Chair of Logistics Management
University of St.Gallen

BSCI
An initiative of the Foreign Trade Association (FTA)
Business Social Compliance Initiative

Achievement Study

10 Years of the BSCI

Joerg S. Hofstetter
Marc Mueller

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Publisher

Acknowledgements

We would like to express our sincere appreciation to the BSCI Steering Committee, to which we regularly presented our intermediate results.

We are particularly grateful for the valuable advice provided by Dr Sibyl Anwander and Mr Lorenz Berzau throughout numerous informal discussions.

We wish to acknowledge the help provided by Mr Martin Seiler who fulfilled all of your wishes regarding the data set.

We would like to offer our special thanks to all interviewees for participating in our research.

We are most appreciative of the input and feedback provided by Mr Jörg Grimm.

Lastly, we would like to thank Mr Philip Nicholas Schaaf and Mr Clemens Gattringer, who assisted in conducting and writing this study.

Preface

Since the 1990s, companies have increasingly taken action to assume their corporate social responsibility by establishing Codes of Conduct and monitoring schemes to improve the social performance in their global supply chain.

Ten years ago, a small group of retailers started discussions about how they could harmonise their respective social compliance schemes. In March 2003, the Foreign Trade Association launched the Business Social Compliance Initiative. After one year, a common Code of Conduct based on the ILO Core Conventions and a comprehensive set of management tools had been developed and the implementation began. The joint effort aimed to show that companies are willing and able to improve social compliance in their global supply chains without the need for more regulation. The BSCI was built on the fundamental values of continuous improvement, collaboration and empowerment.

Today, a decade later, these efforts have developed into a leading business initiative which still follows the same objectives and is based on the same values. It has become a success story, and this study sheds more light on the achievements in detail. It is not only quantity which is decisive – it is above all quality. The BSCI brings together many participating companies, reaches out to thousands of factories and farms and through this to millions of workers whose working conditions are improving.

Many challenges still lie ahead of us. Apart from specific social compliance criteria which are particularly challenging, global trade has become more complex and the call for transparency is increasing. These factors will influence the next decade and the BSCI will have to find ways to address these challenges in a constantly changing environment. I am confident that, based on ten years' experience and the knowledge of numerous experts at company level we will be able to find solutions for the tasks ahead of us.

Companies participating in the BSCI continue their efforts, despite the difficult economic context. However, we need to rely on the constructive support and serious endeavours of governments, business associations, trade unions, NGOs and other stakeholders in Europe and the many sourcing countries in order to be successful in the long run. I hope that the broader public – and politicians - will positively acknowledge our work and consumers trust that they can buy products from BSCI participants with a clear conscience.

Dr Sibyl Anwander
Chair of the BSCI Steering Committee

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List of Abbreviations

AVE	Außenhandelsvereinigung des deutschen Einzelhandels
BSCI	Business Social Compliance Initiative
BEPI	Business Environmental Performance Initiative
BRIC	Brazil, Russia, India and China
CAP	Corrective Action Plan
CoC	Code of Conduct
CCC	Clean Clothes Campaign
CNTAC	China National Textile & Apparel Council
ETI	Ethical Trading Initiative
EU	European Union
FDI	Foreign Direct Investment
FLA	Fair Labor Association
FLO	Fairtrade Labelling Organizations International
FTA	Foreign Trade Association
FWF	Fair Wear Foundation
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSCP	Global Social Compliance Programme
GTZ	Gesellschaft für technische Zusammenarbeit
ICTI	International Council of Toy Industries
ICS	Initiative Clause Sociale
ILO	International Labour Organization
KPI	Key Performance Indicator
NGO	Non-governmental Organisation
MNE	Multinational Enterprise
OECD	Organisation for Economic Co-Operation and Development
PESTLE	Political, Economic, Social, Technological, Legal and Environmental
PPP	Public Private Partnership
PTA	Preferential Trade Agreement
RA	Rainforest Alliance
R&D	Research and Development
RSP	Responsibility
SAI	Social Accountability International
SAAS	Social Accountability Accreditation Service
TBL	Triple Bottom Line
UN	United Nations
WTO	World Trade Organization

1 Introduction

The Business Social Compliance Initiative (BSCI) is a business-driven initiative for companies committed to improving working conditions in global supply chains. Its mission rests on three pillars: monitoring producers, empowering participants and producers, and engaging with stakeholders.

1.1 Vision, mission and objectives of the BSCI

The BSCI, established in 2003, is an initiative of the Foreign Trade Association (FTA) that seeks a world of free trade and sustainable global supply chains. The FTA represents retailers, importers and brand manufacturers in the political and public arena to promote and defend free trade. The BSCI is a business-driven initiative for companies committed to improving working conditions in factories and farms worldwide. The BSCI wishes all producers linked to its participants eventually to achieve compliance with the initiative’s Code of Conduct (CoC). However, full compliance of all producers is considered to be the long-term target and a stepwise approach is chosen, taking normal changes in the supplier base into account.

The initiative’s mission is to support its participants and their producers by sharing information and practical solutions in order to enhance social compliance in global supply chains. The BSCI’s mission encompasses monitoring producers, empowering participants and producers, and engaging with stakeholders. Over time, the mission has not been altered but the temporal foci have varied according to the emphasis on each of the three pillars.

During its early years, the BSCI’s objective was to develop a monitoring system in order to identify relevant production units, assess and evaluate their social compliance levels, and enhance transparency in global supply chains. Yet, it was understood from the start that auditing alone cannot drive change. Due to that and the high influx of new participants starting in 2008, empowering through training and capacity building has become a major focus. Besides the understanding that change can only be generated in cooperation with stakeholders, the pressure of particular stakeholder groups has led the BSCI to additionally advance its efforts in engaging with non-governmental organisations (NGO), trade unions, business associations and national governments.

1.2 Aim of this study

The aim of this study is to highlight the BSCI’s development at the occasion of its tenth birthday by reviewing its history, presenting its current activities, investigating its achievements, and providing scenarios on expected developments from a neutral scientific organisation.

1.3 Methodology of this study

For the purpose of this study, we employ qualitative and quantitative research techniques. Formal and informal interviews are conducted with BSCI Secretariat officials, BSCI Steering Committee members, BSCI Stakeholder Council affiliates, BSCI country representatives, participants and auditors. Thereby, we investigate the initiative's nature, scope and challenges as well as the participants' and stakeholders' expectations. Quantitative data is analysed to examine the structure of the participant base and the producers' audit results. Further, the qualitative and quantitative research is accompanied by reviews of supplementary documentation.

1.4 Structure of this study

The rest of the study is organised into the following chapters: (2) history, (3) activities, (4) achievements, (5) participants' expectations, satisfaction and benefits, (6) scenarios on expected developments. In chapter two, we present the BSCI's history by looking at how the initiative was established and how the rules of participation, the CoC and the monitoring system were implemented before its roll-out and its competitive positioning are discussed. Chapter three introduces the BSCI's current activities to ensure the legitimacy of its CoC, the functioning of the monitoring system, the harmonisation of standards, the engagement of participants and the efforts related to capacity building and stakeholder management before the initiative's limitations are presented. In chapter four, we discuss the achievements of the BSCI in improving producers' business practices, growing participation, as well as progress in each of its three pillars. Chapter five illuminates the participants' perception of the initiative by evaluating the expectations, satisfaction and associated benefits. In chapter six, we provide an outlook on multi-facetted developments channelled into four scenarios.

2 History

The BSCI originates from a joint project by two German institutions aiming to improve the working conditions in German retailers' global supply chains. Over time, the shared CoC and monitoring system have attracted many more companies (beyond retailing) that have made the BSCI one of the largest organisations in the increasingly competitive arena of social compliance initiatives and standards.

2.1 Establishing the BSCI

The precursor of the BSCI is the Foreign Trade Association of German Retail Trades (Außenhandelsvereinigung des deutschen Einzelhandels [AVE]) AVE Sector Model Social Responsibility which is based upon the AVE Declaration Concerning a Code of Conduct for the Procurement of Goods to Ensure the Protection of Social Standards issued in 1999. In 2003, the AVE and the German Society for Technical Cooperation (Gesellschaft für technische Zusammenarbeit [GTZ]) set up a three year-project to bring the AVE Sector Model Social Responsibility from the national to the international level.

After Dutch companies had joined the German firms, several exploratory workshops were held in order to discuss the creation of a common platform. The discussions were then broadened by additional companies from Canada, Denmark, France, the Netherlands, Sweden and Switzerland. The entire process was guided by a 'pre-competitive' understanding to work collaboratively on enhancing social compliance levels through a proactive development-oriented approach resting on the three pillars: monitoring, empowering and engaging. In the third workshop in March 2003, the BSCI was officially founded under the roof of the FTA but not all of the firms involved in the discussions decided to take part in the initiative. Key drivers for creating the BSCI – as they had been already for the AVE Sector Model Social Responsibility – were to avoid legislative steps at the European Union (EU) and national level, to create synergies among companies sourcing from developing countries and to respond to stakeholder demands. In order to attract as many companies as possible to the new platform, non-FTA members were also invited to join the discussions and the BSCI as an initiative.

During the course of the following year, the parties met every six to eight weeks in order to create a set of management and monitoring tools to be verified in audits in China, India, Turkey and Vietnam. A loose stakeholder body was also formed as advisory council to the BSCI. The first awareness-raising workshops were held in India in autumn 2004. In sum, it took two years to put the idea of the business initiative into practice. This process was very much driven by individuals and their conviction. Dr Michael Otto of Otto Group is often called 'the grandfather of the AVE and BSCI' while it was Jan Eggert – in his affiliation to the FTA – who instigated the initiative's foundation process. Companies that have been strongly involved at inception include Carrefour, H&M, Lindex, Karstadt, Metro Group, Migros, and Peek & Cloppenburg.

2.2 Defining rules of participation

Initially, any retailer, importer or brand company could become a member of the BSCI without joining the FTA. This was done intentionally to keep the initiative open for as many companies as possible – also from outside Europe. In 2010, the governance structures between the BSCI and FTA were newly defined when new by-laws came into force amending the rules for participation. Since then, the guidelines prescribe that a candidate needs to be a member of the FTA having a minimum turnover of €500,000 and suppliers in risk countries in order to join the BSCI. The participation request is to be approved by the FTA Board of Directors. Firms whose main activity is manufacturing in risk countries cannot join the initiative. The reasoning for this is to preclude audited producers from reaching participant status.

In 2008, the BSCI introduced the Commitment Formula which is aimed at promoting participant commitment. It separates the methodologies according to which the participants can audit their suppliers into two categories: industrial and primary production. For the producers to be audited using the industrial methodology, the two-thirds rule applies. This means that participants need to include either two-thirds of their order volume or producers in risk countries in the BSCI process. The commitments are reviewed after a three-and-a-half-year period when one-third of the producers have to score ‘good’ or ‘improvement needed’ in their respective audits. Re-evaluations take place after two additional years when two-thirds of the suppliers have to reach a ‘good’ or ‘improvement needed’ audit result. As the primary production module is much more challenging and diverse standards including social or fair trade elements are available, the requirements with regard to the number of audited producers are less demanding. Thereafter, the participants have to involve either ten per cent of their order volume or 15 primary food producers based in risk countries. The production sites must be audited within three and a half years after joining the BSCI.

2.3 Defining the BSCI’s CoC

The first version of the BSCI’s CoC follows from the AVE Sector Model for Social Responsibility which had proven applicable for German and Dutch companies. Following this path, the International Labour Organization (ILO) Core Labour Conventions, the Organisation for Economic Co-Operation and Development (OECD) Guidelines for Multinational Enterprises, the United Nations (UN) Global Compact, the UN Conventions on children’s rights and the UN Conventions to eliminate all form of discrimination have been included in the BSCI’s social requirements. Moreover, Social Accountability International’s (SAI) SA8000 – a leading social standard – and other codes were considered as reference systems. However, it was soon understood that the requirements of the reference systems would overstrain companies committed to the BSCI. Therefore, the decision was made to set the standards slightly lower and to position the initiative as a development-oriented approach with SA8000 as best practice.

2.4 Developing the monitoring system

In the first three years, the BSCI concentrated on establishing the monitoring system which was developed by the first generation of participants together with an external consultant. It was set to enhance transparency in global supply chains and has hardly been altered over the years. In the very beginning, the Producer Self-Assessment – a tool that was brought in by Migros – has been the compulsory first step in the monitoring process. Today, this step is not mandatory anymore but still recommended to raise producers' awareness for social compliance issues. The monitoring system starts with an external Initial Audit which measures the producer's compliance with the initiative's CoC and may result in Corrective Action Plans (CAP) for the areas to improve. The factories' progress is, then, re-checked in an external Re-Audit. The BSCI has been working only with Social Accountability Accreditation Services (SAAS) accredited auditing companies for conducting producer assessments. In order to store and share the audit data, a database system has also been set up.

2.5 Roll-out

The milestones of the roll-out can be separated into three steps. First, and in line with the aforementioned efforts to build up the monitoring system in the first three years of its existence, the BSCI aimed to increase the number of audits in order to acquire information about the state of compliance with social issues in the sourcing markets quickly. Second, in 2005, the BSCI's first annual conference was launched and membership growth started to speed up. Thereby, the BSCI benefitted from domino effects. For instance, a media report on BSCI aroused the interest of some Scandinavian companies to link with the initiative. The involvement of these corporations then encouraged a flood of other Northern European firms to take part. The German and Swiss food retailers serve as another example. Third, the influx of small and medium-sized importers gave a new face to the BSCI. In 2008, 40 importing companies were expected to join. Today, importers represent three-quarters of the initiative's participant base.

2.6 The BSCI's positioning compared with other approaches

Many of today's leading initiatives, standards and certification bodies addressing social issues were founded in the late 1990s and early 2000s. A few years earlier, a start was made by the Max Havelaar initiative and TransFair promoting fairly traded coffee. These organisations were later united under the umbrella of the Fairtrade Labelling Organizations International (FLO). Table 1 provides an overview of the social compliance landscape in the mid-2000s.

Table 1: The social compliance landscape in the mid-2000s.

Foundation	Social compliance initiative, standard or certification
1997	Fairtrade Labelling Organizations International, Social Accountability International, Global G.A.P.
1998	Ethical Trading Intiative, Initiative Clause Sociale
1999	Fair Labor Association, Fair Wear Foundation
2000	Worldwide Responsible Apparel Production
2001	Worker Rights Consortium
2002	UTZ Certified
2003	Business Social Compliance Initiative, International Council of Toy Industries
2004	Fair Factories Clearinghouse, Sedex, Electronic Industry Citizenship Coalition

During the last decade the number of sustainability initiatives and standards has continued to grow leading to increased fragmentation of the field. Based on individual philosophies, the organisations differ across various characteristics. There are certification bodies (e.g. SAI) and initiatives (e.g. BSCI) offering a range of services. The initiatives can be further distinguished into business-driven (e.g.

BSCI) and multi-stakeholder organisations (e.g. Fair Labor Association [FLA]). There are organisations that focus on social aspects (e.g. BSCI), environmental aspects (e.g. ISO 14000) or both (e.g. Rainforest Alliance [RA]) within specific industries or across.

3 Activities

The BSCI strives constantly to ensure the validity and reliability of its CoC and monitoring system while devoting more and more attention to empowering participants and producers as well as engaging in stakeholder dialogue at different levels around the world.

3.1 Provision of a legitimate CoC

The BSCI seeks to foster credibility and authenticity through three concrete measures. First, the BSCI has chosen to build its CoC on widely-accepted standards such as the ILO Core Labour Conventions, the UN Global Compact or the OECD Guidelines for Multinational Enterprises.

Second, the initiative reviews its code and audit procedures every three years in order to assure accuracy and consistency with the latest developments. The current review process of the CoC can be broken down into a number of stages. Initially, in late 2012, the members of the BSCI Stakeholder Council and some additional stakeholders were asked to provide their opinion on the existing code. Based on the received suggestions, the BSCI Secretariat and Steering Committee drafted a revised code in early 2013. In the third stage, the participants were invited to provide their feedback on the drafted CoC during a review period lasting one month. The input gathered in this process was, then, (re-) discussed with the Stakeholder Council affiliates, generating additional feedback. In the fifth stage, a three-month online consultation will be run in the second half of 2013 in order for the public to provide input before the received comments will be evaluated by BSCI officials for inclusion in the revised CoC. At the end of this process, the FTA Board of Directors will be asked to approve the new code.

Third, through its training and capacity building activities, the BSCI actively advocates for the issues manifested in its CoC. Therein, the seminars and workshops constitute the driving force for implementation of the code and, in turn, for enhancing social compliance levels in global supply chains.

Nonetheless, the recent factory collapse in Bangladesh – caused by shortcomings in the building's construction – illustrates that the legitimacy of a CoC is always in danger. Construction safety has always been regarded as a duty of the national authorities, which turns out not to be checked at the appropriate frequency and with sufficient reliability in some of the sourcing countries. Consequently, the scope of corporate responsibility is shifting, demonstrating the inherent need to tackle newly emerging issues. Responding to these developments, the BSCI has immediately started to prepare a concept addressing the shared responsibility of national stakeholders and international business partners.

3.2 A valid and reliable monitoring system

The prerequisite for a valid and reliable approach to monitoring is a robust system that exploits internal and external skills and has appropriate control mechanisms in place. The BSCI sets standardised auditing principles and procedures, while producer assessments are conducted by external SAAS-accredited auditors.

The business initiative has internal and external control mechanisms as manifested in its Audit Integrity Programme. Internally, the audit quality is controlled by one of the BSCI's auditing officers and contains random database check-ups of timely production of the report, formal mistakes within the report and any other suspicious events around the audit. Externally, an assessment provider (e.g. SAAS) conducts surveillance audits on auditing bodies either in the field or at the auditor's premises. In addition, duplicate audits are carried out shortly after an Initial Audit in order to ensure adherence to the BSCI's monitoring principles.

Despite the BSCI taking various measures to promote credibility of the system, commonly-discussed problems such as double-bookkeeping or bribed auditors can only be limited but not eliminated entirely. On the one hand, the initiative's decision-makers emphasise that they are well aware of these issues and recognise the methodological limitations of audits. On the other hand, there is no substitute for on-site inspections as a monitoring tool and the BSCI will continue to increase its efforts to ensure a valid and reliable approach to auditing. For instance, the initiative has taken steps to increase emphasis on fire issues and to start with the implementation of unannounced Re-Audits at factories with a 'good' rating, focusing particularly on Bangladesh.

3.3 Homogenisation of standards

Homogenisation is a primary goal of the BSCI. On the one hand, the initiative offers a common CoC and monitoring system in order to avoid duplicate audits. On the other hand, the BSCI cooperates with similar organisations in the field.

In its first five years of existence, the business initiative practised an active participant acquisition policy. However, the high influx of new participants – currently growing at a rate of more than 20 companies per month – has made the BSCI one of the largest initiatives in the field and, therefore, active acquisition efforts obsolete. Nevertheless, the BSCI gladly welcomes new participants to expand its network beyond the current state of over 1,000 participants and to reduce the number of audits at the single-producer level through shared participant-producer links.

While the BSCI aims to be recognised as an independent initiative, it also collaborates with similar organisations – whenever possible. For instance, a SA8000-certified producer is not required to undergo the initiative's monitoring process. Farms audited according to Global G.A.P. GRASP or certified according to RA can leave out particular aspects of the BSCI audit. Recently, the BSCI has begun to go through the Global Social Compliance Programme's (GSCP) Equivalence Process in order to benchmark its system against the GSCP Reference Tools. In addition, the business initiative actively invites other organisations to join the benchmarking process and participates in GSCP's Partner Network – a platform for initiatives to share experience on sustainability compliance. With respect to training, the BSCI works closely with the FLA on the use of training materials and the holding of workshops.

3.4 Commitment from participants

The BSCI requires its participants to support their producers' development and invites them to take part in the initiative's decision-making processes. First, the BSCI employs two tools to measure participants' attention to their suppliers: the aforementioned Commitment Formula and the so-called RSP (i.e. one of the participants linked to a producer holds the responsibility for scheduling audits and – if necessary – overseeing the implementation of the CAP). If a participant then does not live up to requirements, sanctioning mechanisms (ultimately leading to suspension or termination of the membership) are invoked.

Second, participants can become involved in the steering of the BSCI either by taking part in one of the various Working Groups or by becoming a member of the Steering Committee. The Working Groups, in which BSCI officials serve as observers and facilitators, focus on various topics such as monitoring, capacity building or communication. Therein, changes with respect to standards, rules and processes are triggered and prepared for discussion in the Steering Committee. The Steering Committee consists of nine regular members. One of the seats is granted to a representative of the Stakeholder Council with consulting status.

Third, in an organisation as big as the BSCI, the National Contact Groups serve as intermediary between the Secretariat and the participants. This provides a platform for integration, consultation and consensus. In essence, it is a place to speak with one voice in order to articulate shared ideas. However, the participants are required to take on responsibility and engage in this given setting.

3.5 Training for participants and capacity building for producers

In recent years, the BSCI's development focus has shifted towards the empowerment of participants and producers. In that light, information seminars are carried out to introduce new participants to the initiative's CoC and its implementation methodology. Training sessions for buyers are targeted towards managers working in close relationship with producers to integrate the BSCI system into daily business and decision-making processes. Conferences are also organised to provide a platform for participants to share best practices on improving social compliance levels in global supply chains.

In parallel with training for participants, the BSCI is boosting efforts on capacity building for producers. In that regard, awareness-raising workshops in both the industrial and food production sector deepen the suppliers understanding of the initiative's system. These introductory courses walk managers through the audit process and offer guidance on meeting legal standards and the BSCI's CoC. The advanced workshops address the most frequent non-compliance issues in factories and farms. Therein, factory or production managers learn practical tools to effectively implement the CoC through case studies. In addition, a producer starter kit and an e-learning tool are designed to familiarise a broader audience of farms and factories in the sourcing markets with the BSCI system.

3.6 Engaging in multi-stakeholder discussions

Along with the empowerment of participants and producers, the BSCI attempts to enhance its engagement in multi-stakeholder discussions to create trust and mutual understanding. Therein, the initiative is leading an open dialogue with governments, trade unions, NGOs, and think tanks at all levels, and aims to intensify this communication. At institutional level, the Stakeholder Council initiates, approves and advises on routine BSCI policy issues. This body is intended to raise the voices of various stakeholder groups including trade unions and consumer organisations. In European countries, the initiative runs National Contact Groups in order to offer its participants a place to meet and share experiences. At international level, the BSCI seeks to join forces with similar organisations in order to homogenise standards and increase social compliance levels in global supply chains. In the sourcing countries, the BSCI fosters discourse with local stakeholders such as governments, trade associations and NGOs through Round Tables. The BSCI Country Representatives in China, India and Bangladesh are instrumental to form contact with these groups in order to help creating a common understanding of social compliance issues in a producer country before tackling the problems in the longer run.

3.7 Limitations of the BSCI

The actions of the BSCI are guided by its mandate. It builds on a collective approach in which each party takes responsibility. The BSCI is a business-driven initiative in its attempt to integrate social compliance in business practices. The CoC, however, serving as starting point for all the activities, has been developed on multi-stakeholder standards such as the ILO Core Labour Conventions and SA8000. In recent years, the BSCI has increasingly emphasised on stakeholder dialogue and capacity building in order to promote its development-oriented approach. Therein, the initiative aims to enable participants and producers to tackle and solve social compliance issues among them. Hence, it is not the initiative but the participants themselves managing the implementation of responsible business practices in corporate supply chains. For credibility reasons, it is important to monitor and enforce the participants' commitment on an ongoing basis.

The founding firms are highly motivated and knowledgeable in improving the state of social compliance in global supply chains. The latest generation of participants – largely characterised by importers and traders – is in general less experienced and acts more as user than as engineer of the initiative. This is mainly attributed to their comparatively small company size and their rather weak role as supply chain intermediaries. On the one hand, they face lesser exposure to reputational risks than the 'big brands' and, thus, are less vulnerable to pressure from society and more from their customers to drive change proactively. On the other hand, the importers and traders are closer to the social compliance issues, providing the chance to anchor responsible business practices as integral part of the daily business routine in the sourcing markets.

By its nature, the BSCI system provides fewer intrinsic incentives for producers to alter the status quo than a certification. Moreover, the initiative has no contractual relationship with the producers and, thus, limited direct authority to exercise influence. In order to change things on the ground, the participants' commitment and enforcement – to be accompanied by the BSCI's efforts in capacity building and stakeholder dialogue – is fundamental. Consequently, delineation of the initiative's responsibilities and participants' duties plays a superordinate role. In an ideal case, the delineation accounts for the different capabilities and development needs of the diverse participant base without overstraining the initiative's mandate, bearing in mind that the BSCI system rests on a collective approach requiring the contribution of all actors involved.

In order to draw on the bigger picture, the BSCI acts as facilitator and moderator. On the one hand, the initiative supports participants and producers on the journey towards enhanced social compliance levels in global supply chains. On the other hand, it bridges the policy-making of supranational organisations, national governments and trade unions with the awareness-raising of campaigners, think tanks and NGOs. Inevitably, the initiative's positioning in the 'middle of the road' evokes demands from all directions including internal stakeholders. In addition, the traffic is increasing, since similar initiatives, standards and certification organisations are en route inducing both, challenges and areas for collaboration. In order for the BSCI to flourish in such an environment, responsiveness to the latest developments and continuous refinement are essential.

4 Achievements

The BSCI enjoys a good reputation in the field of social compliance initiatives, attracting companies from diverse industry backgrounds with its ready-made system, the extensive audit data, the large participant base, the good service level and the credible system due to the Audit Integrity Programme. The number of producers – across industries and regions – meeting the initiative's requirements has been steadily growing.

4.1 Improvements in producers' business practices

a) The measurement system

The analysis of the producers' business practices is guided by the BSCI's audit methodology. Thereafter, external assessment of producers starts with an Initial Audit which is regarded as the start point for a new audit cycle. Producers that do not hold a valid Initial Audit (i.e. the Initial Audit is older than three years) or have missed a mandatory Re-Audit in the given audit interval (i.e. within twelve months after the second last audit), are considered as audit-methodology-inconsistent and are excluded from the assessment. Any time-based discrepancies in earlier intervals of the current cycle or in prior audit cycles are ignored within this analysis. As illustrated in figure 1, we evaluate the producers' level of compliance at the end of each year using two key performance indicators (KPI).

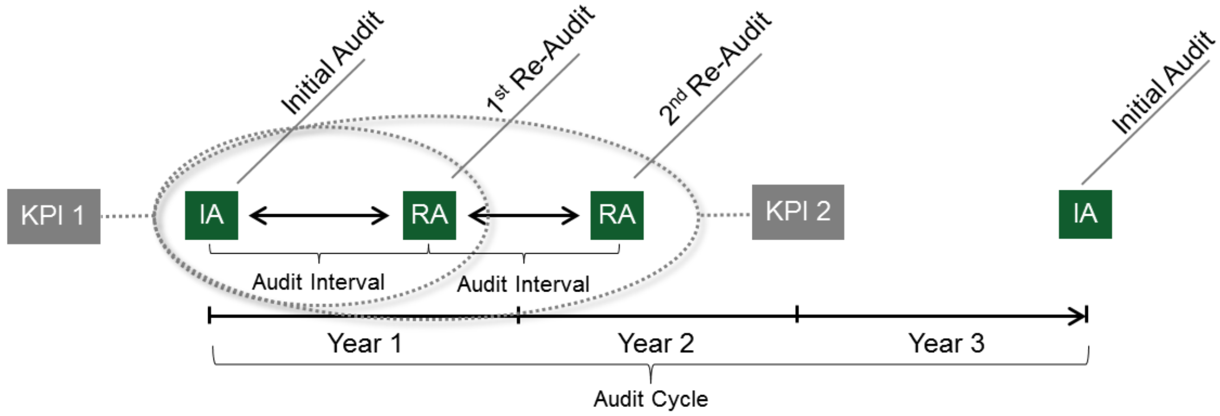

Figure 1: Analysis of audit results based on KPI 1 and KPI 2.

KPI 1 measures the producers' social compliance level within the first audit interval of an audit cycle. Producers achieving a 'good' result in the Initial or – if necessary – the first Re-Audit are considered to be compliant with KPI 1. The population for the relative calculation of KPI 1 consists of all producers that have started a new audit cycle within the last twelve months.

KPI 2 assesses the social compliance level of producers based on the three-year audit cycle. Producers adhering to the audit methodology and showing a 'good' result in their most recent Initial or – if necessary – Re-Audit are considered to be compliant with KPI 2. The population for the relative calculation of KPI 2 constitutes the sum of all producers adhering to the BSCI's audit methodology.

b) Producers' compliance in the first audit interval (KPI 1) and the audit cycle (KPI 2)

The number of producers living up to the BSCI's requirements has been continuously growing in absolute and relative terms. Hence, the BSCI is on track with its mission to drive social compliance in global supply chains. "Overall, there has been a very positive development on the whole topic of corporate responsibility. Until 2008, the pressure came very much from the participants. In the last five years, producers have become more aware and active," an auditor says. This is in line with figure 2 indicating the producers' compliance level in the first audit interval and the audit cycle. In the BSCI's first year of existence, one out of 15 audited producers was rated 'good' leading to a compliance level of seven per cent for KPI 1 and KPI 2. From 2005 to 2008, as the number of audits grew, both KPIs have moved parallel in a band between 10 and 25 per cent while the absolute number of producers rated 'good' has gradually increased.

In 2009, one year after the Commitment Formula was implemented and capacity building efforts have been scaled up, the relative compliance level improved to more than 30 per cent for KPI 1 and beyond 40 per cent for KPI 2. "Producers need some time to adapt and learn before the change becomes visible," another auditor points out. In the following years, KPI 1 has remained relatively stable whereas KPI 2 continued to grow until more than half of the 7,546 audit-methodology-coherent producers had reached a 'good' rating at the end of 2011.

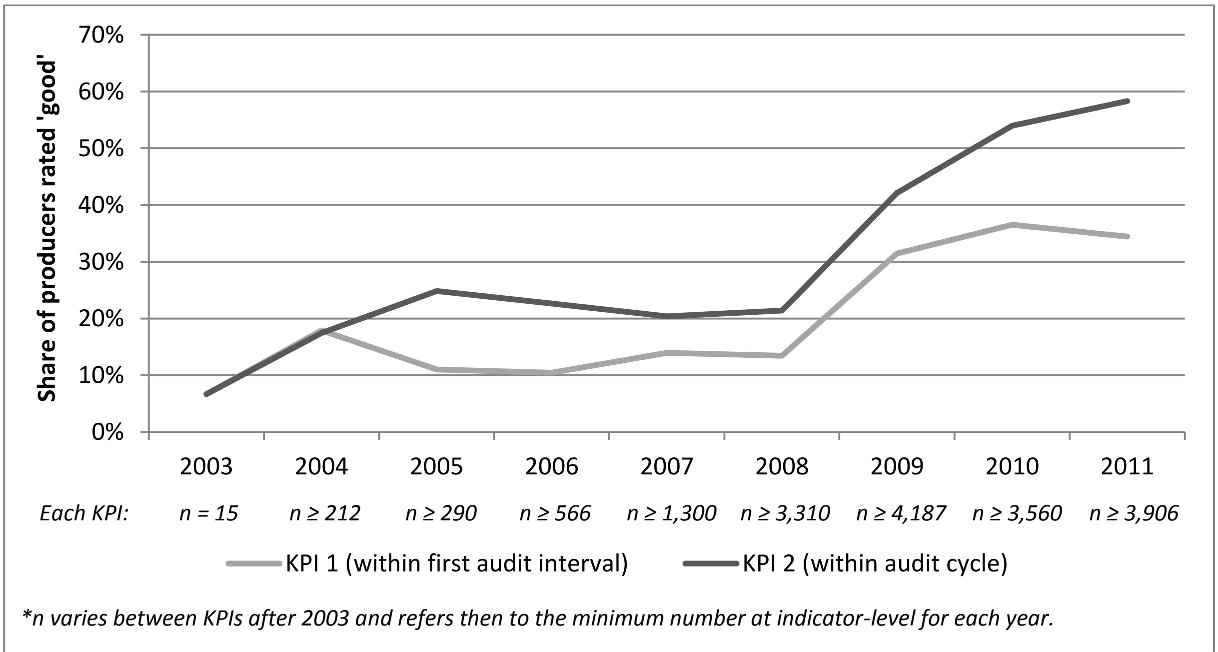

Figure 2: Producers rated 'good' in the first audit interval (KPI 1) and the audit cycle (KPI 2).

Figures 8 and 9 in the appendix provide a more detailed analysis of the evolution of the producer ratings ('good' vs. 'improvement needed' vs. 'non-compliant') within the first audit interval and within the audit cycle. With respect to the three-year audit cycle, farms and factories rated 'good' have gradually increased at the expense of producers rated 'non-compliant'. Since 2009, 'good' has been the single-most dominant category. Throughout the years, the share of producers rated 'improvement needed' has remained relatively stable at around 15 to 20 per cent. Regarding the first audit interval, the structure follows a similar pattern. At the end of the focal period in 2011, each of the three categories accounts for about one third of all producers that have started a new audit cycle within the last year.

Table 2 compares producers that have entered the BSCI system at different points in time. Group 1 refers to those factories with a first Initial Audit between 2003 and 2005, Group 2 contains suppliers with a first Initial Audit between 2006 and 2008 and Group 3 covers all factories and farms with a first Initial Audit between 2009 and 2011. Group 1 and 2 reach slightly higher shares of producers rated ‘good’ for both KPIs than Group 3 in 2011. However, Group 3 reveals a higher proportion of compliant producers when comparing the producers of each group in their first years within the system (Group 1: 2005; Group 2: 2008; Group 3: 2011). Yet we cannot find any statistically significant difference between the groups for a confidence interval of 95 per cent.

The number of producers in Group 1 of which 362 were audit-methodology-consistent in 2005 has decreased to 187 in 2011. Out of the 90 ‘good-rated’ suppliers in the audit cycle ending in 2005, 22.22 per cent have reached compliance in 2008, 12.22 per cent have received a ‘good’ rating in 2011 and 17.78 have complied with the BSCI’s requirements in 2008 and 2011. However, it must be acknowledged that the producers of Group 1 constitute a minority at the end of the focal period when the size of Group 3 (5,914 producers) is more than three times greater than the conjoint size of Group 1 (187 producers) and Group 2 (1,462 producers).

Table 2: Producers rated ‘good’ clustered according to the date of the first Initial Audit.

Producer cluster	Share of producers rated ‘good’	2005 (n)	2008 (n)	2011 (n)
Group 1 (Producers’ first Initial Audit in 2003-2005)	KPI 1	11.03% (290)	34.13% (126)	42.11% (76)
	KPI 2	24.86% (362)	50.00% (184)	60.96% (187)
Group 2 (Producers’ first Initial Audit in 2006-2008)	KPI 1	-	12.59% (3,183)	44.05% (740)
	KPI 2	-	20.06% (3,774)	64.84% (1,462)
Group 3 (Producers’ first Initial Audit in 2009-2011)	KPI 1	-	-	31.94% (3,090)
	KPI 2	-	-	56.68% (5,914)

c) Producers’ compliance in the main sourcing markets

In most of the main sourcing markets, the share of farms and factories adhering to the BSCI’s CoC within the three-year audit cycle is increasing. In this sample, the Indian producers do considerably better whereas the Bangladesh-based suppliers do considerably worse. The main sourcing markets of the BSCI’s participants are China, India, Bangladesh, Turkey and Vietnam, accounting for nearly 89 per cent of all audit-methodology-consistent producers at the end of 2011. Figure 3 indicates a positive trend for the share of producers rated ‘good’ in all of these markets. In the last few years, India has shown the highest level of compliant producers with three out of four businesses meeting the requirements in 2011. Chinese farms and factories reveal the highest growth from a compliance level of 18 per cent in 2008 to 62 per cent in 2011. Here, the reservation that producers can be rated ‘good’ even when the state does not allow for entirely independent trade unions must be made. Since the mid-2000s, the share of Turkish producers achieving a ‘good’ rating has fluctuated between 40 and 60 percent. Thereby, Turkey is different from the other nations in this sample. Bangladesh and Vietnam have caught up recently but could not permanently stay above 40 per cent of producers reaching compliance. Over the nine years, the average share of producers rated ‘good’ is 42.36 per cent with a standard deviation of 16.04 per cent across the five sourcing markets. For a confidence interval of 95 per cent, it is statistically significant that Indian producers are more likely while Bangladesh-based factories are less likely to comply with the BSCI's requirements.

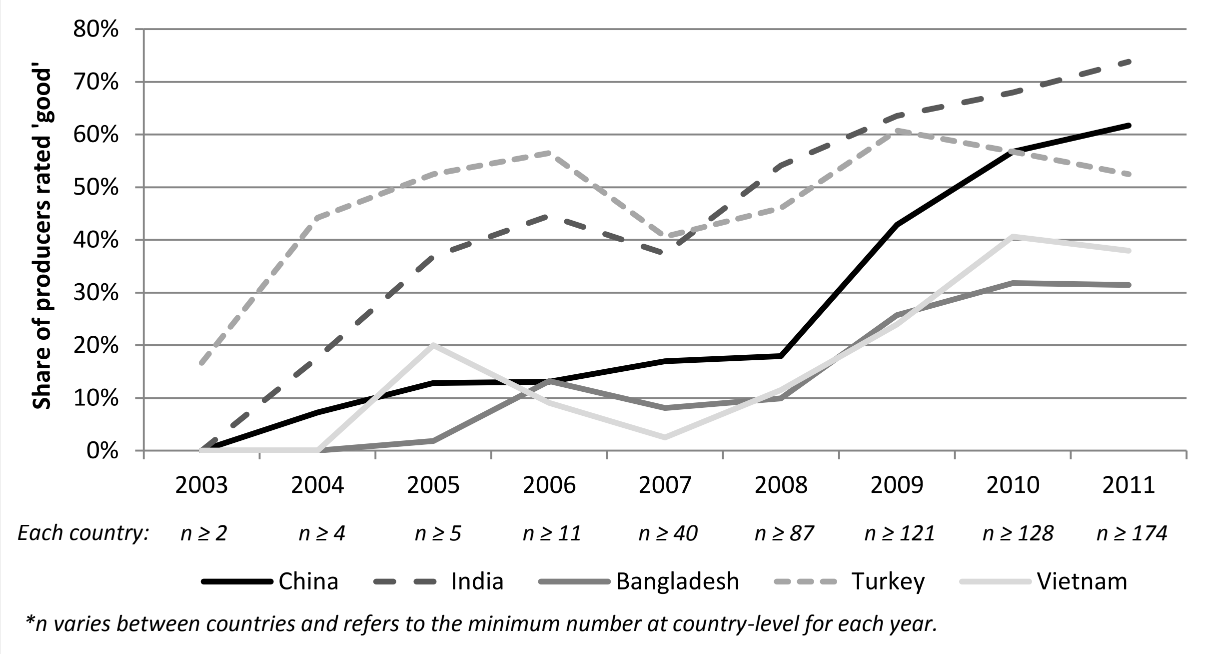

Figure 3: Producers rated 'good' (KPI 2) in the main sourcing markets.

In an exemplary manner for China, India and Bangladesh, the level of development and the nature of the legal systems seem to drive cross-national variations in the producers' level of social compliance. The three focal countries have experienced annual growth rates of more than six per cent during the last 15 years. Also, the shares of sectors contributing to the gross domestic product (GDP) are comparatively similar. However, China and India appear to be more economically prospering and politically stable than the less productive and considerably poorer Bangladesh. Also, with regard to investments in research and development (R&D) and infrastructure, China and India are ahead.

Indian legislation is based on the laws introduced by the British and includes distinctive policies on social issues such as working conditions and compensation. In China, attempts have been made to incorporate sustainability into law and to develop own standards. The most prominent example is the China National Textile & Apparel Council's (CNTAC) SA9000T. Yet, the country is also criticised for limiting several human rights including the right of collective bargaining in free and independent trade unions. And so is Bangladesh, which operates on an outdated labour law system having accepted the ILO standards only in part. A more detailed analysis of the political, economic, social, technological, legal and environmental (PESTLE) arena in the three Asian nations is provided in table 13 in the appendix.

d) Producers' compliance for the main product groups

For all product groups, the share of producers reaching a 'good' rating within the three-year audit cycle is growing. At the end of 2011, around 60 per cent of non-food factories reach compliance while farms are behind as they face more comprehensive coverage of their supply chains. The product groups clothing, other hard goods, textiles, electronic groups and shoes account for 88 per cent of all audit-methodology-consistent producers at the end of 2011. In addition, the food sector is included in the following analysis. Leaving the first five years with small populations in some of the product groups (i.e. n < 25 producers) out, figure 4 shows a positive trend for all product groups towards the end of the focal period. Until 2008, textile and clothing producers indicate a slightly higher compliance level than the others. This is most likely to be attributed to the longer experience of this industry with social compliance issues. From 2008 onwards – when the new Commitment Formula was introduced and capacity building efforts have increased – the remaining three non-food product groups have caught up. At the end of the focal period in 2011, the share of compliant non-food producers has reached a level between 57 and 67 per cent with shoe producers leading the table. Farms and food processors have not reached the number and compliance level of the other categories yet as the monitoring system requires a more comprehensive coverage of the food supply chain.

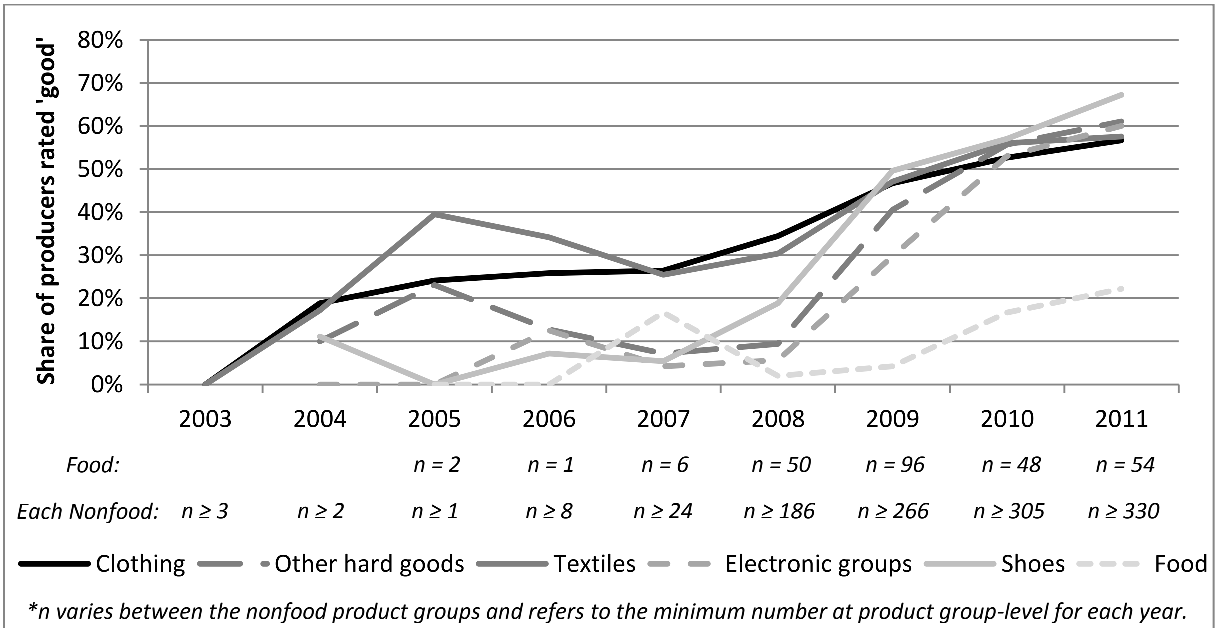

Figure 4: Producers rated 'good' (KPI 2) for the main product groups.

The share of audit-methodology-consistent producers varies greatly among the product groups with the vast majority of producers in clothing, other hard goods and textiles. Over the nine years, the average share of farms and factories rated 'good' is 39.70 per cent with a standard deviation of 14.64 per cent across the six product groups. Yet, the average share of compliant producers within the non-food factories ranges from 42 per cent to 48 per cent. Accordingly, for a confidence interval of 95 per cent, food producers indicate a statistically significant lower level of compliance with the BSCI's requirements. This is mainly driven by the Asian and Latin American farms and food processors, where less than 5 per cent of producers meet the requirements.

e) Producers' compliance for the main product groups in main sourcing markets

The producers' level of compliance is likely to be more influenced by the location than by the product group. Table 3 compares the share of producers rated 'good' across sourcing markets and product groups according to KPI 2 at the end of 2011. In China and India, the share of compliant factories is higher for most industries than the respective global product group average. For Bangladesh, Turkey and Vietnam, it is generally lower. In addition, the share of producers with a 'good' rating rarely shows much variance across industries within one country. For example, the average compliance level of producers lies between 59 and 68 per cent in China and between 28 and 32 per cent in Bangladesh. However, there are also exceptions. First, the proportion of shoe factories rated 'good' is high across some countries (e.g. in China, India and Vietnam). Second, the relative number of compliant textile suppliers is considerably higher in India than the national cross-industry average. This is the opposite for textile factories in Turkey and for producers of other hard goods in Vietnam. "Differences in compliance levels with regard to regions and product groups exist. For example, in the textile industry, seasonal variations and output-driven participants can cause a conflict of aims when considering producers' compliance with social issues," an auditor explains.

Table 3: Producers rated 'good' (KPI 2) for sourcing markets and product groups in 2011.

Sourcing country & product group	Share of producers rated 'good' (n)	Comparison to global product group average	Comparison to national cross-product group average	Comment
China				
Clothing	63.54% (1,366)	Better	Better	-
Textiles	60.54% (517)	Better	Worse	-
Other hard goods	62.84% (1,854)	Better	Better	-
Electronic groups	59.44% (498)	Worse	Worse	-
Shoes	68.08% (260)	Better	Better	-
India				
Clothing	70.00% (260)	Better	Worse	-
Textiles	80.66% (181)	Better	Better	-
Other hard goods	64.00% (50)	Better	Worse	-
Electronic groups	0.00% (1)	-	-	Sample too small
Shoes	71.43% (21)	Better	Worse	-
Bangladesh				
Clothing	31.77% (406)	Worse	Better	-
Textiles	27.78% (72)	Worse	Worse	-
Other hard goods	0.00% (2)	-	-	Sample too small
Electronic groups	NA	NA	NA	NA
Shoes	50.00% (4)	-	-	Sample too small
Turkey				
Clothing	59.04% (188)	Better	Better	-
Textiles	44.51% (182)	Worse	Worse	-
Other hard goods	60.00% (15)	Worse	Better	-
Electronic groups	40.00% (5)	-	-	Sample too small
Shoes	50.00% (2)	-	-	Sample too small
Vietnam				
Clothing	46.15% (39)	Worse	Better	-
Textiles	44.44% (9)	-	-	Sample too small
Other hard goods	29.51% (61)	Worse	Worse	-
Electronic groups	NA	NA	NA	NA
Shoes	77.78% (18)	Better	Better	-

f) Producers' compliance in the three main sourcing markets in relation to participant country

The share of farms and factories adhering to the BSCI's CoC within the three-year audit cycle is comparable across the different participant countries. Hence, the BSCI provides a system that works similarly for participants and producers across borders. Figure 5 shows the producers' level of compliance in China, India and Bangladesh in relation to the national roots of their customers according to KPI 2 at the end of 2011. Only those countries with a participant base of at least 25 companies that are linked to at least 25 audit-methodology-consistent farms and factories in each of the sourcing markets are taken into consideration. Although the share of compliant producers follows a similar pattern (mean = 66.00 per cent), the degree of compliance varies (standard deviation = 4.15 per cent). For example, out of 26 Indian audit-methodology-consistent factories supplying to Belgium-based firms, 23 have achieved a 'good' rating. This is equivalent to a compliance level of 88.46 per cent and the highest in this sample. Belgian participants also hold the highest share of producers rated 'good' in China (76.51 per cent) whereas suppliers to Swedish participants lead the table in Bangladesh (43.81 per cent).

Belgian and Swiss participants are relatively equal in numbers but differ in the amount of farms and factories that they source from. Switzerland-based firms purchase from more than twice as many suppliers (1,001 vs. 412) that are based in more than three times as many countries (31 vs. 10) in comparison with Belgian businesses. Hence, the analysis provided does not hold as a general predictor of producers' compliance level when related to a participant from a particular country. This is attributed to two reasons. First, it is highly unlikely that a producer supplies only to one participant or participants from one country. Second, the farms' and factories' progress depends to a large extent on the commitment of the RSP holder.

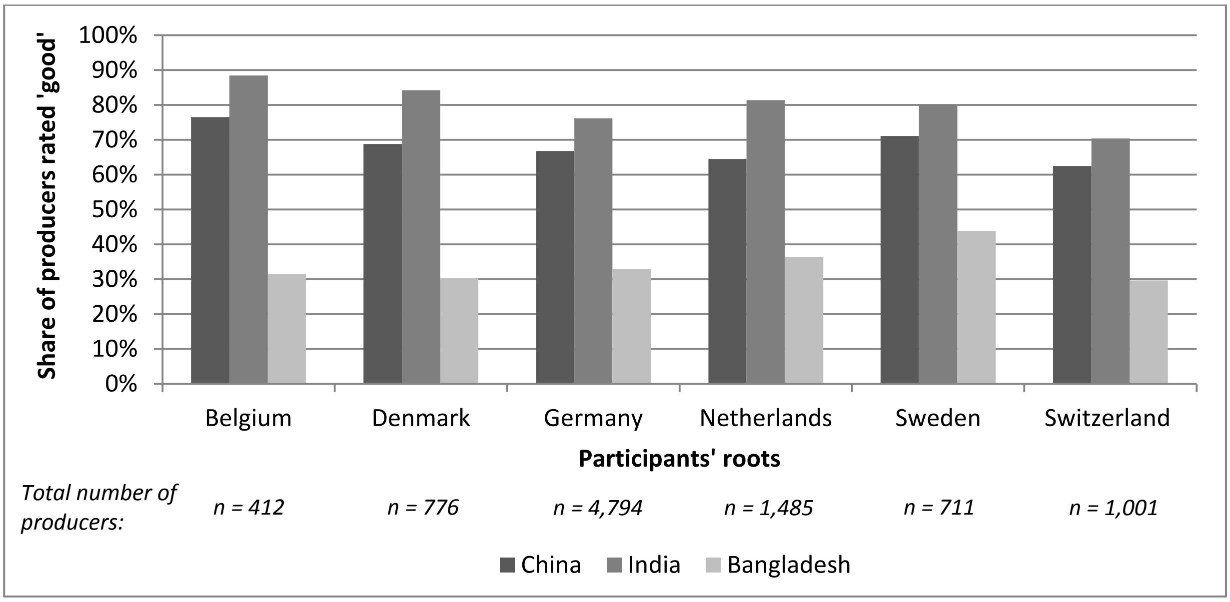

Figure 5: Producers rated 'good' (KPI 2) in relation to participant country in 2011.

g) Audit criteria causing 'non-compliant' or 'improvement needed' audit results

The two foremost criteria yielding 'non-compliant' audit results are 'Working Time' and 'Compensation' while 'Documentation' and 'Occupational Health and Safety' are the major causes for 'improvement needed' results in inspections. Table 4 and 5 show the factors that have a statistically significant higher or lower frequency of occurrence in audits with result other than 'good'.

For audits with the result 'non-compliant', 'Management Practice', 'Working Time' and 'Compensation' show a substantially higher frequency of occurrence in Initial Audits compared with the other audit criteria. Table 14 in the appendix reveals that 'Management Practice' as cause for 'non-compliant' results in full inspections has constantly decreased over time. However, the other two factors have stayed relatively stable between 65 and 85 per cent for both Initial and Re-Audits showing little improvement within the audit cycle. "There are several explanations for those two factors occurring so often", says a BSCI country representative. "On the one hand, it can be culturally driven. In China, for instance, it is common practice to work more than required. On the other hand, those factors are an outcome of poor management. For example, managers often plan badly. Then, the workers cannot help but stay overtime without getting extra pay. Thus, one criterion impacts on the other." 'Working Conditions' and 'Dormitories' display a significantly lower frequency of occurrence and thus the cause 'non-compliant' appears in both Initial and Re-Audits. Notably, the 'Dormitories' criterion does not apply to every producer.

Table 4: Audit criteria causing 'non-compliant' audit results.

Audit type (n)	Audit criteria with a significantly higher frequency of occurrence (weighted average)	Audit criteria with a significantly lower frequency of occurrence (weighted average)
Initial Audit (10,480)	• Management Practice (41.90%) • Working Time (79.21%) • Compensation (76.35%)	• Freedom of Association (1.91%) • Discrimination (2.65%) • Working Conditions (2.03%) • Dormitories (1.08%)
Re-Audit (5,762)	• Working Time (76.81%) • Compensation (71.03%)	• Working Conditions (1.21%) • Dormitories (1.28%)

For audits with the result 'improvement needed', 'Documentation' and 'Occupational Health and Safety' indicate a considerably higher frequency of occurrence in both Initial and Re-Audits compared with the other audit criteria. Since 2009, 'Occupational Health and Safety' has been an issue in 70 to 80 per cent of Initial Audits and in 55 to 65 per cent of Re-Audits with the result 'improvement needed' indicating a certain level of improvement within the audit cycle. From 2009 to 2011, 'Documentation' has stayed relatively stable at around 60 per cent in both Initial and Re-Audits. "Directives on 'Occupational Health and Safety' are constantly changing. Producers are simply not up-to-date. In contrast, 'Documentation' is an issue of expertise. Frequently, producers are administered by a single-person who struggles with the paper work," says an auditor. 'Child Labour/Young Employees', 'Forced Labour/Prisoner Labour' and 'Discrimination' show a significantly lower frequency of occurrence and thus rarely cause 'improvement-needed' results in both Initial and Re-Audits. Table 15 in the appendix provides a detailed overview on the share of incidents for each criterion in the respective 'improvement needed' audits over time.

Table 5: Audit criteria causing 'improvement needed' audit results.

Audit type (n)	Audit criteria with a significantly higher frequency of occurrence (weighted average)	Audit criteria with a significantly lower frequency of occurrence (weighted average)
Initial Audit (4,206)	• Documentation (58.16%) • Occupational Health and Safety (72.49%)	• Child Labour/Young Employees (3.09%) • Forced Labour/Prisoner Labour (0.12%) • Discrimination (0.12%) • Dormitories (6.02%)
Re-Audit (2,901)	• Documentation (60.29%) • Occupational Health and Safety (59.05%)	• Child Labour/Young Employees (3.34%) • Forced Labour/Prisoner Labour (0.00%) • Freedom of Association (2.48%) • Discrimination (0.00%) • Working Conditions (4.48%)

4.2 Homogeneous standards

The BSCI acts as facilitator of homogenisation in order to work more effectively towards augmenting social compliance levels in global supply chains across companies, industries and compliance organisations. In chapter 3.2, we postulate that the business initiative fosters homogenisation on two routes: By building up a large system of participants and producers and through cooperation with similar organisations.

The BSCI has been one of the first initiatives working on social compliance. "Especially in the early days, the BSCI was cutting-edge, offering a ready-made system for those companies that wanted to get started right away," say two participants in unison. Hence, it can be inferred that the initiative's approach is most attractive for those companies that have either little experience with social compliance or too little buying volume to enforce social compliance on an individual basis. "The BSCI is well-established in Europe and local presence in the sourcing markets positively affects its impact," another participant outlines. Thus, firms joining the BSCI benefit from the initiative's influence, in particular in Europe, its size and its ready-to-use scheme to improve working conditions in global supply chains. This unique selling proposition has fuelled membership growth leading to a system of over 1,000 participants and roughly 14,000 producers representing a turnover of more than US$600 billion that follow the same approach on social compliance.

Building on the 'pre-competitive' understanding of promoting sustainability in global supply chains, the BSCI has been collaborating with a growing number of similar organisations. SA8000 has served as best practice from the beginning and the BSCI encourages its participants to make this certification a standard within their supply chains. Also, the initiative's collaborative efforts with FLA, Global G.A.P., GSCP and RA indicate growing tendencies to alignment in which the core criteria of social and environmental sustainability are coming closer together. However, cooperation between compliance organisations cannot always be established. For example, closer collaboration with the Initiative Clause Sociale (ICS) or the Ethical Trading Initiative (ETI) has been aimed for but has not materialised yet.

4.3 Legitimacy of the BSCI's CoC

The BSCI's CoC is widely-acknowledged as legitimate despite some occasional criticism from campaigns. The widely-accepted ILO Core Labour Conventions, the UN Global Compact and the OECD Guidelines for Multinational Enterprises along with regular revisions and supporting services provide a solid foundation for the BSCI's CoC. However, implementation of the code also relies on national laws, in particular for compensation and working hours. "The discussion about minimum versus living wage is as old as the BSCI and we do not want to raise expectations which the producers cannot meet. We believe in the development-oriented approach. Thereafter, farms and factories adhering to national laws and ILO standards are encouraged to go for the best practice, SA8000," a BSCI Secretariat official points out.

Campaigners such as the Clean Clothes Campaign (CCC) and some scholars (e.g. Egels-Zandén & Wahlqvist, 2007) suspect the BSCI's organisational set up as a business-driven initiative and question its monitoring process. In response, the BSCI has enhanced its governance structures in order to foster dialogue with the critics. The interviewed stakeholders appreciate the BSCI's close relationship with SA8000, its review process employing public consultations and the system's ease of use while pointing out that the initiative's underlying structures and processes are somewhat unclear for the public. "The BSCI has enhanced the role of the stakeholders through the Stakeholder Council. In line with that, the Steering Committee listens to stakeholders raising their voices. However, the council's diversity and the stakeholders' role in the BSCI's decision-making process shall be further strengthened," an affiliate of the Stakeholder Council makes clear.

4.4 Avoidance of government regulation

The BSCI has flourished by supporting companies to meet the growing stakeholder demands on accountability while few legal obligations existed. At the beginning of the last decade, the EU focused its efforts on the liberalisation of trade and acted as facilitator of the World Trade Organisation's (WTO) General Agreement on Tariffs and Trade (GATT). It also recommended businesses' upholding of social matters but only on a voluntary basis. At the same time, customers and other stakeholder groups – in particular the aforementioned NGOs – have started to hold companies increasingly responsible for business practices throughout their supply chains.

Referring to chapter 2.1, one of the reasons for establishing the BSCI was to avoid legislative steps by demonstrating that European companies do not need to be forced by law to adhere to predefined steps for improving social compliance levels in their supply chains. Moreover, the initiative successfully took up position against the mandatory 'Made in …' label which would have discriminated imports from Far Eastern countries. "Legislation can and should set standards on social matters in order to get those going that otherwise would do nothing. Yet, laws can hardly help to reach those standards while the BSCI can deploy its strength as improvement system for the development needs of a growing number of participants and producers," a BSCI Secretariat official says. In essence, the BSCI backs legislative action on social issues to the extent where regulation acts as enabler and not as burden.

4.5 Further potential of avoiding multiple audits

The BSCI – through its shared platform – has a positive influence on reducing the number of audits at the single-producer level. However, there is room to further improve the effectiveness of avoiding unnecessary audits. Table 6 compares conducted and avoided Initial Audits and provides an approximation of the respective costs. The displayed Initial Audits are withdrawn from KPI 1 for each year. The calculations for columns three, four and five are based on two estimates. First, the system counts 13,711 producers and 44,358 participant-producer links at the end of 2011. Hence, we infer that – on average – a producer is linked to 3.24 participants. Second, the cost of an audit amounts to US$750-1,250. For the calculations, we use the average of US$1,000. Over time, the number of conducted Initial Audits has grown to 17,346 costing US$17,346,000. The number and calculative cost of avoided Initial Audits is more than two times greater amounting to 38,772 and US$38,772,000 respectively. When taking Re-Audits into account the calculative cost of all avoided audits is well-likely to be around US$65,000,000. It is impossible to make an informed guess for the overall amount of avoided costs, since the supplementary costs associated with the organisation of further audits, and the additional costs when using heterogeneous systems cannot be estimated.

Table 6: Number and approximated costs of conducted and avoided Initial Audits.

Year	Conducted Initial Audits	Cost of conducted Initial Audits* [US$]	Avoided Initial Audits*	Calculative Cost of avoided Initial Audits* [US$]
2003	15	15,000	34	34,000
2004	212	212,000	474	474,000
2005	290	290,000	648	648,000
2006	566	566,000	1,265	1,265,000
2007	1,300	1,300,000	2,906	2,906,000
2008	3,310	3,310,000	7,399	7,399,000
2009	4,187	4,187,000	9,359	9,359,000
2010	3,560	3,560,000	7,957	7,957,000
2011	3,906	3,906,000	8,731	8,731,000
TOTAL	**17,346**	**17,346,000**	**38,772**	**38,772,000**

*estimate.

The effectiveness of avoiding multiple audits depends on the number of participants that source from the same producer. Accordingly, competing companies work collaboratively within the BSCI to increase social compliance in their supply chains. 'The amount of overlapping suppliers is not as big as we hoped. Therefore, we hold quite a lot of RSPs," one participant explains. Moreover, unnecessary audits such as Re-Audits after 'good' ratings in previous inspections or two Initial Audits within two years take place. "Unnecessary audits occur because not all participants and producers have fully understood the system or because participants are following their individual approach. In an ideal case, the system should prevent this," another participant says.

4.6 Comprehensive data systems

The BSCI's data systems have evolved in terms of size, functionality and usability. The current platform accurately represents the network character in which companies come together to work jointly on social compliance in global supply chains guided by the tools and procedures provided by the BSCI. In the early days, the system was designed for a small number of entry points with the primary purpose of storing audit data. Due to the growing number of participants and producers, the need for a shared platform that allows for a wider spectrum of functions became evident. Today, the data systems serve as user-friendly interactive platform providing real-time access to data and resources on social compliance in one place. The user is supplied with up-to-date news, audit data, capacity building tools and guidelines as well as participants' and producers' details. In particular, the ease to connect with each other is likely to foster communication. The integrated audit scheduler addresses the timely conduct of audits. Lastly, the calendar function enhances the planning and execution of workshops.

4.7 Growth in participation

The participant base has shown impressive growth, making the BSCI one of the largest compliance organisations in the field. Figure 6 displays the evolution of the participant base subdivided by the main countries. The 13 founding firms of the BSCI came from Denmark, Germany, Netherlands and Switzerland. In 2004, the network was extended across the globe to include a trading company in Hong Kong. By 2008, the initiative had grown to more than 100 participants based in twelve European and one Asian country. Thereafter, participation has more than doubled every other year.

By 2012, the participant base had reached 1,014 businesses, including 20 firms based in Asia. The countries with the most participants are located in Central and Northern Europe in which Germany, Netherlands, Denmark, Austria, Switzerland, Sweden, and Belgium make up more than 90 per cent of all companies involved. In the beginning of 2013, the first two Australian businesses have linked with the BSCI spreading its participant base to yet another continent.

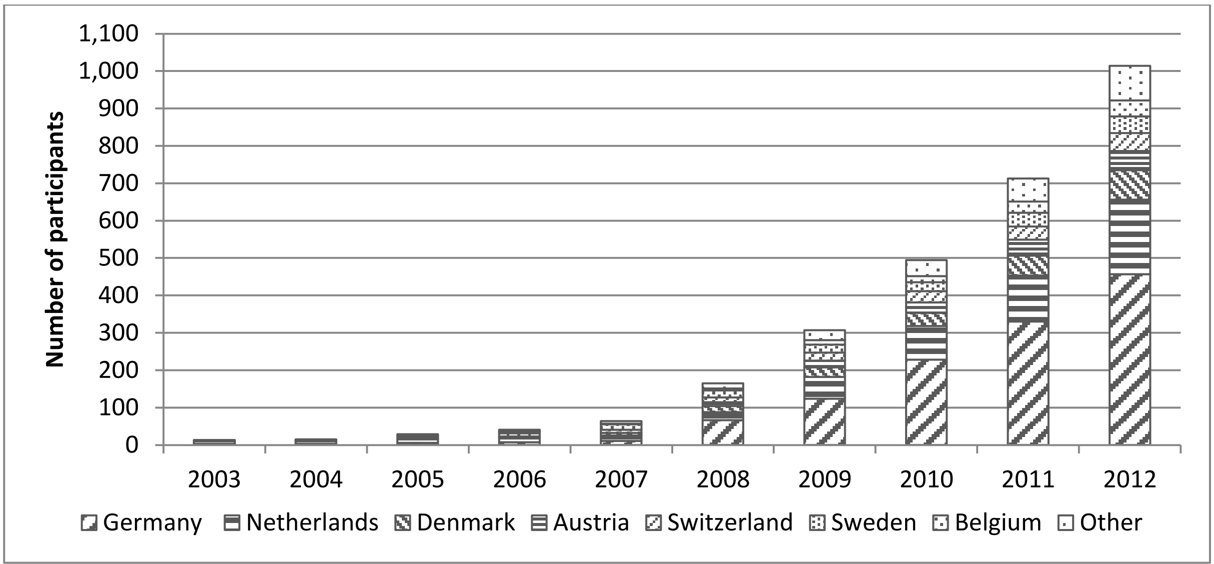

Figure 6: Growth in participation subdivided by the main countries.

The high participation growth starting in 2008 has mainly been triggered by retailers and supermarkets engaging their importers in the system. As shown in figure 7, the share of importers has grown significantly over time. While the two founding importers accounted for around 15 per cent of all participants in 2003, the 751 importing companies held a share of 75 per cent in 2012. In contrast, the nine retail companies were the strongest representation of a single category in 2003. Yet, its share has gradually decreased, so that the 95 retailers were overtaken by 115 brand companies to secure the second rank in 2012. Each of the other five company types has held an average share of less than five per cent during the course of the years.

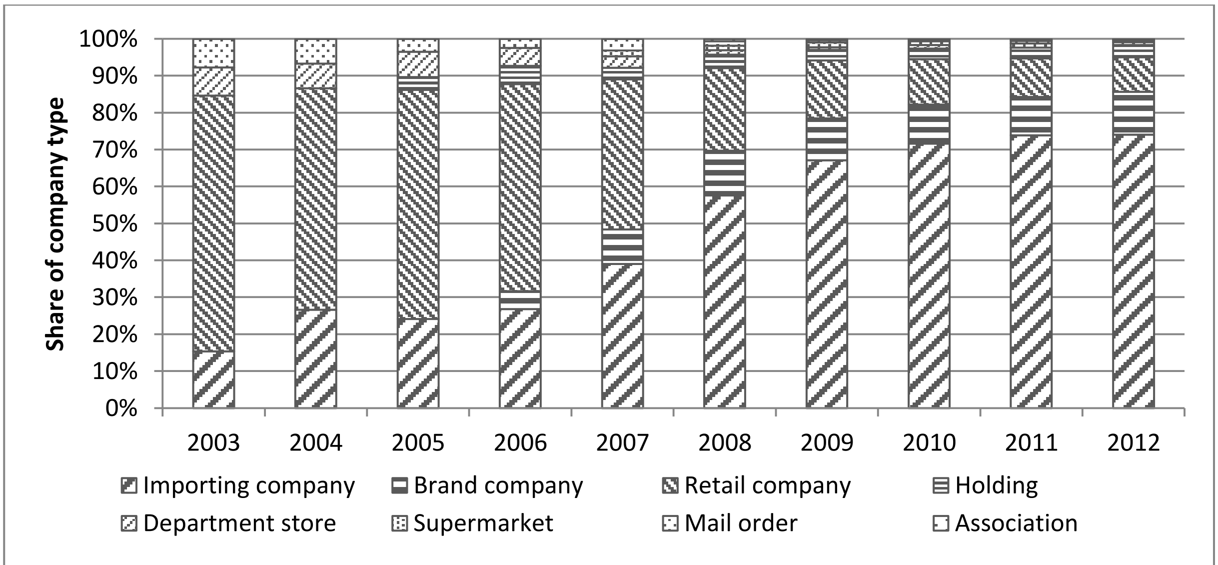

Figure 7: Participant structure by company type.

With regard to our evaluation of the participant structure, one reservation has to be made. The sole analysis based on the number of participants per company type might be misleading since the turnover and, in turn, the available resources to devote to social compliance vary greatly among the participants. Two thirds of the participant base report a turnover of less than €20m, one fifth indicates an income between €20m and €100m, and only one tenth is associated with revenues above €100m. Therein, the decreasing percentage of retailers is said to represent most of the turnover, buying volume and suppliers in the BSCI indicating the retailers' high importance for and influence in the initiative. Along with that, the decision-making process in the FTA reflects the differences in member size by allocating voting rights according to turnover brackets.

4.8 Increase in reach of audits

The BSCI has extended its reach on audits to cover more regions and product groups. Table 7 shows the number of first-time audited producers in the different regions per year. In Asia, the number of first-time audited suppliers has gradually increased from 9 in 2003 to 3,390 in 2009 and has remained at a high level thereafter. This growth is mainly attributed to progress in Bangladesh, India and especially in China. In Eastern Europe, the number of first-time audited producers has increased from 6 in 2003 to 201 in 2011, showing some fluctuation in the time between. Audits on African and Latin American suppliers started in the mid-2000s and have been growing at a slower pace. The declining number of first-time audited producers towards the end of the focal period may well be a long-term consequence of the global economic downturn at the end of the last decade. In sum, the BSCI has extended the audit reach, particularly in the Asian markets, while also building a strong presence in Eastern Europe. Yet the reach in Africa and Latin America remains relatively small.

Table 7: First-time audited producers per region.

Year	Asia	Eastern Europe (including Turkey)	Africa	Latin America (including Mexico)
2003	9	6	-	-
2004	146	62	3	-
2005	223	52	4	-
2006	456	53	7	1
2007	992	98	21	9
2008	2,786	176	38	9
2009	3,390	148	46	12
2010	2,282	79	30	14
2011	2,310	201	28	8

In the first year of the BSCI’s existence, 14 out of 15 audits concerned clothing and textile producers; in the remaining audit a toy producer’s adherence to the initiative’s CoC was assessed. In the following year, the audit focus extended to leather goods, shoes, jewellery, electronics, and other hard goods. In 2005, the first two food producers in Spain and China were inspected. Since then, the number of product groups covered in audits has gradually increased. For a complete list along with the number of audit-methodology-consistent producers in each category at the end of 2011, please see figure 11 in the appendix.

4.9 Evolution of the participant-producer network

The former one-way relationship of Western firms buying from emerging markets is evolving to a global cross-industrial network of participants and producers. Figures 10 and 11 in the appendix compare the participant-producer network in 2003 and 2011. In 2003, the initiative was very much driven by European retailers (green) that were concerned about the social compliance of their textile and clothing suppliers in Far East Asia (grey). In the meantime, the sourcing markets have gained economic power and many firms have developed beyond the state of a production unit supplying to Western brands. Chapter 4.7 reports that the first trading company from Hong Kong joined the BSCI in 2004; however, participation of businesses from the sourcing markets speeded up only towards the end of the last decade. At the end of 2011, eleven companies from China, Hong Kong and Bangladesh were part of the BSCI's participant base. In figure 11 in the appendix, these countries and several European nations are coloured in green and grey, indicating that the former delineation between participant and producer states is becoming more and more transcending. The newly entered participants from India, Thailand and Poland manifest the emerging trend that alters the traditional BSCI world of green (i.e. participant country) and grey (i.e. producer country) to a mixture of both.

4.10 Maintaining the reliability of audits

The BSCI has a functioning monitoring system and takes measures to ensure its reliability through control and action. In chapter 3.2 we state that a valid and reliable approach on auditing depends on two factors: a solid system and appropriate control mechanisms. First, the fundamentals of the initiative's auditing scheme have not been altered over the years indicating that the measurement system fulfils its purpose. In this respect, the involvement of different actors with the BSCI setting the monitoring principles and external SAAS-accredited auditors assessing the producers has proven suitable since each party can focus on its respective core competencies. Second, the initiative has implemented further internal and external control mechanisms – manifested in the Audit Integrity Programme – that are set to ensure adherence to the BSCI's principles of all parties involved in the monitoring process. These measures foster transparency of the auditing system and, thus, nurture its reliability. "The BSCI's basic concept of monitoring has always been good and the initiative has made a great effort to safeguard the audit quality, for instance through benchmarking its system against the GSCP Reference Tools," an auditor points out. In addition, the large and growing participant base reflects trust in the BSCI's approach.

While the conceptual design of the BSCI's monitoring system appears to be thought through, its operative execution can hardly be judged from our distant perspective. On the one hand, the initiative's system is highly standardised in order to make it applicable to the mass market. On the other hand, a mass product always comes with discussions about quality. "The quality of an audit largely depends on the participant that requests it," another auditor emphasises. "The price competition between auditors is already intense and the participants tend to 'squeeze' prices even further. This might have an adverse effect on audit quality and requires stricter guidelines," a BSCI country representative adds.

4.11 Representativeness of audit results on really improved working conditions

The question of whether audits can accurately measure or even enhance working conditions is controversially discussed. Accordingly, the interviews with BSCI Stakeholder Council affiliates, BSCI country representatives, participants and auditors unearth a plethora of opinions on this matter. Many interviewees claim that "an audit is a snapshot reflecting the conditions that prevail on this particular day and dissimilarities between the result of an inspection and the real-life working conditions are likely to exist". Others say that "the method of operation and seasonality nurture variance but the measurement, in general, is accurate".

The analysis in chapter 4.2 indicates that the absolute and relative number of producers adhering to the BSCI's requirements follow a positive trend across industries and regions. However, this does not mean that farms and factories that had been rated 'good' do not fall back to 'improvement needed' or 'non-compliant-status' in later audits. This adverse tendency is most often observed from one audit cycle to the next. Table 8 summarises possible explanations for this development provided by the interviewees.

Table 8: Reasons for the adverse development of producers' compliance level.

Frequency of responses	Reason
Often	• Changes in management • Changes in business practices and relationships • Changes in legislation
Medium	• More professional auditors • Short- versus long-term focus • Inaccurate previous audit
Seldom	• Audit fatigue • Falsified documents • Length of the audit cycle

Source: Interviewed BSCI country representatives, participants and auditors.

The case of relapsing producers exemplifies that – especially in a system that does not provide certification – there are few intrinsic incentives for producers to alter the status quo. This is attributed to the fact that when supply of a resource extends demand misconducts are likely to occur. In many developing countries, labour is an abundant resource. "The question is not whether audits provide an accurate picture of the prevailing working conditions but whether any alternative system would do better in the given setting," a participant points out. "Reliability of audits is a common problem but the BSCI approach – due to its close relation to SA8000 – follows a valid process. In addition to that, it should not be forgotten that auditing provides a baseline assessment; it is not the whole programme," a member of the Stakeholder Council adds. Inevitably, the functioning of the BSCI's long-term development-oriented approach depends on the participants' enforcement of the system. "The validity of an audit result is driven by the participants' serious interest in getting to know the conditions at the production sites of their suppliers. If participants do not act in a short-sighted manner, seeking not merely for a sheet of paper that states the producers' compliance with the requirements, the audit results are set to be less biased," another participant explains.

In chapter 3.2 and 4.10, we present the BSCI's efforts and achievements to ensure the reliability of the monitoring system. The random database follow-ups, surveillance audits and in particular the unannounced Re-Audits at factories rated 'good' are appropriate measures to address falsified documents and inaccurate audit results. "The BSCI is well-aware of the problems and continuously improves efforts to address these issues," two members of the Stakeholder Council explain consistently. Shortening the length of the audit cycle represents a trade-off. On the one hand, the number of audits at the single-producer level is expected to increase thereby raising audit fatigue. On the other hand, the pressure on farms and factories to keep up with the BSCI's requirements might advance. Other compliance organisations follow different approaches in which the audit cycle ranges from one (e.g. International Council of Toy Industries [ICTI]) via two (e.g. FLA) to three years (e.g. Fair Wear Foundation [FWF] or SA8000).

In essence, social auditing can help to identify the gap between the desired and currently prevailing working conditions but it cannot drive change without supportive activities. "Actually, the real work starts after the inspection as the audit result serves as indicator for the issues to address," a participant claims. In particular, the reasons that were named most frequently for the adverse developments of producers' compliance level represent constant challenges illustrating the need for continuous training and capacity building. However, the participants can hardly leave the responsibility for preparing their suppliers to the BSCI; they must regularly follow up on their producers as part of the operative procurement process discussing the state of CAPs and offering assistance to drive change.

At heart, the representativeness of audit results on real-life working conditions is a question of validity. The perception of acceptable working conditions is directly linked to the concept of quality of life and the parameters that define the quality of life vary across countries and cultures. Accordingly, there is no global agreement on a boundary that separates acceptable and unacceptable working time or adequate and inadequate pay. As a result, stand-alone data comparison struggles to succeed in assessing validity. "For some markets, the number of producers rated 'good' according to the BSCI methodology appears to be considerably higher when compared with the audit results of other compliance organisations," a BSCI country representative and a participant say in unison. Therefore, it is fundamental not to drive standardisation beyond the point where cultural, national and industrial peculiarities play a subordinate role. Flexibility is necessary to measure the working conditions that are largely influenced by different understandings of the quality of life accurately.

4.12 Expansion of multi-stakeholder discussions

The increasing focus on stakeholder management has nurtured the credibility of the BSCI. In particular, the development of the Stakeholder Council, the National Contact Groups and the round tables in the sourcing markets constitute milestones. "As a business-driven initiative, we know about the integral role of stakeholder dialogue and we work to continuously expand our network," a BSCI Secretariat official points out.

The Stakeholder Council performs an advisory role to the BSCI through its own meetings and holding a permanent seat at the Steering Committee. It aims to provide a platform for all stakeholder groups to express their opinion. In the mid-2000s, many NGOs had reservations towards the BSCI. Today, a growing number shows interest to steer discussions and influence the BSCI's decision-making. Since most of the contacts with NGOs are in the Central and Northern European countries where the majority of the participant base is located, the National Contact Groups play an integral role in stakeholder relations and external communication. "The functioning and impact of the National Contact Groups varies with the Swiss group serving as a very positive example," another BSCI Secretariat official explains.

In the sourcing markets, it is more difficult to identify the stakeholders to work with. Country representatives have been installed in China, India and Bangladesh not only to support the participants but also to help making contact with NGOs, local governments and trade associations through regular Round Tables. The establishment of a long-term relationship with the CNTAC serves as example of successful stakeholder management in the sourcing countries. For the future, the BSCI aims to broaden the reach and intensity of stakeholder management at all levels. Concretely, this means to establish more National Contact Groups (i.e. in France), build up networks beyond the textile industry, expand the presence in the sourcing markets, and make contact with NGOs focusing on environmental aspects due to the foundation of the Business Environmental Performance Initiative (BEPI).

4.13 Communication

The BSCI has developed from a reactive to a proactive approach on communication as a supportive element to drive stakeholder dialogue. The evolution of the communicative efforts can be clustered into three periods: 2005-2010, 2010-2011 and from 2012 onwards.

In 2005, the BSCI created the first two milestones with regard to external communication by launching its first annual conference and publishing its first annual report. At the same time, the initiative experienced exposure to NGOs due to a factory collapse in Bangladesh. "This was the trigger to increase stakeholder dialogue on a larger scale. Unfortunately, most of the resources were tied to develop the monitoring system," a BSCI Secretariat official remembers. The high influx of participants starting in 2008, as described in chapter 4.7, intensified the demand for more external communication. As a result, the annual report and the monthly newsletter have become established instruments.

In 2010, the discussions about a refinement of the governance structure began. These were reflected in de Man's (2010) report and prompted an upgrade of the Stakeholder Council, more frequent meetings of the Steering Committee and a solid foundation for the initiative's communication. "In the first six years, it often took the BSCI long to develop a position and many participants were cautious to speak about social compliance issues in public. Since 2010 more companies have become interested in external communication and the amount of announcements from the Steering Committee has yielded significantly more content for publication," the same BSCI Secretariat official explains. In addition, National Contact Groups have been established to deal with the local communication in the participant countries.

The two-year period of 2010 and 2011 has put the structures in place allowing the BSCI to move from a reactive to a proactive approach on communication. In chapter 4.6, we state that the user-friendly interactive platform is expected to foster communication between the BSCI, the participants and the producers. The latest tool is a webinar to share and discuss sector- and country-specific compliance issues with participants, producers and stakeholders across borders.

“For the near future, the BSCI pursues three goals. First, aligning the initiative’s positioning with the overarching goal of the FTA. Second, sharing more examples of participants’ and producers’ best practices. Third, providing data on countries’ and industries’ state of social compliance to a wider audience,” another BSCI Secretariat official opines. By aiming for these goals, the initiative’s decision-makers hope to uplift external communication to a level in which the BSCI becomes not only well-established in public, in particular in the participant countries, but also associated with a positive connotation.

4.14 More capable participants

The BSCI has raised the participants’ sensibility for social compliance and started recently to provide particular training sessions for purchasing managers dealing with producers on a regular basis. Ten years ago, social compliance was rarely on the corporate agenda despite the fact that some companies had started to feel growing pressure from external stakeholders. As one of the first organisations addressing social compliance, the BSCI has been offering valuable help, in particular for firms with a lack of experience on this matter. “When joining in 2005, the BSCI enabled us to embed a social compliance system within our company,” a participant points out. Still, participation in the initiative is not ‘one-stop-shopping’ since progress depends to a large extent on the companies’ motivation and commitment. “Through our participation in the BSCI, we have started to look deeper into the supply chain, especially at the production units which we did not do as much before,” another participant explains.

In response to the question as to how the BSCI has fostered the participants’ development of capabilities, interviewees consistently outline that the initiative’s trainings have a positive impact. “The sessions are valuable for new participants to get them introduced to the basic concept.” a participant states. “But a lot of companies involved in the BSCI have limited resources to devote to social compliance matters. In consequence, it is not an easy task for them to understand the system in full and act according to the rules,” another participant adds. Hence, the BSCI’s training sessions for purchasing managers are a good way to address the direct interface between participants and producers, and anchor social compliance in the day-to-day sourcing process.

4.15 More capable producers

Capacity building has been a major ambition of the BSCI and the growing number of ‘good-rated’ farms and factories indicates the positive influence of the initiative’s empowerment. “During the years, the producers’ trigger to reach ‘good’ audit results has shifted from external (i.e. participants’ pressure) to internal (i.e. suppliers’ intrinsic motivation),” a BSCI country representative says. Along with that, the BSCI’s capacity building efforts have moved from an expectation-based to a development-oriented approach.

This is particularly reflected by the growing quantity of both types of workshops. From 2004 to 2012, 7,333 managers attended awareness-raising workshops and 7,900 managers participated in advanced training courses conducted in twelve risk countries. After the workshops, the majority of attendees provided a positive feedback on the organisation and content. This holds across countries, sectors and topics. For the last four consecutive years, the BSCI's spending on capacity building was either the largest or second largest annual expense accounting for a six digit amount in Euros each year. Moreover, the ILO BSCI SCORE-project in China and the Public Private Partnership (PPP) in India have proven successful to leverage for resources and expertise across organisations. "Still, not all audited producers that would need additional training to build up their social compliance levels participate in the BSCI's capacity building," a member of the Stakeholder Council points out.

In essence, the BSCI has put capacity building on a solid foundation while the causes for 'non-compliant' and 'improvement needed' audit results in given industry- and country-specific contexts as well as improvable workshop participation rates of producers constitute steady challenges demanding the initiative's and participants' attention.

4.16 Committed individuals within the BSCI

The BSCI is directed by the Secretariat along with experienced professionals organised in the Steering Committee and various Working Groups. These delegates walk the extra mile in order to continuously enhance the initiative's scope and activities. In line with the example of Dr Michael Otto, our interviews with participants disclose that the delegates share leadership skills to establish and advance the BSCI. Such people can be considered institutional entrepreneurs who take their individual conviction as well as the strategy and practices of their respective companies to a superordinate level fostering the establishment of a standard. For them, the active participation in a voluntary organisation is often associated with slower progress on the corporate ladder. Therefore, the enduring commitment of these individuals deserves some additional acknowledgement.

The benefit for firms sending delegates to the BSCI is twofold. On the one hand, companies exercise influence to shape the establishment of a standard according to the corporate agenda. On the other hand, participation entails being at the forefront of the latest developments which can then be transferred to and implemented in the firms' business practices. This constitutes a competitive advantage in a time that is largely characterised by a race for standards, race for capability and race for interest. Yet there is also a downside to this. The public debate on initiatives, standards and certification is going on and the decision on the leading approach has not been made yet.

Table 9 shows the composition of the Steering Committee without the Stakeholder Council representative. Therein, almost half of the delegates have roles in the CSR or sustainability departments within their respective companies. The next most highly represented departments are procurement and quality assurance with two counts each. In addition, there is one delegate from the management board and one from public relations. Retail companies are the most highly represented company type occupying seven out of nine seats in the Steering Committee while holdings and importing companies have one seat each. The length of participation of the firms represented in the Steering Committee is distributed heterogeneously.

Table 9: Composition of the Steering Committee (without Stakeholder Council representative).

Role of the delegate* (n)	Company type (n)	Company entry (n)
CSR / Sustainability (4)	Retail company (7)	2009-2010 (3)
Procurement (2)	Holding (1)	2005-2006 (2)
Quality assurance (2)	Importing company (1)	2007-2008 (2)
Management board (1)		2003-2004 (1)
Public relations (1)		

*Contains duplications since some delegates' have more than one role according to their job description.

Table 10 shows the composition of the Working Groups. Therein, CSR and sustainability managers – similar to the Steering Committee – hold the highest share. In addition, social compliance specialists, buyers and quality assurance managers play a key role with at least ten counts across the Working Groups. With regard to the company type, representatives from retail companies hold a share of 49 per cent, importing companies account for 29 per cent while brand companies, department stores, holdings and supermarkets have minor shares. The length of participation of the companies engaged in the Working Groups follows a bell-shaped curve with most firms' entry in 2005-2006. Notably, four members of the Steering Committee are also involved in one or more Working Groups.

Table 10: Composition of the Working Groups.

Role of the delegate* (n)	Company type (n)	Company entry (n)
CSR / Sustainability (22)	Retail company (17)	2005-2006 (12)
Social compliance (13)	Importing company (10)	2007-2008 (7)
Procurement (10)	Brand company (3)	2009-2010 (7)
Quality assurance (10)	Department store (2)	2003-2004 (5)
Management board (4)	Holding (2)	2011-2012 (4)
Public relations (4)	Supermarket (1)	
Marketing (2)		
Finance (1)		
Other (5)		

*Contains duplications since some delegates' participate in multiple Working Groups and have more than one role according to their job description.

Many participants show interest in extending the management of social compliance to a holistic approach on sustainability. Consequently, the foundation of the BEPI, running parallel to the BSCI in addressing ecological aspects, provides a good opportunity to connect two aspects of the triple bottom line (TBL) in one go. Furthermore, it is often mentioned that translating the sustainability strategy into operational measures constitutes a major challenge. The BSCI's training sessions for buyers are a good start to build on this matter. The next milestone on the road is to anchor sustainability standards in the participants' operative processes through a hands-on measurement system for compliance issues.

5 Participants' expectations, satisfaction and benefits

The participants agree with the BSCI's mandate, recognise the significance of the Commitment Formula and report high levels of fulfilment with the initiative's obligations. The BSCI's organisational set-up is highly acknowledged while different understandings of the initiative's responsibilities and the participants' duties exist.

5.1 Expected areas of action & current satisfaction

Participants are satisfied with the BSCI's approach on monitoring, while the initiative's efforts on empowerment and stakeholder management are considered to be expandable. Table 11 summarises the BSCI's areas of action as suggested by the interviewed participants along with their respective level of satisfaction.

Table 11: The BSCI's areas of action.

Area	Issue	Participants' satisfaction
Monitoring	Approach on auditing to provide a proxy for real-life working conditions	High
	Appropriateness of the control mechanisms to eliminate misconduct	Medium
	Feasibility of the incentive systems to ensure reliability of the audit results	Medium
Training and capacity building	Empowerment methods to improve participants' and producers' capabilities	Medium
	Specificity of the trainings and workshops to address particular areas of concern	Medium
	Applicability of the tools and guidelines to meet the requirements of contemporary time	Medium
Engaging with stakeholders	Inclusion of internal stakeholders in decision-making processes	Medium
	Communication with external stakeholders to drive credibility and reduce public pressure	Medium
	Responsiveness and protection of the participants' interests*	-

*inconsistent with the BSCI's mandate Source: Interviewed participants.

The interviewed participants consistently agree that the BSCI's approach on auditing is sound. "A main value-added feature of the BSCI is to provide information on the working conditions at the suppliers' production sites," an interviewee outlines. In addition, most of the interviewed participants regard the BSCI's control mechanisms as suitable for detecting fundamental errors in the monitoring process while the organisation of audits and the incentive system for auditing bodies are controversially discussed. Some do not see a need for action while others aim for adjustments in order to ensure comprehensiveness of the producer inspections. "The outcome of the price negotiation between participants and auditors is likely to drive the scope and thoroughness of the producers' assessments. Therefore, we would like to see the BSCI setting stricter guidelines for the assignment and pay of auditors in order to improve the reliability of the audit results even more," two interviewees explain. Following the participants' suggestion would have two implications. First, the currently decentralised initiation and scheduling of audits would become more integrated demanding the BSCI to provide additional resources for coordination. Second, the participants or their suppliers – depending on who pays for the audit – would need to accept an increase in auditing expenses.

Empowerment of participants and producers is regarded as the BSCI's most important area of action. First, referring to the participants' responses presented in chapter 4.14, the BSCI's information sessions drive the participants' understanding for social compliance matters. Secondly, many of the interviewed participants argue that the initiative's capacity building for producers rests on a sound concept while more guidance is desired. "Awareness-raising workshops are valuable and we appreciate that the BSCI has started to offer advanced sessions with a distinctive focus. Still more assistance on the implementation of corrective actions would be valued," an interviewee claims. When asked about the applicability of the BSCI's tools and guidelines to meet the requirements of contemporary time, responses vary. Some of the interviewed participants are broadly content, whereas others claim that the BSCI should not be afraid of experimenting more with innovative ideas such as a 'pre-competitive peer approach' on capacity building. Thereafter, producers rated 'good' share best practices with similar farms and factories that face difficulties complying with the initiative's requirements.

The interviewed participants acknowledge the BSCI's attempts to improve stakeholder dialogue saying that the initiative moves in the right direction while the overall state of the BSCI's stakeholder management leaves further room for improvement. Internally, the structures to include stakeholders are well-developed. In chapter 3.4 we outline that participants can become engaged in the initiative's decision-making by taking part in the Workings Groups or by becoming a member of the Steering Committee. "Steering Committee members are quite influential," an interviewee says, proving the functioning of the participant representation. Furthermore, it is recommended that the farms and factories are given a voice, in order for them to feel more as subject rather than as object of the system.

As a business-driven initiative, many interviewees sense that the BSCI is responsible to protect the participants' interests in public. "When participants are attacked by third parties, we would like to see the BSCI being less defensive and more courageous," another interviewee explains. In response to this statement, it must be said that the BSCI – due to its mandate – can only support participants by providing advice on public communication or taking measures to investigate undesired incidents. Accordingly, the participants' claim concerning the BSCI to protect the individual participants' interests cannot be considered as one of the BSCI's areas of action. Externally, participants recognise the initiative's tries to open-up and get in touch with NGOs, think tanks and other stakeholder groups. "The amendments to the Stakeholder Council and the foundation of the National Contact Groups express the BSCI's willingness to change the status quo. At the same time, we still feel public pressure," the same interviewee states.

5.2 Expected deliverables & current satisfaction

Participants agree with the BSCI's mandate but ask for a more self-sustaining system that depends less on the participants' input. This indicates that there are different understandings of the BSCI's

responsibilities and participants' duties. Table 12 contains the BSCI's core deliverables as suggested by the interviewed participants along with their respective level of satisfaction.

Table 12: The BSCI's core deliverables.

Priority	Issue	Satisfaction
1	Offering participants the opportunity to start working on social compliance problems within their global supply chains	High
2	Equipping the participants with a ready-to-use system allowing for different capabilities and development needs	Medium
3	Extending the approach to a balanced system of monitoring, empowerment and engagement	Medium
4	Enforcing the system through appropriate control and sanctioning mechanisms	Medium
5	Providing the participants and potentially producers with a platform to come together and share experiences	High
6	Assisting the participants and producers with the implementation of the system	Medium

Source: Interviewed participants.

In chapter 1.1, we outline that the BSCI's mission is to support its participants and their producers by sharing information and practical solutions in order to enhance social compliance in global supply chains. The interviewed participants confirm that this is the initiative's number one deliverable displaying high satisfaction.

Since most of the participants have little knowledge on how to address and drive social compliance within their supply chains when joining the BSCI, the demand for a ready-to-use system is high, particularly when it comes at comparatively little costs. As stated in chapter 4.14, some participants face difficulties to fulfil their duty of supporting the producers' development due to their low capacities. On the one hand, this might give reason to consider amendments to the BSCI's standardised approach accommodating for companies' dissimilar capabilities and development needs. On the other hand, joining the initiative does not entail handing the responsibility to drive social compliance in corporate supply chains over to the BSCI. "There are two preconditions two make the system work. First, the participants must show motivation and commitment. Second, the BSCI can only live up to its potential when the initiative equally develops the three pillars backing its mission," an interviewee claims reflecting the medium-level satisfaction of the interviewed participants.

Referring to chapter 4.11, it is said that audits constitute the first step to improve producers' social compliance levels in revealing the issues to address. Thus, in order to enable sustainable improvements at the producer level, participants expect the BSCI to move beyond auditing in providing a complete system that balances monitoring, empowerment and engagement. In fact, to achieve a high degree of satisfaction, the interviewed participants would like to see the BSCI increasing its efforts on capacity building and stakeholder dialogue. More advanced capacity building workshops for producers are wanted to provide guidance on how to achieve compliance with the specific requirements of industries and countries for certain audit factors. Intensifying stakeholder dialogue, in particular with the critical ones, is considered to have a positive influence on credibility.

On paper, the interviewed participants recognise the BSCI's mechanisms to prevent free-riding while some concerns about the overall level of participant commitment remains. "The BSCI relies on the participants' devotion. Passive participants harm the functioning of the initiative," an interviewee states. The BSCI continuously monitors the participants' dedication according to the Commitment Formula and via annual planning figures of audits. In 2012, 14 participants that did not live up to the initiative's requirements were excluded. In 2013, many participants' commitment reaches the five-and-a-half-year reviews. This provides the Secretariat with an opportunity to prove its ability to assert and enforce the system. Notably, as technology advances, continuous real time check-ups will be conducted within the data systems in the near future.

Priorities five and six are closely interlinked, displaying high and medium levels of participant satisfaction. At heart, the BSCI is designed as a common platform to work collaboratively on enhancing social compliance levels in global supply chains. The large and growing participant base reflects the high appreciation for this approach. "There are hardly any other systems that have the size of the BSCI," an interviewee points out. Still, it is desired that the frequency and scope of communication between all parties intensify in order to promote a network rather than a one-way approach to drive social compliance in global supply chains. The interviewed participants concur with the BSCI as "empowering initiative enabling participants and producers to tackle and solve social compliance issues among them." It is understood as a proper delineation, in which each party needs to take responsibility. In order to guide the participants' and producers' action, the interviewed participants would like to see the BSCI to be open and responsive to the latest developments.

In essence, the interviewed participants' understanding of the BSCI's core deliverables is largely in line with the initiative's mandate while some suggestions go beyond. For example, one interviewee says that "The BSCI does not regard participants as customers". This opposes the Secretariat's understanding of the initiative's responsibilities exemplifying that there are ambiguities about the BSCI's level of service and the participants' input. Notably, this is likely to be a common effect in evolving organisations. On foundation, the path is usually not prescribed and dynamic developments require continuous refinement. On the one hand, the Secretariat cannot but acknowledge that the average participant's internal capabilities to drive social compliance have lessened over the last five years due to a change in the composition of the participant base. On the other hand, it needs to defend the BSCI's interests against the participants' demands according to its mandate.

5.3 Differences by participant categories

Participants commonly recognise the significance of the Commitment Formula as a tool to ensure the participants' contribution to the BSCI. "There is diversity in the participants' commitment," an interviewee points out. Although it is said that the participants interpret their role within the BSCI in different ways, none of the interviewed participants makes generalisations on particular industries or countries that display significantly more or less committed participants. On the one hand, there is consensus that the Commitment Formula is necessary to keep the pressure high. "The Commitment Formula is appropriate and there is no need for further delineation beyond food and non-food. That would only give room for excuses," another interviewee explains. On the other hand, the Commitment Formula is said to be too static assuming an unrealistic degree of consistency in the supplier base in a period of five and a half years. "Due to fluctuations in the supplier base, it is impractical to ask for a certain percentage of producers rated ‘good’ or ‘improvement needed’ after a certain period of time. More dynamic measures are awaited to ensure participants’ commitment,” a third interviewee outlines.

In response to this claim, two comments will be made. On the one hand, it must be acknowledged that variances in the producer base constitute a formal problem for rigorous assessment of the participants’ dedication according to the Commitment Formula. On the other hand, the RSP serves as a tool to evaluate the participants’ action towards suppliers within shorter intervals. Accordingly, given that the magnitude of supplier fluctuation – which cannot be judged from our distant perspective – suffices as cause for not adhering to the Commitment Formula, the BSCI might consider extending the basis for assessing the participants’ dedication including the RSP. For example, if a participant can prove that a specified level of variance in the producer base is expected to prohibit from fulfilling the Commitment Formula, the assessment of the participant’s dedication can be narrowed to the performance of the producers for which the participant holds the RSP. This would provide an alternative for companies with more frequent changes in the producer base to prove their sustainable commitment to boost social compliance levels in their global supply chains.

5.4 Participants’ grade of fulfilment with the BSCI’s obligations

The participants report high levels of fulfilment with the BSCI’s obligations, while some persistent challenges remain. Most of the interviewed participants say that the level of fulfilment with the Commitment Formula’s requirements is satisfyingly high. However, when taking the RSP into consideration, the picture changes. Since 2012, there is a new policy in place, according to which participants can give up on their RSP and many have done so, in particular for producers with unsatisfactory audit results. “The RSP is a delicate topic. There are producers that have several links to participants. Yet, no one wants to take the responsibility for a supplier that is largely unknown, since it might result in damages to the corporate reputation when undesired incidents occur,” an interviewee suggests. This shows that participants do not take uncontrolled risks, indicating that the ‘pre-competitive’ understanding to work collaboratively on enhancing social compliance levels is not without limitations. “The BSCI system is not intended as a selection criterion to build up sustainable supply chains based on pre-commercial checks but to improve compliance levels of participants’ existing suppliers,” a BSCI official makes clear. Consequently, two implications can be deduced. First, audit quality plays a crucial role in decreasing information asymmetries for participants. Second, the BSCI is set to ensure that the participants do not only go for the ‘low-hanging fruits’ by working with and taking the RSP only for those producers that are already rated ‘good’ or where improvements can be made easily.

According to the responses of the interviewed participants, the remaining challenges can be assembled into three groups. First, the initial challenge is to understand the BSCI’s requirements. “When joining the initiative, there is a flood of information about obligations. In that regard, we would like to see the BSCI providing more guidance to make new participants understand what the central obligations are,” an interviewee outlines. This is supported by another interviewee saying that “we are trying to actively engage but do not know whether we fulfil the requirements or not”. Second, social issues are oftentimes sensitive. “Even for experienced managers, it is difficult to follow-up on producers offering support for development, especially from the distance,” a third interviewee states. Third, as mentioned before, a volatile supplier base signifies a formal dilemma for the rigorous assessment of the participants' contribution according to the Commitment Formula. In particular, this is a concern for importing companies that are often forced to switch producers according to customers' requirements.

5.5 Participants' perception of the BSCI

The participants complement the initiative's organisational set-up while more emphasis on its operative implementation is sought. "The BSCI holds considerable potential. However, due to high growth in participation, the initiative has recently focused more on governance structures than on the issues on the ground," an interviewee says. Referring to chapter 5.2, the interviewed participants value the alterations to the BSCI's governance in order to better account for its responsibilities. This is particularly targeted at the initiative's efforts to provide a complete system that balances monitoring, empowerment and engagement. Yet it is also said that the new structures are not yet entirely in place. "The BSCI system is brilliant on paper. Still, the initiative has become somewhat bureaucratic and the sub-structures do not yet work well everywhere," another interviewee claims. Nonetheless, satisfaction with the initiative's overall service level is surprisingly high.

In the first place, the interviewed participants consistently associate the BSCI with its monitoring system that provides a solid baseline assessment. Many would like to see the Secretariat taking leadership beyond the provision of tools and guidelines. This is particularly reflected in the aforementioned requests to expand the current state of capacity building through the implementation of additional measures. "The BSCI should define its role a little stronger in terms of depending less on the participants' contribution," a third interviewee states. Accordingly, most of the interviewed participants would like to see the Secretariat taking additional staff on board – preferably managers with hands-on experience. Notably, the requests for the Secretariat to extend its efforts do not come with a discussion about the consequences. Inevitably, more activities and personnel at the Secretariat would account for more administrative expense.

5.6 Business case: Participants' perceived benefits from the BSCI

In a nutshell, participants take advantage of a complete system to improve working conditions in global supply chains that rests on well-established standards and utilises the strength of the mass. The participants consistently praise the BSCI as a good system to help companies in identifying and addressing social compliance issues in global supply chains. "The BSCI was one of the first organisations that put feet on the ground. They did not merely talk about improving working conditions in global supply chains. They went to the production sites and looked into the suppliers' business practices," an interviewee says.

The participants appreciate further that the BSCI's CoC rests on well-established standards such as the ILO Core Labour Conventions or UN Global Compact providing a legitimate basis. Yet, as indicated by the discussion about minimum- and living-wage provided in chapter 4.3, the BSCI does not go for the maximum bar. This has two implications. On the one hand, producers are granted the opportunity to climb the ladder by the steps. On the other hand, the BSCI is occasionally subject to criticism by campaigns. In that regard, it must be said that the public debate on initiatives, standards and certifications plays an integral role in keeping up pressure on established systems to strive for credibility and reputation.

Moreover, it is mentioned that the BSCI is well-known and widely-accepted among retailers and importers across Europe. Referring to chapter 4.4, we state that the more participants share a producer, the greater is the number of avoided audits. “The biggest benefit from partaking in the BSCI is the access to a complete and inexpensive set of tools that is binding on a large group of participants. In that sense, the joint effort is likely to create a greater leverage effect,” an interviewee explains. The statement indicates that the homogenisation of standards through a ‘pre-competitive’ understanding on improving working conditions in global supply chains is reflected by the participant base.

6 Scenarios on expected developments

Multi-faceted developments provide continuous challenges. Scenario 1 illustrates the trend of broadening global commodity flows, scenario 2 presents the expected shifts in firms' supply chain management practices, scenario 3 analyses the implications of the growing legislative efforts on sustainability and scenario 4 addresses the dynamics in the arena of sustainability standards. We conclude each scenario by providing implications in order for the BSCI to continue flourishing.

6.1 Scenario 1: Broadening global commodity flows

a) Hypotheses for scenario 1

(H1) Transport costs are expected to rise while labour cost advantages in the main sourcing markets are set to diminish.

(H2) New regions are likely to enter the arena of major sourcing destinations making the global procurement landscape more fragmented.

(H3) Trends indicate that businesses from developed countries (e.g. from Central Europe) are considering to relocate their manufacturing processes close to home (e.g. in Eastern Europe).

(H4) Corporations from emerging markets are expected to appear not only as seller but also as buyer in the global sourcing arena.

b) Underlying reasoning of the hypotheses in scenario 1

(H1) Transport costs are expected to rise while labour cost advantages in the main sourcing markets are set to diminish.

Transport is among the less predictable costs of 'offshore' sourcing. Ghemawat (2001) points out that geographic distance affects costs of transport especially for goods with a low value-to-weight ratio. Clothing and textiles as main sourcing items of the BSCI's participants fall into this category. Moreover, Benes et al. (2012) emphasise that the oil price may easily double over the next decade. This affects long distance transport. A study by PricewaterhouseCoopers (2009) finds that a revolutionary shift from fossil fuels to alternative energy resources is not expected until 2030. As a result, transport costs are likely to increase over the years to come.

According to the Hay Group (2013), labour costs are expected to rise at dissimilar levels across countries in 2013. On the one hand, the growth rate is forecasted to be in between eight and thirteen per cent in China, India, Turkey and Vietnam, which constitute the participants' main sourcing markets. On the other hand, it is expected to be less than five percent in most Eastern European countries. This provides two implications. First, the labour cost advantages of today's main sourcing markets are expected to diminish. Second, countries in close distance to the participants' home base appear to be appealing as alternative sourcing regions.

(H2) New regions are likely to enter the arena of major sourcing destinations making the global procurement landscape more fragmented.

Mexico, Taiwan and Thailand appear to be exceptionally wage-competitive (Yuk, 2013) and, therefore, attractive to labour-intensive manufacturing processes. In addition to this, large parts of Latin America and Eastern Europe have recorded steady upturns in foreign direct investment (FDI) and exports reaching annual growth rates of up 30 per cent (International Institute for Management Development, 2013). This allows for the interpretation that the appeal of new sourcing regions has been commonly acknowledged leading to more dispersed flows of goods and capital. Notably, raw material producing countries are likely to gain power due to the expected scarcity of resources (Moyo, 2012). Referring to chapter 4.11, this might lead to an inherent reduction in levels of misconduct and exploitation.

(H3) Trends indicate that businesses from developed countries (e.g. from Central Europe) are considering to relocate their manufacturing processes close to home (e.g. in Eastern Europe).

In order to control innovation, quality, accountability and working capital, many Western firms pursue directives on ‘reshoring’ production units close to home (The Economist, 2013). This trend is fuelled by three developments. First, the regulatory frameworks in developing countries are often not well-established impeding risks for doing business (Economist Intelligence Unit, 2012). Second, as mentioned in (H1), ‘nearshore’ locations such as those in Eastern Europe are becoming increasingly competitive. Third, sourcing in the same currency area provides the opportunity of avoiding adverse currency fluctuations that overshadow potentially lower procurement costs abroad (i.e. the sum of costs of goods sourced and transport expenses).

(H4) Corporations from emerging markets are expected to appear not only as seller but also as buyer in the global sourcing arena.

Ten years ago, multinational enterprises (MNE) were characterised by Western companies extending their business network abroad. Today, the picture has changed. Chinese Haier or Indian Tata serve as examples of transpiring emerging-market multinationals that sell and source on a global scale. These companies are – like their Western counterparts – exposed to risks to their reputations stemming from unethical business practices and, therefore, need to develop or adopt some sort of compliance system. Along with that, Brazil, Russia, India and China (BRIC) possess a growing number of middle-class households so that other developing nations in Africa and Latin America focus their activities on the growing demands from these countries (IDH Sustainable Trade Initiative, 2011). These developments are likely to result in an even more integrated world in which a global set of acceptable and unacceptable social norms is urgently required.

c) Implications for the BSCI in scenario 1

Since the global procurement landscape is likely to become more fragmented, the BSCI is expected to face requests for scaling-up capabilities and activities in the emerging sourcing markets while not losing focus on the established destinations. Furthermore, the emerging market MNEs become potential participants in the BSCI system to develop a truly global network of participants and producers. Therein, compliance with social requirements would be naturally enforced through market mechanisms.

6.2 Scenario 2: Sustainable supply chain management beyond tier-1 suppliers

a) Hypotheses for scenario 2

(H5) Companies are under pressure to (re-) engage in end-to-end supply chain management, thereby decreasing the number of intermediary stages.

(H6) Sustainability is likely to become a major output variable of supply chain management and more companies are set to look for guidance on how to implement it in their business practices.

b) Underlying reasoning of the hypotheses in scenario 2

(H5) Companies are under pressure to (re-) engage in end-to-end supply chain management thereby decreasing the number of intermediary stages.

Since the 1980s, many Western brand manufacturers have outsourced activities based on cost efficiency, thereby losing control over their end-to-end supply chains (Choi & Linton, 2011). As a result, they are subject to quality and delivery risks. The delivery problem can be illustrated by the Bullwhip Effect. It describes how demand variations cause temporary unavailability or abundance of resources at upstream supply chain levels beyond tier-1 suppliers. The longer the chain is, the greater is the variation and the greater are inventories or stock-outs. In addition to that, many sustainability violations occur at the production sites of upstream supply chain partners.

Further, long supply chains imply long lead times. Yet, fast fashion and state-of-the-art products capturing the latest consumer trends do not allow for long lead times to match supply with uncertain demand (Cachon & Swinney, 2011). Therefore, short lead times are wanted to decrease inventory levels, lower working capital and respond to changing consumer trends. As a result, there is a tendency among brand manufacturers looking deeper into their supply chains. This entails aiming for a decrease in the number of intermediary stages and exercising more control over their supply chains.

(H6) Sustainability is likely to become a major output variable of supply chain management and more companies are set to look for guidance on how to implement it in their business practices.

Customers and other stakeholder groups hold companies increasingly accountable for the business practices throughout their supply chains (Roberts, 2003). Inevitably, corporate responsibility is en route to be added to the traditional output variables of supply chain management: price, quality and availability. This is reflected in the growing number of firms joining sustainability initiatives indicating the imminent need for professional support on this matter. In line with that, referring to chapter 5.1, the interviewed participants emphasise the demand for more assistance with the implementation of corrective actions. This implies that many companies want to drive change but lack the tools to do so.

c) Implications for the BSCI in scenario 2

With companies aiming to (re-) gain control of their supply chains while being pressurised to ensure responsible business practices by all their partners, the BSCI is challenged to provide guidance, for instance, by offering a ready-made system that goes beyond tier-1 suppliers.

6.3 Scenario 3: The unlikeliness of a global one-size-fits-all approach

a) Hypotheses for scenario 3

(H7) Legislative bodies and foreign policymakers are set to increase their attention on sustainability issues further, but still have to build upon their respective national legal jurisdiction systems.

(H8) The diverse approaches to anchoring responsible business practices in legislative rules and preferential trade agreements (PTA) are expected to provide room for voluntary standards and initiatives.

b) Underlying reasoning of the hypotheses in scenario 3

(H7) Legislative bodies and foreign policymakers are set to increase their attention on sustainability issues further, but still have to build upon their respective national legal jurisdiction systems.

The UN Guiding Principles on Business and Human Rights laid out the foundation for national and supranational legislations to establish laws on sustainability (Ruggie et al*.,* 2012). These principles serve as a compass and find widespread incorporation. As a result, the legal frameworks in participant and producer countries increasingly focus on sustainability. Concrete implementations of ‘sustainability laws’ have been made, for instance, in North America (i.e. California Transparency in Supply Chains Act), in the European Union (i.e. A renewed EU Strategy 2011-14 for Corporate Social Responsibility) and in China (i.e. 12th Five-Year-Plan for the Environmental Health Work of National Environmental Protection).

Furthermore, many of the world’s leading trading nations, from Canada and the EU to Brazil and Chile, include human rights in their PTAs. It is estimated that over 75 per cent of the world’s governments participate in PTAs with human rights provisions (Aronson & Chauffour, 2011). These efforts illustrate the policymakers’ sincere interest in addressing sustainability issues but the execution and enforcement of such provisions is still in the early stages.

(H8) The diverse approaches to anchoring responsible business practices in legislative rules and PTAs are expected to provide room for voluntary standards and initiatives.

van Opijnen & Oldenziel (2011) claim that the dissimilarities of sustainability issues incorporated into legislation are expected to persist due to competition between countries. On the extreme, some analysts regard present endeavours as ‘legal inflation’ or a ‘new form of protectionism in disguise’ stressing that trade agreements are not the right place to address human rights issues (Aronson &

Chauffour, 2011). In that light, many policymakers in developing nations refuse to collaborate. Consequently, van Opijnen & Oldenziel (2011) call for regulatory bodies supporting credible initiatives that address sustainability issues in global supply chains. This suggestion allocates a legitimate role to voluntary initiatives and standards.

c) Implications for the BSCI in scenario 3

Due to the growing efforts of legislative bodies and foreign policymakers to incorporate sustainability into diverse national contexts, the BSCI is asked to position as a reliable and legitimate partner for the different parties facilitating the alignment of the diverse frameworks. This position would build on extensive stakeholder dialogue emphasising on the initiative's development-oriented approach to provide participants and producers with guidance on how to improve.

6.4 Scenario 4: Plurality of standards, more influential participants and emerging leaders

a) Hypotheses for scenario 4

(H9) Trends indicate convergence tendencies with respect to the core criteria of sustainability and differentiation processes regarding the attributes. This is likely to lead to a persistent plurality of standards.

(H10) Increasing dynamics in the market for sustainability initiatives along with rising public attention are expected to establish leading standards based on the superiority and authenticity of the initiatives' value proposition.

(H11) The initiatives' positioning is set to be driven by improved service levels and greater scope of activities as manifested in the value proposition.

b) Underlying reasoning of the hypotheses in scenario 4

(H9) Trends indicate convergence tendencies with respect to the core criteria of sustainability and differentiation processes regarding the attributes. This is likely to lead to a persistent plurality of standards.

The delineation of sustainability as the TBL of economic, social and ecological aspects finds widespread acceptance. At the same time, more and more initiatives and standards emerge provoking an increased fragmentation of the sustainability arena (Reinecke et al*.,* 2012). On the one hand, standard setters appear as collaborators sharing similar objectives, designs and processes. On the other hand, they compete for self-preservation, autonomy and market share. Referring to chapter 4.16, the public debate on initiatives, standards and certification is going on and the decision on the leading approach has not been made yet. Thus, the race for standards, race for capability and race for interest is likely to continue.

(H10) Increasing dynamics in the market for sustainability initiatives along with rising public attention are expected to establish leading standards based on the superiority and authenticity of the initiatives' value proposition.

According to Reinecke et al*.* (2012), the growing number of sustainability standards and initiatives foster the development of market mechanisms resulting in greater competition. Moreover, NGOs and other campaigners become better equipped than ever to report on sustainability concerns in public (Burrell, 2012). This is likely to further increase pressure on companies and compliance organisation. Hence, the initiatives and standards that provide comparatively more value-added to their participants while enjoying a credible reputation in public are likely to be advantaged in the race for standards.

(H11) The initiatives' positioning is set to be driven by improved service levels and greater scope of activities as manifested in the value proposition.

The aforementioned intensification of competition leads participants to increase their demands on initiatives and standards due to the alternatives at hand. Along with that, more and more companies favour a holistic stance on sustainability (i.e. addressing social and environmental aspects) over single-sided approaches (Thaler, 2012). The adoption and effectiveness of a standard is driven by the fit between the initiatives' activities and participants' capabilities (Simpson et al*.,* 2012). This allows for two inferences.

On the one hand, for initiatives targeting companies that aim to start addressing compliance issues, the level of service provided plays an integral role. Thus, participants' voices must be heard in order for the initiative to deliver value-added according to the expectations. On the other hand, a certification system targeting experienced and knowledgeable companies provides value-added through accreditation. In such a setting, responsiveness to participants' requests plays a less prominent role. In essence, the different compliance organisations are asked to position themselves according to the expectations placed upon them.

c) Implications for the BSCI in scenario 4

Facing growing competition and increasing public attention, the BSCI is challenged to engage in cooperation (with stakeholders at all levels in order to leverage internal and external resources) while building a distinctive and credible value proposition. In addition, to accommodate for the greater power of participants and their rising demands, the business initiative is asked to extend its scope from a social initiative to a sustainability standard (i.e. by developing the BEPI) and enhancing service levels (i.e. by professionalising training and capacity building efforts as well as ensuring accuracy of the audit measures).

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Appendix

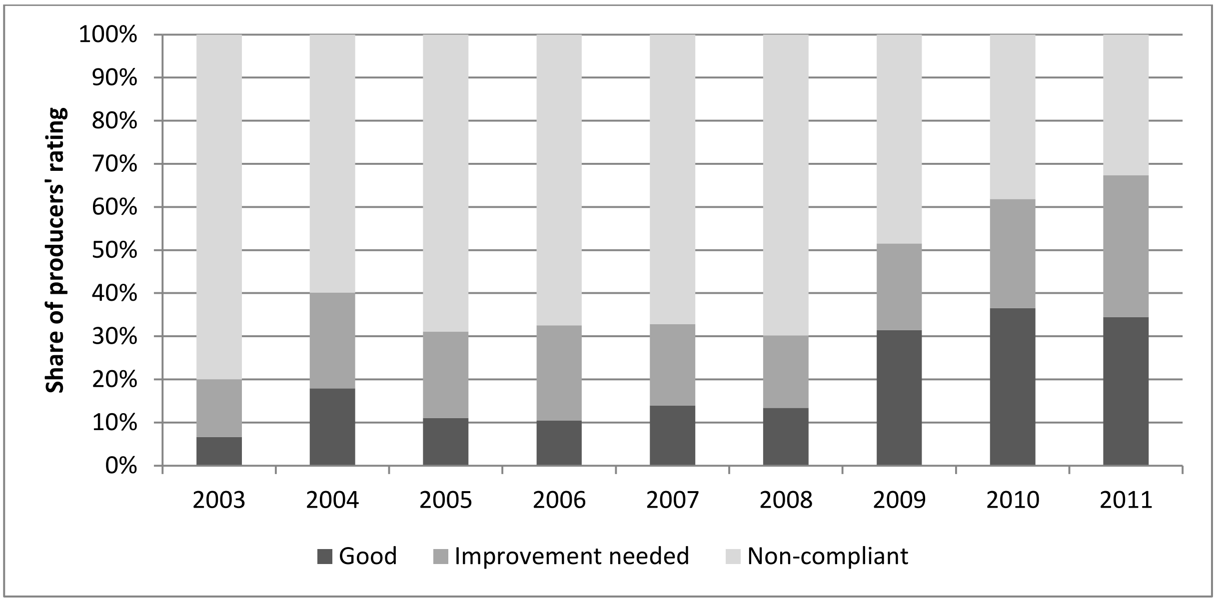


Figure 8: Structure of producers' rating within the first audit interval (1 year).

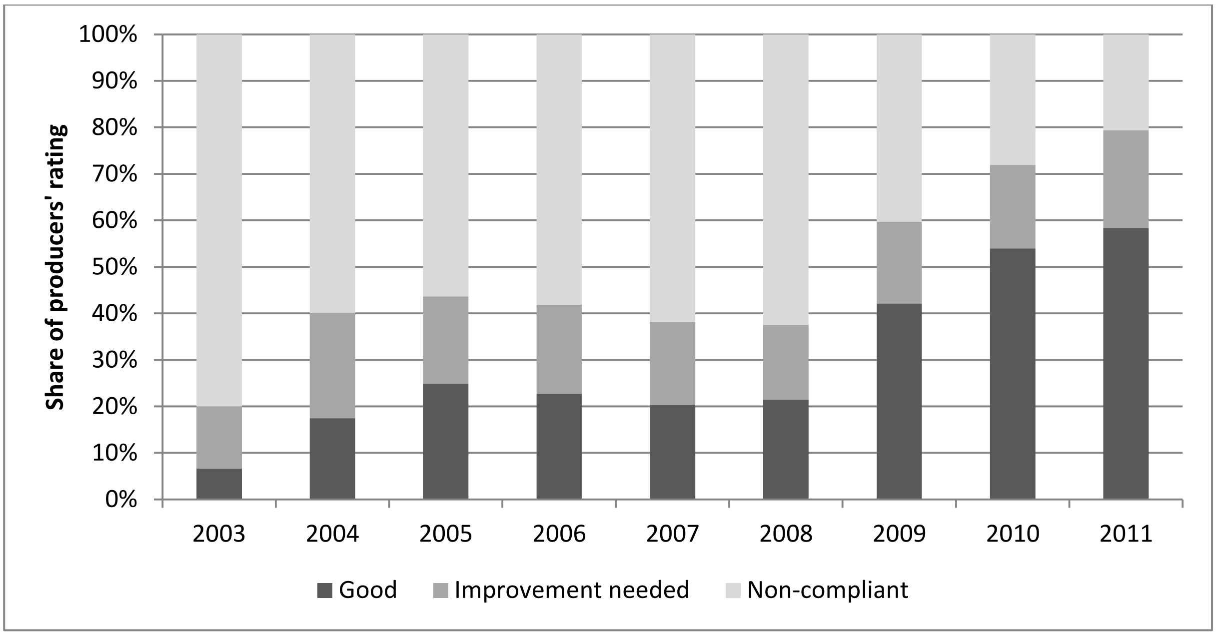


Figure 9: Structure of producers' rating within the audit cycle (3 years).

Table 13: PESTLE for China, India and Bangladesh.

Issue	China	India	Bangladesh
Political	• ranked low in democracy indices due to its authoritarian regime • communist state has increased outreach and participation in supranational organisations	• federal republic is ranked in the highest third in democracy indices but not without criticism • member of various supranational organisations (UN, G20, ASEAN and others)	• parliamentary democracy middles democracy indices with democratic and autocratic elements • instability: political tensions have led to violence • member of various supranational organisations
Economic	• moved from a centrally-planned to a more market-oriented system with growth rates of 7-14% • GDP composition by sector: agriculture: 10%; industry: 47% and services: 44% • world's largest exporter with annual trade surpluses of more than US$200bn • challenges: rising cost of labour, falling FDI inflows, rising corruption and sustaining job growth	• developed into an open-market economy with average annual growth rates of 7% • economic deregulation and liberalisation of FDI have been a major driver of growth • diverse industry structure: traditional and modern farming, handicrafts, industries and services • GDP composition by sector: agriculture: 17%; industry: 18%; services: 65%	• despite poverty, overpopulation and inefficient governance average annual growth rates of 6% • GDP composition by sector: agriculture: 17%; industry: 28%; services: 54% • attempts to intensify industrial development (e.g. in manufacturing and the energy sector) • gas reserves hold out chances on future prosperity
Social	• homogeneous society • urbanisation: population moves to the cities • secondary school enrolment above 80%	• heterogeneous society • caste system as means for social distinction • challenges: health care delivery and education (secondary school enrolment: 60%)	• homogeneous society • growing concerns about extremism • policy to improve education levels (secondary school enrolment: 50%)
Technological	• ranked average in an index measuring IT use • spending on R&D shows two-digit annual growth rates • running infrastructure projects worth US$150bn	• high spending on R&D to improve low capacity in STI in comparison to OECD countries • capacity of road infrastructure is outstripped; investments to improve rail transport	• poor infrastructure • insufficient power supply • humble attention to R&D
Legal	• root: Confucian ideology emphasising interpersonal relationships • dependent on ruling Chinese Communist Party • criticism for limiting several human rights • attempts to include sustainability issues into law	• root: English Common Law • law includes distinctive policies on social issues such as working conditions and compensation	• root: former British rule on the subcontinent and the Hindu and Muslim administration • outdated employment law and corruption within the system • criticism on the human rights record and only partly acceptance of the ILO standards
Environmental	• pollution in urban areas is among the highest in the world • addressed in the 12th Five-Year-Plan	• overstraining of natural resource, soil erosion and air pollution • subject to natural hazards	• high levels of pollution in urban areas • vulnerable to the global climate change • environmental sustainability is a low priority

Sources: Central Intelligence Agency, Economist Intelligence Unit, Euromonitor International, OECD, Reuters, UN, World Bank and national authorities.

Table 14: Frequency of occurrence of each audit criterion in Initial and Re-Audits with result 'non-compliant'.

Audit Type and Result	B1	B2	B3	B4	B5	B6	B7	B8	B9	B10	B11	B12	B13
Initial Audits with result 'non-compliant'													
2003 (n = 13)	92.31%	30.77%	46.15%	61.54%	7.69%	7.69%	23.08%	0.00%	0.00%	7.69%	38.46%	0.00%	7.69%
2004 (n = 152)	74.34%	34.87%	57.24%	64.47%	5.26%	9.21%	11.18%	5.92%	5.26%	13.16%	42.11%	3.95%	9.87%
2005 (n = 227)	55.51%	20.26%	67.84%	75.33%	7.05%	7.93%	3.08%	0.88%	1.32%	7.49%	30.40%	3.08%	6.61%
2006 (n = 413)	52.30%	20.82%	81.60%	76.76%	7.51%	10.65%	3.87%	2.18%	3.63%	5.33%	30.02%	1.69%	5.57%
2007 (n = 987)	50.66%	16.92%	85.51%	79.33%	5.17%	7.90%	1.22%	1.52%	2.03%	9.12%	24.42%	1.62%	5.57%
2008 (n = 2,586)	51.43%	23.55%	83.26%	80.20%	8.62%	6.07%	1.59%	3.02%	1.62%	15.78%	36.81%	1.08%	6.50%
2009 (n = 2,741)	50.31%	19.26%	77.05%	74.50%	10.69%	5.33%	1.97%	3.21%	1.97%	12.91%	35.21%	1.17%	8.68%
2010 (n = 1,723)	26.23%	11.55%	77.83%	74.41%	5.17%	3.37%	1.51%	2.79%	1.86%	7.08%	27.63%	0.64%	11.09%
2011 (n = 1,638)	16.06%	9.77%	77.35%	74.85%	3.11%	2.50%	1.47%	1.77%	2.38%	5.92%	28.82%	0.37%	10.13%
Weighted average	*41.90%*	*17.67%*	*79.21%*	*76.35%*	*7.28%*	*5.31%*	*1.91%*	*2.65%*	*2.03%*	*10.79%*	*32.14%*	*1.08%*	*8.32%*
Re-audits with result 'non-compliant'													
2004 (n = 9)	22.22%	11.11%	44.44%	55.56%	0.00%	33.33%	11.11%	0.00%	0.00%	0.00%	22.22%	0.00%	0.00%
2005 (n = 20)	55.00%	15.00%	45.00%	60.00%	5.00%	10.00%	0.00%	0.00%	0.00%	0.00%	10.00%	0.00%	5.00%
2006 (n = 59)	25.42%	8.47%	77.97%	77.97%	3.39%	5.08%	3.39%	0.00%	0.00%	5.08%	16.95%	3.39%	3.39%
2007 (n = 177)	38.42%	5.08%	81.92%	74.58%	3.95%	6.78%	0.56%	1.13%	0.56%	3.39%	9.60%	2.82%	5.08%
2008 (n = 1,107)	43.81%	16.08%	83.83%	78.14%	5.33%	3.25%	0.72%	1.54%	1.26%	10.66%	35.05%	1.26%	5.69%
2009 (n = 2,115)	35.79%	10.26%	73.05%	69.46%	10.83%	2.93%	0.85%	2.03%	0.85%	7.28%	32.20%	1.51%	8.18%
2010 (n = 1,453)	15.49%	4.20%	76.26%	68.07%	7.50%	2.68%	0.76%	3.37%	1.86%	3.30%	23.61%	1.10%	6.88%
2011 (n = 822)	7.18%	4.01%	77.98%	69.95%	3.53%	2.07%	1.09%	1.09%	1.22%	3.16%	18.37%	0.61%	5.47%
Weighted Average	*28.15%*	*8.80%*	*76.81%*	*71.03%*	*7.57%*	*3.02%*	*0.87%*	*2.08%*	*1.21%*	*6.16%*	*27.66%*	*1.28%*	*6.82%*

Explanation:

B1 = Management Practice; B2 = Documentation; B3 = Working Time; B4 = Compensation; B5 = Child Labour/Young Employees; B6 = Forced Labour/Prisoner Labour/Disciplinary Measures; B7 = Freedom of Association; B8 = Discrimination; B9 = Working Conditions; B10 = Health and Social Facilities; B11 = Occupational Health and Safety; B12 = Dormitories; B13 = Environment

Table 15: Frequency of occurrence of each audit criterion in Initial and Re-Audits with result 'improvement needed'.

Audit Type and Result	B1	B2	B3	B4	B5	B6	B7	B8	B9	B10	B11	B12	B13
Initial audits with result 'improvement needed'													
2003 (n = 2)	100%	100%	100%	50.00%	0.00%	100%	50.00%	100%	0.00%	0.00%	100%	0.00%	100%
2004 (n = 48)	64.58%	79.17%	45.83%	31.25%	6.25%	0.00%	31.25%	4.17%	14.58%	68.75%	85.42%	2.08%	18.75%
2005 (n = 62)	35.48%	79.03%	43.55%	45.16%	16.13%	1.61%	16.13%	0.00%	8.06%	45.16%	67.74%	11.29%	8.06%
2006 (n = 125)	44.80%	65.60%	34.40%	34.40%	4.00%	1.60%	11.20%	0.00%	8.80%	41.60%	68.00%	8.80%	16.00%
2007 (n = 258)	40.31%	68.60%	28.29%	31.01%	4.26%	0.00%	13.18%	0.00%	8.53%	46.51%	68.60%	6.98%	18.22%
2008 (n = 532)	41.35%	33.27%	13.72%	15.04%	2.07%	0.00%	6.39%	0.00%	4.14%	22.56%	33.27%	3.38%	8.83%
2009 (n = 853)	31.65%	63.66%	16.18%	19.34%	3.52%	0.00%	6.68%	0.00%	9.03%	32.36%	77.26%	6.21%	21.92%
2010 (n = 971)	25.64%	61.69%	14.52%	19.46%	2.78%	0.00%	6.28%	0.00%	7.62%	29.15%	77.86%	6.69%	23.17%
2011 (n = 1,355)	23.10%	57.49%	16.09%	21.48%	2.44%	0.00%	5.68%	0.07%	11.22%	27.97%	81.92%	5.90%	21.99%
Weighted average	*30.12%*	*58.16%*	*17.52%*	*21.21%*	*3.09%*	*0.12%*	*7.20%*	*0.12%*	*8.80%*	*30.69%*	*72.49%*	*6.02%*	*19.97%*
Re-audits with result 'improvement needed'													
2004 (n = 9)	55.56%	77.78%	66.67%	22.22%	22.22%	0.00%	11.11%	0.00%	11.11%	33.33%	77.78%	0.00%	44.44%
2005 (n = 25)	24.00%	44.00%	28.00%	28.00%	8.00%	0.00%	4.00%	0.00%	0.00%	16.00%	72.00%	0.00%	4.00%
2006 (n = 26)	23.08%	30.77%	30.77%	34.62%	7.69%	0.00%	7.69%	0.00%	3.85%	34.62%	65.38%	7.69%	11.54%
2007 (n = 62)	20.97%	50.00%	37.10%	20.97%	6.45%	0.00%	3.23%	0.00%	6.45%	27.42%	51.61%	8.06%	12.90%
2008 (n = 290)	21.72%	53.10%	32.76%	36.90%	4.83%	0.00%	6.21%	0.00%	5.86%	31.72%	57.24%	10.69%	18.97%
2009 (n = 859)	12.22%	64.14%	14.44%	28.41%	1.28%	0.00%	2.79%	0.00%	2.44%	23.40%	55.41%	6.75%	17.81%
2010 (n = 875)	5.26%	65.83%	14.17%	23.77%	3.54%	0.00%	1.60%	0.00%	3.66%	16.34%	57.49%	4.69%	21.03%
2011 (n = 755)	8.34%	54.44%	13.38%	28.87%	4.11%	0.00%	1.32%	0.00%	7.15%	19.34%	65.43%	5.30%	20.53%
Weighted Average	*10.58%*	*60.29%*	*16.82%*	*27.85%*	*3.34%*	*0.00%*	*2.48%*	*0.00%*	*4.48%*	*21.20%*	*59.05%*	*6.10%*	*19.41%*

Explanation:

B1 = Management Practice; B2 = Documentation; B3 = Working Time; B4 = Compensation; B5 = Child Labour/Young Employees; B6 = Forced Labour/Prisoner Labour/Disciplinary Measures; B7 = Freedom of Association; B8 = Discrimination; B9 = Working Conditions; B10 = Health and Social Facilities; B11 = Occupational Health and Safety; B12 = Dormitories; B13 = Environment

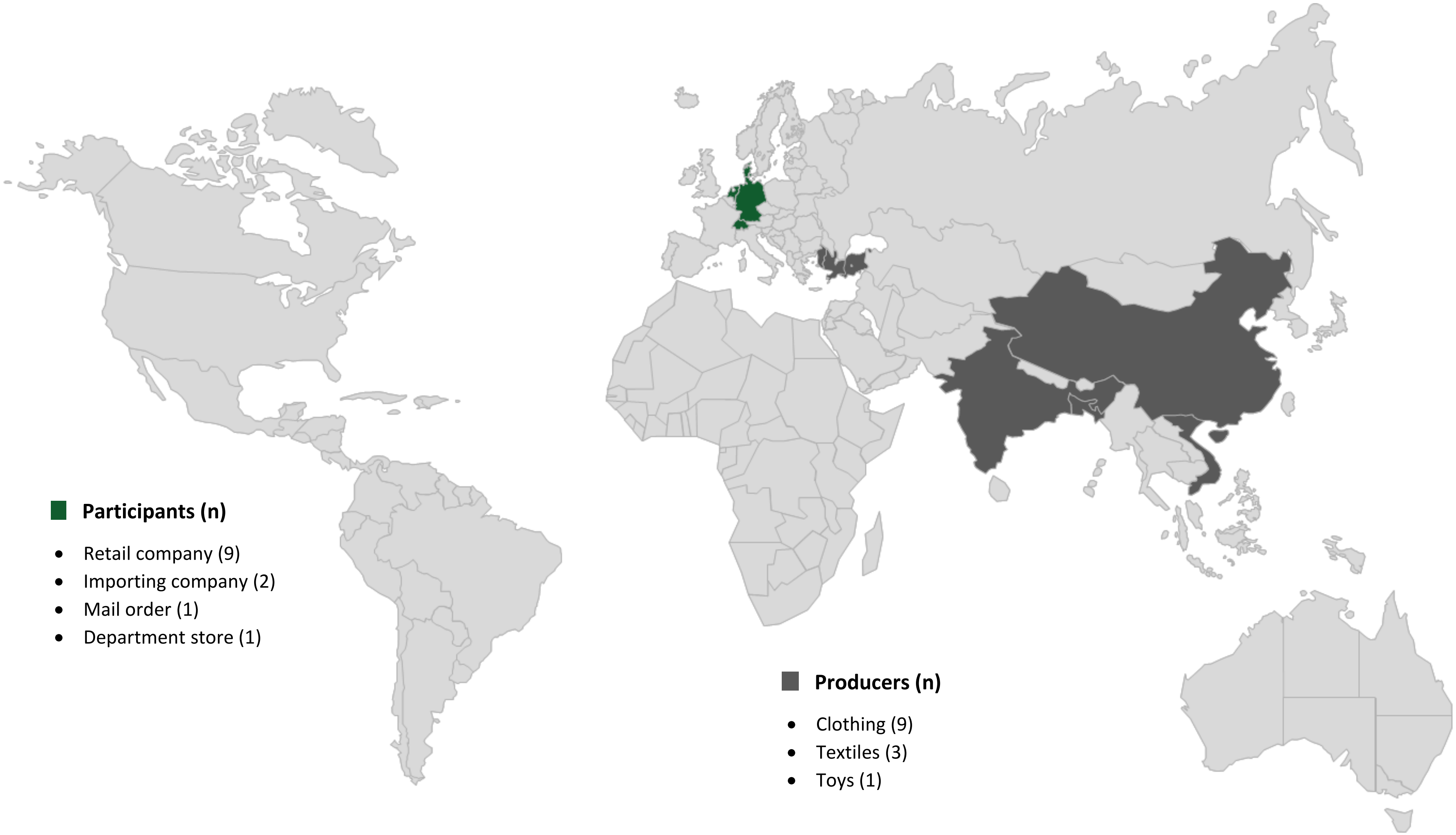
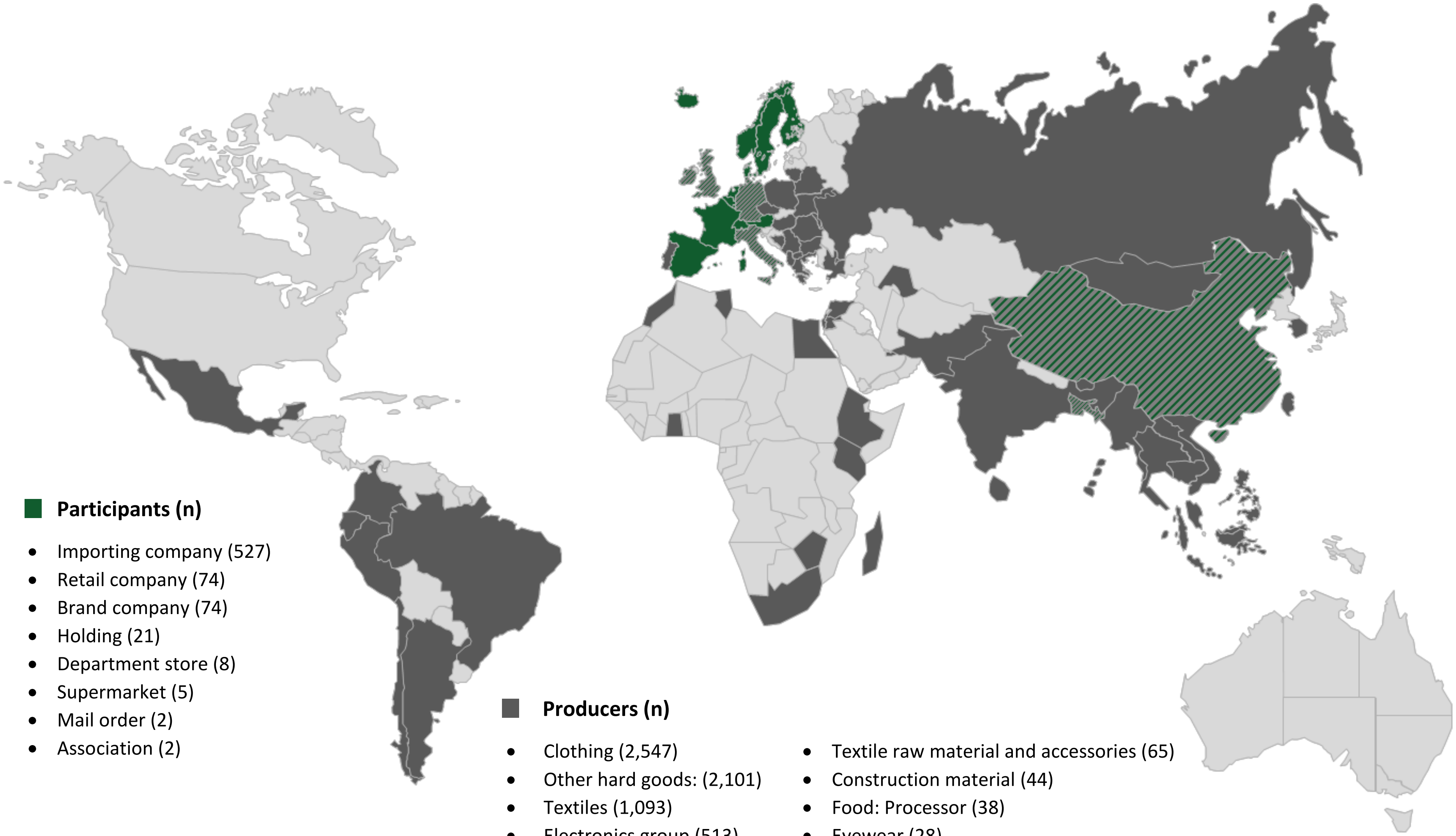


Figure 10: Participant-producer network in 2003.[1]

[1] Country borders are indicative.



Participants (n)

- Importing company (527)
- Retail company (74)
- Brand company (74)
- Holding (21)
- Department store (8)
- Supermarket (5)
- Mail order (2)
- Association (2)

Producers (n)

- Clothing (2,547)
- Other hard goods: (2,101)
- Textiles (1,093)
- Electronics group (513)
- Shoes (330)
- Furniture (253)
- Leather goods (166)
- Toys (159)
- Machinery (110)
- Textile raw material and accessories (65)
- Construction material (44)
- Food: Processor (38)
- Eyewear (28)
- Jewelry (21)
- Food: Fruit & Vegetables (14)
- Food: Commodities (1)
- Food: Aquaculture (1)
- Other (79)

Figure 11: Participant-producer network in 2011.[2]

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[2] Country borders are indicative.

About the authors

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