

Addressing excessive overtime through better purchasing practices:

**root causes
and solutions**



Fair Wear Foundation is an international multi-stakeholder nonprofit organisation that works with clothing companies — and their supply chains— to improve working conditions in the garment industry. By becoming a member of Fair Wear, a company commits to implementing the Fair Wear Code of Labour Practices throughout its supply chain. Currently over 130 brands have joined Fair Wear. Fair Wear strives to increase awareness about working conditions and workers' rights in textile factories.

For more information, please visit www.fairwear.org

Lead authors are Niki Janssen and Klaus Hohenegger. Special thanks go to Fabian Ptok (Fond Of), Joy Roeterdink (Suitsupply), Marco Huehn (Deuter), and Michael Farnworth (Mammut). Thanks also go to Cesca Boughton, Kathleen Gabriel, Lisa Sues, Maaïke Payet and Saskia Wishart. Design by buro RuSt.

This report was funded by the Dutch Ministry of Foreign Affairs as part of the Strategic Partnership for Garment Supply Chain Transformation.



Government of the Netherlands

© 2020 Fair Wear Foundation

Index

Introduction 6

Excessive overtime and the fair wear code of labour practices	6
The impact of excessive overtime on business	8
How to use this guidance	9

Root causes 14

1. Insufficient supplier evaluation	14
2. No collaborative planning with supply chain partners	14
3. No or incorrect forecasting	15
4. Supplier is not fully informed about key milestones	16
5. Undefined cooperation with suppliers	16
6. Lack of costing and planning know how at the brand	17
7. Missing, incorrect or changing product specifications	17
8. Late approval and / or order placement	17
9. Unplanned order placements and unrealistic delivery demands	18
10. Order placement below agreed minimum order quantity (MOQ)	18
11. No capacity reservation based on forecast from buyer	19
12. Lack of organisational know how	19
13. Manufacturer overbooking its own capacity	19
14. Late material delivery	20
15. Lack of planning and costing know how at supplier, leading to capacity problems	21
16. HR related problems	21
17. Inefficient factory process and organisation	22
18. Quality problems of material and product	22
19. Late payment	23
20. Insufficient knowledge on appropriate shipment procedures and responsibilities	23
21. Unrealistic delivery requests and penalty demands	24
22. No commitment to pre-ordering and forecasting	24
23. Intransparency regarding production location from agent	24
24. Unexpected event that is beyond anyone's control (Force Majeure)	25

Supporting tools and processes 27

A. Sourcing strategy	27
B. Supplier evaluation process	29
C. Buying contract	30
D. Guidelines and handbooks for suppliers	32
E. Go to market plan	33
F. Forecasting process	35
G. Production planning	36
H. Standardised specifications	38
I. Collaborative planning process	39
J. Supplier assessment	40
K. Break demand peaks where possible	41
L. Staff training	42

Introduction

In most production countries from which Fair Wear member brands source, excessive overtime is a structural and prevalent problem. Fair Wear assesses members' efforts to prevent and mitigate excessive overtime in their supply chains in its annual brand performance check. This document provides guidance to (member) brands on how to address this issue. It has been developed based upon a brief literature study, many years of experience from Fair Wear and feedback gathered from member brands and their factories. The guidance brings together several tools that members can proactively use throughout their supply chain, depending on the root cause. Fair Wear acknowledges that overtime is an important tool in any industry for coping with unstable demand. As long as it stays within the limits defined by the ILO and is voluntary, there is no problem. Fair Wear's guidance aims to prevent excessive overtime — which should not happen, even as an exception — as it is detrimental to workers' rights.

EXCESSIVE OVERTIME AND THE FAIR WEAR CODE OF LABOUR PRACTICES

Fair Wear's Code of Labour Practices (CoLP) recognises workers' right to decent working hours. According to ILO Convention 1, 'workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.'

Excessive overtime is strongly linked to other elements of Fair Wear's CoLP. Workers are sometimes in favour of working (excessive) overtime to earn a higher income, as their base wages fall far below most living wage benchmarks. In most production countries, the legal minimum wage is less than

50% of the living wage estimates.¹ In some countries there may be a cultural dimension to overtime. For example, migrant workers preferring to work overtime hours to be able to send as much money home as possible. However, this is closely linked to the low wages prevalent in the industry.

Even in countries with many migrant workers such as China, the willingness to work overtime only holds up to a certain level. 37% of all Chinese complaints received via the Fair Wear hotline between 2017-2019 are (amongst others) about working excessive overtime². To make a reduction in excessive overtime sustainable for workers, members should simultaneously work towards reaching a living wage in their supply chain.

Excessive overtime does not only violate the right to decent working hours itself, but also denies workers' rights to a safe and healthy workplace. The more excessive overtime hours are worked, the higher the chance of accidents in the workplace. Fatigue will lead to other health and wellbeing related issues. Excessive overtime is directly increasing the risk of occupational injury, cardiovascular heart disease, fatigue, injury, poor sleep quality, short sleep duration and sleep disturbance and it also negatively impacts worker performance and productivity.³

This is also negative from a supplier perspective as it decreases productivity and increases absenteeism, sick leave and higher work turn over.⁴

Fair Wear's experience indicates that increased pressure from buyers during peak time is linked to increased (sexual) harassment on the work floor. The

¹ Understanding Fair Wear's approach to living wage, 2019

² Analysis conducted, September 2019

³ Wong, K.; Chan, A.H.S.; Ngan, S.C. The Effect of Long Working Hours and Overtime on Occupational Health: A Meta-Analysis of Evidence from 1998 to 2018. *Int. J. Environ. Res. Public Health* 2019. This meta-analysis synthesizes 243 records of 46 papers from 1998 to 2018 with 814,084 participants from 13 countries.

⁴ ILO, 2014, Wages and Working Hours in the Textiles, Clothing, Leather and Footwear Industries

majority of female garment workers that we interviewed said they experienced violence and harassment during peak season, when there is production pressure and overtime. Furthermore, they stated that the risk of experiencing violence and harassment is higher when women work longer overtime. In addition, female garment workers who have worked overtime into the late evening are at risk of being subject to harassment and violence when commuting home in the dark hours.

THE IMPACT OF EXCESSIVE OVERTIME ON BUSINESS

Organising production within reasonable working hours also benefits business. Different studies show that excessive overtime and productivity (pieces per hour) are inversely linked. The more excessive overtime increases, the more productivity decreases. There is significant empirical evidence which shows that productivity increases when overtime is reduced.

Reduction of overtime also has a positive effect on quality, which is directly linked to reduction of costs and risk of claims.⁵

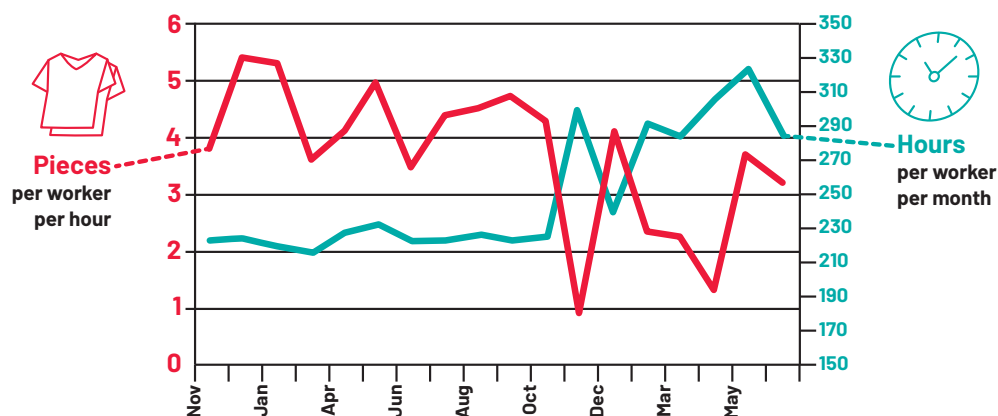


Table 1: Inverse correlation between efficiency and the number of working hours⁶

⁵ Better Work 2019 *Excessive Overtime, Workers and Productivity: Evidence and Implications for Better Work*

⁶ Rosey Hurst, Hilary Murdoch & Daniella Gould; Tackling supply chain labour issues through business practice; Impact Limited 09/2005

HOW TO USE THIS GUIDANCE

The guidance lists different root causes of excessive overtime on the brand and supplier level. These root causes are then linked to solutions, tools and processes that can prevent or mitigate the root cause. We distinguish between internal (within the brand's sphere of control) and external (outside the sphere of control) root causes. However, our guidelines show that brands can still take action on external root causes. For instance, even though a delay in fabric delivery can be considered an external factor, there certainly are steps that members can take to prevent this, such as collaborative planning and communication with all supply chain partners. In this sense, the root cause can be considered to fall within the brands' sphere of influence.

To identify root causes of excessive overtime in their supply chain, brands can evaluate production processes and known occurrences of excessive overtime with all internal departments, their suppliers and worker representatives. Once root causes of overtime are known, the company can browse this document and check what solutions, processes and tools are linked to a particular root cause. If the root cause is not known, the brand can also review the supporting tools and processes and check what they miss in their company, or what can be improved upon.

In any case, we advise brands to include supplier feedback in their evaluation, as a company self-assessment might have blind spots and miss important factors. The company could consider anonymous supplier feedback to invite more candid answers. [Better Buying's website](#) and ETI's [Guide to Buying Responsibility](#) provide information on what questions to consider. The tools that we refer to are not fixed templates, as there is too much variety in supply chain and business models to offer a 'one size fits all' template. Instead, we present a list of requirements for each tool: what needs to be in it, which departments need to be involved in setting up the tool and who needs

to be informed. For instance, one tool is the use of a supplier agreement. While we cannot provide a template for such a contract, we explain which topics should be included in the contract to facilitate reasonable working hours.

We recognise that brands cannot always ensure reasonable working hours throughout their supply chain even if they have implemented all relevant tools correctly. For example, when the brand does not have much leverage at the factory, changes in their production planning may have little effect. That is why Fair Wear encourages member companies to consolidate their supply chain in order to increase leverage.

In other cases, a larger buyer might be pushing an order in, causing excessive overtime. Therefore, we recommend member companies to work together with other buyers where possible. We recognise that this is not always feasible. If a member company can demonstrate that it did everything possible within its influence, without that leading to a reduction in excessive overtime, the company should consider a responsible exit as a last option. However, as this guidance demonstrates, there is more opportunity to mitigate excessive overtime than companies usually expect.

We encourage Fair Wear members and all brands interested in improving working conditions to walk through this guidance, through all root causes and all supporting tools and processes and check how they can further improve their purchasing practices and processes at their suppliers. This will also support member companies to improve other labour standards included in Fair Wear's Code of Labour Practices.

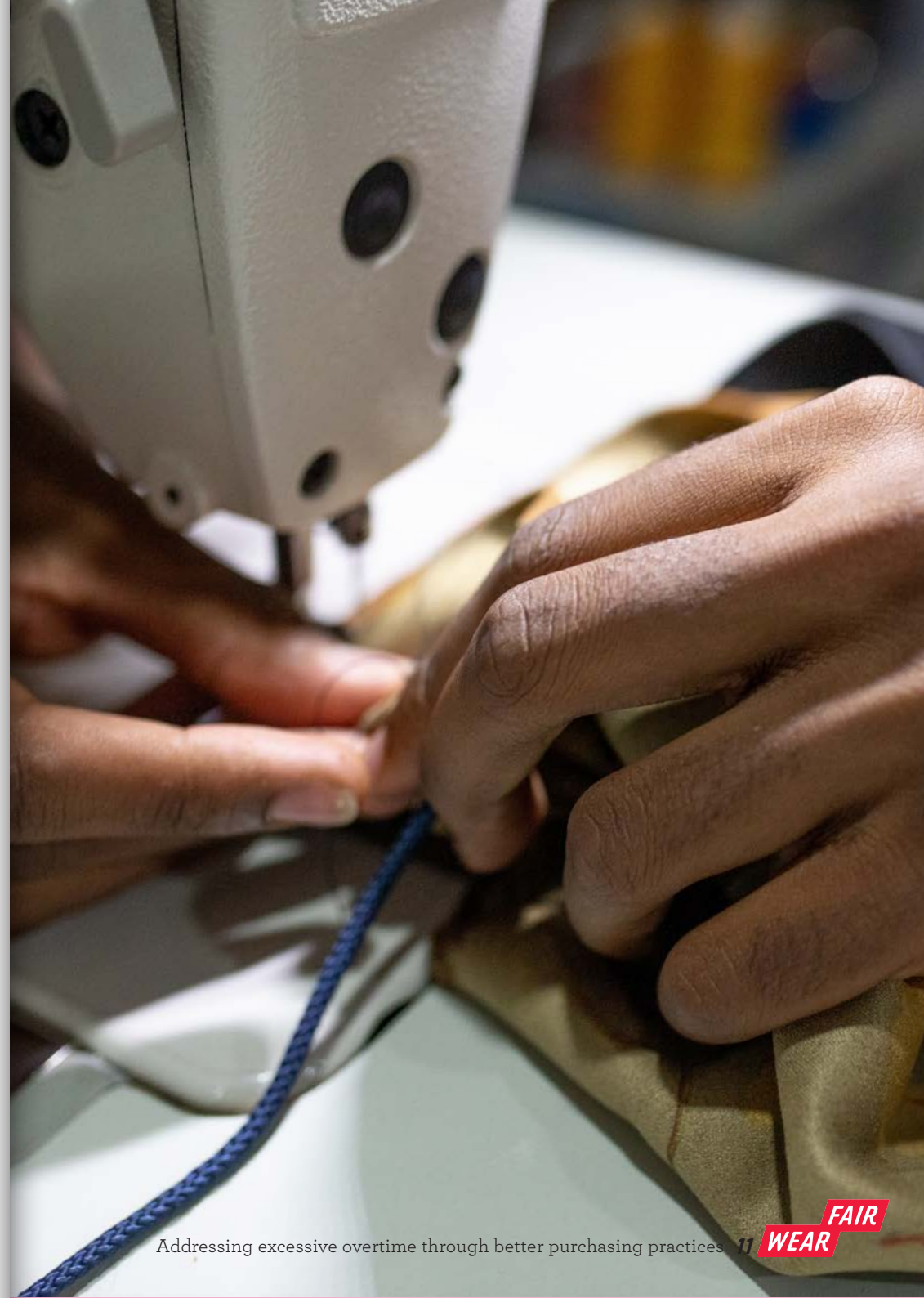







Table of root causes

<div>stage in supply chain</div> <div>↓</div> <div></div> <div>POS / RETAILER</div>	COLLABORATION & PLANNING				PROCESS & ORGANISATION		HR & KNOW HOW	LEGAL FRAMEWORK / SPECIFICATIONS		Unexpected event that is beyond anyone's control (Force Majeure)
	<div>Unrealistic delivery requests and penalty demands</div>	<div>No commitment to pre-ordering and forecasting</div>								
<div></div> <div>SOURCING & BUYING</div>	<div>No collaborative planning with supply chain partners</div>	<div>Unplanned order placements and unrealistic delivery</div>	<div>Supplier is not fully informed about key milestones</div>	<div>Late approval and / or order placement</div>	<div>Insufficient supplier evaluation</div>	<div>Late payment (also in supplier)</div>	<div>Lack of costing and planning know how at the brand</div>	<div>Undefined cooperation with suppliers</div>	<div>Order placement below agreed minimum order quantity (MOQ)</div>	
	<div>No or incorrect forecasting</div>	<div>Intransparency regarding production location from</div>								
<div></div> <div>DESIGN & DEVELOPMENT</div>					<div>Missing, incorrect or changing product specifications</div>					
<div></div> <div>LOGISTICS</div>	<div>Insufficient knowledge on appropriate shipment procedures and responsibilities</div>				<div>Insufficient knowledge on appropriate shipment procedures and responsibilities</div>					
<div></div> <div>SUPPLIER / MATERIAL</div>	<div>No capacity reservation based on forecast from buyer</div>	<div>Manufacturer overbooking its own capacity</div>			<div>Quality problems of material and product</div>					
	<div>Late material delivery</div>		<div>Late payment (also in sourcing & buying)</div>	<div>Inefficient factory process and organisation</div>	<div>Lack of planning and costing know how at supplier, leading to capacity problems</div>	<div>Lack of organisational know how</div>	<div>HR related problems</div>			

Unexpected event that is beyond anyones control (Force Majeure)

Root causes

Fair Wear has identified the main root causes that can lead to excessive overtime. In the table below we have structured them per stage in the supply chain and grouped them in four main categories. For each root cause we have identified one or more tools that can help with implementing the solution. This overview is not exhaustive and can be continued. However, root causes not in this list may relate to the solutions and tools mentioned in this work.

1. Insufficient supplier evaluation

This root cause is within the brands' sphere of control and relates to process and organisation. It can lead to excessive overtime when the capacity, know-how and available technology of the supplier are not known before an order is placed.

Solution

Systemic evaluation of suppliers to ensure capability to deliver in terms of Fair Wear's CoLP, product and quality requirements, before entering a business relationship.

Supporting tools and processes

B. Supplier evaluation process

2. No collaborative planning with supply chain partners

This is a root cause relating to collaboration and planning that brands have control over. Without collaborative planning, supply chain partners – from raw material to garment manufacturing, logistics and transport – may not be fully aware of their responsibilities, and the timing expected of them. If timing and processes are not known, or lead times are not deemed realistic by the supply chain partners and not shared collaboratively, deadlines cannot be kept without having workers work excessive overtime hours.

Solution

Collaborative planning with as many supply chain partners as possible; material and trim suppliers, logistics and manufacturers. The more supply chain partners are actively involved in the brands' planning, the better they can perform according to the agreed deadlines, within decent working hours.

- › Supply chain partners should understand business model and seasonality if any
- › Frequent communication and updates on production and delivery status with suppliers and inclusion of logistics partners
- › Break demand peaks with constant orders
- › Manage stock levels where possible
- › Add time for the unexpected within lead time
- › Split deliveries of large enough quantities where possible

Supporting tools and processes

E. Go to market plan

F. Forecasting process

G. Production planning

3. No or incorrect forecasting

This root cause is under direct control of brands and relates to collaboration and planning. Without or with incorrect forecasting, suppliers cannot reserve the necessary capacity for the needed time slot for production. At the same time, this will affect necessary raw material bookings and preparations.

Solution

Forecasting process based on market demand.

Supporting tools and processes

L. Staff training

G. Production planning

F. Forecasting process

4. Supplier is not fully informed about key milestones

This is a root cause within the brands' sphere of control and relates to collaboration and planning. It will cause suppliers running behind on their schedule, which will affect meeting the deadlines within the critical path; from development to sampling to final delivery date. Without pushing back the deadlines of the critical path, the supplier would need to request excessive overtime from workers.

Solution

All supply chain partners are informed about the key milestones from all relevant departments (design / development, sourcing / buying, logistics). Coordination between all departments who work with suppliers.

Supporting tools and processes

E. Go to market plan

5. Undefined cooperation with suppliers

Undefined cooperation leads to many unclarities regarding roles, responsibilities and expectations on product quality during the production process. This makes the production process inefficient and involves high risk of disagreement, which makes the production time longer, and hence increases the risk for excessive overtime. This root cause is under direct control of brands and relates to legal framework and specifications.

Solution

Setting clear cooperation rules, responsibilities and guidelines.

Supporting tools and processes

B. Supplier evaluation process

C. Buying contract

D. Guidelines and handbooks for suppliers

6. Lack of costing and planning know how at the brand

This root cause related to HR and know how is within the brands' sphere of control. Without the brand considering the impact of the order on the suppliers' production capacity, it is difficult to collaborate with suppliers on planning and forecasting.

Solution

Information on available capacity at suppliers (in pieces, SAM or working minutes), and the order quantities that are possible to be placed in a certain time frame.

Supporting tools and processes

G. Production planning

L. Staff training

F. Forecasting process

7. Missing, incorrect or changing product specifications

Brands have direct control over the product specifications sent out to suppliers. It relates to process and organisation. Missing, incorrect or changing product specifications will lead to many inefficiencies such as wrong products, leading to extending actual production time.

Solution

Correct product specifications and guidelines are given in time to suppliers.

Supporting tools and processes

H. Standardised specifications

8. Late approval and / or order placement

Late approval and order placement shorten production lead time of suppliers. This root cause that is directly controlled by brands and relates to collaboration and planning.

Solution

Keep deadlines towards supply chain partners.

Supporting tools and processes

E. Go to market plan

9. Unplanned order placements and unrealistic delivery demands

This is a root cause within the brands' sphere of control and relates to collaboration and planning.

Solution

Create an individual critical path with realistic dates that is agreed upon with supply chain partners.

Supporting tools and processes

E. Go to market plan

10. Order placement below agreed minimum order quantity (MOQ)

This root cause, related to legal framework / specifications, is directly controlled by brands. Order placement below MOQ has a negative impact on efficiency, as production lines need to be adapted too often for smaller orders, and a production line will not be able to come into a flow. This leads to higher costs for the supplier. If suppliers experience this too often, it will delay their regular production schedule.

Solution

Order placement only according to agreed terms and conditions.

Supporting tools and processes

C. Buying contract

11. No capacity reservation based on forecast from buyer

Even though this root cause takes place at garment supplier, brands can implement solutions that help suppliers reserve capacity. This root cause relates to collaboration and planning.

Solution

Collaboration and planning with brand and material suppliers.

Supporting tools and processes

F. Forecasting process

G. Production planning

L. Staff training

12. Lack of organisational know how

This root cause relates to HR and know how. Lack of organisational know how ranges from inefficient production line set up to maintenance and planning. These issues all create low efficiency and bottlenecks obstructing production flow, meaning that more production time and resources are needed than initially agreed upon. Brands cannot directly control the lack of organisational know how at their suppliers but can influence it by taking actions that help to overcome this.

Solution

Ensure needed skill level of staff to organise and efficiently run a factory and provide trainings if needed.

Supporting tools and processes

L. Staff training

13. Manufacturer overbooking its own capacity

Overbooking capacity by manufacturers cannot directly be controlled by brands. There are solutions however, that brands can take to reduce the risk of this practice in their supply chain. It relates to collaboration and planning.

Manufacturers are inclined to overbook capacity by a certain percentage, to be safe given the uncertainty of buyers' forecasts and in terms of providing enough work for their workers. For suppliers it is easier to find a solution in subcontracting or requesting (excessive) overtime when there is overbooking, then to have not enough work for their workers.

Solution

Realistic planning of own capacity, collaborative planning and communication with buyers and material supplier.

Brand guaranteeing for capacity minutes.

Supporting tools and processes

G. Production planning

F. Forecasting process

L. Staff training

14. Late material delivery

Late material delivery is one of the main reasons for delays and working excessive overtime. It leads to the actual production time being shortened, if the delivery dates are not pushed back.

This root cause occurs at the level of garment suppliers. Brands can take actions to help prevent late material delivery. The root cause is related to collaboration and planning.

Solution

Frequent production planning status updates to all involved. Collaboration, forecasting and planning with brand and all supply chain partners, including material suppliers. Optimise deliveries/ partial shipments if needed.

Supporting tools and processes

G. Production planning

F. Forecasting process

L. Staff training

15. Lack of planning and costing know how at supplier, leading to capacity problems

While there may be a lack of planning and costing know how at the brand, this root cause may also occur at the level of garment suppliers. Brands do not have direct control over it. There are some actions that brands can take to help increase this know how. It relates to HR and know how. When suppliers do not calculate and plan the needed resources to produce the forecasted orders of its buyers, it will lead to bottlenecks.

Solution

Realistic planning of own capacity. Collaborative planning and communication with buyers and material supplier.

Supporting tools and processes

G. Production planning

L. Staff training

16. HR related problems

HR related problems at the level of garment suppliers include absenteeism, low skill level, high employee turnover, temporary workers and difficulties to find workers. All these problems lead to inefficiencies in the production flow. Brands do not have a direct control over these HR related problems at suppliers. They can try to influence though and take actions that help suppliers overcome these problems.

Solution

To reduce HR related problems, a supplier needs to become an attractive employer. For instance, by offering workplace education, a transparent, fair and attractive compensation system (good mix of base salary, in kind, in cash benefits), and an attractive workplace environment.

Supporting tools and processes

L. Staff training

17. Inefficient factory process and organisation

This root cause is located at the level of garment suppliers and leads to more needed production time than is agreed upon. Though this is outside the brands' sphere of control, there are actions brands can take to help suppliers reduce these inefficiencies. It relates to process and organisation.

Solution

Consistent process and quality management within the factory;

- › Systematic maintenance
- › Continuous investments in new technologies
- › Effective factory organisation and setup
- › Invest in management skills and training

Supporting tools and processes

L. Staff training

18. Quality problems of material and product

This root cause takes place at garment suppliers and it delays and blocks production time. Brands could take actions to help prevent and mitigate this. It relates to process and organisation and HR and know how.

Solution

Invest in modern factory equipment and proper maintenance, process, management- and staff training. Implement continuous improvement processes to increase efficiency together with workers and let them benefit from it. Consistent processes within the factory; manufacturing process, quality assurance.

Supporting tools and processes

D. Guidelines and handbooks for suppliers

L. Staff training

19. Late payment

This root cause can take place at brand level towards garment suppliers. Late payment negatively affects liquidity of suppliers, which can then have a knock-on effect on many areas, such as payment of material suppliers, necessary maintenance, payments for spare parts, delay of planned investments etc. All this can lead to needing more production time, or bottle necks during production. The root cause relates to process and organisation.

Solution

Payment to suppliers according to agreement.

Supporting tools and processes

C. Buying contract

20. Insufficient knowledge on appropriate shipment procedures and responsibilities

When there are delays in production, and there are no standard procedures and unclear processes regarding shipment, a lot of time is lost. This can create additional time pressure in an already critical phase. This is within the brands' sphere of control and relates to process and organisation.

Solution

Clearly defined responsibilities and actions/scenarios;

- › Priorities and partial shipments
- › Desired shipping mode; split between sea-air, air and courier
- › Ensure transport schedules are available
- › Know about need for vessels and closing dates

Supporting tools and processes

C. Buying contract

D. Guidelines and handbooks for suppliers

21. Unrealistic delivery requests and penalty demands

When brands experience unrealistic delivery demands and penalties for late delivery from their customers at Point of Sale (PoS) or retailers, this can lead to strong downward pressure in the supply chain towards the suppliers. There are actions brands can take that may help PoS and retailers being more realistic. This root cause relates to collaboration and planning.

Solution

Build understanding and awareness with retailing partner. Define realistic ordering and delivery schedules.

Supporting tools and processes

C. Buying contract

E. Go to market plan

22. No commitment to pre-ordering and forecasting

This root cause can take place at PoS and retailers. The trend in retail is less pre-ordering and keeping less stock, which leads to very fragile supply chain set-ups. This makes forecasting and planning very difficult. Brands can try influencing this behaviour. It relates to collaboration and planning.

Solution

Awareness building about physical lead times and manufacturing processes. Collaborative planning and continuous exchange about demand as much as possible.

Supporting tools and processes

F. Forecasting process

23. Intransparency regarding production location from agent

Without knowing the actual production location before production takes plans, brands cannot estimate whether there is enough capacity for their order. There is no direct communication with the supplier, so the brand will

remain unaware of any hiccups during production.

Brands have direct control over whether they allow agents to be intransparent about production locations. This root cause relates to collaboration and planning.

Solution

Request information on when and where production is made.

Supporting tools and processes

C. Buying contract

24. Unexpected event that is beyond anyone's control (Force Majeure)

Force Majeure such as natural catastrophes, and a viral epidemic outbreak for instance can take place at all stages of your supply chain and is outside anyone's sphere of control. Brands should take immediate and responsible actions towards their suppliers. This root cause relates to legal framework and specifications.

According to article 7.1.7 of the Vienna Convention for International Commercial Contracts (or United Nations Convention on Contracts for the International Sale of Goods, CISG), Force Majeure should apply to the party with the most relevant contractual obligation.

Solution

Inclusion of Force Majeure article in buying contracts, following the article 7.1.7 of the CISG. Good communication with suppliers and customers. Prioritisation of orders based on real demand checked with customers. Accepting extended lead times and staying responsible for your orders, forecasts and given commitments.⁷

Supporting tools and processes

C. Buying contract

⁷ Unidroit Article 7.1.7 (Force Majeure) and: 2020, M. Anner, 'Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains', p.8



Supporting tools and processes

In this section we offer a holistic selection of tools and processes that support responsible purchasing practices that enable brands and suppliers to improve their business collaboration and relationship. Developing and integrating the relevant tools for your business will support in preventing excessive overtime and other CoLP non-compliances.

We recommend brands to discuss within their teams what tools and processes are relevant for their business set up. Brands could set up a working group to define which tools and processes should be priorities and create a plan how and when to develop these tools. Even when some tools are already being used by brands, we encourage these brands to check if the descriptions below offer new opportunities to further improve these.

A. Sourcing strategy

A sourcing strategy is a systemic analysis of the brand's context: the strengths and weaknesses of the business environment, and the supply chain set up necessary to fulfil the market demands.

The sourcing strategy does not form a direct solution to one of the root causes of excessive overtime but forms the framework for the outsourced supply chain of the brand. It includes processes, responsibilities, and relations with all supply chain partners.

What to include

- › Market locations
- › Sourcing locations
- › Quantities per country / supplier / style / season
- › Ratio sampling vs. bulk
- › Years of cooperation with supplier and leverage at supplier
- › Supplier matrix per product (considering current and possible product group(s) at supplier)

- › Supply chain mapping (partners per supply chain step)
- › Internal analysis (key success factors, strategic success position, strengths and weaknesses, key performance indicators)
- › External analysis (industry trends, industry benchmarks, PESTEL analysis, opportunities and risks)

Who to include

- › Management
- › Design / development
- › Sourcing / buying
- › Logistics
- › CSR
- › Suppliers

General benefits

- › Minimises risks on unauthorised subcontracting and CoLP violations
- › Supports supply chain transparency
- › Part of due diligence requirements (knowing where, who, what, how much, why)
- › Enables appropriate and timely sourcing decisions
- › Can lead to stronger supplier relations
- › Provides ability to pro-actively act instead of reacting
- › Empowers staff
- › Increases business performance (right product in the right quality at the right time for the right cost in the right quantity to customers)
- › Which helps in staying competitive in the market

Relates to the following root causes

This tool is not a direct solution to any of the root causes mentioned above. Instead it should be considered as the basis for the development of all responsible purchasing practices.

B. Supplier evaluation process

A supplier evaluation process enables the brand to know the capabilities, capacities and other important key information about your possible future long-term partners, to ensure orders can be produced within regular working hours according to the brands' desired standards.

Also known as

- › Supplier evaluation format
- › Supplier database

What to include

- › Number of employees, including nr. of employees per department
- › Company structure / organizational setup
- › Technological capabilities and machine equipment
- › Monthly capacities and peak seasons
- › Customer base and if possible, leverage
- › Existing CoLP and social audit reports
- › Existing ecological standards and audit reports
- › Certifications

Before placing an order, the supplier should be visited.

Who to include

- › Design / development
- › Sourcing / buying
- › CSR
- › Suppliers

General benefits

- › Minimises risks on unauthorised subcontracting and CoLP violations
- › Contributes to meeting due diligence requirements

- › Ensures supplier's capabilities and capacity meet requirements
- › Sets up the foundation for long term business relationships and manages expectations
- › Accelerates and smoothenes onboarding process
- › Integrates the requirements of all departments

Relates to the following root causes

- 1. Insufficient supplier evaluation
- 5. Undefined cooperation with suppliers

C. Buying contract

Basic and negotiated terms and rules for cooperation with business partners. This gives a clear division of responsibilities and accountability in case of discrepancies. When hiccups and discrepancies arise, buying contracts can ensure they are dealt with effectively by avoiding unnecessary discussions. This ensures that lead time is not impacted too much.

Also known as

- › General purchasing conditions
- › Cooperation agreement
- › Manufacturing agreement
- › Contingency plan

What to include

- › General legal framework; scope, validity, objections, amendments, jurisdiction and applicable law
- › Prices and terms of payment
- › Lead time, delivery and terms of fulfilment, penalties in case of delay, Force Majeure regulation
- › MOQ and upcharges
- › Commitments for capacity and material forecasts and pre-bookings

- › Responsibilities in case of delay (responsibility by root cause)
- › Required documentation for all relevant business transactions
- › Shipment process and regulations (including over-/under shipment regulations)
- › Packing, transport and transfer of risk (INCOTERMS)
- › Quality assurance and inspection
- › Guarantee of product compliance and product liability
- › Subcontracting
- › Social and environmental standards
- › Confidentiality / intellectual property rights and patents / exclusivity

Who to include

- › Management
- › Sourcing / buying
- › CSR
- › Legal department
- › Suppliers

General benefits

- › Defines clear areas of responsibility
- › Provides legal protection of purchasing processes
- › Provides clearly verifiable rules of cooperation from/for both sides
- › Helps to manage and distribute risks

Relates to the following root causes

- 5. Undefined cooperation with suppliers
- 10. Order placement below agreed minimum order quantity (MOQ)
- 19. Late payment
- 20. Insufficient knowledge on appropriate shipment procedures...
- 21. Unrealistic delivery requests and penalty demands

23. Intransparency regarding production location from agent

24. Unexpected event that is beyond anyones control (Force Majeure)

D. Guidelines and handbooks for suppliers

Guidelines and handbooks define cooperation procedures and common standards. They provide clarity on quality standards.

There are many different instructions that can be setup. The more clarity is given to suppliers, the less confusion and discrepancies will arise during order fulfilment.

Also known as

- › Supplier manual
- › Quality manual
- › Shipping manual
- › Cooperation handbook
- › Sampling procedure

What to include

- › General brands' organisation including departments and contact info
- › Collection development, handling and shipping of samples, costing requirements and procedure
- › Bulk production, estimation process, order and delivery plans, order processing, delivery reporting, over/under shipments, quality assurance and inspections, leftover materials, surcharges, packing, product safety and harmful substances, shipment, payment
- › Quality guidelines overall or by product group
- › Packing instructions
- › Labelling instructions
- › How to measure guide
- › Shipping instructions

Who to include

- › Design / development
- › Sourcing / buying
- › Logistics
- › CSR
- › Finance
- › Suppliers

General benefits

- › Defines and clarifies expectations
- › Supports smooth cooperation and defined processes
- › Supports risk management
- › Contributes to fulfilment of quality standards
- › Enables keeping to deadlines throughout entire process

Relates to the following root causes

5. Undefined cooperation with suppliers

18. Quality problems of material and product

20. Insufficient knowledge on appropriate shipment procedures...

E. Go to market plan

A go to market plan defines the key milestones from product strategy until delivery to customer including responsible departments. It provides a clear overview about all needed steps to create, develop, manufacture and deliver the product. This tool informs all relevant actors along the supply chain of the key milestones and targets, so that everyone's planning is synchronised.

Also known as

- › Company timetable
- › Collection timing

- › Go to market calendar and planning
- › Development timetable
- › Order and delivery schedule
- › Critical path

What to include

There are different names for this tool, and they all have a different granularity. These tools should include all key milestones depending on business- and supply chain model for:

- › Product / collection strategy
- › Design phase (collections structure, colours, fabrics, workmanship)
- › Development (technical specifications, sampling, approvals)
- › Forecasting and ordering process
- › Lead times
- › Delivery
- › Relevant external dates (e.g. trade fairs and -shows)

Who to include

- › Design / development
- › Sourcing / buying
- › Sales / marketing
- › Logistics
- › CSR
- › Finance
- › Management
- › Suppliers

General benefits

- › Creates smooth cooperation and defined timelines between company and supplier

- › Creates smooth cooperation and defined timelines between different departments
- › Contributes to fulfilment of quality standards

Relates to the following root causes

- 2. No collaborative planning with supply chain partners
- 4. Supplier is not fully informed about key milestones
- 8. Late approval and / or order placement
- 9. Unplanned order placements and unrealistic delivery demands
- 21. Unrealistic delivery requests and penalty demands

F. Forecasting process

The aim of a forecasting process is that brands and suppliers know well in advance about forecasted demands to reserve and prepare manufacturing capacity and sufficient material. This enables suppliers to provide enough capacity in peak season. It also ensures a constant workflow for workers, as suppliers can produce orders earlier by breaking demand peaks.

Also known as

- › Estimation plan
- › Forecasting and demand planning
- › Capacity planning

What to include

- › Available factory capacities per month (in sewing minutes, or quantity of products)
- › Demand quantity, sewing minutes or SAM
- › Order dates
- › Lead times
- › Delivery dates
- › Capacity reservations guaranteed by brand

Who to include

- › Sales / marketing
- › Sourcing / buying
- › Logistics
- › Suppliers

General benefits

- › Enables capacity planning and raw material supply
- › Synchronises demand and supply
- › Ensures there is sufficient capacity
- › Provides possibility to be proactive in case of under/over capacity

Relates to the following root causes

- 2. No collaborative planning with supply chain partners
- 3. No or incorrect forecasting
- 6. Lack of costing and planning know how at the brand
- 11. No capacity reservation based on forecast from buyer
- 13. Manufacturer overbooking its own capacity
- 14. Late material delivery
- 22. No commitment to pre-ordering and forecasting
- 23. Intransparency regarding production location from agent

G. Production planning

Production planning gives a clear overview about all production orders, compares the requested delivery date with the date the order can be shipped, and enables the brand to act proactively when there are delays.

Also known as

- › Production delivery plan
- › Production status report
- › Shipment schedule

What to include

Production planning needs to be updated continuously (weekly) and coordinated between brand and all suppliers (from material to manufacturer).

- › PO (purchase order; styles, and quantities)
- › Requested / confirmed delivery dates (delivery drops)
- › Actual production status including arrival dates of material, production start and finish date, packing and shipping date
- › Mode of transport

Who to include

- › Sales / marketing
- › Sourcing / buying
- › Logistics
- › Suppliers

General benefits

- › Enables on time deliveries
- › Provides opportunities to be proactive in case of challenges
- › Provides reliable information
- › Helps in avoiding surprises

Relates to the following root causes

- 2. No collaborative planning with supply chain partners
- 3. No or incorrect forecasting
- 6. Lack of costing and planning know how at the brand
- 11. No capacity reservation based on forecast from buyer
- 13. Manufacturer overbooking its own capacity
- 14. Late material delivery
- 15. Lack of planning and costing know how at supplier, leading to ...
- 23. Intransparency regarding production location from agent

H. Standardised specifications

Clearly defined product specifications avoid the delaying of the production process due to suppliers' confusion or unclear product descriptions. This could easily lead to less time for production, creating unplanned extra costs and excessive overtime.

Also known as

- › Tech packs
- › Specification sheets
- › Technical drawings
- › Measurement tables

What to include

- › Technical specifications (drawings, details for trims, pictures, sketches, workmanships, stitch types, etc.)
- › BOM (Bill of Materials)
- › Pattern
- › Measurement tables

Who to include

- › Design / development
- › Sourcing / buying
- › Quality assurance
- › Suppliers

General benefits

- › Leads to efficient development processes; first time right
- › Contributes to accurate costing
- › Helps with the early recognition of possible manufacturing problems (in development phase)
- › Supports in meeting quality standards and avoidance of claims

- › Leads to products meeting expectations

Relates to the following root causes

7. Missing, incorrect or changing product specifications

I. Collaborative planning process

A collaborative planning process helps brands in having a good relationship with informed business partners. This results in committed suppliers that are enabled to fulfil the requirements of the buyer within regular working hours.

Also known as

- › Frequent supplier meetings/visits (online, on site, in house, seasonal summits)
- › Shared estimation and planning tools
- › Shared planning tools and systems

What to include

Collaborative planning can best be considered a process instead of a tool. Brands should include all their suppliers in the planning process in a collaborative approach, meaning that e.g. manufacturers, fabric mills and other material suppliers are enabled to develop a workable planning for all parties. All parties understand and agree to a shared timetable and know where their responsibility is within this planning.

Collaborative planning includes constant communication loops about actual status and upcoming challenges to be as pro-active as possible.

Who to include

- › Management
- › Design / development
- › Sourcing / buying
- › Logistics
- › CSR
- › All suppliers (garment factories, fabric mills, raw material suppliers)

General benefits

- › Helps create strong and trustworthy relationships with suppliers
- › Helps to achieve on time deliveries
- › Contributes to a pro-active and responsive supply chain with informed and committed suppliers
- › Leads to continuous improvement of cooperation and processes with suppliers

Relates to the following root causes

This process is not a direct solution to any of the root causes mentioned above. Instead it should be considered as the best approach to develop a business environment with strategic and informed business partners that are enabled to perform within regular working hours.

J. Supplier assessment

Supplier assessment leads to improved and strengthened suppliers. Poor performing suppliers are given the opportunity to improve. This results in a consolidated supplier base that fulfils the requirements of the brand within regular working hours. Supplier assessment should be a frequent process for supplier quality development.

Also known as

- › Supplier assessment process / format / system
- › Supplier quality development process (e.g. rating, feedback, training)

What to include

Supplier assessment can best be considered as a process. It entails continuous assessment of suppliers' performance, including systemic feedback for improvements. Input for this continuous assessment should come from the different departments working with the suppliers.

Who to include

- › Design / development
- › Sourcing / buying

- › CSR
- › Suppliers

General benefits

- › Contributes to on time deliveries
- › Provides a strong opportunity to reduce excessive overtime
- › Makes the brand an attractive buyer for suppliers

Relates to the following root causes

This process is not a direct solution to any of the root causes mentioned above. It is a fine tuning of the supply chain by frequently analysing strengths and weaknesses of the business relationship that contributes to smoother processes.

K. Break demand peaks where possible

Breaking demand peaks is a process. It reduces production pressure and the need for excessive overtime during peak season by smoothening out production peaks throughout the year.

What to include

- › Identify basics and high running styles
- › Identify NOS (Never Out of Stock)
- › Identify long running products / carry over styles
- › Give pre-orders or continuous orders to your suppliers for these products

Who to include

- › Sourcing / buying
- › Supplier
- › Sales / marketing

General benefits

- › Contributes to on time deliveries

- › Provides a strong opportunity to reduce excessive overtime
- › Makes the brand an attractive buyer for suppliers

Relates to the following root causes

This process does not contribute directly to any of the root causes mentioned above. Breaking demand peaks helps to reduce excessive overtime in peak season and supports suppliers running the factory during low season.

L. Staff training

Staff training can help both on brand and supplier level and can be directed towards staff or management.

Training staff is often neglected or undervalued but is indispensable to being able to implement all solutions mentioned above in an effective way. Brands and suppliers should strive to constantly develop and train their employees. This leads to a motivated, empowered and responsible workforce that can implement all needed solutions to remedy excessive overtime.

What to include

Continuous training and development of the work force is essential to any organization. Staff training can be a preventive solution for multiple root causes of excessive overtime. Staff at member companies need to be enabled to forecast correctly and estimate the needed production capacity. On suppliers' side, training can help with improving efficiency and improving production and capacity planning. Additionally, continuous process- and quality improvements are needed, and training can be a catalyst for that. The HR processes and policies should support the above in such a way that the supplier becomes an attractive employer.

General benefits

- › More motivated workers
- › Reduction of staff turnover
- › Higher know how

- › More productivity and higher efficiency
- › Better client relations

Relates to the following root causes

- 3. No or incorrect forecasting
- 6. Lack of costing and planning know how at the brand
- 11. No capacity reservation based on forecast from buyer
- 12. Lack of organisational know how
- 14. Late material delivery
- 15. Lack of planning and costing know how at supplier, leading to...
- 16. HR related problems
- 17. Inefficient factory process and organisation
- 18. Quality problems of material and product



fairwear.org