

Creating Systemic Change

Lessons from Responsible Labor

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Just one decade ago, the public was appalled to learn that children were producing Nike's soccer balls in Pakistan, and the company was swiftly targeted by numerous high-profile, antagonistic NGO campaigns. Since then, more companies have come under fire by NGOs publicizing alleged corporate social and environmental abuses. Yet Nike — along with a handful of other companies once perceived as symbolizing ethical problems from global outsourcing — has come to be regarded as a sustainability pioneer. What could explain such a fundamental turnaround?

In response to the exposure of poor labor practices in their supply chains, Nike and other consumer product companies embarked on a series of supplier audits and corrective actions to turn the problems around. They made many incremental improvements, but over time reached a common and critical conclusion — that on their own, compliance and monitoring processes are insufficient for creating real, sustainable improvements. It turned out that although Nike was singled out by many in the NGO and corporate social responsibility (CSR) community, the company was not the sole culprit, but rather a harbinger

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of a greater, system-wide failure. As companies like Nike began to address symptoms of child labor through auditing, it became clear that the problems were driven by more fundamental institutional causes, such as absent and ineffective public policies, perverse and contradictory incentives from multinational business customers to their suppliers, and

employees that lacked the power to stand up for themselves, given their communities' prevailing customs.

In this process, industry learned a key lesson: Systemic change requires that multinationals work with relevant stakeholders to understand the root causes of problems and address them strategically. To increase the impact of this lesson, BSR has created the Beyond Monitoring initiative, which encompasses a strategy for next-generation management of sustainable supply chains. Beyond Monitoring uses four pillars to achieve its goal:

1. **Alignment** of commercial and social objectives by brands
2. **Ownership** of this agenda by suppliers
3. **Empowerment** of workers
4. **Engagement** with policy and governments

Now, as industry faces increasingly complex challenges,

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Business for Social Responsibility (BSR) has started thinking about how to apply the Beyond Monitoring framework to sustainability issues beyond supply chain labor conditions.

Perhaps even more so than labor, other sustainability issues such as climate change and freedom of expression are increasingly complex. It is our hypothesis that by addressing the complexity of the whole system, the Beyond Monitoring principles could strengthen a host of other sustainability initiatives. The following framework, based on the four key concepts of alignment, ownership, empowerment and engagement, aims to do just that for two areas of particular interest:

- Greenhouse gas (GHG) emissions: in particular, reducing the impacts of supply chains.
- Privacy and freedom of expression: addressing the increasingly complex human rights problems faced by internet and telecommunications companies.

Alignment

In practice, aligning commercial and social objectives means bridging traditionally unrelated company teams and creating consistent enterprise objectives and communications messages on sustainability.

- **GHG emissions:** For many companies, the primary driver of GHG emissions is energy use, which bears directly on costs. To encourage suppliers to undertake new energy investments and strategies, companies need to align the CSR and purchasing teams to give consistent and predictable messages about customer priorities.

- **Privacy and freedom of expression:** Three functions should align commercial objectives with human rights: 1. Technology and product design need to address the freedom of expression and privacy features and applications of the product. 2. Legal affairs needs to manage its relationship with law enforcement agencies consistent with human rights. 3. Sales and strategy need to consider human rights when deciding which markets to enter and which products and services to offer.

Ownership

Ownership means that all relevant actors identify a business case for “owning” their sustainability agenda, and they work with their partners in shaping shared objectives. With ownership, stakeholders are likely to make personal investments that support sustainability goals, and they are less likely to block progress.

- **GHG emissions:** Increasingly, companies are under pressure to disclose emissions. However, like many labor compliance disclosure requests during the past decade, emissions disclosure requests are often based on methodologies that were made without supplier input. As a result, suppliers resist for a number of reasons: They don’t understand the request, they don’t know how to get the information or they don’t see the point. Instead, it’s important to work with suppliers to co-create protocols that make sense for everybody.

- **Privacy and freedom of expression:** In terms of ownership, the challenge is moving beyond large multinationals such as

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Google, Yahoo! and Microsoft. With so many startup companies emerging, progress is most likely if these companies are equipped to “own” their own approaches to privacy and freedom of expression. The goal is to develop international standards that are widely understood and accepted by the hundreds of small and startup companies operating in markets all over the world, such as those providing services for blogging and user-generated content.

Empowerment

By ensuring that stakeholders understand their options for recourse and have channels for action that are consistent with existing incentives and worldviews, empowerment increases the likelihood of sustainability policies to be embraced and implemented.

■ **GHG emissions:** In this context, there’s an opportunity to empower two constituencies. The first is workers, who are most likely to act if they are trained, given a mandate and provided resources to increase energy efficiency. Communities and the public, which are stakeholders in the context of climate change, comprise the second constituency. Help educate them about issues and help them act through direct and other measures, such as voting in elections or making product choices.

■ **Privacy and freedom of expression:** It’s important to empower the user through transparency about the circumstances in which personal information may be passed to governments or content may be restricted. Information empowers the user to make informed judgments about data privacy or the completeness of the content being provided.

Engagement

Companies often work with governments to ensure the consistent and fair application of laws and regulations. This includes strengthening policies that exist but are not yet fully imple-



mented, and facilitating the development of appropriate new ones.

■ **GHG emissions:** Companies have two key policy opportunities — participating in dialogue about standards, and engaging in discussions about legislation. With respect to standards, companies can help develop new emissions reporting systems like the GHG Protocol’s guid-

ance on product and associated (“scope 3”) emissions, and the Carbon Disclosure Project’s treatment of suppliers with respect to reporting. Companies can also attempt to provide input on rule-making. For example, in the United States, members of the U.S. Climate Action Partnership have been lobbying the U.S. Congress to begin phasing in regulation steadily and predictably.

■ **Privacy and freedom of expression:** Often, when it comes to violations of privacy and freedom of expression, government is the main cause, and companies have limited room to maneuver. However, companies can take action, such as advocating government approaches that are consistent with international human rights laws and standards on freedom of expression and privacy, and challenging governments when human rights standards or local law are not applied. They can also help educate and build capacity in governments of emerging economies.

At its heart, the sustainability challenge is characterized by common systems problems, and there is a wealth of knowledge to build from. Sustainability practitioners owe it to their cause to make sure that they are thinking in terms of systems, and collaborating with each other. We believe the lessons from BSR’s Beyond Monitoring framework will help companies do just that. ■

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