

Chapter 12

Sustainable Development in the Supplier Chain: Analysis of a Brazilian Fashion Retailer's Social Responsibility Program

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Abstract With a responsible attitude, a company can identify risks and develop programs that aim at improving processes and products, differentiating itself in the market and earning higher profits in advance. This paper seeks to explore and describe the model of corporate social responsibility employed by a Brazilian fashion retailer in its supply chain. For this, a literature review was initiated for greater involvement with the subject, followed by a documentary research to verify the information together with semi-structured interview, resulting in the case study. It is concluded that the company adopted a social responsibility policy from the senior management level so that its supply chain is established and followed by both senior management and other employees. The process of conformity verification with the standards stipulated by the company and the Brazilian legislation is carried out through an internal audit in an unannounced manner.

Keywords Social responsibility · Strategies · Textile retail

12.1 Introduction

In the last decades, with changes in lifestyle and with the emergence of themes related to sustainability, many companies have been adopting socio-environmental measures as a strategy of competitiveness, in some cases resulting from consumers

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seeking companies that present more human standards and incorporate socio-environmental criteria in the goods and services they offer (Parente 2000; Parente and Barki 2014).

The search for competitiveness and profitability linked to sustainable development acts as a driver for the advent of new methods and management practices. Social responsibility is embedded in this context, constituting a set of strategies that guide companies in social and environmental actions, seeking the satisfaction and well-being of their clients, employees and community. Dias (2011) emphasizes that these actions should be based on ethical behavior and should be applied both inside and outside the company (Porter and Kramer 2006).

For this new model of strategy and vision to be successful, it is necessary to engage the entire value chain with social and environmental issues, and in Sachs's (2009) view, social aspects must be prioritized. Mendes (2012) emphasizes that studies on sustainability prioritize environmental themes, since the degradation of natural capital is much more visible to the population than the errors in social relations, which are usually more related to the residing communities of the organization, suppliers, and employees.

In the fashion industry, the introduction of social responsibility becomes a challenge as it is delineated by different and complex supply networks and by demand for low-cost production, with the subsequent transfer of local to global activities, thus redesigning the productive limits (Macchion et al. 2015). According to Oliveira (2015), this format has brought with it the fragmentation of production processes and geographical dispersion, resulting in interconnected companies, under the leadership of a company (Gereffi 2001, 2014), which in many cases, causes an increase in the impacts observed in the society and the environment (Dillon 2012).

This new structural conformation has created an opening for the precariousness of labor relations, the exploitation of labor and informality, a situation similar to what occurs in the Brazilian fashion garment manufacturing sector, which has been the target of numerous denunciations of exploitation of the workforce in large and small national and international brands (Monteiro 2013). Berlim (2012) points out that the outlook for work in sub-divisions in Brazil is high, and the number of companies employing immigrant workers in degrading conditions is increasing.

A possible change in this scenario can be achieved by retailers due to their strategic position in the chain as the link between suppliers and consumers (Aligleri et al. 2009). This change can be achieved through implementation of management systems, monitoring, use of codes of conduct, audits and certifications, all of which tend to mitigate risks in fashion clothing retail chains (Adams 2002; Levis 2006; Turker and Altuntas 2014). In this way, textile retailers are creating internal and external programs to monitor their suppliers based on codes of conduct in conjunction with audits (Adams 2002; Ahmed and Peerlings 2009; Helin and Babri 2015; Lobel 2006; O'rouke 2006; Turker and Altuntas 2014).

In Brazil, the social responsibility certification program was created by ABVTEX (Brazilian Association of Textile Retail) in 2010, which seeks to establish a unified monitoring model for the chain of reseller suppliers of its

signatory retailers, of which company X analyzed in this report, is an active signatory. This certification program has criteria based on the principle of social responsibility and Brazilian legislation and aims to certify the supply chain with a seal of social responsibility, through third-party audits. These audits are carried out in loco, being announced and not announced, to ascertain the existing conformities and nonconformities at all levels of the supply chain, after which a report will be generated, which will allow verifying if the company was approved, disapproved or is in action plan.

This way, being the company X signatory of the ABVTEX program, it already pre-selects its suppliers with this entry barrier, which is, only companies approved in this program are part of its supply base. Thus, this paper aims to identify the strategies of social responsibility adopted by company X, and also to identify in which level of organizational learning this company is.

12.2 Literature Review

12.2.1 Sustainable Development

The impacts caused to the planet by a development based exclusively on the current economic model are great and result in climate change, soil degradation, water contamination, excessive generation of garbage, precarious working conditions, among others. Berlim (2012) asserts that this kind of growth sacrifices the environment and society and jeopardizes the future viability of humanity.

Ekwueme et al. (2013) emphasize that disclosure of commitments and social, environmental, and economic activities encourage managers to incorporate sustainable practices into corporate strategy. The concept of sustainable development is multidimensional, and has conditionality with environmental, social, and economic growth (Sachs 2008). A sustainable company is one that contributes to sustainable development, while generating economic, social and environmental benefits, triple bottom line (Elkington 2012), which is the great challenge in the short, medium and long term, and must occur in an integrated into the company's strategy.

Elkington (2012) argues that companies can be profitable by adopting responsive and strategic behaviors that extend their responsibility to the external environment, and companies that are not born with sustainable standards can adjust and incorporate behavioral change into their strategies. To do so, it is necessary for the company to change its vision and strategies in relation to the environment, productive practices, and social aspects (Dias 2011; Sachs 2008; Veiga 2010). New forms of development, for the most part, occur due to pressures suffered by several actors, as Hart and Milstein (2003) demonstrate in Fig. 12.1.

These motivators act in the strategy of companies seeking adequacy in process, products or services, making it possible to shed light on existing deficiencies inside and outside the process, allowing the identification of weaknesses and the

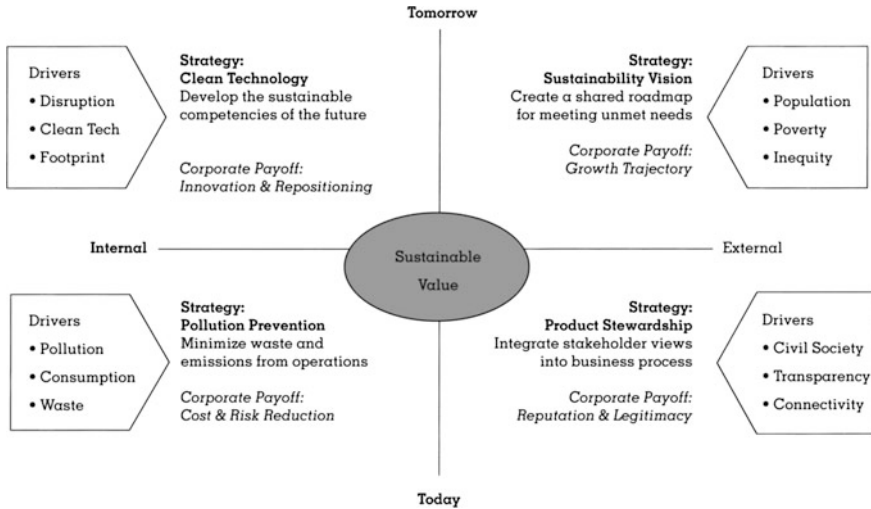


Fig. 12.1 Sustainable value model. *Source* Hart and Milstein (2003)

possibility of technological innovations, processes and practices, which differentiate, competitiveness, profitability and consequently strengthening the company’s image in the market (Porter and Kramer 2006; Dias 2011; Hart and Milstein 2003).

12.2.2 Corporate Social Responsibility

The concept of corporate social responsibility goes beyond the design of the company’s internal environment, encompassing other stakeholders involved in the process. Dias (2011) points out that it requires a new role for the company, evading the economic sphere, developing other relationships with the market and with the various players that make up its network.

Porter and Kramer (2006) and Zadek (2004), approach in their perspectives the concept and pressure factors of both change and proactivity. Social responsibility practices occur both within the company and outside. In this perspective, the actions involved in the internal environment are related to the issues human resources and the environmental part of it, also transparency, ethics, as well as factors related to health, safety, compensation, among others. External issues should also be on the company’s agenda, such as follows: community, government, norms, environment, etc. (Porter and Kramer 2006).

Thus, these present two strategic models that the company can introduce: responsive and strategic. While the responsive acts in order to attenuate the social effects already existing or arising from industrial activity, acting from the perspective of the citizen company, on the strategic the company goes beyond good citizenship and mitigating harmful effects in its value chain, encompassing the

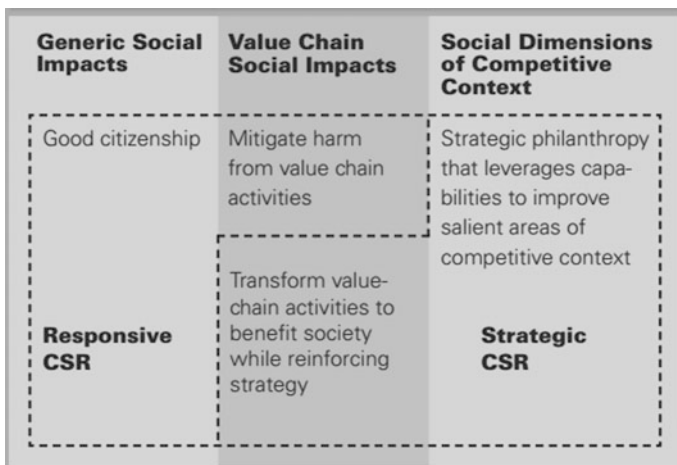


Fig. 12.2 The Company’s involvement in society. Source Porter and Kramer (2006)

development of programs capable of generating social and business benefits in a differentiated, competitive, innovative, and shared value way, as shown in Fig. 12.2.

For Zadek (2004), most companies go through different stages of learning to be good corporate citizens, and to advance to a successful trajectory, it is necessary to identify and understand the failures, seeking internal and external improvements. The stages are five: defensive, compliance, managerial, strategic, and civil, as shown in Table 12.1. With this the author showed that, at each step in the search for a process of adequacy, the company adopts a different behavior and response to the problems encountered.

12.2.3 Productive Strategies

The Brazilian textile industry is modern and competitive in most of its segments. It is capital intensive and its size varies from medium to large. Most garments are manufactured by small and labor-intensive companies employing 70.5% of workers in the industry (Borger and Nazoe 2011).

The Brazilian textile sector, faced with the process of transforming the economy in the 1990s, due to economic openness and trade liberalization, underwent a great process of restructuring, outsourcing production, as a mode of economy and agility that, in the view of Guiraldelli (2010), led to the precariousness of labor relations, due to the flexibilization of contracts, also reflecting in the working conditions and stimulating the informality of companies. Outsourcing is a process that aims at increasing productivity, flexibility, agility and cost savings. Amato Neto et al. (2014, p. 49) defines it as:

Table 12.1 The five stages of organizational learning

Stage	What organization do	Why they do
Defensive	Deny practices, outcomes, or responsibilities	To defend against attacks to their reputation that in the short term could affect sales, recruitment, productivity, and the brand
Compliance	Adopt a policy-based compliance approach as a cost of doing business	To mitigate the erosion of economic value in the medium term because of ongoing reputation and litigation risks
Managerial	Embed the societal issue in their core management processes	To mitigate the erosion of economic value in the medium term and to achieve longer-term gains by integrating responsible business practices into their daily operations
Strategic	Integrate the societal issue into their core business strategies	To enhance economic value in the long term and to gain first-mover advantage by aligning strategy and process innovation with the societal issue
Civil	Promote broad industry participation in corporate responsibility	To enhance long-term economic value by overcoming any first-mover disadvantages and to realize gains through collective action

Source Zadek (2004)

An administrative technique that allows the establishment of a managed process of transferring to third parties the ancillary activities and support to the scope of the company, allowing this (so-called parent company) to concentrate on its main business, that is, on its Core business.

This process was more intense due to the great growth of the demand occurred in the years of 1980 and 1990 in Brazil. The clothing sector started to use outsourcing to increase its production capacity. Outsourcing implies a change or realignment of all the agents that operate in each supply chain. This practice also allows cost and investment savings and administrative reduction, allowing the company to focus on what it does best (Amato Neto and Marinho 2014). In practice, this process occurs with the relationships between retailers and their supply chain, and based on the three types of third parties described by Amato Neto and Marinho (2014), the Fig. 12.3 can be built.

In this demonstration, it can be observed the relationship between the leading company and its supply chain. The leading company exercises governance over its supply chain, resulting in a verticalization of relationships that determines the degree of control the leader has over its suppliers and distributors (Dillon 2012). It is possible to notice the presence of subcontracting services, where the suppliers act by outsourcing production to other companies (subcontractors) and these, in turn, act by passing part of the production or its totality to other subcontracted floating companies (quartirized) that, per Amato Neto et al. (2014), is the management of

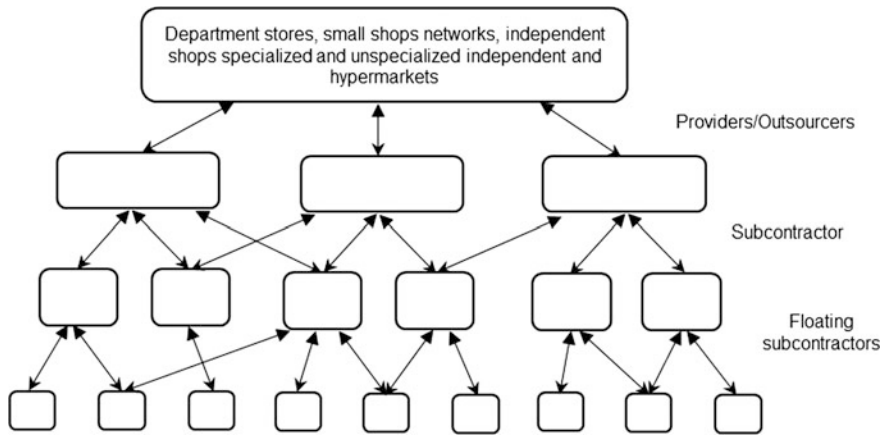


Fig. 12.3 Demonstration of the relationship between retailers and supply chain. *Source* Moro (2016)

outsourcing by an outsourcing delegation. This system poses risks to the management system.

This practice of transferring production to other companies is recurrent in this sector (Mendes et al. 2010). Most of the workshops are known in their region and often collaborate with each other to share services and lend out invoices to those that are informal. These authors point out that this sector has many cases of work at home, facilitating the process of disposing of production in periods with high volume of requests for formal and informal enterprises. Often, they also pass through creating a vicious circle to increase gain in scale through the consequent reduction of production costs (Cabreira and Wolff 2013; Guiraldelli 2010; Lima 2009).

12.2.4 Governance of the Production Chain of Fashion Clothing

The textile retail sector has a long, segmented, high flexibilization supply chain with predominant subcontracting processes (Kogg and Mont 2012). This chain is led by the buyers (Rech 2006; Gereffi 2001; Carvalhina 2007), but the production is decentralized, usually carried out in developing countries (Gereffi 2001), and can be fragmented with the outsourcing of production processes.

In the chain led by the buyers, the companies act by exercising power over the subcontractors and the smaller participants, determining deadlines, quality standards and specifications of the product (Oliveira 2015). Humphrey and Schmitz

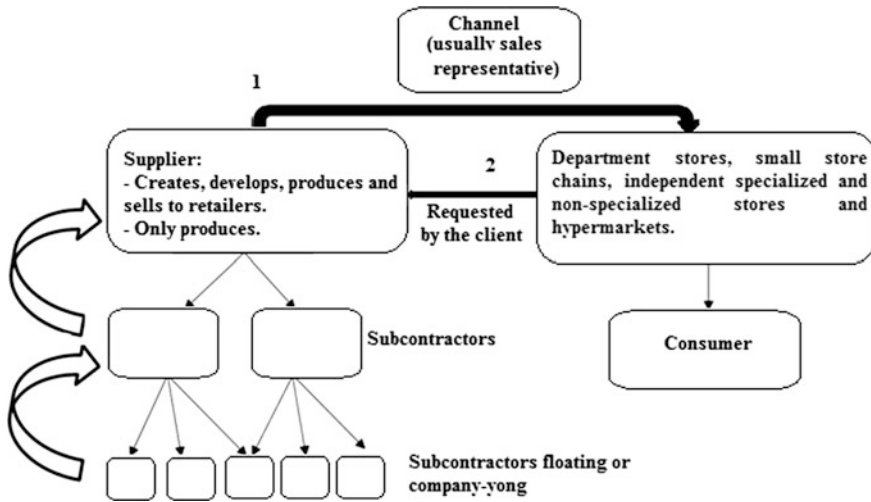


Fig. 12.4 Demonstration contracting textile retail services with its supply chain of Fashion Apparel Manufacturing. *Source* Moro et al. (2016)

(2001) and Gereffi (1999) highlight three areas that buyer-driven governance can exert control over the chain:

- Chain positioning in the market: buyers play a decisive role in what will be produced through market interpretation;
- Chain structure: the buyer's decision affects the whole chain, such as the number of companies involved and the distribution among them;
- Control and monitoring system: the buyer specifies the level of acceptable quality and other procedures to control the performance of the company, which will enable decisions such as the exclusion of suppliers from the chain.

There are two types of relationships where retailers can choose to buy branded products or develop under their own brand (Grose 2013), according to the Fig. 12.4 shows the way of contracting textile retail services with its supply chain.

Berlim (2012) explains that the development of this system in the clothing sector, occurs in two ways:

1. The retailer contacts the supplier and requests the development of parts. In this case, the fabrics, supplies, and labor are supplied by the supplier itself. After approval of the prototype the products are made and the retailer company pays for the service;
2. The retailer determines the product together with its development department, buys the raw materials and supplies and outsources the production process, paying only for labor.

It can be noted that retail controls the production chain of the parts sold by it, whether buying items developed by the supplier (1) or developing products and

only contracting services (2). It is also possible to note the relation of transfers of parts or processes from suppliers to subcontractors. This relationship can become even more entangled, when subcontractors pass on requests to be produced to others, affecting the quarreling.

The ties formed by this type of strategy are fragile and present a high risk for the brand (retailer) and for subcontractors who are responsible for the share of social charges inherent in the payroll or for the remuneration of informal workers, in addition to the risks for reimbursement of defective garments (Lima 2009). The image of the brand can be compromised with the reduction of product quality and consequent decrease of sales, affecting its position in the market. Aligleri et al. (2009) emphasize that if the brand uses an ethical attitude based on social and environmental issues, its actions may be jeopardized by the misconduct of subcontracted companies.

Another factor that has relevance when analyzing this structure is the question of cost competitiveness. According to the report of the Brazilian Agency for Industrial Development (2008), small companies are mostly hostages of larger companies, although they do not declare this explicitly, but affirm that they do not impose their prices on either customers or suppliers. It is possible to infer that this parcel is completely governed in its supply chain and that most of these companies do not receive the attention they would like in their relationship with suppliers.

12.3 Methodological Procedures

This article began with a bibliographical research. Lakatos and Marconi (2003) point out that a secondary source covers the bibliography made public and leaves the researcher in contact with what has already been studied, seeking a delimited contextualization in some subjects, aiming at greater familiarity with the subject under study, these being: social responsibility, textile retail and strategies, subjects relevant to the understanding of the spheres that guide this study. This study concerns the social responsibility program of a Brazilian fashion retailer (hereafter referred as Company X¹). Qualitative analysis was employed to present details of the program and its extension. Yin (2010) states that a case study may involve direct observation, by the researcher, of events studied with the use of semi-structured interviews. The interviews were carried out with the manager and coordinator of the social responsibility team of Company X. As part of the complementary methodological procedures, a documentary survey was used with data collected from the company which is in material that has not yet received analytical treatment (Gil 2002).

¹The case company wished to remain anonymous.

12.3.1 The Company

Established more than sixty years ago, Company X operates in the fashion retail market and offers a vast collection of articles that is subdivided into: men's and women's clothing, accessories, footwear, home line, and others. It is the fourth largest clothing retailers in the Brazilian market and is traded in the Brazilian stock market. Its sales volume reached approximately 140 million pieces annually, with revenue of US\$ 255 million, resulting in an increase in net revenue of 7.5% in the third half of 2014. It has approximately 17,000 employees, 416 stores and 5 strategic distribution centers throughout the country.

12.3.2 Description of the Monitoring

The company began to implement its social responsibility program in 2009 in which only a minority of 50 non-sub-contracted suppliers were involved. The following year, however, one of the companies not included in that first group was audited by prosecutors of the Ministry of Labor and Employment (MTE) and was found,—with irregularities such as work analogous to slavery and severely harsh employment conditions. Company X was indicted, prompting it to realize the urgency to review and closely monitor its supply chain management process. In this case, the company felt the need to extend its social responsibility program to get all its suppliers and their subcontractors involved.

Faced with the lack of knowledge of its supply chain and aware of the demand from the market, Company X began a process of reactive change, through the registration of the real situation of service provision. Another factor influencing this reactive stance was the fact of trading shares in the stock market, since with the creation of the Corporate Sustainability Index (ISE), which is a tool for comparative analysis of the performance of companies listed on the stock exchange under the corporate sustainability aspect (BM&FBOVESPA website, n.d.), it becomes extremely important for the company's valuation to be guided by the ethics and transparency of its business.

In light of this, Company X sought to identify non-conformity to the labor and environmental legislation existing in its supply chain by setting up an action plan for the adequacy of these companies. Company X sought to develop the alignment of partnerships excluding only those that were unwilling to adapt.

By the time its social responsibility program started, the supply chain of Company X consisted of 250 direct partners, which in turn work with this article began with a bibliographical research over 2000 national subcontractors, representing approximately 73,000 employees. Chart 12.1 represents the total number of companies that make up this supply chain regarding the size according to the number of existing employees.

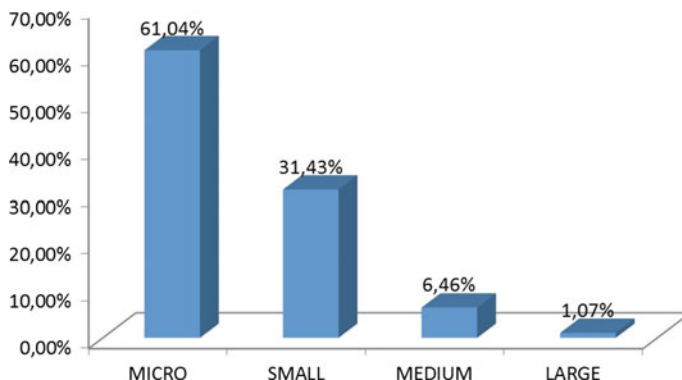


Chart 12.1 Proportion of local suppliers of Company X by size

Company X also had international suppliers in countries such as China, Bangladesh, Peru, Pakistan, and India, but subcontractors of whom were not known, as the process of auditing and monitoring was only possible with suppliers located in Brazil.

The reactive stance vis-à-vis MTE began with the establishment of a social responsibility team. The team composed of a coordinator and two auditors, all with higher education degree and with training in Brazilian norms and legislation, in addition to knowledge in international standards such as OHSAS 18001 and SA 8000. Company X also signed with MTE the term of conduct adjustment (TAC), an agreement between the company and the government body that stipulates actions to correct problems encountered and started the third-party audit process with the multinational certifier, second-party audit, jointly, adopted the process of certification of suppliers in social responsibility ABVTEX as an entry barrier.

12.3.3 Supplier Selection Criteria

With the internal social responsibility program, company X now only accepts new suppliers and subcontractors who are already certified in the ABVTEX program.

The ABVTEX certification program has a third-party audit in multinational and local companies, and audits companies that wish to maintain or start a business relationship with a retailer already associated with it. The audit includes issues pertinent to the Brazilian labor legislation present in the Consolidation of Labor Laws (CLT), as well as various environmental issues. Every supplier must maintain an up-to-date list of subcontractors with retailers and ABVTEX.

Amato Neto and Marinho (2014) warn that certification can help choosing the supplier, but should not be used as the sole criterion. It is necessary to maintain a strong and efficient monitoring, also counting on an external auditing program carried out by a multinational certification and internal auditing processes, which

Table 12.2 Total audited companies

Type of audit	Year						Total
	2009	2010	2011	2012	2013	2014	
Third part is mandatory and is part of the TAC signed	0	487	338	164	426	296	1.711
Second part (traceability applications + office audit)	150	0	853	1.241	1.597	1.988	5.829
Total audited companies	150	487	1.191	1.405	2.023	2.284	7.540

Source Moro et al. (2015)

comprise of maintenance and traceability of orders, all of which are unannounced. The audit seeks to portray the actual working conditions of the supplier companies and the maintenance check verifies the continued compliance with the stipulated requirements. The one of traceability consists in the verification of the production of the orders by means of a random choice, checking, through fiscal documents, the places where the pieces are being produced with the physical count of the quantities officially registered. These measures have been adopted to improve the reliability of the audit process and are constantly being improved.

More than 7500 audits were carried out until 2014. Table 12.2 shows the total number of companies audited since the beginning of the program implementation, from which, one can observe the increase in the number of audits performed.

12.3.4 The Analyzed Requirements

The requirements verified in audits of both ABVTEX and company X included: use of child labor, forced labor or analogous to the slavery, irregular foreign work, freedom of association, discrimination abuse and harassment, health and safety, monitoring and documentation, compensation, working hours, benefits, monitoring of the productive chain and the environment. Table 12.3 shows the points and areas of the company that are verified.

If a subcontracted company of the supplier has its certification suspended, it must be excluded. The serious nonconformities causing immediate suspension of the supplying company are: labor analogous to slavery, child labor and illegal foreign labor. In these cases, the company will only be allowed to return after six months of suspension and being re-audited.

Table 12.3 Checkpoints and area of the company to be audited

Relevant documentation the area	Checkpoints
Human Resources	Log book or registration forms, point card, payslips, proof of address, etc.
Health and safety	Reports ergonomic, electrical, environmental prevention programs and occupational health
Environment	Environmental permits and licenses for operation with chemicals
Order traceability	Order retailer, pilot part and sheet, invoices and shipment of returned goods
General business conditions	Hygiene, infrastructure and organization

Source ABVTEX (2015)

12.3.5 Results Obtained with the Corporate Social Responsibility Program

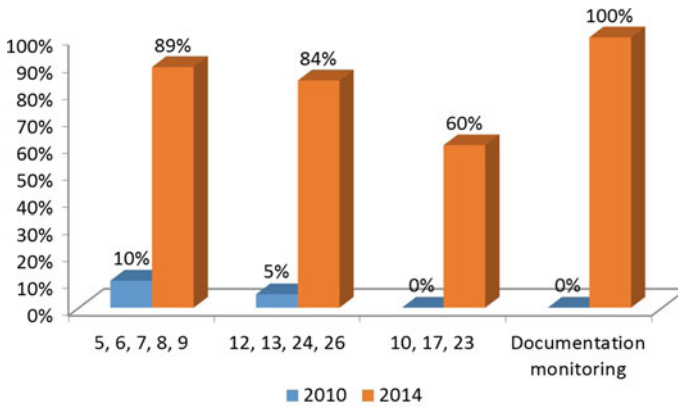
The results obtained in the auditing process show that, prior to the implementation of this program, the vast majority of suppliers and their subcontractors acted irregularly and in breach of the labor legislation, CLT.

A change of scenery has been achieved with the implementation of the social responsibility program and currently all companies that are part of the supply chain are in compliance with labor legislation.

Chart 12.2 shows the evolution of companies that supply clothing for company X in relation to the process of auditing and monitoring of regulatory standards (NRs). These standards contained in the CLT must be obeyed by private or public companies that have regularly registered employees. There are currently 36 regulatory standards, but some are aimed at specific activities, which were not applicable to companies in the clothing manufacturing sector.

As can be seen, in 2010, only 10% of all audited companies met NRs 5, 6, 7, 8, and 9. 5% met NRs 11, 12, 13, 24, and 26 and none for NRs 10, 17, and 23 as well as documentation monitoring. The change in scenario was progressive, with the percentage of attendance in 2013 being 89, 84, 60, and 100% respectively.

After the internal audit program and company X's adherence to ABVTEX's social responsibility certification program, the number of its suppliers and subcontractors was reduced by approximately 50%. Such reduction, per the manager of Company X, was due to both the new supplier selection criteria and the fact that some suppliers could not compete due to the compliance with the legislation required by the audit process or the noncompliance with the new program. This reduction is fundamental for supplier development since, according to Amato Neto (2014), this decrease leads the supplier to engage in the company's projects, improve its production processes, innovate, and reduce quality variation. It reduces the cost of non-quality, promotes the development of the partnership relationship,



- NR 5: Internal commission of accident prevention
- NR 6: Equipment for individual safety
- NR 7: Medical control of occupational health program
- NR 8: Buildings
- NR 9: Program to prevent environmental hazards
- NR 10: Security in facilities and services in electricity
- NR 12: Work safety of machinery and equipment
- NR 13: Boilers, pressure vessels and piping
- NR 17: Ergonomics
- NR 23: Fire protection
- NR 24: Health and comfort conditions in the workplace
- NR 26: Safety signs

Chart 12.2 Percentage of company X’s suppliers in compliance with NRs and documentation monitoring

reduces transaction costs, and improves cooperation, sharing and trust with greater transparency.

An adverse effect of this noncompliance with legal standards by some companies, leave them in a condition of false competitiveness, as they continue to work for other retailers, remaining the vicious circle of unceasing demand for low prices and the practice of spurious forms of outsourcing (Sachs 2008), continuing to use the precarious forms of work, necessitating, for this, policies by the public power.

Company X does not yet have a supplier management program established corporately, but controls are performed and there are indicators that are used as a decisive factor in the negotiations by the purchasing, quality control and logistics sectors. However, there are still cases in which these indicators are not considered in the closing of an application, being limited also by the demand for low prices, having been only as a barrier to enter the certification process.

This picture tends to change with the implementation of the supplier management program. For Aligleri et al. (2009), the purchasing area can be an inducement of new socio-environmental behaviors of its suppliers. It should analyze the product and select the supplier, as well as be concerned with the conditions of the labor employed by these suppliers and create indicators that can help them in their

choices, that is, the demand should not be limited only by the price and Conformity of the product. There must be a constant dialogue between the buyer and the supplier so that together they can share information and seek continuous improvement of processes and products and contribute to the simultaneous development of social and environmental issues.

12.4 Final Considerations

The company was reactive in the face of stakeholder pressure, incorporating social responsibility into its strategy, establishing criteria for acceptability of new and current suppliers, auditing and monitoring according to the requirements established by the company and the legislation and using dialogue as an instrument of awareness.

The management model adopted by the company allows a control and monitoring of the supply chain, but the difficulty found in this process was the large number of companies that make up this chain and the high degree of informality and noncompliance with the labor and environmental legislation that existed. The company moved from a defensive stage evolving to the managerial stage through the routine of monitoring the supply chain as shown in Table 12.5. However, long-term strategies are being designed by the company to have a better and longer lasting relationship, mutual growth and supplier development through the creation of a supplier management sector.

Company X has gone from a defensive stage to being, at first, responsible for being found by government enforcement agents, degrading conditions and quantization in a company in its supply chain, denying direct involvement with the company and understanding that it is not directly related to the audited company.

The company understood its responsibility for the supply chain and started a more comprehensive monitoring, however focusing more on the criteria of social responsibility provided in the legislation, having a specific team for audits, includes entry barriers such as the use of companies certified by ABVTEX program and also advises the companies of its chain. It evolves to the managerial through the routine of the monitoring of the chain of suppliers, an inclusion of indicators, more involvement of the suppliers, as shown in Table 12.4.

However, long-term strategies are being designed by the company in order to have a better and more lasting relationship, mutual growth and supplier development through the creation of a supplier management sector, the incorporation of new criteria of Selection and extension of the relationship with supervisory bodies. These actions will take the evolution to the following stages.

Thus, with the creation of the supplier management sector in a corporate way, aligning social and environmental responsibility with the principles of sustainability, Company X could assist its suppliers in the search for sustainable production standards, achieving greater support for the brand, strengthening the

Table 12.4 Level of Organizational Learning of Company X

Stage	What organizations do	Organizational learning of company X
Defensive	1. Denied the relationship with the company audited, and continued with the lawsuit which won in the second instance. He signed the TAC with the MTE	✓
Compliance	Started a reactive stance in front of the supply chain: 1. Adopted a social responsibility policy 2. Idealized and integrated the certification program in ABVTEX responsibility 3. Created an internal audit team 4. Deployed different types of audits	✓
Gerencial	1. Establish the ongoing dialogue between the area manager and the coordinator with the supply base 2. Adopted closer monitoring of suppliers 3. Incorporated reviewers to check the best performers	✓
Estratégic	1. Establishes contracts using indicators 2. Prioritize companies that have better performance indicators 3. Incorporate only partners with best practices of the market	Not yet started
Civil	1. Promote stakeholder discussions outside the company context 2. Extensive dialogue with oversight bodies 3. Press the government to adopt more restrictive public policies	Not yet started

relationship with its supply chain, enabling value creation with long-lasting links and evolving to strategic learning with long-term goals.

The company’s new projects for continuous improvement of its chain monitoring process, seek an evolution in results, however, as shown in Table 12.5, there are barriers to be broken. The Table 12.5 presents the improvements, guide methods, expected results, and the possible barriers. These improvements will impact the company’s results, ensuring better management and relationships with suppliers, reducing risks and costs with monitoring, and reinforcing the company’s image vis-à-vis its internal and external stakeholders. Barriers are an impediment to taking on improvements, however, they can be overcome with the support of top management and clear communication about the company’s new strategies.

The present study had, as the largest source of data collection, qualitative research, through semi-structured interviews and with only one company. The conclusions obtained, therefore, cannot be generalized. For further study and knowledge, it is suggested to include more companies that make up the group of signatories of the ABVTEX certification program in future research.

Table 12.5 Improvements suggested in the process

Improvements	How	Expected results	Barriers
Adopt partnership process between suppliers	Through a strategic selection of suppliers	Get the best quality level, implementing quality assurance, reducing the number of suppliers and lower costs with inspection and audits	Corporate vision and greater power supplier
Assist the provider with recurring quality problems	Through the creation of a technical group	Decrease refusing requests, reduced costs, better quality and lower environmental impact	Short-term cost and vendor resistance
Survey the productive capacity of suppliers	Through the survey of the number of machines and model, employees, part model and production efficiency	Decision tool for shopping in the choice of supplier, risk reduction and deliveries outside the scheduled deadline	The variety of parts (over 30 thousand)
Create an index of the cost of quality of suppliers	Through analysis of the costs	Decrease in the refusal process, research costs and inspections	Adaptation
Information exchange flow	By means of information systems	Improve communication between the company and supplier, generate greater transparency, monitoring of monthly quality standards	Cost of adequacy and difficulty in adaptation by the supplier

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