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# Corporate environmental responsibility and accountability: What chance in vulnerable Bangladesh?

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ABSTRACT

Bangladesh has recently been enjoying significant economic growth mainly arising from an export led development strategy. However, in that process its natural environment has been degraded and become more vulnerable in geophysical terms (e.g. environmental pollution). Much of the Bangladeshi population are also vulnerable in socio-economic terms due primarily to widespread poverty. In this context we ask, albeit sceptically, whether there is any chance of holding corporations to account for their environmental responsibilities. Using the notions of vulnerability and ecological rifts we answer this question by providing evidence from published sources and a series of 32 semi-structured interviews with Bangladeshi stakeholder groups. Key findings include, inter alia, corporate reluctance to take responsibility for the environmental impact of their activities. Our interviewees discuss the possibility of a role for mandatory corporate reporting in enhancing corporate accountability and we argue that this is essential if the contradictions and irrationalities of the globalized capitalist system are to be made visible. Achieving such accountability, however, will not be easy due to a lack of political will and the prohibitive costs involved. Incurring such costs could raise the dangerous prospect of Bangladesh losing business to other, less regulated, economies.



## 1. Introduction

Globalization is a highly contested concept (Guillen, 2001), which relates to the "increasingly deep interrelationship among countries, companies and individuals" (Eisenhardt, 2002, p. 88). This "worldwide interconnectedness" impacts upon many parts of modern life including economic and financial flows (Held, McGrew, Goldblatt, & Perraton, 1999). From the perspective of economic liberalization the removal of protectionist policies has led to greater levels of international trade and more closely interwoven economies (Gopinath, 2012; Stiglitz, 2002). Business, in particular multinational enterprises (MNEs), has performed a key role in globalization (Bakre, 2008; Eden & Lenway, 2001). It is these organizations that have been best placed to take advantage of the more open domestic economies. As such MNEs have been able to invest in, procure

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supplies from, and sell to a much larger number of markets. In so doing MNEs have the ability to add value to economies by contributing to their economic growth, productivity, and competitiveness, and potentially improve national welfare. Advocates of globalization focus on these potential opportunities for MNEs to be a positive force, but their increasing size and economic power also contains a threat. MNEs potentially have 'a "dark side" represented by its potential negative impacts in the natural environment, labour and human rights areas' (Eden & Lenway, 2001, p. 389, see also Gallhofer & Haslam, 2006 for an excellent summary of the "negative dimensions" of globalization). Globalization is a complex phenomenon (Gallhofer, Haslam, & Kamla, 2011) – such that it can simultaneously create 'winners and losers' and 'benefits and costs' (Gopinath, 2012, p. 324).

The 'dark side' of globalization is reflected in the potential for MNEs to "race-to-the-bottom". Global competition is 'adversarial' (Drucker, 1989) and the 'threat' of MNEs within this global market can require even domestic companies to change their processes, systems, standards and cost structures (Dominelli & Hoogvelt, 1996). Systemically MNEs are required to accumulate capital and maximize shareholders' wealth. Cost minimization is a key consideration in MNEs choosing where to invest, locate or procure supplies. The ability of MNEs to relocate from one country to another "is damaging as it exploits weakness and poverty" (Lévy, 2007, p. 607). Harvey (2000) identifies such 'spatial fixes', as a powerful resource for MNEs operating within the current capitalist system and he continues that this globalization:

> ...renders whole populations selectively **vulnerable** to the violence of down-sizing, unemployment, collapse of services, degradation in living standards, and loss of resources and environmental qualities... It does all this at the same time as it concentrates wealth and power and further political-economic opportunities in a few selective locations and within a few restricted strata of the population. (p. 81, emphasis added)

The implications of globalization for developing economies remain complex, but there is a potential for it to perpetuate inequalities (Stiglitz, 2002). One aspect is that the legal frameworks and regulations can be weaker and/or less strictly enforced in developing economies, as compared to those in more advanced economies (Hilson, 2012). Such weaknesses can be exploited by MNEs as they decide to take advantage of "regulatory arbitrage" (Jenkins, 2005) to (re)locate into developing economies with weaker regulations and legislation (Jamali, 2010).

The issues raised by globalization and its potential 'dark-side' of 'spatial fixes' and 'regulatory arbitrage' are of relevance to the critical accounting agenda (Poullaos, 2004). Gallhofer, Haslam, and Kamla (2011, p. 378) suggest that whilst "globalization threatens to silence local voices", accounting has the potential to illuminate injustices and to 'give a voice to local people' (Gallhofer, Haslam, & van der Walt, 2011, p. 772). Moreover, social and environmental accounting and reporting may be able to make "visible relationships between economic, social and environmental impacts" (Poullaos, 2004, p. 723). Gallhofer and Haslam (2006, p. 921) see the potential for 'counter hegemonic accounting information' to raise awareness within a global community and thereby, to increase pressure for 'socially responsible global business and its accountability'.

The aim of this paper is to specifically explore the potential of corporate responsibilities and accountabilities to redress the negative consequences of environmental pollution and degradation. We do so within the empirical setting of Bangladesh. In the context of globalization and given the vulnerabilities of developing countries like Bangladesh, we ask, albeit sceptically, whether there is any chance of holding corporations to account for their environmental responsibilities. We argue that this study has enabled us to give voice to local stakeholders from a developing country. We contribute to the environmental accountability literature by voicing the concerns of local stakeholders from developing countries which has received limited attention in prior research. Our study illuminates the vulnerabilities of developing countries and their local communities arising from the environmental impact of global commercial production processes. We believe this is important for reasons of intra-generational equity. We are concerned that current dominant corporate discourses may conceal these issues and silence these voices (Chwastiak & Young, 2003). We thus respond to the call made in this regard by Gallhofer and Haslam (2006).

The paper proceeds as follows. In Section 2 we discuss vulnerability and ecological rifts, as key concepts for understanding corporate responsibility and accountability. In Section 3 we introduce the socio-political context of our empirical setting, Bangladesh, and detail the research method used, which triangulates our data from interviews undertaken with both corporate managers and key stakeholder groups and published sources. Section 4 presents our key findings, and then we proceed with the interpretation and critical discussion of our empirical results in Section 5. The final section offers some concluding thoughts and ideas for future research.

## 2. Vulnerability, ecological rifts and environmental accountability

Vulnerability can be 'manifest at multiple scales' (Adger, 2006) from individuals or households to humankind or the entire global ecosystem (Smit & Wandel, 2006). These multiple scales, from global to individual, hint at the differing conceptions and definitions that are used when considering vulnerability. As such it is accepted that vulnerability defies universally accepted definition, and remains bedevilled with many interpretations and ramifications.

There have been, however, some useful attempts to review, collate and analyze the diverse application of, and perspectives on the concept of vulnerability (see for example, Montalbano, 2011). Montalbano (2011) reviews three basic components of vulnerability analysis. The first concerns a thorough analysis of risks including the nature, known or unknown probability distribution, different magnitude (size and spread), history, frequency, correlation, duration, timing