

POTENTIALS OF FASHION BRANDS
TO SOLVE SUSTAINABILITY ISSUES OF THE FASHION INDUSTRY:
A CASE STUDY OF MOTHERHOUSE LTD.

A Thesis

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ABSTRACT

It is often said that the fashion industry is one of the most unsustainable industries with regard to its social and environmental impacts in the production process, and its characteristic of forming ephemeral trends, which leads to promoting over-consumption. In order to manage the risk of being accused, it is important that corporations give serious considerations to their social responsibility, and take action to shift their business towards more a sustainable direction. In addition, Porter and Kramer (2011) suggests that corporations should no longer follow the trend of Corporate Social Responsibility (CSR), but should try to achieve Creating Shared Value (CSV) which means to increase the comparative advantages of the corporation by creating economic profits and social benefits simultaneously.

While large-scale corporations are struggling to prove the sustainability of its business practice, small-scale corporations are also tackling the sustainability issues in alternative approaches (e.g. fair trade, organic cotton, up-cycled material). These small-scale corporations are regarded as ethical fashion brands (EFB), and the author hypothesized that EFBs have potentials to solve the problems by CSV. Therefore, this study aims to build the theory about the potential of EFBs to solve sustainability issues of the fashion industry.

Research questions are:

- 1) How can the social responsibility of EFBs be understood in terms of the relations between economic benefit and social benefit? Can EFBs be considered as CSV?
- 2) What is the contribution of EFB in terms of solving the sustainability issues of the fashion industry?

Since the author had worked in an EFB, Motherhouse Ltd., and hypothesized that the company is succeeding in CSV, this study tries to find the answers through a case study of

Motherhouse. In order to understand the social responsibility of Motherhouse, the analysis was conducted on how Motherhouse is creating the social benefits, and how their economic profits are related to the creation of the social benefits. The analysis was conducted through observation, qualitative data analysis (data provided by Motherhouse), field survey in Bangladesh and Nepal, and interviews to Motherhouse's staff and its customers.

The results of this study shows that Motherhouse's business strategies to create social benefits are functioning as the competitive advantages of the company to attract various consumers, which results in generating economic profit to the company, and to reduce economic cost of the company in its production. In the business structure of Motherhouse, the creation of social benefits and the pursuit of economic benefits have strong relationship, and that is why Motherhouse can be regarded as a successful case of CSV. The most important success factor of Motherhouse is the connection building between producers, consumers, and brand, which results in solving the sustainability issues of the fashion business and to create social benefits in both production and consumer countries. Although Motherhouse is a successful case of EFB in CSV, not all EFBs are succeeding in EFV. However, the theory of Motherhouse to create shared value which was build in this research is useful to understand the potentials of fashion brands to solve sustainability issues of the fashion industry.

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LIST OF ABBREVIATIONS

CnSR	Consumer Social Responsibility
CSR	Corporate Social Responsibility
CSV	Creating Shared Value
EFB	Ethical Fashion Brand
EFJ	Ethical Fashion Japan
FLO	Fairtrade Labelling Organization International
NGO	Non-Government Organization
NPO	Non-Profit Organization
PMB	Profit-Maximizing Business
SPA	Specialty store retailer of Private label Apparel

Chapter 1: SOCIAL RESPONSIBILITY IN BUSINESS AND CONSUMPTION

1.1 Introduction

It is often said that the fashion industry is one of the most unsustainable industries with regard to its social and environmental impacts in the production process, and its characteristic of forming ephemeral trends, which leads to promoting over-consumption. Various problems related to the system of mass production and mass consumption are often hidden or invisible in globalized, complicated, and not-so-transparent business processes of this immense industry. The stakeholders in the entangled supply chain have no longer close connection with each other, and there are various intertwined issues related to sustainability within the fashion industry; hence, needless to say, it is not an easy task to implement a single, ultimate solution to these sustainability issues. Complexity of the problems as well as the industry structure make it difficult to establish the general vision to create a more sustainable industry, although it is a pressing issue for corporations in the fashion industry to prove the social responsibility of their own business practice, in order to manage the risks of being criticized by the society.

This research aims to study the social responsibility of corporations in the fashion industry in terms of solving the sustainability issues associated with the industry. In order to achieve the transition of the industry towards a more sustainable direction, not only corporations, but also consumers ought to change their consumption behavior, since excessive consumption is also regarded as inducing unsustainable business practices of corporations. This study reveals the role of a small-scale corporation in solving the sustainability issues of the industry, and how creation of social benefits is contributing to raising the competitive advantage of the corporation.

For understanding the social responsibility of the fashion industry, this paper first reviews the literature on the social responsibility in business and consumption in Chapter 1,

and then provides an overview of the social responsibility of the fashion industry in Chapter 2. Chapter 3 explains the methodology of this study and background information of material of this case study. Chapter 4 shows the result of this case study, and Chapter 5 provides the discussion based on the result. This thesis ends with the conclusion and recommendation of the future research.

1.2 Social Responsibility in Business

1.2.1 Corporate Social Responsibility and Creating Shared Value

Discussions on Corporate Social Responsibility (CSR) have been highly regarded in both academia and business in recent years, but the understandings on CSR have already been developing since the beginning of the twentieth century. One of the earliest discussions on social responsibility of corporations was made by Sheldon (1924) in *The Philosophy of Management*. In his explanation, social responsibility of the corporation was to provide the products or services, which meet the needs of the society at the cheapest price in order to improve the social welfare. Therefore, his discussion focuses on importance on business management to raise the efficiency of the business practice. Then the notion of CSR was spread in 1950s, and Goyder (1951) discussed the social responsibility of corporations focusing on environmental pollution and consumer protection. He claimed that the cause of these social welfare impairing issues is the irresponsible attitude of corporations to focus on the profit maximization per se. In addition, Eells (1960) argued that traditional views on social responsibility of corporations have the characteristic of considering stockholders as its main concern, and that the importance of improving social welfare is not included in the discussion. He also criticized that discussions on social responsibility fail to point out what kind of responsibility exists towards whom.

Social responsibility of corporations has been understood in different degrees, and the degrees required to the corporations from the society have been growing. First it was argued that corporations should not harm society through their business, and then it was argued that corporation should contribute to increasing social welfare. Even though there is no concrete and common understanding of the meanings of ‘social’ and ‘responsibility’, businesses are demanded to be more and more socially responsible. As illustrated in **Figure 1**, Carroll (1991) argued that CSR should be regarded in four different levels: Economic, Legal, Ethical, and Philanthropic.



Figure 1. The Carroll's Pyramid of Corporate Social Responsibility

Source: Carroll, A. B. 1991. The Pyramid of Corporate Social Responsibility

Carroll states that economic responsibilities are the most fundamental CSR of corporations, while they also need to have legal and ethical responsibilities. It is described that philanthropic responsibilities to increase the social welfare are arbitrary.

In most of the discussions on CSR, ‘economic profit’ to corporations and ‘social benefits’ created by corporations are regarded to be conflicting. A traditional claim related to CSR is that corporations should always consider about social benefits and should not harm the society while they focus on economic profit maximization.

However, in *Strategy & Society - The Link Between Competitive Advantage and Corporate Social Responsibility*, Porter and Kramer (2006) suggested the idea that creation of social benefits should not be regarded to be conflicting with economic profits. They stated that there are two types of CSR: one is Responsive CSR and another is Strategic CSR. The former is following the traditional discussion on CSR that businesses should not harm the society through their activities. The latter is a rather new idea that corporations should go beyond the best practices to differentiate themselves from the competitors, and should be as productive as possible through their core-business, in order to maximize the benefit for both society and themselves. Strategic CSR is the idea that corporations should create social benefits through their core-business, rather than using their profit for philanthropic activities.

Later in 2011, Porter and Kramer published a new idea that corporations should no longer follow the trend of CSR, but try to achieve Creating Shared Value (CSV). Porter and Kramer define the concept of shared value as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates”(Porter and Kramer, 2011:64). They also explain that CSV focuses on identifying and expanding the connections between societal and economic progress, and CSV creates the competitive advantages of corporations. The concept of CSV suggests that improving the productivity of the corporations enables them to improve

the environmental impact, supplier access and viability, employee's skills, worker's safety, employee's health, water use, and energy use, which result in increasing the social welfare (see **Figure 2**).

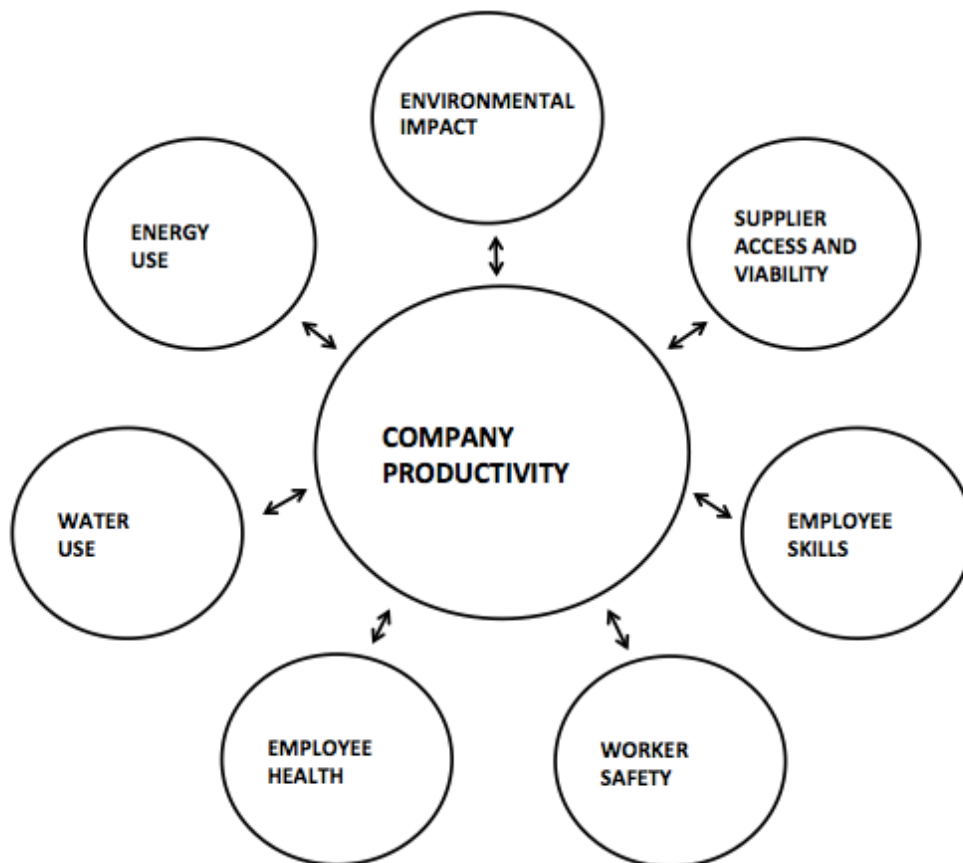


Figure 2. Porter and Kramer's Connection between Competitive Advantage and Social Issues

Source: Porter and Kramer. 2011. Connection between Competitive Advantage and Social Issues

The key concept of CSV is that corporations are able to increase economic profits through practices to increase the social welfare, and the effort to create social benefits can function as corporations' competitive advantage. They state that the purpose of corporation must be redefined as creating shared value, not just profit per se. It should be noted that this idea is

different from the idea that corporations should invest more money directly in creating social benefits. Porter and Kramer are suggesting that corporations should find a way to maximize the economic benefit by creating the social benefits simultaneously.

1.2.2 Social Business and Social Entrepreneur

The previous discussions on CSR and CSV have been basically on how Profit-Maximizing Business (PMB) should think about their social responsibility. However, there have been different discussions the ability of business to solve social problems. For a long time, the role of solving social issues has been regarded as the work for the government, Non-Governmental Organizations (NGO), and Non-Profit Organizations (NPO). However, Yunus (2009) argued that business should be an active player to solve social issues, and this type of business has been recognized as social business. Yunus defined social business as business with the purpose of addressing and solving social problems, and he explained that it is completely different from PMB, which aims to make money for its investors. He suggests that social business will represent a third economic sector alongside the free market and government, and also explains that business has a greater capacity than charity to create social benefits, if the efficiency, competitiveness, and dynamism of the business world can be harnessed to deal with the specific social problems. For defining social business, he presents the following seven principles of social business.

The Seven Principles of Social Business

1. *Business objective will be to overcome poverty, or one or more problems (such as education, health, technology access, and environment) which threaten people and society; not profit maximization.*
2. *Financial and economic sustainability.*
3. *Investors get back their investment amount only. No dividend is given beyond investment money.*
4. *When investment amount is paid back, company profit stays with the company for expansion and improvement.*
5. *Environmentally conscious.*
6. *Workforce gets market wage with better working conditions.*
7. *...do it with joy.*

It should be noted that social business is different from socially responsible business, which refers to “traditional for-profit companies that choose to modify their business activities so as to promote social goals, or, at least, to minimize the social harms they cause”(Yunus, 2009: 9). Social business refers to non-loss and non-dividend companies, aiming to maximize the positive impact on society while earning enough to cover its costs. It is better to be able to generate a surplus to help the business grow, but profit maximization deviates from the principles of social business. However, the term social business is used now in a broader sense, and business aiming to generate economic profits while also aiming to create social benefits is often called social business. Thus, Yunus now expresses his idea as Yunus’s social business to differentiate his idea from broader interpretations.

The term social entrepreneur is used in an even broader sense. Certo and Miller (2008) explain that there is no single type of social entrepreneur, and it includes both for-profit and not-for-profit enterprises. In their explanation, “social entrepreneurship refers to the identification, evaluation, and exploitation of opportunities that result in social value”(Cetro and Miller, 2008: 268). They explain that social value “has little to do with profits but instead involves the fulfillment of basic and long-standing needs such as providing food, water,

shelter, education, and medical services to those members of society who are in need” (Cetro and Miller, 2008: 267). This explanation of the term social entrepreneur is incompatible with the concept of CSV, since it explains that social benefit and economic profit does not have synergistic effects. Austin et al. (2006: 2) define social entrepreneurship as “innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors.” Thus, Austin et al. argue that social entrepreneurship cannot be always explained in the domain of business. Peredo & McLean (2006) states that having a social mission is a central attribute of a social enterprise, yet there are differences in the degree of its significance to the organization.

Discussions on CSR and social business have been developed in different contexts. However, CSV can be regarded as a new idea, which bridges these discussions. Porter and Kramer (2011) mention that social entrepreneurs are often able to discover the opportunity of CSV, since they are not locked into traditional business thinking. They argue that PMB should not be simply evaluated by its ability to create economic profit, and social entrepreneurs should not be simply evaluated by their ability to create social benefits. The most notable characteristic of CSV is that it suggests that both of them (PMB and social entrepreneurs) should be evaluated by their ability to create shared value. It can be said that the business model, which creates the shared value can be regarded as a model, which fuses social responsibility in its business structure. Therefore, it can be assumed that CSV is an effective strategy also for corporations in the fashion industry to fulfill the social responsibility.

1.3 Social Responsibility in Consumption

While corporations are required to be socially responsible, consumers are also questioned about their social responsibility. Since corporations' unethical business practice and negative impact of the excessive consumption had started to gather the attention from the society, consumers are required to make ethical consumption choices. Social pressure from the society is the driving force for corporations to become socially responsible. Without the pressure from the society, it is likely that the corporations do not pay attention to their social responsibility. Thus, raising awareness of consumers can be a key factor to enforce corporations to make the transition towards more sustainable practices. Awareness and social responsibility of consumers have been discussed in the domain of decision-making processes of consumption behavior.

Hollis (1995) explains that standard economic theory views the consumers as maximizers of utility who are rational and who select the most efficient means of achieving the goal of maximizing utility. In other words, traditional purchase behavior has been understood in a way that consumers would usually buy the best quality products they can afford, or the largest amount for as little as money as possible. In this theory, social responsibility of consumers is completely eliminated and ignored. On the other hand, the term consumer citizenship has been used to describe the obligations of consumers to make contributions to the social benefits through their economic votes (Dickinson, 1996). This can be seen as "a mechanism for tempering the greed" of consumers to simply maximize their own utility (Dickinson and Carsky, 2005: 28).

In 1989, the ethical consumerism was spread by the UK magazine, Ethical Consumer. As a leading alternative consumer organization, Ethical Consumer produced rating tables to award corporations negative marks across a range of ethical and environmental categories, in order to encourage consumers to make ethical consumption choices. According to Harrison et

al (2005: 3), ethical consumers are consumers who consider about “political, religious, spiritual, environmental, social or other motives for choosing one product over another”.

The concept of ethical consumerism has evolved considerably since 1990s from an almost exclusive focus on environmental issues to a concept that more broadly incorporates matters of conscience (Carrigan et al., 2004). These matters of conscience can include such varied issues as animal welfare, labor standards, human rights, and health-related issues, as well as environmental issues (Carrigan et al., 2004; Crane, 2001; Strong, 1996). In its broadest form, ethical consumerism can be defined as “the conscious and deliberate choice to make certain consumption choices due to personal and moral beliefs. Harrison et al. introduced five types of ethical consumer practices (see **Table 1**). These five types are explained as the typical ethical consumer practices. It can be said that these practices are active, ethical purchasing behaviors of consumers, and it requires high awareness of consumers on ethical consumerism.

Table 1. Typology of Ethical Consumer Practices

Source: Harrison et al. 2005. Typology of Ethical Consumer Practices.

	Product-oriented purchasing	Company-oriented purchasing
<u>Boycotts</u>	Aerosols (UK) Peat (UK) Timber from unsustainable forestry (international)	Nestle (international) Shell (international) Philip Morris (USA)
<u>Positive buying</u>	Fair trade Mark (in Europe) Blue Angel eco-label (Germany) No Sweat 100 per cent union made apparel (USA)	British Union for the Abolition of Vivisection Approved Product Guide Body Shop ‘against animal testing’ (UK and International)
<u>Fully screened</u> (comparative ethical ratings across whole product area)	Green Consumer Guide (Elkington & Hailes) Which? Appliance energy consumption tables (UK Consumers’ Association)	Ethical Consumer magazine (UK) Shopping for a Better World paperback book (USA) Ethical screening of investments (international)
<u>Relationship purchasing</u> (consumers seek to educate sellers about their ethical needs)	Community Supported Agriculture (Farms in the USA and UK) Seikatsu Club (Japanese consumer co-operative)	Individual consumer building relationship with shopkeepers
<u>Anti-consumerism</u>	Avoiding unsustainable products (for example cars) DIY alternatives (for example, mending clothes)	Adbusters (Canadian ‘culture jamming’ magazine)

Cherrier (2005) points out that it is difficult to adequately describe the characteristics of ethical consumers, because ethical decision processes refer to subjective and social moral judgments, and ethics of consumption are contextual, and neither universal nor enduring. It is extremely difficult (if not impossible) to build a consensus on ethical behavior of consumers, since different moral beliefs are created in various societies, and general beliefs cannot be agreed upon by everyone in this world. Cherrier raises an example that American citizens were exposed to slogans like 'Buy and be happy', 'Buy, buy, buy, it is a patriotic duty', and 'Buy your way to economic prosperity' after the American recession of the 1950s. At that time, it was an 'ethical duty' to consume as much as possible. However, now in the twenty first century, the world is witnessing the dark side of such consumption behavior, environmental uncertainty, ecological crisis, and increasing social inequality and anti-consumerism is now considered to be ethical consumer behavior. Thus, ethical consumer behavior is understood in different ways in different places and different time.

Devinney et al. (2010: 9) criticized that the notion of ethical consumerism is "too broad in its definition, too loose in its operationalization, and too moralistic in its stance to be anything other than a myth". The discussions on ethical consumerism fail to demonstrate the exact behavior of ethical consumers, and it is impossible to understand to what extent consumers can be regarded as ethical or not. They suggest that the focus should not be on 'ethical' consumerism but on 'social' consumerism, and we should consider the Consumer Social Responsibility (CnSR), the other CSR, which can be defined as "the conscious and deliberate choice to make certain consumption choices based on personal and moral beliefs". CnSR has to be understood as one component of the complex consumer's decision-making process and an imperfect measurement process.

Some researches show that the awareness of consumers towards ethical issues related to their consumption behavior is quite high. For example, a survey by Corporate Edge reported

support for the importance of ethical corporate behavior with 57 percent of consumers saying that they would stop buying a product if they knew that children were being employed to make it (Rogers, 1998). Another study of Finnish consumers by Uusitalo and Oksanen (2004) found that almost 70 percent of respondents believed that a firm's business ethics had at least some influence on their purchasing decisions. Marymount University (1999) showed that 75 percent of consumers would avoid shopping in a store if they knew the goods were produced under bad conditions, and these consumers indicated that they would pay \$1 more for a \$20 item that was made under good conditions.

These surveys show that CnSR cannot be ignored and that many consumers are concerned about the ethical issues related to corporations' business practices. However, some researchers have suggested that this awareness of consumers does not always appear to translate into changes in their purchasing behavior (Carrigan and Attala, 2001). This gap has even led some researchers to believe that research on ethical consumerism is inherently unreliable (Ulrich and Sarasin, 1995). Auger and Devinney (2007) point out that these surveys tend to overstate the importance of these ethical issues, due to the nature of the survey instruments used in the consumer research, and the sensitivity of ethical issues may motivate consumers to answer questions in a more socially acceptable way. They suggest that corporations need to do little more than discovering consumer's social needs and wants, but corporations should create opportunities where consumer's latent needs and wants can be realized.

Thus, recent criticisms on the notion of ethical consumerism imply that it is difficult to define the concrete characteristics of ethical consumers, but it does not mean that consumers do not consider any social feature when purchasing a product. It is suggested that CnSR should be regarded as one component of the complex decision making process of consumers, and corporations should create opportunities for consumers to let them realize the latent CnSR

and wants for the socially responsible consumer practices. Therefore, corporations are expected to raise the awareness of consumers in order to discover their CnSR.

1.3.1 Role of Fair Trade Organizations in Raising Awareness of Consumer

Fair trade organizations (including fair trade brands) aim to raise awareness of consumers, as well as creating social benefits in developing countries. Thus, fair trade organizations can be considered to create opportunities for consumers to realize their CnSR.

In 1999, Littrell and Dickson introduced fair trade as a relatively new idea in their book *Social Responsibility in the Global Market: Fair Trade of Cultural Products*. They explain that “fair trade fosters empowerment and improved quality of life for artisan producers through integrated and sustained system of trade partnership among producers, retailers, and consumers (Littrell and Dickson, 1999: 5)”. Ten years later, Fairtrade Labelling Organization International (FLO) published *A Charter of Fair Trade Principles*, and introduced their official definition of fair trade as below in 2009.

A Charter of Fair Trade Principles

Fair-trade is a trading partnership, based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South.

Fair-trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.

FLO explains the role of fair trade organizations as to support the producers and to raise the awareness of the society. In *The Rough Guide to Ethical Shopping*, Clark (2004: 16) explains the aim of the whole fair trade movement is to “re-connect producers with consumers, and ensure a better deal for the former”. There are basically two approaches of corporations to conduct fair trade business. One is to use certified materials (such as cotton, coffee, and

cacao) in their productions, and another is to conduct business to create job opportunities for the poor. Former is often practiced by PMBs as a part of CSR initiatives, and latter is practiced by social entrepreneurs. Both practices have the function to raise awareness of consumers since they need to inform the consumers about their purpose of conducting such business, in order to make the consumers understand the value of it.

However, Porter and Kramer (2011: 7) argue that fair trade is a typical type of CSR initiatives of corporations, which “focus mostly on reputation and have only a limited connection to the business, making them hard to justify and maintain over the long run”. They are skeptical about the sustainability and effectiveness of fair trade business in succeeding with CSV. Although, fair trade business is aimed at creating social benefits, the ability to generate economic profit is questioned in their argument. Thus, it should be noted that fair trade cannot be regarded as a business to create shared value.

Chapter 2: SOCIAL RESPONSIBILITY IN THE FASHION INDUSTRY

2.1 Social Pressure on the Fashion Industry to Implement CSR Initiatives

There has been an increasing social pressure on the fashion industry to improve its social and environmental performance of supply chains. NGOs, consumer groups, and media have been criticizing the unsustainable business practices of the leading apparel corporations. These corporations tend to become the target of the criticisms due to their large-scale production, which has great impacts on the communities in both production and consumption countries. The main problems of these corporations are the vast environmental impacts they cause in the production process, exploitation of workers in the production countries, and the characteristics of promoting a mass consumption by offering cheap products with short life span. Environmental impacts are often related to human rights issues, as the damages are often caused in the communities of production countries. Recently, Greenpeace International, an international environmental NGO, has launched ‘The Detox Campaign’ in July 2011. As of January 2013, fifteen leading apparel corporations (Nike, Adidas, G-Star, Puma, H&M, M&S, C&A, Li-Ning, Zara, Mango, Esprit, Levi’s, Uniqulo, Benetton and Victoris’s Secret) have agreed to eliminate all releases of hazardous chemicals throughout their supply chain. High visibility issues such as the global environmental impact of production or the use of child labor in developing countries appear to increasingly affect the purchase decisions of consumers around the world (Auger et al., 2003; Creyer and Ross, 1997; Elliott and Freeman, 2004).

Gereffi and Frederick (2010: 2) states that “Apparel production is a springboard for national development, and often is the typical starter industry for countries engaged in export-oriented industrialization due to the low fixed costs and emphasis on labor-intensive manufacturing”. Apparel production is an effective means for developing countries to achieve

economic development. However, they also explain that in the current structure of the fashion industry, buyers (leading corporations in the industrialized countries) and suppliers (factory workers in developing countries) are in unbalanced power relations, since the “apparel industry is the quintessential example of a buyer-driven production chain marked by power asymmetries between the producers and global buyers of final apparel products” (Gereffi and Frederick, 2010: 11). Most highly value-adding activities of the fashion business such as designing, branding, and marketing, are conducted by the enterprises in the industrialized countries, and the suppliers are not involved in this value creation. This is one of the reasons why producers cannot escape from the harsh condition.

Growing social demand for higher social and environmental standards has increased the need for supply chain transparency, and leading apparel corporations want to make sure about their suppliers’ production practice to ensure they uphold the principles of the brands. Leading apparel corporations have started to implement CSR activities into their business, and major practice has been to set the code of conduct¹, which commonly addresses workers’ rights at supplier companies, by covering compliance with local laws, and addressing issues such as forced labor, discrimination, child labor, health and safety, hours of work, and wages. Implementation of the code of conduct can be understood as strategy of PMBs to reduce the negative impacts they create in the production countries. They create their rules of production and publicly publish their production situation, in order to prove that they are socially responsible.

Each corporation has a different code of conduct, but there are attempts to establish new standards for the production. Businesses, academia, NGOs, governments, and international organizations have been working together to develop the policies and standards

¹ Leading apparel corporations started to implement the code of conduct in the late 1990s. For example, Gap Inc. implemented it in 1996, H&M in 1997, and Inditex (famous for ZARA) in 2001.

to improve the social and environmental performance of the fashion industry. Yperen (2006) introduces the major policies and standards related to the textile industry (see **Table 2**).

Table 2. Policies and Standards of the Textile Industry

Source: Yperen, M. 2006. *Corporate Social Responsibility in the Textile Industry: International overview*.

<u>Social policies and standards</u>	<u>Environmental policies and standards</u>
<ul style="list-style-type: none"> • United Nations and ILO conventions • Social Accountability 8000 • Business Social Compliance Initiative • Worldwide Responsible Apparel Production • Fair Labor Association • Ethical Trading Initiative • Clean Clothes Campaign • Fair Wear Foundation • The Worker Rights Consortium • OHSAS 18000 	<ul style="list-style-type: none"> • European commission and Integrated Pollution Prevention Control (IPPC) • ISO 14000 • United Nations Cleaner Production • The European Eco-label • Oeko-tax standard 100/1000 • Organic Cotton

Leading corporations can no longer ignore the social and environmental impacts they create to the society, and business as usual or fashion as usual is not an option, in order to materialize more sustainable industry (Fletcher, 2008). It is indispensable that these major corporations take actions to transfer their business into a more sustainable direction.

While setting a code of conduct is better than nothing, CSR activities “can be a reflex response designed to stave off public criticism, rather than a genuine attempt to tackle the substance of the issues at stake”, and Nike admitted that “up to half of its workers do not even receive the legal minimum wage”, although they have set a strict code of conduct to ensure

the working condition of factory workers (Fashioning an Ethical Industry, 2006). Without the proper implementation, setting a code of conducts does not have any effect to solve the problems of the fashion industry.

Even if these leading corporations try to address an unsustainable situation, it is almost impossible for them to make sure that all of the processes are conducted in sustainable manners, because the systems to manage the proper implementation are not yet established, and strong connections with the suppliers, buyers, and consumers based on a sense of trust have been lost in an extremely large scale of their business activities. Although leading corporations try to be socially responsible, there is the possibility that the factory owners do not follow the rules given by corporations and exploit the workers. One of the reasons of the difficulty of the implementation is the lack of communication as stakeholders are often not involved in the formulation process, and the majority of the brands just force their retailers, suppliers, and contractors to adopt the code if they wish to continue business with them. This implies that there is a risk that code of conduct can function as another threat to the suppliers to give even more pressure, rather than ensuring their human rights. Thus, the lack of communication and connection can be a severe obstacle to ensure the suppliers' labor conditions and environmental performance.

2.2. Appearance of Ethical Fashion Brands

While the leading apparel corporations are working on their CSR initiatives, small-scale businesses are also taking their own approach to tackle sustainability issues of the fashion industry, and these businesses are often regarded as ethical fashion brands (EFBs). EFBs are often tackling the problems in which the leading corporations cannot solve with their CSR initiatives. In Fletcher's (2008: XIII) term, CSR initiatives of the PMBs can be regarded as the "more of the same, but more efficient" type of effort, and the effort of the

EFBs can be regarded as the “something different paradigm”. CSR initiatives of the PMBs are the ways to mitigate the negative impacts of the for-profit corporations, while approaches of EFBs can be regarded as a type of social enterprise, since their business motivation is to solve the social issues of the fashion industry with conducting unique business. These brands seek for the possibility to solve various issues of the fashion industry, and to give positive impact to the society by presenting the innovative and alternative ways to practice the fashion business. Due to their small scale, EFBs are able to develop business models with strong connections with the stakeholders while maintaining a sort of communication, which is impossible for the leading corporations.

Ethical fashion has various definitions, but this paper will refer to the explanation of Ethical Fashion Japan (EFJ). EFJ was established in February 2012 as an organization to increase the demand for ethical fashion in Japan. EFJ explains that ethical fashion cannot be clearly defined, but that any fashion business with the aim to have a positive effect on the society can be regarded as ethical fashion.

It should be noted that EFBs have the role of presenting about the problems to the society. Moreover, these brands need to present about the problems they are tackling in order to make the consumers understand the value of their business. Thus, EFBs have the function of raising awareness of the consumers about these issues and give pressure to the industry to solve these issues. Most importantly, EFBs deserve the attention since they are not only pointing out the problems, but also presenting the business methods to solve these issues, and providing the opportunity for the consumers to practice ethical consumerism.

Although EFBs have great possibilities to push the industry (both business and consumer) to shift towards more sustainable direction, and the number of these brands has been rapidly increasing, the reality of EFBs is still not discussed or understood in the academia. Any fashion brand with social aim is considered to be a type of EFB, although the

goals and approaches can be completely different. Needless to say, it is difficult to develop a concrete definition of EFB, because, as explained in Chapter 1, ‘ethics’ and ‘social responsibility’ of business and consumers cannot be well defined. It is important to take a closer look into these brands in order to understand the potential and value of these businesses.

2.3 Research Objective

The aim of this research is to understand the reality of the EFB, and its ability to contribute to solve the sustainability issues of the fashion industry through a case study of a Japanese EFB, Motherhouse Ltd. By studying the case of Motherhouse, this research aims to understand the relations of the social benefits and the economic profits created by EFB. In short, the research questions are:

- 1) How can the social responsibility of EFBs be understood in terms of the relations between economic benefit and social benefit? Can EFBs be considered as CSV?
- 2) What is the contribution of EFB in terms of solving the sustainability issues of the fashion industry?

This research is not a hypothesis testing research, but theory building research based on a case study. Thus the hypothesis is built through the process of the case study. This research tries to focus on the issues, which are not yet brought to the academic discussion. Thus the aim is not to prove something by using quantitative data, but rather to conduct descriptive analysis on the reality of EFB to bring this topic into the academic discussion.

Chapter 3: METHODS

3.1 Design of Case Study

The field of this research is sustainability science, and the form of this research is case study. This case study was conducted in the form of participatory research, since the author has three and a half years of working experience in Motherhouse as a sales staff. In order to understand the social responsibility of Motherhouse, the analysis was conducted on how Motherhouse is creating the social benefits, and how their economic profits are related to the creation of the social benefits. This study aims to analyze the business model of Motherhouse by using various qualitative data in order to answer the research question.

3.1.1 Observation

The author was a staff member of Motherhouse from March 2009 until August 2012. Thus, this research is based on the three and a half years of observation of Motherhouse as a staff member. The author joined Motherhouse as a part time employee, and has spent three days a week in company stores of Motherhouse as a sales staff. The author had interaction not only with the company, but also with its customers, thus has been observing Motherhouse from an in two perspective. The main work for the author in Motherhouse was selling product at the company store (in six company stores). At the same time the author also attended various meetings of the company.

3.1.2 Field Survey

The author conducted the field survey in Bangladesh and Nepal, and visited the production factories of Motherhouse in February 2011. The pictures in this paper are taken by the author during this field survey.

3.1.3 Data Analysis

The data of Motherhouse was provided by Motherhouse with the permission to use it for the analysis. The data provided by Motherhouse is:

Customer data: how the customers encountered Motherhouse

Thanks event: number of participants, number of conducted events, results of questionnaire conducted to participants

Zadan Project: number of participants, number of conducted projects, number of votes, results of questionnaire conducted to participants

Study Tour: number of participants, number of conducted tours, results of questionnaire to conducted to participants

3.1.4 Interview

Interview was conducted with the staff members of Motherhouse:

Vice president of Motherhouse: Yamazaki

Japanese staff members of Motherhouse: Fujimori and Hayakawa

Bangladeshi production members of Motherhouse: Mainul Haq, Morshed Alam, and Abdullah Mamun

Interviews were also conducted with customers of Motherhouse:

Customers of Motherhouse: Sano, Komiya, Matsuura, Nishiwaki, and Yamamoto

Two hours long interviews were conducted to five customers of Motherhouse who have high loyalty to the brand, and actively interact with Motherhouse by visiting the store frequently and participating in various events. The structure of interview was a semi-structured interview, and a questionnaire was also conducted at the beginning of the interview.

Table 3. Basic Information on Interviewees (Customers of Motherhouse)

Name	Sano	Komiya	Matsuura	Nishiwaki	Yamamoto
Sex	Female	Male	Male	Female	Male
Age	30s	30s	50s	30s	20s
Types of Encounter	Lecture	1) TV show 2) Lecture	1) Passing Visitor 2) TV	1) Word of mouth 2) TV	News paper
Time of Purchase	4	20	7	10	17

3.2 Material: Motherhouse Ltd.

3.2.1 Basic Information of Motherhouse

Motherhouse can be regarded as one of the Japanese ethical fashion brands. Motherhouse is a “specialty store retailer of private label apparel” (SPA). SPA is a well-established business model, in which marketing and production are integrated to minimize the loss and inefficiency in the entire supply chain. Motherhouse is successful in integrating and promoting the communication among the stakeholders of the marketing and the production, due to its small scale. The company produces apparel products in developing countries, Bangladesh and Nepal, and sells them in industrialized countries, Japan and Taiwan. Motherhouse has the business vision to “create a world-wide brand from developing countries” to stimulate economic growth in the production countries, aiming to alleviate the poverty.

Table 4. Basic Information on Motherhouse (as of April 2012)

Source: Data provided by Motherhouse to author in April 2012

Yearly Sales	4.2 million US dollars/year (2011)
Amount of Yearly Production	30,000 products/year (2011)
Number of Shops	12 (Japan and Taiwan)
Number of Staff Members in Retail	45 (Japan and Taiwan)
Number of Staff Members in Production	55 (Bangladesh)
Number of Suppliers	320 (Bangladesh and Nepal)

Due to its unique business vision and practice, Motherhouse has been succeeding to gather the attention from the media and the society, and Motherhouse is regarded as one of the most successful social entrepreneurs in Japan. Motherhouse has won “Social Entrepreneur of the Year in Japan 2011” by Schwab Foundation, and Entrepreneur of the year 2012 by Harvard Business School of Japan.

The business model of Motherhouse is clearly different from the business model to simply maximize the short-term profit. However, Motherhouse clearly states that they are not a fair trade company, and does not regard themselves as a social enterprise. In addition, the vice president of Motherhouse says that they want to separate themselves from the trend of ethical fashion brands.

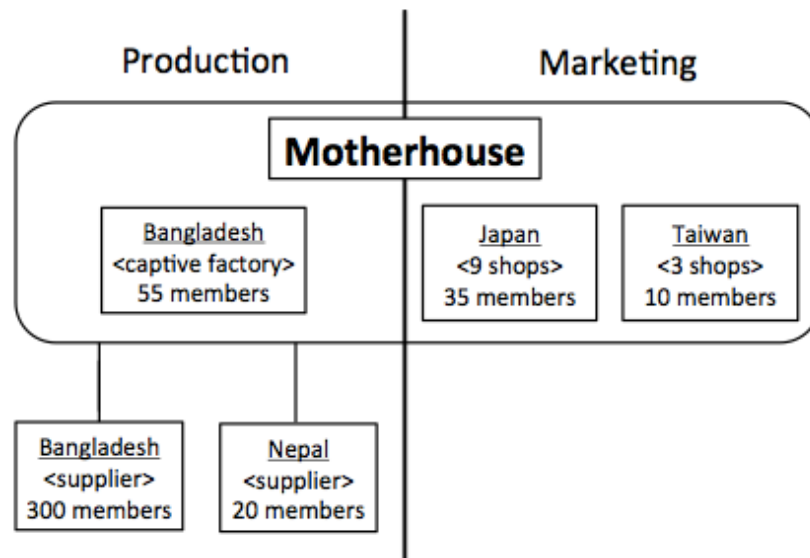


Figure 3. Structure of Production and Marketing of Motherhouse (As of April 2012)

Source: Data provided by Motherhouse to author in April 2012

3.2.2 History of Motherhouse

It is important to understand the history of Motherhouse in order to understand the initial business motivation of Motherhouse. This section is based on the two books published by Motherhouse: *Hadakademo Ikiru* [Naked Life: I am always on my own] (Yamaguchi, 2007) and *Hadakademo Ikiru 2* [Naked Life 2: Keep Walking] (Yamaguchi, 2009). When the founder of Motherhouse, Eriko Yamaguchi (currently CEO and designer of the company), was majoring in development studies at a university in Japan, she had an opportunity to do an internship in the Inter-American Development Bank in Washington, D.C. Although it was her long time dream to work in an international organization, she felt a strong sense of discomfort that elites in the developed countries were just managing the money to send to developing countries, without knowing the real situation of the developing countries. After graduating from the university, she entered a graduate school in Bangladesh to learn what would be

necessary to alleviate poverty, and she had realized that even if the students study hard and graduate from the graduate school, some of the graduates cannot find the place to work in Bangladesh. Based on a solid understanding of the realities in Bangladesh, she decided to start her own fashion business using the local material of Bangladesh, for promoting economic development in this country. Although she was determined to produce fashionable products in Bangladesh, it was not an easy task to start production. She was struggling to find a reliable business partner, but a production factory once became completely empty the day after she made a contract, with her money absconded and her passport stolen by somebody in the factory. Having overcome such numerous troubles and obstacles, she finally found a reliable partner and established Motherhouse in 2006 at the age of 24. The company quickly succeeded to increase staff members in Japan and opened Motherhouse's first company shop in Tokyo in 2007. The story of young woman struggling to start a unique business was spread to the Japanese society, and their business has expanded rapidly. Motherhouse expanded their production to Nepal in 2008, this time using raw silk, which is the local material of Nepal. Its business has continued to expand, and, as of April 2012, Motherhouse has 12 shops, and over 400 people are involved in Motherhouse business.

Chapter 4: RESULTS

4.1 Business Vision of Motherhouse

Motherhouse aims to promote the economic development in developing countries through producing fashion products in these countries. As is explained in the history of Motherhouse in chapter 3, the company's initial business motivation was to contribute to the alleviation of poverty in developing countries by establishing a new business in these countries. Although Motherhouse is a profit making company, they have a strong business vision, and conducts unique business practices which cannot be understood in the context of the PMB_model. Motherhouse gives a detailed explanation of their business vision on their website as cited below.

Motherhouse Vision

Creating a world-wide brand from the developing countries.

Motherhouse Mission

Motherhouse is a fashion brand specialized in handbags produced in developing countries. We produce the best products possible by maximizing the potentials of the people and materials in developing countries. We use business to break the prejudices and biases held against developing countries such as being low in quality and unskilled labor. We look to reestablish confidence in our customers in the quality of the work overseas and our creators for their ability to create high-quality and fashionable products. We believe that such changes in our ideas are the key to break the structure, which creates poverty and inequalities in our world.

Motherhouse Philosophy

- Think first for the customers, all else will follow*
- Excellent environment derives the excellence in products*
- Sustainability is possible only when everybody is sustainable*
- We see potentials in everyone and everywhere*
- We never fear change for the better*
- Fashion is philosophy: We wear what we believe*

(Motherhouse, 2012)

Through the interview conducted with Yamazaki, another business vision of Motherhouse was understood in addition to the initial vision mentioned above. Yamazaki stated that their business is “an anti-thesis of the fashion business of the twentieth century” (Yamazaki, 2011). According to his explanation, the fashion business of the twentieth century was about producing and selling products as much as possible while focusing on its efficiency, since twentieth century was the time when there were not enough materials in the society. In order to raise the efficiency of the production, the process of production was started to be divided into several phases, and the industrialized countries were flooded with standardized products. Since the producers are only repeating isolated specialized tasks, they are not able to feel a sense of accomplishment of a whole product. That is why Motherhouse is introducing the cellular manufacturing system in which the producer take more responsibilities to finish one product, compared to the line manufacturing system in which the producer is responsible only for the small part of the production. Motherhouse aims to bring joy to the producers by giving them more responsibility and motivation in their work.

In addition, Motherhouse aims to make the consumers realize the impact of their consumption behavior. In the current structure of the fashion industry, the consumers are one-sidedly just receiving the products without knowing much about the products, and are not aware of the stories behind the products. Therefore, it is the company’s goal to provide fashion products with ‘stories’ in which the consumers can feel attachment and meaning. Motherhouse aims to change the structure of the fashion industry in order to deliver joy to both producers and consumers, thus Motherhouse is trying to involve these two stakeholders in their brand development activities such as branding, marketing, and designing the products.

The business mission of Motherhouse can be understood as divided into two parts: 1) to develop a new business by maximizing the potential of developing countries, 2) to break the prejudice and biases held against these countries. The former is more focused on empowering

the developing countries, and latter is focused on changing the perception of the consumers towards developing countries. Motherhouse also promotes interactions between producers and consumer in order to connect these two stakeholders, since it believes that this is the key to achieve their business mission and to change the structure of the fashion industry. The company's strategy to complete this business vision is to 1) invest to production countries, 2) raise the awareness of consumers, and 3) promote interactions between producers and consumers.

4.2 Strategy 1: Investment to the Production Countries

Motherhouse produces fashion products to empower the developing countries by maximizing the potentials of the locally available resources such as raw materials and human resources while paying attention to local environmental conditions. They work together with the people of developing countries to develop a new industry by discovering a new potential of the country. Business of Motherhouse starts with determining the place to conduct their production, and conducting intensive research on the potential of the country. Their criteria to determine production locations are not the price and the quality of the production, but if there is any meaning for Motherhouse to start their business in that country.

Usually, apparel companies first decide what to produce, then collect the necessary materials, and finally find a place to produce the product with the minimum cost, without considering the impact they have on the suppliers. This is the basic mechanism of the race to the bottom, which has led to that miserable working conditions in some production countries have not yet been improved. Buyers tend to pressure suppliers for cheaper production, resulting in child labor and sweatshop condition, and poor management of environmental risks.

The approach Motherhouse takes is the other way around, because Motherhouse is not choosing producer country based on a profit-maximization calculation, but rather on a development potential of the country if Motherhouse's good is produced there. Thus, their product development strategy is not market-driven, but development-driven. It requires high initial investment to establish completely new production lines, and intensive interactions with the producers in the production process. However, this is the only way for Motherhouse to conduct the business to achieve their business vision.

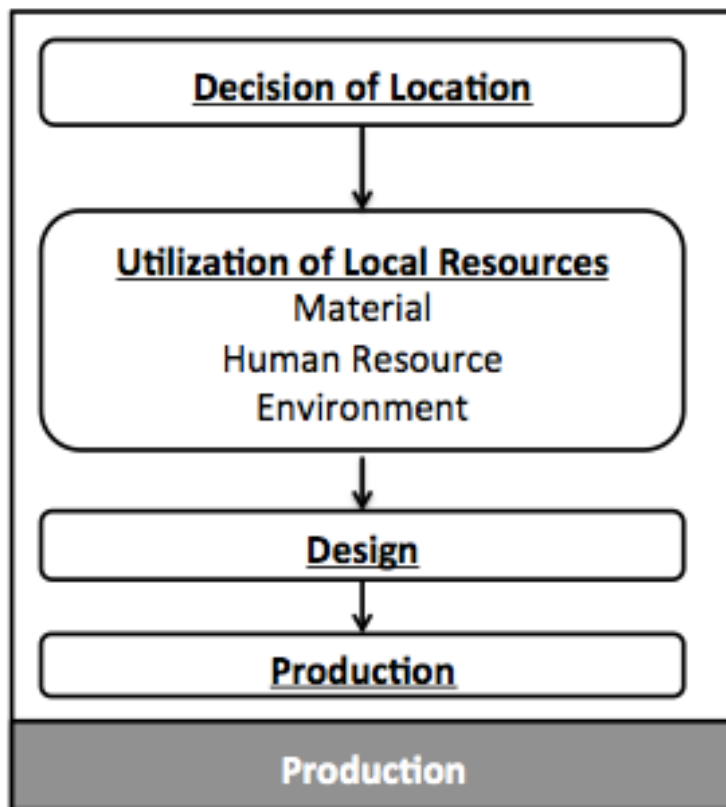


Figure 4. Process of Product Development in Production Countries of Motherhouse

4.2.1 Production Country 1: Bangladesh

Motherhouse first started their production in Bangladesh in 2006. They chose jute, a kind of hemp, as their material, since Bangladesh is the largest production country of jute, and 90% of world exports are provided by Bangladesh. Jute can be considered an environmental friendly material because it is biodegradable and absorbs around five times as much CO₂ as cotton in its photosynthesis process. Jute bags had long been produced as sacks for coffee beans, and it was not common to produce fashionable bags from jute. However, Motherhouse wanted to produce products, which Bangladesh can be proud of, so their challenge was to produce products, which nobody has ever seen before. Since nobody had ever produced high-quality fashionable jute bag, the company struggled to find a factory that would agree to try the production of jute bag. It took six months until they finally found a reliable business partner with production factory and was willing to produce fashionable jute bags. In the process of finding the partner, Yamaguchi faced many difficulties building a sense of trust with local people. Bangladesh is a Muslims country, therefore it was difficult for a young woman to start business in the country, and she was often looked down when she was negotiated with local businessmen. Once, her passport was stolen by a factory worker, and she had to leave and find a new factory because she could no longer build a sense of trust with the factory workers. Another time, a factory became completely empty the day after she made a contract, with her money absconded.

Even though Yamaguchi finally found a reliable production factory, it was difficult to communicate with the producers about the purpose of her business and required quality of product. It was very difficult to improve the quality, since Motherhouse did not own the factory, and the factory was supplying to other buyers as well. The factory usually prioritized production for large-scale buyers, and Motherhouse's orders were often postponed. In such a situation, it was difficult for Motherhouse to realize intensive communication with the

producers to improve the quality. However, in December 2008, Motherhouse succeeded in opening their own factory in Bangladesh, which made it easier to improve the quality of the products. The name of the factory is Matrighor, meaning Motherhouse in Bengali, and the initial number of factory worker was only six. A bigger factory was constructed in November 2011, and as of April 2012, the number of employees has increased to fifty-five. Motherhouse also produces products in other supplier factories, numbering around three hundreds.

The expanding production scale enabled Motherhouse to increase the variety of products. In addition to jute, Motherhouse started to use cow leather, which is another local material of Bangladesh, and they also started to use local textile such as *sari* and *lungi* (materials to make ethnic costumes) in their production.



Figure 5. Production Factory of Motherhouse in Bangladesh 1
(picture taken by the author in February 2011)



Figure 6. Production Factory of Motherhouse in Bangladesh 2
(picture taken by the author in February 2011)

4.2.2 Production Country 2: Nepal

In 2008, Motherhouse started to search for a second production site, because the production of Bangladesh was finally on track, and Motherhouse wanted to expand its production in different countries to explore new potentials. When Nepal was investigated as a production country candidate, it was found that Nepal is facing problems of lack of electricity and political uncertainty, which hampers the establishment of large-scale manufacturing ventures. PMBs would not start businesses in Nepal, since there are too many risks involved, but Motherhouse would not give up. When Motherhouse started to search for the local material, they first encountered pashmina, which is high rank wool better than cashmere, and noticed that the scarf made by pashmina is a typical and popular souvenir of Nepal. However, Motherhouse found out that pashmina is not a local material of Nepal, and most of it is imported from China and mixed with different fibers, although usually sold as “100% pashmina Made in Nepal”. Since Motherhouse could not find a local material suitable for their production, they decided to produce products that preserve the traditional Nepalese hand-weaving technique (see **Figure 7** and **Figure 8**).

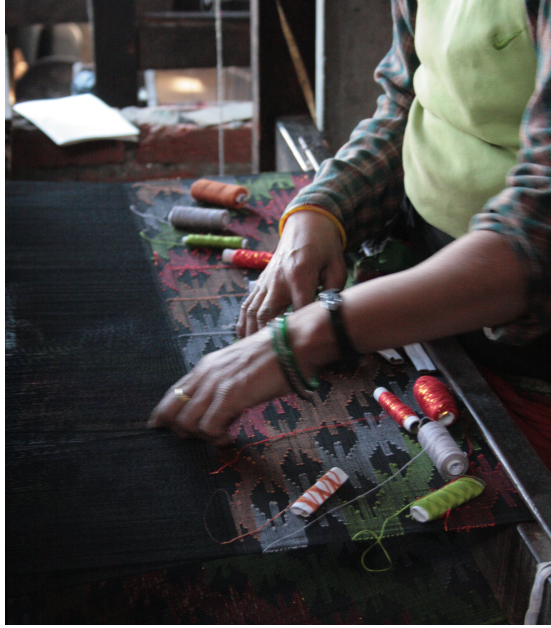


Figure 7. Nepali Hand-weaving Technique 1
(Picture taken by the author in February 2011)



Figure 8. Nepali Hand-weaving Technique 2
(Picture taken by the author in February 2011)

When Motherhouse found a hand-weaving production factory, they were informed that the factory was planning to shut down because they had difficulties maintaining their business with reduction of demand for the hand-weaving textile. Most of the factories have mechanized the weaving production because it is much cheaper, and hand-weaving production is losing competitiveness in the market. Thus, Motherhouse decided to market hand-weaved goods from Nepal. Currently, as of February 2013, Motherhouse is producing clothes using hand-weaving and hand-knitted materials. In addition, Motherhouse started to use local materials such as silk (see **Figure 9** and **Figure 10**) and vegetable dyes.



Figure 9. Production Process of Silk 1
(Picture taken by the author in February 2011)



Figure 10. Production Process of Silk 2
(Picture taken by the author in February 2011)

Motherhouse has not yet built factory of its own in Nepal, but is hoping to do so in the near future. From these examples, it can be said that decision rationale of Motherhouse is quite unique compared to PMBs, and the company is willing to take much more risks and costs than other businesses in utilize new potentials in developing countries. In its philosophy, Motherhouse states that they “*see potentials in everyone and everywhere*”, and the company is targeting to increase the number of the production countries in order to explore more potential of different countries.

4.2.3 Production of High Quality Products

Another important factor, which needs to be addressed, is that Motherhouse does not simply pay higher salary to the producers like fair trade business, but the company works together with the producers to support them to obtain higher competitiveness on the global market. Motherhouse believes that the only way for producers to become economically independent is to be able to survive in the global market, and not to be given differential treatment. Motherhouse believes that if producers can only survive within a special framework such as fair trade, producers cannot be truly self-reliant. This is the reason why Motherhouse is strict about conducting business, and not giving aid. In order to prove the potentials of the developing countries, Motherhouse has to produce fashionable products with high quality, which attracts consumers. Motherhouse does not want their customers to buy their products out of charity, because they believe that a business built on the charity of consumers is neither robust nor sustainable. Since Motherhouse struggles to produce products with high quality, so the company hires craftsmen with skills, instead of the poorest people of the country. Some kinds of fair trade businesses hire people with no skills, because the aim of their business is to provide employment to these people, which can result in producing products with poor quality. However, as already mentioned, the aim of Motherhouse is to

raise the level of the production quality of the country. The statement of Motherhouse philosophy, “*think first for the customers, all else will follow*” reflects their attitude to be strict about the production quality to satisfy the customers with their products.

Motherhouse has its own strategies to improve the quality of production. One is to communicate with producers about the quality persistently, and another is to motivate producers by involving them in value-adding activities such as marketing and designing. In Bangladesh, Motherhouse has its own factory, which enables it to build long-term partnerships with producers, and to let producers concentrate on production of Motherhouse’s products. As already mentioned in section in 4.2.1, if the brand does not own its own factory and only orders in small amount, the supplying factories will supply to several brands, and that makes is difficult for the producers to concentrate on improving the quality of the specific brand. In addition, if the brand does not own the factory, there is a possibility that the brand will suddenly cancel the partnership with the factory if the factory cannot meet the demand in terms of quality, cost, and code of conduct. Motherhouse put emphasis on building a sense of trust with factory workers through realizing the long-term partnerships and intensive communication. Motherhouse places at least one Japanese staff with professional skills at the factory, so that the quality of production would be maintained. In addition, real-time feedback from the customers is delivered to the factories through the Japanese staff members, and is immediately reflected to production.

Second strategy is to include the producers in value-adding activities such as designing and marketing in order to motivate them to produce better products. Yamazaki mentioned during the interview that Motherhouse believes that one of the factors decreasing the motivation of producers is that they are just given unilateral orders what to produce without knowing final customers of their products. This is why Motherhouse designs its products in the factory together with the producers in order to integrate producers into production

development process. Yamaguchi stays approximately one third of the year in production countries to develop products. In Bangladesh, products are mainly designed by Yamaguchi and Morshed Alam, the sample master of Matrighor. After making the sample, Yamaguchi and Morshed Alam works together to finish the design of the products after getting feedbacks from other the factory workers and staff members in Japan. In addition, producers encounter their final customers in many occasions, and this also gives motivation for the producers to produce better products. The effects of these interactions with customers will be explained in section 4.3.

4.2.4 Working Condition of Production Factory

Even though Motherhouse does no set specific code of conduct, the working conditions of the factory workers are kept in the high standards. Since Motherhouse is still a small-scale business, they do not have any pressure from the society to implement the code of conduct as their CSR initiative. As mentioned in chapter 2, the code of conduct is to ensure the human rights of factory workers by covering compliance with local laws, forced labor, discrimination, child labor, health and safety, hours of work, and wages. Since Motherhouse succeeds to create strong connection with factory workers, human rights are ensured in the factories. Moreover, Motherhouse started its business aiming to empower the producers in production countries. Therefore, it is contradictory to the company's business vision if Motherhouse does not ensure the human rights of producers.

Working environments of the factories are kept in safe and clean condition. Salary is paid on the decided day every month, and Motherhouse provides loans to the producers without any interests if needed. Additionally, lunch is provided to the workers everyday, and dinner is provided when they have to work extra hours. Basically, the workers do not work overtime, but they are sometimes required to work extra hours before the shipments.

Findings 1

-The business of Motherhouse starts with the deciding the country of production, and by utilizing local resources in their production, because Motherhouse aims to discover new potentials of the developing countries in order to revitalize the local economy

Findings 2

-Motherhouse aims to invest to production countries in order to raise competitiveness of producers in the global market, which leads to the economic independence of producers

Findings 3

-Motherhouse aims to increase motivation of producers to produce better products by integrating them into product development process and marketing scheme

Findings 4

-Working conditions are ensured although the does not implement the code of conduct to publish their rules in its supply chain

4.3 Strategy 2: Promotion of Interactions between Producers and Consumers

Motherhouse promotes interactions between producers and consumers through various events and products. Building connections between these stakeholders is the core of branding of Motherhouse, and it is possible to integrate these stakeholders into their branding because Motherhouse is a SPA business, which manages the entire production cycle from the production through to marketing. The company aims to make a positive impact on both producers and consumers through promotion of communication. Motherhouse aims to provide first-hand information about the country and the people of the country to both stakeholders.

From the viewpoint of the consumers, this attempt can be considered as a part of marketing strategy to increase loyalty of customers to Motherhouse, since customers feel more attachment to producers and brand. This results in erasing prejudice and bias of consumers towards producers, which is a part of business vision of Motherhouse. From the viewpoint of the producers, it can be considered as a strategy to increase motivation of producers to produce better products through encountering their final customers.

To give an example of this, Motherhouse holds events at their stores, connected to the factory via Skype (online service of videophone), so that their customers and producers can talk to each other directly. It is important to note that Motherhouse does not control the conversation in these events, and producers and consumers are allowed to ask each other anything. The producers are not told to tell specific stories from brand to impress consumers. Some consumers are actually exchanging letters with producers directly, thus Motherhouse cannot regulate contents of their conversation.

The company also organizes ‘Thanks events’ to invite producers to Japan, and study tours to Bangladesh to let consumers visit the actual factory, and projects to materialize interactive production development process with consumers.

4.3.1 Thanks Event: Producers Visiting Japan

‘Thanks event’ are held every summer, and Motherhouse invites their customers to report about their business situation. The number of the participant of this event is increasing every year, and 301 consumers participated to the event in 2012. Motherhouse has also invited some factory workers from Bangladesh, so that these factory workers can interact with customers directly.

This is also a very rare chance for producers to visit the consumer country, and have the chance to understand about their market. In December 2009, Mainul Haq, the factory’s

managing director first visited Japan, and he has visited Japan three times since. In August 2010, Abdullah Mamun, the factory manager, and Morshed Alam, the sample master visited Japan to attend the event. The author has guided these workers around Tokyo, and showed them Motherhouse's displays in several department stores. Through these experiences, workers are able to understand the quality required in the Japanese market, and about their competitors in the market. They also experience selling their products in the Motherhouse store, and can obtain a first-hand experience of the marketing scene.

4.3.2 Consumers Meet Producers: Study Tour to Bangladesh

In 2009, the company started to organize study tours to Bangladesh with one of the biggest travel agencies in Japan, H.I.S. Co., Ltd. So far the company has conducted around 20 tours (four times a year since 2009), through which approximately 200 Japanese customers have visited Bangladesh. Participants of this study tour visit Bangladesh for a week, and visit local school, project sites of Grameen Bank (organization for the microfinance in Bangladesh), and the production factory of Motherhouse. Participants can make a simple bag together with the craftsmen. While Motherhouse's core business is to transfers apparel products from developing countries to an industrialized country, the company is also willing to move people between these countries as well, hoping that people coming from industrialized country will actually see and feel the realities in developing countries and deepen their understanding of the problems associated with the fashion industry. On the other hand, it is a good chance for producers to actually meet with their final customers. Since the factory needs to stop their production during the visits of the consumer, they cannot organize the tour more than four times a year, and organizing this study trip does not generate much economic profit to Motherhouse, but they keep organizing this study tour to achieve their business mission.

Participation of this tour enables the consumers to learn about Bangladesh, which is not yet common to visit as a tourist, and to see and experience the production site. Through these experiences, the consumers feel a sense of affinity to the production country. Motherhouse gives strong impressions to the consumers, and two of the participants became staff members of Motherhouse after participating in this study tour, as they started to feel that they want to contribute to expanding the business of Motherhouse. This study tour is also a great opportunity for Japanese staff members to visit the factory in Bangladesh. In each tour, one Japanese staff member accompanies the tour as the tour conductor, and a different staff member is assigned in each tour to give them the chance to understand more about the production country and producers. By this experience, staff members are able to give more real information to customers about the production.

This tour also gives positive effects to producers. Usually, factory workers in developed countries never have an opportunity to meet the final customers of their products. They tend to be given unilateral orders from their buyers about to what to make, without knowing who will use their products where and how. In this situation it is extremely difficult to motivate factory workers to make efforts to improve the quality of their products. However, through this study tour, producers of Motherhouse started to realize that they “have to produce better products for the consumers” (Yamaguchi, 2009). After the workers met their customers, the product quality has actually improved significantly (Yamazaki, 2012). Yamazaki states that “the producers started to concern about the feedbacks from the customers about their product after having met with their customers.” Thus, it can be said that the strategy to establish strong connections between producers and customers has worked to have positive impacts on both sides of the supply chain.

4.3.3 Interactive Production Process: ZADAN Project

Zadan (round-table talk in Japanese) project is an attempt to design products in collaboration with consumers. One of the aims of this project is to create product development including both producers and consumers in the process of designing the product. This project gives customers the experience of designing a product, and creates a visible connection between customers in Japan and producers in Bangladesh. Producers and consumers are not just communicating, but collaborating with each other through this project. The staff member of this project, Hayakawa, answered in the interview that the Zadan project is “an opportunity for the consumers to be a part of the SPA business model”. This project was possible because Motherhouse is a brand that integrates production and marketing. Another aim was to realize the market-in product development. Fujimori, the project manager of the Zadan project, answered during the interview that the initial motivation to start this project was to ‘meet the consumers’. The company wanted to know more about the needs of consumers, and wanted to include consumers’ voices in the product development. The target of this project is the male consumer, since Motherhouse’s products are mainly targeting the female consumer, and Motherhouse has less chance to understand the needs of male consumers.

The company has already conducted this project four times successfully. As shown in **Figure 11**, the customers and producers interact several times during a three-month period of product development.

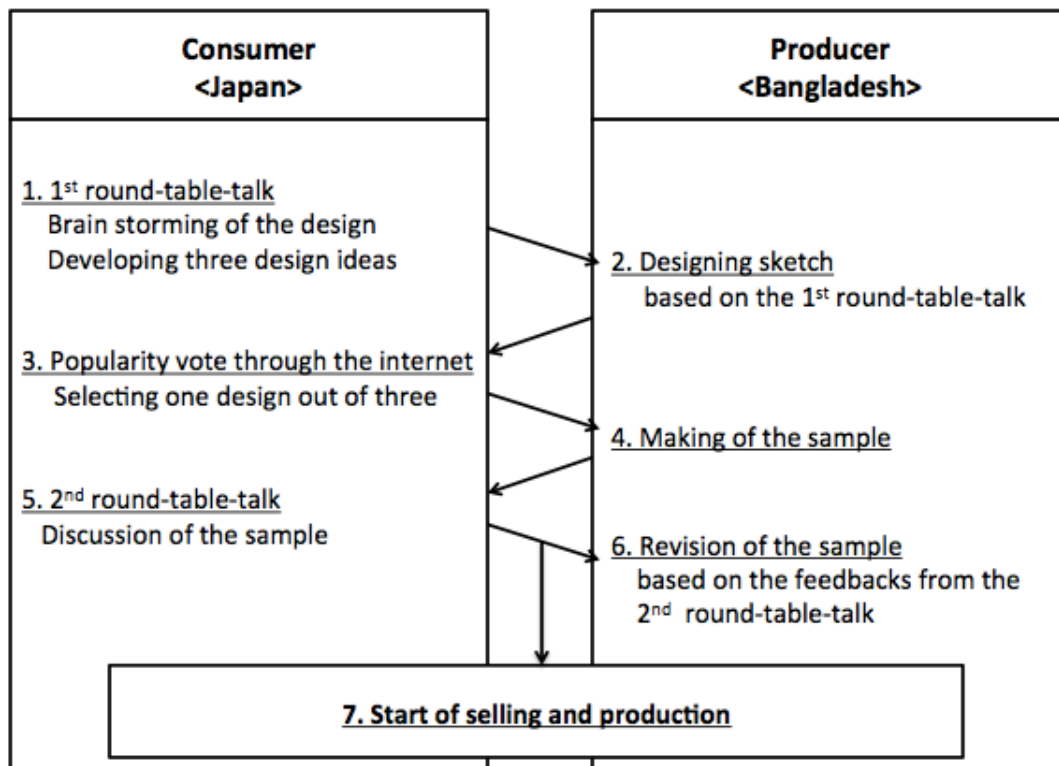


Figure 11. Interactive Production Process of Zadan Project

First of all, ten to fifteen consumers are selected as participants of the round-table-talk, and the participants are divided into three teams. Each team has one staff member from Motherhouse and has a discussion on the function and design of the product. Themes are given from the Motherhouse such as business bag, wallet, traveling bag, and tote bag, but the participants are free to make any kinds of requirement. After the discussion, each team will give a presentation about their idea and a sketch will be drawn by Motherhouse. Then, Motherhouse will conduct a popularity vote among the consumers through Facebook and Motherhouse's website, and the company makes a sample product of the most popular design. Finally, participants will be gathered again to have a second round-table-talk, and give feedbacks on the sample product, and the product will be finally produced reflecting

feedbacks from participants. In the process of the development, participants communicate directly with producers through Skype. Not only participants of the round-table-talk are engaged in this process, but also hundreds of other consumers (approximately 500 people in average) who vote through the internet. Motherhouse reports the progress of the project through a blog and Facebook, so that more people can follow the process. From the viewpoint of producers, it is a great opportunity for them to get feedback from the consumers in the process of the product development. Through hearing the requirements of consumers, producers are able learn more about the needs of consumers directly.

This project is remarkable because Motherhouse conducts this project in the fashion industry where consumers and producers are often completely separated and distant. When other brands conduct consumer participation product development projects, brands communicate with the consumers, but consumers do not usually communicate with producers directly.

The results of questionnaire survey conducted to participants show that all participants were satisfied with the project, and had an intention to participate again if given a chance. Participants were satisfied that they had the opportunity to have the direct conversation with producers through Skype. Some participants wish to get involved in the project more deeply, and some others think that it was a great opportunity for them to establish a relationship with other people with similar loyalty to the company.

Motherhouse intends to include one participant who is not yet a customer of Motherhouse in order to have different views in the round-table talks. One participant had been receiving a newsletter from Motherhouse, but never had visited the Motherhouse store. After participating in the Zadan project, he became a core customer of Motherhouse with high loyalty. Since consumers get the experience of being a part of production, they also become storytellers of the Motherhouse.

Production process of the Zadan project is more expensive than the usual production development. Fujimori said that each Zadan project requires 400 hours of work in total of four staff members. However, he said that this is a necessary cost for Motherhouse to really understand the needs of consumers. Even though it requires much energy to organize the project, this is an important opportunity to experience developing the brand together with consumers.

Finding 5

-Although the supply chain of Motherhouse is global, they manage to build strong connections between producers and customers as if they were conducting production locally

Finding 6

-Interaction gives positive impact to producers since their motivation to produce better products has increased after they started to interact with consumers

Finding 7

-Interaction gives positive impact to consumers since they feel more attached to the brand, and they learn more about developing countries

4.4 Strategy 3: Raise the Awareness of Consumers

While Motherhouse is aiming to be able to attract customers through the material value of their products, the company still needs to communicate with the consumers about the social issues they are tackling and their business vision to solve these problems. One goal of Motherhouse is to *“break the prejudices and biases held against developing countries such as being low in quality and unskilled labor”*. To change perceptions, it is very important that

Motherhouse communicates with consumers. What Motherhouse is trying to communicate is that even though developing countries are facing various issues, they have the potential to produce fashionable products with high quality, and should be regarded as business partners in an equal relationship.

Thus, it is important for Motherhouse to discover the RR of consumers and give the opportunity to make them realize it through the company's communication agenda. As the uniqueness of Motherhouse's business can function as a comparative advantage, it is necessary for Motherhouse to communicate with consumers about its business practice to win more customers with high loyalty to the brand.

The messages that Motherhouse sends to the consumers are various. One is about the general problems of the developing countries, and the problems with the structure of aid and fair trade business, and the problems caused by the fashion industry mainly related to human rights issues of workers involved in the production of apparel products. To achieve the goal of raising the awareness of consumers, Motherhouse is using three ways of communicating with the consumers. One is providing information through mass media, second is to communicate the consumers outside their stores, and third is to realize intensive communication with consumers inside their stores.

Since Motherhouse is conducting an unique business, the company gathers much attention from society, and is often covered by various media such as books, magazines, newspapers, TV programs, and radio programs. These media introduce business vision and practice of Motherhouse and the problems Motherhouse is tackling. However, they often introduce Yamaguchi as a role model of a social entrepreneur, and focuses on her personal story rather than the details of the business of Motherhouse.

In 2008, Yamaguchi was featured in a popular Japanese TV program, *Jyonetu Tairiku [a continent of passion]*. The program is the series of documentaries of people from various

fields, and the program showed how and why Yamaguchi started the business in Bangladesh. There were great reactions from the TV program, and most of the products were sold out after the program was broadcasted. *Jyonetu Tairiku* is still gathering attention, and people often come to the stores after watching the program on YouTube (free online video site). In 2012, Yamaguchi was featured as a character in a special drama program, *Nijyunengo no kimi he [to you in 20 years later]*, and the role of Yamaguchi was played by a famous Japanese actress. These media help Motherhouse to deliver educational messages to consumers in general. These educational messages are not only functioning to raise the awareness of the consumers, but also functioning as the marketing tool of Motherhouse in which increases the exposures to the media. In fact, Motherhouse is not spending any advertisement expenses, which is very unique as a fashion brand, because they naturally attract attention due to their unique business practice.

Motherhouse is not just relying on the media to deliver their messages. The company also gives messages directly to consumers through updating the blog, publishing books, and giving lectures at universities and business seminars. Yamaguchi has published three books so far, and explains the problems she faced through the establishment of the business in Bangladesh and Nepal. In addition, Yamaguchi and other staff members of Motherhouse update the blog frequently and give out the information of the production in real time.

Motherhouse prioritizes keeping a close relationship with its customers. The company does not sell its products at wholesale stores, but only in their own shops to ensure that those selling the products truly understand the mission and vision of the company and the background story of each product. It is important to convey to customers the company's core message. Before Motherhouse opened its first company store, they sold at wholesale stores, but found it very difficult to share its vision and philosophy with the sales staffs of the department store with limited time and chance to communicate with these staffs (Yamaguchi,

2009). The sales staff of Motherhouse is called storytellers, implying that the role of the sales staff is not just to sell the products, but also to tell the stories of Motherhouse. Through the intensive communication with consumers, Motherhouse is building strong connection with consumers in personal level.

It is important to note that educational messages of Motherhouse are quite different from that of fair trade brands. Although Motherhouse aims to raise the awareness of consumers, the company does not want consumers to buy their product out of charity. This is why Motherhouse tries to distinguish itself from fair trade brands. Motherhouse explains that the marketing strategy of typical fair trade brand is often to inform consumers about the miserable situations of the poor in developing countries, and then to encourage consumers that purchasing fair trade products will save the life of the poor. It can be said that fair trade brands appeal to consumers' sense of justice and conscience. On the other hand, Motherhouse aims to appeal to consumers' joy of purchasing high quality fashionable products and of knowing the background stories of products. As you can see in **Figure 12** and **Figure 13**, it is difficult to know the vision of Motherhouse by simply looking at their stores, since the displays of their stores are not different from usual fashion brands. Motherhouse regards that if the company pushes its vision too much to consumers (ex. putting pictures of developing countries in the wall of store in which is the typical display of fair trade brand), there is the risk that the company might distance itself from the consumers who are not particularly interested in contributing to developing countries. Thus, Motherhouse does not try to educate consumers to be socially responsible or ethical consumers, but the company communicates with consumers about their vision and values.



Figure 12. Display of Motherhouse Store 1
(picture taken by author in May 2012)



Figure 13. Display of Motherhouse Store 2
(picture taken by author in May 2012)

4.5 Function of Social Features as Competitive Advantages

Motherhouse attracts consumers not only with the material value of product, but also with social features of brand, which function as the symbolic value. The corporate strategy has worked effectively so that the company succeeded in obtaining a wide range of customers appreciating the symbolic and material values. The consumers' appreciation of the symbolic value has close relation to their CnSR. **Figure 14** shows how customers got to know Motherhouse in 2011.

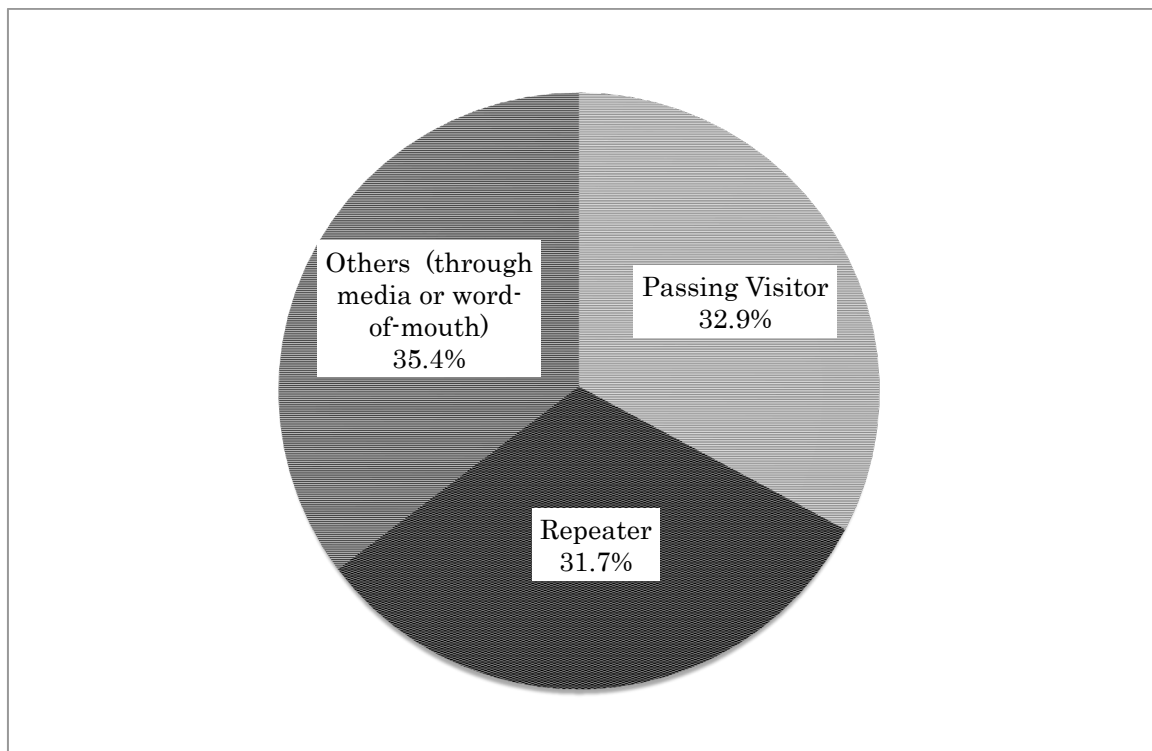


Figure 14. Types of Encounter with Motherhouse of Customers in 2011

Source: Data provided by Motherhouse to author in April 2012

As you can see, 32.9% of their customers were passing visitors who coincidentally stopped by and bought products without knowing much about the background information on the products. These customers are simply attracted by the material value of the products. Almost the same number of the customers accounting for 31.7% of the total, were repeaters who have already been loyal customers of Motherhouse. The repeaters are most likely to have an appreciation of the symbolic value. However, it is possible that customers who are unaware of the symbolic value become repeaters without an appreciation of the symbolic value. The remaining 35.4% of the customers were those who came to the shop after learning about the company through mass media such as books, magazines, newspapers, TV programs, and radio programs or word-of-mouth, with some appreciation of the symbolic value of the products. In other words, at least, 35.4% of customers are new customers who go to Motherhouse for the symbolic value.

Since Motherhouse is approaching consumers using two different values (material value of the product and social feature of the brand), consumers' relationship to Motherhouse products can be categorized into four different types. **Figure 15** illustrates the consumer's appreciation of these two values. The consumers are classified depending upon their positions in regard to two dimensions: whether they are aware or not of the social features of the brand, and whether they take the action to buy the products, appreciating the material value of the products.

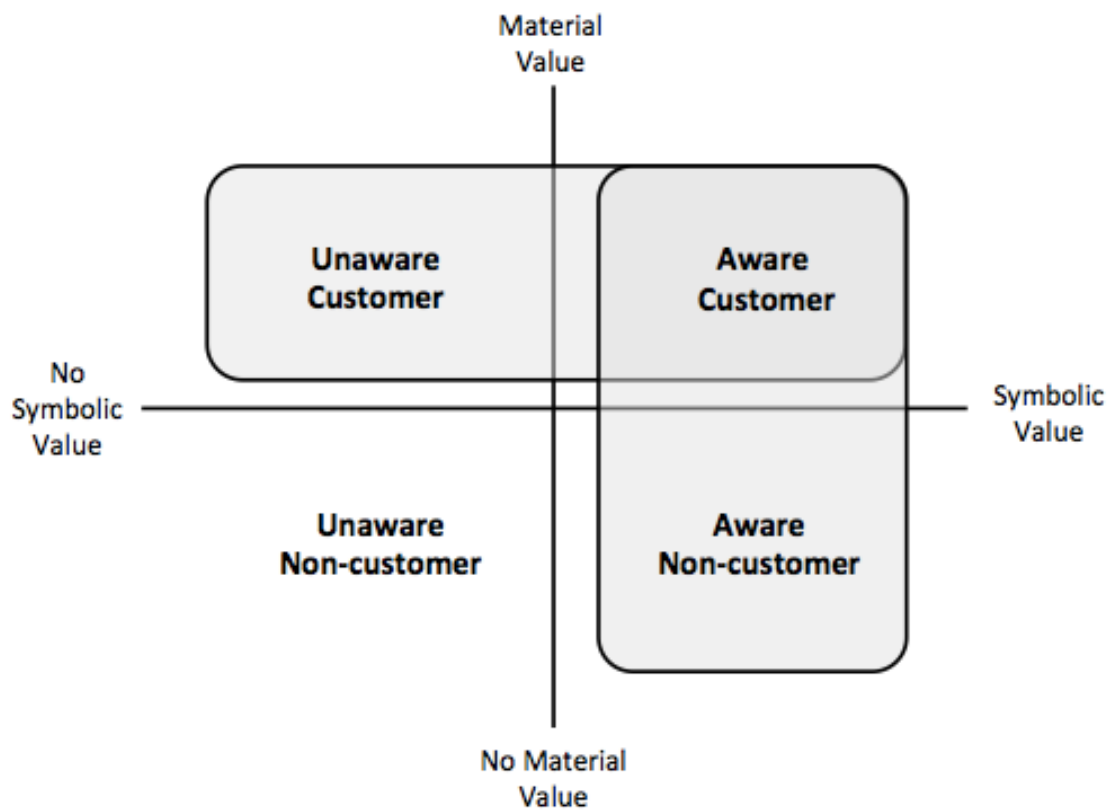


Figure 15. Consumers' Appreciation of Social Features or/nor/and Material Value

'Aware' means that Motherhouse succeeded in appealing the symbolic value to the consumers, and "Customer" means that the company succeeded in appealing the material value. Next section will explain the characteristics of each type of consumers, based on the author's observation of customers.

1. Unaware Non-customer

Consumers of this category are not influenced by the values of Motherhouse's products. This type of consumer has no value for Motherhouse at this point, however they have the potential to become customers in the future.

2. *Unaware Customer*

Unaware Customers are those who buy the products of Motherhouse with an appreciation only of the material value of products. 32.9% of their customers can be considered to be unaware customers, as passing visitors in **Figure 14** are those who coincidentally stopped by and bought the products of the company without knowing the symbolic value of them. These customers do not (or at least not yet) appreciate the social features, suggesting that the company is not successful in conveying its message to raise the awareness of these customers.

On the other hand, it is important for Motherhouse to be able to win customers simply through the material value, since it implies that customers are simply appreciating the value of the Motherhouse as a fashion brand, and the company does not have to rely of the social features of the brands.

3. *Aware Non-customer*

Motherhouse also influences those consumers in general who are not its customers. Even though *Aware Non-customers* do not (or not yet) buy the products of Motherhouse to become customers, there are a number of people who appreciate the social features of the company. While these consumers do not directly buy the products of Motherhouse, they come to the store to talk to the retail staff members, participate in awareness-raising events organized by the company, check reports in mass media and the corporate website, and most importantly, they tell their friends the story behind the activities of the company.

Even though these *Aware Non-customers* do not purchase the products of Motherhouse, there is the great chance that they will become *Aware Customer* with strong appreciation to the symbolic value. Most of the aware customers were *Aware Non-customers* at the beginning. In addition, even if they never purchase the products of Motherhouse, the business mission of

Motherhouse to raise the awareness of consumers is accomplished. The company needs to improve the material value of their products in order to convince these *Aware Non-customers* to become *Aware Customers*.

4. Aware Customer

The core customers of Motherhouse are these *Aware Customers* who appreciate the social features as well as material values of the company's products. Approximately two thirds (67.1%) of the customers can be categorized into this type, since most of the repeaters and other customers navigated through media or word-of-mouth appreciate both values of the products. *Aware Customers* interact with Motherhouse through various events.

Since aware customers are the core customers of Motherhouse, interviews were conducted with five customers (Sano, Komiya, Matsuura, Nishiwaki, and Yamamoto), in order to understand how these customers are appreciating the social features of Motherhouse. These five interviewees were selected by the author, because they are the core customers of Motherhouse who interact with the company intensively. By understanding these customers' appreciation to symbolic value, two things are examined: the function of social feature as competitive advantage, and effectiveness of educational message of Motherhouse to raise the awareness of consumers. Results of interviews are provided in the next section. First are results of the interview with each interviewee to explain how they became the *Aware Customers* of Motherhouse, and then results based on the common answers from the interviewees are provided in the next section.

Interviewee: Sano

Sano attended a business seminar, which the vice president of Motherhouse was one of the guest speakers. From her own working experiences, she had felt that companies often treat employee as robots and not human beings. However, she felt that Yamazaki was regarding and treating employees, producers, and customers as human beings. She was impressed by Yamazaki's attitude, and visited the company store of Motherhouse. She was again impressed at the store, because she felt that the vision of Motherhouse is also percolated among sales staffs.

Before becoming a *Aware Customer* of Motherhouse, she thought that the production quality of developing countries are low, because she used to buy handmade accessories of India, and it used to break after using only couples of times. She had an image that developing countries are dangerous to visit, and problems of developing countries should be tackled by the specialists. Thus, she thought that these issues are not her business. However, after encountering Motherhouse, she started to feel that she might be able to contribute to the situation, and now she is interested in social investment (kind of investment aiming to create social benefits) as well.

Interviewee: Komiya

Komiya encountered Motherhouse by watching a TV show (*Jyonetsu Tairiku*) about Motherhouse. The TV show was a documentary of Yamaguchi, the president of Motherhouse, and it introduced how Yamaguchi started her business in Bangladesh and how Motherhouse is conducting the business. Komiya was not very attracted to Motherhouse at first, but had a chance to attend to a lecture given by Yamaguchi. He was very touched by the story of Yamaguchi, and sympathized with Motherhouse's vision to solve social issues with business. Soon after the lecture, he visited the store of Motherhouse for the first time. He liked the

unique design of products, and purchased a product and two books of Yamaguchi. After becoming an *Aware Customer* of Motherhouse, he has been participating in almost all events of Motherhouse. He also participated in one of the Zadan projects.

He appreciates that he can see the production process, because he feels more attached to the products. For Komiya, the fact that it is produced in developing countries is not important. No matter where the products are produced, he would appreciate if he can see the production process.

Interviewee: Matsuura

Matsuura encountered Motherhouse by chance. He passed by a store, which sold Motherhouse's products at wholesales. He liked the material of jute and design of products, but did not buy the product at that time. After a while, he unexpectedly saw the TV show (*Jyonetsu Tairiku*) of Motherhouse. Even though he was impressed by Yamaguchi's passion and courage to run such business in Bangladesh, he was distrustful about the quality of products produced in Bangladesh. He admitted that he did not have a good impression about developing countries. However, he visited the company store of Motherhouse to find out that the quality was fine.

After becoming a fan of Motherhouse, he has been observing the improvements of the quality of the Motherhouse over five years. He said that he no longer has negative image about developing countries.

He likes not only the unique design of Motherhouse's product, but also the unique sales staffs of Motherhouse. He does not feel the pressure that the sales staffs are trying to make him buy, and he enjoys the communication with the sales staffs, and that is why he feels comfortable stopping by at the store even when he is not planning to buy anything.

Interviewee: Nishiwaki

One of her friend introduced Motherhouse on Facebook, and then she searched and saw the TV show (*Jyonetsu Tairiku*) of Motherhouse on YouTube. Actually, she had passed by the store of Motherhouse and knew about the existence of the brand, but she did not know about the business vision of Motherhouse at that time.

After becoming aware of the symbolic value of Motherhouse, she started visiting the store and purchasing products. It is important for her that she is able to know the stories behind the products she purchases. She also actively participates in various events of Motherhouse.

She appreciates the attitude of Motherhouse to be fair and faithful to both producers and consumers. Her motivation is not to save the developing countries, but to purchase from the company, which is struggling to conduct a fair business. She also appreciates the after care service of Motherhouse, because she wants to use one product for a long time by repairing it again and again.

Interviewee: Yamamoto

He first read about Motherhouse on the newspaper when he was in university. Because he wanted to work in the field of ODA, he was surprised to know about the way to contribute to the developing countries in business. He visited the company store of Motherhouse several times, and after graduating from the university, he started purchasing the products of Motherhouse.

He likes talking to the sales staff of Motherhouse, because he thinks that the staffs are unique and have awareness towards various social issues. He cannot share his idea about social issues with his fellow workers in his company.

He started to have awareness towards issues of consumption behavior through

Motherhouse. Before becoming a fan of Motherhouse, he was not conscious about the producers of the product when purchasing a product. Since Motherhouse show their production process to the customers, Yamamoto started to give thoughts to the producers.

Yamamoto likes the fact that Motherhouse and its customers are sharing a same goal to the society.

Common Findings from the Interview Results

Result 1: Started to have a sense of affinity with producers and developing countries

None of the interviewees had the initial motivation to contribute to the developing countries through their consumption. It means that they were not particularly interested in helping developing countries, and did not have CnSR. Before encountering Motherhouse, Sano, Komiya, and Matsuura had thought that the problems of developing countries were not their problems. Since they started to feel attachment to the production countries after encountering Motherhouse, they no longer feel that they have nothing to do with the problems of developing countries.

Sano mentioned that she started studying about social investment in order to find things she can do to contribute to developing countries. Yamamoto had wanted to contribute to the developing countries, but did not realize that he could do so through his own consumption before encountering Motherhouse. He also mentioned that he had never consciously thought about the existence of producers when he purchased fashion products, but now he had started to think about them, and the impact of his purchasing behavior.

Result 2: No longer have prejudice and bias towards developing countries

The interviewees answered that they are satisfied with the quality of the products of Motherhouse. However, Matsuura and Sano mentioned that before encountering Motherhouse,

they did not have a good impression on developing countries as production countries.

When Matsuura first saw Motherhouse on a TV show, he was distrustful about the quality of the products produced in Bangladesh, although he was impressed by Yamaguchi's passion and courage to run such a business in Bangladesh. However, he visited the company store of Motherhouse and found that the quality was fine. After becoming a fan of Motherhouse, he has observed improvements of the quality of the Motherhouse over five years. He said that he no longer has a negative image about developing countries.

Sano also mentioned that she thought that the production quality of developing countries is low, because she used to buy hand-made accessories from India, and they used to break after being used only couples of times. Now she is satisfied with the product of Motherhouse, and has understood the potentials of developing countries to produce fine quality products.

Result 3: Pleasant to know producers and situation of production site

All the interviewees mentioned that they feel happy to be able to know about the producers, and to actually have the chance to interact with them. Sano said that the producers are no longer just "a craftsman of Bangladesh", but "Moin, Munna, and Morshed..." (the actual name of the factory workers), and she feels very close to these people. This aspect seemed to be the most valuable aspects of Motherhouse to these interviewees. The interviewees expressed that they are feeling joy rather than sense of justice and responsibility when purchasing products from Motherhouse.

Result 4: Encouraged by the passion of Motherhouse

All of the interviewee answered that they feel encouraged by the existence of Motherhouse. When they see that Motherhouse is struggling to realize their business vision,

they feel that they should also work harder in their life. Yamamoto answered that he feels encouraged when he carries Motherhouse products.

Finding 7

-The business vision and practice of Motherhouse is the social feature of the brand, which functions as an advertisement tool to gather the attention from society and results in winning customers

Finding 8

-The messages that Motherhouse give to society raises the awareness of consumers in general (aware un-customers) as well as its own customer (aware customers)

Finding 9

-Customers of Motherhouse are not feeling sense of justice or responsibility when purchasing products from Motherhouse, but they are feeling strong sense of joy to purchase products knowing the background stories of products

Finding 10

-Customers of Motherhouse do not sympathize with the approach of fair trade brands, and feel uncomfortable with its strong message appealing to sense of justice of consumers

Finding 11

-Customers of EFB are not always ethical consumers with CnSR, since Unaware Customers of EFB are unconsciously practicing ethical consumption (positive buying)

Chapter 5: DISCUSSION

5.1 Motherhouse as an Example of EFB Succeeding in CSV

Motherhouse is succeeding in fusing the social responsibility of their business within their business structure, and it can be implied that the profits and the social benefits are proportionally created in their business model. As Motherhouse gains more profit, the company can make more investment in the production countries, which results in empowering the producers of the developing countries. At the same time, as the business expands the company is able to have bigger impacts and influences to the consumers in the consumption countries, which results in raising the awareness of the consumers and heightens CnSR of the consumers. Thus, it can be said that the business structure of Motherhouse is already designed to create social benefits and profits simultaneously. As shown in **Figure 16**, Motherhouse's strategies to achieve its business vision are interactively functioning to create shared value, and these strategies are effective to create competitive advantages of Motherhouse.

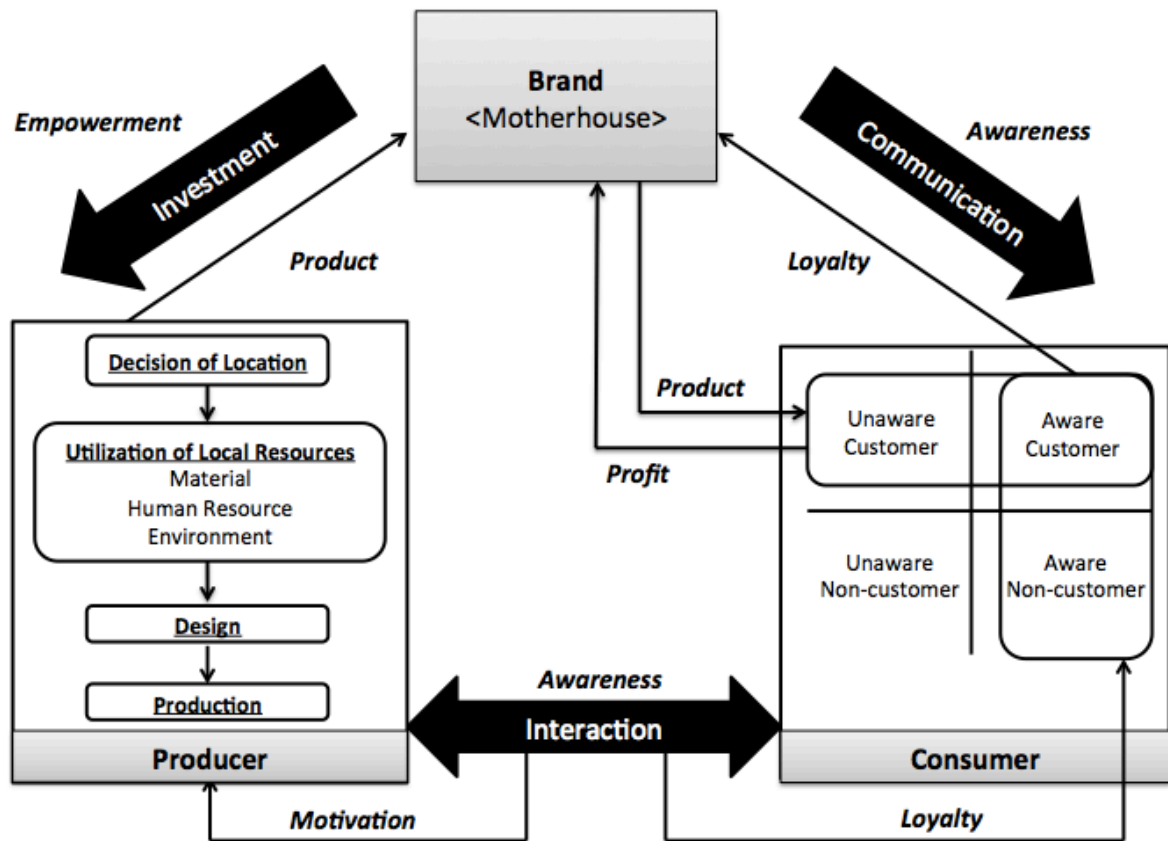


Figure 16. Business Structure of Motherhouse to Create Shared Value

Motherhouse model of creating social benefits through its business is gathering attention from the media, which results in winning new customers, and also results in gaining high loyalty from the customers. In addition, intensive communications with producers are improving the efficiency of production, which is also effective to reduce the economic cost of the company. Thus, the social features of Motherhouse are functioning as a competitive advantage of brand. The company says that they are willing to take much more risk than other brands to start new business in the developing countries, but the risk that they are taking can be regarded as their investment. If Motherhouse did not have this unique business model, they would not succeed in gaining customers with high loyalty. Motherhouse's behavior to take the high risks to find the potentials of the developing countries can be considered as a

requirement in their business model.

This unique relation of creating economic profits and the social benefits of Motherhouse cannot be explained in the context of CSR or social business. CSR is the concept that PMBs should consider the social responsibility of their business practices, should create social benefits by directing funds to contribute to society, and should not only concentrate on profit maximization. In this context, the relation of profits and social benefits are discussed as a trade-off relationship. It is held that if corporations do not concern themselves about society but only concentrate on profit maximization, there is a possibility that the corporation will harm the society through their business. On the other hand, although creating social benefits is the purpose of the business of Motherhouse, Motherhouse cannot be considered a *social business*, since *social business* is not aimed to make any profit in Muhammad Yunus's definition. Motherhouse is a profit making company with a strong vision to create social benefits through its business.

Motherhouse can be understood as an example of a *social enterprise*, which is economically self-sufficient, and has characteristics as a profit making corporation. It can be also implied that Motherhouse is succeeding in CSV, since the company is succeeding in creating the profits and social benefits at the same time.

5.2 Differentiation between Fair Trade and Motherhouse

The social responsibility of corporations is difficult to fully understand, and requires close observation. If the focus is only given to fact that Motherhouse is producing products in the developing countries to contribute the economic development of these countries, the business model of Motherhouse can be mistaken as a type of fair trade business, even though the approach is completely different. Motherhouse is not aiming to simply give a better deal to the producers, but is aiming to raise the competitiveness of the producers in the global

market. Fair trade is more similar to giving aid to the producers, claiming that the existing trade system is not sustainable and that the market needs to offer better deal to the producers. Motherhouse also believes that the structure of the fashion industry and trade system is not sustainable, especially for the producers, but they believe that the producers still need to survive on the global market, and the producers need to be empowered to raise the competitiveness in order to gain more power in the existing structure of the industry. It can be said that PMBs, fair trade brands, and Motherhouse differ in how they regard producers of developing countries. PMBs regard them as cheap labor, fair trade brands regard them as poor people who need special framework, and Motherhouse regard them as people who needs to raise the competitiveness in the global market.

As the customers of Motherhouse answered in the interviews, the customers do not like the marketing strategy of fair trade businesses and do not agree with the fair trade approach. Although the differences between fair trade and Motherhouse seem to be minor, these subtle differences make a great difference in the field of business. It is important that the corporations are aware of these differences when communicating with consumers.

In addition, Motherhouse is not targeting only consumers with CnSR, since it will result in targeting a very niche market. Motherhouse is aiming to compete in the mainstream fashion market, and states that PRADA is their competitor. Thus, it is necessary for Motherhouse to improve the material value of its products, but the company can never neglect the social features of the brand, since that is the competitive advantage of the company. If Motherhouse starts to solely improve the material value and neglects its business vision, Motherhouse is not likely to be able to survive as a brand as they would lose the competitive advantage they created through establishing a unique business. Thus, the best way for Motherhouse to expand its business is to stick to its vision while improving the material value of the products.

5.3 Contribution of Motherhouse in Solving Problems of the Fashion Industry

The contribution of Motherhouse in solving the problems of the fashion industry is that they are presenting the alternative way to conduct the global fashion business. Due to its scale of business and effort to materialize intensive communication with both the producers and the consumers, Motherhouse is succeeding in building a strong connection between these two main stakeholders. Although the business of Motherhouse can be regarded as global, they manage to provide communication similar to a local business. This strong connection helps Motherhouse to tackle with the problems leading apparel corporations are facing. Leading corporations often fail to implement a code of conduct because there is no sense of trust within their vast supply chains, due to a lack of the communication between different stakeholders. Many problems of the fashion industry occur due to its large-scale, intertwined, not-so-transparent, and disconnected industry structure. It can be assumed that the business model of Motherhouse to keep a close connection with these stakeholders can be one possibility to avoid unsustainable working conditions in the production factories in the developing countries.

Another contribution of Motherhouse is that they are succeeding in discovering CnSR of the consumers. The information sent by Motherhouse is informing consumers about various issues related to the developing countries and the fashion industry. Thus, Motherhouse has an educational function to raise the awareness of the consumers. It should be noted that Motherhouse is not just raising the awareness of its own customers, but the consumers in general. Motherhouse is delivering the educational message to the public by using fashion as a tool.

In addition, it is important that Motherhouse is offering the opportunity for the consumers to practice positive buying, which is one of the practices of ethical consumerism. If the corporations do not offer the products with social features, the consumers do not have

any choice to practice positive buying. Thus, it is important that Motherhouse is not just raising the awareness of the consumers, but also offering them the opportunity to purchase products with CnSR.

5.4 Risk of Misunderstanding the Social Responsibility of EFBs

The number of EFBs is starting to increase in Japan. EFJ was founded in 2012, and ethical fashion is starting to gather the attention. The appearance of fashion brands with the aim to create social benefits are all together considered as EFB, but it is important to understand the realities of these businesses, since each brand has a very different business structure and aim. If the consumers only understand these brands on a superficial level as ‘somehow contributing to society’, without paying attention to the details, there is a risk that these brands are confused as the same. This paper has showed that the customers of Motherhouse do not sympathize with fair trade business, although they are the core customers of Motherhouse with the social features. The delicate differences between the EFBs can make a great difference when it comes to winning customers. Thus, these brands need to be careful to deliver the full meaning of their business models to the consumers. Nowadays, ethical fashion is becoming a small-scale movement, but if these brands fail to establish a robust business, the seed of this little movement will disappear in Japan. Since EFBs can play the great role to transfer the fashion industry to more sustainable direction, it is important that these brands will increase and expand to have more influence to the society. These brands should consider about their strategy to create economic profits and social benefits, and do not confuse these two elements of their business. As Porter and Kramer (2012) argued in the discussion on CSV, it is important that any kind of business makes effort to create shared value. If these brands succeed to create both benefits at the same time and create shared value, it is likely that they succeed to establish a robust business model.

5.5 Success Factors of Motherhouse

The most remarkable success factor of Motherhouse is that the company is succeeding in CSV while conducting a unique business, as was explained in the beginning of this chapter. Another success factor of Motherhouse can be explained as an organizational strength, as the good balance of Yamaguchi and Yamazaki is a key factor of the success of the Motherhouse. Yamaguchi was able to begin a new business without being caught in the old tradition, because she never experienced to work in a company before establishing Motherhouse. She has the cognitive freedom to pursue ‘business us unusual’, and has a very strong passion and clear vision of how Motherhouse should be as a brand. Yamaguchi possess great charisma, and she is an icon of Motherhouse who has many fans outside and inside the company. She gathers a deal of great attention from the society, because the stories of her life and the establishment of Motherhouse are dramatic, and her passion to materialize this kind of business impresses and encourages the consumers.

On the other hand, Yamazaki had four years of working experience as an economist in Goldman Sachs before joining Motherhouse, and he has the business skills needed to strengthen and expand the business by managing all the financial aspects of the company. Without the support of Yamazaki, it is improbable that Yamaguchi could succeed as she has. It is necessary that EFBs possess both passion and business skills to establish robust business models.

Especially in Japan, it is likely that the establishments of EFBs are done by entrepreneurs with a strong passion to solve social issues and who do not have any business experience before starting their companies. Even though passion is an important element to build such businesses, it is necessary that the entrepreneur has access to business skills to create viable companies.

5.6 Critical View on Motherhouse

Although this research focuses on the advantages of Motherhouse, it is important to make critical discussion on the shortcomings of Motherhouse. Although Motherhouse can be regarded as a successful case of EFBs, there is a room for the improvements when looking at Motherhouse from the sustainability science perspective. At this point, Motherhouse is still a small-scale business and does not have the pressure from the society to prove the sustainability of their supply chain, and does not make any assessment of the impact of their business. Thus, it requires close observation in order to understand the social responsibility of Motherhouse, and the sustainability of the company cannot be measured or compared to other corporations. Motherhouse is not ensuring the transparency of their business systematically, but relies heavily on a sense of trust, which is difficult to measure or evaluate. It can be assumed that Motherhouse is fulfilling its Responsive CSR, but it would be more convincing if Motherhouse would make an assessment of their business and publish the results. Although the reason Motherhouse works to create social benefits is not to prevent criticism from the society, it would be better if Motherhouse would explicitly state the social impact of its business.

The most important and difficult problem of Motherhouse is to find the ideal scale of their business. Currently, Motherhouse is at the phase of the rapid expansion, while they states that they do not aim to become a million dollar company. It is important to expand the business in order to make a bigger impact to the society of both producer and consumer countries, and to stabilize the production. However, if the company expands in business scale, it will become harder to maintain the quality of their communications between producers, consumers, and brand, which is the most important competitive advantages of Motherhouse. They need to consider the way to keep the bonds and close communication while focusing on the expansion of their business. They also need to consider how to maintain communications

between Japanese staff members. If the sales staff members who communicate with customers directly do not follow the situation of the business, it is impossible to maintain close communication with customers. Information sharing among staff members is another problem, which they are likely to be facing after the expansion of the business.

Chapter 6: CONCLUSIONS

Through the analysis of Motherhouse, it is shown that Motherhouse is succeeding in CSV, and contributing to solve the sustainability issues of the fashion industry. Motherhouse can be regarded as a successful case of EFB in CSV, as Figure 16 demonstrated the mechanism of Motherhouse to create shared value, and how its efforts to create social benefits are functioning as competitive advantage to win customers with high loyalty to the brand and to reduce the economic cost of the production. The most important success factor of Motherhouse is the connection building between producers, consumers, and brand. This unique business model of Motherhouse to build connection enables the company to overcome sustainability issues of the fashion business in their own strategies. Even though connections between people cannot be easily majored, analyzed, or evaluated, the author believes that in the field of sustainability science, it is important to study about the realities of the business, in order to seek for the possibility of creating more sustainable businesses.

Although Motherhouse is succeeding in CSV, this is a quite unique case and not all EFBs are succeeding in CSV. Each EFB has different goals and approaches, so it requires close observation to understand the reality and potentials of the each brand. Today, EFBs are understood in very broad sense, and EFBs and social business are often confused. However, EFBs should aim to create shared value in order to make great impact to the society and the fashion industry, and EFBs should not be confused with social business if it is CSV.

Therefore, the answers to research questions are:

1) Definition of EFB is not yet established, but EFBs have potentials to create shared value, and EFBs in which succeeds in CSV should be understood as EFB in narrow sense.

2) By conducting unique business, EFBs have potentials to overcome sustainability issues of the fashion industry.

Limitation of this study is that this research is a theory building research since the topic is not yet well studied, thus further more study is required to test this theory. Therefore, the recommendation of future study would be to test this theory, to increase the number of cases to study more about EFBs in general, and to conduct comparative study among cases. The author is interested in studying how this theory can be applied to the cases of leading apparel corporations.

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