

# In Search of Bauman's Moral Impulse in Shadow Factories of China

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**Abstract**—Ethics and responsibility are rapidly becoming a distinguishing feature of organizations. In this paper, we analyze ethics and responsibility in shadow factories in China. We engage ourselves with Bauman's moral impulse perspective because his idea can contextualize ethics and responsibility. Moral impulse is a feeling of a selfless, infinite and unconditional responsibility towards, and care for, Others. We analyze a case study from a secondary data source because, for such a critical phenomenon as business ethics in shadow factories, collecting primary data is difficult, since they are unregistered factories. We argue that there has not been enough attention given to the ethics and responsibility in shadow factories in China. Our main goal is to demonstrate that, considering the Other, more importantly the employees, in ethical decision-making is a simple instruction beyond the narrow version of ethics by ethical codes and rules.

**Keywords**—Moral impulse, responsibility, shadow factories, the other.

## I. INTRODUCTION

THE history of shadow factories goes back to the mid-1930s in Britain; they were designed for mass production in the manufacturing of aircraft during the Second World War [1]. Years later, this term became applicable in China, a country located at the heart of global manufacturing for other reasons. Shadow factories are the real sites of production in China. They are unregistered cousins of five-star factories. Five-star factories are known as model, or demonstration, factories, while shadow factories operate silently out of sight [2]. According to [3], Chinese suppliers set up five-star factories, which meet international labor standards, but alongside them, shadow factories were established to address the high demands of western companies. Accountability in these factories is extraordinarily difficult to prove, and the actual working conditions in shadow factories show how imposing universal notions of responsibility can leave workers worse off, rather better off [3]. Thus, responsibility and ethical consideration is vague in these factories.

Over the past decades, business ethics has become an accepted part of management behavior. The notion of business ethics which has grown in response to the apparent decline in ethical standards in business [4] is a part and parcel of today's business practice. Living in a complex situation such as the current business environment demands a critical attitude [3]

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for business ethics. Some scholars [5]-[8], [3] consider unconditional responsibility and care toward the Other as a weapon for the complexity of business environment. They do not offer any bounded rules for responsibility and care, but instead assert that seeing Others will bring responsibility. According to [9], business ethics is rarely ambitious in its aims and it suggests personal development because as [10] discusses, the nature of humanity is to be egoistic. Only by surpassing our natural state, by exerting our reasonable faculties, do we choose to be good [10, p.35]. Hence, in this paper we are essentially interested in addressing the question: how managers in shadow factories are encouraged not to care about the Other? To do so, we argue Bauman's moral impulse and his idea of care that can contextualize ethics and responsibility.

We apply Bauman's moral impulse perspective and, particularly, his ideas of the main hindrances (denial of proximity, effacement of the face, and reduction to trait) to cultivating moral impulse and responsibility in organizations. Bauman, who has delved into the world of business ethics, believes moral impulse lies at the heart of morality [5]. It seems that social distance between managers and other employees tends to neutralize the morality of the former's decisions on working conditions, career prospects, and redundancies. At worst, employees are viewed as numbers, let alone "faces" in the Levinasian sense [11]. The idea of moral impulse by Bauman is a form of love that is characterized by uncertainty [10]. We chose a large US-based retail chain to feature in our case study to represent a lack of moral impulse among managers as a retailer that considerably uses Chinese production. By using secondary data from four different sources, we particularly try to find and elucidate footprints of moral and ethical acts and decisions in this retail chain's subsidiaries in China. We argue that ethics in business and labor working conditions is not a distinct area in business practice, and we explore how by fostering moral impulse among managers, they become responsible toward the Other which is far beyond of any rules and principles.

This paper is organized as follows: first, we introduce Bauman's moral impulse perspective as the theoretical lens to study the phenomenon. Second, we present our reasons for using a case study via secondary data to analyze the management behavior in shadow factories. Third, we discuss our findings regarding ethical issues of the post-industrial world, and lastly, we discuss and conclude that business operations in shadow factories still operate as if existing in a paternalistic period of history and it is a kind of modern slavery. Next, we build a conceptual framework for this study,

relying on Bauman's thoughts of ethics and responsibility.

## II. CONCEPTUAL FRAMEWORK: BAUMAN'S MORAL IMPULSE

Zygmunt Bauman, in his book *Postmodern Ethics* [5], criticized the European moral philosophy and Enlightenment. Reference [12] discusses that the sociological theory of morality has been developed by Bauman, based on the idea of morality as the secret of society with the central element being responsibility. Morality, for Bauman, is rooted in "moral impulse." Based on Bauman, organizations (and society in general) attempt to "straightjacket" people's moral nature of their members [13], a phenomenon revealed through the situation of being with others [14]. At the heart of Bauman's critique of modern organizational design, there is a profound moral concern. He claims that organizations maim the moral impulse that he believes is the core of morality [13]. According to [14], for Bauman, the ability to tell right from wrong is inherent to the human animal, but each society tries to shape, suppress, or manipulate this ability in their own way. Moral impulse as discussed by Bauman is very similar to Ziarek's idea of anarchic responsibility, one that he loans from Levinas and Lyotard, which is "infinite responsibility for justice without the assurance of normative criteria" [15, p.6]. The anarchic responsibility is not according to any prior principle [15].

Since Bauman [16] rejects the rationality of modernity, he also has a sharp critique of bureaucracy: he believes bureaucracy develops a rational approach to decision-making, and consequently moral impulse becomes dampened and causes individuals and members to engage in the most horrific acts. Reference [16] further argues morality in bureaucracies is not concerned with self-respect, integrity, empathy, autonomy, conscience, or individual responsibility, but, instead, it deals with self-sacrifice, obedience, docility, duty and discipline [p.160]. He also believes that bureaucracy disassembles the moral self in favor of moral rules [5]. In contrast, [3] discusses that a more beneficial approach for ethical decision-making is to consider rational rules as a service at hand. Reference [11, p.789] conveys that bureaucracies may safeguard moral impulses, or, at least, they may provide employees with a degree of protection from the process of commodification. They also believe bureaucracy may assist and support some space for presentation of moral impulse [11]. In addition, [17] asserts that bureaucracy is a specific ethical domain in its own procedure.

Bauman suggests [5] morality cannot be described as contractual in which the duties of the partners have been negotiated, defined, and agreed before any action is undertaken [p.58]. This is the main reason why the Other should encounter just for the Other's sake and as an end in itself [10]. In this sense, we do not expect anything of the Other; this is not a reciprocal relationship. Morality depends on responding to the moral impulse and not blindly following any ubiquitous rule(s) [5]. From Bauman's perspective [5] moral impulses are essential resources in the management of any "actually existing" arrangement.

Moral impulse is a responsibility toward Others. "Being

with others" can be regulated by modifiable rules [5, p.60]. Based on Bauman, the crux of morality is being-for-the-other, which precedes all efforts to be with-the-other. Being-for-the-other is a pre-rational and primordial impulse [18]; thus, it is not a social physiological form of activity, for example, a dialogical form of interaction. It is a state of being, an ethical a priori of individual existence [19, p.132]. Reference [5, p.124] relates that the autonomy of moral behavior is final and irreducible: morality escapes all codification, does not serve any purpose outside itself and does not enter a relationship that could be monitored, standardized, or codified. Moral behavior is triggered by the mere presence of the other as a face. This face is not an empirical [9] or corporeal face [20]. It is something that lies behind the physical objectivity of the face [9] and describes as the expression of the person which overflows any concept I possess [20, p.567]. This is central to Bauman's thinking: moral action is what follows that responsibly [5]. Thus, according to [18] in order to know the moral impulse and its role in public relation practice, first and foremost it is important to understand the role of the Other, in his/her otherness. At the end of his discussion, Bauman [5] concludes that "moral responsibility is the most personal and inalienable of human possessions, and the most precious of human rights. It cannot be taken away, shared, ceded, pawned, or deposited for safekeeping. Moral responsibility is unconditional and infinite, and it manifests itself in the constant anguish of not manifesting itself enough. Moral responsibility does not look for reassurance for its right to be or for excuses for its right not to be. It is there before any reassurance or proof and after any excuse or absolution" [5, p.250]. Reference [5] argues that the impact of moral impulse is neutralized by all social organizations through three complementary arrangements: denial of proximity, effacement of face, and reduction to traits.

First, there is distance and space, not proximity, between the "doing" one and the "suffering" one. In other words those people who are on the receiving end of an action are beyond the reach of actor's moral impulse [5]. Society space is renovated in modern society. The main purpose is to create a public space where no moral proximity can be seen. Intimacy and morality are in the region of proximity, while law and estrangement are the fruits of distance. Legal rules and requirements create a distance between self and other [5]. The creation of moral distance is a key issue for Bauman [9]. Bauman [21] describes morality as the automatic responsibility for another person that occurs as a result of proximity, while creating distance would result in an immoral act. Reference [22] believes the primary outcome of being in the proximity of the other is responsibility. Experiencing contact with others is unavoidable, it does not need any codification rules for ethics, and it implies ethics and morality are not only contextual but also relational [23]. Proximity occurs in the presence of a particular Other in a particular situation [24, p.6]. In an organization if managers divorce themselves from the Others by replacing proximity with a physical, social, or psychological distance, responsibility failures and fellow human subjects may be turned into objects

different from themselves for whom they feel no care and responsibility [25].

In societies characterized by distance, the outcome of actions may affect others in remote space and even time [5]. Proximity causes people not to think that the outcomes and results of their actions are very far from them, or that there is a significant distance between them. In business, the nature of globalization must bring more proximity instead of distance. According to Beck [26], decision-makers are never fully removed from the effects of their actions; harmful actions resulting in problems, such as air pollution, waste in oceans, and chemicals in food, sooner or later will travel back to them and affect the original founders. In globalization and the cosmopolitan economy, ethical difficulties can become global and complex very quickly, and the denial of proximity can speed up this process. Causes and consequences are often non-linear and challenges become "unpredictable," almost incomprehensible and even less "manageable" [27, p.177].

Second, is the exemption of some "Others" from the class of potential objects of moral responsibility, of potential "faces" [5, p.125]. According to Bauman, effacement of face, which is equal with "de-humanization," means throwing the objects at the receiving end of an action in such a way that their capacity of moral subject is rejected [5]. As a consequence, human beings are disallowed from mounting a moral challenge against the intention and effects of an action. By the same token, the object of an action is evicted from the class of beings who may potentially confront the actor as "faces" [5, p.127]. De-humanization or depersonalization is one of the phases of the burnout process [28].

For Bauman, morality begins in the face-to-face. Others are not faceless like machines, so to be moral and act ethically, the face must impact moral responsibility. Societies or universal ethical rules and standards are not able to command moral impulse; rather, it happens purely because of the face [18]. Denial of the face, like denying proximity, is a serious danger, and also a strong potential and driver for immoral acts and decisions.

Third, is the dissembling of other human objects of action into aggregates of functionally specific characters; the third arrangement destroys the object of actions as a (potentially) moral self [5]. The objects have been dissembled into traits; the totality of the moral subject has been reduced to the collection of parts or attitudes of which no one can conceivably be ascribed moral subjectivity. Actions are, then, targeted at specific traits of persons rather than persons themselves [5, p.127]. According to Kumar and Mitchell [29, p.134] this arrangement predisposes administrators to expect compliance from members who reside at lower levels of the organization. As the result of this arrangement, in the case of any immoral decision, the decision-makers do not treat the people they encounter as individuals, but rather they look at them as a set of traits and characteristics. Reference [30] conveys that factory and organizational workers have been reduced into bodies. However, in order to consider people as customers or productive employees as a means for business opportunities and excellence, they must first and foremost be

treated as human beings.

According to Bauman [5], by these arrangements, immoral behaviors and decisions are not promoted in organizations. They are the main reasons for thwarting one's moral impulse. Reference [31] discusses Bauman's work as being valuable for theorizing ethics beyond rule-based approaches, and in situations of ambiguity, ethical dilemmas and challenges will be dealt with without the comfort of consensus or certitude. Reference [10] praises the great influence of Bauman's work in organization theory. According to him, Bauman's work does not seek an ethical procedure for organizations to act upon. Instead, by suspecting the moral foundation in organizations, he questions morality issues [10]. He continues that Bauman wants to bring proximity to the fore, which means morality becomes a contextual matter [10, p.36]. However, despite Bauman's effort for justifying moral impulse in the organizational context, Ten Bos and Willmott [11] discuss that he could not offer a coherent basis for developing alternative business ethics that would address the various moral dilemmas and challenges of people in the organizational context. Reference [24] criticizes Bauman's theory of ethics. She believes that Bauman fails to provide alternative sociological and political conceptions of ethics to replace the modern framing of ethics, and that he only goes half-way in formulating an actual alternative to existing sociological theories of morality.

As human being we have a responsibility to be ethical, and the idea of moral impulse help us to understand how we can develop our potential to act ethically and responsibly. Furthermore, it is an alternative approach for ethical decision making in organization as an emotional and non-rational factor. By fostering moral impulse among managers, we hope to see responsibility to the Other in organizations because morality does not consider to be set apart as the feature of human thought, feeling and action. Before we explore moral impulse in shadow factories in China, the subsequent section clarifies our methodology for this paper.

### III. METHODOLOGY

#### *A. Research Approach*

In this study we employ case study as our methodology. Business ethics by nature involves inquiries that are complex and diverse in content. So, using case study helps researchers, including us, to investigate more in-depth, and, as Yin [32] argues, case studies are suitable for the behavior that should not be manipulated. Case studies help us to overcoming social desirability response bias [33] for such a sensitive phenomenon as business ethics. This methodology offers an alternative to the monitoring of ethical behavior in Walmart subsidiaries in China without any manipulation. Case studies as naturalistic interpretations of social actions [34] allow us to demonstrate the situation of Walmart's shadow factories in China, warts and all. Being able to interpret ethical business throughout organizational contexts [34] is the advantage of using case study methodology. According to Bringley [34], the manager's counter-factual beliefs in the ethical aspects of

decision-taking can be revealed more through the case study method.

In spite of the advantages of case study methodology we draw our reader's attention to some shortcomings as well. For Gable [35], the degree of controllability, deducibility, repeatability and generalizability of case studies is low. Reference [36] outlined some caveats in doing case study research from different points of view. First, for some researchers this method can only serve as a prelude, and as a consequence, it may not be examined as involving a serious or rigorous inquiry. Lack of trust in credibility is the second weakness of this methodology [36]. Reference [37] further investigates the strengths and weaknesses of case study research. According to him [37, p.31], depth, high conceptual validity, understanding of context and process, linking causes and outcomes as well as fostering new hypotheses and new research questions are the most notable strengths of this method. At the same time, selection bias, which may overstate or understate relationships, weak understanding of occurrence in the population of the phenomena under investigation, and unknown or unclear statistical significances are the most important weaknesses of case study research.

#### B. Data Collection

We chose Walmart as our case study subject, since it has placed high on the Fortune 500 list from 1996 (the year that entered China) to 2014, due to having the largest revenue in the world. Another reason for selecting Walmart as a case study subject for this paper is its global sourcing center, which is located in the southern city of Shenzhen, China [2]. Walmart sources 70 percent of its products from China [38]. In addition, according to Walmart's 2017 annual report, their logistics and supply chain is the main reason for their success in business. Walmart is the biggest retailer in the world, and this empire can sell its merchandise so inexpensively, that it has the power to beat out any competitor in the retail industry across the world. The sourcing, supply chain and operational

efficiencies are the principal areas for cost saving analysis in order to provide lower priced products to customers [38]. Its strategy has been to offer a wide variety of inexpensive products through its trademark slogan, "every-day-low prices" [39]. As we see later in this paper, labor in shadow factories pays the costs of these low-priced products.

Business ethics research is continually encapsulated in the tension between freedom and constraint [33], and ethical issues are still sensitive. In order to cope with the constraints, we rely on secondary data because empirical research in business ethics entails particular difficulties. Secondary data comprise both qualitative and quantitative data that researchers use in descriptive and explanatory research [40]. A researcher may save considerable time [41] and resources [42] by using secondary data, which is accessible through the web. The vast amount of secondary data available online encourages creative use from various data sources [42]. Furthermore, investigating business ethics involves asking some questions that can be embarrassing, threatening, stigmatizing or incriminating [43]. Therefore, by eavesdropping on secondary data, researchers can access information that was not initially intended to use for researching ethics in business [43]. In addition, managers are not very interested in being observed and measured for ethical issues or talking about cheating behaviors in their organization. Thus, there is the potential for distortion when researchers try to gather primary data [44]. In this paper, analyzing a phenomenon like the shadow factories of Walmart in China based on primary data would be quite difficult because they are unregistered factories. According to Harney [2] there are some limitations to most foreign visitors of shadow factories. Only the model five-star factories are presented to most buyers, auditors, government officials and journalists [2]. It was thus wise for us to use secondary material for data collection in this case.

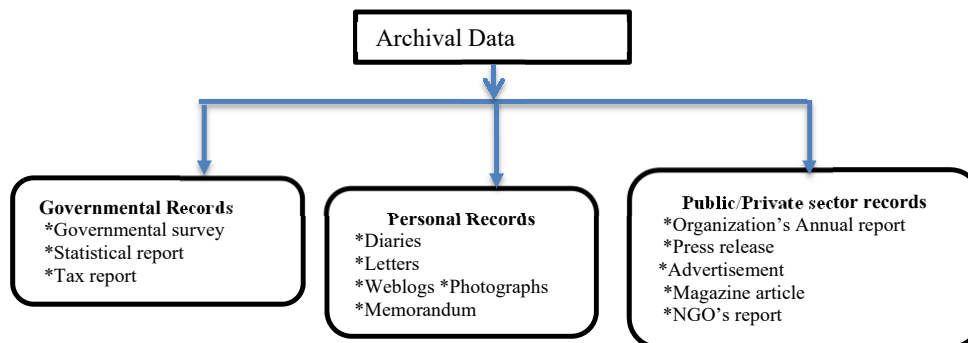


Fig. 1 Archival data category

We systematically organized the data from multiple sources as illustrated in the appendixes. The advantage of using multiple data sources is to give an opportunity to researchers to triangulate data in order to strength their findings so that they will come to a coherent conclusion while creating a chain of evidence [45]. The case study process in this paper involves

four kinds of secondary data since, according to Johansson [46], triangulation provides a way to ensure the validity of case study research. We used the archival data as the main source for data collection. The archival data (Fig. 1) includes a wide range of materials created by individuals for their own purposes, such as memoranda, diaries, blogs, letters and so on,

or on the behalf of organizations, like annual reports, CSR reports, press releases, etc. [47]. The considerable distance between what managers say and what managers do [48] lead us to use the archival data in order to develop our own understanding of the research context. Since we wanted to show a trend in ethical and responsibility dilemmas in Walmart subsidiaries in China, we collected the data from 2005 until 2016.

The first source of the archival data is the press releases. Press releases were derived from various news agencies concerning Walmart's operation in China's subsidiaries. Among the many news reports, we collected 70 online news corpuses. A section of the news is illustrated in Appendix 1.

The second source for data collection focuses on some memoranda of a writer for The Wall Street Journal, The Washington Post, and The Times, which has been published as a book, titled *The China Price: The true cost of Chinese competitive advantage*. The main reason for using this book is that the data was collected by an expert and professional journalist who spent around ten years in Asia and especially covered China and Japan for The Financial Times. From 2003 until 2006, she was the correspondent for The Financial Times in southern China. So, her firsthand reporting, often in areas forbidden to foreign observers, is valuable for us to consider as a second source of data (Appendix 2).

The third source is the UNI Global Union report of October 2012 concerning Walmart global strategy. UNI is a global union federation in Switzerland that focuses on workers' rights. Through its sector global unions, UNI represents workers in all sectors as well as professionals and managers, women and youth. UNI provides a voice and a platform for workers at the international level, in order to support them around the globe. This report was chosen as additional secondary data because multiple sources of evidence give us a holistic understanding of the research field (Appendix 3).

The fourth and last source of our data is a report published by China Labor Watch (CLW) in 2016 (Appendix 4). CLW is an independent not-for-profit organization which conducts in-depth assessment of factories in China in collaboration with unions, labor organizations, and the media. The aim of these reports is to show the supply chain labor issues, and pressure corporations to improve conditions for workers.

### C. Data Analysis

In order to explore our research purpose, the four sources of archival data provided the raw data for analyzing. We demonstrated a lack of bias regarding the analysis of the data by using multiple sources of evidence [49]. The unit of analysis is the most important issue in archival data analysis as it is a specific segment of content which determines order in a given category [44]. Commonly used units of analysis include: words, phrases, sentences, paragraphs and documents [44]. Of these units, we concentrate on news sentences from news agencies (Appendix 1), Chapter 2 of *The China Price* (Appendix 2), some paragraphs in the UNI report (Appendix 3) and some phrases in workers' complaint letters (Appendix 4). The data, which was collected from press releases, chapter

content, paragraphs and phrases, are deals with workers' dignity, their rights, work safety and occupational health, which have pivotal roles in managers' responsibility toward employee. These selections were made to show consistency in the data collection.

We went back and forth between the data in order to examine three arrangements for preventing moral impulse (denial of proximity, effacement of face and reduction to trait) at these shadow factories among the managers and decision-makers. In particular, we were very concerned about the role of Other, as emphasized in Bauman, by tracing any footprints of moral impulse in these sweatshops. To interpret our findings, we coded the data into three groups: work safety and occupational health; worker's dignity; and workers' rights; and themes of distancing; depersonalization and dehumanization; and dissembling (Fig. 2). These three complementary themes neutralize the fostering of moral impulse among managers in shadow factories. According to Hirsijärvi and Hurme [50], the actual analysis is embedded in summarizing, classifying and interpreting. Distancing, dissembling and depersonalization proved to be valuable concepts for classifying our analysis and for our phenomenon interpretation as well. In our analysis, we show the observational process, which has been derived by secondary data, shape the subjective reality of the ethical issues in shadow factories.

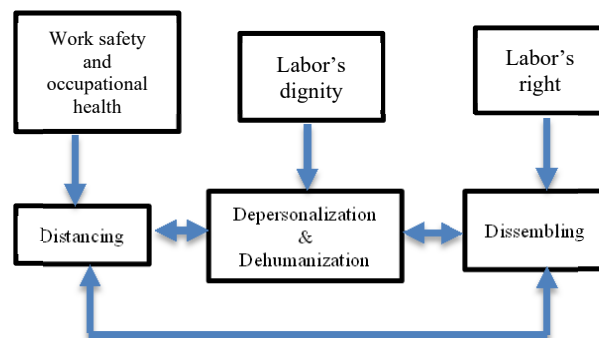


Fig. 2 Lack of moral impulse in shadow factories

In the last part of this section, we try to explain some pitfalls of secondary data analysis. Collecting data for another purpose [51], [41] is the most recognized pitfall. Some other limitations include collecting in another geographic region, focusing on different years, or on a specific population, data presentation and access constraint [51], [41], [52]. Since the researcher was not involved in the data collection process, the quality of data and the degree of relevancy is questionable, a research gap is possible [51], [41], especially as the study topic is sensitive [53]. In order to cope with this difficulty, according to Johnston [54], some researchers suggest seeking out the information from other sources like publications and technical reports. As already discussed in this paper, we have selected a variety of sources in order to get close any research gaps and meet some of these pitfalls.

#### *D. Research Evaluation*

The seeds of this study were planted in our professional careers in international business in developing countries. Since business ethics involves vision and imagination, rather than focusing on what managers do, we always considered the ways that the managers might be thinking about ethics. Our imaginations give us an idealistic picture of business ethics in an organizational context.

This idealistic ontology drives us to a non-rational approach because the problems and difficulties that we encountered in the organizations were not about a lack of concrete rules and regulations for acting ethically, but instead they were about the human factor and the responsibility toward Others. This approach gives us this opportunity to investigate how a person can foster himself/herself in order to open up ethical space in business decision-making.

#### IV. FINDINGS: SEARCHING FOR FOOTPRINTS OF MORAL IMPULSE IN WALMART'S SHADOW FACTORIES

We examine Bauman's moral impulse in shadow factories in China to show a lack of attention being paid to responsibility and ethical issues in these sweatshops. In the following section, we discuss our most significant findings of the current situation in shadow factories of Walmart.

##### *A. Distancing by Lack of Work Safety and Occupational Health*

According to Ten Bos [13], morality can be the result of proximity. In denying proximity, the organization not only prevents itself from doing well but also from doing evil. Proximity impacts moral responsiveness [55] and it shows the significance of the Other in moral behavior [23]. Based on our data, there is not enough attention being given to work safety and occupational health in shadow factories, and this is a result of creating distance between the managers "doing" and the workers "suffering." Some evidence included in the appendices for creating such a distance is presented below:

"Factory workers lose or break about 40,000 fingers on the job every year, according to a study published a few years ago by the Shanghai Academy of Social Sciences."

"500 employees work on a single floor, without safety equipment or insurance in order to have a competitive advantage in price".

"just rents a floor in an industrial building with simple equipment and recruited workers willing to work for longer hours, without insurance or a labor contract. Fire safety loopholes have been reported by workers".

"The workshop was very hot, and there were no air conditioners, a worker died of heart disease that was triggered by heat stroke".

Proximity is the main reason for being responsible—proximity pregnant with responsibility [6]. Reference [16] asserts that for people to be rendered less than full moral subjects, proximity must be replaced with the social distance that can only occur through a physical or spiritual separation from the Other. According to Jones [56], proximity is the degree of closeness between the decision-maker and the

victims/beneficiaries. Reference [57] discusses two kinds of proximity: psychological and physical. Psychological proximity means a high level of commitment to others, while physical proximity refers to the spatial closeness between the decision-maker and those affected by the moral act [57, p.206]. According to our data, a lack of any health and safety standard, such as OHSAS (Occupational Health and Safety Assessment Series), represents such a low degree of the decision-maker's commitment to labor, and a long spatial distance, that the decision-makers never touch the actual working conditions in the shadow factories. Problems like injuring or losing fingers are consequences of a lack of health and safety standards and training. According to Harney [2], shadow factories are never inspected or audited by foreign investors. These factories are not registered with the Chinese government and, officially, they do not exist [2]. The absence of a control system for such profit hungry factories and irresponsible decision-makers and managers unconcerned with the Others accelerates the process of distancing.

The working conditions in shadow factories represent such a significant step backwards to paternalism, or even dictatorship, that we cannot find any footprint of moral impulse, especially when we are talking about the post-industrial world. Based on Crane and Matten [58, p.264], this paternalistic involvement of the employer with the working and living conditions of their employees has often been motivated by what was first referred to as "enlightened" self-interest: only if workers live in halfway decent living circumstances, are they likely to be productive and committed to the firm's economic success [59].

##### *B. Depersonalization and Dehumanization of Workers, Ignoring Their Dignity*

Face-to-face interaction can bring proximity, which simply presupposes humanity [5, p.8]. Organizations make it difficult for their employees to become a Face and, therefore, to promote a moral impulse [13]. Face-to-face relationships result in proximity; according to Bauman [21], there was no responsibility for the faceless, only the face can trigger ethical urges and press moral brakes. Reference [13, p.1003] argues the moral impulse is prompted by the face of the "other who gazes at me and in the vulnerability of whom I sense a moral command." By removing the face, the organization creates distance instead of proximity; they depersonalize and dehumanize their labor. The data below illustrates labor depersonalization and dehumanization in shadow factories:

"Beating employees was standard management in shadow factories due to a lack of managing knowledge".

"Yet when I asked some of the workers what they consider the worst part about working for the corporation, they didn't mention any of these wretched labor practices. Instead, they all gave the same answer: disrespectful managers".

"Managers don't treat people with respect; they often pass their anxiety on to workers, one of the managers' admits that he has occasionally snapped at workers, and they sometimes reward people who aren't the best

managers because they are getting things done”.

“Verbal abuse has been reported by workers in Zhejiang”.

In shadow factories, where economic achievements are given priority over ethical consideration, workers lose their dignity and are subjected to depersonalization and dehumanization. According to Totawar and Nambudiri [28], depersonalization is considered to be a defensive coping strategy, which means people limit their involvement with others and create psychological distances. Hence, the considerable distance between decision-maker/manager and labor, as discussed in the previous section, results in depersonalization. Profit is more of a priority than the humanity side of business. For instance, a phrase like “they sometimes reward people who are not the best managers...” demonstrates how managers depersonalize their labor and how they encouraged to not to care about the Other. The workers in shadow factories are marginalized and ignored. These workers are faceless entities whose purpose is only efficiency. There is no moral commitment to or responsibility for these faceless entities. Responsibility does not have purpose or reason [5, p.52]; this is a pure responsibility needed for fostering moral impulse in shadow factories. Depersonalization and dehumanization undermine any responsibility toward Others as well as the fundamental aspects of labor personhood. This is a significant hindrance for human development in workplaces. Depersonalization may affect worker’s relationships and their daily activities. Dehumanization and depersonalization in shadow factories occurs when workers consider qualities that are characteristically human to be lacking [60].

### *C. Dissembling Workers by Abusing Their Rights*

Distancing and dehumanization lead to dissembling where labor is reduced to a collection of traits. Bauman’s third condition for neutralized moral impulse, reduction to traits, can serve as a valuable guide for human development. Reference [61] explains why companies should be more conscious of promoting human development and poverty eradication. He discusses how the human being is an end itself, which needs no further justification; people are the most important asset of a company, and organizations are responsible for reducing poverty contributing to a healthy civil society, democracy, and greater social stability. Dissembling of workers in shadow factories is apparent when their basic rights are ignored and they are treated like machines:

“China Labor Watch’s latest investigation of five Walmart supplier factories reveals that not a single factory has implemented Walmart’s basic standards, and a total of 10,000 workers included in the report suffer serious rights abuses”.

“The vast majority of the interviewed workers (88%) worked more than 11 hours per day, and 81% of them had fewer than the four rest days a month required by Chinese law”.

“Underage employees were forced to work the night shift in order to avoid these inspections; that wages were

illegally slashed after a slowdown”.

“Walmart has been in China for 20 years now, and our wages are getting lower and lower; and they’re rising more slowly than the city-wide minimum wage for Shenzhen”.

“Multiple lawsuits against the company are currently fighting for women who’ve been overworked, put in dangerous situations, and fired by Walmart while pregnant”.

“Shadow factories are 20% to 30% more productive than the five-star plants because of their working hours”.

“A survey by the Guangdong trade union found that 35% of workers were not paid proper overtime wages”.

“Walmart’s anti-unionism also violated worker’s internationally recognized rights to freedom of association and collective”.

Reference [62] argues that strategic human resource management is one of the core issues in debates concerning business ethics. The above evidence demonstrates that the workers in these factories are not considered as capital, and they are just treated like tools and means for production. Dissembling neutralizes a moral-conscience, which Bauman [5] considers as a hindrance to moral conduct.

A lack of responsibility regarding basic rights for employees, including working hours, wages, child labor and women’s rights, is the result of distancing and dehumanization. Workers in shadow factories are expunged as objects of moral consideration. Reference [63] points out that leaders lose sight of their ethical concerns, even if they are close by. Managers’ attention has moved away from the workers’ face and toward their hands in order to see how they are nimble; they consider their more meticulous eyes, and are valued for their productivity. “Shadow factories are 20% to 30% more productive than the five-star plants.” As Jacques [64, p.87] asserts, workers are treated as raw material. In fact, the managers only recruit employees’ hands. Dissembling, like distancing and dehumanization, in shadow factories yields an environment in which moral commitment and responsibility are considered naïve.

## V. DISCUSSION

Moral discussion and ethical consideration is not a distinct feature of today’s business environment. To Bauman, morality is an autonomous responsibility irrespective of particular laws [24]. Fostering moral impulse in managers and decision-makers leads to sharing empathy and sympathy. From an organization’s point of view, by suppressing the possibility of a moral impulse, sympathy for Others is not achievable [23].

The three managerial strategies, as outlined by Bauman, move beyond rule-based ethics. Creating distance, either psychological or physical, between the self and Other will affect responsibility toward Others. Since closeness breeds attachment, proximity and morality are related, while distance removes and degrades moral impulse by dismissing, discounting and discarding people when they are out of sight [29]. The considerable distancing between decision-makers and workers in shadow factories sacrifices the workers’ well-

being. Labor is not simply a factor of production. The poor working conditions that we illustrate in this paper are directly related to the alienation, frustration and dissatisfaction felt by workers.

Reference [65] discusses the moral foundational right of an employee is to be seen and respected as a person. Workers in shadow factories are treated with disrespect, disdain and neglect, which results in them feeling demoralized and dehumanized. This maltreatment from the top down undermines the workers' humanity while degrading them as objects or means to an end. In such situations, they do not have certain basic rights in their workplaces. The evident dissembling in shadow factories can serve as a warning not to treat workers as objects or tools for achieving an organization's goal. Human solidarity, which arises from the capacity to see and consider others as being like oneself [66], can lead to moral progress in organizations. Although the Chinese subsidiaries have paved the way of mass production (same as Fordism style), cheap prices and profit maximization bring economic sustainability, but at the same time, responsibility is fragile and Others are ignored. Shadow factories in the post-industrial world remain just like a shadow, an unaccountable dark page in today's business environment.

The lack of commitment and moral responsibility in shadow factories can paralyze moral impulse in individuals, which can lead to an even greater danger. When employees see immoral acts and misbehaviors in their managers, their character cannot develop morally and strong. Reference [67] suggests that the skills of moral and character development should be considered regarding four psychological components: ethical sensitivity, ethical judgment, ethical motivation and ethical action. As time passes, distancing, depersonalization and dehumanization, and dissembling in shadow factories undermine all these components, and the employees lose their moral emotions and commitments. They become unable to distinguish moral and immoral acts, as their primary concern becomes keeping their job.

Reference [68, p.53] discusses "system development ethics." According to Ten Bos and Willmott [11], the advocate of system development ethics contends that "ethical risk" cannot be minimized simply by recruiting or training employees with "strong character." Instead, or also, it is necessary to devise and develop a "morally supportive interorganizational system and stable (variation reducing) processes" [68, p.54]. The assumption of this literature is that personal development or character building can only occur in morally supportive environments that are planned and maintained [11]. A lack of moral impulse in managers and immoral acts and decisions in shadow factories gradually subvert morality. The more managers create distance between themselves and their employees, the more they undermine a morally supportive environment in shadow factories.

Organizations have an important moral responsibility to develop their employees, not only into high-quality workers, but into fully-fledged persons who sincerely enjoy working in a meaningful condition [69]. Reference [5] believes that moral

impulse may be suppressed, violated, and paralyzed by objectivist and totalitarian tendencies, but it can never be removed. By adopting the three conditions for moral impulse in organizations, such a meaningful environment can be created. These three conditions are intertwined with, or as Bauman asserts are complementary to, each other, and we cannot exclude one of them from the moral impulse in an organization. The practice of proximity brings attention to faces, and as soon as faces are considered, the human beings will be highlighted, and they will not be reduced to only traits and characteristics. By ignoring these three conditions, organizations, as Bauman [5] asserts, create a social space where rational calculations outweigh moral considerations. The shadow factories' working conditions can be interpreted as modern slavery in a global supply chain which describes a range of exploitative practices [70] for the purpose of service provision or production [71]. It demonstrates the limitations of responsibility and ethical consideration in this part of the manufacturing world.

## VI. CONCLUSION

A non-rational approach to morality reminds us that there must be always responsibility to the Other behind any ethical rules. For this reason, we built our conceptual framework leaning on Bauman's moral impulse and the main hindrances (denial of proximity, effacement of face and reduction to trait) to cultivating moral impulse, care, and responsibility in organizations. To study the phenomenon empirically, we chose the case study methodology because it facilitates the exploration of the phenomenon within its context by using a variety of archival data. The data extracted from multiple sources illustrates the realities and working problems of shadow factories in China, where workers are the main production assets.

When comparing the post-industrial era to the industrial era, as Crane and Matten [58] convey, it is apparent that a segment of today's workers are faced with problems similar to those that existed in the 19<sup>th</sup> century, especially in the developing countries of today. They assert that the working conditions in developing countries (which make up the main investment countries for the industrialized world) are quite susceptible to low wages, high risks, health and safety malpractice, and inhumane working conditions for employees. This situation is a kind of modern slavery in global supply chain. In this regard, the ethical issues of workers in shadow factories do not align with the general characteristics of the post-industrial world, but there is a significant step backward to the first industrial revolution.

In this paper, we have highlighted the moral hazards in shadow factories in China, and we justify that a global brand like Walmart, one of the world's largest retail empires, still needs to improve to achieve responsibility in its subsidiaries. Fostering moral impulse in these sweatshops would allow managers to empathize with Others and, more importantly, their employees; to see them; and care about them without any rules and principles. This would occur through managers being in proximity with employees, having face-to-face



interactions, and seeing others, considering workers first and foremost as people, not faceless entities. The rule-based code of ethics or formalized ethical decision-making in organizations cannot offer such kind of moral impulse [66]. Bauman's moral impulse introduces a new language for thinking and talking about business ethics [9].

Rapid growth itself does not conflict with ethical behavior and responsibility in workplaces, but this study shows that, in practice, the realities of shadow factories, which have a considerable impact on China's economic growth, uncover certain tensions and conflicts between rapid growth and ethics in the business environment. This paper contributes the role of Others in ethical decision-making. The principal contribution of this paper is its demonstration of how, by fostering moral impulse, business practitioners can gain a moral identity, which is needed for struggles regarding moral uncertainty, and is also necessary for human development. Full responsibility in the workplace is a goal on the horizon that may never fully be achieved, but seeing Others can lead us in the right direction. Therefore, the shadow factories in China are just a tip of the iceberg. The deeper disaster is beyond our discussion in this short paper.

#### APPENDIX

##### *A. Inside Walmart's Shadow Factories in Press News*

"Whereas Wal-Mart's retail side in China has made a moderate footprint, its manufacturing supply chain has for many years controlled a huge network of thousands of contract factories making goods for Wal-Mart stores around the world. The company uses low-cost plants with poor working conditions, competing them off one another. The downward pressure of this dynamic on China's labor standards is probably greater than the impact of Wal-Mart's retail stores" [72].

Workers making shoes, Christmas lights, tools, curtains and paper boxes sold at Wal-Mart stores labor in illegal and degrading conditions. China Labor Watch's latest investigation of five Wal-Mart supplier factories reveals that not a single factory has implemented Wal-Mart's basic standards, and a total of 10,000 workers included in the report suffer serious rights abuses" [73].

"While American and European consumers worry about exposing their children to Chinese-made toys coated in lead, Chinese workers, often as young as 16, face far more serious hazards. Here in the Pearl River Delta<sup>1</sup> region near Hong Kong, for example, factory workers lose or break about 40,000 fingers on the job every year, according to a study published a few years ago by the Shanghai Academy of Social Sciences" [74].

"The level of overwork in the nine Wal-Mart supplier factories is extreme. The vast majority of the interviewed workers (88%) worked more than 11 hours per day, and 81% of them had fewer than the four rest days a month required by Chinese law" [75].

"As Wal-Mart gears up for holiday sales, workers at five factories (that has been audited) work at least 3 hours

of overtime/day, for 100-140 total hours of overtime/month, and one factory routinely schedules overtime through the night" [73].

"In December (2007), two nongovernmental organizations, or NGOs, documented what they said were abuse and labor violations at 15 factories that produce or supply goods for Wal-Mart — including the use of child labor at Huanya Gifts, a factory here in Guangzhou that makes Christmas tree ornaments" [74].

"In Wal-Mart's shrimp plant: "They discovered that factory inspections by international buyers, auditors, and Thai Labor Ministry officials were always announced in advance and cursory; that underage employees were forced to work the night shift in order to avoid these inspections; that wages were illegally slashed after a slowdown; and that undocumented foreign workers were charged exorbitant fees for work papers" [76].

"One Chinese labor official was quoted to have said, "Wal-Mart pressures the factory to cut its price, and the factory responds with longer hours or lower pay." Most of these factories violate Chinese labor laws, and Wal-Mart's supposed standards, in one way or another. Some suppliers have children under the age of sixteen, China's legal working age, employed inside their factories. Others force their employees to work as much as 130 hours per week and will cut their pay significantly, below China's minimum wage, without any notice or reason for doing so" [77].

"According to RFA interview with one of the Wal-Mart employee, he said: Wal-Mart has been in China for 20 years now, and our wages are getting lower and lower; and they're rising more slowly than the city-wide minimum wage for Shenzhen" [78].

"In the summer of 2012, Wang (one of the Wal-Mart's employee) collected dozens of workers' signatures asking Wal-Mart for better wages. A week after presenting the petition to Wal-Mart and union officials, Wal-Mart fired him. Wang sued, and in November, a Chinese court ruled in Wang's favor – ordering Wal-Mart to rehire him. But on the morning of his first day back at work, Wang's lawyer calls – Wal-Mart's just appealed the case. "Now I'm going to have to wait for the appeal to go through," Wang grumbles. "They're probably going to try and negotiate a cash settlement, but I just want my job back" [79].

"From five factories that studied "Two of the factories illegally underpay overtime wages at rates as low as \$0.44/hour, and two withhold wages from workers who fail to meet production quotas. Workers' low wages are further undermined by excessive fines and unpaid days off or maternity leave, and some workers cannot even purchase social security!" [73].

"As recently as 2013, despite the fact that women account for as much as 57% of Wal-Mart's U.S. workforce (and that they employ more women than any other U.S. company), women were paid \$1.16 less per hour. That adds up to \$1,100 less per year than men

doing the exact same jobs, and female employees in salaried positions of \$50,000 or over earned \$14,500 less than their male counterparts" [80].

"Low wages, no benefits, irregular schedules, and unreliable hours are just some of the horrible working conditions most Walmart workers have to endure. Yet when I asked some of the workers what they consider the worst part about working for the corporation, they didn't mention any of these wretched labor practices. Instead, they all gave the same answer: disrespectful managers" [81].

"Managers don't treat people with respect; they often pass their anxiety on to workers, one of the managers' admits that he has occasionally snapped at workers, and they sometimes reward people who aren't the best managers because they are getting things done. But they're getting things done because they're trampling over the people below them and grinding them into the ground. So they are getting some results, but not getting results the right way and those results are not lasting" [81].

#### *B. Working Conditions in Walmart's Shadow Factories*

"One of the factory that making products for Walmart is under wholly conditions and a cloak of secrecy. Its 500 employees work on a single floor, without safety equipment or insurance and in excess of the legal working hours" [2, p.35].

"The employees paid a daily rather than a monthly wages" [2, p.35].

"Beating employees was a standard management at shadow factories [2, p.41] due to lack of managing knowledge".

"In order to have a competitive advantage in price, one of the owners of shadow factories just rents a floor in an industrial building with simple equipment and recruited workers willing to work for longer hours, without insurance or labor contract. Because the factory wasn't registered with any authority, it wasn't bound by any cumbersome rules on health and safety and it didn't have to pay taxes" [2, p. 45].

"Shadow factories are 20% to 30% more productive than the five star plant because of its working hours" [2, p.46-47].

"Employees in shadow factory earn about \$165 a month for working 11- or 12-hour days, seven days a week." [2, p.46].

"During the busiest months in Pearl River Delta \* factories, working hours can stretch to 18 hours or even longer" [2, p.48].

"In the absence of vigorous enforcement of labor law by the Chinese government, each of these factors contributes to widespread violation of working hour requirements" [2, p.49].

"A survey by the Guangdong trade union found that 35 percent of workers were not paid proper overtime wages" [2, p.49].

"Some employees seemed to award overtime pay as a kind of 'discretionary bonus' entirely united to the actual number of overtime hours worked" [2, p.49].

"Nor is overtime always optional. China labor Bulleting found that many managers set production quotes so high that they were impossible to meet during a regular working day" [2, p.49].

"The longer the hours, the higher the risk of accidents. Productivity also declines during long overtime work" [2, p.50].

#### *C. What Happens Inside Walmart's Shadow Factories?*

"UNI estimates that excluding China and Mexico, a mere 7% of Walmart workers are union members" [82, p.2].

"Walmart is the largest retailer in the world. Forcing individual workers to address their concerns alone, against one of the most powerful corporations on the globe, is simply not fair. Walmart's anti-unionism also violated worker's internationally recognized rights to freedom of association and collective" [82, p.11].

"In China, a large portion of direct Walmart employees are part-timers who receive lower pay and benefits than full-time employees. These workers bear the brunt of Walmart's trend toward increasing flexibility in its workforce. Furthermore, many of the salespeople inside Walmart stores are employed by the company's vendors, rather than directly employed by Walmart China" [82, p.14].

"In China, academic studies have found that Walmart pays very low wages, even relative to local standards, and that in 2006-2008, in many cities "the increases in Walmart's salary packages were outpaced by both inflation and by the rise in the local legal minimum wage." The turnover rate is also very high at Walmart in China, indicating that employees are not satisfied with Walmart jobs" [82, p.17].

#### *D. Labor Rights Violations in Walmart Shadow Factories in China*

In October 2016, CLW received complaints from student who worked in one of the Walmart subsidiaries in Zhejiang. The main violations that have been reported are as below:

- Signing black contracts.
- Excessive overtime, workers and students worked at least 12 hours a day and sometimes put it up to 15 hours.
- Forced overtime, workers who refused to work overtime would be recorded as being absent from work.
- Continuous work. According to China's labor law, employees should have at least one day off each week. However, in this factory, workers and students could only rest for one or two days each month.
- As stipulated by China's labor law, overtime work should be paid according to a certain rate (1.5 times to 3 times the base wage), but in this factory, overtime was paid the same rate as regular work.
- Fire safety loopholes.

- Lack of occupational safety protection
- Verbal abuse.
- Terrible living conditions. The dormitories were dirty, and a student said that her bed was on the verge of collapsing. The workshop was very hot, and there were no air conditioners, a worker died of heart disease that was triggered by heat stroke.
- Wage arrears [83, p.2-3].

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