



Enabling responsible international workplaces

June 18. 2008

Final Report to the Levi Strauss Foundation

The Fair Factories Clearinghouse (FFC) launched research to answer the question: What technology tools can get industry working together to share information on their factory audits and to collaborate on improving conditions, such that economies of scale and efficiencies ultimately lead to easier/better monitoring and improved factory conditions? The project will result in an action-oriented plan for launching technology tools in our sharing platform, that were identified in the research as enabling future collaboration in factory auditing and remedial activity.

Question 1: For each grant objective, describe accomplishments, barriers and solutions and any changes to the objectives?

Short Term Objectives:

- 1. Dialogue among stakeholders about the full potential for collaboration that would benefit companies, factories and workers**

Accomplishments:

The FFC conducted an industry-wide survey as our main method of research, to gather views on collaboration and how technology can enable it. In thinking about who to engage for the survey, we decided to ‘cast a wide net’ and engage stakeholders from a number of different communities: companies from multiple industries, non-governmental associations (NGOs), academia, multi-stakeholder initiatives, auditing firms, and government agencies. We reached out directly to industry leaders in each of these stakeholder groups asking for their participation, as well as posted a notice about the survey on a variety of CSR websites (e.g., CSR Wire, Ethical Corporation) and industry electronic newsletters (e.g., Fair Factories Clearinghouse, National Retail Federation and Retail Council of Canada).

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The response was excellent: 101 people contributed to the survey. We solicited profile information of all survey participants, and the break-down who chose to disclose this data included:

Group	Percent	# of Respondents
Academic/research institution	7.4%	7
Company/brand	60%	57
Auditing firm	15.8%	15
Government agency	1.1%	1
Non-governmental organization (NGO)	6.3%	6
Trade/industry association	4.2%	4
Manufacturing facility producing goods for global market	6.3%	6
Other		6

In conducting the survey, we learned about current practices, collaboration aspirations, and industry perceptions on drivers and/or barriers to sharing. We also gathered input on the role technology can play in helping companies collaborate more than they are today on supply chain audits and remedial activity in efforts to assess and improve working conditions in the supply chain. This included asking their opinions on seven (7) technology tools the FFC had identified as enablers of collaboration, and their potential for adoption and success in that regard.

We then reached out directly to all the company survey respondents who identified themselves, and asked for a follow-up interview to better identify which of the tools they would like to see FFC – or another organization - invest in. We interviewed representatives from fifteen (15) companies to solicit their additional feedback. Most of those interviewed were from the consumer products industry: footwear and apparel manufacturers and retailers or general merchandisers. However, the

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interviewees also included representatives of the toy industry, information computer technology industry and pharmaceutical industry.

We will post the survey results on the FFC website and have sent the results directly to all those who expressed interest in seeing the results. The FFC will also launch an FFC “wiki” or “blog” on the survey results, with the goal to further bring together stakeholders to collaboratively identify and develop technology solutions that enable collaboration, to the benefit of companies, factories and workers. Because we extended the time to take the survey, to generate larger response, this aspect of our work-plan is not yet completed, but will be by the end of July.

Obstacles/Solutions: We knew that a potential barrier for companies to participate in the survey may have been their lack of time to complete the survey. As incentive, FFC offered an entry to a drawing for free FFC membership to company respondents. Also, we’d originally envisioned holding a webcast with the results of the survey to solicit feedback on the outcomes and tools for the business plan. Upon reflection, we decided that qualitative interviews would provide more candid and detailed feedback.

Changes to the Objective: none

2. Research that helps the broader CSR community, who could give feedback and participate in recommendations for innovations and solutions.

Accomplishments: We accomplished important market research on the current collaborative practices, the drivers for collaboration, and the role technology can play in creating opportunities to collaborate, which was validated through stakeholder engagement.

Broadly speaking, we learned that companies for the most part are engaged in some form of formal collaboration, and/or plan to do so in the future. Respondents were fairly evenly split in their current participation and their relative notions on their usefulness in the following formal collaborative activity: joint code of conduct, joint project in a specific geography with other brands, multi-stakeholder initiative. For those not currently engaged, plans in the future mostly centered around a shared data platform and a joint project in a specific geography with other brands.

The majority of respondents were also actively participating in informal forms of collaboration, such

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as joint trainings with other brands, seeking advice from other brands, joint audits, information sharing in the field, and joint remediation. Sharing of audit results and remediation reports were listed as the most useful of these informal activities.

We also learned that companies - and the entire CSR community - recognizes and values collaboration, and the need to rely upon it more. They also value the role that shared data platforms (like the FFC) play in facilitating that collaboration, and want to see more of it.

Obstacles: Despite this vocal support for the concept of collaboration, companies expressed reservations about its practical application, and their ability to participate based on their companies' risk aversion, or lack of financial and resource investment in collaboration, as well as their unwillingness or inability to trust the work of those they would need to collaborate with to succeed. Most that do collaborate, listed that they only do so with "like-minded, trusted brands" and those with "similar programs." While almost all find it useful to learn what others are doing to inform their own processes, and some are even willing to work jointly in remediation, almost everyone responded that in the end they continue their monitoring activity on their own. Folks indicate that they seek the following results from collaboration: reduced costs, elimination of redundancies, and enhanced performance. However, these benefits are not being realized as practioners continue individual efforts.

In the end, the greatest barriers to collaboration on supply chain practices are attitudinal: such as lack of trust in other companies' efforts and risk aversion. Obstacles to Collaboration (These are listed in order of importance as reported by survey respondents):

Lack of auditing standard / differences in audit methodologies and auditor credentials	59.10%
Do not want to risk sharing confidential information (such as audits that show poor conditions)	57.60%
Lack of confidence that other's efforts compare; lack of ability to assess quality of other's efforts	53.00%
Lack of staff time	42.40%
Lack of the technology to share information (audits, remediation, tools)	40.90%

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Legal concerns	40.90%
Return on investment has not been established	39.40%
Free rider concerns - others will take more than give	37.90%
Lack of financial resources	31.80%
Lack of buy-in internally	30.30%
Don't have time/initiative to look to the future – focused on current efforts	28.80%
Our efforts/Code/audits are superior to others (lose by investing time and resources in inferior efforts)	25.80%
Don't think that other companies or potential partners are looking to the future	25.80%
Lack of knowledge of existing efforts	18.20%
Lack of contacts at the right companies	16.70%
Other	10.60%

Question 2: Solutions (Ways to overcome barriers)?

Technology is limited in being able to change attitude, but it can increase transparency which in turn can help overcome companies' lack of trust in other companies' and their suppliers' efforts.

Technology can also be an enabler by creating opportunities for collaboration where the trust does exist, and by facilitating future activity that provides opportunities for trust to be built prior to joint activity. Key lessons learned include:

- Technology can increase transparency: Technology cannot overcome the attitudinal issues and risk aversion that inhibit collaboration, but may be able to increase transparency, which can help build trust, particularly toward auditors and other companies
- Data Sharing is Pivotal to Collaboration: FFC should continue to provide an effective and easy-to-use platform for data sharing of audit results, scores and remediation activities. Consider increasing the potential to share or participate in remedial activity.

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- Profiles will increase transparency and, therefore, build trust: FFC can increase transparency by pursuing the concept of Profiles, providing increased information about Auditors, Companies and Factories
- Technology can facilitate future activity: FFC will consider ways to facilitate future shared audits, such as Matchmaking and Shared Calendar. A focus at identifying opportunities for future activity, providing companies opportunities to come to agreements in advance on auditor standards, audit methodologies, etc., eliminating some of the potential barriers to collaboration.
- Training opportunities exist in technology: Tools to help enhance capacity building should be explored, such as Shared Calendar and E-training modules.

As a result of these conclusions, the following tools were identified for investment to enable and enhance collaboration on supply chain practices:

- Profiles: Designed to shed light on the performance, philosophies and activities of key stakeholders, including companies, factories and auditors. Factory profiles were identified as the most useful to companies, particularly if the profiles can include information that can aid companies in making sourcing decisions, including not just social and environmental performance, but also product mix, quality execution.
- Matchmaking: The goal of “matchmaking” is to use technology to identify opportunities and to create shared audits and remediation activity with like-minded companies. There were two forms of matchmaking identified: Factory Matchmaking, wherein companies would be matched with other companies who source from the same factories as they do, and Company Matchmaking, which would use Profiles to match companies with others sharing the same philosophies, code components, or compliance benchmarks. Though both were deemed valuable, Factory Matchmaking was slightly more useful to companies as they could schedule audit or remedial activity with companies sourcing in the same facility as they use.

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- Shared Calendar could allow a window into upcoming audits, remedial activity, and capacity building programs. Respondents found a great deal of value in the concept of a master calendar from two perspectives: 1) It could help them schedule joint audits and remedial verification activity 2) It would centralize a lot of information that currently comes from a variety sources regarding all kinds of CSR activities, including trainings, meetings, conferences, webcasts, etc.

Changes to the Objective: None

3. **A plan that assesses the potential success, impacts and cost of technology solutions that drive innovative collaboration programs**

Accomplishments: A business plan is being created that outlines the success, impacts and cost of the three technology solutions identified above. After interviews with companies, we believe that pursuing *all three in concert* is recommended because they complement one another, and build upon their strengths. For example, it would be difficult to pursue the Matchmaking without first having the information provided in the Profiles. Matchmaking, where companies find out what other factories source from the same factories, is enhanced by the Shared Calendar, which will enable shared audits in those factories.

The potential impacts of these tools would be to enhance companies to meaningfully collaborate on monitoring their supply chain partners in a more effective and efficient way, allowing more resources to be spent on building capacity. The tools would also allow for enhanced capacity building through shared calendar to allow companies to collaborate on trainings and other remedial activities.

Step	Time Required	Estimated Cost
Development of Functional Specifications (how users would interact with the system) & technical requirements	2 to 3 months	\$30,000 – \$40,000
Programming and Testing	6 to 9 months	\$150,000 - \$225,000
Software Licenses		\$50,000

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Project Management		\$20,000 - \$40,000
Administrative Fees		25,000 - \$30,000 (10%)
Total	Approximately one year	\$275,000 - \$335,000

Changes to the Objective: The following rough business plan requires validation once functional specifications and technical requirements documentation are completed. Once these are completed, it is recommended that a mock-up of each tool be created to allow the industry to “touch & feel” each tool and see its practical application, prior to informing us whether they would adopt the tool. This will help secure the necessary funding to conduct the R & D and launch these tools.

Question: What have you learned from the project?

Findings: Innovation

- Companies say they want to collaborate, but few invest in a large-scale activity, and financial resources are not allocated to prioritized collaboration areas.
- Companies highly value their collaboration efforts, particularly sharing audit results and their participation in Working Groups and Multi-Stakeholder Initiatives.
- There is a high degree of interest in the development of one shared audit, using the same audit tool, but harmonization is needed before this is successful.
- Companies increasingly want to see collaborative resources being used for remediation, not just identification of issues.
- The most promising areas for future collaboration are Joint Remediation and Collaborative Trainings.
- The most challenging collaboration obstacles are attitudinal - lack of trust/confidence in other companies or auditors, unwillingness to share, concerns about free riders, inability to assess quality of other’s efforts.

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Findings: Technology and Innovation

- Companies are looking to technology to improve and enhance collaborative efforts.
- Investment and participation are generally low in collaborative platforms fueled by technology.
- Technology alone will not drive collaboration, but it can be an enabler. While technology cannot overcome attitudinal obstacles to collaboration, it can provide transparency into the activities of key actors in the community (factories, companies and auditors), and identify opportunities for joint activity.
- Technology is currently, and can continue to be, helpful in efficiently collecting, storing and sharing data, such as Corrective Action Plans/Remediation plans, auditing findings, monitoring protocols.
- Where technology can facilitate the development of joint audits, more resources can be spent on joint remediation.
- Technology has to increase efficiency, be web-based, integrated with Outlook and ensure accurate information sharing.

Question: What are you most proud of?

First, the results of the outreach confirmed that the FFC is going in the right direction, and that we should continue with the work we're doing to assure fair, healthy and safe conditions in their factories through collaborative technology and shared data management. Though not all those who responded to the survey and were interviewed were FFC members, they all recognized the value of shared data management and those who were not members cited organizational and/ or financial barriers to joining. Respondents were clear that Technology is currently, and can continue to be, helpful in efficiently collecting, storing and sharing data, such as Corrective Action Plans/Remediation plans, auditing findings, and monitoring protocols.

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Second, we were pleased to identify that the barriers to collaboration were largely attitudinal. This recognition a). acknowledges that, once these attitudinal barriers are overcome, technology can facilitate collaboration more quickly and efficiently and b). helped us tailor short-term solutions that help overcome the lack of trust that many companies have of factories, companies and auditors.

Question: What would you do differently to have greater impact?

Based on the feedback we received, we will pursue two different strategies:

- Gather sufficient funding to be able to provide these tools for free, or very minimal cost, to the apparel industry. The tools are most needed there to get them to the next level, and in the end the FFC needs to help ‘drag’ them along, by giving them the tools they need and lowering the cost of entry to using them. One way to do this is by lowering membership fees and by seeking funding to pursue the development of these tools, which will allow them to grow.
- Pursue the design and implementation of these tools with a new industry that is a). newer to ethical sourcing, and therefore less ‘set in their ways’ with more established programs and inflexible about other programs’ audit processes, b). is less risk averse, and c). is already collaborating Two industry sector initiatives that fit these criteria are technology or pharmaceutical companies, as evidenced by the Electronic Industry Code of Conduct (EICC) (www.eicc.info/) and the Pharmaceutical Supply Chain Initiative (PSCI), or RX.360 (www.rx-360.org/).

Question: If your program will continue past the grant period, how are you progressing in obtaining other sources of support?

Membership fees at this stage, primarily fund the FFC. Members and the industry have shown reluctance to support the Research and Development necessary to develop and launch these tools. Tool development will therefore need to be funded through grants. At this point, none are secured,

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and so our next step is to identify and pursue potential sources of funding for this Research and Development.

Please feel free to provide additional comments not included in the previous questions.

The funding from the Levi Strauss Foundation allowed the FFC – and the larger CSR community – to identify the true barriers to collaboration, which is pivotal to helping the community to work together to overcome those barriers. The FFC is very grateful to the Levi Strauss Foundation for supporting this research. We believe we’ve come up with tools that will help overcome some of those barriers. We also believe the wider CSR community can and have benefit from the lessons of this project.

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