

# Potential Coping Strategies to the Impact of COVID-19 on Global Supply Chain—With the Case of Bangladesh Garment Industry

Yuxin Liu<sup>1,\*</sup>

<sup>1</sup>*School of Economics and Management, Beijing Jiaotong University, Weihai, China*

*\*Corresponding author*

**Abstract:** *COVID-19 has caused lots damage to human's health and world economy. To come up with potential coping strategies to the impact COVID-19 causes on global supply chains, this research report uses the case of Bangladesh garment industry and analyses 235 answers to the questionnaire. By analysing the relationship between CSR and consumers' purchase behaviour, gender and identity difference in CSR perception and legal restriction to CSR, the potential coping strategies can be concluded as: each section in global supply chain should pay attention to CSR and consumers' purchase behaviour form various perspectives like genders and occupations; governments should step in and make laws to set legal restrictions on the application of CSR.*

**Keywords:** *COVID-19, CSR, Supply Chain*

## 1. Introduction

Euronews (2020) claimed that COVID-19 creates unprecedented influence on the global economy and social stability. Bangladesh is a developing country, which is a lower-middle-income economy with one of the world's densest populations (Anwar, et. al., 2020). Garment industry accounts for more than 80% of the country's exports, and more than 4.1 billion workers rely on these jobs. The pandemic nearly destroys their life because most of their orders are cancelled, which makes them to be fired or furloughed (Bain, 2020). So, for Bangladesh, it is a huge challenge to maintain stability of society. The cancel of orders and the delay of payment from fashion companies are the violation of corporate social responsibility (CSR). To come up with feasible methods to reduce the impact that COVID-19 causes on global supply chain, our group find and analyse the influence of COVID-19 pandemic on CSR and the potential ways to cope with this situation with the case of Bangladesh garment industry.

## 2. Literature Review

### 2.1. CSR and Consumer Behaviour

European Commission (2001) suggested that corporative social responsibility is that “companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Porter and Kramer (2002) claimed that CSR is beneficial for both society and companies themselves because of the advantages it brings to the society. From customers' perspective, whether a company conduct CSR has impact on their attitude, purchase intentions, consumer–company identification, loyalty, and satisfaction (Magdalena et. al., 2013). In the same vein, Biehal and Sheinin (2007) said that customers have the tendency to make comments on enterprise and the products according to CSR, which is the reason why negative CSR has more influence on customers' behaviour. Besides, as Brown and Dacin (1997) suggested, “negative CSR associations ultimately can have a detrimental effect on overall product evaluations, whereas positive CSR associations can enhance the product evaluations”.

However, according to Mohr et.al. (2001), only a small proportion of customers consider CSR as one of the standards of consumption. Furthermore, Sen, Bhattacharya and Korschun (2006) found that public awareness of CSR is generally low. In addition, it is argued that how customers' perceptions of CSR on enterprises and product affect evaluations is based on valence, in which negative CSR is a concern of the public, and only passionate fans support positive CSR (Sen and Bhattacharya, 2001). Different attitudes

from different people demonstrate that public are more likely to be sensitive to negative CSR issues.

While these researches suggest that customers' purchase behaviour and attitudes have relationships with CSR in normal conditions, it is unclear that whether people's concern on CSR will change when coming across some breaking events like COVID-19, which have negative impact on supply chains. According to public different attitudes, various potential coping strategies can be come up with to solve the problems.

## **2.2. Gender and Identity Differences in CSR perception**

Gilligan (1982) claimed that when being exposed to ethic problems, compared to men who use a justice orientation, women tend to make use of a care orientation. So, when it comes to relationships, women have more preference. However, men are more interested in talking about some topics that are less individual (Aries and Johnson, 1983). Because of the gender differences in self-identity, female consumers pay more loyalty to personal relationships while men are more loyal to a social group (Melnik et. al., 2009). According to Wong and Wan (2011) women are more concerned to ethic problems and more engaged to friendly corporative behaviour than men. Corporation social responsibility (CSR) is what enterprises do for the society, which is on the ethic perspective. According to the gender difference and the researches which are conducted by Aleksandra in 2018, female customers have higher CSR expectations of companies than male customers.

According to the research which was conducted by Hur, Kim and Jang (2016), "the positive relationship between CSR perception and corporate brand equity was stronger among men than women. In addition, the negative relationships between CSR perception and corporate distrust and between CSR perception and corporate hypocrisy were both stronger among men than women".

Magdalena (2013) put forward those employees in corporations and customers distinguish among CSR domains. Considering the gender and identity differences in CSR perception, it is necessary to put corresponding emphasis to reduce the negative impact on global supply chain.

## **2.3. CSR and Laws**

Carrol (1979) claimed that it is both voluntary and mandatory for social responsibilities but the dominant understanding is still voluntarism. Since CSR is mainly voluntary, there exist nearly no restriction on the application of CSR (Seele and Gatti, 2015). Therefore, one of the characteristics of CSR is self-regulation (Cominetti and Seele, 2016). With the help of self-regulation, public trust to enterprises increases and negative public comments are reduced (Castro, 2011). Furthermore, self-regulation of CSR helps companies to "have greater access to the market, saving costs, innovate, and increase social benefits" (Mahmudur Rahim, 2013).

While self-regulation in CSR should be implemented, there exists a need for hard legal regulation of CSR in international supply chain (Katerina, 2011). Cominetti and Seele (2016) suggested that governments have little interest to make CSR mandatory. However, in many countries, obligations and legal standards have been set for enterprises to apply CSR (Amao, 2011).

COVID-19 causes many enterprises dismiss their CSR regardless of rights of workers. In this circumstance, companies do not feel responsible for the rules. It is necessary for governments to play a role in in CSR context and make laws especially during hard situations.

## **3. Methodology**

### **3.1. Research Philosophy**

In the research, we adopted interpretivism. How the impact that COVID-19 causes on global supply chain is a social phenomenon. To study the impact of COVID-19 on CSR in global supply chain is a huge task for us. So, to be specific and narrow down the big question, we chose a case in Bangladesh garment industry. In this typical case, we can adopt an empathetic stance (Saunders and Thornhill, 1900) and see the problems form the parties' perspectives. According to the situations, we can analyse the customers' behaviour and find whether CSR laws are necessary.

Because of the gender and identity differences in CSR perception, we need to collect primary data to confirm the relationships. Through this, we can come up with corresponding methods to deal with the

negative impact that COVID-19 causes on global supply chain. So, we adopted positivism. We create a questionnaire to collect data and do analysis. During the process, we are objective and independent from the data.

According to the quantitative research, we deduct that CSR does have influence on customers behaviour; different genders and identities have different expectations of CSR. According to the deduction, we can come up with corresponding method to the impact of COVID-19.

### **3.2. Data Collection Techniques**

To verify the situation referred in the case and collect public opinions, we created a questionnaire and received 235 responses. To confirm that CSR has influence on customers' behaviour and attitude, we asked their opinions on the importance of CSR in fashion companies and their preference for fashion companies who implement CSR. Considering the difference of gender and job causing different opinions on CSR, we divided the responders into male, female and students, workers and compared their answers. Based on the situation in Bangladesh garment industry, we come up with corresponding methods like making laws to cope with the crisis and listed them in the questionnaire.

The classification of gender and job gives us more angle to analyse the CSR problems in the crisis and is helpful to generate more ideas and method to deal with the hard circumstance.

However, because most people we can be accessed to are students of our ages, they account for a large proportion in the response. To reduce the influence of volume variance between students and people who are working or doing something else, we just compare the proportion of answers and the number is used for reference.

### **3.3. Pilot Study**

After finishing the initial questionnaire, we completed it in our team and check whether it is appropriate for our objective. Due to the pilot study, we remove a question: With the background mentioned above, are you willing to make a purchase to improve the living condition of garment industry workers in Bangladesh? and add a possible coping strategy from local companies' perspective. The original question is a little bit subjectivity and makes use of people's sympathy, which is not incongruent to our research's objective.

### **3.4. Ethics**

We attached an Informed Consent Form at the beginning of our questionnaire. Only after reading the Informed Consent can all participants finish the questionnaire, which reported their acceptance regarding their participation in the research.

## **4. Findings, Analysis and Discussion**

### **4.1. Case study**

Based on the case of Bangladesh garment industry, COVID-19 has much impact on the supply chain. Many stores are forced to closed to implement the social-distance measures because of the pandemic. The demand of new clothes has plunged, which caused many fashion companies cancelled their orders and delay the payment, as it shows in Figure 1. Because of the delay and cancelling, 58% of Bangladeshi clothing suppliers had to stop most or all of their operations (Bain, 2020). In Bangladesh, there are over 4.1 million workers work in garment industry and many of them survive on these jobs. Because fashion companies ignore their CSR, more than a million of them have already been fired or furloughed according to Penn State University's Centre for Global Workers' Rights and the Worker Rights Consortium (WRC).

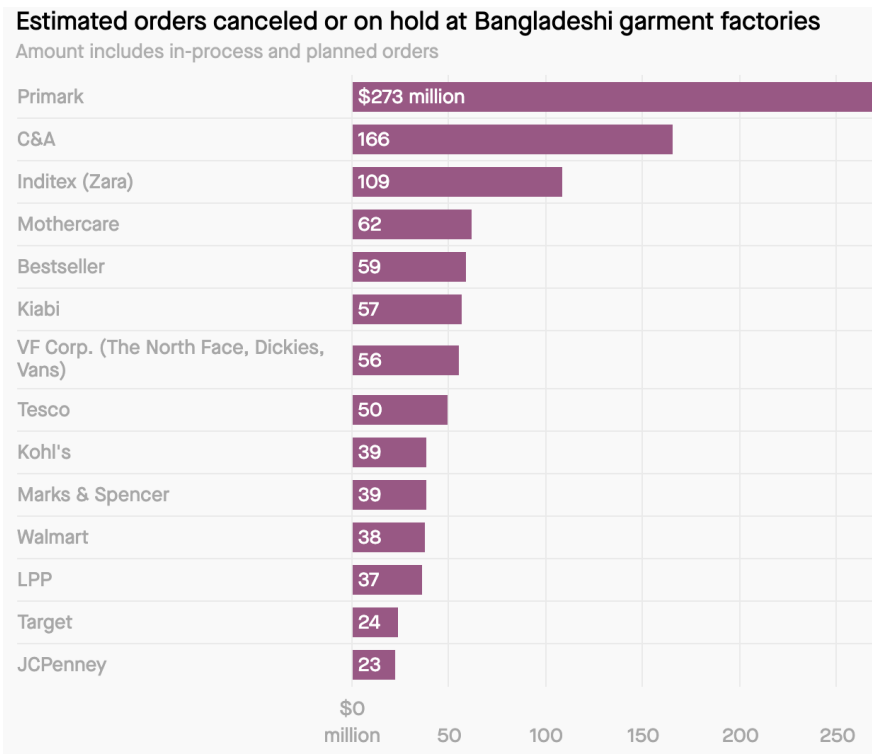


Figure 1: Estimated orders cancelled or on hold at Bangladeshi garment factories.

As we can see in Table 1, based on our questionnaire, among 235 participants, nearly 60% people's demand for new clothes has plunged during quarantine time. According to the data, it demonstrates reason why the orders for fashion companies decrease, which leads these fashion companies to cancel their orders and delayed payments in Bangladesh garment industry.

Table 1: People's demon for new clothes during quarantine.

Has your demand for new clothes plunged during quarantine life?		
Option	Number	Proportion
Yes	139	59.14%
No	96	40.86%
Total number	235	

For some companies like Primark, they will cancel all orders regardless of future operations. According to Primark spokesperson, in 2019, they did 7.8 billion-pound sales and earned 913 million-pound profits. However, Primark is losing 650 million-pound sales per month because of COVID-19 (Primark, 2020). For some enterprises like ZARA and LPP, they will pay for orders both already finished and in production in spite of loss. The phenomenon shows that whether companies carry out their CSR is voluntary. That is to say: for the fashion companies and clothes retailers in this case like ZARA, H&M and Primark, the legal obligations for them are not straightforward. According to Bain (2020), to help the workers in garment industry, a stimulus method which was worth about \$588 million was conducted by Bangladesh government to help companies cover their workers' wages. However, there are no laws to make CSR mandatory. What they did ignored how to maintain the relationships in the global supply chain and dismissed the stability of the society.

Some fashion companies in this global supply chain claimed that they would live up to commitments and pay for the orders to keep the stability in market. In their responses, they all emphasized the workers in Bangladesh garment industry and promised to be responsible for the orders (Bain, 2020). By making these promises and adopting CSR, they wanted to increase their sales online and kept their reputation.

#### 4.2. CSR's Influence on Customers' Purchase Behaviour

As we can see in Table 2, 222 (nearly 95%) people believes that it is indispensable for fashion companies to carry out their CSR. The data demonstrates that whether companies have CSR is important in public mind.

Table 2: People’s opinions on the importance for fashion companies being socially responsible.

Do you think it’s important for fashion companies to be socially responsible?		
Option	Number	Proportion
Yes	222	94.47%
No	13	5.53%
Total	235	

Table 3 shows that most people (88.51%)’s attitude to companies who carry out CSR is good and they are willing to choose the products of these companies. This phenomenon shows that customers’ attitude and purchase intentions will be affected by what companies do relate to CS R.

Table 3: People’s preference on companies which carry out CSR.

If a fashion company promises not to cancel orders and is willing to cover production costs, would you be more likely to choose this company in the future?		
Option	Number	Proportion
Yes	208	88.51%
No	27	11.49%
Total	235	

In the case study, especially in quarantine, most companies made commitment to carry out their CSR to obtain public preference, which can do a lot of help to maintain their own operations. According to Magdalena et.al. (2013), customers’ attitude, purchase intentions, loyalty and satisfaction are influenced by whether companies carry out their CSR. Due to COVID-19, customers will pay more attention to CSR in the age of information. During quarantine, people spend more time online at home, which makes them to get access to more up-to-date news. Once companies dismiss their CSR, consumers will have bad impression on them and make negative comments on the products and companies. In this special period, the defect will be enlarged. This kind of negative effects on CSR has more effects on consumers’ purchase behaviour (Brown and Dacin, 1997; Biehal and Sheinin, 2007). According to the analysis, enterprises should pay more attention to carrying out their CSR to attract consumers’ attention. It is helpful to maintain not only the normalcy of global supply chain but also the stability of companies.

4.3. Gender and Identity Differences in CSR Perception

4.3.1. Gender Differences

Among the 235 participants, there are 74 men and 158 women. 3 people have their own self-identified gender. Considering the small number, we dismiss the choice they made and emphasize male or female choice. 179 participants are still in school and 43 are working.

As we can see in Figure 2, compared to men, the proportion of women who think CSR is important for fashion companies is larger and near 100%. It means that women attach more importance on CSR.

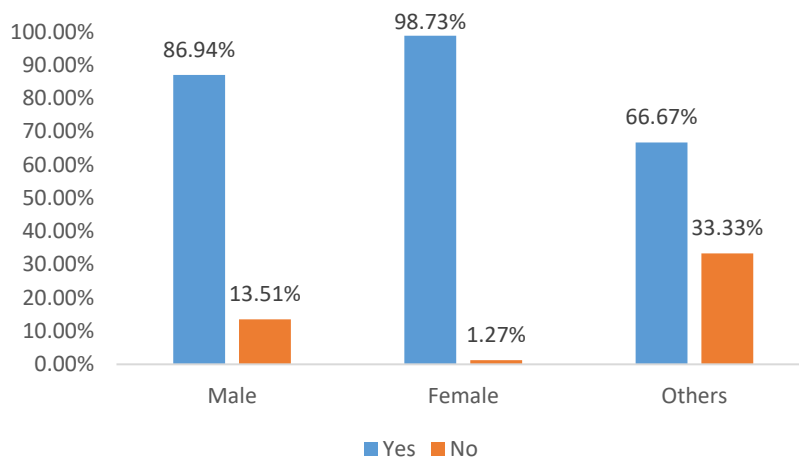


Figure 2: Distribution of people’s opinions on the importance of CSR (by gender).

Figure 3 demonstrates that women are more willing to choose companies which are socially responsible and purchase their products. The data shows that women use a care orientation when it comes to CSR problems.

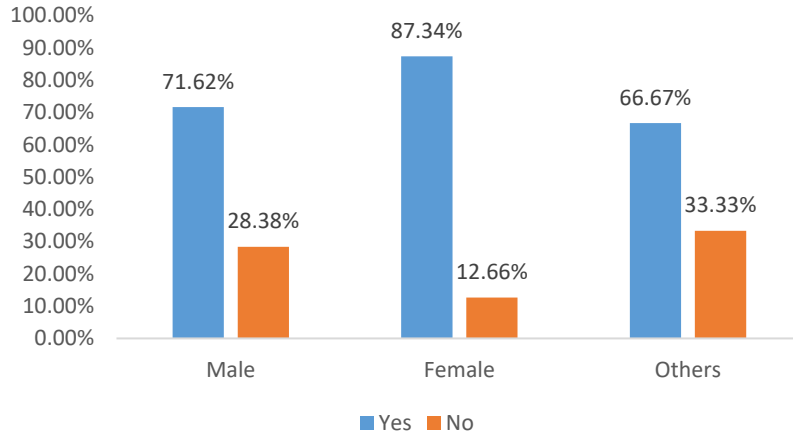


Figure 3: Distribution of people's choice of companies with CSR (by gender).

Because different genders use different orientations to considering ethic problems (Gilligan, 1982), compared to man, women have higher CSR expectations of companies. In the case study, the decisions fashion companies made are related to 4.1 million Bangladesh workers' life. So, it is obvious an ethic problem. On the basis of CSR's influence on consumers' behaviour, companies, especially those related to female, should pay more attention women's opinion and attitude.

**4.3.2. Identity Differences**

As Figure 4 shows, people who are working are more likely to choose companies which cover production costs and carry out CSR. Compared with students, People who are in work prefer companies with stronger CSR. Employees in corporations and customers distinguish among CSR domains (Magdalena, 2013). The reason is that they are the people who have experienced the CSR directly. So, companies should care about workers in each section of supply chain.

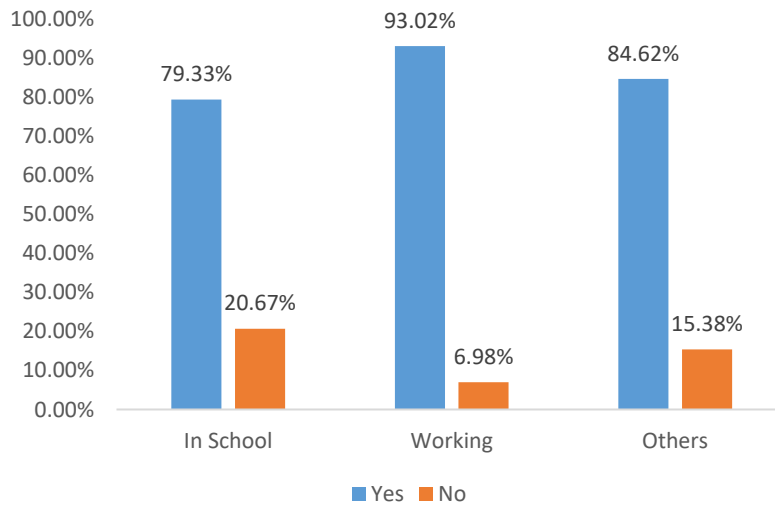


Figure 4: Distribution of people's opinions on the importance of CSR (by identity).

**4.4. CSR and Laws**

According to responses to the questionnaire, 165 people believes that it is necessary to make laws and regulations on uncontrollable factors to guarantee the rights and interests of factories and workers. In the case study, it is voluntary for fashion companies and clothes retailers to carry out their CSR. Though some companies like ZARA and H&M made the commitments that they would not cancel the orders and would pay the money, it is uncertain and not guaranteed whether they will meet their promises. Self-regulation is implemented among most companies when it comes to CSR (Seele and Gatti, 2015).

While CSR is both voluntary and mandatory, it is necessary to set restrictions on the implementation

of CSR in global supply chain (Katerina, 2011). During the quarantine, governments' responsibilities is to keep the stability of the whole society. Each country in the supply chain should make efforts to make laws and promise the rights of workers especially in quarantine.

## 5. Findings, Analysis and Discussion

In conclusion, due to COVID-19, each section of global supply chains is influenced negatively. For the companies in international supply chains, it is indispensable for them to pay more attention to CSR, which have impact on consumers' behaviour and attitude. Besides, each company should reach a consensus of shared profits. To regulate companies' application of CSR, governments should step in and provide legal restriction on CSR. With the legal restrictions, each section in supply chains can attach more importance on CSR and keep the stability. Only governments and enterprises working together can we keep the harmonious relationships.

### 5.1. Limitations and Future Research

Though the case study is closely related to the topic, it is necessary to search more information about Bangladesh garment industry. The most academic information is about how to deal with the negative impact COVID-19 causes from the perspective of health, so it took more time to search for corresponding information. The future research will be more precise with more news and researches in this field.

When it comes to the questionnaire, it is difficult for us to get access to all kind of participants. Our identity determines that the responses are most from Chinese students. The difference of numbers makes the research not accurate enough. With more time and chances, participants can be various and more coping strategies can be come up with.

## References

- [1] Aleksandra Zaleśna. (2018). *CSR and A woman: Potential Applicants' Expectations Of CSR And Gender Differences*. *Torun Business Review*, 16(3), 35-45.
- [2] Amao, O. (2011). *Corporate social responsibility, human rights and the law: Multinational corporations in developing countries*. Taylor & Francis.
- [3] Anwar, S., Nasrullah, M., & Hosen, M. (2020). *COVID-19 and Bangladesh: Challenges and How to Address Them*. *Frontiers in Public Health*, 8, 154.
- [4] Brown, T. J., & Dacin, P. A. (1997). *The company and the product: Corporate associations and consumer product responses*. *Journal of marketing*, 61(1), 68-84.
- [5] Cominetti, M., & Seele, P. (2016). *Hard soft law or soft hard law? A content analysis of CSR guidelines typologized along hybrid legal status*. *Uwf UmweltWirtschaftsForum*, 24(2), 127-140.
- [6] Mohr, L. A., Webb, D. J., & Harris, K. E. (2001). *Do consumers expect companies to be socially responsible? The impact of corporate social responsibility on buying behavior*. *Journal of Consumer affairs*, 35(1), 45-72.
- [7] Gilligan, C. (1993). *In a different voice: Psychological theory and women's development*. Harvard University Press.
- [8] Hur, W., Kim, H., & Jang, J. (2016). *The Role of Gender Differences in the Impact of CSR Perceptions on Corporate Marketing Outcomes*. *Corporate Social Responsibility and Environmental Management*, 23(6), 345-357.
- [9] Katerina Peterková (2011). *Enhancing Social Responsibility within Global Supply Chains: Is Legal Regulation the Optimal Solution?* *Nordicum-Mediterraneum*, 6(1), B4.
- [10] Porter, M. E., & Kramer, M. R. (2002). *The competitive advantage of corporate*.
- [11] Saunders, M., & Thornhill, Adrian. (1900). *Research Methods for Business Students*. (5th ed.). Pearson Education UK.
- [12] Sen, S., & Bhattacharya, C. B. (2001). *Does doing good always lead to doing better? Consumer reactions to corporate social responsibility*. *Journal of marketing Research*, 38(2), 225-243.
- [13] Sen, S., Bhattacharya, C. B., & Korschun, D. (2006). *The role of corporate social responsibility in strengthening multiple stakeholder relationships: A field experiment*. *Journal of the Academy of Marketing science*, 34(2), 158-166.
- [14] Öberseder, M., Schlegelmilch, B., & Murphy, P. (2013). *CSR practices and consumer perceptions*. *Journal of Business Research*, 66(10), 1839-1851.