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The Influence of Corporate Governance on Ethical Fashion Practices: Voices from the Industry

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The global fashion industry faces increasing scrutiny for its environmental degradation, labour exploitation, and lack of transparency. In this context, ethical fashion has emerged as a critical approach to promoting sustainability and social responsibility. This study examines the influence of corporate governance on ethical fashion practices through a qualitative analysis of secondary data, including academic literature, industry reports, and policy documents. Grounded in stakeholder theory, institutional theory, and corporate social responsibility (CSR) theory, the study explores how governance mechanisms, such as board structures, transparency frameworks, stakeholder engagement, and supply chain oversight, shape ethical outcomes in the fashion industry. The findings indicate that strong governance frameworks significantly enhance ethical sourcing, accountability, and sustainability performance, while weak governance contributes to greenwashing and labour rights violations. Furthermore, the study highlights the importance of inclusive governance models that incorporate diverse stakeholder voices, particularly within global supply chains. The research contributes to the literature by integrating governance and sustainability perspectives and offers practical insights for policymakers and industry practitioners aiming to promote ethical transformation in the fashion sector.

Keywords: Corporate governance; Ethical fashion; Sustainability; Stakeholder engagement; Supply chain governance; CSR; Transparency

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1. Introduction

The global fashion industry occupies a central position in the contemporary economy, contributing significantly to employment generation, trade, and cultural expression. With an estimated value exceeding trillions of dollars, the industry operates through highly complex and geographically dispersed supply chains that span both developed and developing economies (Ellen MacArthur Foundation, 2017). Despite its economic importance, the fashion industry has been increasingly criticised for its profound environmental and social impacts. These include excessive water consumption, chemical pollution, carbon emissions, and labour exploitation, particularly in low-cost manufacturing regions (Environmental Audit Committee, 2019). The rise of fast fashion, a model characterised by rapid production cycles, low prices, and high consumption, has further exacerbated these challenges by promoting unsustainable production and consumption patterns (Brydges, 2021).

In response to these concerns, the concept of ethical fashion has gained prominence among scholars, practitioners, and policymakers. Ethical fashion encompasses a broad range of practices aimed at minimising environmental harm, ensuring fair labour conditions, and promoting transparency and accountability across supply chains. It reflects a shift from traditional profit-driven models toward more responsible and sustainable business practices (Thorisdottir & Johannsdottir, 2020). However, despite growing awareness and consumer demand for ethically produced garments, the implementation of ethical practices within the fashion industry remains inconsistent and often superficial.

A critical factor influencing the adoption and effectiveness of ethical fashion practices is corporate governance. Corporate governance refers to the structures, processes, and mechanisms through which organisations are directed and controlled, including board composition, leadership accountability, stakeholder engagement, and regulatory compliance (Tricker, 2019). In the context of the fashion industry, corporate governance plays a pivotal role in shaping strategic decisions, including those related to sustainability and ethics. Strong governance frameworks can promote responsible business conduct, while weak governance structures may prioritise short-term financial gains at the expense of ethical considerations.

The increasing integration of environmental, social, and governance (ESG) criteria into corporate strategies has further highlighted the importance of governance in driving sustainability outcomes. Governance mechanisms such as independent boards, transparent reporting systems, and stakeholder-inclusive decision-making processes are essential for ensuring accountability and ethical behaviour (Eccles et al., 2014). In the fashion industry, where supply chains are often opaque and fragmented, effective governance is particularly crucial for monitoring compliance with ethical standards and addressing risks related to labour rights and environmental degradation.

Moreover, the role of stakeholders in shaping corporate behaviour has become increasingly significant. Consumers, investors, non-governmental organisations (NGOs), and regulatory bodies exert pressure on fashion companies to adopt ethical practices and demonstrate accountability. This shift aligns with the principles of stakeholder theory, which emphasises the importance of balancing the interests of diverse stakeholders rather than focusing solely on shareholder value (Freeman, 1984). In the fashion industry, stakeholder engagement is essential for addressing complex ethical challenges and fostering trust and legitimacy.

Despite these developments, several challenges persist. Many fashion companies continue to engage in greenwashing, misleading claims about environmental performance, due to inadequate governance and a lack of transparency (Delmas & Burbano, 2011). Additionally, the global nature of fashion supply chains makes it difficult to enforce ethical standards consistently, as governance mechanisms may vary across jurisdictions. These challenges underscore the need for a deeper understanding of how corporate governance influences ethical fashion practices.

This study aims to explore the relationship between corporate governance and ethical fashion practices by analysing secondary data from academic literature, industry reports, and policy documents. It seeks to address the following research questions:

- How do corporate governance mechanisms influence ethical fashion practices?
- What governance structures promote or hinder sustainability in the fashion industry?
- How are stakeholder voices integrated into corporate governance processes?

By addressing these questions, the study contributes to the growing body of literature on sustainability and corporate governance in the fashion industry. It provides a comprehensive analysis of governance mechanisms and their impact on ethical outcomes, offering insights for both scholars and practitioners. Furthermore, the study highlights the importance of inclusive and transparent governance models that incorporate diverse stakeholder perspectives, particularly those of workers and communities within global supply chains.

2. Literature Review

The fashion industry has long been associated with significant ethical challenges, particularly in relation to environmental sustainability and labour practices. The production of textiles and garments is highly resource-intensive, requiring large quantities of water, energy, and chemicals. For example, cotton cultivation alone accounts for substantial water consumption and pesticide use, contributing to environmental degradation and biodiversity loss (Ellen MacArthur Foundation, 2017). Additionally, the disposal of textile waste has become a major concern, with millions of tons of clothing ending up in landfills each year.

Labour exploitation is another critical issue within the fashion industry. The outsourcing of production to low-cost countries often results in poor working conditions, low wages, and a lack of labour rights protections. High-profile incidents such as factory collapses and worker protests

have brought global attention to these issues, highlighting the need for stronger ethical standards and governance mechanisms (Environmental Audit Committee, 2019). Despite increased awareness, many companies continue to struggle with ensuring compliance across their supply chains.

The fast fashion model has intensified these challenges by encouraging overproduction and overconsumption. Companies prioritise speed and cost efficiency, often at the expense of environmental and social considerations (Brydges, 2021). As a result, the industry faces growing pressure from consumers, regulators, and advocacy groups to adopt more sustainable and ethical practices.

2.1 Corporate Governance and Sustainability

Corporate governance is widely recognised as a key determinant of organisational behaviour and performance, including sustainability outcomes. Governance structures influence how decisions are made, how risks are managed, and how accountability is maintained within organisations. In recent years, there has been increasing emphasis on the role of governance in promoting environmental and social responsibility.

Research indicates that companies with strong governance frameworks are more likely to achieve higher ESG performance. For example, board independence and diversity have been linked to improved oversight and more effective decision-making, particularly in relation to sustainability initiatives (Eccles et al., 2014). Similarly, transparent reporting systems and robust internal controls enhance accountability and reduce the likelihood of unethical behaviour.

In the fashion industry, governance plays a critical role in managing complex supply chains. Effective governance mechanisms, such as supplier codes of conduct, auditing systems, and collaborative partnerships, can help ensure compliance with ethical standards (Turker & Altuntas, 2014). However, the effectiveness of these mechanisms depends on the commitment of top management and the integration of sustainability into corporate strategies.

2.2 Corporate Social Responsibility (CSR) in Fashion

Corporate social responsibility (CSR) has emerged as a central framework for addressing ethical issues in the fashion industry. CSR initiatives typically focus on environmental sustainability, labour rights, and community engagement. These initiatives are often driven by stakeholder expectations and regulatory requirements, as well as the desire to enhance brand reputation and competitiveness.

Studies have shown that CSR can have positive impacts on both organisational performance and societal well-being. For example, sustainable product development and ethical sourcing can improve brand equity and customer loyalty (Thorisdottir & Johannsdottir, 2020). However, the effectiveness of CSR initiatives varies widely across companies, and there is ongoing debate about their impact on systemic issues within the industry.

One of the main criticisms of CSR in fashion is that it is often used as a marketing tool rather than a genuine commitment to sustainability. Greenwashing, where companies make misleading claims about their environmental performance, remains a significant concern (Delmas & Burbano, 2011). This highlights the need for stronger governance mechanisms to ensure transparency and accountability.

2.3 Governance and Ethical Decision-Making

Ethical decision-making within organisations is influenced by a combination of internal and external factors, including governance structures, organisational culture, and institutional pressures. Governance mechanisms such as board oversight, executive incentives, and risk management systems play a crucial role in shaping ethical behaviour.

Institutional theory suggests that organisations are influenced by external pressures from regulators, industry norms, and societal expectations (DiMaggio & Powell, 1983). In the fashion industry, these pressures have led to the adoption of sustainability standards and certifications, as well as increased transparency in supply chains. However, compliance with these standards is often inconsistent, reflecting variations in governance practices.

Stakeholder engagement is another important factor in ethical decision-making. Inclusive governance models that incorporate the perspectives of diverse stakeholders can enhance accountability and ensure that ethical considerations are integrated into decision-making processes (Freeman, 1984). In the context of the fashion industry, this includes engaging with workers, suppliers, consumers, and advocacy groups.

2.4 Supply Chain Governance and Transparency

Supply chain governance is a critical component of ethical fashion practices. The global nature of fashion supply chains presents significant challenges for monitoring and enforcement, as production processes are often fragmented across multiple countries and jurisdictions. This complexity increases the risk of unethical practices, including labour exploitation and environmental violations.

To address these challenges, companies have implemented various governance mechanisms, such as supplier audits, codes of conduct, and traceability systems. These mechanisms aim to ensure compliance with ethical standards and improve transparency within supply chains (Turker & Altuntas, 2014). However, their effectiveness is often limited by a lack of enforcement and reliance on self-reporting.

Recent developments in technology, such as blockchain and digital tracking systems, offer new opportunities for enhancing supply chain transparency. These technologies can provide real-time information about production processes and enable more effective monitoring of ethical practices. Nevertheless, their adoption remains limited, particularly among smaller firms.

2.5 Emerging Trends and Research Gaps

The literature on corporate governance and ethical fashion practices has expanded significantly in recent years, reflecting growing interest in sustainability and responsible business conduct. However, several gaps remain. First, there is limited empirical research on the relationship between governance mechanisms and ethical outcomes in the fashion industry. Second, the role of stakeholder voices, particularly those of workers and communities, is often underexplored.

Furthermore, there is a need for more interdisciplinary approaches that integrate insights from governance, sustainability, and supply chain management. Such approaches can provide a more comprehensive understanding of the factors influencing ethical fashion practices and inform the development of more effective governance frameworks.

3. Theoretical Framework

Understanding the relationship between corporate governance and ethical fashion practices requires a robust theoretical foundation that captures the complexity of organisational behaviour, stakeholder interactions, and institutional pressures. This study is grounded in three complementary theoretical perspectives: Stakeholder Theory, Institutional Theory, and Corporate Social Responsibility (CSR) Theory. Together, these frameworks provide a multidimensional lens through which the influence of governance on ethical outcomes in the fashion industry can be examined.

3.1 Stakeholder Theory

Stakeholder Theory, originally proposed by Freeman (1984), posits that organisations should create value for all stakeholders rather than focusing solely on shareholders. Stakeholders include any group or individual who can affect or is affected by the organisation's activities, such as employees, suppliers, customers, communities, governments, and the environment. In the context of the fashion industry, stakeholder theory is particularly relevant due to the extensive and interconnected nature of global supply chains.

Corporate governance plays a crucial role in determining how stakeholder interests are prioritised and integrated into decision-making processes. Boards of directors and executive leadership are responsible for balancing competing stakeholder demands, which often involve trade-offs between profitability and ethical considerations. For example, decisions related to sourcing materials or selecting suppliers may involve choosing between lower costs and adherence to ethical labour standards.

Empirical research suggests that firms with stakeholder-oriented governance structures are more likely to adopt sustainable and ethical practices (Freeman et al., 2010). These firms tend to engage in transparent communication, stakeholder dialogue, and participatory decision-making processes. In the fashion industry, this may involve collaborating with non-governmental organisations

(NGOs), engaging with labour unions, and incorporating consumer feedback into product development.

Furthermore, stakeholder theory emphasises accountability and legitimacy. By addressing stakeholder concerns, companies can enhance their social license to operate and build trust among stakeholders. This is particularly important in the fashion industry, where reputational risks associated with unethical practices can have significant financial and operational consequences.

3.2 Institutional Theory

Institutional Theory provides insight into how external pressures shape organisational behaviour and governance practices. According to DiMaggio and Powell (1983), organisations operate within institutional environments characterised by norms, rules, and cultural expectations that influence their actions. These pressures can be categorised into three types: coercive, normative, and mimetic.

Coercive pressures arise from formal regulations and legal requirements imposed by governments and regulatory bodies. In the fashion industry, these may include labour laws, environmental regulations, and international trade agreements. Compliance with such regulations often necessitates the implementation of governance mechanisms to ensure adherence to ethical standards.

Normative pressures stem from professional norms and industry standards, often promoted by industry associations and advocacy groups. For instance, initiatives such as sustainability certifications and ethical sourcing standards reflect normative expectations within the fashion industry. Companies may adopt these standards to demonstrate their commitment to ethical practices and align with industry best practices.

Mimetic pressures occur when organisations imitate the practices of successful or leading firms, particularly in uncertain environments. In the context of ethical fashion, companies may emulate the sustainability strategies of industry leaders to enhance their competitiveness and legitimacy.

Institutional theory highlights the role of corporate governance in responding to these pressures. Governance structures that are adaptable and responsive to external demands are more likely to facilitate the adoption of ethical practices. However, institutional pressures can also lead to symbolic compliance, where companies adopt superficial measures to appear ethical without making substantive changes (Delmas & Burbano, 2011).

3.3 Corporate Social Responsibility (CSR) Theory

Corporate Social Responsibility (CSR) Theory emphasises the ethical obligations of firms to contribute to societal well-being beyond profit maximisation. CSR encompasses a wide range of activities, including environmental sustainability, social equity, and community development. In the fashion industry, CSR initiatives often focus on sustainable materials, fair labour practices, and supply chain transparency.

Carroll's (1991) pyramid of CSR provides a useful framework for understanding the different dimensions of corporate responsibility: economic, legal, ethical, and philanthropic. Corporate governance mechanisms play a critical role in ensuring that these responsibilities are integrated into organisational strategies and operations. For example, governance structures can establish policies and procedures for ethical sourcing, environmental management, and stakeholder engagement.

CSR theory also underscores the importance of transparency and accountability. Companies are expected to disclose information about their social and environmental performance, enabling stakeholders to assess their ethical conduct. In this regard, governance mechanisms such as sustainability reporting and independent audits are essential for enhancing credibility and trust.

However, the effectiveness of CSR initiatives depends on the authenticity of corporate commitments. Without strong governance, CSR can become a tool for greenwashing, where companies make misleading claims about their ethical performance (Delmas & Burbano, 2011). Therefore, governance mechanisms must ensure that CSR initiatives are aligned with organisational values and supported by measurable outcomes.

3.4 Integrated Theoretical Perspective

The integration of stakeholder theory, institutional theory, and CSR theory provides a comprehensive framework for analysing the influence of corporate governance on ethical fashion practices. Stakeholder theory emphasises the importance of inclusive and participatory governance, institutional theory highlights the role of external pressures, and CSR theory focuses on ethical responsibilities and accountability.

Together, these theories suggest that effective corporate governance in the fashion industry requires a balance between internal decision-making processes and external expectations. Governance mechanisms must be designed to address the needs of diverse stakeholders, respond to institutional pressures, and ensure the authenticity of CSR initiatives. This integrated perspective forms the foundation for the empirical analysis presented in this study.

4. Methodology

This study adopts a qualitative research design based on secondary data analysis to explore the influence of corporate governance on ethical fashion practices. Qualitative research is particularly suitable for examining complex social phenomena that involve multiple stakeholders, contextual factors, and dynamic interactions (Creswell & Poth, 2018). Given the exploratory nature of this study, a qualitative approach enables an in-depth understanding of governance mechanisms and their impact on ethical outcomes in the fashion industry.

Secondary data analysis involves the systematic review and interpretation of existing data sources, including academic literature, industry reports, and policy documents. This approach is appropriate

for this study because it allows for the synthesis of diverse perspectives and provides access to a wide range of information that would be difficult to obtain through primary data collection.

4.1 Data Sources and Selection Criteria

The study draws on multiple sources of secondary data to ensure comprehensiveness and reliability. These sources include:

- Peer-reviewed journal articles from databases such as Scopus, Web of Science, and Google Scholar
- Industry reports from organisations such as the Ellen MacArthur Foundation and the Environmental Audit Committee
- Sustainability reports published by leading fashion companies
- Policy documents and guidelines from international organisations

The selection of data sources was guided by the following criteria:

- **Relevance:** The data must address corporate governance, ethical fashion, sustainability, or related topics.
- **Credibility:** Preference was given to peer-reviewed publications and reputable institutional reports.
- **Recency:** The study focuses on literature published between 2010 and 2025 to capture recent developments and trends.
- **Diversity:** A range of perspectives, including academic, industry, and policy viewpoints, was included to ensure a comprehensive analysis.

4.2 Data Collection Procedure

The data collection process involved a systematic search of academic databases using keywords such as “corporate governance,” “ethical fashion,” “sustainability,” “CSR,” and “supply chain governance.” Boolean operators (e.g., AND, OR) were used to refine search results and identify relevant studies.

In addition to academic literature, industry reports and policy documents were collected from official websites and institutional repositories. Sustainability reports of selected fashion companies were also reviewed to gain insights into corporate practices and governance mechanisms.

The collected data were organised and categorised based on thematic relevance, facilitating the subsequent analysis.

4.3 Data Analysis Technique

The study employs thematic analysis as the primary method for data analysis. Thematic analysis is a widely used qualitative technique that involves identifying, analysing, and interpreting patterns

or themes within data (Braun & Clarke, 2006). This method is particularly suitable for synthesising diverse sources of secondary data and generating meaningful insights.

The analysis followed a structured process:

- **Familiarisation:** Reviewing and understanding the collected data.
- **Coding:** Assigning labels to relevant segments of data based on key concepts and ideas.
- **Theme Development:** Grouping codes into broader themes related to corporate governance and ethical practices.
- **Interpretation:** Analysing the relationships between themes and concluding.

Key themes identified in the analysis include governance structures, transparency and accountability, stakeholder engagement, supply chain governance, and institutional pressures.

4.4 Validity and Reliability

Ensuring the validity and reliability of qualitative research is essential for producing credible findings. In this study, several strategies were employed:

- **Triangulation:** Using multiple data sources to cross-validate findings and enhance credibility.
- **Transparency:** Clearly documenting the data collection and analysis processes to ensure replicability.
- **Critical Evaluation:** Assessing the quality and relevance of data sources to minimise bias.

These measures contribute to the robustness of the research and ensure that the findings are grounded in reliable evidence.

4.5 Ethical Considerations

As this study is based on secondary data, it does not involve direct interaction with human participants. However, ethical considerations were still taken into account, including (Mannan & Farhana, 2026):

- Proper citation and acknowledgement of sources
- Avoidance of plagiarism
- Respect for intellectual property rights

4.6 Limitations of the Study

Despite its strengths, the study has certain limitations. First, the reliance on secondary data may limit the ability to capture real-time perspectives and experiences of industry stakeholders. Second, the findings are dependent on the quality and scope of existing literature, which may vary across contexts. Finally, the qualitative nature of the study limits the generalizability of results.

Future research could address these limitations by incorporating primary data collection methods, such as interviews and surveys, to provide deeper insights into governance practices and ethical decision-making in the fashion industry.

5. Findings and Analysis

The thematic analysis of secondary data reveals that corporate governance plays a decisive and multifaceted role in shaping ethical fashion practices. Five dominant themes emerge from the analysis: governance structures and board dynamics, transparency and accountability mechanisms, stakeholder engagement and participatory governance, supply chain governance, and institutional pressures and compliance behaviour. These themes collectively illustrate how governance mechanisms influence ethical outcomes across the fashion industry.

5.1 Governance Structures and Board Dynamics

One of the most significant findings is the impact of governance structures, particularly board composition and oversight, on ethical decision-making. Companies with independent and diverse boards tend to demonstrate stronger commitments to sustainability and ethical practices. Board independence enhances the ability to challenge management decisions and prioritise long-term value over short-term profitability (Eccles et al., 2014).

Board diversity, including gender and professional diversity, is also associated with improved ethical performance. Diverse boards bring varied perspectives and are more likely to consider social and environmental implications in strategic decision-making. This is particularly relevant in the fashion industry, where ethical issues often intersect with cultural, social, and environmental contexts.

However, the analysis also reveals that many fashion companies continue to operate with governance structures that are heavily oriented toward financial performance. In such cases, sustainability initiatives are often marginalised or treated as secondary priorities. This misalignment between governance priorities and ethical objectives limits the effectiveness of sustainability efforts.

Moreover, executive compensation structures play a critical role in shaping organisational behaviour. Firms that link executive incentives to ESG performance are more likely to achieve meaningful progress in ethical practices. Conversely, when incentives are tied solely to financial metrics, managers may prioritise cost reduction strategies that compromise ethical standards, such as outsourcing to low-cost suppliers with poor labour conditions.

5.2 Transparency and Accountability Mechanisms

Transparency emerges as a central theme in the analysis, highlighting its importance in promoting accountability and ethical behaviour. Companies that disclose detailed information about their

supply chains, environmental impact, and labour practices are better positioned to build trust with stakeholders and demonstrate their commitment to ethical standards (Delmas & Burbano, 2011).

Sustainability reporting frameworks, such as the Global Reporting Initiative (GRI) and integrated reporting, have been widely adopted by leading fashion companies. These frameworks provide standardised guidelines for disclosing ESG information, enabling stakeholders to assess corporate performance. However, the analysis indicates significant variability in the quality and depth of disclosures.

A major concern identified in the literature is the prevalence of greenwashing. Many companies engage in symbolic disclosure practices, presenting themselves as environmentally responsible without implementing substantive changes. This behaviour is often facilitated by weak governance mechanisms and a lack of regulatory oversight. As a result, stakeholders face challenges in distinguishing between genuine and superficial sustainability efforts.

Independent auditing and third-party verification are critical for enhancing accountability. Companies that subject their sustainability reports to external audits are more likely to provide accurate and reliable information. However, the adoption of such practices remains limited, particularly among smaller firms.

5.3 Stakeholder Engagement and Participatory Governance

Stakeholder engagement is a key determinant of ethical governance in the fashion industry. The analysis reveals that companies that actively engage with stakeholders, such as workers, suppliers, consumers, and NGOs, are more likely to adopt inclusive and responsible practices (Freeman et al., 2010).

Participatory governance models, which involve stakeholders in decision-making processes, can enhance accountability and legitimacy. For example, collaboration with labour unions and worker organisations can improve working conditions and ensure compliance with labour standards. Similarly, engagement with environmental NGOs can support the development of sustainable sourcing practices.

Despite these benefits, stakeholder engagement remains uneven across the industry. Many companies adopt a top-down approach to governance, limiting stakeholder participation to consultation rather than meaningful involvement. This approach reduces the effectiveness of governance mechanisms and perpetuates power imbalances within supply chains.

The analysis also highlights the growing influence of consumers as stakeholders. Increasing awareness of ethical issues has led to greater demand for sustainable and transparent products. Companies that respond to consumer expectations by adopting ethical practices can gain competitive advantages, including enhanced brand reputation and customer loyalty.

5.4 Supply Chain Governance

Supply chain governance is identified as one of the most critical areas influencing ethical fashion practices. The global and fragmented nature of fashion supply chains presents significant challenges for monitoring and enforcement. Production processes often involve multiple tiers of suppliers, making it difficult to ensure compliance with ethical standards.

Governance mechanisms such as supplier codes of conduct, auditing systems, and certification schemes are widely used to address these challenges (Turker & Altuntas, 2014). These mechanisms aim to establish minimum standards for labour conditions, environmental practices, and business ethics. However, their effectiveness is often limited by several factors.

First, supplier audits are frequently criticised for being superficial and inconsistent. Audits are typically conducted periodically and may not capture ongoing violations. Additionally, suppliers may engage in deceptive practices to pass audits, undermining their credibility.

Second, there is a lack of enforcement and accountability in supply chain governance. Many companies rely on voluntary compliance rather than binding agreements, reducing the effectiveness of governance mechanisms. This is particularly problematic in regions with weak regulatory frameworks.

Third, power asymmetries between brands and suppliers can hinder ethical practices. Suppliers often face pressure to reduce costs and meet tight deadlines, leading to compromised labour conditions. Addressing these issues requires more collaborative and equitable governance models that distribute responsibility across the supply chain.

5.5 Institutional Pressures and Compliance Behaviour

Institutional pressures play a significant role in shaping corporate behaviour and governance practices. The analysis identifies three main types of pressures: regulatory, normative, and market-driven.

Regulatory pressures, such as labour laws and environmental regulations, compel companies to adopt ethical practices. However, the effectiveness of these regulations varies across regions, with weaker enforcement in developing countries.

Normative pressures arise from industry standards and societal expectations. Initiatives such as sustainability certifications and ethical sourcing guidelines reflect growing normative expectations within the fashion industry. Companies often adopt these standards to enhance legitimacy and align with best practices.

Market-driven pressures, particularly from consumers and investors, have become increasingly influential. The rise of ethical consumerism has created demand for sustainable products, encouraging companies to adopt ethical practices. Similarly, investors are increasingly incorporating ESG criteria into their decision-making processes, influencing corporate strategies.

Despite these pressures, the analysis reveals that compliance behaviour varies widely. While some companies adopt proactive approaches to sustainability, others engage in reactive or symbolic compliance. This variation underscores the importance of governance mechanisms in mediating the impact of institutional pressures.

6. Discussion

The findings of this study provide important insights into the complex relationship between corporate governance and ethical fashion practices. By integrating perspectives from stakeholder theory, institutional theory, and CSR theory, this discussion interprets the findings in a broader theoretical and practical context.

6.1 Governance as a Driver of Ethical Transformation

The findings confirm that corporate governance is a critical driver of ethical transformation in the fashion industry. Governance structures influence not only the adoption of ethical practices but also their depth and effectiveness. This aligns with stakeholder theory, which emphasises the role of governance in balancing diverse stakeholder interests (Freeman, 1984).

Companies with strong governance frameworks are better equipped to integrate sustainability into their core strategies. These firms view ethical practices as a source of long-term value rather than a compliance requirement. In contrast, companies with weak governance structures tend to adopt a reactive approach, focusing on short-term gains and symbolic compliance.

The role of leadership is particularly significant in this context. Boards and executives set the tone for organisational behaviour and establish priorities for sustainability and ethics. Leadership commitment is therefore essential for driving meaningful change.

6.2 The Paradox of Transparency and Greenwashing

While transparency is widely recognised as a key component of ethical governance, the findings reveal a paradox: increased disclosure does not necessarily lead to improved accountability. Instead, it can sometimes facilitate greenwashing, where companies use selective disclosure to create a false impression of sustainability (Delmas & Burbano, 2011).

This paradox highlights the limitations of voluntary reporting frameworks and underscores the need for stronger regulatory oversight. Without standardised reporting requirements and independent verification, transparency may become a tool for impression management rather than genuine accountability.

From a theoretical perspective, this finding reflects the concept of symbolic legitimacy in institutional theory. Companies may adopt superficial practices to conform to societal expectations without making substantive changes (DiMaggio & Powell, 1983). Addressing this issue requires governance mechanisms that prioritise authenticity and measurable outcomes.

6.3 Reframing Stakeholder Engagement

The findings suggest that stakeholder engagement should be reframed as a core component of governance rather than a peripheral activity. Inclusive governance models that incorporate stakeholder voices can enhance decision-making and promote ethical practices.

However, the current approach to stakeholder engagement in the fashion industry is often limited and transactional. Many companies engage stakeholders primarily for reputational purposes rather than genuine collaboration. This approach fails to address underlying power imbalances and limits the effectiveness of governance mechanisms.

A more transformative approach would involve participatory governance models that empower stakeholders, particularly workers and communities within supply chains. Such models align with the principles of stakeholder theory and can contribute to more equitable and sustainable outcomes.

6.4 Rethinking Supply Chain Governance

The findings highlight the limitations of traditional supply chain governance mechanisms, such as audits and codes of conduct. While these tools are important, they are insufficient to address the complex challenges of global supply chains.

A shift toward collaborative and relational governance models is needed. This involves building long-term partnerships with suppliers, sharing responsibility for ethical practices, and investing in capacity-building initiatives. Such approaches can address power asymmetries and promote more sustainable outcomes.

Technological innovations, such as blockchain and digital traceability systems, also offer potential solutions for enhancing supply chain transparency. However, their effectiveness depends on integration with governance frameworks and stakeholder engagement.

6.5 The Role of Institutional Pressures

Institutional pressures play a dual role in shaping corporate behaviour. On one hand, they drive the adoption of ethical practices by creating expectations and incentives. On the other hand, they can lead to symbolic compliance and superficial practices.

This duality underscores the importance of governance mechanisms in mediating the impact of institutional pressures. Companies with strong governance frameworks are more likely to respond proactively and authentically, while those with weak governance structures may adopt reactive and symbolic approaches.

The increasing role of investors and financial markets in promoting ESG practices represents a significant development. Investor pressure can incentivise companies to integrate sustainability into their strategies and improve governance practices.

6.6 Implications for Theory and Practice

The findings have several important implications for theory and practice. From a theoretical perspective, the study demonstrates the value of integrating multiple frameworks to understand complex phenomena. The combination of stakeholder theory, institutional theory, and CSR theory provides a comprehensive understanding of the relationship between governance and ethical practices.

From a practical perspective, the study highlights the need for stronger governance mechanisms to promote ethical fashion practices. Companies should prioritise board diversity, transparency, stakeholder engagement, and supply chain governance. Policymakers should also play a role by establishing clear regulations and enforcing compliance.

7. Conclusion

This study has examined the influence of corporate governance on ethical fashion practices, highlighting the central role of governance mechanisms in shaping sustainability outcomes within the global fashion industry. Drawing on qualitative analysis of secondary data, the research demonstrates that corporate governance is not merely a structural or regulatory function but a strategic driver of ethical transformation.

The findings reveal that effective governance structures, characterised by independent and diverse boards, transparent reporting systems, and stakeholder-inclusive decision-making, are strongly associated with improved ethical practices. These include responsible sourcing, enhanced labour standards, and greater environmental accountability. Conversely, weak governance frameworks often result in superficial compliance, greenwashing, and continued exploitation within supply chains. This underscores the importance of aligning governance priorities with long-term sustainability objectives rather than short-term financial gains.

A key contribution of this study lies in its emphasis on stakeholder engagement as a critical component of governance. Incorporating the voices of workers, suppliers, consumers, and communities into decision-making processes can enhance accountability and ensure that ethical considerations are meaningfully integrated into corporate strategies. Furthermore, the study highlights the limitations of traditional supply chain governance mechanisms and calls for more collaborative and equitable approaches that address power imbalances and promote shared responsibility.

The role of institutional pressures, such as regulatory frameworks, industry norms, and market expectations, is also significant. While these pressures can drive the adoption of ethical practices, their effectiveness depends on the strength and responsiveness of corporate governance systems. Companies that proactively integrate sustainability into their governance structures are better positioned to respond to these pressures and achieve long-term value creation.

In conclusion, advancing ethical fashion requires a fundamental rethinking of corporate governance. Firms must move beyond symbolic compliance toward authentic and measurable commitments to sustainability. Policymakers and industry leaders should work collaboratively to establish robust governance frameworks that promote transparency, accountability, and stakeholder inclusivity. Future research should further explore the integration of governance and sustainability through empirical studies, particularly in emerging markets, to deepen understanding and support the development of more responsible fashion systems.

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