



Business for Social Responsibility

Shared Mindset and Supplier Ownership: A Beyond Monitoring Trends Report

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About This Report

In 2007, Business for Social Responsibility (BSR) launched with its members a workstream to develop more sustainable supply chain solutions. This work is based on a common vision called “Beyond Monitoring,” which describes a shift from an exclusive focus on policing supply chains to developing more effective holistic approaches to improvement. The Beyond Monitoring vision is based on four key components, which must work together to drive real impact:

- Internal alignment between commercial and social objectives of buyers
- Supplier ownership of labor and environmental conditions
- Worker empowerment
- Public policy frameworks that foster public-private dialogue, partnerships and local solutions

This report—focused on Supplier Ownership—is part of a series of publications that explores how companies are working toward the Beyond Monitoring vision and the successes and challenges they are encountering along the way. To access these publications, and to learn more about the Beyond Monitoring Working Group, which is helping companies put the Beyond Monitoring vision into action, please visit the BSR web site at <http://www.bsr.org/beyond-monitoring>.

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1. Introduction

Fifteen years of hard work and good intentions...

...hasn't accomplished its mission.

Buyers today have a much improved understanding of the challenges they face, better data from their audit activities, and increased engagement with their suppliers through various types of education and training. However, in most cases, their suppliers still fail to see a business case for improved working conditions.

Instead, what has emerged is a system marked by endemic falsification of information, lack of trust, antagonistic buyer-supplier relationships, and lack of consistent and meaningful communication and cooperation on working conditions along global supply chains. In this system, buyers continue to have to push their suppliers to improve as there is almost no “ownership” by suppliers of the agenda.

The next 15 years of supply chain engagement need to be built on the lessons of the past. Supplier ownership is more important than ever because labor markets, transparency requirements and the cost of poor management of compliance are shifting quickly. An increasingly informed and organized stakeholder community has raised the bar, and the costs of failure—either directly through crises or indirectly through poor business management—are becoming more critical.

The root cause: Failure to create a shared mindset...

...fueled by the lack of supplier ownership.

Some of the primary factors that continue to stand in the way of more significant progress include:

- Limitations of current audit methodologies
- Companies' failure to adequately integrate consideration of working conditions into their purchasing decisions
- Lack of government enforcement
- Limited information sharing with key stakeholders
- Failures in suppliers' attitudes toward responsible labor

However, at the root of all of these is the failure by both buyers and suppliers to create a shared mindset. A shared vision for what buyers and suppliers want to achieve together—and the benefits that will accrue to each—would create a strong foundation for overcoming the obstacles for better supply chain management.

Moreover, much of the past work on supply chain engagement has been about avoiding “bad.” Buyers have wanted to avoid reputational risk and as such, have set out to find bad conditions such as illegal wages, underage employees and excessive hours of work. These are all important, yet *the absence of bad does not signify the presence of good*. A supplier without major violations is not necessarily a supplier that treats labor as an asset or manages people well and efficiently. In order for

buyers, suppliers and the range of stakeholders to develop a shared plan of action, they first need to define the scenario they are trying to achieve—in other words, a “vision of good.”

A Vision of Good

A vision of good needs to be built not only on standards and measured outcomes (audits), but on a shared mindset between buyer and supplier, as well as active supplier ownership.

A shared mindset results from and is reinforced by transparency and collaboration between brands and suppliers, and a mutual commitment to identify and address the root causes of social/environmental challenges.

Supplier ownership is defined by suppliers integrating into their mission, strategy and decision making the value, impact and return on investment of responsible labor and environmental conditions.

Attainment of this vision relies greatly on understanding and redefining the role of brands and the buyer-supplier dynamic in enabling supplier ownership.

As buyers increasingly realize the limitations of their own auditing programs, many are beginning to embrace the idea of supplier ownership. In most cases, however, supplier ownership has been approached in the same way as all other compliance matters—as a request/demand from the buyer.

To be certain, buyers do have a critical role to play in enabling supplier ownership; however, it is only suppliers who can develop solutions that best meet their business priorities and are thus best positioned for real success.

II. Understanding the Obstacles

A range of underlying issues present hurdles to suppliers taking a more proactive role in addressing workplace conditions. These include:

- **The Buyer/Supplier Relationship**

The current dynamic between buyer and supplier is rarely built on the basis of partnership or shared goals. Instead, the relationship is transactional, with buyers placing pressure on their suppliers to meet their demands. This dynamic impedes trust and transparency, making it extremely difficult for suppliers to own the compliance agenda in a way that truly represents their own business interests.

- **Issue Identification Versus Root Causes**

The current compliance-based supply chain engagement model focuses on compliance and prescribing short-term remedies. It is not designed to identify the root causes of poor working conditions or build long-lasting solutions and systems to ensure ongoing compliance.

- **No Linkages with Other Business Drivers**

The current auditing model does little to identify for suppliers the linkages between improved working conditions and other business success factors such as productivity, innovation or cost. This approach offers little motivation for suppliers to progress beyond the required minimum criteria.

- **Structural Limitations of Supply Chains**

Buyers operate supply chains that often afford them limited leverage beyond their direct suppliers. In this context, it is essential that first-tier suppliers work further down the supply chain to promote improved working conditions. The long-term vision, therefore, is a cascading process that strengthens each tier of suppliers consecutively, so that as a first-tier supplier comes to own its CSR agenda, it then assumes the role of the buyer and continues the cycle with its suppliers.

- **Incentives**

Under the current model, there exist mostly disincentives for non-compliance (such as losing business), rather than incentives for proactively managing social/environmental risks and improvements. Given the range of demands from buyers, suppliers are more likely to focus on those where the rewards are greatest and most immediate: quality, cost and delivery. While buyers may see a competitive advantage to selecting suppliers with higher social/environmental performance and even communicate that to the suppliers, this expectation must be attached to clear, positive incentives to be taken seriously.

- **Costs**

Hiring qualified people at the supplier level to improve labor and environmental conditions requires an investment of both financial and human resources. The question then becomes whose responsibility it is to cover them. The response may vary from case to case, but these initial costs should be viewed as strategic long-term investments that may result in cost savings in the future and should be part of the dialogue and development of a shared mindset between buyer and supplier.

- **Capabilities**

In order to see benefits from investing in working conditions, suppliers need to have people, systems and policies in place that allow them to ensure proper execution of those strategies/systems, as well as the capacity to track and evaluate performance data. While this is a factor of cost, it is also a factor of knowledge, training and experience. Regardless of the best of intentions and shared mindset, hiring, evaluating and implementing is what actually improves working conditions. It is incumbent upon buyers to consider the capability limitations at the supplier level and how best to support further strengthening of those capabilities to realize true supplier ownership.

III. Creating a New Supply Chain Dynamic

Supplier ownership results from the alignment of buyers' and suppliers' objectives and their combined efforts to work toward creating a new supply chain dynamic. It is, however, an iterative process that takes time to develop and is necessarily based on shared communication. This section outlines specific actions that both buyers and suppliers can take to build supplier ownership.

Creating an Enabling Environment

To begin working toward supplier ownership, the right operating environment is needed — one that fosters two-way dialogue, collaboration and partnership. Both buyers and suppliers have equal roles in contributing to the conditions of this environment. An enabling environment is characterized by tangible and intangible factors such as:

- Mutual transparency
- A mutual understanding of respective roles
- Adequate management capacity to implement and track initiatives
- Communication between decision makers of both parties
- Commitment to invest time and resources

Transparency can be used to illustrate how this might work. If a buyer requesting that a supplier be transparent about worker safety risks is not equally transparent in disclosing how that information will be used, a supplier who has serious concerns about both worker safety and losing customers due to poor factory conditions sees risk rather than incentive in offering this information. A buyer that is straightforward about wanting to use that information to begin a remediation plan and expresses a commitment to continuing business and improving working conditions is more likely to solicit an honest response.

Ensuring that these elements create a foundation between buyers and suppliers helps to develop trust, clear expectations and open channels of communication, which all contribute to a new, aligned dynamic between buyers and suppliers.

Defining Roles

Beyond creating the enabling environment, both buyers and suppliers have distinct roles to play in examining and evolving their approach to supplier ownership. The supplier focuses primarily on

building internal management capacity and systems, followed by increasingly proactive external communication about risks and challenges. Buyers’ opportunities to contribute are focused on how their behavior affects — negatively and positively — supplier compliance.

The following components, divided by buyer and supplier, are more concrete actions that buyers and suppliers can introduce into their internal and external business processes and communications. These are broad elements of a strategy that will need to be refined based on the industry and business model of each enterprise.

The Buyer’s Role

- Share business information
- Build long-term relationships
- Define and clarify strategic supplier relationships
- Create incentives
- Expect systems improvements
- Improve the quality of information
- Turn the audit process on its head

The Supplier’s Role

- Demonstrate personal executive commitment
- Incorporate working conditions into strategic planning and evaluation
- Invest to plan
- Drive value from the “audit” process
- Proactively communicate challenges and progress

The Buyer’s Role

- ***Share Business Information***
Sharing appropriate business information, such as sourcing plans or forecasts, with key suppliers will enable suppliers to use this data for business planning processes and communications. This enables the supplier to be more proactive in their planning and investments, helping them to improve their performance in quality, innovation, delivery time, and cost.
- ***Build Long-Term Relationships***
Essential to enabling suppliers to assume a more empowered role is the buyers’ commitment to building long-term relationships. Supplier willingness to openly disclose and discuss their social and environmental challenges requires some level of assurance that their buyers will not terminate their business immediately because of non-compliances. Finally, a long-term horizon also enables longer term investments that can generate both real improvements in labor and environmental conditions.
- ***Define and Clarify Strategic Supplier Relationships***
Defining expectations and benefits of “strategic suppliers” offers suppliers more clarity on how they can achieve this status and the incentives for doing. Equally important in the definition of such relationships is making the selection criteria and process clear, transparent and understandable to the supplier base.

- ***Create Incentives***
 Suppliers are typically faced with the potential loss of business for non-compliance with social or environmental standards, but lack clear incentives for taking additional measures to proactively own their CSR programs. Incentives may include internal promotion of the supplier to other purchasing agents, recognition and awards, participation in strategic buyer/supplier planning meetings, cost sharing for CSR improvements, buyer assistance in capability building, and other. The importance is that these are viewed as incentives by the supplier, not just the buyer.
- ***Expect Systems Improvements***
 In order to expect changes in supplier performance, the inputs that govern the performance of the supplier have to change: people, systems, infrastructure and commitment. People need to be competent, connected to learning and peers, and appropriately empowered to drive change. Management systems need to be set up to maintain stability, measure progress and evolve. Infrastructure should meet the needs of the organization and management commitment should be clearly demonstrated. Buyers should expect systems changes to be directed by each supplier's improvement plan and form the basis for the continuous improvement cycle and ongoing dialogue.
- ***Improve the Quality of Information***
 The quality of audit information and how it may be utilized is limited by the focus of the information collection, collectors and methods of collection. Audits are often conducted by compliance staff that specialize in identifying non-compliances, but often lack the training to provide vision or advice or create pathways to proactive changes. Buyers can contribute to the evolution of the system by requiring professional, competent assessments, inclusion of key factory stakeholders in the process, and the public transparency of such assessments.
- ***Turn the Audit Process on Its Head***
 Finally, buyers should start to evolve the way they approach audits—rather than monitor their suppliers, buyers should challenge them to assess and present their current conditions and improvement plans, and indicate why buyers should trust the information. This is a very different approach from the current model, one that places responsibility on suppliers to prove to buyers that they meet working conditions standards, much in the same way that they do for quality, delivery time or cost.

The Supplier's Role

- ***Demonstrate Personal Executive Commitment***

In the digital era, the human aspect of commitment can be easily lost. However, it is important for suppliers—and supplier executives in particular—to clearly demonstrate personal support for improving working conditions. Executive support is important for communicating both to the buyer and the supplier's own internal organization. To the buyer, executive commitment can help reinforce that the supplier has a larger vision. Internally, executive support is critical to ensuring that implementation and maintenance of sustainable social and environmental practices are consistently prioritized throughout operations and allocated proper resources.
- ***Incorporate CSR into Strategic Planning and Evaluation***

As suppliers are able to incorporate CSR practices into their strategic planning and evaluation, they are able to conduct cost-benefit analyses of CSR investments. This performance data allows suppliers to see where business objectives and CSR risks/opportunities coincide, and is also useful in demonstrating both improvement and needs as they share strategic plans and progress with buyers.
- ***Invest to Plan***

Assuming ownership over social and environmental conditions relies greatly on the functioning of systems, policies, and personnel that clearly set expectations, communicate consequences, and enforce accountability. Plans should be based on addressing root causes, focusing on people, building management systems and/or infrastructure, and reporting on progress.
- ***Drive Value from the "Audit" Process***

The primary recipients of value from the audit processes to date have been buyers. Generally, though not always, suppliers are already aware of their working conditions. If suppliers wish to own the engagement process, they should be the primary purchasers and customers of credible, qualified assessment information. This information should define areas where improvement is necessary, identify root causes, and offer qualified, industry-specific advice toward remediation. The quality and independence concerns of buyers should be taken into account to support the credibility of both the assessment and continuous improvement processes.
- ***Proactively Communicate CSR Challenges and Progress***

By voluntarily disclosing performance against social/environmental criteria and highlighting efforts being undertaken to improve performance, suppliers allow buyers to reduce their heavy reliance on their own third-party audits. Additionally, through disclosure, suppliers would begin the process of informing local stakeholders and slowly building the local consensus toward the creation of a level playing field, thus helping the long-term supplier business model.

Measuring Success

Key performance indicators (KPIs) to assess the impact of investments as described include:

Measuring Success: Buyer's Checklist

- Internal alignment and integration of CSR into sourcing decisions
- Communication of the sourcing decision-making processes to suppliers
- Creation and communication of incentive processes
- Development of a clear strategic supplier program
- Customers engage with suppliers to review and provide feedback on their strategic CSR programs/plans
- Analyze results of surveys to suppliers designed to give feedback on how buyer-supplier interactions and internal management systems have (or have not) improved
- Improvement throughout the supply base: good suppliers prosper, bad suppliers are dropped

Measuring Success of the Supplier

- Workplace labor, environmental and OHS KPIs
- Suppliers develop and present strategic CSR programs/plans
- Suppliers proactively drawing attention to social/environmental concerns in their operations (and asking for assistance)
- Buyer belief in the supplier commitment to the shared mindset
- The creation, updating and tracking to strategic improvement plans
- Management systems KPIs developed from the strategic improvement plans (e.g. decreases in worker turnover)
- Qualified, skilled people employed within labor, environmental and OHS areas
- Implementation/certification of management systems (e.g. ISO14001)
- A robust, professional and “buyer-believed” assessment process
- A supplier CSR report that is open to buyers as well as civil society and government

IV. Case Study: Apparel, Mills and Sundries Working Group

Introduction

The Apparel, Mills and Sundries Working Group is a group of 10 leading apparel and retail companies working collaboratively with each other and their mill and sundry suppliers to ensure safe, healthy, fair and environmentally sustainable working conditions. To date many of these companies have focused their social and environmental auditing efforts at the manufacturing (cut-and-sew) level, and most of their mill and sundry suppliers have never been through an audit. This group of innovative companies is committed to taking their lessons learned at the manufacturing level further up the supply chain to engage their mill and sundry suppliers in creating a new model for achieving fair, sustainable working conditions. The vision of the group is to create a true partnership between buyers and suppliers and move away from a compliance focused model.

Problem Statement

In trying to drive sustainable social and environmental practices further up the supply chain, the apparel and retail companies faced three central challenges that have guided the formation and collaborative approach of the working group.

The first problem was building relationships and securing participation, as the mill and sundry suppliers were typically one or two steps removed from the suppliers with whom brands had established relationships.

Secondly auditing for social and environmental criteria in the mill and sundry industries is not common practice. There were no standards, and these suppliers were not facing appeals uniformly from their customers. The lack of collective industry protocol made it easier for the suppliers to ignore any ad-hoc company requests.

Finally, the participating companies recognized that the conventional factory monitoring model had not produced sustained improvements in working and environmental conditions, and there was no proven alternative approach. The participating companies had auditing/monitoring-based compliance programs that had been in place for many years, but due to cost and impact concerns, were reluctant to expand the existing model to encompass additional supply chain actors. A new approach was needed and it required active buy-in from the mill and sundry suppliers.

Innovative Solutions

Through the working group setting, the apparel and retail companies are able to align their efforts, invite their suppliers to be partners in this process, and create an open, productive dialogue and a system based on continuous improvement.

One set of expectations: The ten participating apparel and retail companies have actively worked within this effort to align their labor and environmental principles, assessment and reporting expectations for their mill and sundry suppliers, so that buyer communications are consistent and reinforce each other.

A true partnership: Suppliers have been included in this process from the beginning, and have been involved in the creation of key deliverables. The jointly created health and safety, social and environmental principles, for example, are the result of both brand and supplier input, and based on international standards. Rather than relying on an existing set of standards, or company-defined codes of conduct, the group developed principles that met company expectations and were considered reasonable by suppliers.

Suppliers own Assessment and Reporting: The vision of this working group is to have suppliers build their own assessment and reporting systems and to have buyers play more of a consultative role in sharing best practices with their supplier partners.

Challenges

Assuming Ownership: There has been a divide between suppliers who have stepped up to own their monitoring and corrective action plans, and others who have been more passive in the process and have asked buyers to “just tell them what to do”.

Establishing Consistency: While the long-term objective is for suppliers to own their social and environmental assessments, improvement and reporting programs, there were some initial challenges of establishing consistency in the interpretation of the group’s principles and the quality and detail of data submissions from suppliers. This will be addressed through buyers sending consistent communication to top management for all their mill and sundry suppliers to under-go one, robust base-line health and safety, labor and environmental external third-party audit to understand current gaps in performance. Buyers in turn have committed to working with suppliers via a continuous improvement model and to continue to do business with those suppliers that are at the table and are working toward improving sustainability performance over time.

Enablers

Commitment to Long-Term Relationships and Continuous Improvement: Apparel and retail companies have reiterated their commitment to utilizing initial assessments as the baseline for learning and developing continuous improvement programs. The emphasis will be on supporting suppliers to meet their standards rather than taking a “comply or die” approach.

Capability Building: A number of mill and sundry suppliers have noted limited internal capacity and expertise to build and manage their sustainability programs. Buyers have therefore offered trainings and shadow audits to provide suppliers with technical assistance on an as needed basis and in this way help suppliers build their own efforts.

Overall Lessons Learned

“As we extend labor and environmental standards up the supply chain, we have the opportunity to apply the lessons learned from our work with manufacturers over the past 15 years. With mill and sundry suppliers, we are moving to a more effective and sustainable approach that avoids costly duplication and produces lasting change in working conditions.”

- Michael Kobori
Vice President, Supply Chain Social and Environmental Sustainability, Levi Strauss & Co.

In-Person Meetings: The working group setting and regional in-country meetings between brands, mill and sundry suppliers have been important steps in creating open dialogue among all parties. These group settings create a positive, encouraging environment for the various participants to share challenges, as they are removed from a typical buyer-supplier scenario and commercial negotiations. The open process and participation of multiple brands and suppliers assures suppliers that they are all being treated equally and lends to increased transparency and trust, as well as a more collaborative, dynamic learning environment.

Incentives: Participation of the mill and sundry suppliers from the outset has been a unique, essential contributor to ensuring the acceptance and success of this process. As social and environmental standards/assessments are new to these suppliers, there were initial challenges in making the case for participation.

Securing participation from the suppliers was made possible via effective communication of the benefits of gaining a first-mover’s advantage: building reputation among brands. It also relies on suppliers ability and willingness to be forward-thinking and open about challenges, as well as the brands’ ability to present themselves as true partners throughout this process.

Redefining the Audit Process: Although one objective of this group is for suppliers to manage their assessments, improvements, and reporting, supplier willingness to assume ownership over this process does not necessarily signal readiness. Initial assessments conducted by third parties will play an important role in establishing a transparent baseline for supplier self-evaluation and learning, and will be accompanied by trainings so that suppliers are prepared for the process and what to do with the outcome. Trainings are essential to ensure that audits are given the proper context for interpretation and action, and to help avoid confused suppliers and unsatisfied brands.

Courage to Collaborate: These brands and retailers were able to agree that a collaborative, industry-wide approach would enable them and suppliers to shift resources from monitoring to making improvements, encourage supplier ownership, and ensure that a single message was being sent to suppliers. Creating this new model required that the brands and retailers come to the table with open minds and willingness to honestly discuss the challenges they had faced, and why the old model was failing to generate progress. This effort depends greatly on the ability of the companies to first strengthen relationships and increase transparency among them, and truly invest in creating the tools, environment and incentives to drive the process forward and bring suppliers to the table.

V. Case Study: Project Kaleidoscope

Introduction

Project Kaleidoscope was a multi-stakeholder working group effort to pilot new approaches to improving factory working conditions. The Working Group included representatives from The Walt Disney Company and McDonald's Corporation, organizations dedicated to improving international labor issues, and socially responsible investors. These organizations were: As You Sow Foundation, Center for Reflection, Education and Action (CREA), Connecticut State Treasurer's Office, Domini Social Investments LLC, General Board of Pension and Health Benefits of the United Methodist Church, Interfaith Center on Corporate Responsibility (ICCR), and Missionary Oblates of Mary Immaculate. Focusing on suppliers within McDonald's and Disney's supply and licensing chains, the working group took a consensus-based approach to developing, piloting and assessing a new approach to generating long-term sustainable improvements in supplier working conditions. Project Kaleidoscope involved 10 factories in southern China, ranging in size (approximately 450 to 17,000 employees), products, levels of sophistication of systems, and compliance.

Problem Statement

Committed to learning from past experiences and lessons, the working group examined the results of the existing approach, and identified two main limitations to achieving sustained supplier compliance. The first main issue identified was that conventional audits provided an incomplete view of working conditions, and were not structured to identify root causes of non-compliances. The second issue identified was that this approach provided only negative consequences for finding compliance issues (potential loss of business), offering little motivation for finding opportunities for improvement. Lastly, the traditional audit approach was driven by the brand or agency and consequently full ownership at the source was missing.

In reviewing past audits of the 10 participating factories, the group found that some issues continued to reappear, even when corrective actions had been implemented, and there were no consistent trends towards improvement. Realizing that the conventional audit model was missing a significant portion of the picture and not set up to find or address root causes of non-compliances, they set out to develop a more sustainable approach to finding and addressing these systemic problems.

Innovative Solutions

The solution put forth by the Project Kaleidoscope Working Group became known as the Dynamic Social Compliance (DSC) system, and was designed to address the need for factories to develop the capacity and assume greater ownership for compliance through the application of a management system, self-auditing, continuous improvement, and transparency. Two fundamental components of this strategy were:

Internal Compliance Management System: The working group determined that they needed to focus on creating factory systems that ensured and sustained compliance. As they defined the key components of an internal compliance system, they also thoroughly considered what was needed to keep the system functioning.

With the objective of developing guidelines that were detailed and versatile enough to be used by suppliers of all sizes and levels of compliance, the working group determined that such systems should include the following:

- a standard (in this case, Project Elements)
- documented requirements
- documented internal processes and policies
- procedures to assess and ensure adherence
- methods for communicating with employees
- systems for tracking compliance
- capacity to measure and report progress

A well-functioning internal compliance system clearly defines roles and responsibilities, and includes mechanisms and checks to increase internal transparency and accountability. For instance, such a system would allow a factory or auditor to move from asking “*is* there a first aid kit?” to being able to ask “*why* is there no first aid kit?” Answering the first question may result in a negative audit result, while answering the second question encourages factories to find and address the root causes of recurrent problems in their facilities.

Factory-Level Communications: Effective internal compliance management systems rely on the ability of employees at all levels to identify problems, communicate them to the appropriate parties, and find solutions. Strengthening communication between factory workers, supervisors, and management was a large focus of this project, and fundamental in increasing worker engagement in finding and addressing problems.

All participating factories underwent a “participatory rapid appraisal” (PRA) process, with the goal of improving both vertical and lateral communications. The PRA approach brings together representatives from all levels and divisions of the factory in a series of exercises focused on identifying areas of improvement and discussing solutions. This process is designed to build trust, demonstrate the value of collective problem solving, set a precedent for multi-directional communication, and leave the factory with tools it can use to continue to make this a productive process. Ongoing feedback allows management to find, fix, and resolve problems as they occur, rather than relying on periodic audits. Audits have evolved to focus on evaluating the functionality of internal systems.

Challenges

Building Consensus: The working group saw the importance and benefits of developing one code of conduct for the project, but found the process of actually creating the Project Elements more time-consuming and challenging than had been anticipated. This speaks to the challenges that suppliers face in being subject to different codes and expectations, and trying to manage their operations and facilities in ways that will satisfy a range of similar, yet slightly different expectations.

Specificity about Expectations: The project faced challenges in ensuring that the Project Elements were consistently and thoroughly understood by the factories. The working group had created and distributed the Project Elements along with manuals for implementing the principles, but found that the factories continued to have difficulty translating them into daily activities and systems. The

working group addressed this need for additional detailed guidance and specificity through increased education and training.

Enablers

Commitment to Improvement: During the factory engagement process, members of the group met with factory owners to explain the group's objectives and how they envisioned participation of factory owners and workers, and reassured them that the findings of the project would not negatively affect their commercial relationships. This reassurance was important in demonstrating the group's commitment to working *with* the factories, generating long-term improvements, and building trust and open communication between the group and the factories.

Increasing Information Availability to Workers: Providing workers with relevant information and tools to interpret it were important in soliciting their ongoing interest and feedback. Some factories posted factory performance data (such as working hours) in prominent locations so that workers could see and ask questions about it. Some factories also provided computer stations for workers to understand their paychecks, as workers often do not know why certain deductions are being made. Allowing workers access to this information and responding to their questions and concerns provided a degree of transparency within the factory, demonstrated that management was interested in promoting greater understanding, and helped to strengthen communications in all directions.

Overall Lessons Learned

Beyond the Checklist: In strengthening in-factory communications, one of the common lessons learned by the participating factories was that they had to look outside of the issues covered by typical audit checklists. For instance, factories found that workers were often dissatisfied with the types of food being served in the on-site dining facilities. With workers arriving from various regions, they inevitably had a wide range of taste preferences but were presented with limited options in dining facilities. Through worker feedback sessions and mechanisms, and overall strengthened relationships and trust, the factories finally learned what workers were most dissatisfied with and were able to address those concerns. Meal selection falls outside the boundaries of typical social compliance checklists, but greatly impacts workers' well-being and satisfaction with their working/living conditions.

Regular Reporting: As part of this project, participating suppliers were asked to report monthly on their performance against certain indicators. These performance metrics were important for ongoing evaluation of the project, but collecting the information proved useful for the suppliers as well. Providing performance data on a regular basis meant that suppliers had to have the management systems in place to collect the information, and also gave management information that they could use to identify and fix problems as they arose. This marked an important shift in *who* was identifying problems and directing remediation, and was an important step in establishing a proactive problem-solving attitude. Although not all factories reported against all indicators every month, they did provide information that allowed for prioritization of factory needs for corrective action, and contributed to significant, less tangible changes in company culture.