A company based in London came up with a brilliant concept for a thoroughly useful product, one which would have instant appeal to business travellers worldwide. The price for producing it in Europe, however, made it a non-starter in the market. The solution was obvious: have it made abroad to the designer's exact specifications. A Far Eastern manufacturer was found, a price agreed.

The next problem was quality of production. Again the solution was obvious. Employ an international quality control company with a local office in the country of manufacture to supervise all aspects of the contract. There was, of course, a cost. A percentage under 3% was agreed with the vetting company, which would be pleased to be the guardian of the UK company's interests and integrity.

It was a disaster. So what went wrong? The Far Eastern manufacturer was paying the guardian over 3% not to be too critical in carrying out its brief. A salutary lesson but...

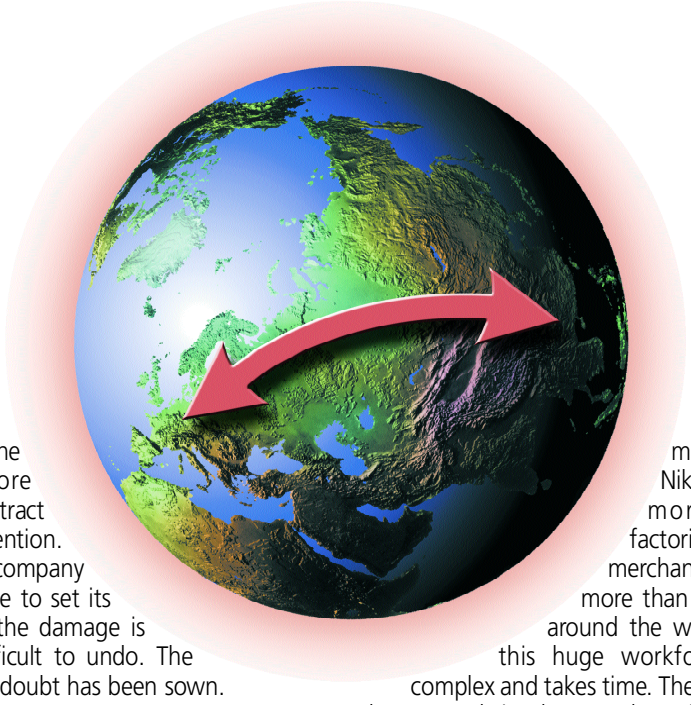
Who guards the guardian?

This famous question - which has its roots in ancient Roman times (quis custodiet ipsos custodes, for those who want to read the question in the original Latin) strikes at the heart of off-shore manufacturing and the control of its quality. What may have started as a concern about ensuring quality of production and delivery as Western companies increasingly began to move their manufacturing plants abroad, has since become entwined and confused with environmental and social standards. It has also become twisted with the arguments about globalisation, whether or not globalisation is a positive force for good, especially in developing and comparatively cheap labour countries.

The question has become increasingly important in the world of sports activewear, where so many of the major players are defined as multinationals; global corporations with brands just as ubiquitous and all embracing as Coca-Cola, considered by many as the first truly global brand, instantly recognisable in any language. The giant brands are being targeted by groups whose interests are far removed from the question of whether the stitching on a sweat shirt is perfect, whose agenda is tied up with conflicting political philosophies and a starting point which often seems to be embedded in anti-capitalism.

For successful corporations, it would appear that there is no alternative but to invest heavily in protecting their brands from attack from any source. It explains why quality as a concept has to be extended far beyond the confines of normal definition if a company is to have an effective defence to criticism from any quarter.

While globalisation and off-shore sourcing are attacked, the anti-campaigners themselves are using the globalisation of media and communication to criticise and cause concern, if not chaos. In many cases, those who wish to damage major brands and brandholders are not averse to using the technique of global disinformation. Television producers in the major consumer markets of the world are more often interested in viewing figures than researching the facts and claims presented to them. In a world of instant satellite transmission and in the face of a staggering array of viewing choice, they seem more willing than their predecessors to extrapolate from the specific to the general: if one worker in one small factory is found to be 'underage' by US or European standards, the inference is drawn that all workers are underage, underpaid, and over-exploited in every worldwide plant producing for the brand holder, that the company's profits must be dubious and that its merchandise should not be bought.



The bigger the brand, the more likely it is to attract unwelcome attention. By the time the company has had a chance to set its record straight, the damage is done and is difficult to undo. The nagging seed of doubt has been sown.

Success needs its own crisis management

In decades past, it was sufficient that a company kept its work force happy, its share holders happy, and its customers happy. Today it needs a department of specialists trained in contingency public relations - the "what if" scenario. To explain how the trend works in practice, Nike is useful as a case study. It may be fair to say that quite some years ago, everything was not perfect and as criticism of its international sourcing became more wide spread, it reacted to set the record straight, to develop the 'social conscience' a wealthy, liberal society felt it should have. The era of political correctness was entering the corporate boardroom. (One of Nike's early appointments was Andrew Jackson, an ex-US ambassador to the United Nations as its worldwide trouble shooter.)

To take the case of Nike in particular, in October 2000 a national UK TV channel broadcast a documentary about Nike's alleged manufacturing conditions and practices. Subsequent examination of the policies and practices showed a different story. The programme focused on three under-age child workers at one of its sub-contracted shoe factories in Cambodia. This evidence was used to suggest that this was a general practice of the company and presumably others across SE Asia.

Prior to transmission of the programme, and as the producer was informed, Nike had already notified the Cambodian factory that no further contracts would be placed and that any and all under-age employed would be given base salary until they reached the official working age of 16 - provided they were still in school and attending classes. These actions are being monitored by the internationally recognised auditing firm of PricewaterhouseCoopers and by Cambodian government agencies.

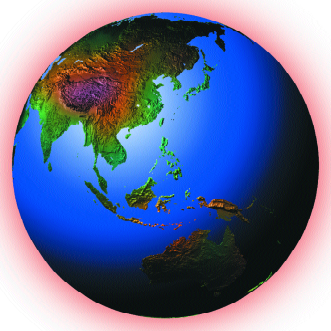
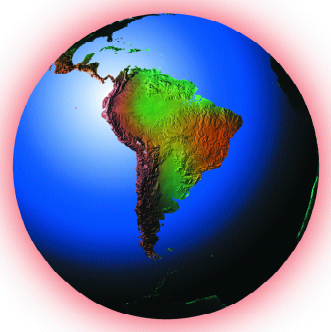
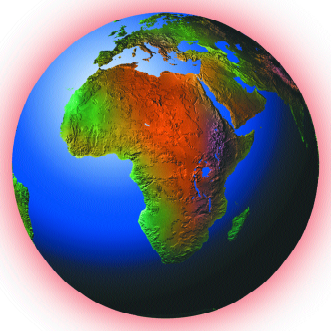
The facts were not allowed to get in the way of the transmission but the publicity generated by this programme and by others of similar effect in the US have served to draw public attention to what is seen as a major problem in off-shore manufacturing. In Nike's case there are more than 700 factories working on its merchandise, employing more than 500,000 people around the world. Monitoring this huge workforce is difficult, complex and takes time. The real situation on the ground is that workers in Nike-selected factories are paid more than the going rate or recognised minimum; are given better terms and conditions of employment than other non-Nike contractors and are subject to Nike's own code of conduct which is given to every employee. These conditions are monitored by Nike officials on site and checked annually by PwC.

Without adopting a holier-than-thou attitude, it is not difficult to condemn totally the fact that children under legal age are frequently employed, both wittingly and unwittingly, in many locations in what the West likes to refer to as the Third World. But it requires a far greater analysis of the problem than can be given space to in this article. Certainly, industry needs to be much more positive about globalisation and the benefits it can bring, including benefits to local communities. One of globalisation's hallmarks is that even as it dispenses freedoms it imposes responsibilities* - it might also be fair to say that there are more positives attached to globalisation than negatives.

All of these factors simply mean that the companies with a name to protect - the Nike's, Adidas's, Reebok's and Columbia's of this world - need to have in place systems which cover straightforward quality issues, ethical and environmental matters, as well as specific social and legal requirements. It is probably insufficient that the companies follow the letter of the local law. The offshore specifiers need to work towards raising local standards and practices, if necessary meeting the demands of their own governments.

It is worth reviewing how the present state of international interdependence was reached. Towards the close of the last century, the rush to contract for off-shore manufacturing gathered pace at such a speed that within a very short period of time, it is probably true to say, almost all UK production, a large proportion of North European and an enormous proportion of US requirement in textiles across the board, moved East and South across the globe.

This change of location affected sports goods in no less dramatic fashion - in particular athletic

shoes and casual, informal T-shirts, tops, shorts and track suits - all of these transferred (over-optimistically in some cases), to the low-cost economies in Asia, Central and South America, North Africa and East Europe.

The primary cause for this exodus was, of course, the increasingly harsh quest for price reduction, margin gain, or, as is claimed for some products and brands, survival.

In fact retailing had become so competitive via the traditional outlets on High Street and shopping mall that the imposition of price-point-led buying, virtually forced manufacturers to venture to foreign fields - with often unforeseen and potentially dangerous results.

Pursuit of price advantage seemed a straightforward policy for a large number of companies seeking a simple, quick solution. A solution to a problem, which, in some cases, threw a spotlight on to the inadequacies of their own procedures and processes. Price cutting and discounting were the spectres at the feast - the real reasons often concealed technical failure, inadequate attention to style and quality and a general inability to 'manage', even when the factory was down three flights of stairs on the same site.

So the quest for low-cost manufacturing became a rallying cry for a course to a safe harbour for the weak, and a welcome increase in margin for the strong. Meanwhile the inherent risks and dangers of the 'Happy Valleys' offshore were concealed in the high costs of the settling-down period of the first few seasons' production.

Quite suddenly alarm bells began to ring as returns to manufacturer (RTMs) started to flow in increasing quantity. Rejection rates were soaring and the frequency of urgent management trips to far flung cut, makeup and trim (CMT) plants made a mockery of the promised, but now somewhat illusory, margin protection policy.

Back to who guards the guardian

Best practice starts with implementation of fail-safe procedures by exhaustively removing all assumptions and challenging every test result, every statement, every batch summary, every piece of information regarding production, until all that is left is what was specified, contracted for and delivered.

But the road to quality is of infinite length and the end is never reached. How therefore can lower costs be married to quality? How also, and by extension, can so-called Western management methods of best practice be added to the supply chain at every stage without completely removing all the improved margin made possible by the transfer to offshore production? In the present climate, these questions almost become rhetorical. For international companies, there is no viable option but to build firewalls against criticism; to work towards improvements in manufacturing plants and to ensure that their customers appreciate their efforts to work towards transparent quality standards - in terms of merchandise and the manufacturing system.

It is worth referring back to the anecdote which opened this article. It is a lesson which has been taken on board by many, including companies offering to be the guardian on behalf of brand holders and specifiers.

Installing, managing and auditing a quality system is neither quickly achieved nor without cost. Without a quality system there is no one to guard the guards and, to demonstrate the necessity of such an implementation, there are several factors to consider in order to define and control which elements should be evaluated.

- Is there a clear system in place to ensure customer requirements are known, understood and complied with?
- What are the legislative requirements for the products in the countries of intended sale?
- What are the published standards and policies of the customer in terms of environmental and humanitarian requirements?
- What if any, are the laboratory facilities and their control standards?

What are their measurement control systems?

- What are the dyeing and finishing controls?
- What are the sourcing policies and controls for yarn, dyes and finishing chemicals and are they compatible with shade continuity? Consistent quality output is dependent on consistent quality input - in particular of yarns, chemicals and fabrics.
- What are the training and skills levels? Are the staff at all levels trained and experienced to a standard to give confidence in consistency of output?
- What does the business do when requirements are not met? The effectiveness of any system is ultimately determined by its reaction to non-compliance.

These key questions are the prime determinants of the level of operational competence and

satisfactory output. They are not a full list - as stated earlier the road to consistent quality is never-ending and many more checks and points of evaluation are necessary before a complete quality system is in place. But they are a beginning.

David Sanders, managing director of Key Design in Lutterworth, England, would agree if only because his company subjects any proposed new supplier to a written and signed-off questionnaire covering no less than 204 aspects affecting the decision to place a contract for production.

Key Design is 20 years old, but three years ago decided to focus on Blue Chip clients and the highest quality of product. The Key Design portfolio is entirely made up of sports casual wear for outdoor use, completely identified with the brand image and style of the brand owner.

The refocusing of the company resulted in a huge increase in turnover and profit and the listing of Key Design as preferred supplier to Guinness Brewing, Mercedes Benz, Irish Distillers, United Distillers and the European Ryder Cup Team and many others.



Promotional garments created for the Ryder Cup by Key Design Ltd.

The 204 questions cover everything imaginable from the location and condition of the staff toilet facilities to the condition of the floors and roof, the state of the staff canteens and the methods and storage of raw materials and finished goods, as well as all possible permutations regarding technical aspects affecting production.

One major section, a key section even, in the Key Design evaluation report, concerns ethical standards at the factory. Minimum and maximum ages of staff employed, legal standards, number of hours actually worked, wages paid, training given, food provided and medical care - these are all part of the evaluation.

The Key Design philosophy is to be 'paranoid about quality' because they see themselves as guardians of their clients' brands. "We cannot afford to be less than 100% effective in delivering quality to our customers as well as presenting the image they seek on well designed items of apparel.

"We also continuously monitor the effectiveness of our factories in Bangladesh, Sri Lanka and Dubai, and we monitor all results affecting and relating to each production batch. We are in the process of employing our own field quality managers who will be fully experienced in modern textile production techniques and capable of effectively managing our contracts."

The message is that if the tiny, the small and the huge can practice the art of quality - then these simple rules of engagement will lead every manufacturer and supplier to a secure, profitable future with no RTM's and good customer relations.

And the simple rules are:

- Establish clear rules and specifications.
- Use samples, diagrams and photographs as much as possible.
- Set standards that are realistic and ultimately, with effort, achievable.
- Work with the supplier to create improvements.
- Do not impose unnecessary rules - if the supplier has an effective system don't interfere unless it is absolutely necessary.
- Evaluate potential suppliers against an agreed checklist, record documentary and visual evidence.
- Supplier systems must be audited. Effectiveness of their controls on their suppliers is critical.
- Grade suppliers based on their real not potential performance.
- Set up flexible inspection systems to match the grade of the supplier.

Finally, do not forget that, when guarding the guards, the biggest enemy of quality is assumption.

I.S./D.B

** 'A Future Perfect, the challenge and hidden promise of globalization', by John Micklethwait & Adrian Wooldridge. Published by William Heinemann, London and described by Newsweek as 'a tremendous book'.*