

ETHICS IN ACTION 5.2

Managing environmental responsibility in small-scale manufacturing firms: Examining indigenous tanneries in Bangladesh

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Small-scale manufacturing firms contribute significantly to the economic growth in many low-income developing countries around the world (Blackman & Kildegaard, 2010). However, the owner-managers of such firms are constantly criticised for failing to take initiatives to reduce the negative environmental impact of their businesses seriously. Here I explore the opportunities and challenges facing tannery owner-managers in Bangladesh as they grapple with developing adequate environmental management systems.

The tannery sector in Bangladesh

A tannery is a place where animal hides are tanned to make leathers. The tannery sector is the fourth largest foreign exchange earner in Bangladesh, contributing about 6% of total export earnings (Strasser, 2015). However, the pollutant discharges of the tanneries have severe impacts on the social and physical environment. The Department of Environment (DoE) has categorised the sector as the most polluting industry ahead of pulp and paper, pharmaceuticals, and fertiliser/pesticides (Garai, 2014).

The inherent nature of the tanneries acts as a barrier to pro-environmental performance. The local tanneries often operate informally and on a variety of scales, ranging from small petty traders to large firms. Some of these are export-oriented and serve higher-end Western markets, while others exist to fulfil domestic demand and operate merely to survive. Despite such diversities, the environmental performance of these tanneries is generally poor. The smaller ones are usually unregistered, are not subject to environmental and labour laws, and operate on

an ad-hoc basis as suppliers of local buyers. Many get away with ethically suspect behaviours such as dumping toxins into the air or water, exploiting teenage workers and faking trade license by bribing the local authorities and changing their business locations from time to time (Hasan, 2018).

The environmental performance of small-scale export-oriented tanneries is not good either; this is because they often are second- or third-tier suppliers; the operations of which are difficult to identify and monitor by international auditors, non-governmental organisations (NGOs), or national trade unions (Jamali et al., 2017). The continuous violations of environmental regulations and labour rights in Bangladeshi tanneries and in the garments industry worldwide highlight the difficulties connected to the monitoring of the lower tiers of the global value chains that link international consumers, buyers, local suppliers, contractors, and workers in developing countries (Lund-Thomsen & Lindgreen, 2014).

The wins: Environmental management as a necessity

“If tanneries want to remain competitive and stay up-to-date with the buyers’ demands, then they must make the best use of latest technologies” – A local tannery owner-manager.

The first-generation tannery owner-managers in Bangladesh had little understanding of the environmental impact of their business operations. However, the second/third generation owner-managers are more aware about the environmental issues related to the business of tanning. Most of them hold postgraduate qualifications thanks to the establishment of some leather and leather-related educational and training institutes in the recent past. The second/third generation owner-managers have, therefore, a better understanding of sustainable leather production and mostly perceive environmentally responsible initiatives as an added value to their businesses. Most importantly, they have realised that Bangladesh will not be the

same in 10 years and that there will be more demand for environmental compliance as the economy improves. Also, some of the second/third generation owner-managers are self-teaching themselves new skills, such as salt-free tanning which reduces the environmental impact of tanning practices and seek technical support from European consultants who they meet regularly at international trade shows. So, there is a burgeoning appetite for ethical leadership and managing environmental performance more proactively amongst many owner-managers.

The challenges: Environmental management as ‘luxury’

“If you’re talking about purchasing raw materials responsibly, it also means that I don’t have to pay unfair prices for my raw materials, right? But this is also a problem in Bangladesh. Tannery owners can, sometimes, be confronted with extremely high prices that are incompatible with the international leather market.” – A local tannery owner-manager.

Despite a lot of enthusiasm from the second/third generation tannery owner-managers, the overall environmental performance of the tannery sector in Bangladesh is still poor for a number of reasons. Firstly, there is a lack of collaboration among the tannery owner-managers who portray cynical attitudes towards each other on environmental issues. The owner-managers of environmentally unfriendly tanneries are not keen on learning about pro-environmental initiatives from environmentally proactive organisations. Similarly, the owner-managers of environmentally proactive tanneries are also uninterested in helping other owner-managers with relevant information regarding environmental protection. Such cynical attitudes possibly imply that a collective vision and a culture of cooperation should be prioritised over competition. To make matters worse, many have personal clashes over raw material sourcing, chemical business, land acquisition and financial (e.g., bank loan) issues. Although the tannery

owner-managers regularly meet each other in local and international trade fairs and in meetings with government officials, they rarely discuss collective approaches that can be taken to mitigate environmental pollution.

Secondly, at the micro level, despite having a positive interest in improving the environmental performance of their firms, the second/third generation owner-managers are constrained by a number of other factors such as poverty, pervasive corruption, and poor regulatory and socio-economic environments. Oftentimes they fail to materialise their positive environmental attitudes into actions due to a lack of professional moral courage (Sekerka et al., 2017). They understand that environmental protection is something they should be considering very seriously, but in most cases, they do not have the courage to act due to lack of support from other stakeholders.

Finally, the tannery sector is facing more urgent problems, particularly loss of production as costs steadily increase due to insufficient supplies of gas and electricity. For many small-scale tannery owner-managers, thinking about environmental protection would be a luxury amidst such energy crisis where even day-to-day survival is difficult. This fits the almost universal narrative (also found in the West) that environmental protection is a luxury that can only be dealt with once economic conditions allow. Energy shortages impact the smaller tanneries most given that large-scale organisations are able to source expensive fuel oil-based energy or set up their own power stations.

Final words

The appetite amongst younger owner-managers to better understand local environmental priorities and environmentally friendly manufacturing techniques is obviously a step in the right direction. This implies that such businesses might be better at recognising future opportunities for achieving competitive gains by taking pro-environmental actions, leading

change in the industry. However, incentives for environmental action still need to be provided by governmental agencies in Bangladesh, such as special tax rebates aimed at encouraging younger owner-managers to develop green technology solutions. More efficient platforms to disseminate efficient production methods, especially to non-export-oriented tanneries, would further benefit developing countries that are often isolated from international knowledge transfer (Vazquez-Brust et al., 2010). The sharing of success stories, in which a commitment to environmental sustainability has shown long-term positive results, may help the Bangladesian tanneries to become more sustainable.

In terms of tackling the lack of collaboration amongst tannery owner-managers in Bangladesh, one possible solution might be to encourage direct meetings to share ideas and thoughts. More consultation would mean that the owner-managers would get more platforms to discuss their problems and limitations with each other and engage with policymakers, helping the latter to design policies that are sensitive to the needs and demands of the local small-scale tanneries. Rather than reinventing the wheel, policymakers can use existing partnerships to promote sustainable production. Tanneries are, of course, used to collaborating with suppliers and customers for financial benefits, and the sector has its own association known as Bangladesh Tanners Association (BTA). Such connections offer frameworks suited for initiating concerted activities in the field of pollution prevention.

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