Amy Hall looked thoughtfully out the window as she rode the train from the Eileen Fisher headquarters in Yonkers to the showroom in Manhattan. As the Manager of Social Accountability for the stylish women’s clothing company, she had an important mission to carry out. A brand name with a reputation for simplifying women’s lives by creating attractive yet comfortable designs, Eileen Fisher was also the CEO and Hall’s boss. Fisher relied on Hall to answer the difficult questions about how the small company could maintain low production costs while meeting the expectations of its customers that clothing with the Eileen Fisher label was produced in a way consistent with the company’s stated mission and its founder’s ethics.

Hall contemplated the SA8000 standards that the company had adopted just five years ago, and the measures that had been implemented by Eileen Fisher and its suppliers since that time. While some progress had been achieved, there was much more that needed to be done. There had been some setbacks in gaining compliance with the stringent standards in certain facilities. In addition, competing standards had made Hall’s task of monitoring supplier facilities more complicated.

Looking toward the future, Hall also wondered about how the company’s current direction would affect her abilities to oversee the programs. A growth strategy was in effect, demanding the expansion of the retail business by five stores per year. How would Hall continue to manage the program effectively and efficiently?

“It’s not about clothes, it’s about people”

In 1984, Eileen Fisher created four garments which expressed her dream for simple, comfortable and stylish clothing that fit her own lifestyle. As an interior and graphic designer, she found these traits lacking in women’s clothes. After introducing her designs at the Spring 1984 Boutique Show in New York City and exhibiting at a second showing a few months later, she received enough orders to establish her eponymous brand, Eileen Fisher. The company was incorporated in 1986 and opened its first retail store in 1991.

From the start her concept was to “design simple clothes that work together and invite every woman to express her own style.” In the company’s mission statement, a unique corporate culture was outlined. Reflecting Eileen Fisher’s personal philosophy, individual growth and well-being, collaboration and teamwork, joyful atmosphere and social consciousness were the touchstones upon which employees and management were grounded.

As the company grew from a $40,000 operation in 1986 to a $130 million national retailer and wholesaler in 2002, it committed to making a positive impact on women’s lives beyond its clothing lines. It was recognized for its contributions to charitable organizations and for its civic participation. Among the awards it received were the Willis Harman Spirit at Work Award (2002), Top 500 Women Owned Businesses (Working Woman Magazine, 1999, 2000, 2001), and Vendor Excellence Award (Dayton Hudson Corporation, 1996).
By 2003, Eileen Fisher employed about 240 people, with corporate offices, showrooms, a distribution center and 28 retail outlets in 10 states (Exhibit X). After 17 years, the company remained privately held and controlled by its founder. Fisher herself remained involved in the design of the clothing, though less so in the day-to-day business dealings.

A changing industry

In the early 1990’s the U.S. garment industry experienced a fundamental shift. Brand name clothing companies began outsourcing the majority of their garment production, entering contracts with factories outside the United States, mostly in China and other Asian nations. While the U.S. had a 16% share of the world’s clothing imports in 1980, by 2000, it imported nearly 32% of the garments produced for trade worldwide. In the same time period, China’s share of world clothing exports grew from 4% to 18%. In the late 1990’s China was the largest source of imported apparel in the U.S. market; Chinese clothing made up 24% of U.S. imports from all of Asia and 13% of U.S. imports globally (Exhibit X).

As production moved to nations with lower labor costs, non-governmental organizations (NGOs) were raising awareness about working conditions occurring in the garment industry. Revelations of the use of child labor and reports of sweatshops producing goods for major brand names from Nike to Kathy Lee Gifford hit the newsstands. Though most nations had laws regulating working conditions and prohibiting child labor, enforcement was sometimes negligible. In addition, companies were unaccustomed to being questioned by consumers and interest groups about the practices of their contractors and several were targeted by boycott campaigns.

It became clear to the industry and to individual firms that codes of conduct could help the industry move beyond the sweatshop scandals of the 1990’s. These would, at the least, soothe consumer fears, and, in the best case, change the way business was done. The impetus to develop voluntary codes was also driven by new initiatives at the international level. In 1997 the Coalition for Environmentally Responsible Economies (CERES), formed by environmental, investor, and advocacy groups, launched the Global Reporting Initiative to encourage the transparency of corporate social, environmental and financial reporting. The United Nations followed in 1999 with the establishment of the Global Compact, a voluntary corporate citizenship initiative.

Several competing standards appeared on the scene to address the main social problems of the garment industry. The Fair Labor Association, representing a coalition of manufacturers, consumer groups and labor and human rights organizations, was launched in 1997 under the auspices of the Clinton White House. WRAP (Worldwide Responsible Apparel Production) was created by the American Apparel and Footwear Association and encouraged a less stringent reporting paradigm than other systems. The Worker’s Rights Consortium created a code of conduct to govern the production of clothing purchased by its member universities and colleges. Some companies created their own codes of conduct independent of other organizations.

SA8000 sets the standard
It was in this atmosphere that the SA8000 standard was developed and launched in 1997 by the Council on Economic Priorities (CEP). Patterned after quality management (ISO9000) and environmental management (ISO14000) standards, SA8000 aimed to bring the same rigor to the management of social issues in the workplace. To develop the standard, stakeholders from the labor movement, corporate representatives, and non-governmental bodies were convened by CEP.

Much like the ISO systems, SA8000 required an independent audit to certify a facility and follow-up surveillance audits to verify that the certification was still valid. Performance elements for SA8000 were derived from U.N. and ILO* conventions and declarations, with which national governments had agreed to comply. The SA8000 standard was not limited to the garment industry, but could be applied in any sector except extractive industries. It covered nine areas: child labor, forced labor, health and safety, freedom of association and the right to collective bargaining, discrimination, working hours, compensation, and management systems.

SA8000 provided a format by which facilities could undergo third party audits to verify and attest that they were providing a decent workplace, through compliance in all nine elements. Corrective actions recommended by auditors were part of the process to help bring facilities into compliance. Training for facility managers and workers was also a major component of SA8000 implementation.

By June 2003, certifications had been earned by more than 250 facilities in 36 countries, representing 34 industries and over 150,000 workers. Eleven companies had become signatories to the standard, which committed them to seek certification for company-owned or vendor facilities and to publicly report on progress towards that goal. By including verification and surveillance audits in the system, SA8000 squarely addressed the shortcomings of earlier corporate codes and statements of principle, which provided no confirmation that companies were taking any action.

One of the first companies to become an advisor in the development of the SA8000 standard was Eileen Fisher. There were several reasons that Eileen Fisher got involved at the early stages. According to Hall,

“Our corporate culture embraced recognizing employees and everyone who contributes to making our product successful. When it came up in the news about working conditions in the garment industry, it dawned on Eileen that we were forgetting somebody – the women who were the main producers of our clothing.

We thought it was important as an issue for our company, and we wanted to help create something manageable that would be seen as a globally recognized standard. We weren’t in a position to create our own standard. We had no expertise, and were too small. We joined the Advisory Board for SA8000 because we felt we could provide the perspective of a small company to make sure that SA8000 was actually manageable by a company like ours.”

* The International Labour Organization (ILO), a U.N. body, addressed labor issues at the international level.
Eileen Fisher and SA8000

Eileen Fisher took a lead role as one of the advising corporations involved in creating the standard and then became one of the first Signatories to agree to implement SA8000. But this was only the beginning of the process. In 1998 the Manager of Social Accountability position was created to focus the company’s efforts and ensure that the company met its goals in this area.

Within the organization, the social accountability function was located under the Vice President of People and Culture, who also oversaw the Director of Human Resources (Exhibit X). Prior to becoming the Manager of Social Accountability, Amy Hall worked for the company in public relations and community relations for five years. In 1998 Hall was selected to direct the implementation of the recently signed SA8000 agreement. In this new role, her time was split evenly between corporate social responsibility programs, such as SA8000 implementation, and community relations, including philanthropic programs.

Requiring a social standard meant convincing contract manufacturers to take on new responsibilities and duties, with the time and costs associated. For this reason, Eileen Fisher management decided to implement SA8000 internally as well. They felt that without undergoing the process within their own facilities, it would be difficult to convince suppliers to invest in the processes necessary to comply with SA8000.

A Steep Learning Curve

Eileen Fisher, like its peers, did not manufacture its own clothing, but rather sourced the garments from factories on contract. The company consistently employed around twenty manufacturers, with about half in the U.S. and half in China. Most of the factories employed by Eileen Fisher also produced clothing for other well-known brands.

Once Hall was chosen to lead the program, she set strategic goals and crafted a budget. She selected pilot facilities for internal monitoring and auditing, attended training to become an SA8000 auditor, and networked with other companies that were embarking on similar initiatives. The learning curve was steep and she spent the first six months just in training.

The steps for certification were outlined by SA8000 and at the start, Hall felt they were achievable in several locations. In setting goals for the first year of the program, Hall projected that Eileen Fisher’s internal facilities and one New York City factory would be certified by year end. According to Hall,

“We thought it would be easy for the U.S. manufacturers, and that we would have to focus on China. Within 6 months we realized that the U.S. factories needed a lot of help. We couldn’t say that we didn’t produce in a “sweatshop.” It was a big wakeup call for the higher ups at Eileen Fisher.”

She then turned her attention toward the China facilities. She quickly learned,
…you can’t just hand suppliers the standard. We had an immediate change of gears because our expectations were not accurate. There was a lot of handholding. We needed to be creative and persuasive, to take the necessary amount of time and to provide financial support.”

For the second year of the program, Hall targeted to have two factories take the first step towards certification, undergoing official audits to assess what compliance issues existed. This goal was not met either. By the third year her goals had become more realistic, working towards readying facilities for assessment audits and completing training.

**Supply Chain Implementation**

Hall used the SA8000 program to develop a systematic approach to supplier management. She gave all of her suppliers an SA8000 Statement of Commitment. Their agreement was not required to do business with the company, but Eileen Fisher reserved the right not to use their services if they would not commit. “All of our suppliers have agreed so far, but we will look at how they deal with the commitment over time to assess whether we would continue to use them,” said Hall.

Training was a huge component of the program to ready factories for certification. Hall organized and provided management training. Some training occurred internally within facilities and sometimes she sent managers to conferences to meet other suppliers. Worker training was facilitated through nonprofit organizations. Training was prioritized at Eileen Fisher’s top three facilities. The factories were chosen based on the length of their relationship with the company, their commitment to adopting SA8000, and the likelihood that they would remain suppliers. “For us, this was an investment that would pay out over time. These suppliers were primed to move into certification and so received worker and manager training all year round.” The others received less attention at this point in the certification process.

In both the U.S. and China, the main issue that arose in achieving compliance with SA8000 was the enforcement of wage and hour requirements. Clothing is a seasonal and fashion-influenced industry, so production needed to be fast-paced for brands to take advantage of trends or to hit the season at its height. Factories often received last minute orders, and workers put in overtime to fulfill the orders. Overtime pay was seen as a burden by employers, so oftentimes managers would not apply overtime rates to the hours worked. Basic wages for production were also quite low across the industry as that was the bulk of cost for the factories, and low cost was a factory’s main point of competitive advantage.

In China, there were laws governing wages and hours, however enforcement was lax. Many other labor regulations were also ignored, and that was the focus of Hall’s efforts to improve conditions in the Chinese factories. For Chinese suppliers, Hall made regular visits to the facilities, as did sourcing agents retained by Eileen Fisher and trained on SA8000 standards. “It is up to us to help the process along,” said Hall. On these visits, Hall assessed how factories were doing and set new goals for the facilities. While the sourcing agents were not hired to enforce SA8000, they played an important role. Based in Asia, they were in the factories weekly, and developed good relationships with the managers and floor supervisors. The agents facilitated the
meetings with managers when Hall made visits, smoothing the path for further cooperation on improving workplace conditions.

In the United States, Hall took a separate approach because the issues were quite different. Most of the suppliers were in New York City and tended to be very small, while the Chinese facilities had huge administrative staffs. Therefore the New York suppliers were less able to keep up with the paperwork and documentation required by SA8000. The burden of paperwork was a major barrier to enticing suppliers to become engaged in the program, so Hall focused her attention on the main source of compliance issues: working hours and wages.

In the New York garment centers, many workers were paid “off the books.” Employees and employers alike enjoyed benefits from this illegal arrangement, such as avoiding income taxes. The result was that when factories did enforce wage and hour regulations, their workers would leave for other factories. For this reason, the U.S. contract facilities found SA8000 compliance a nuisance and showed little interest in participating. Because there were no certified U.S. factories, Hall had no choice but to continue working with those she had already contracted. The issues were larger than one buyer could address alone, so Hall began talking to other companies producing in the region in order to build cooperation among buyers to pressure all of the factories to comply. She believed that once a critical mass of manufacturers agreed to implement the hour and wage rules, worker flight would diminish and SA8000 standards would become more feasible.

Internal Implementation

Applying the SA8000 standards to the internal operations at Eileen Fisher was also a challenge, though the types of facilities and worker functions were different from the manufacturing operations. Eileen Fisher’s internal operations included headquarter offices which maintained a small production facility to make samples, showrooms, retail stores and one distribution warehouse with 50 to 60 employees. Hall admits,

“It took a few audits to get through the certification process. It was hard to implement the standards. We felt like we already did most of the policies required, but wanted to make it official. We had the culture and the mindset. What we needed to improve upon was the management system.”

Hall found that the systems were paper intensive and distracted from actually getting the work done. “You have to record the meetings, the thought processes, the people who attend. You record what’s contained in the training, and in the inspections.” Having a computer system and dedicated staff helped overcome these obstacles, but opened Hall’s eyes to how difficult it would be for factories without these elements to participate.

By July 2003, Eileen Fisher had the systems in place to keep the social standards going. There were posters in every facility to inform employees of the code. Hall created a social consciousness manual which supplemented the information provided in the employee manual. In addition, all new employees received regular training on the social standards. An SA8000 committee was set up in three locations to receive complaints from employees and there were
also committees on safety issues. The most important aspect of maintaining Eileen Fisher’s certification and programs was keeping people informed and putting the emphasis on personal responsibility within the workforce.

Costs to Implementation

While Eileen Fisher management was fully supportive of the SA8000 implementation program, they allocated only a small budget at the start. Hall estimated the direct costs, including the cost of audits and certifications, as well as training to bring herself up to speed on SA8000 implementation. Eileen Fisher also covered most of the costs for the suppliers in order to encourage their participation in the process. After the first two years, as worker and manager training for factories became a larger part of the implementation strategy and local consultants were hired to monitor factory progress, these costs were integrated into Eileen Fisher’s budget. By the fifth year, Hall’s budget had grown sevenfold (Table X).

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Table X. Eileen Fisher Annual SA8000 Implementation Budget

The company thought about it this way: “It’s all part of doing business, just like buying new sewing machines or other infrastructure investments. It’s all about improving productivity, employee retention, safety and the like.”

Within the factories, costs for upgrading were not significant. Few factories made any capital investments to meet the SA8000 standards because the changes required were more organizational in nature. Factories undertook small improvements such as installing eyewash stations or purchasing a sanitizer for the worker canteen.

Hall acknowledged that a larger investment in SA8000 at the start might have accelerated the rate of certifications among the factories. However by proceeding more slowly, the company was able to develop the internal support necessary to build a successful program. As Hall stated, “The company needed to experience it organically before allocating a bigger budget to the program. It had to grow on its own.”

Challenges ahead

On an industry-wide basis, the many standards issued to address social accountability in the workplace were often in competition with each other. Most garment factories produced clothing for more than one brand. With certain brand companies demanding one standard, and other brand companies requiring another standard, the factories found it difficult to comply with the conflicting directives. While companies saw value in harmonizing conflicting standards, the subtle differences that existed led to absurd situations.
“Some companies have very strict requirements on health and safety. For example, they require that fire extinguishers be placed at a certain height. Different standards have competing heights and the factories need to move the fire extinguishers back and forth depending on who is auditing them. We are all trying to work to alleviate that conflict.”

There were other overriding problems in the industry that Eileen Fisher and other garment manufacturers have tried to overcome. For Chinese workers, a change in mindset towards issues such as sexual harassment needed to take place. However, with turnover reaching 30% in the factories, changing the mentality of workers was a constant challenge. There were more subtle issues as well. In China there was a special sensitivity to how the government would react or respond to Eileen Fisher’s SA8000 initiatives. For instance, when Hall arranged training sessions, they were not on the topic of “human rights,” but on labor law, or health and safety.

Worker hours were another sticky issue for Eileen Fisher and its suppliers. Under SA8000, workers could not surpass 12 hours of voluntary overtime per week, but in many factories they were required to put in many more hours. The problem stemmed from the unpredictable nature of factory orders and factory management’s economic need to maintain operations at full capacity. Eileen Fisher might only require 10% of a factory’s capacity, leaving the factory to find other contracts to fill the remaining capacity. Eileen Fisher did not have any control over what other orders the factory took, nor what pressures these other orders put on workers to work overtime hours. Some factories specialized in certain products, for example, sweaters. If the product was seasonal and there was a lot of downtime, factories were reluctant to turn down work when it did come in. In addition, Eileen Fisher and other brands often made last minute changes or needed garments produced in a tight timeframe. This was a problem that required more coordination across the industry. According to Hall,

“It is up to the brands to figure out how to distribute the work better – not make last minute changes, allow more time for production. But things happen all the time to make that difficult.”

From the worker perspective, there were some workers, often migrants, who sought to work as many hours as possible. They planned to be there only a few years until they could make enough money and return home. During worker interviews, there were also those who did not want to work any more hours. Employers sometimes shielded these workers from participating in audits, or they were coached to give the “correct” answers. In one instance, Hall

“…heard there was a factory overworking the employees. An NGO had gotten complaints about the factory. I asked them to investigate. They interviewed workers who all said there was no problem with overtime. However, at the end of the day, the interviewer happened to find one worker, a new employee, who had not yet been coached. This employee confirmed that workers were being forced to put in too many overtime hours. I confronted the owner who said it was not true that people were overworked.”
In general Hall approached cases of non-compliance with an attitude of partnership, basing decisions about future orders on the level of trust and cooperation that could be developed with the supplier. “We dropped that factory because they were not committed to change. The best suppliers are factories that will be honest with you. We can still give them business as long as they work with us to figure out a solution.”

Internally, since the program was put in place, a major challenge was decentralizing her function to keep pace with growth in the company. By having the role of social accountability concentrated in one employee, there was a risk that the person would not be around to push the process forward. Hall addressed this issue by spreading the responsibilities throughout the facilities owned by Eileen Fisher. She trained several point people to act as regional surrogates that employees could contact with grievances or questions. She also contracted with trained monitors in China so that she would not always have to travel there herself.

**Measuring Results**

After five years, Hall was still working with the factories to ready them for the certification process. None had yet applied for certification because of the difficult issues they face and their sense that they would not yet qualify for certification under SA8000.

“We are hoping to get them certified and have been trying for two years to formally begin the process with an assessment audit. We have set individual goals with each factory. In the next year, we hope to get three, but will get at least one manufacturer to put in the certification application and undergo an initial audit.”

Though no vendors were yet certified, since initiating the certification process in supplier factories, Hall saw significant improvement in the areas of health and safety, disciplinary practices and management systems.²

“We have a lot of pieces of SA8000 in the works in the factories. One factory has an elected worker committee they created and it is functioning properly. They make a report to management on worker issues and consult with their peers. There is no tradition for this type of free election in China, so this is progress. All of the factories now have varying degrees of policies and record keeping in place that didn’t exist before.”

Disciplinary practices were also evolving. Workers commonly lost pay for coming in late, making too many errors, or not following factory dress codes or dormitory rules. When asked to create incentive programs that rewarded employees for positive behavior, managers rejected the suggestion because they did not believe workers would respond. When one factory did adopt an incentive policy, managers discovered that within six months, workers had developed a better attitude and were less likely to break the rules.

However, measuring the results of such changes was not a priority, and Eileen Fisher had yet to develop specific benchmarks of progress. While Hall was aware that positive changes were taking place in the supplier factories, she had just started asking factory management to track
specific data for reporting and analysis. Some of the indicators Eileen Fisher asked its suppliers to measure included retention rates and the number of sick days taken after worker training.

“We are trying now to provide the factories with a form or survey so they can measure progress. This will be submitted to them after the Chinese New Year. We want to understand retention, sick incidences, costs involved and other indicators. Right now we don’t have enough data to make any conclusions. We won’t be starting the data collection process formally until February 2004 and then it will be a few years before we have sufficient data. We want to do data collection without it seeming onerous for the factory managers.”

There have been many lessons learned for the company in the process. One is that worker education is essential to the success of the standard. Without worker involvement and understanding of the rationale for implementing a standard, the standard will not be effective. Management must also be supportive of the education of the workers, which in the long run, will be beneficial both for the factory and its customers. Anecdotal evidence indicates that educated workers make fewer mistakes, suffer fewer injuries, and have less turnover.

“We have had some good results from training the workers. Managers are actually asking when the trainers are coming back. At the beginning they were wary, and kept putting it off. After 9 months, they are asking for it. Why? Because workers are asking for it, and morale is higher.”

In addition, the company found that change takes time. Convincing factory managers to adopt different practices and management systems required persistence and creativity. At this point, for Hall the process was more about culture change and the adoption of principles rather than achieving certification. “Are the factories buying in? Do they see the value for their business and for their employees?”

Eileen Fisher also realized some unexpected benefits from certifying its own operations. Management began the process believing it was a good way of ensuring over time that the values the company espoused were deeply incorporated into the culture. They also felt that most of the requirements of the standard were already in place. However, when their internal processes and practices were reviewed, they found room for improvement, most noticeably in the area of health and safety. During the initial assessment, Hall and her auditors found safety problems in the retail stores; ladders were precariously perched, fire extinguishers were not always readily available. There was no system to assure a safe work environment company-wide. Hall created a check list for managers to fill out every week and fax to the safety coordinator to make sure that basic procedures would not fall through the cracks. She subsequently shared this check list with supplier factories in New York, who typically did not have formal procedures to handle safety issues.

Record keeping from a managerial standpoint also improved. Procedures were established and as they were implemented, the senior management better understood the importance of their role in maintaining SA8000. They realized it was not a passive system and that they had to be engaged in the process in order for it to function properly.
After having gone through the SA8000 certification process internally, the main focus looking ahead was on the factory suppliers. Eileen Fisher had been relatively successful at selecting factories from the outset and now that was paying off. Hall stated,

“We rarely see a factory list with so much green in an auditor meeting (showing lack of infractions). Our supplier factories are humane and interested in improving. Being involved in this effort has shown us the benefit of adjusting business practices – drawing out deadlines, making sure pieces are arriving on time – it made us conscious of it. But there will always be something to work on.”

Discussion Questions

1) What are the future implications for the company’s supply chain management? What competitive advantages does this implementation of SA8000 confer on the company, if any? Is it sustainable?
2) If you were a manager, how would you approach the workplace issues raised by NGO’s in the 1990’s? How would you address the issues of wages and hours?
3) What market reaction to these decisions would you expect? Can these changes create value for the company? How? Can the company market its products based on its investment in CSR? How?
4) As the company expands, will consumers and advocacy groups begin to take notice of the company as its profile became more prominent? How will they react to the corporate social responsibility initiatives?
5) How have others in the industry responded to this? How do you think others in the industry will respond to this over time? How will other industries respond?
6) What indicators would you use to track the social impact of supply chain management?
7) How does the company recognize progress on CSR? How is CSR performance embedded in performance goals/objectives & reviews and in the compensation of your managers?

1 http://www.wto.org/english/res_e/statis_e/its2001_e/chp_4_e.pdf (p. 60 for figures on world exports of clothing)
2 Eileen Fisher Social Accountability Report 2002