

PROJECT resource

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Marks and Spencer Ethical Model Factory - Summary of findings

The Ethical Model Factory (EMF) programme works with suppliers to tackle the living wage issue. EMF is designed to address ethical issues in the supply chain by working in collaboration with suppliers.

EMF aims to improve factory management processes and efficiency. The factories focus on three elements: workers' rights training; Human Resource systems and Industrial Relations Management training for middle management and Human Resource personnel; and productivity training for Industrial Engineers and production line management. Gains from productivity improvements allow suppliers to increase wages for workers, allowing for mutually beneficial outcomes. The programme was piloted at three factories in 2008 in Bangladesh and then implemented at eight additional factories in 2010 as part of the second phase. It is operational in two factories in India.

EMF is proving to be a success, with improvements observed in productivity, wage levels, absenteeism, and skill levels. These impacts will allow Marks and Spencer (M&S) to continue sourcing sustainably from Bangladesh and other countries.

The business case

There is a strong business case for M&S and its suppliers to implement EMF. The business case of the programme will be further optimised as positive impacts of the programme are communicated.

For M&S:

- **Alignment with Plan A , Fair Partner:** M&S has been working to address the living wage issue by employing innovative strategies to bring about sustainable ethical performance.

For suppliers:

- **Increase in productivity:** Factories are able to increase revenues through significant increases in productivity.
- **Middle management capacity building:** EMF provides the much needed capacity building at the middle management level.
- **Responsible, satisfied, aware, and less disruptive workforce:** Workers are more aware of their rights and responsibilities, leading to fewer disruptions and less absenteeism and attrition.

“We used to turn the garment a certain way to check them but now Industrial Engineering has taught a new way which is better and saves time. I think training like this is good for us, we need more such training.” Worker [translated]

This document summarises the findings of an assessment of the impacts of Marks and Spencer's Ethical Model Factory (EMF) programme in Bangladesh. EMF aims to improve working conditions, productivity and production reliability by working with suppliers to tackle the living wage issue.

The Business Innovation Facility delivered this assessment to help Marks and Spencer understand the challenges and success factors related to the programme's design and implementation, to understand the outcomes and impacts for their company, the suppliers and the workers, and to make recommendations to scale up the programme.

It will be useful to others who are considering the introduction of similar supplier schemes.

This document was created by Arjun Bhoopal of PricewaterhouseCoopers who was part of the team that worked on this study.

Outcomes and impacts

There is evidence that the programme is creating positive impact for the suppliers and the workers. This is clearly demonstrated by improvements in productivity and wage levels, as well as by qualitative evidence given by workers. However, given that two of the factories assessed only implemented EMF in 2010 it is too soon to accurately assess long term impacts.

For M&S:

- Improved social compliance performance at EMF factories
- Ability to continue to source sustainably from Bangladesh

For suppliers:

- Improved productivity
- Reduced absenteeism and grievances amongst workforce
- Improved capability of middle management
- Ability to continue to serve international markets

For the workers:

- Higher wages
- Reduced overtime hours, improved work-life balance
- Improved skill levels



Workers receiving training under the EMF programme



Challenges and barriers

- Supplier middle management lacked skills and commitment
- Factories not homogeneous in their needs
- Inconsistent understanding of KPIs between factories
- Maintaining continuity where some workers migrate once trained
- Difficult to get supplier buy-in when M&S is not the majority buyer
- Competition law makes collaboration with other retailers difficult
- Difficult to convince suppliers to pass on savings to workers (risk of dilution of impact)

Key success factors

- Strong commercial rationale for M&S
- Involvement of other functions within M&S, i.e. procurement working with social compliance
- Supplier management commitment
- Strong business case for suppliers
- Holistic approach (productivity improvements as well as workers' rights and human resource training)
- Identifying the right project partners and sources of funding to support the pilot



A factory worker in Bangalore who has received training

Lessons: Important factors for the successful scale-up of EMF

| | |
|---------------------------------|---|
| Design | <ul style="list-style-type: none">• Needs assessment and partially customised programme• Ongoing commitment and buy-in from the procurement team |
| Implementation | <ul style="list-style-type: none">• Identify and prioritise factories for EMF• EMF champions within top management at factories• Middle management capacity building |
| Monitoring and Evaluation (M&E) | <ul style="list-style-type: none">• Update and standardize the monitoring and evaluation process; Update KPI list• Training to suppliers on M&E• Qualitative methods for evaluation of certain indicators |
| Sector level and policy support | <ul style="list-style-type: none">• Involvement of other stakeholders: industry associations, retailers, government |

A final word
from the
author.....
Arjun
Bhoopal

“Such supplier programmes can lead to exciting long-term and sustainable outcomes for retailers, their suppliers and workers if designed and implemented appropriately. However, they require a high level of collaboration and trust between the retailers and suppliers, and therefore need to be part of a coherent strategy that supports the business cases of the organisations involved.”

Further Information

The team that worked on this project included Arjun Bhoopal, PricewaterhouseCoopers, Parveen Huda, Renaissance Consultants and Rashi Agrawal, Intellectap.

This document should be read in conjunction with the [“Checklist: Designing effective programmes for ethical supplier performance”](#). This has been designed for senior management and functional heads who are considering implementing a programme to improve social or environmental performance of their supply chain.

For further information and to view other Project Resources, go to: Practitioner Hub on Inclusive Business: <http://www.businessinnovationfacility.org>

Join the Bangladesh network at: <http://businessinnovationfacility.org/group/bangladesh>

Contact the team in Bangladesh on: <mailto:bangladesh@businessinnovationfacility.org>

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Project resources are materials which have been produced during support from the Business Innovation Facility team to a specific inclusive business project. They include inputs provided as part of technical assistance and summaries of findings and outputs. They are adapted for wider use so that other practitioners can also make use of the material.