How GAP Engaged with Its Stakeholders

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The pictures that came out of the southern African mountain kingdom of Lesotho in August 2009 were truly disturbing. A reporter from the London *Sunday Times* had found that a contractor to leading apparel brands, including Gap Inc., had allegedly dumped toxic materials into local landfills.[1]

Poor local children, some as young as five, had reportedly found razors and harmful chemicals while scavenging through burning refuse piles. "We itch all day and some of the sacks used to dispose the chemicals have powder that makes our hands and arms burn," said one girl. Some children suffered from breathing problems, rashes and watery eyes. A subsequent CBS broadcast added a further, vivid twist: the contractor's discharge of garment dyes and other contaminants into the nearby Caledon River had turned the water indigo blue, making it hazardous for local inhabitants. All in all, it was a brand manager's nightmare – particularly in a world of instantaneous communication.

A similar crisis 10 years before had led to global protests that went on for months, at considerable cost to the San Francisco-based company, employee morale and even the child-workers themselves. However, this time the Gap responded swiftly and proactively to take steps to address the problems, and the Lesotho story soon died down.

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[1] D. McDougall, "African dream turns sour for orphan army," *The Sunday Times*, 2nd August 2009; S. MacVicar, "Jean Factor Toxic Waste Plagues Lesotho," *CBS Evening News*, 2nd August 2009; http://www.cbsnews.com/stories/2009/08/02/eveningnews/main5205416.shtml (accessed 28 August 2010).

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What had changed? In the intervening decade, the Gap had cultivated close relationships with labor groups, human rights organizations, governments and other stakeholders through sustained and action-oriented engagement – a long, hard process that had transformed a brand associated with sweatshops and child labor into a company recognized for corporate social responsibility,[2] the kind of organization that people were willing to give the benefit of the doubt.

Gap's stakeholder engagement strategy transformed the way Gap approached inevitable ethical trading problems. However, the change did not happen overnight. Instead, management learned a number of key lessons over time that could be helpful to other brands that struggle with ethical trading concerns. In this article, based on in-depth interviews conducted with Gap management and key external stakeholder representatives during the second half of 2009, we describe how Gap developed its stakeholder engagement strategy, the work such a shift entails, and the many ways in which stakeholder engagement has benefited the company.

Why Stakeholder Engagement?

In the last three decades, corporate attitudes toward social responsibility have evolved well beyond the dictum that "the business of business is business"[3] toward a more nuanced view that business and society are inextricably linked. Now, many theorists urge management to take into consideration not only shareholders' interests, but also those of other groups, organizations and individuals who have a stake in the company. They argue that a company's failure to understand the needs of this wider group of stakeholders can create dangerous "blind spots" for managers – and conversely, that greater understanding and closer ties to stakeholders can create sustainable value, both for the company and its stakeholders.[4]

Stakeholders, to use a definition put forward in 1984 by R. Edward Freeman, are "any group or individual who can affect or is affected by the achievement of an organization's purpose," principally financiers, customers, suppliers, employees and communities.[5] Freeman argued that such stakeholders can have a significant

[2] For example, Gap was recognized as one of the "World's Most Ethical Companies" in the 2010 Ethisphere ranking (across 35 industries there were 99 total companies and only 9 retailers on this list); Gap was ranked number 11 overall and number 3 on human rights in *Corporate Responsibility* (CR) magazine's "100 Best Corporate Citizens 2011" (out of 1,000 companies evaluated).

[3] "The Social Responsibility of Business is to Increase its Profits," *The New York Times Magazine*, September 13, 1970.

[4] For further discussion of the risks of insufficient attention to stakeholders see: N. C. Smith, M. E. Drumwright and M. C. Gentile, "The New Marketing Myopia," *Journal of Public Policy & Marketing* 29, no. 1 (Spring 2010): 4–11.

[5] R. E. Freeman, *Strategic Management: A Stakeholder Approach* (Boston: Pitman, 1984): 53. For an updated account, see R. E. Freeman, J. S. Harrison and A. C. Wicks, *Managing for Stakeholders: Survival, Reputation and Success* (New Haven, Connecticut: Yale University Press, 2007).

impact on business success, well beyond their role as factors of production or consumption. The basic premise of stakeholder theory is that management should not relegate the company's effects on stakeholders to the status of "externalities" that are irrelevant to the company's objective of creating shareholder value, but should view stakeholders as key to the company's financial performance as well as holding intrinsic value of their own.[6] In fact, a stakeholder engagement program won't work very well even on the limited level of corporate self-interest if this is not recognized and employees simply go through the motions.

As Gap's experience suggests, stakeholder engagement is not easy. (See "Lessons from the Gap Experience.") It requires careful listening and even more careful action on the part of management, including patient relationship-building with civil society, multilateral groups and global trade unions. It is often expensive and slow. However, stakeholder engagement can contribute to a company's economic performance by enabling the company to:

- *Resolve complex problems.* Stakeholders can enhance a company's perspective on issues and solutions that companies might not have access to on their own, including understanding of the local context. In fact, some problems are so complex they can't be resolved without the collaboration, knowledge, networks and expertise of stakeholders.
- *Reduce headline risk.* Stakeholders familiar with operations can often uncover situations where supply chain partners are not acting in ways consistent with company policies, giving the company an early warning about emerging challenges and the opportunity to proactively address them before the issue reaches the media.
- *Boost stakeholder trust*. Closer communication tends to make the relationship with stakeholders more cooperative and less confrontational once respect has been earned.
- *Enhance political clout*. Companies working with stakeholders to shape industry standards often gain greater access to reformist politicians and regulators, thereby increasing the likelihood that their concerns are taken into consideration in the formulation of legislation.
- *Improve the company's public image*. Successful stakeholder engagement is likely to contribute to a positive view of the company in the eyes of all of its stakeholders, including its customers and employees. Some evidence even suggests that a responsible image is beneficial for employee recruitment and retention as well as customer preference.

[6] See T. Donaldson and L. Preston, "The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications," *Academy of Management Review*, 20, no. 1 (1995): 65–91; R. Edward Freeman, J. S. Harrison, A. C. Wicks, B. L. Parmar, and S. de Colle, *Stakeholder Theory: The State of the Art* (Cambridge: Cambridge University Press, 2010).

Exhibit 1: Lessons from the Gap Experience

By engaging its stakeholders rather than simply trying to deflect criticism, Gap found it could overcome supply chain disasters, such as revelations regarding child labor, much more easily and resolve the crises in ways that were better for victims and the company. What are some key lessons from Gap's experience?

- *Be a partner.*

The traditional reactive, risk-avoidance approach to labor and environmental issues leads to more activism, weakening the brand and draining employee morale. Acting as a partner with stakeholders can lead to better crisis resolution and remediation and help prevent more crises from developing in the first place.

- *Forget Band-aids.*

Labor and environmental crises are nearly inevitable for high-profile companies with complex global supply chains. However, a strategy of engagement can help a company minimize their frequency (by making it possible to eliminate sources of risks early), and severity (by giving the company more credibility with NGOs).

- *Don't rely solely on compliance.*

Through stakeholder engagement, Gap management realized that the future was not in solely policing factories. It learned that savvier and influential stakeholders, many with years of practical experience observing conditions in the factories, had come to realize that the impact of monitoring was often negligible and that capacity-building, training and purchasing practices are also key factors. Much of the information regarding serious violations often came from external stakeholders rather than through internal factory auditing, so engagement was critical.

- *Go deep.*

Today, when media report labor rights violations such as the India child labor example, they typically find them in the second-tier suppliers or beyond, where there is less oversight and sophistication than in first-tier suppliers for major fashion companies. Reaching deeper into the supply chain requires collaboration with new stakeholders who have greater understanding, including familiarity with local languages, and the capacity to take on an advisory role.

- *Hire boundary spanners.*

Gap created a strategic unit called Global Partnerships, a team that could assume a "boundary spanner role" within the company. Such "boundary spanners" are professionals who are good at maintaining one foot firmly in the organization with the other outside in the stakeholder community.

- *Leverage your partners.*

Sustainability dilemmas are often far too complex for any one company or stakeholder to resolve alone. Developing sustainable approaches to tackling some of the world's most challenging issues – such as climate change – will require multi-stakeholder partnerships with companies, NGOs and governments.

- *Measure success*

Criteria for evaluating the depth of stakeholder engagement generally evaluate management processes and procedures. While such measures are critical to engagement, management should also look at metrics such as media stories, employee recruitment and retention and brand value. Other clues to effective stakeholder engagement include product quality, worker turnover, and declining order reject rates.

- *Ask first.*

Engagement can be most effective when the company is considering changes to products, processes or organizational strategies. Input from a variety of stakeholders enables management to have a fuller picture of risks and opportunities.

The Gap Story

Gap's commitment to social responsibility was evident as early as 1992, when it published one of the earliest set of sourcing principles and shared this with vendors in the garment industry. In 1996, Gap developed a code of vendor conduct and made it public. Gap's code covered labor, environmental, and health and safety standards throughout the company's first-tier suppliers and their subcontractors in its global supply chain, and relied mostly on the suppliers to implement the code's requirements.

Despite Gap's efforts, the National Labor Committee (NLC), a workers' rights group, exposed serious labor violations in the Mandarin International garment factory in El Salvador in 1995, including accounts of low pay, excessive overtime and union-busting. The case was a "wake-up call" for Gap, which realized that the company needed a team of internal auditors to verify that contractors were living by its code of conduct. In 1996, Gap began to assemble a diverse global compliance team which would be responsible for the inspection and the implementation of the code, an experienced group that included former NGO and trade union staff, as well as former journalists, social workers and factory managers.

But even this team of more than 100 people, operating globally, proved insufficient to catch every problem: In 1999, Gap and 26 other US retailers, including Levi's and Nordstrom, were sued over labor conditions in their supplier factories in the U.S.-administered south Pacific island of Saipan. As in El Salvador, the Saipan suit alleged cases of forced labor, nonpayment of minimum wages and other egregious violations of the rights of the island's mostly migrant workforce. The U.S.

retailers eventually agreed to pay a $20 million settlement to the suit and use the funds to establish a labor monitoring program and an oversight board to sustain change. Gap took an additional step and developed the industry's first foreign contract worker guidelines to formalize its policy and monitoring protocol.

The Limits of Policing: Cambodia, 2000

Despite the setbacks in El Salvador and Saipan, Gap still believed it was on the right track and continued to focus on supply chain auditing. Yet a further blow to Gap's reputation was still to come: In October 2000, Gap was approached by the BBC with an allegation of child labor in a Phnom Penh factory, in which Gap, among other multinational companies, subcontracted production.

A few weeks later, the documentary aired, accusing Gap and Nike (who also contracted with the factory) of ignoring the problem of child labor in their factories and of relying on ineffective monitoring systems. The Cambodian factory's management denied the accusations, and the Cambodian government declared that its own investigation had cleared the factory of any wrongdoing.[7]

Gap, however, felt that there was no definitive way to settle the dispute. Since most documents attesting to age in Cambodia were destroyed by years of war and genocide, Gap and its suppliers relied on family records to verify that workers were above the minimum working age. Yet after examining their 'family books,' Gap investigators still could not confirm the reporter's claim that the workers were underage. Nor could doctors the company consulted verify the workers' ages. "Even from a medical point of view it was not easy," said Ira Puspadewi, Gap's director of social and community investment in Asia, who at the time was Gap's regional code of conduct compliance officer.

Following the broadcast, letters flooded Gap's corporate communications and global compliance department. Anti-sweatshop student protestors picketed Gap and Nike outlets, calling for consumers to boycott the stores. Gap issued a statement in response to the strong reaction from NGOs, trade unions and the public, declaring that it did not tolerate underage labor, and asserting that "If we discover instances of underage labor, we take swift and appropriate action."

Several brands left Cambodia. Gap, on the other hand, considered the potentially negative impacts to workers if it were to 'cut and run' and decided to stay and work to improve labor conditions in Cambodia, while enhancing the age verification requirements in the factories from which it sourced.

Gap stayed because experience had shown executives that pulling out can lead to even worse outcomes for child laborers. Perhaps the most notorious example of the consequences of cutting ties with a subcontractor had occurred in the Bangladeshi

[7] P. Kenyon, "Gap and Nike: No Sweat (TV report transcript)," *BBC,* 15th October 2000. See: http://news.bbc.co.uk/2/hi/programmes/panorama/970385.stm (accessed: 27 August 2010); Associated Press, "Cambodia Rejects BBC Documentary's Allegations," Associated Press, 4th October 2000.

garment industry earlier in the decade. A 1993 NBC broadcast exposed child labor in a Bangladeshi factory supplying Wal-Mart. The Bangladesh Garment Manufacturers and Exporters Association, threatened by the prospect of U.S. legislation that would close Bangladeshi garments to the American market, announced that it would eliminate child labor in the country by the end of October 1994. Thousands of children were reportedly dismissed from the factories. But many children dismissed from the textile factories found themselves in worse situations: A 1995 report by British development organization Oxfam revealed that those children ended up in even more dangerous work, such as welding or even prostitution.

Although Gap executives believed they were taking the high road in staying on in Cambodia, the public damage had still been done. The company's compliance-oriented public statements and lack of connection with its stakeholders meant that Gap's reputation was once again tarnished.

Implementing Strategic Stakeholder Engagement

The Cambodian episode was deeply frustrating to Gap executives. Despite fielding a large labor standards monitoring team and investing millions in policing its factories, Gap remained under constant pressure from advocacy groups in the U.S. and the U.K. In fact, protests actually intensified as activists perceived that their actions were getting results. Protesters camped out in front of Gap's corporate headquarters in San Francisco for weeks on end, attracting considerable media attention, particularly when the groups engaged in such stunts as picketing in the nude. Executives realized that Gap's legalistic risk-mitigation approach to ethical trade was "broke" – policing would not bring the change in the supply chain that management desired. Clearly, the way it engaged with its critics needed a major overhaul. In the years that followed the Cambodia case, Gap embarked on a five-step path to deeper engagement with its stakeholders:

Step 1. Draw a Stakeholder Map

First, Gap developed a stakeholder map, listing as many stakeholders as possible, and then ranking them by their salience or importance.[8] "We recognized that it would not be possible for us to have a strategic relationship with each of the stakeholders, so we highlighted those who we deemed to be the most key," recalled Deanna Robinson, Gap's head of monitoring and vendor development.

Prioritizing stakeholders enabled the company to focus on developing transparent relationships with a few of the most influential organizations. "We will never be able to engage at the same level of depth with every organization that exists," explained Daryl Knudsen, Gap's director of stakeholder engagement and public policy, "but by

[8] R. K. Mitchell, B. R. Agle and D. J. Wood, "Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts," *Academy of Management Review* 22, no. 4 (1997): 853–886.

engaging with organizations who themselves have extensive networks, we have managed to receive some level of input and influence from those networks."

The mapping process at Gap was facilitated by a San Francisco based NGO-cum-consultancy, Business for Social Responsibility (BSR). The stakeholder mapping session included participants from various functional areas of the business including legal, public relations, government affairs and global compliance. The session not only produced a map of stakeholders prioritized by customized criteria developed by the team, but also served as a learning opportunity for internal team members to understand the key stakeholders, the proposed strategy and the value of engagement. The mapping exercise helped educate Gap executives about the company's many relationships and the impact the company had on thousands of lives.

Through this exercise Gap was beginning to evolve its approach from a risk-averse legalistic strategy to one based on proactive engagement that could tease out stakeholder needs, positions and motivations. This stakeholder approach was a huge shift for the company and many of the senior decision makers in the room were learning about stakeholder theory and discovering who these stakeholders were for the first time.

In 2002, once Gap had identified its key stakeholders, Gap began to meet with them to get their advice on how to improve its labor practices. One meeting in particular was to have important consequences for the company. Company executives met Lynda Yanz, of the Maquiladora Solidarity Network (MSN) in Toronto, Canada. MSN is an influential worker rights group concerned with labor rights issues in the Americas – a key sourcing market for the company. Gap managers emerged from the meeting believing they were mistaken in trying to "go it alone" in their efforts to improve labor conditions. The team became convinced they should consider developing partnerships with relevant stakeholders and consider joining the emerging multi-stakeholder initiatives.

On Yanz's advice, Gap began to engage stakeholders more holistically and stakeholders began to communicate about emerging issues directly with corporate responsibility team members. Beyond engaging MSN, Gap also joined two multi-stakeholder initiatives: the New York-based Social Accountability International (SAI) in 2003 and the London-based Ethical Trading Initiative (ETI) in 2004. Executives say joining these MSIs provided the company with a safe forum to discuss its challenges with various stakeholders and to gain their insights and perspectives on the best ways to handle particular issues.

Step 2. Identify the Material Issues

Next, Gap identified the most important social issues the company and its stakeholders faced. "We examine what our core impacts are, and we try to stay apprised of key issues in those areas and procure opportunities where Gap's contribution will make a difference," explained Knudsen.

After identifying the issues, Gap gauged their maturity. If there was weak evidence and little awareness for an issue, it was considered "latent." If it had become the focus of NGO campaigning and research, the issue was classified as "emerging." If awareness for the issue went beyond the professional community to the public and media and there existed a strong body of evidence in support, it was "consolidating." Finally, an issue was "institutionalized" when its handling had become a normal part of regulations and business practice.[9] Two "consolidating" priorities that emerged from that work: Child labor (not surprisingly, in view of the past controversy in Cambodia), and HIV/AIDS, a major issue in Lesotho and South Africa, where up to 30 % of the population was infected.

Step 3. Define Objectives

Gap defined its objectives based on stakeholder input through the engagement process with MSN and others. One top priority that emerged: increasing transparency. A major milestone for Gap in this regard was the publication of its first Social Responsibility report in 2004. The "warts and all" report focused on code of conduct violations regarding labor rights and the supply chain and the measures being taken to prevent future violations. Although some media outlets interpreted the report as an act of contrition (e.g., "Gap Admits to Running Sweatshops"), some of Gap's toughest critics praised the effort.[10]

"I think the SR report is one of our greatest successes," said Dan Henkle, Gap's former senior vice president of global responsibility. "We really found our voice… sharing information without coming across as public relations and patting yourself on the back." In public relations terms, the report had a very positive effect: The marketing department suggested that the number of "positive impressions" the report generated may have equaled the equivalent of two Super Bowl advertising campaigns. The report also served as a "call to action" for others in the industry, particularly those that had not invested in corporate responsibility to date, as many suppliers served multiple brands.

Step 4. Resolve Issues Collaboratively

Prior to the engagement strategy, stakeholders would send letters to Gap about their concerns regarding factory issues. Corporate communications would usually reply with a "canned" response, mentioning the code of conduct and the number of internal auditors that were working to address noncompliance. This approach typically infuriated stakeholders and increased the likelihood of campaigns against Gap. Gap's Global Partnership team took a different tack and instead told stakeholders to contact it directly if they saw problems emerging.

Such a tactic paid off in 2005, the year the Multi Fiber Arrangement was phased out. Between 1974 and 2005, the MFA had governed the amount of textiles developing countries could export to developed countries. However, although initially intended to limit the rapidity of growth in the market, its country-by-country

[9] This model, originally developed by pharmaceutical company Novo Nordisk, is described more fully in S. Zadek, "The Path to Corporate Responsibility," *Harvard Business Review* 82, no. 12 (December 2004): 125–132.

[10] S. English, "Gap Admits to Running Sweatshops," *Daily Telegraph,* 13th May 2004. See: http://www.telegraph.co.uk/education/3340068/Gap-admits-to-running-sweatshops.html (accessed: 27th August 2010). Gap social responsibility reports are available at: http://www.gap-inc.com/GapIncSubSites/csr/EmbracingOurResponsibility/ER_Our_History.shtml (accessed 28th August 2010).

allotments also acted to protect the supplier markets as well. At the time, many in the apparel industry believed that once the MFA system was dismantled, China would take over the world's textile market and destroy most of the other emerging market competition. For the Gap, the multi-stakeholder dialogue led to an executive commitment to consider the implications of exiting from a country and to address negative impacts on workers and communities in labor markets the company decided to exit.

Through meetings with stakeholders, Gap learned that brand demands for supplier flexibility, such as changes in color or design elements, could have major repercussions for workplace practices.

Gap organized a series of stakeholder meetings in both the U.S. and the U.K. to elicit insights about the post-MFA era. The company invited NGOs, academics, government and trade unions to discuss Gap's program and to identify emerging concerns. Creating such a forum provided Gap with "eyes" globally, placing the company in a position to resolve issues in factories "below the radar screen," rather than in public. The stakeholder communication served as an informal complaint mechanism on factory problems, enabling the company to respond earlier to emerging issues.

For example, stakeholder feedback helped Gap identify HIV/AIDS as a key challenge in Lesotho and led the company to join singer/activist Bono's Red campaign to donate 50 % of profits on a particular line of 'Red' branded Gap products and a commitment by Gap to continue to source those products from Lesotho. Through these meetings, Gap also learned that brand demands for supplier flexibility, such as changes in color or design elements or lead time could have major repercussions for workplace practices. Although identified by Naomi Klein in her 2000 book *No Logo*, this was one of the first times in which a retailer saw that its own practices could have negative consequences on the implementation of its own codes of conduct. This insight led to a purchasing practice pilot project in 2005, ahead of the rest of the industry.[11]

Step 5. Embed Engagement

Some Gap stakeholders were resistant to the engagement strategy. A number of employees felt the company was selling out to NGOs. At the same time, some external stakeholders dismissed Gap's efforts as more PR "spin." In the beginning, Gap's legal department was particularly unsure about the strategy. "[Gap] lawyers were extremely sensitive and cautious about anything they would say in public that could open them up for potential litigation. So, even as they developed a highly sophisticated and significantly resourced compliance system to support their code, they remained defensive, at least in public, about these issues," recalled Bennett Freeman, a consultant at that time with Burston-Marsteller, the public relations agency, which was involved in the stakeholder engagement decision.

The challenge, according to Lakshmi Bhatia, former director of global partnerships at Gap, was "narrowing down the boundaries between our internal organization and the stakeholder world." The team did that in part by hiring "boundary spanners," people familiar with the corporate as well as the civil society discourse, who helped mediate between the potential adversaries. "The typical corporate mindset is often about very clearly defined structures and boundaries," said Bhatia, "and that does not work when you are engaging [with stakeholders]."

Nor were boundary-spanning efforts important only in winning over external sceptics. Moving the Global Responsibility team from sourcing to the legal department helped win over company attorneys to the engagement strategy. Managers say that exposure to the Global Responsibility team actually helped change the legal department's approach, making the company more open and supportive of the strategy.

Beyond Crisis Management: India, 2007

In 2007, Gap's new stakeholder engagement approach was put to the test, as the media exposed another case of child labor in Gap's supply chain. A reporter from *The Observer* (U.K.) advised Gap's CSR personnel of his discoveries regarding child labor in an Indian embroidery company that produced T-shirts for the GapKids brand.[12] Gap investigated the case and discovered that one of its approved suppliers had referred handiwork to the embroidery company, a facility unauthorized by Gap.

[11] For a fuller discussion of this issue of upstream (supply chain) consequences of downstream marketer (and consumer) decisions, see N. C. Smith, G. Palazzo and C.B. Bhattacharya, "Marketing's Consequences: Stakeholder Marketing and Supply Chain Corporate Social Responsibility Issues," *Business Ethics Quarterly* 20, no. 4 (October 2010): 617–641.

[12] Dan McDougall, "Child Sweatshop Shame Threatens Gap's Ethical Image," *The Observer,* 28th October 2007.

Objectively, this case was much more severe than Cambodia. In 2000, Gap could not verify that the workers in question were in fact underage, whereas in this case there was no doubt about the age of the workers and the severity of the working conditions. Some of the children had been sold to the sweatshop by their impoverished families as bonded or forced labor. They labored 16 h a day without compensation, suffering from severe physical and verbal abuse on the part of their supervisors.

Thanks to its earlier stakeholder engagement efforts, Gap had more time to form an effective response to the allegations and a holistic approach to remediating the issue than in the Cambodian crisis, according to Deanna Robinson. Rather than arriving completely out of the blue, the news reached Gap earlier, giving the company more time to prepare its response. "If you fast forward to the case in India, we did have a direct conversation with the reporter, but we also really had more of an opportunity to assess the situation," said Robinson.

Gap responded swiftly and effectively to the allegations. As soon as the story broke, Gap followed the guidelines it had learned from multiple stakeholders including trade unions and NGOs about how to manage a child labor incident: It took full responsibility, cancelled the product order and barred the unauthorized subcontractor from any future involvement with the company. An executive in the business, not a corporate communications or corporate responsibility person, spoke for the company. The key message the company wanted to convey was "that in the reality of an issue as complex as child labor, clearly no single company can change a societal situation, so it's going to take an industry response," according to Bill Chandler, Gap's vice president of corporate communication.

After internal debate, the company decided to retain its relationship with the first-tier supplier that had hired the embroidery company. The first-tier supplier had a strong reputation for labor compliance, and retaining the company would also preserve local jobs. It also decided that the finished garments would not be sold. A summit meeting with all north Indian suppliers was held in November to reinforce the message of "zero tolerance" towards child labor and ensuring no unauthorized subcontracting.

The Indian government, working with a local child labor NGO, BBA (Bachpan Bachao Andolan), managed the initial remedial treatment of the children in question and made sure they were taken care of. Gap started funding BBA to serve as a local educator against child labor. Gap also helped create a global forum of brands and retailers, together with NGOs, trade unions and government officials, to develop industry-wide strategies against child labor.

Unlike the Cambodian case, which dogged the company for months and spurred storefront protests, the media story about the Indian case was all but 'dead' in a few days. Responses to the incident were substantially different compared to 7 years before. This time around, the NGOs didn't view Gap as the enemy. "They'd worked with us, found us to be good partners, and therefore, instead, their approach was 'how can we help?'" Gap's Henkle recalled.

NGO and trade union representatives told us that Gap's transparency and responsiveness in the years before the incident prompted them to take a more collaborative approach. "There is less criticism from the campaigning community around them," said Maggie Burns, a trustee of Women Working Worldwide, a U.K.-based organization that works with an international network of women workers. “That doesn’t mean that the campaigning community has gone soft on what Gap should do, but I think there is a difference, because they are working with stakeholders in a much more open and transparent way.”

Various NGO representatives emphasized to us that this does not mean that Gap will never be criticized, but it does mean that they are more confident that the company will do the right thing by taking responsibility and acting swiftly.

Gap and Lesotho

The classic response to the pictures of Lesotho children picking through burning garbage and an indigo-blue river would have been for the company to deny responsibility, blame the problems on the subcontractor, and then cut all ties with the offending company.

That was the old script. Instead, Gap responded again as it had in India – quickly and proactively. On August 2nd 2009, Henkle delivered a media statement regarding Lesotho in which he declared the company’s commitment to improving the lives of workers in Lesotho and announced the steps Gap intended to take to resolve the situation. On September 18th, Gap and Levi Strauss issued a joint statement detailing the actions they had taken or requested of others. These included internal and independent investigations; meetings with their suppliers and local government officials; immediate repair of a broken municipal waste pipe; and enhancement of factory management training to ensure compliance with their codes of conduct.

Neil Kearney, former general secretary of the International Textile Garment & Leather Workers’ Federation, a global union federation, placed the Lesotho story in a larger context, emphasizing Gap and Levi’s role in improving working conditions in Lesotho. He also criticized those who attacked Gap and Levi’s for being irresponsible, “using easy targets… without recognizing the progress that has been made and the contribution of these easy targets.” For Gap, the defense by a veteran union leader who had campaigned against the company in the past was a vindication of the engagement strategy. More generally, Gap’s stakeholder engagement strategy has changed stakeholder perceptions of the company, and Gap has received awards and public recognition as a leader in corporate ethics and responsibility.

Public crises are all but inevitable for major brands with extended supply chains in emerging markets. Their outcome is not. “It is not a crime to find child labor in your supply chain,” said Dan Rees, former ETI director. “What is important is what you do about it when you find out.” As Gap has learned over the past decade, if the level of engagement is deep enough, such crises can be turned into opportunities that leave the company and its stakeholders stronger.

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