Strategic Direction
How Gap manages responsibility: Fashion retailer's response to global obligations

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How Gap manages responsibility

Fashion retailer’s response to global obligations

When Doris and Don Fisher opened their first Gap store in San Francisco in 1969, there was not much need to think about the impact – good or bad – of global corporations on workers and communities across the world. All they were doing was setting up a local shop to help people like Don who found it difficult to find a pair of jeans that fit.

They were not expecting to found an international specialty retailer with six brands, more than 3,500 stores and 137,000-plus employees. But that is what happened, with outlets in the US, the UK, Europe, Asia, China, Japan and the Middle East, and also the ability to buy online for customers in about 90 countries.

With such a heavy responsibility for customers, employees and other stakeholders, the company’s aspiration to “do more than sell clothes” has become a much more complex objective than it might have sounded way back when. A criticism often made of global firms is that an overriding focus on profit is the reason they outsource to countries where questionable local conditions such as lax environmental legislation, a ready acceptance of child labor, and corruption of public authorities might be exploited. The fashion industry has suppliers throughout the world and its companies have a duty of care to ensure acceptable working conditions in the factories on which they depend. The people who buy their clothes have an increasing awareness of and curiosity about the people who actually make them.

“Fast fashion” companies – identified by their short time to market and the creation of original and distinctive brands – operate in an oversupplied and highly-competitive environment. This highlights the need for companies such as H&M, Zara and Gap to control the distribution network to allow them to be closer to their market and end consumers. Many firms have adopted vertical integration strategies, outsourcing all or part of the manufacturing to external partners connected in global sourcing networks. Every global fast fashion company has many manufacturing suppliers, with a consequent need for working conditions in these factories to be monitored.

Company’s commitment to social responsibility is not new

For Gap, being socially responsible signifies striving to incorporate values and ethics into everything it does, ensuring that workers are treated fairly and reducing the environmental impact. Acting responsibly is a strategy that embraces the leadership, the running of day-to-day operations and initiatives that involve all the employees. Corporate responsibility focuses on four main aspects: sustainable solutions in supply chain, employee satisfaction, community involvement and environmental questions to reduce waste and save energy.
The company's commitment to social responsibility is not new. In 1996, the development of the first Code of Vendor Conduct represented the foundation for promoting a responsible and ethical work environment. The code was designed to prevent conflicts of interest by employees, ensure the company's adherence to laws and to impose social and environmental standards within the supply chain. However, this commitment can be seen as reactive as, in 1995, a sweat shop environment and other infringements of acceptable working conditions at a company in El Salvador which made clothes for Gap were the focus of reputation-damaging international publicity. In 1999 Gap was accused of violating federal law in Saipan – including intolerable living conditions for foreign contract workers – and in 2000 for child labor in Cambodia. In response, Gap Inc. shaped a new engagement with external stakeholders to create global partnerships. In 2011/2012 the company published its sixth Social and Environmental Responsibility Report setting out how it would meet its commitments to the communities “where we live and work.”

Specialists monitor working conditions in factories

Now Gap has strong relationships with many NGOs in developing countries and is a member of an alliance to build a global forum of similar brands and retailers, along with government officials, factory owners and trade unions who are striving to eradicate child labor. The success of these efforts may create a viable, replicable model of how to achieve sustainable economic development and a reduction in child labor in other places.

Every year a Gap compliance team conducts unannounced interviews with employees and vendors to assess whether business units understand the code of conduct and know how to report violations. Through the Monitoring and Vendor and Development Program, the company checks factory compliance and an internal team of social responsibility specialists looks at working conditions.

In 2008, in order to evaluate compliance between corporate social performance and stakeholder expectations, Gap asked 100,000 employees worldwide to complete a survey, sharing their thoughts on the work environment and, with a 68 percent response rate, 77 percent of them considered Gap Inc. to be a great place to work, compared to the retail norm of 61 percent.

Highlighting the need for overall assessment of corporate performance

The Gap case demonstrates how a global firm can move towards social responsibility for consolidating stakeholder relationships. In fact, by adopting a constructive social responsibility management process, Gap obtained many benefits – not least it became one of the best global brands. The Gap experience also highlights a need for overall assessment of corporate performance, both financial and environmental and social. Socially responsible activities undertaken by firms allow them to define their corporate social performance on the basis of their ability to know how to meet stakeholder expectations by solving social issues. Excellent social and environmental performance create intangible assets which are hard to copy and consequently can increase a firm's competitive advantage.

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The corporate responsibility management process reconciles the need to create revenue and efficiency with the building of many critical partnerships. It makes it possible to improve the social and environmental conditions of the different markets where the global firm operates, enabling it to reach a sustainable development.

Comment

This review is based on “Corporate responsibility management in fast fashion companies: the Gap Inc. case” by Elisa Arrigo who describes how global fast fashion firms manage their social and environmental responsibilities in order to enhance relationships with key stakeholders, avoid a damaged image and a loss of consumer and shareholder trust.

Reference