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MANAGING CSR WITHIN THE SUPPLY NETWORK

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The TMS Group continues to expand and enhance both its inherent responsibility in corporate social responsibility and that of all our external supply chain partners. This is a daunting task for an organization that continues to establish itself as one of the premier sourcing organizations for apparel and fashion accessories in Asia. This includes a company structure of operations and sales offices in the United States, Hong Kong, China, India, Bangladesh, and Indonesia. The TMS Group's extended supply network supports and services a global customer base, marketing products on five continents and in more than 45 countries – in virtually every corner of the globe.

In our 2009 contribution to the Global Compact International Yearbook, we introduced the core philosophy and cornerstone of our CSR program. This included the establishment of verifiable and transparent standards. These standards are embodied in our adoption of the Business Social Compliance Initiative (BSCI) and the inclusion of the UN Global Compact's Ten Principles into our company culture and our business standards, which are endorsed by all of our suppliers.

As we strive for continuous improvement of our CSR processes, we have implemented a more structured approach and framework. This strategy enhances our overall ability to collaborate with and manage our supply chain partners' CSR efforts. Simultaneously, we are able to leverage upon emerging opportunities for sustainability and enhancement of CSR initiatives throughout the entire supply chain. The end result is a more robust program that not only protects but also advances workers rights, upholds local laws, and respects human dignity to the fullest extent.

This requirement moved the TMS Group into the next phase for continuous improvement, which included managing the social compliance aspects of our sourcing strategy and supply chain partners via concrete business tools and best practices. Moreover, we selected mechanisms that allow for a closed-loop approach for the continuous improvement of suppliers as well as our internal efforts for all CSR. As such, we adopted a key process improvement methodology, which is well-known to our suppliers from their production environments. This specifically focused on the introduction of the PDCA – Plan-Do-Check and Act cycle process. This four-step management method is used in a myriad of industries (both automated production and labor-intensive arenas) for the control and continuous improvement of processes and products. PDCA is easily adaptable to the operational management of CSR at both the macro and micro levels of the organization. Furthermore, the process is directly attributable to the TMS Group's efforts in achieving and sustaining supplier qualifications for social compliance at levels above 90 percent.

PDCA cycle highlights

This overview of the TMS Group's adaptation and practical application of the PDCA cycle is summarized with the following points:

PLAN: Review and restructure business processes and social compliance policies in order to improve and sustain supplier CSR performance

In the case of the TMS Group, this translates into a comprehensive review of policies and procedures with respect to social responsibility components. This further includes a review of our supplier selection and retention policies. This takes into consideration that our sourcing and supply chain operations are conducted throughout Asia, and extend to authorized second-tier contractors. Hence, this "Plan" phase of CSR extends beyond qualifications and eligibility requirements – it reviews the complete process areas that are promulgated within the following TMS publications:

1. Corporate Business Standards,
2. Code of Conduct, and
3. TMS Group Social Compliance System.

DO: Implement the plan with clear and measurable performance

Continuous education and training is the objective of the “DO” phase. On a quarterly basis, our regional social compliance entities partner with select international third-party agencies for training and proliferation of CSR best practices for all members of our supplier network. This education and training reviews local and global issues, notwithstanding BSCI and other parallel agency overviews. Exchanges of ideas and best practices with our supply chain partners also highlight the training seminars via smaller roundtable forum discussions. Furthermore, internal within the TMS organization, informal and formal CSR sessions are organized for the education of our staff with direct contact to our suppliers. In addition, this includes advanced training and certifications for our social compliance officers, who administer and

manage our regional CSR efforts.

All key players within the supply chain are included in the PDCA process. The result of this inclusion and overall practices directly contribute to enhancing the skills and knowledge of our supply chain partners with respect to CSR. Furthermore, within our individual suppliers, company and individual process ownership is stressed as the critical requirement to achieve sustainable improvements in social compliance.

CHECK: Complete assessments and analysis of data

There are several key components of the “CHECK” phase of the PDCA cycle. Empirical and measureable feedback is obtained via the following mechanisms:

1. Scheduled and unannounced supplier audits and feedback
2. Comprehensive semi-annual audit questionnaire processes
3. Supplier readiness as measured by achievement and maintaining certifications

This critical phase of the PDCA cycle provides the feedback data. In the early phases of our CSR program development, our processes allowed full feedback from suppliers only during intermittent phases. Full questionnaires were administered only at the time of new supplier inceptions, or upon renewal of BSCI or other internationally recognized certifications. However, through revised practices and PDCA management, this is now administered on a semi-annual basis and provides valuable feedback on both the supplier’s status regarding CSR, and the effectiveness of our mentoring and business processes.

ACT: Implement changes required to improve the process

The ACT phase of the cycle involves external and internal stakeholders. Throughout this portion of the cycle, where data clearly identifies successful initiatives, there are three key elements that must be satisfied for the success of “ACT”:

1. Ensure all new processes are standardized
2. Communicate changes to all stakeholders
3. Training and awareness for all new methods and processes

The PDCA cycle has afforded the TMS Group the opportunity to explore a range of potential new solutions to emerging CSR issues and improve upon them in a controlled manner before implementation across the enterprise. The end results avoid large-scale wastage of both resources and funds that are associated with implementation of inadequate solutions.

The PDCA cycle, when applied to CSR management, goes far beyond rudimentary monitoring processes of suppliers and the extended sub-supplier networks. The PDCA cycle can be leveraged upon to build and strengthen the overall capacity and adherence to corporate social responsibilities and globally accredited standards. ■

