

# Corporate Social Responsibility Learning in the Ethiopian Leather and Footwear Industry

Mathias Nigatu Bimir matue88@gmail.com  
Lecturer, Kotebe University College, Ethiopia

**Abstract**— The past few decades have shown an increasing progress towards business role in social and environmental concerns other than business as usual. Such corporate social responsibility role became an important tool for corporate success and inclusive development. To that end, learning business organizations strive to erudite sustainability practices to meet the interests of stakeholders. Applying organizational learning concepts and norm life cycle theory, this study was carried out to investigate CSR learning in the leather and footwear firms of Ethiopia. It was carried out as a qualitative case study, informed by the selected leather and footwear firms, industry association and leather industry development institute along with literature review. Interviews and content analysis of policy/regulatory documents were the main methods employed. Findings show that firms' learning social responsibility is at emergence stage with the state and foreign market pressure as key motivators. While regulating environmental and labour conditions, the state offers incentives for higher economic responsibility of firms. Then, there exists collaborative learning in the firm-state institutions affinity while civil society organizations are away from nurturing responsible investment. Because firms see each other as rival, there is isolation which deters inter-firm learning.

**Index Terms**— Corporate Social Responsibility, Organization, Learning, Firms, norm life cycle, state, leather industry,

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## 1 INTRODUCTION

Corporate Social Responsibility is a concept that indicates the increasing role of businesses in the society. The promise for CSR is that business organizations behave in a way that is ethically acceptable and at the same time contributing to the economic development and improvement of living conditions. Recent growth in the number and size of multinational firms, coupled with their expanding global reach, has heightened awareness of CSR as an international topic (Damiano & Pompermayer, 2007; Eweje, 2006) in Robertson (2009). The increasing interest in CSR in recent years has stemmed from the advent of globalization and international trade, which have reflected in increased business complexity and new demands for enhanced transparency and corporate citizenship.

For most major companies, the inclusion of CSR policies can be understood as a strategic response to address reputational issues surrounding public concern over the environmentally damaging practices (Dashwood, 2012). To grasp why and how firms adopt CSR policies, however, rationalist calculations must be brought together with an analysis of organizational learning and norms socialization processes. Organizational learning literatures provide important insights into how management interprets and responds to CSR pressures to improve their policies and practices.

Ethiopia is one of the developing countries striving to develop private sector role in its development. Being under the challenge of poverty, governance gaps, and access to social services etc., there is desperate need for role of private firms in society. Until 1991, the country was so-

cialistic and private ownership of firms did not exist. A market oriented economy was declared in 1991 which brought the emergence of private companies in various sectors. In this respect, the private sector is expected to be the dominant actor in the economy with the favorable investment environment created. However, many people believe that companies are not shouldering their responsibility to their employees, environment and society.

In developing countries like Ethiopia, responsible operation of firms is basic for social and economic development. With this premise, firms in Ethiopia need to adopt a socially responsible business practice given they operate in a society that is challenged with social, economic and environmental problems which indirectly will affect their survival in long time. Their social responsibility engagement is imperative for their profitability and success as it builds their reputation, customer attraction and compliance to international supply chain standards as well. In addition, adoption of socially responsible practices in Ethiopia is essential for the country's green economy policy initiated in 2011.

In a study carried out by Mouly and Temesgen (2008), Ethiopian companies expressed 100 percent positive attitude in implementing CSR towards all stakeholders but only 40 percent of them felt positive in periodic disclosure to shareholders. It is unclear why they were not interested to disclose to date. In another study carried out by Robertson (2009) revealed that the private sector in Ethiopia strives but not active in CSR and private-public partnership is very limited. Shiferaw (2007) in Robertson (2009) also added that when private sector grows stronger, CSR will experience parallel growth. Yet the learning process to-

wards responsible business in Ethiopia is unexplored which need investigation so that the status of firm's adoption of CSR can be known.

Among these, a sector of leading role in its economy and employment is the leather & footwear industry. This industry is known for its significant contribution in employment & foreign currency earnings. This is because the country has one of the largest livestock in Africa and produces high-quality semi-processed leather (Staveren & Knorringa, 2007). On the reverse side, it's known for environmental pollution as a result of hazardous chemicals in the tanning process. Researching social responsibility in the leather and footwear industry is a value added in exploring CSR erudition and adoption for inclusive development

### Research Questions

How firms in the leather and footwear industry learn to practice corporate social responsibility?

### Sub Questions

- What kinds of practices constitute the CSR engagement of firms in the industry?
- In what ways different motives influence firms to adopt CSR practices?

## 2. LITERATURE & THEORETICAL FRAMEWORK

Literatures reveal that learning occurs in different modalities both at individual, organizational and societal levels. Firms do learn new systems, operations and ways of doing things through different mechanisms and for different purposes. The process of firms' adoption of social responsibility is a process of organizational learning. Grant (1996) stated that organizational learning requires knowledge acquisition, and acquiring knowledge thus entails that the information is existing and that the firm actively searches for this information. Adapting Javernick-Will's (2009) conception of organizational learning, firms learn through two modalities. One is direct experience by them and the other is experiential learning which denotes experience sharing from other organizations. Yeung et al. (1999) further discussed that contextual characteristics in which an organization operates- including rapidity of environmental change, competitive strategy, slack resources, and present-day success of organization affect the choice of learning method including industry specific features. Hence, firms adopt new norms and systems of operating depending on the specific context in which they operate.

The broader organizational learning theory identifies two stages of learning in organizations depending on the scope of learning. One is lower levels of learning (*superficial learning*) -which is reactive learning that happens within a given organizational structure and set of rules.

The other is higher levels of learning (*substantial learning*) which is proactive learning that try to adjust the overall rules and norms rather than specific activities and behavior (Yeung et al., 1999). However, these approaches to CSR learning process lacks to elaborate the mechanisms such as intra/inter-firm learning, partnerships, state & CSO dynamism in advancing CSR just focusing more on the business case learning for strategic purpose.

A common typology of organizational learning schemes is of three ways. Firms learn internally themselves (intra-firm), from other firms in same industry (inter-firm) or from other sector organizations (cross-sector alliance learning).

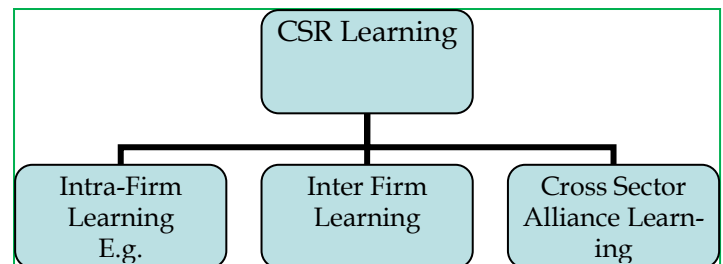


Fig. 1 CSR Learning Typology

Organizations regularly assess their gaps to improve existing system through acquiring new knowledge. Such intra firm learning occurs when an organization creates and shares knowledge with in the firm to improve or tackle existing limitations. Cangelosi and Dill (1965) suggested that such learning occurs at individual, group, and organizational levels.

Inter-firm learning is one important way to adopt new styles of operation in firms. As the degree of innovativeness, strength and other features vary between firms, one learns from the other to shape its operation and meet expectations from consumers, government, activists and other actors. However, the degree of social capital in an industry and trust between firms will have its impact on the degree of inter-firm learning. Inter-firm learning can be within or across industry. Inter-firm learning is experiential learning where one firm's experiences and practices are benchmarked or adopted in partnership learning.

It is evident that joint efforts between businesses, not-for-profit groups representing poverty, human rights, activist and mainstream environmental groups for formulation governance of codes of conduct in a variety of industries are on the rise (Overdevest, 2004). According to Bindu & Jane (2006), cross-sector alliances are defined as partnerships between for-profit organizations and not-for-profit organizations such as local and international NGOs or IGOs. Cross-sector alliances are identified as precursors of increased learning in that sectors can learn from one another.

er while meeting the needs of partnering institutions (Sagawa and Segal, 2000).

An important theoretical approach that directly relates to the study of norms like CSR is the "norm life cycle" model formulated by Finnemore and Sikkink (1998).

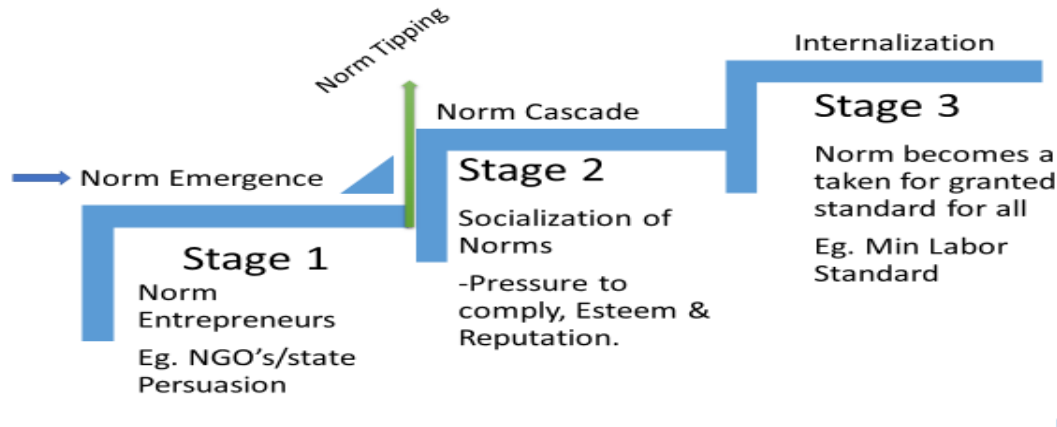


Fig. 2 Norm Life Cycle

The Norm "Life Cycle" Model is a prototypical case of a theoretical vehicle to conduct research on the role that norms play (Nora, 2011). It contains arguments regarding the origins of norms, which norms will be significant and how they affect actor's behavior as well as the conditions needed for this influence to take place. It distinguishes three stages which are norm emergence, norm cascading and internalization. CSR, therefore, is adopted as a norm construction understood via stages, each marked by a different social process and logic of action (Nora, 2011).

In the concept of norm life cycle, the first stage is comprised of acts such as altruism, empathy, idealism and commitment (Knorringa, 2010) which are the motives behind norm entrepreneurs to push for those behaviors. An important example mentioned in this step is a push for better labor standards in firms. Segerlund (2007) also stated that a successful norm creation contains two common elements i.e. norm entrepreneurs and organizational platforms. In a study on responsible production, Knorringa (2012) mentioned CSOs as important components in first stage in either showing effective ways of practicing norms or through blaming and shaming approach to force companies to behave in a socially responsible manner.

Once a norm is recognized and is well promoted by norm entrepreneurs, it will then transform to a **cascading stage**. And norm tipping takes a norm to the cascading phase where legitimacy, reputation and esteem become the motives for companies to engage in what is believed as the right thing to do (Helmsing & Vellema, 2012). **Norm tipping** indicates the institutionalization of a norm through international rules, organizations (such as ILO), agreements etc. Norm tipping to occur, certain mass of actors including non-state ones are needed to support and need to

become norm entrepreneurs/leaders themselves and also adopt the norm (Segerlund, 2007). The second stage, norm cascading, then involves demonstration and process of socialization while those violating the norm are pressured to comply.

At the third stage, **Internalization**, norms which were a matter of socialization previously have now become generally accepted and internalized by actors and are more or less taken for granted. A norm at this level is a generally accepted minimal standard to which all companies need to conform (Helmsing & Vellema, 2012). For instance, a new law on minimum labor standard might be institutionalized further in this stage.

#### Motivations for firms' CSR adoption

In most of the literatures, three streams of factors are seen as motivating firms to practice socially responsible operation i.e. (i) strategic business motivations, (ii) ethical and moral motivations and (iii) existing and future regulations in the business world. The three streams of motivational factors bring either a push or an attraction to firms to adopt social responsible practices.

Van & Graafland (2006) discussed strategic and business motivations are derived from the belief that CSR efforts will (in the long term) have a positive influence on the firm's economic gain on the belief that it improves the company's reputation, increases employee motivation and organizational commitment as well as innovation. In many studies, it is found that CSR has positive correspondence with financial performance of enterprises.

Besides a financial motive to engage in CSR, many companies have a culture that is committed to certain business principles including moral duties (Van & Graafland, 2006). The notion of moral motivation is associated with what is reflected as legitimate behavior expected from business enterprises. Suchman (1995) deliberated legitimacy as a perception that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values & beliefs.

Institutional theory is an important way to conceptualize the motive towards CSR associated with regulatory

environment both at national and international level. These institutional motives reside at inter/national level where some are mandatory requirements and others are voluntary standards. The most common regulatory interventions towards CSR emanate from state regulations on different aspect of CSR. It encompasses labor, environmental and social oriented laws that require firms to comply. In an effort to comply with the legal requirements on social and environmental standards, firms learn and adopt what constitutes responsible investment.

Also conditions which offer for monitoring corporations' behaviors, such as independent organizations are considered encouraging for ensuring responsible practice. Primarily, codes, standards, conducts on CSR are important drivers for enterprises especially for those operating in international market. For instance, standards such as ISO 26000 are key facilitator for environmental engagements. Babiak & Trendafilova (2011) contend that the possibility of acting dutifully increases when normative standards, widely accepted by society, support such behaviors. Institutional stakeholder's pressure in general and regulatory schemes in particular brings firms to consider responsible investment. Especially, international private standards such as ISO, Fair trade, B Corp, GRI, SAI and IRIS among others brought the CSR adoption in to business practice these days.

### 3. METHODOLOGY

**Research Approach:** A qualitative research approach is selected for this study. Qualitative case study is an approach to research that facilitates exploration of a phenomenon within its context using a variety of data sources (Pamela & Susan, 2008). In other words, case study is appropriate approach when research addresses either a *descriptive* question – "What is happening or has happened?" Or an *explanatory* question "How or why did something happen (Shavelson & Towne, 2002).

**Data Collection:** In this study, both secondary and primary data are utilized. According to Bryman & Bell (2011), primary data are those collected by interviews, questionnaires, experiments and observations. Many writers support primary data collection as it is more reliable than secondary one. Primary data for this study was collected through semi structured interview administered to the leading firms and other industry specific organizations. On secondary sources, relevant literature, company reports and state regulatory documents linked to responsibility promotion were reviewed to strengthen the analysis.

**Selection of sample respondents:** Firms in the industry are dispersed in different provinces across the country. Purposefully, a sample is taken from those firms operating with the leather industry association. They are classified under small, medium and large enterprises in terms of production capacity and employment. Therefore, the researcher contacted the industry association and the later provided best performing firms in terms of production ca-

capacity and export performance. Udayasankar (2008) argued that firms with large scale operation, higher visibility and resource access are more likely to take part in social responsibility. With such ground, researching with best performing firms sounds more. Then, five top performing firms were chosen for the study. These firms are export oriented big size producers with diverse stakeholders.

## 4. DISCUSSION AND ANALYSIS

### Firms Definition of Social Responsibility

Social responsibility conception in leather and footwear firms has variation in terms of focus. The interviews carried out with individual firms and review of data from their websites has brought insights on their social responsibility; the way these firms understood CSR is somehow different.

Firms	CSR definitions
ELICO	Social investment to protect the natural environment, improve welfare in society and contribute to national development endeavours.
Dire Tannery	Waste treatment & cleaner production to protect environment and being part of social projects like health and education.
Walia leather	Handling waste and develop eco-friendly production process as steps to shoulder social responsibility.
SoleRebel	Integral part of the business to give back to society via job creation, social justice, environmental protection and clean production.
Peacock Shoe	Responsibility towards caring for environment and conformity to regulatory standards.

In firm's conception of CSR, there is more emphasis to environmental component. These firms perceived compliance to environmental standards determine their economic success and then their philanthropic capacities. Also, leather production process by its nature has environmental impact as it consumes more water, chemicals and disposes polluted waste.

### Firm's social responsibility in practice

As the way CSR is perceived in each firm slightly differs, the practices also vary in terms of scope. According to Lepoutre & Heene (2006), social responsibility involves firms' courtesy of their responsibilities to their customers and employees, the local community, and the environment. The leather industry institute of Ethiopia explained that, when the issue of social responsibility is raised, environmental concern is prime and routine in the leather & footwear industry. Mostly, firms to shoulder their environmental responsibility strive to knob their waste and improve treatment of chemicals.

ELICO engages in CSR through philanthropy, environmental protection and effort to ensure green produc-

tion. Outside the firm, it donates schools to reduce drop out of students from economically poor families, fund establishment of community health centers, plant trees annually with employees, constructs roads for communities around its manufacturing plants. The donations for community social services are offered in kind and cash depending on the request from local health, education or other offices. In this case, it reveals a superficial or lower level practice where the intention is reacting to the interest of a given stakeholder.

*"We support the community around when they need us to be involved<sup>1</sup>.*

Likewise, SoleRebels has also different CSR practices both within and outside of the company. The managing director explained that the company has an education fund for children of artisans and 100% medical coverage for employees. It also pays a salary 3 times higher than industry average and 4 times of minimum wage in the country. Externally, it is engaged in culture preservation through integrating cultural arts in to its brands. This is aimed at promoting culture at international level. It also engages in greening environment via plantation of trees in Zenebework (plant area) and supplying certified green footwear products.

*"We are the first fair trade certified foot wear company at national and international level which helped in attracting more customers resulted from our compliance to northern consumers"<sup>2</sup>.*

CSR practice in Peacock shoe is limited in scope compared to other firms in the study. The idea of CSR is new to the company said company manager. He mentioned that Peacock is responsible company as far as its production process complies to the legal standard in terms of chemical usage, waste management and meet agreed export performance with the Ministry of Industry.

CSR in Dire tannery is composed of donations to health centers in the surrounding, effluent treatment and meeting export expectations of government. It contributed funding to health extension services in North West Addis Ababa from 2013-2015 for instance. The plant manager explained that much of the responsibility focus is on environmental impact. In order to achieve our economic goal and improve our environmental performance, we have started our staff training on environmental matters, environmental audits, environmental action plan, and use ISO 14001:2004 as one of environmental management tools<sup>3</sup>.

Walia tannery explained that the firm has multiple ways of CSR engagement. It started with creating jobs, producing eco-friendly bags and garments so that contribution to both domestic and foreign environmental safety is there. In its annual report from 2011-2014, it is also ex-

<sup>1</sup>interview with Mr. Gizaw Molla, General Manager at ELICO, 17 July 2015

<sup>2</sup> Interview with Ms. Bethelhem Tilahun, Managing Director of Solerebels; 31 July 2015

pressed that donations have been contributed to primary schools in Kality Sub city, public sport centers and one time only for fistula hospital which offer free medication for rape victim women.

### Source of the social responsibility Concept

The social responsibility norm cannot emerge in a vacuum. Norm entrepreneurs and promoters seek to influence firms to change their practices to adopt a new norm (Sjöström, 2009). In the literature, the most common sources of CSR idea for firms, especially in developing countries, includes government, CSOs, supply chain firms, and industry associations. In the leather industry, firms mentioned that government was the first to inform about environmental responsibility and labor safety.

The state is the prime norm entrepreneur in Ethiopia unlike the case in industrialized nations where the civil society activists are known for lobby and advocacy. This is through mandating firms in regulations to adhere to certain labor and environmental standards. However, this is not done by the state with explicit CSR package. Rather, environmental, economic and labor components separately are regulated which reinforce responsible investment. The different laws (discussed in next chapter) on labor condition, waste treatment & chemical usage etc. introduced the responsibility of these firms.

While explaining where the idea of CSR was heard first for instance in ELICO, different sources are applicable depending on the line of responsibility. Government is the prime actor in closely regulating and fostering CSR notion in the company focusing on environment and putting export performance standard. Then, the details emanate from the company side to conform to the demands of foreign market since sustainable production certification is becoming important determinant.

### Presence of standards of business practice

In the context of the leather industry in Ethiopia, CSR is at early stage of development and there are no nationally initiated voluntary standards. Apart from the legal standards on labor and environment, firms adopt international standards of quality and production process. Giovannucci and Ponte (2005) wrote that standards are becoming increasingly important in international trade and undergo a shift from being neutral market lubricants to also being tools of product differentiation.

ELICO and Dire Tanneries do have ISO 9001 and ISO 14001 certifications as standard for quality and environmental management respectively. In Peacock and Walia Leather, ISO 9001 is adopted as a standard quality management practice where as SoleRebels has ISO 9001, ISO 14001 and fair trade international certificates as standard practices to enhance responsible production. These firms adopted these standards as a benchmark for improved production system and for compliance with foreign market.

Standards have two sided implication for develop-

ing country producers. They are entry blockades for new entrants in a value chain on one hand. Also provides opportunity for selected suppliers to add value, assimilate new functions, improve products and even spur cooperation among actors in a specific industry/country (Javee, 2003). For instance, the fair trade international certificate is found useful means of differentiation in SoleRebels. However, none of these standards are found in spurring cooperation among firms and other actors in the leather industry.

ELIA and LIDI mentioned that voluntary standards are individual firm initiatives and are not adopted by all firms across the industry. It shows that the more a firm is linked to international market, the greater voluntary standards are adopted. It is notable here that those firms with successful export oriented production have learned the importance of these standards or are forced to accept and adopted them. Interviewed firms mentioned that the contents of these standards and certifications helped them to gradually improve their waste treatment, ensure employee engagement and increased export.

*"The foreign market is increasingly seeking certifications for eco-friendly production and quality standards & such standards are becoming a must now days<sup>3</sup>".*

Firms in all domains of the leather industry strive to meet these expectations from foreign market. To do so, they initially adopted quality certification ISO 9001 and later ISO 14001 which signify progress in improving their practices. New standards are developed every time and these firms strive to catch up them which in turn lead to increased learning.

### **Motives for learning social responsibility**

In theory, culture is an important motive to shape altruism to social engagement since it helps for legitimacy. There is historic culture of giving for those needy in the Ethiopian society and firms reveal that they feel as part of that to explain philanthropy. Also expressed that firms grew up in the society and feel part of it. Director of Sole-Rebels added that it is impossible to sit aside looking different societal problems as a business with in society. However, firms are not altruist by their own initiation to take part in social projects. Nor there exists civil society to encourage firms for altruistic practices. Only the local social service offices invite firms to donate and the role of culture is not visible in this respect.

On the other side, labor rights, environment protection and improving green production are triggered by external factors. Government has regulated these firms to work with the legal framework to improve waste treatment & management as well as offer safe working condition for employees. In an interview with Dire tannery and Peacock shoe, the regulatory tasks by environment authority and ministry of labor have well mandated to adopt responsibility

on labor rights and environment. The regulatory framework for manufacturing sector in general and specific laws for leather industry served in guiding these firms on how to become socially acceptable especially with respect to protection of labor and the natural environment. A notable frame, for instance, from which tanning firms learn to reduce carbon footprint is the one formulated by environmental authority.

*"Improving the environmental friendliness of leather products determines our competitiveness in international market and this requires changing production process as well as selection of less toxic chemicals"<sup>4</sup>.*

In addition to culture and regulations, CSR is shaped by its competitiveness role in the export market. This is strategic business motive for firms to seek adoption of social responsibility. Competitiveness role of CSR with clean production is a recent development as these firms focus on export market where different firms from different countries also engage in leather products export. Predominantly, the leather firms in Ethiopia strive to compete with Chinese, Vietnamese and Indian producers.

*"The present day export market is determined not only by how much a firm produce and is able to export but by the degree to which products conform to the standards of foreign market<sup>5</sup>".*

Visser (2008) asserted that social responsibility is shaped by national and international motives. However, factors such as concern for governance gaps in the society, political reform, and crisis response are not found applicable motives in the leather industry context. Motivations in one or another way come from international standards, state incentives/regulation, competitiveness and supply chain among Visser's assertions.

### **The schemes of learning social responsibility**

Instrumentally, organizations learn internally themselves, with other firms in same industry, in partnership with organizations in another industry/sector or in combinations of these forms of learning. Organizational learning is the effective way of making use of past experience and adapting to changing environment (Berends *et al.*, 2003).

**CSR learning within firms:** Organizational learning theory argued that most effective organizations develop effective learning processes at all levels of organization (Opoku and Fortune, 2011). Leather firms use laboratory experiments and marketing research operations which constitute knowledge creation inside them. In an interview with ELICO and Dire tannery, it is explained that they do have experimental laboratory to assess tanning quality and chemicals in production processes. It helped them to engage in improving tanning systems from time to time to tackle environmental impact. In an effort to fill the gaps in the production process and quality of products against

<sup>4</sup>interview with Mr. Gizaw Molla, General Manager, ELICO, July 2015

<sup>5</sup>interview with General Manager of Walia Leather, 13 August 2015

<sup>3</sup>Interview with Mr. Abdisa, Secretary of ELIA

standards, they develop new competences.

*"Our Company does not pursue short term benefits and insists and focuses on a win-win problem solution scenario on a long term basis. It fosters fraternal relationships and learns from the negatives and grows from the positives"*<sup>6</sup>.

These tanneries and footwear firms also share that market research is an important tool to learn internally. They collect information on available sustainable leather product technologies, foreign market quality standards and competition. They then share it to employees via conferences, and seminars as information sharing platforms. For instance, in SoleRebel's eco-friendly systems of shoe production is reviewed every three months with joint leather experts from LIDI and the company itself. Then, results are disseminated to all departments to know the desired or planned improvements in the production process. ELICO and Soler-Rebels do have website and intranet to share updates online while others use manual documents and seminars. However, knowledge acquisition is carried out at organizational level where new updates and ideas are disseminated down to departments. Heads of firms and management information department in some cases handle knowledge acquisition and dissemination. This indicates that individuals are less encouraged to create and develop new ideas and competencies. This scenario is likely to weaken sustainability learning because the most productive erudition in firms can be ensured when individual members are encouraged to take part.

**Inter firm CSR learning:** This is experiential learning to increase knowledge of responsible production. By acquiring and exploiting knowledge of others, it is argued that "learning partnership allows firms to increase the speed of capability development and minimize uncertainty" (Rothaermel & Deeds, 2004). Firms under this study were reviewed if they go through inter-firm learning and found that they do not have horizontal learning with similar firms in the industry. Neither benchmarking other firm nor collaboration or partnerships to share knowledge are existent.

ELIA associated absence of inter firm learning to lack of trust and inadequate dialogue spaces to share experiences. Trust is an important enabler of learning at the inter-firm level (Dodgson, 1993). Knorringa and Staveren (2006) on the other hand state that inter-firm collaboration in terms of carrying out joint activities is not very significant. This is due to greater degree of isolationism and lack of trust between the enterprises in the industry and such isolation brought the possibility of experiential learning down. The only knowledge sharing exists with the supply chain firms buying products in foreign market. This is from their back-forward integration and flow of new sustainability/quality standards from buying firms to producers. This form of knowledge transfer is regulated by foreign buyers and limits the amount of knowledge producer firms can generate. Hence, the value of such erudition is unsustaina-

ble because it is delimited to the interest of the particular buyer-producer relation.

The data show that it is uncommon to work together and develop new knowledge in the industry but the opportunity exists to share to others. An example quoted was the collaboration with small scale footwear cluster supported by UNIDO to allow them export with ELICO's brand name. ELICO offers training and capacity building for selected micro footwear clusters in order to let them produce with foreign market standard. However, this is one way learning where the small footwear producers adopt production standards from ELICO to comply with foreign market product standards.

Leather firms grew out of domestic market rivalry each other from beginning. Hence, firms seem to be embedded in home market competition each other which force them to work in isolation. It is partly due to this rationale that firms do have different level of responsibility practices which they consider strategic for business. Sole-rebels director mentioned that innovative business grows in competition in any context which we are working with. In its study of social capital, Knorringa and Staveren found that inter firm cooperation is low in Ethiopian footwear industry. Then, individual firm partnerships or networks for learning are not a practical condition. However, it is expressed that firms would welcome if other firms show interest for collaboration to learn.

**Cross Sector Alliance for Learning CSR:** This is about partnerships, collaborations or joint engagement in social, environmental and economic affairs with organizations other than those in the leather/manufacturing industry. According to Bindu and Jane (2006), cross-sector alliances (between for-profit and nonprofit sectors) present a learning platform for instilling participants with greater incentives for social responsibility. An interview was made to know if firms have alliance to develop knowledge and experience with NGOs, CBOs, Universities or other sector organizations both within Ethiopia and abroad. Dire tannery, Walia leather and ELICO expressed that certain level partnerships exist with Addis Ababa institute of technology on research for waste water treatment. They also take part in forums and training opportunities arranged mainly at Addis Ababa University.

Neither domestic nor foreign NGOs nor other non-state entities are close ally for these firms to work on responsible investment except ISO and fair trade international (in limited case). Only one firm is found attached to Fair Trade international as partner to assess green production and trade from non-state actors. SolerRebels takes part in international conferences including World Economic Forum and entrepreneurship symposiums which it has given an understanding of sustainable production. This implies that multi-stakeholder spaces play paramount role in sustainability erudition. Peacock Shoe also expressed that the prime ally for the company is LIDI where it learn much of its economic and environmental responsibilities including chemical proofing to improve green footwear production for western market mainly.

<sup>6</sup>interview with General Manager of Dire Tannery, 21 July 2015

Despite evidences suggest that joint effort between businesses and not for profit entities on governance of codes of conduct in different industries are on rise (Overdevest, 2004), cross sector alliance for responsible production is delimited to firm-state institution collaboration in the study. This firm-state institutions alliance conforms to the conception that cross sector alliance is a function of interdependence and risk reduction strategy. Firms have neither partnership with civil society organizations nor advocacy exists from the later to motivate responsibility because there is low interdependence between the two entities.

**The State in diffusing Social Responsibility:** According to Fox (2012), a government can have four types of public policy approach towards CSR i.e. mandating, facilitating, partnering and endorsing of which the first two are applicable in the leather industry under study. It is mandating firms to adhere to certain standards mainly with respect to environmental protection and labor safety. The regulatory directives give firms the threshold to work against it as parameter to assess how responsible they are. Different proclamations were ratified to handle such matters both universally for all businesses as well as specifically to the leather & footwear industry. However, working in jointly initiated social projects and endorsement for firms engaged in altruism is not found in firms in the study domain. The industry association explained that there is no tangible soft promotion tool for the industry and it hopes promotion interventions will be on the ground ahead of time.

An important aspect of CSR focused by the government is protection of environment along with increased export performance. At national level, the constitution states that everyone has the right to live in safe environment (Art 44.1). Basing this fundamental right, the environmental authority was established with the mandate to regulate environmental safety and pollution from both individuals and organizations. This authority routinely regulates environmental impact of manufacturing plants including those in the leather industry. Plants in the leather industry, therefore, consider the conformity of their production process, waste treatment system and chemicals in production to the expectations of the authority.

Regulatory instruments have great contribution in enforcing firms towards responsible production. These are laws that address key components of social responsibility in the leather industry. Among others, the environmental and labor laws played significant role as parameter for firms. Some of the very important environmental and labor decrees at national/industry level shaping social responsibility are discussed below.

**Environmental impact Assessment proclamation (Proclamation No 299/2002):** This proclamation necessitates that major development program; plans and projects of the private and public sectors are subject to environmental impact assessment (EIA) before their approval. Firms, therefore, are required to pass an environmental impact assessment to operate legally and comply with the minimum level of environmental standard. Tanneries especially do have higher level impact assessment requirement to handle their

harmful waste.

**Environmental Pollution Control Proclamation (No 300/2002):** This proclamation is universal for all industries and offers a framework or general rule to control pollution from all kinds of sources. It prohibits pollution of the environment from any source by any person violating the relevant environmental standard and is guided by the **precautionary** and the **polluters pay** principles as well as the use of "appropriate technology" in controlling pollution. This proclamation enforces adoption of appropriate technology to handle waste from production where tanning firms specifically are of prime target.

**Industrial Pollution Prevention and Control Regulation:** This regulation delivers general obligations to be pursued by all industries. It also provides the then environmental authority and competent environmental agencies with the issuance condition and suspension or pursuant grants to these regulations. Therefore, public institutions from federal to local level are required to act accordingly for environmental protection from pollution in each respective industry.

**Provisional standards for industrial pollution control in Ethiopia (2003):** This standard, among other things, provides guidance on effluent and emission standards. These standards also put specific emissions and effluent standards to the tannery domain of the leather industry. It addresses cleaner production in the tanning process and required operations to safeguard environment. Also explicitly states waste reduction measures and recycling mechanisms to be adopted by tanning firms. Therefore, firms consider these specific environmental standards formulated by the environmental authority at national level to comply with them and improve towards greener production.

**Constitution and Labor Proclamation 377/2003:** The FDRE Constitution of 1994 enshrines the protection of certain worker rights. It shields freedom of association and collective bargaining for workers (Articles 42(1) (a) and (3)) and all citizens (Article 31) and the right of women to equal pay (Article 42(1) (d)). It prohibits forced and compulsory labor (Article 18(3)) including children. In this latest proclamation, firms are informed about their rights and responsibilities for safety of employees. Among others, it informs about nondiscrimination based on gender, color, ethnicity or any other arbitrary criteria.

*"Workers shall have the right to appropriately defined working hours, breaks, leisure, 6 periodic leave with pay, paid public holidays, and a safe and healthy working environment"*<sup>7</sup>

The Labor law specifies the respective rights and obligations of the parties in a labor relationship; provides safeguards for special categories of workers and specify minimum working conditions (Hiruy, 2013). An important aspect of CSR associated with labor mentioned by industry association is that of child labor which is not common to see under age people to engage in work in the industry. Interviewed firms expressed that proclamations on labor

<sup>7</sup>FDRE Constitution Article 42(2) on labour safety and condition



served as a reference and as foundation for more employee welfare practices. Firms explained that the initial task is compliance to these labor standards. They focus on welfare such as recreation and sporting, awards for best performers and bonus annually. SoleRebels outperformed all others in that it pays four times of the average of firms in the industry. It also offers children of workers education fund, health cover and empowerment of vulnerable groups (disable people) through special employment. International labor standards are also being integrated in to national policy and cascaded down in to each firm to promote sustainable, equitable growth and social development (Jeff & Keith, 2013). This imply that not only existing labor standards that are shaping CSR on labor but also international standards mainly transferred through ILO-Ethiopian government joint initiative where the later has ratified 22 ILO conventions for improved labor condition including occupational safety and health.

### LIDI as key institution

The Leather Industry Development Institute (LIDI) is the vanguard state institution in facilitating firm's effort towards responsible investment. Its main missions are investment promotion, market development and sustainable technology diffusion. LIDI play great role for development of responsible production in the industry. It supports the development of social responsibility in three domains. The first is technical support for firms. Secondly, it engages in research and development. Thirdly, it provides training and education for leather professionals. With respect to technical support, it works in identifying sustainable technologies and installation as well. This is aimed at diffusing new and appropriate technologies for clean production. The study firms, except Sole Rebels, have got what is considered sustainable technology in tanning and processing through LIDI. The key roles played by LIDI are:

- Technical support for technology diffusion
- Foreign market research and
- Training for firms' knowledge capacity building

With leather product and market research, LIDI works to find new production systems for firms to enable them comply with foreign market standards. It investigates new market trends and regulatory changes in product standards and competition in the foreign market. Then, it offers the findings for firms for free and also apply for its own laboratory work. Firms use of the research findings to get updates and adapt to the changing market and regulatory requirements in foreign market which the process play great role in developing responsible production.

Besides, there are trainings for leather experts from firms on two forms. These trainings are offered either as demand based or assessment based to equip them with tools of sustainable production. LIDI regularly assess firm's technical, environmental and market situation for assistance on the spot. Annually there is nationwide assessment of firms in the industry and existing condition is published for dissemination of knowledge. The environ-

mental directorate works with marketing and engineering directorate to increase environmental friendliness of products in each company taking in to account international market product standards. Interviewed firms also mentioned that they gain hands on training on both technical and managerial aspects to shoulder environmental expectations.

The other domain of environmental issue is about eco-friendly supply of leather products for market. Chemicals are key aspects in the leather products manufacturing. There are banned chemicals by law which are persistent organic pollutants and LIDI is following up firms not to use that. However, it can't be sure absolutely about absence of such chemicals despiteless or no harm chemicals are promoted across the industry.

*"Strictly speaking it is difficult to talk about eco-friendly nature of leather products. This is because there is no eco labeling and auditing. There is no life cycle assessment from beginning to end of the production process"*<sup>8</sup>.

Some products are totally governed by international market standards like those exports to European Union. For example, the European market requires the leather product to be free from chemicals such as Chrome VI. LIDI has accredited laboratory to test products and firms are provided with leather testing service. One of the services LIDI delivers to the leather sector is quality assurance tests for leather and shoes items. According to UNIDO (2012), the LIDI laboratory provides more than 80 different tests such as chemical and tanning material testing (5 tests), leather chemical testing (9 tests), leather physical testing (22 tests), pickled pelts testing (6 tests), process liquor testing (8 tests), water and wastewater physical and chemical testing (22 tests) and shoe testing (7 tests). This is aimed at letting firms learn product testing in long time where they can take care of both consumers and the environment. Hence, firms are not only getting the service for today market, but also exposed to learning how to offer green proved products. It is the market abroad backing product tasting and the learning in firms for conformity.

Technology research is carried out on various aspects in LIDI. New findings, if passed pilot test, are disseminated in seminars and conferences for firms. There are quarterly conferences at ministry level where firms and the association are participants. New research findings are presented and firms as well as other industry specific partners are informed.

In addition, experts from LIDI are assigned to one or group of firms to follow up their technical and market issues. Experts regularly assess every aspect of the firm including technical and market challenges or limitations. These experts serve as liaison in transferring new technologies and production systems on one side and collect on limitations of the firm/s on the other side for support services. In this process, managers learn new market standards to meet consumer expectations, get informed about effluent

<sup>8</sup>Interview with Vice Director of LIDI, 22 July 2015

treatment technical updates and new regulations both at national and foreign market level. LIDI also publishes magazines containing various issues including environmental technologies available for leather product manufacturers and best performances in the industry for benchmarking. These are important ways by which knowledge is transferred to firms containing multiple components of CSR.

**Partnerships in the CSR adoption process:** LIDI works in partnership mainly with EPA, ELIA and UNIDO as close collaborators. These partners support capacity building initiatives bringing foreign experiences in same industry through benchmarking and research. One important instance is UNIDO financed benchmarking of best practices from India where latest sustainable technology was experienced. Firms were informed about such tanning machinery and chemical proofing but only those with better capacity installed it. Among the firms interviewed, ELICO and Dire tannery have got it which improved their waste water treatment. UNIDO also financed research project on waste central treatment in Mojo city.

LIDI and environmental protection authority on the other hand work jointly. Previously, EPA was regulatory while LIDI provides support for firms. EPA focused on strictly controlling environmental pollution from firms which was difficult to work with. ELIA also asserted that environmental protection authority regulates while LIDI offers trainings, checks treatments and supplies skilled labor on leather industry specific technologies and systems. This trend is changed nowadays where shared understanding is now reached to increase firm's technical capacity and social responsibility than enforcing the regulation only. This time there is an increasing joint decision making and collaboration on environment protection especially from tanneries. Such a partnership paves the way for more capacity to develop responsible production in these firms.

Adoption of new technology is essential aspect where government is key player. One important exposure for firms to see new technology suitable for green production is trade fair. Leather firms are export centered and government facilitates participation in leather fairs both at national and international level. There is African leather fair annually for example where technology firms offer new and better technologies for leather firms. This is important exposure to sustainable technologies and products for adoption. It is demand based and firms are not forced to adopt a given technology, it is voluntary. Especially, firms with better capacity, strive to customize their technology for their market development and actively search trade fairs.

In justifying the extent to which foreign market drives adoption of social responsibility, LIDI said buyers do have different level of thinking and concern. One of the pillars for sustainability is safety of society.

*"We care for environment not for market primarily. Environmental regulation is enforced for the safety of the society, not for market. If a given production is not socially responsible, the*

*market itself will not keep silent, will stop it"*<sup>9</sup>.

However, the influence of foreign market on need for green production depends on the type of export market. Unlike other destinations, Euro-American market enforces sustainable production, they offer better price but they also audit firm's sustainability when needed. But now much of the export of leather items is becoming to Asia where buyers do not require that much high sustainability performance like Euro-American buyers. Hence, there is an observable incline to export to countries with lower level sustainability standards. Therefore, it is difficult to conclude that international market in general pressures social responsibility. Market pressure for social responsibility is a function of the type of market then. Firms learn standards and product qualities from different markets and in their effort to adhere to these standards; they learn the adoption of CSR values.

## 5. CONCLUSION

As an important tool for success, the past decades show an increasing attraction of business organization towards corporate social responsibility adoption. The premise is that business enterprises can grow at the same time doing well for society and environment. As a result, irrespective of their industrial domain and line of business, businesses strive to learn and adopt socially responsible practices. Although much literature is devoted to increase the savvy of CSR, empirical studies that address the learning of CSR in developing country context remain scarce. By building on the organizational learning and CSR literature, this study was carried out with the purpose of investigating learning to embrace responsible business in Ethiopian leather and footwear industry.

The findings of the study show that corporate social responsibility in Ethiopian leather and footwear firms is at early stage. Firms are found at varying level despite they are engaged in social, environmental and economic responsibilities on compliance basis. This compliance based corporate social responsibility coupled with absence of organized CSR plan shows superficial learning. Such learning means adoption of CSR values is resulted from some pressures or regulations and is weak to bring impact in development. Hence, to make use of social responsibility for development better, it needs increasing intervention of civil society organizations, community and the state jointly. Then, the norm can be cascaded down to each firm with shared awareness of its role for each stakeholder. At this stage, the state is found to be the prime actor in CSR norm building.

In specific terms, altruistic involvement center mainly on education and health projects but with initiation from local government offices. This way, their social involvement is unlikely to bring reputation and business gain. The reactive philanthropic engagement here signifies that firms are less serious on governance gaps in the socie-

<sup>9</sup>Interview with Vice Director of LIDI, 22 July 2015.

ty. Much of welfare engagement is confined to employees than to the community around. With respect to economic responsibility, employment and meeting expected export performance are at the center. Raising export and bringing expected amount of foreign currency is big responsibility which pulls firms with economic incentives.

Motives for firms CSR learning are of two streams; one pushes and the other pulls. The pull motives attracting towards CSR include higher price in Euro-American markets, sustainability standards and economic incentives from the state as a function of export performance. The more these firms adopt international sustainability standards, the greater opportunity they gain in export market. It is found that working towards environment is central part of leather industry since it determines economic performance. In addition to economic incentives, the free research and consultancy service by the state is a great public policy approach that facilitates the adoption of responsible practices.

On the other hand, certain factors impulse firms to learn and practice components of responsible business. Domestically, government's mandating firms to adhere to certain regulations with respect to waste treatment, chemicals and labor safety. These standards serve as baseline and pushed firms to seek ways of adapting to them Environmental and labor standards trigger firms to learn and adopt responsibility towards employees and environment. However, wage is found to be the lowest in this industry despite other employee welfares are offered virtually in every firm. Hence, it needs further advocacy of labor condition to increase firm's concern.

Intra firm knowledge creation and dissemination is vital component for improved responsible production. Firms do have own laboratory and market research/management information section which are key ways to produce knowledge on tanning and chemical proofing. New updates are then shared to their employees via conferences and seminars while digital platform is rare. However, intra firm learning is top down and individual employees are less encouraged to come with new ideas from bottom. Ideally, a successful organizational learning happens both at individual and organizational level which these firms lack. Hence, to build sustainable knowledge, firms need to build inclusive knowledge involving individual employees and groups to organization.

On the other side, cross sector learning is confined to state-firm-donor collaboration. Learning is facilitated by the state institutions research & consultancy which supports firms in the diffusion of sustainable technology. Universities and donors take part in research, consultancy and benchmarking on improving cleaner production. Especially, donors like UNIDO are found vital players in citing where to benchmark latest sustainable leather production process since they work in multiple countries. CSOs are not existent in nurturing and diffusing CSR knowledge. Absence of multi stakeholder dialogues on social and environmental concerns, coupled with declining role of CSOs in Ethiopia in general, weakened CSO-firm affinity.

Firms do not collaborate in the industry which tells absence of inter-firm experiential knowledge sharing. The

study realized that embeddedness of firms in rivalry relationship in market has adverse effect on social capital between organizations. Leather firms were in domestic market competition before joining export market. This earlier competitive setting in home market made them to see each other as competitor today too and resulted in absence of trust and collaboration. Hence, sharing ideas, innovations and production systems each other is seen as against their business strategy. This implies that the leather industry firms need to stop isolation and build shared knowledge platform to compete with foreign competitors.

In general, this investigation opens the door for further research in the subject matter on one side and to develop new initiatives on firms, civil society and the state on the other side. This study of the existing CSR context and firms' learning is narrow in scope which indicates a wider industry/national level study is imperative to make use of CSR for development. Hence, a study with broader scope encompassing CSOs, the state, associations and other actors is vital to use CSR as a tool for inclusive industrial development.

## ACKNOWLEDGMENT

The author would like to thank the firms involved in the study, managers and Ethiopian Leather Industry Association.

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