

## ETI Project Overview: Purchasing Practices

### **Purpose of this document:**

This document is to explain the background to the ETI Purchasing Practices Project, who is involved, how the project works, and what some of the key challenges and learning have been.

### **Background to Project**

In 2004, Oxfam, CAFOD and Insight Investment /Acona all published reports highlighting the way in which purchasing practices undermine the effectiveness and impact of ethical trade programmes by inadvertently restricting suppliers' ability to uphold international labour standards.

In July 2004, ETI held a [Purchasing Practices Seminar](#) (with members and non-members) which explored how purchasing practices might contribute to worsening labour conditions (e.g. increased overtime). The research and views at the seminar suggested that there may be concrete commercial and ethical reasons for reviewing current practices. Seminar participants agreed on the need to identify precisely which purchasing practices appear to conflict with a company's ability to respect international labour standards (e.g. the [ETI Base Code](#)) and to test and explore alternatives practices.

Following exploratory meetings of those expressing interest in undertaking this work, the project was formally launched at the first group meeting in April 2005.

### **Which ETI members are involved?**

#### **Companies:**

Gap Inc., Next, Debenhams, Marks and Spencer, Inditex, New Look, Asda, WHSmith.

#### **Trade unions:**

International Textile, Garment and Leather Workers Union, Transport and General Workers Union, Prospect

#### **NGOs:**

CAFOD, Oxfam, Traidcraft, Women Working Worldwide, Homeworkers Worldwide.

## **Project aims and objectives**

### **Aims:**

- To increase members understanding of the impact of sourcing companies' purchasing practices on conditions for workers;
- To develop, test and share practical (cross-sectoral) examples of purchasing policies and practices that support commitment to labour standards.

### **Objectives:**

- Better understanding of the links between purchasing practices, costs to the company and pressure on suppliers and workers;
- Identify precisely where purchasing practices conflict with ability to respect international labour standards;
- Identify mechanisms and models that address the tensions between ethical trading and business needs.

## **Project design**

For the purposes of this project, 'purchasing practices' is defined as anything that a company does to procure a product from start to finish, and includes decisions regarding sourcing, planning, design, and ordering.

Every company's supply chain is unique and there are many levels of complexity in each company's interactions with suppliers. This project is designed so that every company involved can focus on understanding the nature of purchasing practices in its own supply chain. The project is set up so that companies can partner with an NGO and/or trade union to work on a specific aspect of their purchasing practices, such as:

- analysis of 'critical path management' (the pipeline of decisions and actions from design to delivery);
- engaging suppliers to investigate the impact of key purchasing decisions;
- analysis of buyers' incentives in relation to ethical trade objectives;
- collaborating with other companies to explore the impact of multiple buyers sourcing from one supplier and the role of agents.

The project group meets regularly to update on progress in each sub-group and discuss key learning and challenges faced. Over time it is anticipated that the project group will gather learning from each sub-group and build a more complete picture of how the purchasing function in retailer companies can play a positive role to support ethical trade.

## **Partnership approach**

This project group provides an opportunity for companies to work closely with trade unions and NGOs as they consider how to address the complex aspects of purchasing practices in relation to labour standards. These partnerships are critical in order to

ensure that the key issues faced by workers as a result of these practices are fully understood from a tripartite perspective, and this perspective then informs any changes.

“It is good to be working with a company that is serious but realistic about the issue. Our mutual aim is primarily to build an alliance between the CSR and the buying department at Inditex. Nothing is going to change unless there is going to be some mutual singing from the same hymn sheet!”

*Doug Miller, ITGLWF and project partner with Inditex*

Over time, collaboration between individual companies, trade unions and NGOs has increased, and several partnerships have been formed to start looking at the purchasing process and how to align this with ethical objectives. The firm commitment of project group members has been vital in reaching this stage of collaboration, particularly on an issue which is core to each business and is relatively new territory for all involved.

“Creating direct links between NGOs, Trade Unions and Corporate members on such a sensitive area has been a complex and, sometimes, an intimidating process. NGOs have worried that they may be seen as selling out, while Corporate stakeholders have feared being exposed.

Developing and deepening these collaborations has been a slow process, but one that has brought benefits. From the NGO point of view, we have gained a greater insight into the complexities of the business environment. This does not mean that we have diluted our goals but have developed a more common language that enables us to present those goals in a way that companies can understand; where they can see clear links between our goals and their ethical business goals. The ultimate aim is to bring about real and sustainable change and this does not happen overnight.”

*Jennifer Hurley, Women Working Worldwide and project partner with Gap Inc.*

## **Progress update**

### **Individual company progress**

Companies in the project group have joined the group at different times (shown in brackets) and are currently undertaking various projects with partners in ETI:

- Gap Inc. (2005): In partnership with WWW, Gap Inc. took the lead in providing access to NGO researchers to map the critical decision points in the supply chain at both the field and headquarters level. In the first phase of this project, the researchers interviewed both commercial and CSR staff in some of the key sourcing markets. They also met with suppliers, workers, trade unions and NGOs in these countries to understand and include the various perspectives. Phase II involved them traveling to the Gap Inc. headquarters in San Francisco and meeting with the Brand representatives and key people in production, merchandising and design. Phase III will involve the development of training modules based on the information from the research stage that will then be used internally by Gap Inc. to feed into the training curriculum for the commercial departments within the company.
- Mark & Spencer (2005): In partnership with Oxfam, M&S has developed training for buyers, merchandisers and technologists to raise awareness of

ethical issues and how their role impacts on labour standards. Around 250 people have been trained since 2006. M&S is currently considering how to build on this and further explore how purchasing practices can support ethical trade.

- Next (2007) and Debenhams (2005): Both companies are analyzing their critical path management, and working together to understand the impact of purchasing practices on shared suppliers. They have identified two factories which they both source from in China and Italy, and plan to work with the factory managers to identify how planning and production processes can support their ethical trade commitments. Both companies plan to work with trade unions and NGOs in the group to design the project, to identify the impact of current practices on workers in these factories and to develop solutions.
- Inditex (2006): Inditex is working with the ITGLWF and an ETI appointed trainer to develop comprehensive training for buyers on every aspect of the Inditex Code of Conduct, with the objective of also identifying how purchasing practices can conflict with this Code.
- New Look (2007): New Look has recently joined the Project Group to explore the opportunity for collaboration on this issue. New Look has conducted training for designers, buyers, merchandisers and technologists on ethical trade and their role in this. Following the training, several buyers volunteered as ‘Ethical Champions’ - to take the lead in implementing key actions for buying teams to mitigate the adverse impacts of purchasing practices.
- Asda (2005): Asda is currently planning a review of purchasing practices in the Home & Leisure department.
- WHSmith (2007): as a new member of the Purchasing Practices Group, WHSmith is considering how to begin working on this issue, and is keen to learn from the experiences of other company members and their NGO/TU partners.

### **Developing expertise**

At the project group meeting in May 2007, several participants shared resources and techniques for training buyers and raising awareness of the link between purchasing and ethics. The approach to training varies according to the company and depends how far purchasing practices is already being addressed. Notable examples of awareness-raising and training include:

- Delivering presentations about supply chain working conditions, including footage of workers and workplaces, to all staff in the buying departments, including senior managers.
- Facilitating workshops for buyers, merchandisers and technologists to understand the complexity of the supply chain and the impact of their decisions on producers.
- Inviting buyers to volunteer as “Ethical Champions” to develop and promote good purchasing practices in their buying teams.
- Facilitating workshops for managers in the compliance and commercial departments to identify areas for collaboration to address purchasing practices.

As the group continues to generate learning about the ways in which purchasing practices impact on labour standards, we anticipate further training can be developed to support positive changes in purchasing practices.

### **Some of the project learning to date:**

**Senior managers across the company need to be firmly committed to start looking at how purchasing practices can support improvements in working conditions.** Group members have found strong evidence of the impact of buying decisions on labour standards and efficiencies in their own supply chain. This fact, as well as demonstrating that other companies are also addressing purchasing practices, has been important to win senior management support for this project.

**There needs to be a collective approach to addressing this issue – working with staff across the business, suppliers, other companies, NGOs and trade unions.** Involvement of all stakeholders is essential to fully understand the way purchasing impacts working conditions. The ETI project enables this collaboration, and encourages companies to engage early on with all stakeholders to work collectively on the project design, implementation and evaluation.

**Addressing purchasing practices requires a dual focus on ethics and product, because solutions must be economically viable.** This requires collaboration between those who procure and those who manage labour standards from an early stage in the project. Some companies have initiated collaboration by training all purchasing staff on labour standards issues and inviting them to volunteer as ethical ‘champions’ to bring their expertise and understanding of the commercial pressures to this project. Other companies have ensured that there is Board-level commitment for integration of ethical trade, and that a senior commercial manager is appointed to work with the ethical team to deliver the project.

**Project group members are building a better understanding of the whole supply chain.** By mapping supply chains and identifying the people and processes involved, project members are learning more about the complexity of buyer-supplier relationships and the root cause of pressures on labour standards. This is enabling the group to better identify where there might be opportunities to develop purchasing practices that support labour standards.

### **For further information contact:**

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For project documents and relevant links please visit  
[www.ethicaltrade.org/purchasingpractices](http://www.ethicaltrade.org/purchasingpractices)

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