

Business for Social Responsibility

# Beyond Monitoring:

## A New Vision for Sustainable Supply Chains

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## Note:

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## Introduction

In the early 1990s, public attention to the working conditions in ever-lengthening global supply chains erupted. At their best, increasingly complex production chains brought efficiencies for manufacturers, enterprise development and employment in emerging economies, and cost savings for consumers in developed economies. But for many people, this new business model became emblematic of how globalization delivered poor working and environmental conditions.

The immediate solution, codes of conduct enforced through non-governmental monitoring schemes, has now taken root in global business. This is now the dominant platform on which multinational companies, their suppliers, NGOs, workers and their representatives have aimed to protect core labor rights. This development represents nothing less than a fundamental remaking of the way labor rights are enforced for millions of workers producing goods for the global marketplace.

While this global movement has made substantial contributions over the past 15 years, it is increasingly clear that a new framework is needed to achieve more systemic and sustainable change. As noted in a 2004 World Bank report co-authored by BSR, current efforts are often marked by inconsistency, duplication and inefficiency, and too often reflect ad hoc decision making rather than a systems-based approach.

This paper is designed not to rehash debates over current models, but rather to promote a new organizing principle for companies' efforts to ensure sustainable supply chains, under the concept of "Beyond Monitoring."

As elaborated in this paper, "Beyond Monitoring" presents a four-part approach that is designed to address the root causes of social and environmental shortcomings in global supply chains. Our objective in producing this paper is to encourage companies to remake strategies, redeploy resources and consider new partnerships in pursuit of a model that has the potential to achieve more lasting change. The approach we are advocating integrates labor and environmental considerations more fully into companies' procurement efforts. It also seeks to re-emphasize the roles of two often overlooked constituencies, workers and governments, who should be more fully at the center of sustainable supply chain management.

This report is being published at the 2007 UN Global Compact Summit. When the Compact was launched, debate still centered on who should monitor working conditions. Today, the debate has truly moved on to the more critical but complex question of how best to address the causes of labor and environmental problems, not on who should diagnose the symptoms. We hope that this paper contributes to a redefinition of efforts to ensure that the labor rights principles in the Global Compact, as well as others established through international agreements, local laws, and corporate principles, are realized fully.

In producing this report, we remain mindful of the numerous efforts underway to address certain aspects of the approach described here. We hope this paper presents both a comprehensive framework for new strategies that deliver greater returns for workers and business, and examples of how to make that happen.

### **Developing the Concept: How “Beyond Monitoring” Emerged**

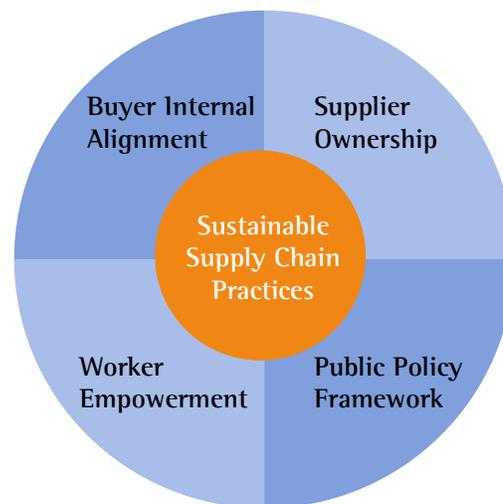
“Beyond Monitoring” grew out of ongoing dialogues within BSR, between BSR and its member companies, and in the ever-growing global community wrestling with the best way to make effective and credible steps forward in supply chain management. In 2006, BSR convened an initial group of companies and stakeholder groups in individual and group discussions to test the concept presented here. A group of approximately 20 companies from diverse industry sectors then sponsored baseline research and dialogues to assess existing efforts that seek to address these issues, and to develop the concepts further. As of June 2007, a range of initiatives tracking with each of the pillars of Beyond Monitoring was developed, and will be piloted beginning in the second half of 2007.

Beyond Monitoring is designed to help shape the efforts of multinational buyers. While collaboration is at the core of the concept, as evidenced by the emphasis on new partnerships with suppliers, workers and governments, the perspective is consciously focused on how buyers can shape their strategies and actions.

## The Beyond Monitoring Vision: Four Pillars for Success

The Beyond Monitoring framework for future progress in sustainable supply chains rests on the following four pillars:

- (1) **Buyer Internal Alignment** of purchasing practices with social and environmental objectives. It is widely agreed that greater collaboration between functions overseeing social compliance and purchasing are an essential way to overcome current barriers.
- (2) **Supplier Ownership** of good working and environmental conditions in their workplaces. This is most likely to be achieved through a basic bargain: Suppliers assume greater responsibility for managing their workforces consistent with global expectations, and Buyers provide greater security of ongoing business relationships.
- (3) **Empowerment of Workers** who take a stronger role in asserting and protecting their own rights. This will develop through an increasingly informed and participatory workplace, with access to secure communications channels, effective means of raising and resolving disputes, and opportunities for skills development.
- (4) **Public Policy Frameworks** that ensure wider and more even application of relevant laws. In many contexts, enforcement of labor laws has de facto been left to private actors. Emerging models of public-private partnerships, and an increased appreciation by global business of the importance of effective public governance as a pre-condition for economic growth, offer interesting new pathways to progress.



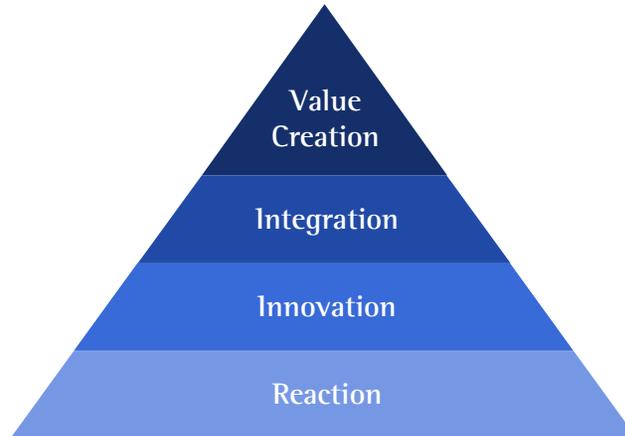
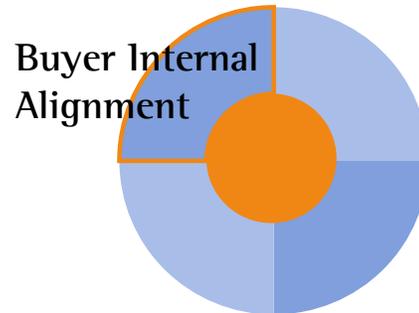
These four pillars provide the comprehensive framework for identifying successful supply chain strategy and implementation. The model was built on the assumption that they work best as an integrated effort.

## Putting the Vision into Action

The following sections define the discrete pillars of the Beyond Monitoring model, and illustrate them through a range of efforts already underway. These sections are followed by examples of efforts that take forward the integrated vision advanced here.

### Buyer Internal Alignment

When codes of conduct emerged in the 1990s, companies sought to achieve and demonstrate their *bona fides* by establishing a wholly new function: labor standards compliance. While no definitive statistics exist, it is likely that staffing of this function went from approximately zero in 1990 to thousands by the end of the decade. Very often, public and private discourse reflected the view that staff promoting labor rights should not be integrated into procurement functions because that was an inherent conflict of interest, like having “the fox guarding the henhouse.” Today, views have begun to change and mature, and integration into core business is – correctly – viewed as holding the key to real progress.



As noted in the World Bank report referenced above, there is an “unresolved tension” between buyers’ commercial objectives and their desire to ensure fair working conditions. This tension is manifested in different objectives and rewards for CSR and purchasing staffs. This can be further aggravated by product design that does not account for sustainability, and logistics snafus that create significant time pressures that erode working conditions.

Reducing these tensions can be delivered through organizational structure and incentives, as well as information flows.

## **Structure**

Buyer internal alignment can be enhanced by creating organizational structures that support shared accountability for social and commercial goals. This can be achieved through reporting structures, such as Levi Strauss & Company's Code of Conduct team, which reports into Sourcing, or Ford Motor Company's Supply Chain Sustainability Department, which sits within Ford's global procurement department.

Hewlett-Packard applies this model through a cross-functional supply chain team that includes sourcing and social and environmental compliance groups. HP's Procurement Management Process defines how procurement manages suppliers and includes social and environmental responsibility (SER) components in the supply chain. For its supplier SER program, the HP supplier relationship manager and audit team monitor supplier progress closely to ensure that the supplier resolves all major non-conformances in a timely manner.

Other companies have used overlapping structures to address root causes of compliance issues. Nike has created a cross-functional Overtime Task Force – which includes its CEO – to study the impacts of design, merchandizing and commercialization processes on factory working hours. Wal-Mart has set up sustainable value networks for several product lines to identify root cause issues and develop business models that promote responsible purchasing practices. H&M has aimed to make progress on this question by reaching outside the company's walls to include supplier representatives.

Structure also has a geographic element to it. Two U.S.-based retailers have shifted decision making closer to production sites to reduce disruptions that often have the impact of increasing the need for overtime work. Nordstrom has found that production delays can be reduced by shifting information and decision making about production calendars closer to production facilities to ensure that decisions are made in real time, and J.C. Penney has placed a number of quality assurance offices close to its major production facilities. Jones New York also houses compliance and buying staff in the same office in countries of primary sourcing importance.

Structural goals succeed when they are backed up with accountability and incentives. One way to address this issue at an organizational level is to link CSR and sourcing goals. Levi Strauss & Company has done this by including social and environmental performance of its suppliers with annual objectives and performance reviews for all leaders in its Global Sourcing organization.

## **Information Flows**

Integrated information flows enable more comprehensive decision making. This aspect of integration has two distinct but overlapping elements: inside buyers' firms, and between buyers and their suppliers. Improved information flows allow buyers' firms to make conscious decisions about the tradeoffs between production and compliance

objectives. Data sharing and integration can also reduce mixed messaging between companies and manufacturers.

Increasingly, comprehensive information is being used to drive integrated decision making. Some companies use balanced scorecards and other systems to equally weigh supplier performance in terms of social, environmental and sourcing performance. For example, Jones Apparel Group is in the process of linking CSR and productivity data by developing a scorecard for its suppliers to rate Jones' performance as a buyer vis-à-vis compliance as well as other issues.

However, many companies experimenting with this step report that, at this stage in their development, balanced scorecards are not yet succeeding as fully as desired in quantifying CSR data to fully factor it into purchasing decisions.

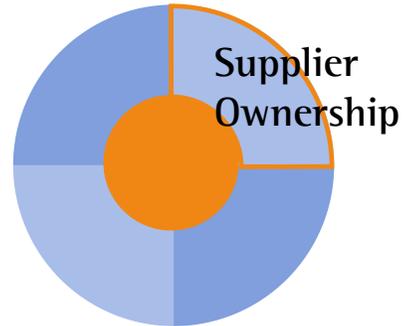
Finally, while integration is fundamentally a question resolved company by company, the diffuse nature of supply chains means that information sharing between buyers also plays a key role in promoting internal integration. Several buyers have found that their own integration efforts are strengthened by participation in collaborative information platforms such as the Suppliers Ethical Data Exchange (SEDEX) and the Fair Factories Clearinghouse, which allow companies to share audit and remediation reports.

While many companies have taken steps to align their internal practices, there is clear potential to take such efforts further. The Beyond Monitoring initiative will include a collaborative effort to map product life cycles, with the goal of establishing a "best practice" Go-To-Market process to enable better social, environmental and commercial performance.

## Supplier Ownership

Supplier ownership of sustainable supply chains is inextricably linked to the efforts to align buyers' practices more effectively.

Suppliers currently face pressure to respond to requests and processes in which they had little or no role in shaping. Without more stable buying patterns, the business case for suppliers to embrace this agenda is often unclear. Suppliers' view of their external environments are often depicted as including buyers who shift expectations and send mixed messages, regulatory frameworks that provide no incentives to achieve social and environmental performance, and employees who are often unaware of or unable to assert their rights. Compliance has been viewed by many suppliers as the epitome of a foreign import and is sometimes debated as a non-tariff trade barrier



In this light, the drivers of change can appear weak, requiring immediate investments to achieve uncertain benefits. This view misses certain fundamental points. First, there is a clear and growing trend towards transparent supply chains with attention to social and environmental performance. Second, there are performance advantages to be gained by enterprises when they assert their own approach to social and environmental performance. Third, the plethora of buyers' requirements can be met more directly when suppliers develop their own homegrown solutions.

In China, BSR is piloting a process called "CSR on the Offense," which seeks to engage suppliers and their key stakeholders to help them to design factory-based ownership of production and sustainability processes that are linked to both continuous improvement and purposeful transparency.

## Capacity Building

Numerous efforts are underway to promote greater capacity on the part of suppliers to embrace the management practices they need to increase performance and sustainability simultaneously. Capacity-building is flowering through a variety of efforts and the increasing understanding of how this can be translated into process improvements that bring together social and commercial benefits.

For example, through a combination of practical workshops, training and in-factory consultations, the International Labour Organization's (ILO) Factory Improvement Program (FIP) helps factories increase competitiveness, improve working conditions, and strengthen collaboration and communications between managers and workers.

BSR's China Training Initiative (CTI) has delivered practical learning to managers from factories employing more than 1 million workers and has developed tools to enhance managers' abilities and their commitment to improve working conditions. CTI acts as a resource for buyers and manufacturers, bridging buyers' expectations with the skills, tools and resources enabling Chinese manufacturers to meet these needs. Crucially, CTI aims to assess the effectiveness of its trainings, through surveys, case studies, CSR metrics and CSR management committees.

CTI has also developed and implemented the Focused Improvement Supplier Initiative (FISI) for a network of HP suppliers. As part of this capacity-building program, suppliers are asked to collect metrics on increased productivity and quality, as well as reduced worker turnover, injuries and illnesses, so as to capture the benefits of the training. This program provides ongoing support focused on specific needs and has developed a local network for sharing best practices.

The automotive sector is delivering collaborative trainings to automotive suppliers, with the suppliers involved in helping to create all of the trainings. The Automotive Industry Action Group (AIAG) Working Conditions Committee brings together representatives from automobile manufacturers and suppliers to address working conditions in the supply chain. The training is mandatory for all Tier 1 suppliers and will soon be rolled out to representatives at the corporate level of suppliers as well.

The CIMCAW (Continuous Improvement in the Central American Workplace) program involving Gap Inc., Timberland, Development Alternatives International, the Global Fairness Initiative, and the US Agency for International Development (USAID), and Better Work, a partnership started in 2006 between the International Finance Corporation (IFC), the private sector arm of the World Bank, and the ILO, both focus on solutions-based approaches into the management systems of local supplier factories. CIMCAW is a multi-stakeholder initiative that works with both workers and managers in Honduras, Guatemala, El Salvador, Nicaragua, Dominican Republic and Costa Rica. The trainings address both meeting national and international labor standards, and enhancing productivity. Better Work trainings are being delivered in Cambodia and will soon be expanded to Vietnam, Jordan, Lesotho, and up to 20 other countries within the next five years.

## **External Incentives**

For capacity building to have the desired impact, it needs to be supported by external incentives from buyers and others. Incentives such as a reduction in the number of audits, preferential order placement and/or future projection of orders have the potential to encourage suppliers to embed sustainability in their own agendas. As an example, Starbucks offers preferential treatment for farmers that have high Coffee and Farmer Equity (C.A.F.E) scores, and in fiscal year 2006 the company doubled the volume of coffee purchased from C.A.F.E. Practices suppliers.

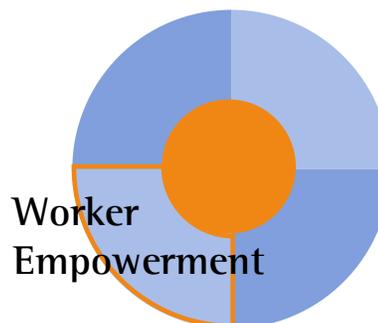
One incentive that largely has been lacking in current models is that information about supplier performance is not provided to buyers in a systematic fashion. For many years, the buyer-supplier relationship has lacked transparency on the supplier end, in part because of inefficient audit models used by buyers. Increasingly, partnership models are emerging that focus on continuous improvement and self-assessment, rather than on a pass/fail audit model. Indeed, some promising models are turning the standard approach around, with suppliers analyzing their own challenges and then working jointly with companies to remediate. The Fair Labor Association's "FLA 3.0" pilot, for example, asks suppliers to complete a self-assessment questionnaire identifying existing challenges and reasons they may exist.

Two efforts in the electronics industry have aimed to build industry-wide collaboration on the basis of supplier-generated information. The Electronics Industry Code of Conduct (EICC) and the Global eSustainability Initiative (GeSI) are building an e-tool, ETASC (Electronic Tool for Accountable Supply Chain), which suppliers can use to upload audit and self-assessment data and subsequently share this information with all their buyers. Such efforts provide solutions that create direct benefits (new efficiencies) and indirect benefits (commitment to co-created solutions).

Industry collaboration is one of the main ways that external incentives can be created to catalyze greater supplier engagement. The ILO/IFC Better Work program is aiming to replicate some of the successes of the Better Factories Cambodia initiative at a global level. Better Work consciously takes a country and industry-specific approach that addresses unique market conditions and solutions relevant in a given operating environment. This focused approach holds considerable promise and is likely to generate more support from suppliers due to its focus on their own working environments. The Better Work program also aims to leverage the incentive of greater government involvement.

## Worker Empowerment

The first generation of efforts to ensure fair working conditions often involved workers secondarily, if at all. Where buyers' approaches to worker empowerment once consisted solely of translating codes of conduct into numerous languages and making those available to workers, the next-generation programs suggested in this paper will include more robust inclusion of workers.



Strategic supply chain programs aimed at including worker voices and promoting an informed, participatory workplace should include secure communications channels, robust grievance systems, and worker education and skills development. These common attributes, to be successful, depend on adaptation according to the unique social, cultural and political characteristics of the workforce and surrounding environment.

We are beginning to see signs of more inclusive models for ensuring the rights of workers in global supply chains. For example, leading buyers are considerably more open to dialogue with trade unions than when codes of conduct were originally established, and numerous multi-stakeholder initiatives -- including the Ethical Trading Initiative (ETI), SA8000, and the Multi-Fibre Arrangement (MFA) Forum -- include trade unions in the debate. Nike's recent announcement that it would set up an educational program on workers' rights to freedom of association (to be implemented in all of its contract factories by 2011) is further evidence of increased inclusion of freedom of association and collective bargaining. At the same time, numerous factors -- from business' reluctance to engage, to government restrictions, to concerns about union governances -- continue to limit the engagement of unions globally.

While it appears clear that buyers' programs will be increasingly effective if they include a worker empowerment strategy, it is equally so that this cannot be imposed by buyers. Of all the elements of Beyond Monitoring, worker empowerment is the pillar most dependent on a multi-stakeholder approach that draws on the unique skills, networks and credibility of unions, NGOs and community groups.

There remains, however, a role for buyers. Amongst other things, one important intervention point for buyers is through the provision of support for their suppliers' ability to manage an empowered workforce. Suppliers are likelier to embrace an empowered workforce when they see this as promoting profitability, and buyers are spreading awareness of this link. Tufts University in the United States conducted a study for Gap Inc. illustrating how factories that employ superior human resources practices are also more efficient in their business operations. Building on this work, Tufts has been retained by Better Work to continue to analyze the productivity impacts of improved human resources practices at the enterprise level.

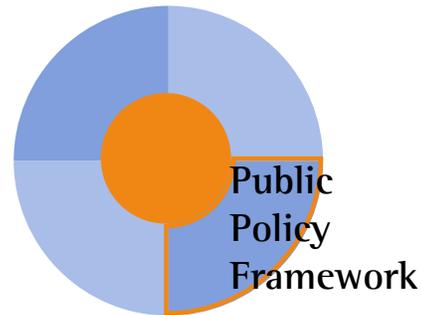
Other successful programs utilize wide-reaching, low-cost distribution channels involving organizations trusted by workers. The Walt Disney Company has worked with a local NGO to help develop and implement a worker helpline in southern China. The helpline is operated by the NGO and installed on a prototype basis in approximately ten factories that produce Disney-branded products, with factory management support. Verité's Mobile Van and associated Advancing Women Programs deliver tools and education on a variety of topics in a large number of factories. Equally successful has been the Timberland/Verité peer-to-peer education model in which workers disseminate information to their own colleagues, on topics including nutrition, labor laws and mathematics. Sixty workers have been trained as peer educators, with each educator committed to teaching two or three workers on topics such as the Timberland Code of Conduct, wage calculations, personal health and interpersonal communication skills.

These programs look as much at skill development as compliance, and in that regard hold great promise as a way to leverage supply chains for development gains, as opposed to labor compliance. This is especially valuable in sourcing locations with a large migrant workforce, as in China, where BSR seeks to work with the provincial government in Guizhou to empower workers with information and help increase their leverage within society.

Companies participating in Beyond Monitoring will explore a capacity-building program focusing on providing high-impact, factory-based training to workers and factory managers in Guangdong (Shenzhen) and Suzhou (Shanghai). The trainings will focus on migrant worker integration, worker committees and communication mechanisms, wellness, health and safety, and worker and management rights and responsibilities.

## Public Policy Framework

Codes of conduct arose in large part due to governance failures, as labor and environmental laws went un-enforced in many parts of the world. Global privatization coincided with the emergence of supply chains, leaving workers in a vacuum in which the public sector often abdicated responsibility for enforcement of standards. Into the breach came codes, which have largely been undertaken in spite of government, rather than in concert with public institutions, policies and resources.



This is beginning to change, in part because the global CSR movement has gained a greater appreciation for the limits of voluntary action, as well as models that hold the potential of outsourcing legal enforcement to the private sector indefinitely. Put more positively, there is a renewed appreciation of how effective public policy initiatives and frameworks both define and support the private sector's role.

With renewed appreciation for public engagement in this area, the question becomes: how shall companies engage? There are three distinct ways companies can promote supportive policy frameworks. First, they can look to create a level playing field by advocating that labor and environmental principles be integrated into trade agreements. Second, buyers can support efforts by their home country governments to promote sustainable supply chains through government procurement efforts and bilateral and multilateral aid efforts. Third, both suppliers and buyers can work with local governments to strengthen their capacity and commitment to enforce legal standards.

The number of opportunities for companies to engage in this way has multiplied rapidly in the past two to three years. Nike, Gap and Levi Strauss & Co. are amongst the companies that have lent their support for bilateral and multilateral trade agreements that include labor and environmental principles. The African Growth and Opportunity Act (AGOA) provides an example of a trade agreement that has been uniquely successful in catalyzing greater attention to labor practices in export markets that would otherwise find it difficult to maintain their competitiveness. Opportunities exist to explore global trade agreements that reinforce application of core labor standards.

The impact of trade agreements can be seen in the activities launched via the (now expired) quota arrangement for Cambodian exports to the United States. The ILO's Better Factories Cambodia grew out of that trade deal, with the goal of reducing poverty by monitoring and reporting on working conditions in Cambodian garment factories.

The World Bank's Foreign Investment Advisory Service (FIAS), a multi-donor service of the International Finance Corporation (IFC), has worked with government agencies and stakeholders to design solutions that use CSR to boost national competitiveness. Many of the FIAS projects – in countries such as El Salvador, Ghana, Peru, Lesotho, Vietnam,

and Jordan – have been important in drawing attention to the potential role that CSR can play in strengthening countries' competitiveness by upholding high labor standards. Where possible, buyers can endorse and participate in initiatives aiming to enable governments to see the links between upholding labor and environmental practices as a way to maintain good economic and trade relations. The Better Work program and the MFA Forum have each been established on a foundation of engagement with the public sector, an element that was missing from most of the multi-stakeholder initiatives born in the 1990s.

Even with a growing recognition of the opportunities presented by engaging to promote supportive policy frameworks and actions, questions remain. What happens when governments or policies change? To what degree, and in what way, should companies advocate for particular policy approaches? And finally, are governments truly committed to engagement, especially when it requires reallocation of resources?

One valuable mode of engagement for buyers is collaboration. On numerous occasions, groups of companies have coalesced to express their views to governments to promote further action by actors – or to encourage them to change a course of action viewed as unhelpful or inappropriate.

## Emerging Models: Beyond Monitoring in Action

Most of the examples used to illustrate the four pillars take on one aspect or another of the Beyond Monitoring vision. We close this paper with descriptions of two programs that have embraced a comprehensive vision consistent with that outlined here, and which offer a view of what leading next-generation initiatives might look like.

### Better Work

The ILO's Better Factories Cambodia program has recently been scaled up through the creation of Better Work, a global program managed in a partnership between the ILO and the IFC. Better Work seeks to improve labor standards and enterprise performance in global supply chains in developing countries. It is based on a consistent approach that is rooted in core labor standards and a set of global tools, and applied through a series of in-country projects. The project is being launched through programs in Jordan, Lesotho and Vietnam.

Better Work includes each of the four Beyond Monitoring pillars in each of its projects:

- **Buyer Internal Alignment:** The Better Work program has sought to include buyers that have shown a level of commitment to continue sourcing in a particular market, which requires a degree of continuity and integration. (Note: BSR has been engaged as a strategic partner to coordinate the ILO/IFC's efforts with buyers for Better Work).
- **Supplier Ownership:** The ILO is creating tools for use by suppliers in countries where Better Work is implemented. Better Work also plans to develop electronic "communities of practice" that will be stored on a secure Intranet. These communities will allow suppliers from around the world to interact with one another and share challenges and best practices on specific issues and solutions.
- **Worker Empowerment:** The program focuses on worker training regarding rights and responsibilities.
- **Public Sector Engagement:** The Better Work program will focus significant attention on capacity building of local labor inspectors and will develop tools to integrate and align the Better Work activities with that of the public sector.

## CSR in China's ICT Sector: Project in Collaboration with FIAS

In another comprehensive approach to build sustainable supply chains in China, FIAS, in partnership with BSR, the Shenzhen Electronics Industries Association, EICC and the GeSI, is developing a capacity-building strategy for the ICT sector in Shenzhen, China, to help meet international social and environmental requirements and improve industry competitiveness. The goal of this project is to transcend individual initiatives and focus on long-term capability building in order to achieve sustainable and systemic change.

- **Buyer Internal Alignment:** Based on the first phase of work, FIAS has recommended that customers set clear incentives for suppliers, such as longer term contracts, increased orders or public recognition for their efforts. Additional proposals for internal alignment include ensuring consistent messaging to suppliers by aligning customers' procurement with CSR expectations, developing an industry standard like the EICC (which is widely supported by suppliers, customers and NGOs), and adopting a monitoring model that focuses on improvement, not just compliance.
- **Supplier Ownership:** The project includes an analysis to build better understanding of the direct and indirect costs and benefits of improvements to social and environmental practices. There is a focus on management systems to identify and eliminate the root causes of issues in labor, ethics, environment, health and safety, in addition to the traditional quality data that supplier systems already capture. ICT companies often already have systems to manage quality and can learn to apply these systems toward CSR. Lastly, suppliers are encouraged to take responsibility for improving their own CSR practices, develop a strategy to support their activities, and find a way to implement CSR within their own supply chains.
- **Worker Empowerment:** The strategy also focuses on the need for safe and effective worker communication channels and other mechanisms that support dialogue between workers and management. The next phase of the project involves a pilot that includes a focus on understanding current practices in worker participation and testing, and evaluating some of the potential models.
- **Public Policy:** This project is significant in that the local government is a direct partner, motivated by maintaining Shenzhen's competitiveness as labor costs rise. The strategy includes a number of public sector roles to encourage business drivers that underpin CSR, including: mandating improvements for migrant workers, improving current enforcement capabilities, and facilitating CSR engagements by exploring options for capability building and training of private sector and civil servants.

These two programs give a taste of the innovations to come. They adopt an industry-specific, geographically bound model. They include multiple stakeholders using core principles applied in a contextualized way. Perhaps most importantly, they incorporate each of the four elements of the approach outlined in Beyond Monitoring.

# Conclusion

## Building Sustainable Models for Systemic Impacts

In 2007, we are in a transitional phase regarding sustainable supply chains. Where do we go from here?

There is a widespread – and maybe unanimous – view that the first generation of supply chain efforts has delivered some useful impacts. Recent efforts have provided considerable learning about the limits of the current approach.

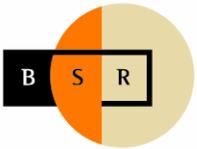
One of the flaws present in the initial rush to action in the early- to mid-1990s is that there were few efforts to identify benchmarks for success. The main metric that has been used has been the percentage of a company's suppliers' factories that get monitored on an annual basis. This measure is a blunt instrument that relies heavily on one type of action better suited to diagnosing the illness than providing a cure.

In addition, the initial wave of efforts reflected a corporate responsibility debate driven largely from the “global north.” As the 21<sup>st</sup> century unfolds, it is clear that rapid economic and technological developments in emerging economies in Asia, Latin America and Africa are changing the global economic balance. These regions have their own global presence and are creating their own sustainability agendas. As they evolve from being seen as a production base to becoming important markets, it will be increasingly essential to build sustainable supply chain efforts that are based locally.

From BSR's perspective, we will know we have made more significant progress in the next five years if the following has happened:

- Multinationals are spending substantially less of their supply chain compliance budgets on monitoring, with more resources devoted to building the supplier, worker and government legs of the Beyond Monitoring table.
- Industry initiatives (like those described earlier in the electronics, toys, automobile and pharmaceutical industries) have spread to additional sectors, and obtain critical mass in the industries involved.
- Public-private verification of labor and environmental practices is present in the top 20 exporters of consumer products and key agricultural commodities.
- Suppliers are producing verified sustainability reports that include worker input on grievance procedures. Indeed, the development of sustainability reports providing greater transparency on the social and environmental performance of key export sectors in exporting countries.
- The export processing zones that grew so quickly in the 1990s are replaced by sustainable export zones with demonstrated social and environmental performance, and excellence in manufacturing.
- Metrics are developed for gauging the economic development impacts of supply chains, with improved performance, particularly for women workers.

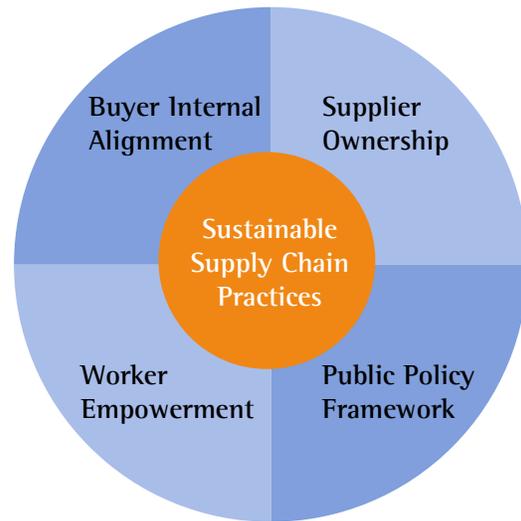
We believe that the comprehensive vision outlined here holds the promise of realizing the vision of sustainable supply chains through a more holistic approach. The promise and purpose of the first generation of sustainable supply chain efforts will only be reached through next-generation approaches.



**Business for Social Responsibility** is a nonprofit business association that serves its 250 member companies and other enterprises by providing socially responsible business solutions. Through advisory services, convenings and research, BSR works with corporations and concerned stakeholders to create a more just and sustainable global economy.

## Beyond Monitoring: A New Vision for Sustainable Global Supply Chains

Building on the evolution of supply chain operations over the past several decades, BSR has developed a framework to advance industry to a new phase of sustainable practices. Beyond Monitoring is an integrated approach to supply chain management that promotes Supplier Ownership, Worker Empowerment and Buyer Internal Alignment within the context of a supportive Public Policy Framework.



## BSR Services

BSR provides the following services to integrate the Beyond Monitoring approach into company supply chain practices:

**Supply Chain Strategy.** BSR works with companies to identify priority sustainability issues throughout their global supply chains and develop a Beyond Monitoring strategy that links back to core values and business objectives.

**Multi-stakeholder Working Groups.** BSR leads working groups that enable collaboration across buyers, suppliers, civil society, government and other concerned stakeholders to ensure an integrated approach towards supply chain management.

**Policy Development & Implementation.** BSR helps companies develop sustainable supply chain policies, including codes of conduct, as well as design tools and programs to implement these procedures.

**Stakeholder Engagement.** BSR designs and facilitates stakeholder engagement sessions to incorporate stakeholder feedback into company supply chain strategies and encourage future collaboration.

**Workshops & Trainings.** BSR provides workshops on Beyond Monitoring concepts and implementation of responsible supply chain practices. The focus of BSR's China Training Institute is to develop curriculums and conduct trainings which help suppliers build management systems that promote sustainable and healthy working conditions.

For more information, please contact [beyondmonitoring@bsr.org](mailto:beyondmonitoring@bsr.org).