



Socially Sustainable Supply Chain: Lessons from two Portuguese Fashion Companies

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ABSTRACT

Title: Socially Sustainable Supply Chain: Lessons from two Portuguese Fashion Companies

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The aim of this dissertation is to provide an overview of how companies can integrate corporate social responsibility (CSR) in supply chain management (SCM) in order to have a sustainable supply chain management (SSCM). The focus is on the social dimension of CSR and the ultimate goal is to contribute to the knowledge regarding how companies can ensure ethical standards in the factories of their suppliers. To answer our research question, we focus on the fast fashion industry, which increasingly outsources production to less developed countries.

We have adopted a qualitative data approach and conducted a multiple case study about two Portuguese fashion companies with similar concerns regarding the importance of ethics in the management of their businesses but organisationally different: Parfois and SONAE Sports & Fashion.

The results show that the most important tools to manage social issues are having the suppliers to commit to a code of conduct (CoC) and monitor the compliance of it through internal and external auditing. Furthermore, these need to be combined with a particular type of relationship between the supplier and the company: a cooperative, long term one.

Keywords: Corporate Social Responsibility; Corporate Sustainability; Supply Chain; Supply Chain Management; Sustainable Supply Chain Management.

RESUMO

Título: Cadeia de Fornecimento Socialmente Sustentável: Lições de duas Empresas Portuguesas de Moda

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Esta dissertação tem como propósito fornecer uma visão geral relativamente a como devem as empresas integrar a responsabilidade social corporativa na gestão da sua cadeia de fornecimento, de modo a implementar uma cadeia de fornecimento sustentável. O estudo foca-se na dimensão social da responsabilidade social corporativa, com o objetivo final de demonstrar como devem as organizações certificar-se de que as fábricas dos seus fornecedores operam segundo padrões éticos. Para responder à questão central do nosso estudo, focámo-nos na indústria da moda, uma vez que esta que tem vindo a aumentar a subcontratação da sua produção em países menos desenvolvidos.

A abordagem ao estudo foi feita com base em dados qualitativos e realizámos um caso de estudo múltiplo sobre duas empresas Portuguesas de moda, com visões semelhantes em termos da importância atribuída à incorporação da ética na gestão dos seus negócios, mas organizacionalmente diferentes: Parfois e a SONAE Sports & Fashion.

Os resultados revelam que os instrumentos mais importantes para garantir condições de trabalho éticas são: garantir que os fornecedores se comprometem com um código de conduta e a monitorização do seu cumprimento através de auditorias internas e externas. Além disso, estas ferramentas devem ser combinadas com um determinado tipo de relação entre fornecedor e empresa: uma relação de cooperação a longo prazo.

Palavras-chave: Cadeia de Fornecimento; Gestão da Cadeia de Fornecimento; Gestão Sustentável da Cadeia de Fornecimento; Responsabilidade Social Corporativa; Sustentabilidade Corporativa.

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List of Abbreviations

- BCSD – Business Council for Sustainable Development
- CoC – Code of Conduct
- CSR – Corporate Social Responsibility
- CS – Corporate Sustainability
- GPN – Global Production Networks
- ILO – International Labour Organisation
- MNEs - Multinational Enterprises
- NGO – Nongovernmental organisations
- OSH – Occupational Safety and Health
- SC – Supply Chain
- SCM – Supply Chain Management
- SSCM – Sustainable Supply Chain Management

CHAPTER 1: INTRODUCTION

"Transparency is needed by every major multinational fashion brand and retailer in order to help workers understand what the brands whose clothes they are making are doing to uphold workers' rights. To me, transparency also means that brands are willing to be held accountable for their business practices."

- Nazma Akter, Bangladeshi trade unionist and founder of the AWAJ Foundation

In the last decade, one key business trend was the outsourcing of business activities to suppliers (Roberts 2003). However, as supply chains evolve to developing countries, there has been intense debate regarding how to improve labour conditions at those countries, as problems such as child labour, excessive working hours and poor wages are a reality (Locke and Romis 2007). Irresponsible practices have been putting global firms under pressure by NGO's and public opinion (Amaeshi, Osuji, and Nnodim 2008). They need to be "accountable for their business practices", as mentioned in the introducing quote of this paper, and understand that they have to ensure the sustainability of supply networks (Roberts 2003).

In fact, the literature suggests that the performance of a company's supply chain should also be measured not only by its profits but also according to its social and environmental impacts (Pagell and Wu 2009). Implementing formal systems to monitor CSR issues in the supply chain increases the performance of the firm and leads to a greater commitment from internal and external stakeholders (Keating et al. 2008).

While sustainability relates to economic, environmental and social dimensions (Seuring and Müller 2008), the focus of this research is on the social dimension of sustainability in the supply chain, since this is the one in which the literature has focused the least (Ahi and Searcy 2013). In fact, according to Ashby, Leat and Hudson-Smith (2012), who reviewed the most relevant articles of sustainable supply chain management in the preceding 20 years, only 11.25% of these articles were focused on the social dimension, while 42,5% were related to the environmental one.

Sustainable supply chain management (SSCM) consists of the integration of Corporate Sustainability (CS) in Supply Chain Management (SCM) (Ahi and Searcy 2013). However the implementation of SSCM is different according to sectors (Turker and Altuntas 2014), and the chosen one to be analysed was the fast fashion industry. This sector has been under the spotlight for its very bad social practices in developing countries since 2013, when the Rana Plaza building collapsed in Bangladesh (Liu et al.

2018). The building housed four different suppliers and more than 11000 factory workers died and 2500 were injured (Liu et al. 2018).

This industry is very vulnerable to unsustainability: due to the need of meeting the demands of customers, who are fashion conscious (i.e., they frequently seek new items), the brands have the pressure of shortening lead times and fast inventory turnovers (Turker and Altuntas 2014). Naturally, SSCM applied to the fashion industry is a topic that has been researched about, however, as the paper who inspired this dissertation mentions: “only a limited multinational corporations “walk the talk” of CSR; there is a gap between what is desirable and what is implemented in practice to ensure sustainability of supply chains (Andersen and Skjoett- Larsen 2009).

The research question that is intended to be answered is, then:

How do companies manage social issues in the supply chain?

Although the supply chain involves innumerable players, the focus will be on the first-tier suppliers: the final product producers. According to the literature, most companies that are working on integrating CSR practices in their supply chain impose requirements to their first-tier suppliers only (Andersen and Skjoett- Larsen 2009). Therefore, due time and resources constraints we have decided to narrow the scope of our research in a similar way.

This topic is of high academic relevance as there is a current need of researchers developing practical tools to help companies implementing SSCM (Ashby, Leat, and Hudson-Smith 2012). This topic has been mainly discussed in theoretical terms, but a few papers contribute with tangible outputs or explicit frameworks (Ashby, Leat, and Hudson-Smith 2012). It is also of managerial relevance as managers have to face intense pressures from the civil society and the public opinion. Finally, problems related to the supply chain are definitely one of the biggest issues that society faces, as the high levels of world’s consumption of products is frequently at the cost of bad working –and living – conditions of other human beings, especially in developing countries.

It is intended then, to shed a light on how companies in the industry could proceed to ensure they manage their SC in a socially responsible way by analyzing two cases on this matter. Neither one nor the other are perfect – nor pretend to be, but much can be learned through their good lessons, as well as their margins of improvements.

To answer our research question, we studied two cases of Portuguese Fashion companies: Parfois and SONAE S&F. The first one is the most successful Portuguese accessories brand (that has grown its

portfolio to shoes and clothes), and the latter a company from the biggest Portuguese group, SONAE, and has a diverse portfolio of brands, such as Zippy, Deeply and Sport Zone. We have collected primary data through interviews, and secondary data such as documents and videos of the factories.

The present document is organized in the following way: the next chapter consists on literature review about the main fields related to the research question – CSR and SCM – in the context of the fashion industry. Then, an outline of the methodology is provided, in order for the reader understand the research methods used and allows the process to be replicated in future research. The apotheosis of the paper follows, with the main chapters - findings and discussion – presenting the results of the (qualitative) research conducted under the scope of the two Portuguese companies, which are compared to the literature presented in the beginning.

CHAPTER 2: LITERATURE REVIEW

In this chapter it is discovered the importance of companies integrating sustainability in supply chain management. As these outsource to less developed countries, where the workforce is vulnerable to being exploited, there is increasingly pressure from society for them to ensure good working conditions in their SC. In the case of the fashion industry the pressure arose significantly from 2013 due to the Rana Plaza disaster. Still, it is learnt that there is a gap in the literature concerning the social dimension of sustainability in the case of the fashion industry.

The first section of the literature aims to explain the context of the emergence of sustainable supply chain management concept by explaining the importance of CSR to companies in general, how it comes into play in the management of SC and the gap on the social dimension of Corporate Sustainability. On the subsequent section, it is provided an overview of how can the social dimension be addressed by companies by defining the most important social issues and what is already known regarding how to manage them.

2.1 The emergence of sustainable supply chain management

SSCM is a concept that emerges in the today's world context in which all stakeholders of companies value – and demand – that not only profit but also the planet and the environment (i.e., the triple bottom line). All these dimensions need to be taken into consideration in the decision making process of organisations, particularly when managing the SC.

2.1.1 Integrating corporate social responsibility in supply chain management

Corporate Social Responsibility (CSR) is defined as “clearly articulated and communicated policies and practices of corporations that reflect business responsibility for some wider societal good” (Matten and Moon 2008, p.405) and hence CSR actions go beyond simply complying with what is required by law (McWilliams and Siegel 2001). This concept is composed by three elements: “corporate”; “social” and “responsibility” (McWilliams and Siegel 2001). The first term, “corporate” is indicative that it applies to all types of enterprises and the other two refer to the important role companies play in society (Mueller, Gomes, and Seuring 2009). It is important that they have a positive social and ecological impact (Mueller, Gomes, and Seuring 2009). In practice, CSR practices can be for example activities related to environmental protection or work safety (Branco and Rodrigues 2006).

CSR is of extreme importance to companies as it is valued by the majority of their stakeholders (Donaldson and Preston 1995). On one hand, business partners (employees and suppliers) are attracted by companies that are highly rated in CSR performance (Roberts 2003). On the other, customers, in general, want to consume products whose production did not have a negative impact on the environment and workers (Roberts 2003). Finally, external influencers (such as NGO and the media) are concerned about the impact of organisations on others (Roberts 2003). This vision is not shared by all; some believe that the efforts towards CSR enter in conflict with profit maximization and shareholder’s interests (McWilliams and Siegel 2001). However, this attitude is not tenable these days, especially for well-known brands, which are pressured by NGO’s and public opinion (Roberts 2003). According to Tulder, Van Wijk and Kolk, in 2009, there are many variations regarding the approaches that a company can have towards the implementation of CSR (Figure 1).

IN-ACTIVE	RE-ACTIVE	ACTIVE	PRO/INTER-ACTIVE
‘Corporate <i>Self</i> Responsibility’	‘Corporate Social <i>Responsiveness</i> ’	‘Corporate Social <i>Responsibility</i> ’	‘Corporate <i>Societal</i> Responsibility’
Legal compliance and utilitarian motives	Moral (negative) duty compliance	Choice for responsibility and integrity; virtue	Choice for inter-active responsibility; discourse ethics
Inside-in	Outside-in	Inside-out	In-outside-in/out
‘doings things right’	‘don ’t do things wrong’	‘doing the right things’	‘doing the right things right’
‘doing well’	‘doing well and doing good’	‘doing good’	‘doing well by doing good’
‘what is required’ Economic Responsibility [Wealth oriented] Narrow (internal) CSR	← — — — — — →		‘what is desired’ Social Responsibility [welfare oriented] Broad (external) CSR

Figure 1 – Four CSR Approaches

Source: Van Tulder, R., Van Wijk, J., & Kolk, A., 2009, p.401.

The underlying difference among them is the fact that In-Active and Re-Active approaches are mainly related to the compliance with “what is required” (by law), hence are the most limited (Tulder, Wijk, and Kolk 2009). Active and the Interactive go further: the companies that adopt these approaches aim to behave ethically, according to “what is desired” and aim to medium-term and long-term sustainability (Tulder, Wijk, and Kolk 2009).

The integration of CSR in supply chains has been receiving increasingly attention in the media, academia and corporate world, as these days it is not only applied to the company’s domain (Andersen and Skjoett- Larsen 2009). In fact, as multinationals engage in supplier-based manufacturing processes at a global level, they have to be held responsible for labour practices of their partners, over

which they have no ownership (Jenkins 2001). There is still, however, a narrow number of companies that “walk the talk” of CSR (Andersen and Skjoett- Larsen 2009).

2.1.2 Getting sustainability to the supply chain management equation

The supply chain of an enterprise comprehends all the activities and agents involved in getting the products manufactured and marketed to the end-customer, It’s a concept that has been widely studied, being one of its formal definitions “a set of three or more entities (organisations or individuals) directly involved in the upstream and downstream flows of products, services, finances, and/or information from a source to a customer” (Mentzer et al. 2011).

SC is composed by at least an organisation, the customer and one intermediary – hence the “three entities” in the above-mentioned definition – however, they can be much more complex (Mentzer et al. 2011). In fact, the scope of a supply chain is defined according to the number of firms, activities and functions involved (Cooper, Lambert, and Pagh 1997). Three existent degrees of SC complexity, ordered from the most simple, are the “direct supply chain,” “extended supply chain,” and the “ultimate supply chain” (Mentzer et al. 2011).

As can be seen in the image below, the number of entities involved in each degree increases, and, naturally, so does the complexity of managing it.

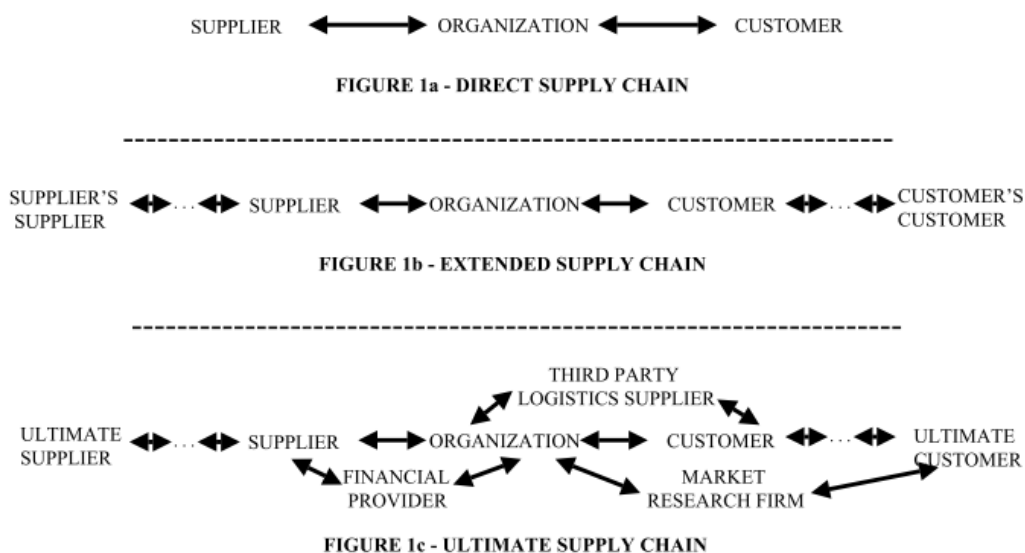


Figure 2 – Type of Channel Relationships

Source: Mentzer, John T et al., 201, p.5.

Although nowadays Supply Chain and Supply Chain Management are used interchangeably, one needs to keep in mind that the first can simply exist without management efforts being made by the organisations, as the latter concept implies (Mentzer et al. 2011). The goals of SCM can be summarized as the integration of customer demand and flow of items from the suppliers to ensure simultaneously customer satisfaction and reducing inventory costs, as well as creating competitive advantage for the SC (Lambert, Cooper, and Pagh 1998).

Nowadays, increasing importance has been given to the management of supply chains, as companies are aware that establishing long-term relationships with their suppliers is a source of competitive advantage (Andersen and Skjoett-Larsen 2009). As a matter of fact, since corporations' suppliers are dispersed at a global scale, it has become imperative that they effectively manage their operations (Mentzer et al. 2011). It is the way of meeting today's fierce market competition, which requires them to get the customers defect-free products faster than the competitors (Mentzer et al. 2011).

It is in this context that another concept has been getting attention in the last years: sustainable supply chain management (Turker and Altuntas 2014). SSCM can be defined as *“the management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development, i.e., economic, environmental and social”* (Seuring and Müller 2008, p.1700). The scope of environmental sustainability is the management of natural resources, while the social one consists on the management of social resources such as people's skills, relationships and social value (Sarkis, Helms, and Hervani 2010). SSCM concept arises as companies recognize the importance of addressing the issue of sustainability in their operations (Ahi and Searcy 2013). In fact, they cannot ignore that consumers and stakeholders expect them to display environmental and ethical behavior in the management of their operations (Ashby, Leat, and Hudson-Smith 2012).

A simplified way of characterizing SSCM is describing it as the incorporation of Corporate Sustainability (CS) into SCM (Ahi and Searcy 2013). The most often quoted definition of sustainability is the *“development which meets the needs of the present without compromising the ability of future generations to meet their own needs”* (WCED 1987, p.43). This concept has been interpreted in a wide diversity of ways, and although before tended to be connected with environmental issues, now, it is more common approaching it according to the triple bottom line (i.e., environment, economic and social perspectives) (Ahi and Searcy 2013). Hence, CS consists on taking this three dimensions – which can also be referred to planet, profit and people – into account in the decision making processes of the firms (Caldelli, Parmigiani, and Parmigiani 2012).

2.1.3 The gap in sustainable supply chain management

Through the years, academic research has provided diverse definitions of CSR and CS concepts, but these days it is common that they are considered similar or even synonyms, as both refer to the inclusion of social and environmental concerns in operations and interactions with stakeholders (Van Marrewijk 2003). Among the minor distinctions made between the two is the one from the Erasmus University's Business Society Management: as it can be inferred through figure 3, CSR acts as a mean of balancing the three dimensions of CS, which is the goal (Van Marrewijk 2003).

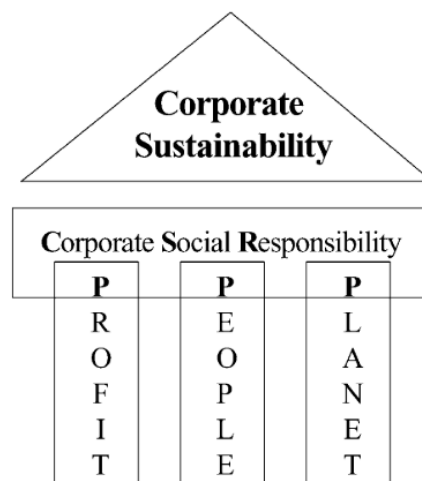


Figure 3 – Corporate Sustainability and Corporate Social Responsibility

Source: Van Marrewijk, 2003, p.101.

These dimensions are all components of SSCM, but there is undoubtedly more research around the environmental dimension than the social one (Ashby, Leat, and Hudson-Smith 2012). In fact, even when the two are discussed in the literature, the focus tends to be on the social practices (Ashby, Leat, and Hudson-Smith 2012). One of the reasons, is that the performance of environmental sustainability in the supply chain is more easily measured than social sustainability, which is seen as more ambiguous (Banerjee 2005).

In the case of the fashion industry, the Rana Plaza disaster in 2013, was a landmark in the history, and “called into question corporate social responsibility (CSR) practices and ethical buying commitments of global retail brands in the garment sector” (Alamgir and Banerjee 2019). In fact, when the Rana Plaza building collapsed in Bangladesh, more than 1100 people died as a consequence, which shows that ensuring social sustainability at supply chains, particularly in the fast fashion

industry is a complex and important matter that has to be given attention to (Short, Toffel, and Hugill 2016).

Fast fashion can be defined as the transformation of stylish designs into articles that are sold to the masses (Sull and Turconi 2008). In this industry, there are many challenges involved in the implementation of CSR and sustainability in the supply chain (Mueller, Gomes, and Seuring 2009). One of the most important ones is the fact that organisations outsource part of their SC (Mueller, Gomes, and Seuring 2009) and it involves a large number of suppliers and service producers (Mamic 2005). The countries where they outsource are composed by poorly educated people so the workforce is very vulnerable to discrimination and bad treatment (Turker and Altuntas 2014).

Brands and suppliers are frequently “locked in a low-trust trap”: the latter feel pressured for, on one hand, producing faster, with increasing quality and decreasing costs and on the other, for ensuring good working conditions, which is perceived as contradictory (Locke and Romis 2007). But since production networks and supply chains are more controlled by global brands than local manufacturers (Alamgir and Banerjee 2019) they have to take a lead on change.

2.2 Tackling the social dimension of sustainable supply chain management

As mentioned in the previous section, Multinational Enterprises (MNE’s) have a determinant role when it comes to promoting good working conditions at factories. Enterprises should develop and implement effective management systems to deal with the conditions at the countries where they outsource (Mamic 2005). In this section, the main social issues that SSCM must tackle are addressed, followed by the main tools mentioned by the literature that can help companies to integrate the social dimension in SCM.

2.2.1 Defining social issues that CSR must cover

Child labour, dangerous working conditions, excessive hours and poor wages are among the most problematic social issues that are present in many factories in developing countries, where MNE’s outsource (Locke and Romis 2007) and are going to be further defined based on the literature and in renowned institutions such as the International Labour Organisation. This organisation has a wide range set of principles that include aspects of human rights, employment and wages (Leire and Mont 2010).

- **Slavery**

Slavery can be defined by the “*the exploitation of a person who is deprived of individual liberty anywhere along the supply chain (...) for the purpose of service provision or production*”(Gold, Trautrim, and Trodd 2015, p.487)

According to the Global Slavery Index (GSI), in 2016, there were 40.3 million people involved in modern slavery, from which 62% (24.9 million) in forced labour. The same index presents garments as being the second category of products imported into the G20 that is more at risk of modern slavery.

There is a combination of tools that must be used to identify slavery in a supply chain, such as risk indicators, using data from different sources and inspections (Gold, Trautrim, and Trodd 2015).

- **Child labour**

In 2016 there were 152 million children aged 5 -17 years old involved in child labour in the world (International Labour Office (ILO) 2017). According to the ILO convention N° 138 (1973) “*light work which is not likely to be harmful to [children’s] health or development, and which is not such as to prejudice their attendance at school*”, and stipulates minimum 13 years old to perform this type of work (Kolk and Van Tulder 2002). However, the opposite can happen which is hazardous type of work, described in convention No. 182 (1999) as “*all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict*” (Kolk and Van Tulder 2002).

- **Occupational Safety and Health (OSH)**

According to the ILO convention No. 155 (1981), OSH can be defined as ‘the physical and mental elements affecting health which are directly related to safety and hygiene at work (Tulder, Wijk, and Kolk 2009). According to the ILO, there are around 2.2 million deadly incidents a year in factories.

2.2.2 Tools to incorporate CSR in the supply chain

In the previous sections, an explanation of CSR, CS and the importance of incorporating its social dimension on supply chain management was provided, as well as the main social issues that must be addressed by the garment industry. Now, the most relevant section comes in, an analysis of tools to help organisations engaging in SSCM. Since global brands have seen their reputation damaged due to negative advertising regarding these issues, they have been “forced” to consider the implementation of ethical sourcing initiatives (Roberts 2003).

- **Codes of Conduct**

Codes of Conduct (CoC) is the main tool used by corporations and NGO'S to incorporate CSR in the supply chain in order to avoid poor working conditions at subcontracted factories (Locke and Romis 2007). A code of conduct *“is a document stating a number of social and environmental standards and principles that a firm’s suppliers are expected to fulfil”* (Mamic 2005) and the branded clothing and footwear sectors have the widest adoption of these (Roberts 2003). It usually includes guidelines relative to child labour, forced labour, wages, working hours, the right to freedom of association and health and safety (Mamic 2005). As firms grow and expand their operations to developing countries through outsourcing, having a CoC becomes crucial due to intrinsic and extrinsic motivations (Tulder, Wijk, and Kolk 2009).

- **Supplier Monitoring**

Monitoring the compliance of suppliers with the codes of conduct is an indispensable tool for companies to ensure good working conditions in the factories from their supply chain (Locke and Romis 2007). In the case of IKEA they have developed a checklist based on their code of conduct, to be used to audit suppliers (Andersen and Skjoett- Larsen 2009). The auditing should be enhanced by an independent position of the monitoring agency and the possibility of organisations to apply sanctions (Tulder, Wijk, and Kolk 2009). If the factories fail to remediate problems revealed by auditing, companies are expected to cancel orders from them (Locke and Romis 2007).

- **Cooperative Relationship with supplier**

To complement codes of conduct and monitoring the compliance of them, brands should develop a cooperative type of relationship with their suppliers, in order to assist them in technical and organisational issues, instead of a distrustful “compliance” one (Locke and Romis 2007). In fact, CSR approach has been changing, from an instrumental one, to other focusing on stablishing long-term relationships (Mamic 2005). This way, the root causes of poor working conditions in factories can be jointly overcome (Locke and Romis 2007).

It is possible to substantiate this view by analyzing NIKE’S example, whose factories they work with can display very different labour conditions even though they have similar results at M-Audit (their audit tool), due to the different relationship that the company has with each factory. (Locke and Romis 2007).

CHAPTER 3: METHODOLOGY

In this chapter, the methodology used for researching the answer to the question posed in the beginning is explained in detail. It was inspired in the paper of Mette Andersen and Tage Skjoett-Larsen, 2009, that demonstrates how the Swedish company IKEA implements and manages CSR practices in their global supply chain, more precisely at its suppliers. In this dissertation, a similar process is applied in the analysis of Portuguese companies. These have their own specificities, namely, being considerably smaller when compared to global brands such as IKEA or INDITEX in the case of the fashion industry.

Following, the research design is presented, then, all the data (primary and secondary) collected is mentioned, and finally it is explained how it was analysed.

3.1 Research Design

Qualitative research recognition has been growing (Birkinshaw, Brannen, and Tung 2011) and was the chosen one to address the topic of this dissertation. It can be defined as “*an array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world*”(Van Maanen 1979). It provides the people’s views of reality (Rynes and Gephart 2014) and therefore can play a crucial role to the understanding of a complexity of contexts (institutional, organisational...) that came along with globalization (Birkinshaw, Brannen, and Tung 2011). Taken this into consideration, qualitative research is the most adequate type of research that we could use, as the goal is to deeply understand the way two companies face the challenge of ensuring ethical conditions in their global supply chain, rather, for instance, to quantify the tools used by a large number of companies in this sector.

Among the qualitative methodologies, such as case studies, grounded theory and textual analysis (Rynes and Gephart 2014) we chose the multiple case study. A case study “*is an approach that facilitates exploration of a phenomenon within its context using a variety of data sources*”(Baxter and Jack 2008). Also, it usually aims to address questions such as “how” and “why” in unexplored areas (Andersen and Skjoett- Larsen 2009). A multiple type of case study produces a rich understanding as it “*enables the researcher to explore differences within and between case*”(Baxter and Jack 2008, p.548).

To select our cases, we looked for “successful” companies in SSCM implementation. We selected Parfois for several reasons. First, it was the only that was found to work with factories in China that “have European working conditions”¹. Second, it is a very successful company and highly internationalized.

The following step was to choose a company that, on one hand, was predictably similar in terms of wanting to ensure ethical standards in its supply chain, but, on the other hand, would be organisationally different enough so that some contrasts would be drawn. SONAE publicly shows having environmental and social concerns, for instance, through their yearly sustainability report but is different from Parfois on other criteria: size. In fact, Parfois is a smaller private held company while SONAE S&F is part of the Portuguese biggest group, SONAE, and it is composed by multiple brands. It is then possible to infer its operations are more complex to manage, which comes with both more challenges and resources than Parfois’ ones.

3.2 Data Collection

When using a case study approach, it is usual to use a diverse range of sources of evidence, for instance, interviews, archives and observations (Eisenhardt 1989). We have collected primary data by conducting four interviews. The main ones were two semi-structured interviews, one to each company, lasting around 60 minutes. These were sources of a great amount of information which made it possible the answer to the research question. The first interview was conducted at Parfois headquarters, to Juan Redondo (Buying Director) and Filipe Maia (Buying Project Manager). The second-one, through skype, to Ricardo Rego (Head of Quality at SONAE S&F).

Then, we also conducted one call-interview to David Salazar (Director of Asia office at Parfois), and another one to João Meneses, General Officer from the Business Council for Sustainable Development (BCSD) Portugal. The latter was conducted at the Fashion Revolution week event, held in Lisbon, with the goal of getting insights from someone who works in the sustainability field by doing consulting projects to large organisations. Fashion Revolution is an organisation that fights for transparency in the fast fashion industry. Then, during the data analysis period, follow up emails were exchanged with both companies.

¹ <https://www.dinheirovivo.pt/empresas/1299506/>

The structure of the two main interviews, was carefully designed in order to ensure its answers would provide the findings needed to answer the research question. The starting point to build the guidelines (which can be found in the appendix) was related to the knowledge acquired in the literature review. Therefore, the questions asked were mainly to understand:

- The concrete tools that the companies have to ensure social ethical standards;
- The criteria used to choose the suppliers and the countries where they operate;
- If they were aware of all the players in the supply chain (i.e, if they subcontract);
- How are the current conditions of the factories they work with (even though knowing the response would always be somehow biased).

For instance, it was asked how the companies monitor their suppliers, to understand if they had any external or auditing process in place.

It is important to mention that the majority of the questions that guided the interview aimed to understand how companies manage all social issues in general: which are the ethical standards they advocate and how they manage them. Still, since child labour, slavery and health & security were identified in the literature as the most important issues to be addressed, some questions related to these were asked.

It would have been appropriated and of high value, interviewing the other parties of the supply chain, namely the suppliers and members of the workforce. However, due to time and resources constraints, it was not possible to do so.

In terms of secondary data collected, the most important ones concerning Parfois were the vendor manual and videos from the factories. From SONAE S&F: the vendor manual, the internal audit guidelines, and the internal audit grid. In addition, websites of both companies were visited, online articles were read and the latest annual and sustainability reports from SONAE were analysed. Below there is the secondary data collection, excluding news articles (the full table can be found in the appendix).

COMPANY	TYPE OF DATA	SPECIFICATION
PARFOIS	Document	Vendor Manual (Ethical & Moral Standards Chapter)
PARFOIS	Videos	Cambodian factories
PARFOIS	Website	Company's website
SONAE S&F	Document	Vendor Manual (Codes of Ethics & Conduct Chapter)
SONAE S&F	Document	Internal Audit Guidelines
SONAE S&F	Document	Internal Audit Grid
SONAE S&F	Document	Annual Report 2018
SONAE S&F	Document	Code of Ethics & Conduct 2019
SONAE S&F	Documents	Sustainability Yearly Reports (2016 – 2018)
INDITEX	Secondary: Document	Code of Conduct for Manufacturers & Suppliers

3.3. Data analysis

To analyze de data, the coding method was used, in order to categorize and organize the data. There were 3 sources of codes: the research question itself, the literature and the data.

The first step was to define two codes from the research questions, and these are: “managing suppliers”; “social issues”. Then, de literature originated “implementing tools”. These three broad concepts constitute the main pillars from each the other codes, originated by the data, will be related to.

“Managing suppliers” was attributed to information related to suppliers: its sub codes are “selection of suppliers”; “supplier development”; “subcontracting suppliers”.

As for the “social issues” code, it was attributed to information related to working conditions, which are substantiated in the sub codes “child labour”; “health & safety”; “wages” and “working hours” (the latter two are related to the social issue slavery).

Finally, the “implementing tools” was assigned tangible tools information, hence its sub codes are “vendor manual”; “internal auditing”; “external auditing” and “chemical tests”.

Bellow an extract of the coding table is provided:

	PARFOIS	SONAE S&F
Managing Suppliers		
1. Selecting Suppliers	<p>“If we note that something is not alright, we give 3 months for them to improve, and we compromise with buying values for the next 1 or 2 years, so that is justified for the factory to invest in improvements”</p> <p>“From the moment we have a contract with the supplier, they commit to follow our requirements, the big responsibility is on their side”</p> <p>“ When we feel like there is no transparency, that we do not know where we are producing, My policy is to cut ties with that supplier.”</p> <p>“Our selection process revolves around a choosing a supplier that is aligned with the company strategy.”</p>	<p>“The factories that are already in the suppliers panel have been kept due to their knowledge about the process, quality, price and compliance with ethical code. Now we have a new selection criteria”</p> <p>“We are selecting factories that have the products and the prices we want, that are able of fulfilling our deadlines but we also require certifications related to quality, such as the DSI and SEDEX.”</p> <p>“If there is a need of a new supplier there’s an auditing process from the local team with the same checklist that is used on the other suppliers and gives their opinion to the buying team regarding the openness or not of that supplier.</p> <p>“They have to sign an acceptance letter stating they compromise with complying with the requirements.”</p> <p>“If a non-compliance with their ethical norms is discovered (example: child labour), the orders from that factory immediately stop”</p>
2. Supplier Development	<p>“We commit with capacity planning, supervise the evolution of our suppliers, as we want medium/long-tern partners to be aliened to our strategy (...) we use the vendor manual to regulate suppliers”</p> <p>“We understand the factories part of the supply chain as an essential piece of our strategy.”</p> <p>“ we are working on a optimization process, on continuous improvements of the factories, since the suppliers have a key role in our strategy, and consequently on the factory workers”.</p>	<p>“the two most important things for the fashion business are the factories and the stores, everything in between is less important”</p> <p>“One of the reasons for auditing the factories is to ensure they comply with our requirements”</p> <p>“We want them to evolve with us.”</p> <p>“We give workshops to the local teams and to the suppliers related to compliance with quality and logistics requirements and also related to the vendor manual and ethical code of conduct”</p>

CHAPTER 4: CASE STUDY

In this section, an overview of the two Portuguese fast fashion companies will be presented, to give the reader an understanding of the empirical setting of the current research. The focus is on providing a brief history of the company and its products, as well as of the production part of their supply chain and Corporate Social Responsibility activities.

4.1 Parfois

4.1.1 Overview and history of the company

Parfois is the biggest and most international Portuguese brand of woman accessories. It was founded in 1994 by Manuela Medeiros, with the goal of making fashion accessories accessible to every woman. What was once a small company present only in Porto city, is today an organisation with the tremendous growth of 24% in the last 6 years, and expanding internationally at a very fast pace. Currently, is present in more than 65 countries, which account for around 80% of its sales (mainly Spain, France and Italy). In total, they have more than 900 stores (around half are franchising) but are planning opening more 450 until 2020, year when their revenues are predicted to be of 400 million. Last year, 2018, they accounted for 350 million of euros in sales.

As the company grows, the product's portfolio has also been expanding. Although its core are accessories such as earrings, necklaces, rings and bags, these days they also offer shoes and have a clothing line.

4.1.2 Supply chain management: production

Parfois' supply chain is a fast paced and complex one, since they design and develop 4200 SKU's (Stock Keeping Unit) every season. They have an internal design team but they outsource production to 190 factories, some of which they have been working with for decades and the majority works almost exclusively with them. These suppliers are mainly located in China but also Myanmar, Turkey, India, Morocco, Cambodia and even Portugal. The countries were chosen based in three factors: cost of labour, proximity to the raw materials and production capacity.

Although the company does not have a specific CSR department, it is on their future plans as they value doing business with social responsibility. Currently, they mainly achieve this goal by fostering transparent relationships with their suppliers, with whom, in the majority of the cases, have been

working since decades. Also, their quality control at the origin has been evolving: about seven years ago, a team was created to control the quality and ensure ethical standards at the factories.

4.2 SONAE Sports & Fashion

4.2.1 Overview and history of the group

SONAE S&F is the division in the group SONAE that has sports and fashion brands, some created by them, and others acquired. To the first group belong the following:

- **MO** (originally Modalfa): It has clothes and accessories for all family members. MO was founded in 1995, being the first brand of SONAE in the clothing sector. It now has more than 120 stores in the country, and it has an international presence (at Cambodia, Guatemala, Lebanon, Angola and Mozambique).
- **Zippy**: Zippy's clothes and accessories target are kids and babies. Born in 2003 it now has more than 30 stores in Portugal.
- **Deeply**: A sports equipment and wear brand oriented to water sports, created in 2004, and that since its rebranding in 2018 is focusing on surf products. It is sold online and exclusively at Sport Zone.
- **Sport Zone**: In 1997 the retailer of the group starts its activity. It sells dozens of sports brands and has more than 110 stores.

Along the years some brands were acquired, namely the Spanish brand Losan (Kids and babies clothes and accessories), in 2015, and 50% of the Portuguese Salsa in 2016

The sales from SONAE S&F were 369 million in 2018, which represents a 1.9% of growth in sales compared to the precedent year.

SONAE portrays itself as a group that has sustainability at the core of their DNA, not only through words but also through actions. A relevant milestone from the group's history regarding this was the subscription, in 2017 of the Letter of Principles from BSCD Portugal, which is a commitment with certain management standards, such as ethics, social and environmental. Furthermore, since 2013 they publish sustainability reports regarding their activities related to this field. For instance, in the sustainability report of 2016 it can be found the description of a project from Losan at Bangladesh: the support of a "reading camp" organized by the Save the Children Foundation, which as the aim of contributing to the literacy of children. This way, the company contributes to the development of a society where it is present.

4.2.2 Supply chain management: production

SONAE S&F produces 30% of their clothes in Portugal and outsources around 70% to other countries: the majority to China, India, Bangladesh and Pakistan, but also, in smaller quantities, to Myanmar and Vietnam. The criteria to choose the countries are cost of labour, cost of raw materials and *know-how*, as these countries usually are the ones more qualified in the textile production. In total SONAE S&F has around 320 suppliers; since only 50 represent 80% of the production, they are currently working on a project to reduce the suppliers' panel.

Around 6 years ago, the company started to have more concerns with the conditions at the factories.

CHAPTER 5: FINDINGS

This chapter aims to provide an answer to the research question - *how can fashion companies manage social issues in their supply chain?* The first section describes the environment at the suppliers factories concerning working hours and wages, and analyses whether the companies go or not beyond complying with the law. The subsequent one tackles which tools and strategies do Parfois and SONAE S&F use to guarantee social standards.

5.1 Compliance with law: reactive or pro-active SSCM

Complying with the laws of the countries in which they operate with regards to wages and working hours is the first step to ensure good working conditions in the supply chain. In both cases, companies act according to the law of each country.

For instance, in PARFOI's factories in Cambodia, workers start their job at 7 and end at 16 with an hour of break. The legal maximum of working hours per week is 48.

“Evidently, we demand a compliance with the local laws” - Juan Redondo, Buying Director at Parfois.

At SONAE's factories in Bangladesh - where the legal working hours is also 48 hours - the schedule is from Sunday to Friday, from 8 to 17 or from 9 to 18 and the company applies penalties to suppliers if the quality inspectors detect that schedule is not met. Taking into consideration that in Portugal, for instance, the law sets 40 as the maximum number of working hours per week and a maximum of 5 consecutive working hours we can infer that the company has here a margin of improvement for having an “interactive” CSR approach as opposed to simply comply with the law.

The minimum wage in the country is 150\$ but they usually pay above it (around 300\$ to 500\$), thus contributing to the life stability of their workforce.

“Cheap labour is expensive; we prefer to pay above the legal precisely to have quality guarantees.” - Ricardo Rego, Head of Quality at SONAE.

5.2 Tools and strategies to manage social issues

The table below summarizes the main findings relative to both companies, according to two main categories: managing suppliers and implementing (tangible) tools. These were defined in accordance with the analysis of the primary and secondary data collected.

Thereafter, a detailed explanation of it is provided, which allows us to understand how they manage social issues in the supply chain in order to avoid slavery, child labour, lack of security & health and overall bad working conditions in their supply chain.

	PARFOIS	SONAE S&F
Managing Suppliers		
3. Selecting Suppliers	Need to comply with ethical standards	Need to comply with ethical standards
4. Supplier Development	Training, cooperation, transparency	Training, cooperation, transparency
5. Subcontracting Suppliers	Do not allow; direct supply chain	Subcontract suppliers
Implementing Tools		
1. Vendor Manual	Social Standards Chapter	Social Standards Chapter
2. Internal Auditing	Not a structured process	Structured and formal process
3. External Auditing	No	Yes
4. Chemical Tests	Yes	Yes

5.2.1 Managing suppliers

This section comprises the main topics related to the management of suppliers: how do the companies select the suppliers they work with and how do they jointly work with the factories for their development. The third section is indirectly related to the research – which is focused on first – tier suppliers – and consists on analysing the company’s subcontracting policies. By doing so, it can be inferred how far unethical working conditions can go within a company’s supply chain without them being aware.

- **Selecting new suppliers**

Regarding the selection of new factories to work with, both companies require them to comply with the ethical standards stated at their vendor manual, and sign it. Their standards are based on the

Universal Declaration of Human Rights and on other organisations such as the International Labour Organisation, International Social Responsibility and Ethical Trading Initiative.

“They have to sign an acceptance letter stating they compromise with complying with the requirements.” – Ricardo Rego, Head of Quality at SONAE.

Furthermore, in both companies there is an internal auditing process from the local team, which provides their opinion to the buying team regarding the openness or not of that supplier. The final decision of opening a factory is always from the buying director. It is also worth mentioning that at Parfois, if at the first auditing something is not according to the standards, it is given the chance of improving. We can infer that this is of high importance since this way Parfois contributes to the development of that supplier instead of simply refusing to work with it.

“If we note that something is not alright, we give 3 months for them to improve, and we compromise with buying values for the next 1 or 2 years, so that is justified for the factory to invest in improvements” – Director of Asia office at Parfois.

- **Supplier development**

Supplier development can be translated into brands giving training and developing cooperative actions with the factories. This plays a crucial role in establishing a socially sustainable supply chain. As the literature mentions, a cooperative relationship over a strict buyer – seller relationship among brands and companies, is a starting point for ensuring good conditions in factories. In addition, if companies provide training regarding the compliance with the social standards – which is the case – naturally that will positively contribute to the compliance with them.

It is clear that both Parfois and SONAE S&F seek long-term partnerships and perceive their suppliers as strategic partners. In fact, Parfois’s buying director Juan Redondo stated that:

“We understand the factories part of the supply chain as an essential piece of our strategy.”

In both cases, this partnership consists mainly on providing training. For instance, in the case of SONAE, they give workshops to the local teams and to the suppliers, related to compliance with quality and logistics requirements and, most importantly for the present case, related to the vendor manual and ethical code of conduct – according to the quality director, Ricardo Rego, who recently provided training in Indian factories:

“We want them to evolve with us.”

That’s why they not only audit the factories to ensure they fulfil with the requirements but also to help them developing.

As of Parfois, they currently have a process with a partner of training in optimizing the production lines. As the majority of their suppliers work almost exclusively for them, they also ensure the orders they make are sufficient for their sustainability.

They go even further by, jointly with their suppliers, providing a solution to its workers who are also dependent or agriculture labour: in some of them, workers are able to work both in agriculture and at the factory.

- **Subcontracting suppliers**

At Parfois there is evidence that they control all the suppliers (both final product and raw material ones), they are aware of all the players in the supply chain. This is important as allow them to ensure social sustainability through the entire chain and not only in the first-tier ones.

“We don’t allow subcontracting, only if supervised by us; we want to have guarantees regarding where we produce”- Juan Redondo, Buying Director at Parfois

In the case of SONAE, the same does not happen. In fact, they do not control the raw materials suppliers, just the suppliers of the final product.

“We still not have the capacity of going above in the chain. Although we favor raw materials suppliers with certificates, there is not a tight control for now”.

Furthermore, they do not only have direct suppliers, as Parfois does, but also traders – suppliers that can work with round 7 to 10 factories – hence it is more difficult to keep control on all of them and this consists on a limitation to ensure ethical standards in all the players of the supply chain. While in the case of direct suppliers, there is only one factory, which they audit, in the case of traders these are asked to audit all of their factories according to SONAE’s guidelines and then SONAE will randomly choose 2 or 3 of these to audit and prove the results that were declared in the trader are accurate. If what they see is coherent to what was registered, the audits are considered approved. If there are inconsistencies the audits need to be redone by SONAE.

5.2.2 Implementing tools

Implementing tools can be described as all the concrete means companies use to ensure ethical standards at their supply chain.

Both of them have a vendor manual, which includes ethical standards and needs to be signed by the suppliers. If a non-compliance with their ethical norms is discovered (example: child labour), the orders from that factory immediately stop.

- **Vendor manual**

The vendor manual is a document that has all the rules that the suppliers need to comply with in terms of purchases, quality, logistics, and specifications regarding, for instance, the labels. Both companies of the present case dedicate one of the chapters of the vendor manual to ethical, social, and environmental standards. This is of utmost importance, as each supplier is required to sign an acceptance letter to commit with the standards stated at the vendor manual. Concerning Parfois, their Ethical & Moral Standards chapter, which contemplates 14 standards, includes the following requirements:

“Compliance with Laws; Outsourcing; Voluntary Labour; Labour Hours; Hiring and Employment Practices; Compensation; Freedom of Association and Collective Bargaining; Health and Safety; Dormitories and Canteen; Environment”

As for SONAE, their Code of Ethics and Conduct chapter is divided in three sections, being the most important ones the *Relationship with Suppliers* and *Working Conditions*. The latter comprises the following sections:

“Child Labour; Forced Labour; Health & Safety; Freedom of Association; Discrimination and Disciplinary Practices; Working hours, Compensations and Benefits.”

Based on the above mentioned requirements the auditing guidelines and grid of SONAE are created, which will be further explained.

- **Internal auditing**

Internal auditing is a tool that was implemented in the present year by SONAE S&F.

Although Parfois does not have a formal auditing system implemented, they have a team of 27 that undertake inspections to new potential suppliers before establishing a partnership with them. As it was

mentioned before, if it happens that some of the requirements are not fulfilled, it is given the chance for the factory to improve its conditions on the following three months, upon the commitment of Parfois to a purchasing value for the next two years for instance.

SONAE'S auditing system was implemented with the help of an external entity, Bureau Veritas. They gave training to 20 employees in Asia, from each of the local teams (at India, China, Bangladesh and Pakistan) to be part of an internal auditors panel that audit factories (during low production seasons) having the S&F requirements as a base. The auditors that are part of this team never audit the factories they are responsible for, in order to avoid conflicts of interest, as Ricardo Rego, explains:

“For instance if I am an quality inspector of A, B and C factories I will never audit those factories”.

The audit checklist has 5 chapters, related to the conditions of the facilities and equipment, the quality management system, the quality control and inspection, metal contamination and, most importantly, one chapter dedicated to social, ethical and environmental standards. The latter comprises the evaluation of 16 different issues such as child labour, forced labour, working hours, health and safety, discrimination, freedom of association and compensation.

It was based on this checklist, that the auditing guidelines and the auditing grid documents were created. The latter must be fulfilled by the auditors through 3 approaches: observation, interviews and document analysis. Each section is attributed a score from 0 until 2 according to whether the suppliers do not comply, partially comply, or completely comply with the requirement. The result is the sum of the punctuation divided by the total punctuation and analysis of the critical areas, which are the most important requirements of each section. Unlike the other 4 chapters, in the “*Social, Ethical and Environmental*” one, all the requirements are critical. Being a “critical point” implies that if the requirement is not fulfilled, the auditing immediately fails and the supplier has 3 to 6 months to rectify it.

According to the auditing evaluation, the factory can immediately fail or have a validity of 1 year (if it has 0 “critical points” and a score between 50% to 75%) to 2 years (0 critics and score superior to 75%).

“We have the goal of auditing 30 factories, and 60 on the following one (...) in parallel we have a project of reducing the number of factories we are working with in order to become possible of audit all of them” - Ricardo Rego, Head of Quality at SONAE.

- **External auditing**

External Auditing is a tool that only SONAE has. Until the present time SONAE has been having external auditing by Bureau Veritas around 10 to 15 times a year. In these audits if critical points are identified, the factory has 6 months to correct them. At the end of that time there is a new auditing to check if everything has been corrected.

“The external auditing is done by external entities, certified and independent; we are currently working with Bureau Veritas”- Ricardo Rego, Head of Quality at SONAE.

- **Chemical tests to production**

Both companies perform chemical tests on production, being one of the reasons to do so, guaranteeing the occupational health of the workers.

At SONAE the majority of the physical, functional and chemical tests are done in their internal laboratories. The ones they lack capacity to do are done by Bureau Veritas, which provide a report to certificate the materials. They also ask suppliers for the DSI and SEDEX certifications, as previously mentioned.

Parfois also works with external entities such as SEDEX and Bureau Veritas to ensure they are not using contaminating materials, however, according to David Salazar, Director of Asia office at Parfois:

“The raw materials suppliers have to have certificates to comprove they do not use toxic products”

5.3 Next Steps

Similarly to what they have done in the last decade, both companies show interest in continuously improving the way they manage social issues in the supply chain, by keep on working with factories as partners and increasingly strengthening their relationship.

SONAE’s main strategies are, first of all, diminishing the panel of factories they have to make it more feasible to manage and audit each one. Their goal is to reduce the number of current suppliers -that is 320 - since about only 50 of them represent 80% of production.

Then, they intent to keep on developing and expanding to all the factories their ongoing project of internal auditing system.

Concerning Parfois, their issue at the moment is to create a department external to the buying department to audit them (external or internal to the company) and the company also intends to create a CSR department in the company in the future.

CHAPTER 6: DISCUSSION

In this section, the findings presented in the precedent one are compared with the literature review presented in the beginning of the dissertation: this way, points of convergence and divergence are found. Following, the best practices and recommendations are presented. By exposing the main tools used by Parfois and Sonae to ensure ethical conditions in the factories where they outsource, as well as the type of relationship with suppliers, other Portuguese companies in the same sector have examples to look up for.

6.1 Literature and findings: drawing contrasts and similarities

We recall that the main goal of this research is to provide an answer to the question: *how can fashion companies manage social issues in their supply chain?* Hence, it is of relevance the comparison of the findings regarding the tools and strategies used by the company and the ones mentioned in the literature review.

First of all, according to Tulder, Wijk and Kolk (2009), as firms expand their operations to developed countries through outsourcing, it is crucial that they have a code of conduct, a tool that both Parfois & SONAE S&F possess. In fact, the companies have a chapter of their vendor manual dedicated to an ethical code of conduct and they require all the suppliers to comply with it, which is the first step to implement a socially sustainable supply chain.

According to the literature, the second step is monitoring the suppliers to ensure the compliance of the code of conduct (Locke and Romis 2007), which should be enhanced by an independent position of the monitoring agency (Tulder, Wijk, and Kolk 2009). SONAE S&F is a great example on this matter as they have external auditing and their well-structured and defined internal auditing process. The detailed explanation of this tool is very valuable for companies who aim to pursue the same path, as according to Ashby, Leat and Hudson-Smith (2012), there is lack of literature that contributes with tangible outputs regarding the implementation of SSCM.

Finally there is one strategy that is frequently highlighted in the literature as of extreme importance for managing the SC in a socially sustainable way: a cooperative long-term relationship with suppliers (Mamic 2005). According to Locke and Romis (2007) this way unethical working conditions at factories can be jointly overcome. Both companies claim fostering this type of relationship, particularly Parfois. It works with some of the factories since decades, and these work almost

exclusively for the company, hence, there is a sense of responsibility from the accessories company towards ensuring the financially sustainability of the factory.

6.1 Best practices

Both companies use codes of conduct, have a partnership kind of relationship with their suppliers and perform chemical tests to the materials used, practices that are examples to follow.

As it is highlighted by the table of the findings section, the main differences between companies are the subcontracting policies and the monitoring of suppliers – both the internal and external auditing. Therefore, ideally, a company would follow Parfois example regarding subcontracting - Parfois does not allow subcontracting and thus is aware of all the players in its supply chain – and the SONAE S&F one of having external auditing, as well as their well-structured and defined internal auditing process. The detailed explanation of this tool is quite valuable for companies who aim to pursue the same path.

In general, none of the two companies can be appointed as the best one to follow. At first glance, it seems that SONAE S&F provides the best example, by having clearer and more defined ways of ensuring ethical standards. Nevertheless, the truth is, the fact they have a much larger amount of factories with which they currently work than Parfois (320 VS 190), and allowing subcontracting makes it much more complex (and vulnerable) chain to manage.

The research conducted is also relevant to understand where the main margins of improvements of both companies lie, so that others can learn from it.

In the case of Parfois, it is crucial that it partners with an external organisation to audit its suppliers. Also, the company should stablishing an internal formal auditing process. Then, they should also make their social issues concerns more tangible by creating a CSR department in the company and publishing public sustainable reports, for instance yearly, with the projects they implement. Furthermore, it is advisable that they sign the letter of principles of BCSD Portugal to publicly commit to certain sustainable management standards, as well as benefiting from their consulting services so that they have experienced help in the journey of SSCM.

Concerning SONAE S&F it is crucial that they allocate efforts in order to select and monitor raw materials suppliers and that avoid subcontracting through traders, and rather have only direct suppliers.

CHAPTER 7: CONCLUSION

7.1 Answer to the research question

“How can Portuguese companies manage social issues in the supply chain”?

It is the research question that led this dissertation and it can be concluded that after the extensive qualitative research conducted, it was answered.

The bottom line is that Parfois and SONAE’S main lessons consist of managing social issues in the supply chain – more specifically in the suppliers of their raw materials – through both tangible and relational means. The latter means they foster a good relationship with their suppliers, materialized in long term partnerships that involve giving training to suppliers, being part of their daily life activities through regular visits and giving assistance on the production planning.

The “tangible means” constitute, first of all, on the codes of conduct that need to be signed by the suppliers so that they commit with the ethical standards of the company. Then, the further step consists of ensuring that there is actual compliance from the factories regarding the CoC through audits, preferably both external and internal, as in the case of SONAE. The very structured and defined internal process of audits from the SONAE S&F is a particularly valuable tool to inspire other companies who also aim to “walk the talk” of incorporating CSR in their Supply Chain Management.

7.2 Limitations

Similarly to any other study, the present one has its limitations, mainly due to time and resources constraints. The first one is related to the fact that throughout all the research, the focus was on the study of the working conditions on the factories of the final products. Although questions were asked in order to understand whether the companies are aware or not of the raw materials suppliers, there was not a deep study about how do companies ensure social ethical standards among their raw materials suppliers.

There are also considerable limitations related to the nature and type of data collected. One is the narrow scope of people interviewed: in addition to key people from the companies featured in the case study, it would have been appropriate to interview the main parties interested in the management of social issues of the supply chain: the workers of the factories. In addition, by interviewing managers of the factories, we would have gained a deeper understanding of the phenomenon under study. It

cannot be forgotten that the people interviewed from each company speak in the name of it, hence, their answers would always be somehow biased.

Finally, there is a limitation regarding the depth and scope of social issues studied: as it was previously mentioned in the methodology section, the social issues managed by the companies were addressed as a whole; we did not get into specifics regarding if and how they are differently managed.

7.3 Future research

There is definitely a high margin of improvements in the present study as well as future research that can be done.

In addition, the present type of research adapted to other Portuguese companies in the same and in other industries would improve substantially the knowledge in this field.

Then, it is advisable that future research contemplates interviewing all the key players related to this topic, i.e., not only company's directors but also managers and workers from the factories with which they work. Furthermore, it would be of high importance that another type of data collected, namely direct observation in the factories.

To conclude, there is endless future research to be done in order to complement and improve the knowledge in this field. It is definitely of academic and managerial relevance that it is conducted, as society is walking at a fast pace to an increasingly more sustainable one in all areas, and supply chain management is definitely not an exception - especially concerning social sustainability.

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APPENDICES

Appendix 1: Data Collected - Companies

COMPANY	TYPE OF DATA	SPECIFICATION	Date
PARFOIS	Primary: Presential Interview	Juan Redondo (Buying Director) Filipe Maia (Buying Project Manager)	11/04/2019
PARFOIS	Primary: Call Interview	David Salazar (Asia Office Director)	17/05/2019
SONAE S&F	Primary: Skype Interview	Ricardo Rego (Head of Quality)	23/04/2019
SONAE S&F	Primary: Email Interview	Ricardo Rego (Head of Quality)	16/05/2019
PARFOIS	Secondary: Document	Vendor Manual	11/04/2019
PARFOIS	Secondary: Videos	Cambodian factories	11/04/2019
SONAE S&F	Secondary: Document	Vendor Manual	23/04/2019
SONAE S&F	Secondary: Document	Internal Audit Guidelines	23/04/2019
SONAE S&F	Secondary: Document	Internal Audit Grid	23/04/2019
SONAE S&F	Secondary: Document	Annual Report 2018	25/04/2019
SONAE S&F	Secondary: Documents	Sustainability Yearly Reports (2016 – 2018)	25/04/2019
BCSD (Business Council for Sustainable Development)	Primary: Short Interview	João Meneses (General Officer)	27/04/2019

Appendix 2: Other Data Collected

TYPE OF DATA COLLECT	DATA
Company's Website	www.parfois.com
Company's Website	www.sonae.pt
Documentary	The True Cost – documentary about “the true cost” of fast fashion
Website	Fashion Revolution – Movement to increase transparency and working conditions in the fashion supply chain
Report GSI	https://www.globallaveryindex.org/2018/findings/highlights/
Website	Walk Free Foundation https://www.minderoo.com.au/walk-free/
Website	https://pt.fashionnetwork.com/
Article	http://www.beparlamento.net/viola%C3%A7%C3%A3o-de-direitos-laborais-nas-lojas-parfois-barata-ramilo-sa-em-rio-tinto
Article	https://www.devex.com/news/what-will-move-the-needle-for-worker-well-being-in-the-fashion-industry-
Article	https://www.jornaldenegocios.pt/negocios-iniciativas/premios-exportacao---internacionalizacao/detalhe/parfois-democratizou-a-moda-e-chega-as-mil-lojas-em-2019
Website	https://waronwant.org/sweatshops-china (Sweatshops in China)
Website	https://borgenproject.org/facts-about-workers-rights-in-china/ (Workers' rights in China)

Appendix 3: Semi Structured Interview

1. Where does Parfois/Sonae S&F produces its products?
 - 1.1 You subcontract in China/other countries since when?
 - 1.2 What is the percentage of immigrants among the workers? What are their nationalities?
 - 1.3 Is the company aware of all the agents involved in the manufacturing of its products? (i.e, the ones subcontracted by the suppliers)
 - 1.4 Since in China independent labour unions are illegal, there is only the All-China Federation of Trade Unions, which ways have your workers to advocate for their rights? Would you say top management is opened to communicate with workers?
2. How is the environment and conditions at the factories? I read at an article a statement from Sérgio Marques saying that they have “European Working Conditions”, what are these? (safety; wages; number of working hours; etc.)
3. Mass or Lean Manufacturing? (if Mass, asking if consider change since according to research it is supposed to led to higher levels of productivity, more satisfaction among workers and better working conditions in general).
4. What would you say are the pitfalls of the process?
5. I assume it is part of the company’s social responsibility to manage the supply chain according to ethical standards... To ensure good working conditions for all the agents involved. In which ways is this formalized, in practical terms? Example, do you have any ethical code of conduct?
 - 6.1 Since when does the company worries about this issues? How have the conditions evolved through time?
6. How does the company choose its suppliers? Which criteria? Are these in order to ensure ethical standards?
 - 6.1 Are they seen as strategic partners or “just” as suppliers?
7. Does the company audits the subcontracting agents? How? (to understand if auditors internal or external to the organisation)
8. These days consumers and NGO’s are increasingly aware of the lack of ethical standards in factories of less developed countries (especially after the Rana Plaza disaster in 2013), do you feel this pressure in some way?