

## Fostering responsible Social Compliance practices in the garment industry.

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As everyone in the industry knows, the manufacturing sector has spread much of its production facilities and labor pool worldwide over the past two decades or so. Every day we see the effects of this shift on the apparel and sewn goods business. Each decision we make about design, marketing, sourcing and production is in some way affected by the trend toward a global market. Week after week we see headlines and read articles about worldwide events that have an impact on our industry. Whether it's flooding in Pakistan or Australia, civil unrest in Egypt, or the ongoing explosion of the Chinese and Indian consumer market, international events and trends have to be considered during the process of bringing goods to market. The garment industry, which is notoriously labor-intensive and dependant on agriculture-based raw materials, is especially vulnerable to the whimsies of global realities.

Since we do rely so heavily on foreign goods and labor in our sector, it has become increasingly important that we pay attention to the impact our business practices have on the people and places we depend on. Social and environmental concerns in countries where we do business have to become part of our corporate consciousness if we are to continue sourcing materials and labor overseas. Failing to pay attention to the needs of our global partners is no longer an option, especially if we are intent on building long-lasting partnerships and sustainable business models.

In the 21<sup>st</sup> century it is imperative for companies who source materials, labor or facilities overseas to become conscious of Social Compliance practices. But what does the reality of Social Compliance look like in the business of fashion and apparel, and how does a garment company actually implement such lofty goals?

According to BusinessDictionary.com the definition of Social Compliance as it pertains to business is: *a continuing process in which the involved parties keep on looking for better ways to protect the health, safety, and fundamental rights of their employees, and to protect and enhance the community and environment in which they operate.*

More specifically manufacturers with international operations have to contend with something called SA8000, a global social accountability standard launched in 2000 by the United Nations. The United Nations Global Compact is a call to companies around the world to align their strategies and operations with ten universal principles in the areas of human rights, labor, environment and anticorruption. As with any mandate, though, international social accountability standards are easier to define than to implement.

Nonetheless many global garment powerhouses are making strides in the compliance, and actually using it to their advantage in several key ways.

The Ethical Trading Initiative (ETI) is an alliance of companies, trade unions and voluntary organizations striving to improve the lives of workers across the globe. On their website they pretty much sum up the issue at hand for garment makers: *the increasing demand for fast, cheap fashion has fueled a drive to turn around orders within ever-shorter time scales, and at ever-lower prices. To meet this demand, suppliers across the world are resorting to sub-contracting. In some cases this means orders are passed down the supply chain to less scrupulous companies, whose operations may lie beyond the reach of retailers' monitoring radars.*

The ETI gives us a case study of how a well-implemented Social Compliance system can not only address these core problems, but also help to insure a company's bottom line by fostering positive market perceptions.

Turkish company Yesim Tekstil is a large, fully integrated yarn-to-finished-product facility under one roof. They are a leading manufacturer of knit goods for United States and European retailers, and a production partner of the Nike brand. Also selling to Gap, Banana Republic, Old Navy and others around the globe, Yesim Tekstil asserts that SA8000 certification brought greater attention to health and safety, better training, and improved communication with management. All of these factors can lead to big benefits for the bottom line.

According to Yesim Tekstil it is critical to set the tone and expectations when implementing a Social Compliance plan, and that your suppliers reflect your expectations. Poor working conditions—even in a factory halfway around the world—can decrease demand from the hottest-selling shelf brands, and likewise reduce the bottom line at cash registers.

Any company that relies on manufacturing, especially overseas manufacturing, should pay close attention to basic standards. Minimum standards should be defined with respect to the age of workers, acceptable wages, hours of work, and health and safety requirements. Standards should be measurable and quantifiable whenever possible—leaving little chance for misinterpretation or willful neglect.

To be taken seriously it is not enough to merely develop a compliance program. Implementing a program without solid verification procedures is not sufficient to have beneficial effects on marketability. Independent monitoring of your supplier's performance—with immediate action to correct any noncompliance—will ensure your program's credibility.

Think of the following marketing advantages for companies that take Social Compliance seriously.

Compliance can:

- Enhance differentiation in a fiercely competitive global industry
- Increase worker satisfaction, loyalty, retention, motivation, and productivity
- Provide a framework for systematic integration of social compliance in business operations
- Add visibility and credibility to corporate responsibility.

Corporate social compliance is on the consumer radar. Concerned that bad PR resulting from failures by independent manufacturers to adhere to the company's social compliance requirements prompted women's wear designer Ann Taylor to list social compliance concerns among its forward-looking statements for Fourth Quarter 2010. It is obvious now that major fashion producers are aware of the risk of being blighted in the press over a perceived failure to protect their workers and subcontractors.

Companies must work to identify compliance program resources and designate responsibility for oversight of the program. Resources from a cross section of functional areas should be considered, including sourcing, legal and compliance. Successful implementation and verification is a complicated process requiring a complex system to handle the vast flow of data that will be generated.

As with other complex data needs, Social Compliance programs can be maintained and overseen using Product Lifecycle Management software. With configurable data management toolboxes in place, garment makers can track and analyze compliance and regulatory issues along with all other factors affecting their products.

Using PLM system tracking point functions can enable a manufacturer to keep tabs on the myriad regulatory details governing their industry. With different regulations applying to different products, and various environmental and labor laws in various countries, the necessary data can really pile up. Using a PLM toolbox to sift through the information will allow your company to find the facts they need when they need them, be it in the field, at the factory, during shipment, or on the shelves.

In an ever-tightening regulatory atmosphere, expensive product recalls are increasingly common, especially for products being sourced in multiple countries. Not only do recalls cost money, but they take a toll on your company's image. A subcontractor's mismanagement of materials, or mistreatment of the labor pool, could cause a public-image snafu. To prevent this, your company can utilize PLM products, like VerTex by BMS, to oversee its social compliance enforcement.

Resources: <http://www.unglobalcompact.org/docs/issues>

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