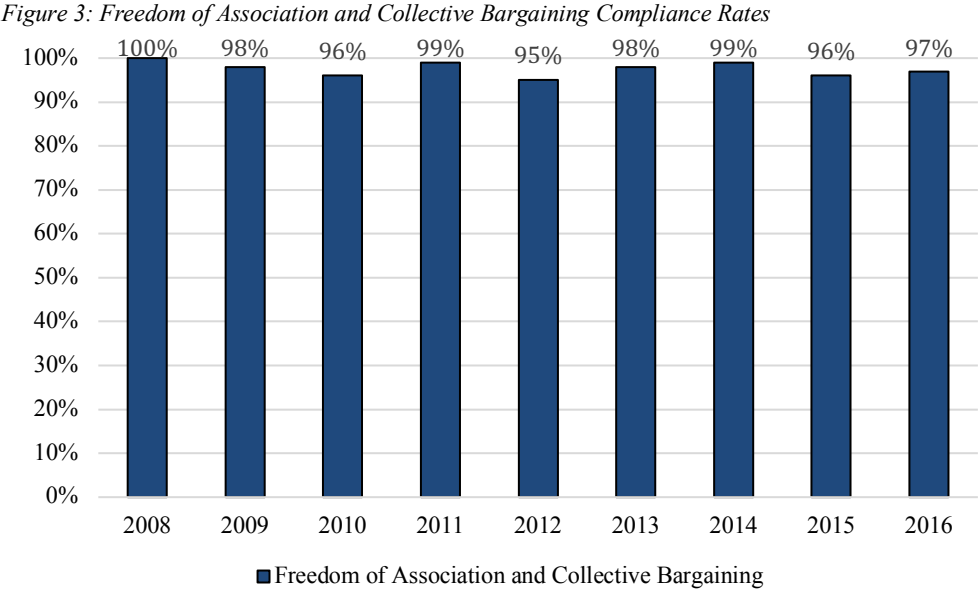
After their implementation in response to the 2010 suicides, these measures have been criticized for not taking workers seriously and relaying information back to managers and not providing anonymity for workers in prevention of retaliation (SACOM, 2011b). Apple, in contrast, has consistently reported “whistleblower protection and anonymous complaint” compliance scores between 89% and 93% (Apple, 2011-17; Table 8 in Appendix 4). One worker interviewed by SACOM investigators said that when she had called to report unsafe conditions the person answering had mocked her and told her she could “leave the factory immediately if [she was] unhappy with the living conditions” (quoted in SACOM, 2011b:13)

Some argue the suicides can be seen as an extreme form of labor protest and worker resistance (Ngai et al., 2016; Chan and Selden, 2017). Ngai et al. (2016:175-81) has argued that there is an inherent “class structure and socio-political space that condenses the sphere of production and daily reproduction” embodied in the dormitory-labor regime hence viewing these acts as “early signs of class consciousness that could lead to a possible emergent labor internationalism.”

There have also been documented a continuation of suicides at Apple’s suppliers. According to Fullerton (2018), another four workers committed suicide during 2011, followed by three between 2012 and 2013, with the latest worker ending his own life by jumping off a building on January 6, 2018. These suicides have not been mentioned in any report by Apple. This might indicate a practice of selective reporting, emphasizing the point that readers are provided “incomplete information exchanges” (Terreberry, 1968) by corporations. Selective reporting on certain issues raises the possibility that Apple may be able to acquire legitimacy on some issues in the absence of adequate information to shape stakeholder judgements. It also echoes the idea that stakeholders might be constrained by bounded rationality.

7.4 Worker Unrest and Living Conditions

There have been numerous strikes and riots involving thousands of workers at Apple’s suppliers’ factories in China (Nova and Shapiro, 2012). These have often been in response to living conditions or pay structures (Chan et al., 2016ab; SACOM 2011a, 2011b), ineffective “trade union and the absence of any mechanism for constructive dialogue between workers and management” (CLB, 2014:3). Workers involved in the strikes have reportedly been dismissed in response to their actions (SACOM, 2011b). Apple, on the other, hand has persistently reported on close-to-perfect compliance scores on their Freedom of Association and Collective Bargaining criteria during the same period. The self-disclosed scores by Apple presented in Figure 3 below:



Source: (Apple, 2008-16)

The general knowledge of and confidence in a trade union at Apple’s suppliers can be considered lacking (Chan et al., 2016a; SACOM, 2010, 2011ab, 2012, 2013, 2014; CLW and Framtiden I Vaare Hender, 2015). Nova and Shapiro (2013) stated that the freedom of association reported by Apple is recognized by ‘virtually all observers’ as non-existent as the “only legal union is controlled by the Chinese Communist Party,” thus workers cannot organize and bargain independently. In turn, these government-controlled unions are arguably used to “increase surveillance of workers, with management-appointed leaders reporting worker dissent back up the chain of command” (Cole and Chan, 2015; see also Anner, 2012).

There have been numerous independent reports at separate factories of overcrowded rooms housing as many as 12 workers to a single room (SACOM, 2013; CLW 2013a), violating Apple's Standards stating that "no more than eight individuals shall occupy one Dormitory sleeping room" (Apple, 2017c:49). Some workers allegedly also have to pay extra to use the shower and obtain drinking water (Green America and CLW, 2014).

The discrepancy between reported supplier-compliance by Apple and independent findings further supports the suggestion that Apple is selective in its reporting focusing on the positive aspects. This supports my findings of image enhancing strategies as well as previous suggestions by Cho (2009) who found that avoidance strategies were relied on in combination with image enhancement. Reporting nearly perfect scores on freedom of association based on membership in a state-controlled union is problematic in light of reports by independent investigations which indicate that workers have little to no knowledge of or confidence in the union (Chan et al., 2016). Apple's Code (2017b:3) states that suppliers shall "freely allow workers' lawful rights to associate with others, form, and join (or refrain from joining) organizations of their choice, and bargaining collectively, without interference, discrimination, retaliation, or harassment." Even though the operation of the unions might fall under *lawful* practice as the All-China Federation of Trade Unions (ACFTU) is the only legal union in China (Taylor and Li, 2008), the abovementioned incidents of strikes and riots might cast doubt on the substance of the assessment scores reported by Apple. Taylor and Li (2008:707) also argue that the ACFTU cannot be considered a legitimate trade union based on three premises: (1) it severs in the national interest, (2) it has "no effective electoral system for union office holders," and (3) it is the only legal union leaving workers without autonomy in action.

This compliance rate with respect to freedom of association skews the data used to represent the overall compliance rates in Apple's favor. By reporting compliance rates consistently above 95% in this category, the overall average compliance rate will be upwardly biased further improving Apple's disclosed metrics but undermining their reporting practices and honesty.

7.5 Mineral Sourcing

Apple's reporting on efforts to combat the circumstances of artisanal miners in both the DRC and Indonesia who supply 3TGs often referred to as conflict minerals, also suggests a selective disclosure strategy. Apple stated that by 2015 all of its identified smelters and refiners were participating in independent auditing programs (Apple, 2016) and that it had mapped its entire supply chain for the 3TGS down to the smelter level (Apple, 2017). The report presents stylish graphics and perfect 100% mapping scores. The main issue with this reporting is that the problem lies beyond the smelter, and with the individual miners who consist of some of the poorest populations in the world. In Indonesia, investigators found children as young as 14 working alongside their parents in life-threatening conditions in the mines (BBC, 2014). Between 100 and 150 miners are reportedly killed in mining accidents in Indonesia annually (Hodal, 2012). Similarly, the minerals trade is said to fund state and non-state armed groups in the DRC (Morrison, 2015) linked to human rights violations such as child labor, sexual abuse, and killings (Nathan and Sarkar, 2010) hence the name conflict minerals. Apple's standards require due diligence to be

[C]onducted to the mineral processing level in order to determine whether relevant minerals originate from regions with High Risks, which include areas associated with conflict, worst forms of child labor, forced labor, and human trafficking, gross human rights violations such as widespread sexual violence, or other reasonably objective high risk activities, including severe health and safety risks and negative environmental impacts (Apple, 2017c:84).

Addressing these issues indicates that Apple is aware of the circumstances upstream from the smelters but avoids the responsibility by only requiring due diligence down to the mineral processing, or smelter level, and not to the level of the mining. In an interview with Johan Murod, the director of a successful smelter plant in Indonesia, Mr. Murod told the BBC reporter that the tin comes from both large mines and small-scale artisanal mines. Smelters buy the tin from middlemen and there is no way to know from which mines it is sourced. This suggests that even if the supply chain is mapped to the smelter level, it does not guarantee conflict-free minerals. When asked about Apple's promises Mr. Murod explicitly refers to them as "bullshit" (Image 3):

Image 1: BBC Documentary Screenshot



Source: (BBC, 2014: 40:25)

Apple's efforts to map its supply chain can be seen as a step in the right direction. Apple (2017:25) has stated it's aware of the "real challenges faced by artisanal mining of cobalt," however not specifying it any further. It also stated that it is implementing a program in cooperation with cobalt suppliers to verify individual mines before they are included in their supply chain (Apple, 2017a). According to their 2017 report, Apple "partnered with numerous NGOs and made a grant to the Fund for Global Human Rights...working to end child labor and human rights abuses in mining communities" in the DRC (Apple, 2017a:25). Only one of these NGOs; Pact, is named. This can indicate an attempt by Apple to distance itself from responsibility. It also indicates reliance on the *collaboration* strategy discussed above. The practice of supporting NGOs and donating money might however legitimize their operations reliant on underage labor and human rights violations *ad hoc*. Some see corporate philanthropy as a means to gain competitive advantage (Porter and Kramer, 2002), while others argue it's done for socio-political gains (Hemphill, 2004) or "in order to maximize their 'political return,' which is designed to circumvent regulation or seek to be better protected from government intervention or legislation" (Su and He, 2010 cited in Beddewela and Fairbass, 2016:506), rather than for altruistic reasons.

The continuation of the current mineral sourcing from these regions seems to be justified by providing miners and communities with an income. Apple can be seen as not taking direct responsibility for these issues, but rather handing them off to other organizations who in turn have to improve the lives of people and the planet, to which Apple claims to be committed. It further indicates a reactive pattern of responsibility. First securing economic gain from the

region and subsequently acknowledging the harms and attempting to implement solutions or remedies justifying the continuation of sourcing and exploitation of land and people. In light of Sykes and Matza's (1957:669) techniques of neutralization, this can be seen as an 'appeal to higher loyalties' where deviation from one norm is justified because other norms "held to be more pressing or involving a higher loyalty, are accorded more precedence."

7.6 Combustible Dust Explosions

"...do you know how easy dust is to control? It's called ventilation. We solved this problem over a century ago." (Nicholas Ashford, occupational safety expert, MIT, quoted in Duhigg and Barboza, 2012)

What further questions Apple's credibility when it comes to taking a proactive stance concerning the improvement of people's lives is evident in another set of accidents that took place in 2011. One explosion at a Foxconn factory in Chengdu, China took the lives of 4 workers and injured another 18, while another explosion at a Pegatron subsidiary named Ri-Teng, injured 59 (Apple, 2012). Both explosions were caused by excessive accumulation of aluminum dust, which at high concentrations becomes combustible. Apple stated that all proper corrective actions were taken after the incidents, and that the suppliers had made adequate adjustments to manufacturing processes and installed improved ventilation systems (Apple, 2012). Most troubling about these incidents was that Apple had reportedly been notified about this problem by NGOs and activist groups since 2007 (van Dijk and Schipper, 2007; SACOM 2010). One of the investigations was done at the Foxconn factory in Chengdu and was reported on May 6th of the same year (SACOM, 2011), two weeks before the explosion. This report was also picked up by international media (e.g. Albanesius, 2011). The apparent lack of response to such warnings in general and from the particular factories suggests Apple may not have taken outside stakeholders' concerns into consideration in their supply chain management. These incidents might suggest that it takes the loss of human life to prompt a reaction.

Apple's lack of response to NGO warnings further supports the findings made by Guthrie and Parker (1990) showing that corporations tend to be reactive in their disclosures rather than proactive. It also supports Carroll's (1979) view of corporate CSR strategies as reactive, becoming a means to mitigate public relations issues and corporate reputation. What also makes these two incidents and Apple's reaction stand out is the elapsed time between the two

explosions. The first explosion at the Foxconn plant happened May 20th 2011 while the explosion at Ri-Teng took place on December 18th 2011, almost a full seven months later. This should have given Apple enough time to prevent the second accident as their Standards requires suppliers to report “any fatality or other incident of public-concern (e.g., multiple people seriously injured) to Apple within 24 hours of the incident” (2017c:48). In addition, the combustible nature of aluminum dust is well-known as a safety hazard in manufacturing. Two similar accidents have previously taken place in the US; in 2003 a worker was killed in an explosion in Indiana, and 14 were killed in a similar accident in Georgia in 2008 (Duhigg and Barboza, 2012).

This suggests that Apple was either not aware of the potential hazard of aluminum dust, kept in the dark about the initial incident and NGO report for close to seven months, or simply failed to implement the appropriate measures in a timely manner across its supply chain in response to an incident claiming the lives of workers.

It seems as if incidents like these are used to report on progress and implementation of improved measures in a self-serving manner and as events that suggests concrete steps need to be taken to prevent the recurrence of risks in the workplace. This progress reporting might be seen as a strategy used to gain legitimacy by reporting on corrective actions.

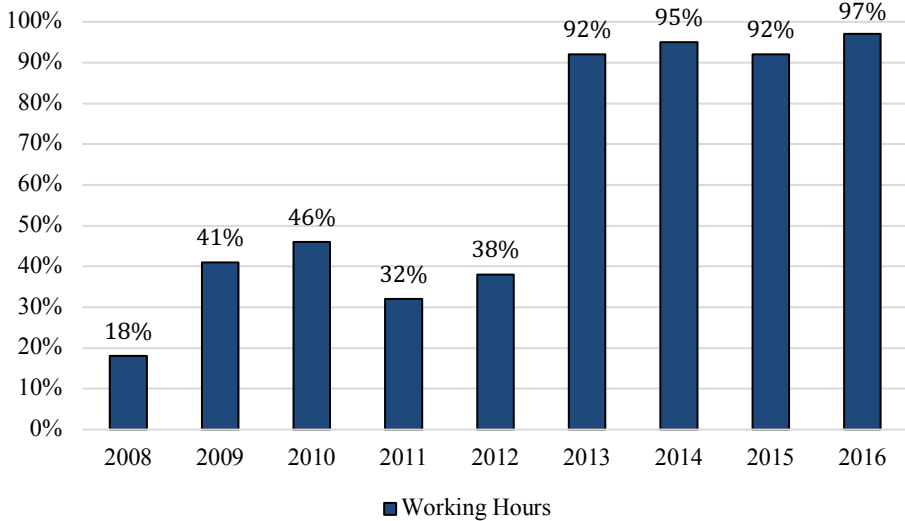
7.7 Working Hours

Excessive working hours and overtime are not considered a core violation when breached and considered regular violations. It has, however, been one of the most pervasive issues throughout the period of available SRRs, as well as one of the practices Apple and its suppliers have been widely criticized for (e.g. Chan et al., 2015b; CLW, 2014, 2015; Yang, 2017; SACOM, 2012, 2016). When Apple published their 2007 report, they addressed the issue stating that they found “employees on average had worked more than 60-hours per week 38% of the time, and 29% of employees had worked more than six consecutive days” (Apple, 2007:3) in 2006. (c.f. p. 53 for workweek requirements).

Between 2007 and 2011 Apple provided average compliance rates on working hours across all facilities audited ranging from 18% in 2007 (Apple, 2008) to 46% in 2009 (Apple, 2010), with the other years ranging between about 30% and 41% (see Table 8 in Appendix 4). This is

the category with the consistently lowest compliance rate, or where the most violations occur. At times more than 80% of its audited suppliers violated the Code. Apple has frequently stated that it requires its suppliers to improve or develop management systems to meet their limits on work hours and days of rest. In addition to leading joint work with the EICC to tackle the issue, they have stated to be “[conducting] in-depth investigations to find the root causes” (Apple, 2014:33) and an effective solution to the problem (Apple, 2009). The solution seems to have come in 2012, at least for the discouraging metrics. In 2012 Apple changed their approach on how to measure and report on working hours. Instead of reporting on average compliance rates they began weekly tracking the working hours of workers at facilities where excessive working hours were commonplace in an attempt to drive compliance in a different way (Apple, 2012). There is, however, no mention of which suppliers Apple is tracking working hours. The working hours compliance rates reported between 2008 and 2016 are displayed in Figure 4 below:

Figure 4: Working Hours Compliance Rates



Source: (Apple, 2008-16)

Today Apple tracks nearly 1.2 million workers at supplier sites in their supply chain (Apple, 2017a). This has improved their compliance rates significantly, and they have presented compliance-rates consistently above 92%, and even as high as 98% in 2016 (Apple, 2017a). Keep in mind, that Foxconn is said to employ over 1.2 million workers alone (Fullerton, 2018) and Apple does not disclose which suppliers are audited in their reports. Apple is said to have 766 suppliers globally and employ about 3 million workers just in China (ChinaDaily, 2017).

High turnover rates due to poor working conditions (e.g., Anner, 2012; Smith and Chan, 2015; CLW & Framtiden i vaare hender, 2015; SACOM, 2011ab, 2014; Green America & CLW, 2014; CLW 2013a) might complicate this practice and the reporting.

These findings are quite contrasting to those found by third-party investigations which have consistently reported working and overtime hours in violations of the requirements set out by Apple's code. Through acquisitions of pay-slips, interviews with workers, and direct observation in the factories through undercover work as factory workers, investigators paint a rather daunting picture of the factory floor and lives of the workers at Apple's suppliers. In direct response to Apple's 2012 change in metrics CLW reported the following:

In May 2013, Apple heralded that its suppliers had achieved 99 percent compliance with Apple's 60-hour workweek rule, this despite that fact that 60 hours is a direct violation of China's 49-hour statutory limit. This "accomplishment" is further discredited by the fact that average weekly working hours in the three factories examined are approximately 66 hours, 67 hours, and 69 hours, respectively (CLW, 2013a:2)

These findings have been consistently replicated since (e.g., Green America and CLW, 2014; CLW, 2014, 2016, 2017). Some found workers having worked 17 and 18-hour days (SACOM, 2014) or having to work two shifts in a row (Duhigg and Barboza 2012). This brings Apple's claims into question as their requirements are in contradiction with themselves. As mentioned, Apple's Code states that where there is a discrepancy between the Code and law, "the stricter standard shall apply" (Apple, 2017b:1), and that a workweek shall be "restricted to 60 hours, including overtime" (Apple, 2017b:2). The quote above suggests that Apple operates with requirements contradicting their Code and violating Chinese labor law limiting a workweek to 49 hours. The Chinese labor market and the enforcement of labor laws is a complex case in itself and beyond the scope of this thesis. The point in this case is the gap between its communicated principles and alleged practices, further indicating that Apple's SRRs are selective in their reporting, and rather utilized to manage legitimacy, hence undermining transparency.

Besides, there is evidence of high rates of unpaid overtime, where workers are not compensated for daily meetings (Anner, 2012; CLW, 2013ab), and required to sign forms accepting overtime hours even though Apple's Code states that all overtime must be

voluntary (Apple, 2017b). In 2013 SACOM (2016:27) found that an Apple supplier asked its “workers to sign an ‘Application for Overtime Work’ and declare their ‘voluntary wish’ to work overtime.” This practice, as well as working hours in excess of the legal ceiling were allegedly still “extremely common” three years later (SACOM, 2016:30).

Also problematic about this pay-structure apart from the excessive hours and compulsory overtime is the fact that these workers are dependent on the overtime as they are only making minimum wage, which is not considered a living wage:

Six days a week, the workers making these phones have to work almost 11-hour shifts, 20 minutes of which is unpaid, and the remainder of which is paid at a rate of \$1.50 an hour (\$268 per month) before overtime. This is less than half the average local monthly income of \$764 and far below the basic living wage necessary to live in Shanghai, one of costliest cities in China (CLW, 2013:1).

It also seems as if Apple takes credit for providing workers with improved conditions when the improvements might be related to external forces. National legislation requiring increases in the minimum wage for workers is presented in a way that suggests the pay raises might have been Apple’s adjustment. According to CLW (2017):

Apple stated that each year in its production line, workers’ wages were raised by 13%. But according to the statistics of Ministry of Human Resources and Social Insurance, from 2011 to 2015, China’s annual minimum wage growth rate was 13.1%. It is important to note that in China, the wages of workers in Apple’s supply chain were equivalent to the local minimum. The wage growth of Chinese workers has nothing to do with Apple’s efforts, rather it is more of a result of China’s legislation.

This indicates a strategy of self-enhancing imagery based on changes independent of Apple. Assuming that the average reader of Apple’s reports doesn’t have knowledge of the development of China’s minimum wage growth rate or that they are unlikely to critically question the information, this demonstrates how legitimacy strategies in combination with incomplete information exchanges can be relied on to manage legitimacy.

7.8 Military Management

There is also documented a persistent problem with what has been referred to as “military-style” management regimes operating in the factories, where workers are harassed and beaten by management and security. According to a survey conducted by Ngai et al. (2016:173)

“16.4% of workers had experienced beatings by security or managers.” Doing undercover field work for his book *Good bye iSlave: A Manifesto for Digital Abolition* (2016:68) Jack L. Qiu found himself in situations where security guards had mistaken him for a teacher leading student interns, offering their “business” disciplining students and workers with violence. This military style management is reported by numerous other reports as well (e.g., Anner, 2012; Chan et al., 2015a; CLW 2013; SACOM, 2010, 2011ab, 2013, 2014, 2016). These findings indicate that workers are subjected to threats, violence, and disciplinary punishment such as being forced to copy quotes from the work philosophy of Foxconn’s CEO Terry Guo¹¹ hundreds of times or stand at attention and read statements of self-criticism in front of co-workers (Ngai et al., 2016). As previously mentioned, this management practice might stem from the business model described at the outset of this chapter.

7.9 Worker Health and Safety

The health and lives of the workers can arguably be seen as compromised and negatively affected by the factory conditions. Apple stated it requires stringent training and consistently refers to the number workers and managers having gone through their training programs and the EHS Academy. According to CLW and *Fraamtiden i vaare hender* (2015:12) “the form that Pegatron made workers sign to certify safety education was far from the actual training” documenting how workers were made to copy down the answers for test-quizzes, hence providing false documentation of safety training. The practice of presenting falsified documentation to auditors is a widely known problem (McBarnet and Kurkchian, 2007), and is even discovered and addressed by Apple. This might indicate that the institutionalizing practices of implementing programs to improve conditions are not providing the measures they are intended to, and rather become an illusion and a way for Apple to gain legitimacy.

The lack of proper health and safety training has had severe health impacts on the workers. As mentioned above, Apple restricted the use of the cleaning agents benzene and n-hexane due to their adverse health effects. They stated they had made Wintek stop the use of the chemicals, install proper ventilation while claiming to be monitoring the medical reports of the affected

¹¹*Growth, thy name is suffering.
A harsh environment is a good thing.
Execution is the integration of speed, accuracy and precision.
Outside the lab, there is no high-tech, only execution of discipline.*
(Chan, 2013: 89)

workers. However, a New York Times journalist who interviewed a dozen affected workers found that they had not been contacted by Apple or any of its intermediaries, but rather pressured by Wintek to resign and take cash settlements (Duhigg and Barboza, 2012). Additionally, in a documentary by Heather White and Lynn Zhang, widespread use of n-hexane was still found among Apple's suppliers, stored in unmarked containers (Complicit, 2016). The documentary depicts workers spending multiple years in hospitals suffering the side effects of exposure to chemicals as well as dying from leukemia, while both Apple and Foxconn is reported to remains reluctant to address the responsibility and compensate the workers and their families.

Both of these examples can be seen as restructuring practices in order to repair legitimacy by Apple, as the independent reporting seem to suggest that little substantive change has actually happened. This indicates that the reporting of restructuring is intended to manage legitimacy rather than implement change.

By addressing the findings from third-party investigations into Apple's supply chain and indicating the tension between Apple and society, this chapter has further underlined how Apple's SRRs become a manifestation of legitimacy negotiation, undermining transparency.

8 Summary and Conclusion

In a globalized economy where multinational corporations' supply chains span the entire globe and their economic and social impact significantly increase, stakeholders' expectation for responsible corporate conduct is growing in parallel with their ability to surveillance corporations. Corporations can be seen as increasingly reliant on stakeholders' approval to maintain their social contract, and fundamental to this approval is their perceived legitimacy. A corporation's legitimacy is based on its stakeholders' general perception of the corporation's actions as appropriate within society's system of values, norms, and beliefs. CSR reports can be seen as a significant channel through which this legitimating process takes place.

I have discussed the history and some of the most central disciplines and theoretical approaches to CSR illuminating the different perspectives and attitudes towards its research. I have also highlighted some of the challenges to the regulation of MNC's global operation. Ultimately, I argue that there has been a call for multidisciplinary approaches to CSR and aligned my research with Suchamn's (1995) theoretical framework. Suchman has suggested that an organization relies on multiple strategies in interactions with their stakeholders to gain, maintain or repair legitimacy. By analyzing Apple's SRRs based on legitimacy theory I have argued that these reports employ strategies and tactics representing a negotiation of corporate legitimacy between the corporation and its stakeholders. The thesis has answered the following research questions:

In what ways do Apple utilize CSR reporting as a way to negotiate its corporate legitimacy, and how does this shape their reporting?

The eleven SRRs published by Apple between 2007 and 2017 were analyzed to answer the research questions. Methodically the thesis applied content analysis to uncover the latent strategies in these reports, as part of a case study design. To provide further evidence and underline the argument that these reports represent a manifestation of legitimacy negotiations the thesis also included data sources from the media, documentaries, NGOs and academic literature often contradicting the findings reported by Apple.

First, numerous strategies are found to be relied on to gain legitimacy. Apple can be seen attempting this through Image Enhancement, Aligning with Legitimate Structures, Institutionalization, and Corrective Actions.

Image enhancement strategies attempts to gain legitimacy from displays of socially shared values and morals through statements like: “Every workday should include opportunity and enrichment” (Apple, 2017:15), or emphasizing efforts and accomplishments by pointing to achievements such as “98 percent working hours compliance across all workweeks” (Apple, 2017a:9). By claiming a “level of transparency and independent oversight...unmatched in [their] industry” (Apple, 2012:3), Apple positions itself as an industry-leader in responsible practice, as well as separating itself from the industry as a whole. This suggests an attempt to avoid negative legitimacy spillovers from events affecting corporations within the same industry, while simultaneously acquiring legitimacy as the superior outsider.

In contrast, the tendency to align with legitimate structures can be seen as a way for Apple to rely on positive legitimacy spillovers. By referencing organizations such as the UN, ILO, and OECD, Apple indicates a reliance on these organizations’ preestablished legitimacy. Institutionalization of operations, attaining increased control of its supply chain, and creating a hierarchy of power provides measurable outcomes which can be used to present accomplishments in a temporally structured manner such as the invested money in programs over time. By establishing programs such as SEED and the EHS academy, Apple can annually provide increased numbers of money invested in educational programs, workers graduated, and trained in their reports. This institutionalization facilitates the presentation of positive metrics in reports and serves as a means to gain legitimacy. By strategically providing stakeholders with positive information about its actions, Apple attempts to display congruence with stakeholders’ norms and values. An increasing reliance on case studies was also found. This strategy can be seen as serving multiple functions; it humanizes Apple by establishing sympathy and legitimacy through the display of ordinary relatable people, while also separating Apple from documented Code violations by positioning it as the morally good actor who has “saved” the individual workers from irresponsible suppliers.

The overlapping nature in some of the strategies is best demonstrated in the Corrective Action category. In contrast to previous research, I argue that this strategy ultimately revolves around efforts to gain legitimacy. This can be seen in their final emphasis on positive, self-enhancing

rhetoric, whether they be vague (Type 1) or clear (Type 2) description of remedies and measures taken to correct violations and improve conditions. Type 1 strategies are best exemplified in the description of measures taken for the improvement of non-core violations, such as the requirements of “corrective action [plans] that address specific violations, as well as the underlying management system” (Apple 2011:14) without any further specifications. These can also be seen accompanied by sometimes rather meaningless metrics. Type 2 corrective actions often follow core violations like underage labor. In these instances, the remedial efforts are clearly explained such as requiring suppliers to return underage workers to their families, finance their education, and continue to provide an income for the family. These statements are often combined with expressions of moral values such as: “Our labor policy on underage labor is clear: We do not tolerate it” Apple (2014:14).

Second, I found support for Ashford and Gibbs’ (1990) claim that strategies employed to maintain legitimacy often become “routinized and perfunctory.” I argue that these strategies mainly flow through two channels: collaboration with outside individuals or organizations without a clear description of who these are such as “third-party experts,” and protective communications with a focus on descriptions of how Apple is policing its supply chain as well as references to its Code and requirements. I have demonstrated how the rhetoric is highly routinized and remains relatively unchanged over time.

Third, Suchman’s original strategies of Deny, Excuse, Justify, Explain and Restructure for the reparation of legitimacy was relied upon in addition to adding one subcategory to the Restructure strategy. My analysis uncovered a variety of these strategies. Apple can be seen employing repair strategies such as explanations of negative events, followed by statements that might minimize the violation in comparison to the positive improvements from previous years or questioning whether they should be held accountable due to supply chain complexities. The minimization of violations suggests a diversion from the negative events into an image-enhancing statement to gain legitimacy. Examples of reparation practices can be seen in the restructuring response to the adverse health effects faced by workers from exposure to toxic chemicals or justifications for the continued sourcing of minerals from Indonesia and the DRC. As most strategies relied upon to repair legitimacy are followed by positive displays of corporate values or practice, I argue that the final goal often becomes to gain legitimacy. This suggests that most reporting on non-compliance become a strategy for the acquisition of legitimacy.

Fourth, by bringing in secondary evidence from the media, documentaries, NGOs, and academic literature I have further underlined the argument that these reports represent a manifestation of corporate legitimacy negotiation by pointing to inconsistencies, contradictions and selective reporting. The comparison suggests that Apple selectively discloses certain information often focusing on the positive aspects. The third-party reports suggest that issues such as for example strikes and labor disputes are left out of the SRRs. In addition, there are inconsistencies between the reports in regards to issues such as working hours, unpaid overtime and worker treatment to name a few. The contradiction between Apple's SRRs and third-party investigations suggests that the positive aspects of improvements such as accomplishments and efforts are given priority, while the negative aspects fall under the reported non-compliance percentages or points and are not addressed in detail in the same manner.

While responsibility, values, and beliefs are talked about in a highly positive manner in the SRRs, the third-party reports suggest inconsistencies between corporate practice and reporting. This has implications for the general approach to corporate reporting, which views such reports as providing transparency. Apple can be seen to rely on CSR reporting as a manifestation of strategies and tactics in order to manage its corporate legitimacy. This manifestation makes the reports selective and self-laudatory, which consequently undermines their usefulness as a tool for transparency.

The contention between Apple's SRRs and third-party reports opens up a discussion about where responsibility in supply chains lie. While third-party reports suggest that Apple is responsible for violations of its Code in the supply chain, Apple's SRRs might indicate an attempt to avoid responsibility. A Just-in-Time business model focused on short delivery times, and low costs raises the risk that Apple's suppliers might cut corners on responsible practice to meet demands. The language in Apple's SRRs suggests attempts to distance itself from the acts or practices uncovered at their suppliers. By naming the SRRs *Supplier Responsibility Reports*, Apple might indirectly suggest that the responsibility of upholding ethical practice lies with its suppliers. This positions Apple as an enforcing and moral agent. An emphasis on the complex structures of supply chains, the challenges of control, and often shared used of suppliers by multiple industry actors can be seen as further attempts at distancing. Through statements such as "How dishonest third-party labor agents conspire to

corrupt the system” (Apple, 2013:18), and emphasizing that suppliers produce “[components] used by many other companies in many industries” (Apple, 2013:18), Apple might be questioning whether the responsibility is wholly theirs. This rhetoric can also be seen as playing into a “survivor narrative” (Breeze, 2012). These tactics might help Apple distance itself from responsibility and question whether the responsibility can be considered theirs.

The reactive nature of Apple’s response to incidents such as suicides, explosions and adverse health impacts from the use of toxic chemicals supports Wood’s (1999) assumption that reactive firms are mostly concerned with legitimacy management. The reports represent a medium where Apple can communicate congruence of moral values with its stakeholders and society and indicate efforts that align with stakeholder expectations.

The third-party reports presented in chapter 7 suggest that corporate practice might not align with how values and responsibility is presented in the SRRs. However, my research has not investigated Apple’s supply chain management practice, and it is therefore impossible to determine if there exists an actual gap between corporate practice and SRRs.

The tension between the SRRs and the third-party reports represents a contention between Apple and society, where the SRRs might sustain power asymmetries between Apple, its stakeholder and suppliers. This supports Banerjee’s (2008:51) claim that CSR becomes a way to “legitimize and consolidate the power of large corporations.” The reports might, therefore, justify these underlying power asymmetries and current business practices by emphasizing shared values and goals while distracting Apple from non-disclosed information in a way that possibly leaves it less questioned by society. These power asymmetries have also been suggested by previous sociological research (Zadek, 2000; Pearson and Seyfang, 2001; Vogel, 2005; Lim and Tsutsui, 2012; Timms, 2012). Selective reporting can be considered to create incomplete information exchanges (Terreberry 1968), further indicating that Apple attempts to construct and manage its legitimacy through CSR reporting.

The violations found in its supply chain by independent investigations suggests that the way Apple addresses its responsibility might be considered non-inclusive of other stakeholders than shareholders. Many of the alleged problems reported could possibly have been avoided and improved. A former Apple executive told Duhigg and Barboza (2012): “We’ve known about labor abuses in some factories for four years, and they’re still going on... Why? Because

the system works for us. Suppliers would change everything tomorrow if Apple told them they didn't have another choice." This former executive's statement further indicates the power Apple wields over its suppliers, suggesting that whenever Apple demands something they are hasty to accommodate. If Apple was as serious about their responsibility as their SRRs claim, many of the persistent violations should not be found to the extent indicated by the third-party reports.

With its influence and economic power, Apple has the potential to be a true industry leader and take on the challenge of developing a responsible supply chain. Apple can be seen as having been responsive to civil society concerns through its reporting, but it is beyond the scope of this thesis to assess the veracity of their SRRs.

My analysis provides support for legitimacy theory, and I have shown that legitimacy management and construction is an ongoing process rather than just a response to specific negative events. By allowing categorical overlap in the coding agenda, I have also added to the discussion suggesting that strategies are relied on in combination supporting previous findings by Cho (2009). By illustrating how some of the strategies seen by previous researchers as reparation tactics can be considered continuous efforts by Apple to manage and construct legitimacy my analysis also supports previous findings indicating that CSR reporting tend to be selective (Sullivan, 2003), overly positive and "self-aggrandizing" (e.g., Brown, 1997; O'Donovan, 2002; Holder-Webb et al., 2009, Cho, 2009; Castello and Lozano, 2011).

This provides further evidence for regulators, demonstrating that leaving reporting to corporate managers might not offer unbiased and valid information about the corporate practice. The thesis also echoes Wills and Hale's (2005) claim that corporate responsibility efforts do little to address the root cause of the conditions faced by workers, arguably anchored in the global economy and economic models. There exists an assumption that voluntary reporting provides sufficient evidence of corporate practice, yet the analysis of the strategies and tactics employed in CSR reporting suggests it has the potential to reinforce "regulatory capture" (Sklair and Miller, 2010), turning mechanisms for the disclosure of company practice into vehicles for influencing stakeholders and circumvent regulation.

This thesis has only looked at Apple, and parts of Apple's CSR communication and can therefore not be considered applicable to all of Apple's operations or other MNCs. Hence, generalizability of the findings cannot be assumed. However, as a leading electronics manufacturer and the most valuable brand in the world, it is fair to assume their corporate practice might influence others attempting to follow their success.

It is important to point out that the thesis is not able to address the actual legitimacy gained from these strategies. It only illuminates the utilization of different legitimacy strategies, not their effect. This could be an interesting question to answer for future research. O'Dwyer (2010) found that corporate managers, even though relying on legitimacy strategies, have limited belief in their utility and effect. Ashforth and Gibbs (1990) has suggested that isomorphism and consistency can become a double-edged sword as it creates its own opposition, suggesting that exposing social and environmental ambitions can attract critical stakeholders (see also; Suchman, 1995). A study focusing on societal stakeholders such as consumers or shareholders could provide interesting evidence of the effects and insight into the utility of such strategies in CSR reporting.

My intention has been to highlight some of the contradictions in CSR reporting and how it risks becoming a manifestation of the negotiation of corporate legitimacy rather than providing transparency. I believe the material provides sufficient evidence to answer my research questions and support my conclusion that Apple utilizes CSR reporting as a way to construct and manage corporate legitimacy, and the SRRs, in turn, become highly selective and positive in their nature, mainly aimed at gaining legitimacy.

This thesis is in no way meant to discredit any of the numerous positive efforts undertaken by Apple and does not intend to question the morality or intentions of individual managers who are working hard with the best of intentions. However, it does suggest Apple could do more to take stakeholder expectation and reports into consideration to improve the situation for its workers and attempts at transparency. A first step in this direction could be to name the audited suppliers in their SRRs so the reported findings can be verified by third parties as well as provide metrics for more accurate improvement and timeline research.

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All used references are listed above.

Word Count: 35 994

10 Appendix 1 – Coding Agenda

Below is a presentation of the final coding agenda developed for the analysis of Apple’s SRRs. Some of the language in the definitions are borrowed from (Suchman, 1995) and Hahn and Lülfs (2014)

Table 1: Coding Agenda

Goal	Strategy	Definition/Explanation	Example
Gain	Image Enhancement	Attempt to appear legitimate by linking itself to positive social values disclosing self-praising information about its commitments and accomplishments in regards to social and environmental matters	"Apple is committed to ensuring the highest standards of social responsibility throughout our supply chain" "We’re going deeper into the supply chain than any other company we know of, and we’re reporting at a level of detail that is unparalleled in our industry"
	Alignment with Legitimate Structures	Reference to or alignment with various organizations, groups, or individuals generally considered legitimate and promoting positive values and morals	"This Code references internationally accepted principles such as the Electronic Industry Code of Conduct, Ethical Trading Initiative, International Labor Organization’s (ILO) International Labor Standards, Social Accountability International, SA 8000, ILO Code of Practice in Safety and Health, National Fire Protection Association, OECD Guidelines for Multinational Enterprises, and OHSAS 18001"
	Corrective Action Type 1	Unprecise provision of ideas, intent, or measures how to tackle or avoid the negative aspect in the future	"the actions that followed have improved the working and living conditions at this facility. The housing conditions are better, pay practices are clearer, and employee benefits have expanded in the areas of educational programs and recreational options. Also, this supplier has incorporated the lessons learned into the design of new facilities"

	Corrective Action Type 2	Concrete provision of ideas, intent, or measures how to tackle or avoid the negative aspect in the future	"we required facilities to store, move, and handle hazardous chemicals properly; for example, by providing antileakage devices for hazardous chemicals and separate storage for incompatible chemicals"
	Institutionalization	Standardization of procedures and development of programs	"To address the shortage of qualified environment, health, and safety (EHS) personnel in China, we launched the Apple Supplier EHS Academy — a formal, 18-month program we believe to be one of the most comprehensive EHS training and education programs in any supply chain"
Maintain	Collaboration	Cooperation with outsiders/third-parties to reduce potential perceived bias in reporting	"Working with the academic community. Apple's Supplier Responsibility team continues to collaborate with the academic community to explore ways to enhance our worker programs."
	Protective Communication	Exchanges that are perceived as honest, authoritative, and matter-of-factly, displaying how the corporation is policing its structures while stockpiling esteem, reputation and interconnections	"If a violation is particularly egregious, or we determine that a supplier is unwilling or incapable of preventing recurrence of a violation, we terminate the relationship. When appropriate, we also report the violation to the proper authorities"
Repair	Deny	Denial of responsibility or problem	"In more than 800 interviews of randomly selected employees, we found no evidence of physical abuse, forced labor, or harassment"
	Excuse	Questioning the company's moral obligation	"The combination of a lengthy supply chain and a refining process makes it difficult to track and trace these materials"
	Justify	Redefining means and ends retrospectively	"The simplest path to calling Apple products conflict-free would be to redirect our demand through a small subset of smelters that are either conflict-free verified, or aren't sourcing from Central Africa. But this approach would do little to influence the situation on the ground, something we care deeply about. That's why we have been working to expand the number of verified sources in this region, so that more people can earn a good living, in better conditions"

Explain	Simply trying to explain the event	"8 facilities were found with underage labor, with a total of 11 active cases and 12 historical cases — significantly fewer than the previous year. These facilities had insufficient controls to verify age or to detect false documentation, for example, appearance verification, age identification, or fingerprint systems"
Restructure	Implementing monitors and watchdogs	"We utilize environmental data collected by IPE to help identify areas for improvement in our suppliers' environmental performance, and we invite IPE personnel to provide oversight on ensuing remediation of any identified gaps ... In each of these cases, IPE directly facilitated and supervised independent third party validation of the enhancements made"
	Disassociation	"One company's efforts were inadequate, and Apple decided to terminate the business relationship."
	Adjusting requirements	"In 2015, we strengthened our requirements around involuntary labor such that allowable recruitment fees charged by private employment agencies went to zero, down from one month's net wages"

11 Appendix 2 - Data Material

Table 2: Data Material

Year	Apple	Civil Society	Media	Academic	Documentaries
2007					
2007	2007 Apple Supplier Responsibility Report (4 pages)				
2008	2008 Apple Supplier Responsibility Report (14 pages)				
2009	2009 Apple Supplier Responsibility Report (16 pages)				
2010	2010 Apple Supplier Responsibility Report (24 pages)				
2011	2011 Apple Supplier Responsibility Report (25 pages)				
2012	2012 Apple Supplier Responsibility Report (27 pages)				
2013	2013 Apple Supplier Responsibility Report (37 pages)				
2014	2014 Apple Supplier Responsibility Report (40 pages)				
2015	2015 Apple Supplier Responsibility Report (42 pages)				
2016	2016 Apple Supplier Responsibility Report (33 pages)				
2017	2017 Apple Supplier Responsibility Report (37 pages)				
2018	2005 Apple Supplier Code of Conduct (6 pages) 2017 Apple Supplier Code of Conduct (6 pages) Apple Supplier Responsibility Standards (93 pages)				
2007					
2008					
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					

12 Appendix 3 – Legitimacy Strategy Frameworks

12.1 Suchman's (1995) framework based on clusters

Table 3: Suchman's (1995) Legitimacy Strategies

	Gain	Maintain	Repair
General	Conform to environment	Perceive change	Normalize
	Select environment	Protect accomplishments -Police operations -Communicate subtly -Stockpile legitimacy	Restructure
	Manipulate environment		Don't panic
Pragmatic	Conform to demands -Respond to needs -Co-opt constituents -Build reputation	Monitor tastes -Consult opinion leaders	Deny
	Select markets -Locate friendly audiences -Recruit friendly co-optees	Protect exchanges -Police reliability -Communicate honestly -Stockpile trust	Create monitors
	Advertise -Advertise product -Advertise image		
Moral	Conform to ideals -Produce proper outcomes -Embed in institutions -Offer symbolic displays	Monitor ethics -Consult professions	Excuse/Justify
	Select domain -Define goals	Protect propriety -Police responsibility -Communicate authoritatively -Stockpile esteem	Disassociate -Replace personnel -Revise practices -Reconfigure
	Persuade -Demonstrate success -Proselytize		
Cognitive	Conform to models -Mimic standards -Formalize operations -Professionalize operations	Monitor outlooks -Consult doubters	Explain
	Select labels -Seek certification	Protect assumptions -Police simplicity -Speak matter-of-factly -Stockpile interconnections	
	Institutionalize -Persist -Popularize new models -Standardize new models		

Source: (Suchman, 1995: 600) 1

12.2 Hahn and Lulfs' (2014) Legitimacy Strategy Overview

Hahn and Lulfs (2014) has presented an overview of the different legitimacy strategies addressed in response to negative events. Their overview is presented below. They argue that these are not necessarily restricted to negative incidents but can also be used to gain legitimacy

Table 4: "Conceptualization of Legitimation Strategies Specifically Referring to Negative Incidents" (Hahn and Lulfs, 2014:45)

Approach	Source & Focus	Strategies	Explanation
Restoring legitimacy (Reactive)	(Benoit 1997) (Image restoration)	Denial	Denial of facts or shifting of blame to others
		Evasion of responsibility	Claim that negative incidents occurred... - as a response to the action of others - due to lack of information or control over important factors - by accident - due to actions performed with good intentions
		Redcude offensiveness	Reduce perceived offensiveness through - strengthening positive feelings toward company - minimizing negative feelings - distinguishing the act from other, more offensive actions - placing act in a more favorable context - attacking accusers - offering compensation
		Corrective Action	Promise to correct the problem
		Mortification	Confess and beg forgiveness
		(Suchman 1995) (Repair legitimacy)	Deny
	Excuse		Questioning the company's moral responsibility
	Justify		Justify disruption, redefine means and ends retrospectively
	Explain		Explain events in a way that preserves a supportive worldview
	(Cho 2009) (Communication tactics)	Avoidance/Deflection	Redirect or deflect public attention to other issues; withhold information
		Disclaimer	Denial of responsibilities
		Image enhancement	Symbolic management; linking company to positive social values; disclose self-praising information

Preserving legitimacy (Proactive)	Merkel-Davies and Brennan 2007) (Impression management)	Concealment (Obfuscation of bad news)	Manipulate verabl information by making text more difficult to read or by using presuasive language
		Concealment (Emphasis on good news)	Manipulating information by ... - emphasizing positive themes or performance - manipulation the way in which information is presented - choosing benchmarks that portray current performance in the best way possible light -selective disclosure to favorably portray current performance
		Attribution	Claim more responsibility for success than for failures
	(Lindblom 2010) (Strategic disclosure)	Communicate changes	Make internal adjustments and communicate them
		Change perception	Demonstrate appropriateness of output, measures etc. without making internal adjustments
		Associate with symbols	No change in business performance nor in societal expectations but manipulating perception by associating with symbols habing high legitimate status
		Adjustment in societal expectation	Change external expectations through education and inforamtion

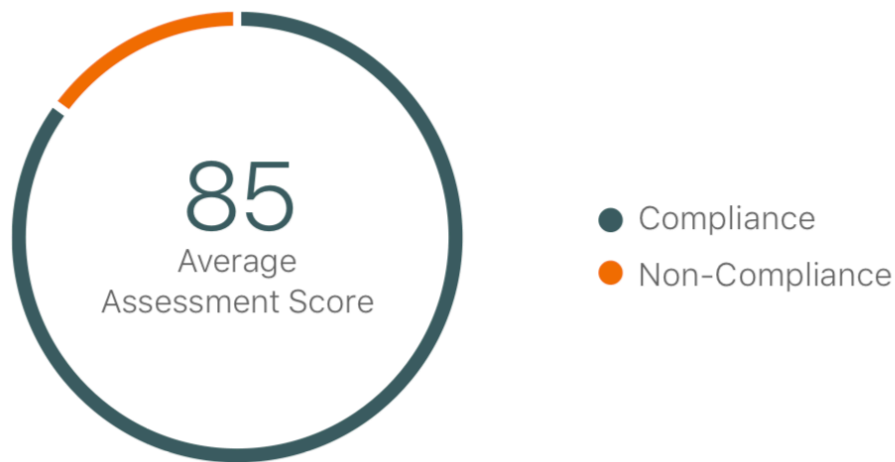
Source: (Hahn and Lülf, 2014:45-46)

13 Appendix 4 – Apple SRR Examples and Dataset

13.1 2017 Apple Labor and Human Rights Metrics:

Figure 5: Labor and Human Rights Compliance Chart

Labor and Human Rights
Compliance



Source: (Apple, 2107:30) 1

13.2 2017 Apple Labor and Human Rights Non-Compliance

Table 5: Apple Labor and Human Rights Non-Compliance Table

Labor and Human Rights

Average Points Deducted for Non-Compliance* : 15.4

Non-Compliance Type	Points Deducted			
	Total Points Deducted	Administrative Non-Compliance	Violation	Core Violation
Compensation	4.7	0.3	4.4	0
Working Hours	4.6	0.6	3.9	0.1
Prevention of Involuntary Labor	1.9	1.1	0.7	0.1
Contracts	1.2	<0.1	1.2	0
Anti-Discrimination	0.8	0.5	0.3	0
Anti-Harassment and Abuse	0.6	0.4	0.2	<0.1
Grievance Mechanisms	0.6	<0.1	0.5	0
Protected Classes	0.5	<0.1	0.4	0
Freedom of Association and Collective Bargaining	0.3	0.1	0.2	0
Prevention of Underage Labor	0.2	0.2	0	<0.1

*Deductions may not amount to totals due to rounding

Source: (Apple, 2017:31)

13.3 2011 Apple Hazardous Substance Management and Restrictions Corrective Actions

Table 6: Apple 2011 Hazardous Substance Management and Restrictions Corrective Actions

2011 environmental audit issues and responses

Hazardous Substance Management and Restrictions

Apple's Code requires suppliers to comply with the most recent version of Apple's Regulated Substances Specification, 069-0135, and with any applicable laws and regulations prohibiting or restricting specific substances. Facilities must identify and manage substances that pose a hazard if released to the environment and comply with applicable labeling laws and regulations for safe handling, transport, recycling, reuse, and disposal.

Issues	Apple response
112 facilities were not properly storing, moving, or handling hazardous chemicals. For example, some facilities did not provide antileakage for hazardous chemicals or provide separate storage for incompatible chemicals. Also, 125 facilities lacked management procedures for handling, movement, and storage of hazardous chemicals.	We required facilities to store, move, and handle hazardous chemicals properly; for example, by providing antileakage devices for hazardous chemicals and separate storage for incompatible chemicals. Also, we required facilities to establish adequate management procedures for handling, movement, and storage of hazardous chemicals.
69 facilities were not recycling or disposing of hazardous waste as required by law, while 74 facilities lacked management procedures for recycling or disposing of hazardous waste.	We required facilities to correct their hazardous waste disposal practices; for example, by turning hazardous waste over to qualified vendors and by maintaining documentation to demonstrate compliance with Apple requirements and applicable laws. We also required facilities to strengthen management procedures covering recycling and disposing of hazardous waste.

Source: (Apple 2012:20)

13.4 2015 Apple Case Study

Image 2: Apple SRR Case Study

Case Study

Impact in Action: Ran's Story

Born and raised in Henan Province, China, 16-year-old Ran has always had a passion for computers. "I like assembling and dismantling hardware," Ran says. "I have a computer at home and have always tried to figure out how it works." But Ran's love of technology had to take a backseat to supporting his family. At just 15 years old, Ran borrowed an ID to bypass a nearby factory's underage labor screening process so he could get a job. In October 2013, one month shy of his 16th birthday, an Apple auditor found him working at the factory. Immediate action was taken, and Ran was enrolled in Apple's Underage Labor Remediation Program.



Ran at his school in Henan province.

“Being able to continue my education is a dream come true. I’d like to find a job in the IT industry after. Maybe I’ll become a network engineer or start my own company.”

Ran, 16 years old

The program required the supplier to fully fund Ran’s safe return home, help finance his education, and continue paying the wages Ran had been earning. The program also worked to improve the factory’s hiring system to help prevent underage labor.

Because Ran was using his factory wages to support his family, he had reservations about leaving his job.

“When auditors found me, I was really nervous and worried, because I thought I would be fired and would have to find another job to help support my family,” Ran recalls. “But when I was told that the remediation program would provide financial support and help me go back to school, I was still nervous but also very happy.”

As part of the six-month remediation, Ran was assigned a local case worker who made sure all program requirements were being met. He was enrolled in a three-year computer course — including two years of classroom training and a one-year internship — at a local technical school.

There he learned basic computer skills and software programs like Adobe Photoshop and Ulead VideoStudio. Ran also participated in computer design and sports competitions, and joined the student union.

“When we first met Ran, he was very shy,” says Ran’s caseworker Eileen. “Now he has made many friends, improved his education, and has grown more confident and outgoing.”




Ran is proving to be an excellent student as well. In fact, he is earning solid grades and is being considered to represent his school at a competition in China this year.

For his part, Ran’s father couldn’t be more proud of his son’s achievements. “My son has done so well in his studies,” says Ran’s father Ran. “I am extremely proud of him and the hardships he’s overcome. And I’m so grateful he’s able to go to school and pursue his dreams.”

Source: (Apple, 2015: 16-17)

13.5 2017 Apple Code, Standards and SRR Overview:

Table 7: 2017 Apple Code, Standards and SRR Overview

Apple Supplier Code of Conduct	Apple Supplier Responsibility Standards	Apple Supplier Responsibility Report
 <p>Apple Supplier Code of Conduct</p> <p>Apple is committed to the highest standards of social and environmental responsibility and ethical conduct. Apple's suppliers are required to provide safe working conditions, treat workers with dignity and respect, act fairly and ethically, and use environmentally responsible practices wherever they make products or perform services for Apple. Apple requires its suppliers to operate in accordance with the principles in this Apple Supplier Code of Conduct ("Code") and in full compliance with all applicable laws and regulations. This Code goes beyond mere compliance with the law by drawing upon internationally recognized standards to advance social and environmental responsibility. When differences arise between standards and legal requirements, the stricter standard shall apply, in compliance with applicable law. This Code outlines Apple's expectations for Supplier conduct regarding labor and human rights, health and safety, environmental protection, ethics, and management practices.</p> <p>Apple will assess its suppliers' compliance with this Code, and any violations of this Code may jeopardize the supplier's business relationship with Apple, up to and including termination. This Code applies to Apple suppliers and their subsidiaries, affiliates, and subcontractors (each a "Supplier") providing goods or services to Apple, or for use in or with Apple products.</p> <p>Additionally, Apple maintains detailed standards ("Standards") that explicitly define our expectations for compliance with this Code.</p>	 <p>Apple Supplier Responsibility Standards</p> <p>The following standards (each a "Standard"; collectively, "Standards") supplement the Apple Supplier Code of Conduct ("Code") by providing additional clarity regarding Apple's requirements. Apple Suppliers must meet these Standards to be in compliance with the Code. The terms and conditions of the Code are incorporated into these Standards and these Standards shall govern and be deemed to modify the Code if there are any conflicting provisions. These Standards apply to Apple suppliers and their subsidiaries, affiliates, and subcontractors (each a "Supplier") providing goods or services to Apple, or for use in or with Apple products.</p>	 <p>Supplier Responsibility</p> <p>2017 Progress Report</p> <p>Supplier Responsibility Manufacturing with the World in Mind Educating & Empowering Supplier Employees Responsible Sourcing 2016 Assessment Scores</p>
<p>Categorical principles and standards outlining requirements for supplier practice.</p>	<p>Detailed description of individual standards outlined in the Code of Conduct.</p>	<p>Provides description of previous years progress and audit findings.</p>
<p>Addressing: Labor and Human Rights, Health and Safety, Environment, Ethics, Management.</p>	<p>Intended to supplement Code of Conduct with detailed subcategorical requirements.</p>	<p>Presents percentages or points in regards to suppliers' compliance rates with the Code of Conduct.</p>
<p>Editions: Version 1 (2005) and 4.3 (2017).</p>	<p>Editions: Version 4.3 (2017).</p>	<p>Published annually.</p>
<p>6 Pages.</p>	<p>93 pages.</p>	<p>Between 4 and 42 pages.</p>

Source: (Apple, 2017a, 2017b, 2017c)

13.6 Apple Supplier Responsibility Report Dataset:

To best show the development of the different issues and additions addressed in Apple's SRRs, and to make it as easy to grasp as possible I have composed a data set of the available information and metrics in these reports provided. This is done in the best of interest and for the sole purpose of clarity. This is provided with reservations to errors in measurements of the data as the presentation of data in these reports vary between years.

Some categories are added as the Code has expanded, some are collapsed and combined, while others are renamed or even removed completely. Another important thing to keep in mind is that Apple never discloses which of their suppliers are audited each individual year, except for distinguishing between new audits and repeat audits making an independent between-year comparison impossible. This dataset does therefore not address any improvements or recession at any individual supplier. The metrics are averages based on overall auditing scores from those suppliers audited the previous year. These inconsistencies create some lack of precision; however, I believe the dataset provides a good timeline of the development of these reports and the general compliance with the Apple Code of Conduct in Apple's supply chain. This is its sole purpose.

Apple Supplier Responsibility Timeline

Table 9: Apple SRR Timeline

Aspect	2007	2012	2017
Theme	“Final Assembly Supplier Audit Report”	Apple and Supplier Responsibility	«Driven by responsibility to people and the planet»
Graphic Design	4 pages; very plain; black and white with one color; no artwork; no photos	27 pages; design and pictures; black and white text, colored boxes and tables; 6 pictures of workers	37 pages; increased use of design and pictures; multiple text colors; 10 pictures of workers (often named) and equipment; 10 graphics.
Graphs, Charts, and Tables	No graphs or tables	1 graph; 15 tables; 9 text boxes;	4 graphs; 8 charts; 3 tables; 9 fact boxes; 5 case studies
Order of contents: Sections and topics	Summary Audit Process Discrimination Freedom of Association Employee Treatment Compensation Working Hours Working and Living Conditions Health and Safety Moving Forward	“Apple and Supplier Responsibility” “Apple’s Auditing Process” Labor and Human Rights <ul style="list-style-type: none"> • Audit results • Core Violations • Labor Initiatives Worker Health and Safety (same subcategories) Environmental Impact (same subcategories) Ethics Management Systems (same subcategories) “Worker Education and Development” <ul style="list-style-type: none"> • SEED program expansion 	Supplier improvement “Manufacturing around the world” “Educating & Empowering Supplier Employees” “Responsible Sourcing” 2016 Assessment Scores <ul style="list-style-type: none"> • Labor and Human Rights • Health and Safety • Environment “Looking forward”
Description of text	Each section addressing issues are structured differently depending on findings. Some start with a description of the problem, or how the auditing of the specific issue was conducted, while some directly address the findings. They all end with a description of corrective action	Each section addressing audit findings are structured as follows: (1) Description of requirements in code of conduct for each subcategory; (2) Overall audit results in table; (3) Description of violations and corrective actions in table (4) Description of Core Violations; (5) Description of special issues in category.	Each section addressing audit findings are structured as follows: (1) Description of requirements in code of conduct for each subcategory; (2) Overall compliance rate chart with description of findings and corrective actions; (3) Table of individual subcategory compliance scores

Source: (Apple, 2007, 2012, 2017)

14 Appendix 5 – NSD Approval, Email to Apple, and Interview Request

14.1 NSD Approval:



Lars Mjøset
Postboks 1096 Blindern
0317 OSLO

Vår dato: 06.04.2018

Vår ref: 59928 / 3 / LT

Deres dato:

Deres ref:

Forenklet vurdering fra NSD Personvernombudet for forskning

Vi viser til melding om behandling av personopplysninger, mottatt 19.03.2018.
Meldingen gjelder prosjektet:

59928	<i>Apple Inc. Supplier Responsibility Reports: Supplier Responsibility Reports as strategic legitimization of power</i>
Behandlingsansvarlig	<i>Universitetet i Oslo, ved institusjonens øverste leder</i>
Daglig ansvarlig	<i>Lars Mjøset</i>
Student	<i>Bendik Mogenen</i>

Vurdering

Etter gjennomgang av opplysningene i meldeskjemaet med vedlegg, vurderer vi at prosjektet er omfattet av personopplysningsloven § 31. Personopplysningene som blir samlet inn er ikke sensitive, prosjektet er samtykkebasert og har lav personvernulempe. Prosjektet har derfor fått en forenklet vurdering. Du kan gå i gang med prosjektet. Du har selvstendig ansvar for å følge vilkårene under og sette deg inn i veiledningen i dette brevet.

Vilkår for vår vurdering

Vår anbefaling forutsetter at du gjennomfører prosjektet i tråd med:

- opplysningene gitt i meldeskjemaet
- krav til informert samtykke
- at du ikke innhenter [sensitive opplysninger](#)
- veiledning i dette brevet
- Universitetet i Oslo sine retningslinjer for datasikkerhet

Veiledning

Krav til informert samtykke

Utvalget skal få skriftlig og/eller muntlig informasjon om prosjektet og samtykke til deltakelse.

Informasjon må minst omfatte:

- at Universitetet i Oslo er behandlingsansvarlig institusjon for prosjektet
- daglig ansvarlig (eventuelt student og veileder) sine kontaktopplysninger
- prosjektets formål og hva opplysningene skal brukes til

Dokumentet er elektronisk produsert og godkjent ved NSDs rutiner for elektronisk godkjenning.

14.2 Email to Apple:

Subject: Questions about supplier responsibility reports for masters thesis
Date: Tuesday, 17 April 2018 at 20:07:40 Central European Summer Time
From: Bendik Granheim Mogensen
To: supplierresponsibility@apple.com
Attachments: Request for participation in research project2.docx

To Whom It May Concern:

My name is Bendik Mogensen, and I am Master's student at the University of Oslo, writing my thesis in Sociology. I am doing a case study of Apple's Corporate Responsibility efforts and believe that information directly from Apple would benefit my analysis as well as offering Apple a say in the final conclusion is only fair to the company.

I would therefore like to invite someone from your Sustainability department to talk about the efforts and initiatives laid out in your Supplier Responsibility Reports. My main interest and focus aims at the motivations and reasons behind the implementation of the standards, programs and efforts.

There are in fact some contradicting evidence out there from NGOs and activist group reports, and I would therefore truly appreciate the opportunity to include your side of the story beyond the information provided in the Supplier Responsibility Reports. I believe these reports' limited capacity for providing complete information due to restricted attention and comprehensibility on the readers' part, can only bring forth parts of the story from your side. The inclusion of supplemental information directly from one of your representatives will thus allow for a more fair and nuanced discussion and conclusion of the thesis.

Attached is a request for participation form outlining the project in more detail, asking for your consent to participation.

My dates are very flexible and I would be able to accommodate any time that works best for you before May 7th.

Thank you for your time and consideration,
I hope and am looking forward to hearing back from you.

Sincerely,
Bendik Mogensen
+47 975 48 060
bendikgm@student.sv.uio.no

14.3 Request for Participation in Research Project:

Request for participation in research project

“Apple Inc. Supplier Responsibility Reports: managing corporate legitimacy through CSR reporting”

Background and Purpose

The data collected for this project is to be used as supplemental information in a master's thesis of sociology at the University of Oslo. The project is looking at corporate social responsibility in the supply chain of the multinational corporation Apple Inc. The primary methodology is a content analysis of Apple Inc.'s annual non-financial reports addressing social and environmental impacts of global production. More specifically, the project aims at uncovering legitimacy strategies employed in these reports and how they might become a tool of negotiating corporate legitimacy with stakeholders.

Selection of Informants

The selection of informants for this project is based on their knowledge around Apple Inc.'s supply chain and its impact on society and the environment, as well as their ability to supplement information beyond what is available in written documents such as Apple Inc.'s responsibility reports, NGO reports, and in the media. These written sources form the primary evidence for the research. As a supplement to the written materials, it is advantageous to draw on the knowledge of informants with differing views, perspectives and relationships to Apple's production. Based on your knowledge and familiarity with Apple Inc.'s operations and production, your insight would be highly valuable to this project.

What does participation in the project imply?

I intend to conduct semi structured interviews with around 5 or 6 informants with the duration of about 30 minutes. The information sought from informants do not revolve around personal or sensitive personal data, but rather around information and knowledge about corporate practice. The questions will be related to Apple Inc.'s corporate social responsibility efforts as well as the content within their Supplier Responsibility Reports. The interviews will be conducted via skype or phone and recorded to later be transcribed.

What will happen to the information about you?

All information will be treated with confidentiality, and only accessible to the student. The audio files will be securely saved on a password encrypted memory unit and securely stored. If anonymity is preferred, a scrambling key is developed and kept on a separate and password-secured memory unit. This is done to provide the assurance of confidentiality to those informants who prefer this. The only information able to render an informant recognizable will be, job title and the duration of this position, which will therefore not be disclosed in the final project if preferred by informant.

The project is scheduled for completion by 15/5-18 and all data will be securely stored for 3 months before they are deleted.

Voluntary participation

It is voluntary to participate in the project, and you can at any time choose to withdraw your consent without stating any reason. If you decide to withdraw, all your personal data will be made anonymous.