

# ***Transforming Sweatshops Begins with Sourcing Best Practices in Apparel Purchasing***

*Fair Labor Association Conference  
Shanghai, China June 24, 2008*

Patricia Jurewicz, As You Sow



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***“Thoughtful companies will find ways to  
identify and measure the negative impacts  
of their purchasing practices on factory  
workers and take steps to mitigate them  
over time.”***

***-- Doug Cahn, principal of The Cahn Group, LLC, was VP of  
Human Rights Programs at Reebok Int'l for 15 years.***



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## Overview

1. Background & Research

2. SWOT Analysis of Purchasing

3. Tools and Systems

4. Pricing and Wages

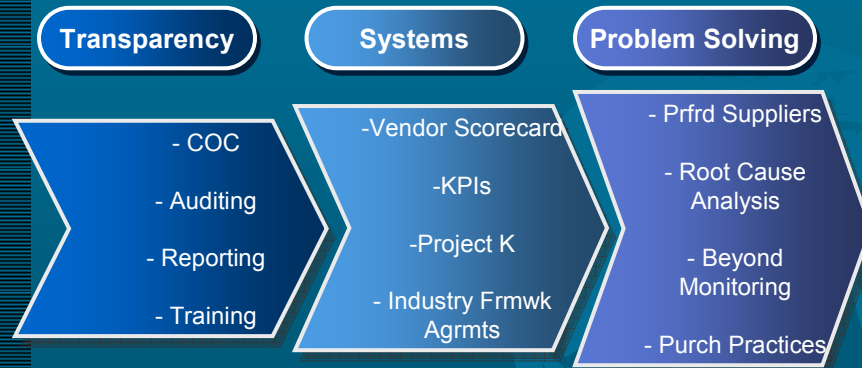
5. Conclusion

## Background & Research

- Socially Responsible Investment (SRI) Community Interest
- Working group coordinated through ICCR
  - (Interfaith Center on Corporate Responsibility)
- Existing Reports (22), Industry Expert Interviews (17), Corporate Interviews (8)
- 2007 and Q1-2008
- Issue Report Summer 2008 and Educate the industry through Shareholder Dialogues

# Background & Research

## Evolution in the transformation of sweatshops



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# Are Things Getting Better?

## Change in Compliance Rating Inspections

Change in CR Rating	Freq.	Percent
-3 (Down by 3 degrees)	20	2.62
-2 (Down by 2 degrees)	74	9.70
-1 (Down by 1 degree)	181	23.72
0 (No change)	323	42.33
1 (Up by 1 degree)	116	15.20
2 (Up by 2 degrees)	42	5.50
3 (Up by 3 degrees)	7	0.92
<b>Total</b>	<b>763</b>	<b>100</b>

Note: A is 4, B is 3, C is 2, and D is 1, and the change in CR rating is the score in the most recent audit minus the score from the earliest audit, ranging from -3 to 3. For example, if a factory has a score C in the earliest audit and a score A in the most recent audit, then it has a change of +2.



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# SWOT Analysis of Purchasing

- Strengths
  - Data collection/hindsight
  - Creating relationship between buyers and factory workers
  - Continuous improvement model
- Weaknesses
  - Good at finding the problems but harder to find the solutions
  - Compliance doesn't know purchasing and vice versa
  - Difficult to capture all of the true costs of poor purchasing
  - Lack of transparency
- Opportunities
  - Cross functional integration
  - Total Cost Management
  - ROI from stronger HRM systems
- Threats
  - Double/triple books software/falsification
  - Reverse auctions
  - Retailer pressure/chargebacks



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# Background & Research

- Root Causes in Poor Purchasing
  - Delay of information
    - POs, approvals, size/color breakdowns, etc.
  - Changes vs. Flexibility
  - Over/inappropriate capacity
  - Price – allows for good working conditions?
- Best Practices
  - Focus on Brand Control
    - Designers, Buyers, Planners, Production Mgmt.
  - Systems and Tools
  - Pilot Projects
  - Industry Scale up



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## Tools and Systems

### Designing & Purchasing

Buyer Incentives  
Buyer Alignment  
Placement  
Tech Rvw  
Forecasting  
Cross-funct'l  
leadership  
Drop-dead dates  
Solidarity links  
Transparency

### Production Management

PLM tool  
Data tracking  
Cost b/d  
Correlation  
analysis  
Transparency

### Vendor Incentives

Scorecard  
Preferred  
Status  
Upcharges  
HRM  
Critical Path Mgmt  
Transparency



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## Pricing & Wages

- ABC Costing – Sustainable Costing
- Design into pre-purchased fabric
  - (also reduces cycle time)
- Contractual commitment for min paid
  - (even if not produced)
- Higher wage = experienced sewers, spectacular quality, good talent, capability, low turnover
- Total Cost Management

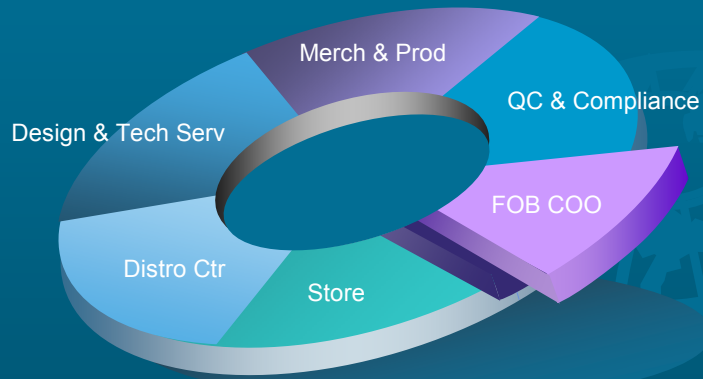


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## Total Cost Management



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## Conclusion

- Transparency is key – Use data to track problems and breakdowns
- Correlation analysis
- Push efficiencies and hard deadlines upstream – prove worth of a change...
- And downstream – management training (push back, critical path, HRM, empowerment)
- Measure and reward for desirable outcomes
- Genuine and total costs



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Thank You - 謝謝

Patricia Jurewicz

As You Sow

[patricia@asyousow.org](mailto:patricia@asyousow.org)

[www.asyousow.org](http://www.asyousow.org)

Interfaith Center on  
Corporate Responsibility (ICCR)

[www.iccr.org](http://www.iccr.org)

