

Engaging with stakeholders



Curriculum Topics

- What is a stakeholder?
- Trade unions and civil society groups
- Workers and communities
- Customers and shareholders

Introduction

The textile manufacture and clothing distribution industry has seen dramatic changes in recent years. Consumers' expectations are higher today than ever before, they expect fashionable clothing at affordable prices. As a result many clothing retailers, including Primark, source clothes from countries like China, Bangladesh, India and Vietnam where materials and labour costs are lower. Primark works with a variety of manufacturers from around the world to provide consumers with what they want.

Primark has stores across the UK, Ireland, Spain, Portugal, Germany, Holland and Belgium and employs over 70,000 people across the globe. Primark is a **subsidiary** company of Associated British Foods (ABF). As part of ABF, the company shares important values. These values provide an ethical dimension to Primark's activities. Being ethical means doing the right thing. For example, ethical companies provide fair working conditions for their employees, and build fair relationships with suppliers. For Primark, acting ethically means:

- taking care of its people
- being a good neighbour
- respecting human rights
- engaging with its stakeholders.

Stakeholders are individuals, groups and organisations that have an interest in the decisions and actions of a particular business.

Stakeholder engagement is the process of creating communication channels that enable stakeholders to be informed about, and in some cases influence, decision-making processes. This case study looks at how Primark engages with some of its key external stakeholders.

What is a stakeholder?

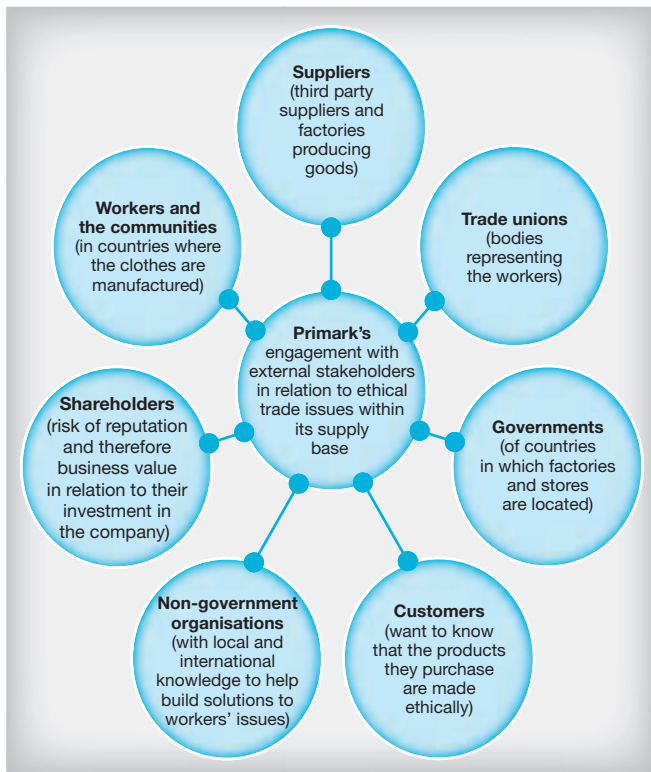
All businesses depend on a variety of stakeholders. Some stakeholders are internal to the business, such as a company's employees. Other stakeholders are external to the business, such as suppliers, customers, trade unions, civil society groups, shareholders and the communities in which the business operates.



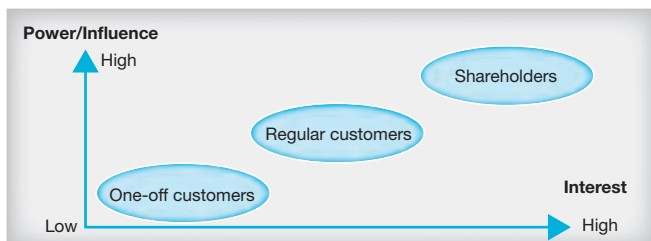
Subsidiary: A business that is owned by another business.

It is important to understand the difference between a shareholder and stakeholder. Shareholders are the individuals or organisations that own a company. They own shares in the company. As owners, they will receive a share of the profits. Shareholders are a type of stakeholder because they have an interest in the company. Stakeholders also include all the other groups with an interest in what the company does.

Primark's key stakeholders are:



It can be useful to identify the level of interest, **power** and influence of different stakeholders. The owners of a company have a high level of power and influence and a direct interest in the profitability of the company.



In contrast, customers have less interest in the company than the shareholders and a lower level of power and influence. However, that does not mean that Primark can afford to ignore its customers. Any business that neglects its customers would soon start to see a decline in sales. Loyal customers are highly valued. Retailers like Primark will seek to understand their customers and meet their needs.

Primark uses a variety of methods to engage with its different stakeholder groups. For example, one method that Primark uses to communicate with its customers is through its ethical trading website. To communicate with workers and the communities, in the countries that manufacture the goods, Primark uses initiatives such as the community engagement programme it has in India. Primark understands that different stakeholder groups have different needs and expectations. As such, Primark must use appropriate channels of communication to engage with each stakeholder group.

Trade unions and civil society groups

Primark works with a variety of civil society groups and trade unions around the world. These organisations share a common goal of protecting the rights of workers. Primark uses many different methods to engage with these groups. Predominantly Primark's engagement involves listening to the different perspectives of the people involved, learning about the issues that these groups face and establishing methods, often in partnership with stakeholders, to overcome these issues. Two key organisations that enable Primark to do this are the Ethical Trading Initiative (ETI) and the International Labour Organisation's Better Work programme.

Primark has been a member of the ETI since 2006. This is a **tripartite** alliance of over 60 companies, trade unions and **non-government organisations** (NGOs). The alliance works to improve the lives of people working in supply chains across the globe. Primark submits an annual report to ETI about its ethical programme and performance. The ETI has reported that Primark has achieved ongoing improvements in "working conditions and respect for worker rights by engagement with suppliers, trade unions, governments and customers" and most recently in 2011 that "Primark is now one of the highest scoring members".

Primark joined the Better Work partnership in 2010. This is a major international partnership set up by the UN's International Labour Organisation to improve labour practices across the globe. The programme consists of factory assessments, advice and training provided by local experts. This partnership aims to ensure that there is adherence to international standards, such as a ban on any use of child or forced labour, limits on the number of hours in the working week and proper leave entitlements.

Primark believes that collaborations with these stakeholders are key to achieving sustainable and efficient solutions to the challenges faced by the textile manufacturing industry. More generally, Primark supports and encourages improvements for workers in its suppliers' factories. It works with partners who understand local market conditions as well as having global expertise.

Workers and communities

Primark sources its products from countries like China and India, which are world leaders in garment manufacture. Workers in these countries can often be the most vulnerable part of the supply chain. Engaging with workers and the communities in these countries is therefore a crucial part of Primark's ethical practice. Primark's work with workers and the communities often involves working with local non-government organisations who have the local knowledge to support Primark's initiatives. Primark engages with workers and the communities in which they operate in a variety of ways. Through listening to the needs of workers and the challenges they face Primark has launched a number of programmes and initiatives to address those needs.

For example, in 2010 Primark engaged in a long-term programme to improve working conditions and wages in China. The aim is to make sure that every worker has a living wage. This is a wage that is high enough to meet all of the basic needs of an adult and their family and to provide some additional income on top. At the same time, its partners are working with the factory to provide advice on how to improve the factory's **productivity** and output, ensuring that it operates efficiently and sustainably. Primark is also engaged in some wider community initiatives. These demonstrate the company's ethical values.

India

In India, Primark is working with a NGO to address some of the challenges facing people in communities where the company



sources its products. This programme conducts surveys of garment workers to find out more about the issues they face at work and provides support and counselling where needed. It provides education on a wide range of topics such as the rights of women, safety at work, labour laws, preventing HIV and AIDs and the role of organisations such as the ETI and ILO.

Primark has also formed a partnership with Geosonar to bring banking services to worker communities in India. Geosonar has set up small kiosks in communities, often near to textile factories. The kiosks are open six days a week and staff are on hand to give financial advice. Many lowly-paid workers in India cannot read or write so customers can open an account using finger scanning technology, rather than by supplying written documentation and a signature. This initiative is helping workers to keep their money securely. They can build up, and earn interest on, savings.

Productivity: Level of output relative to level of input; labour productivity typically measures output per person/hour.



Bangladesh

Women make up 80 % of the world's garment-making workforce. This work provides women with an important means to support themselves and their families. However, statistics show that in developing countries women are more likely than men to suffer from illness and poor health. In Bangladesh, Primark is working in partnership with Business for Social Responsibility and the Awaj Foundation. Together they are supporting health care initiatives for women. These provide advice on how to recognise and treat common health conditions, such as anaemia (lack of red blood cells) and how to look after their health when they are pregnant. The community benefits as people have better health and an improved understanding of preventative health care. Employers benefit because employees are fitter, absenteeism is lower and there is increased employee loyalty.

Customers and shareholders

Without customers retail businesses cannot exist. All businesses must understand and respond to the needs of their customers. Primark's key strength is providing fashion-conscious consumers with affordable fashion. Unlike many high street brands, Primark does not have a large advertising and marketing budget. Instead it relies on customers to talk about its products and its business. Primark's reputation is an important business asset. So Primark must respond to its customers' concerns as well as their needs. This is why Primark is not simply committed to giving customers the best value for money, it actively seeks to meet their concerns about ethical trading. Primark's dedication to ethical practices is demonstrated through its dedicated ethical trading website. This is a key channel of communication to its customers.

Another method that Primark is developing to engage with its consumers is through its The School Project. This venture involves a

UK school and the Massachusetts Institute of Technology. Students on the project are creating an online resource for other students, teachers and young people about ethical trading. They are developing curriculum resources for other schools. The project demonstrates the important roles that Primark's stakeholders have within the ethical trading framework, whilst encouraging debates on the many issues that Primark faces in its ethical trading programmes. This project supports other initiatives aimed at the student demographic such as this Business Case Study.

Primark's shareholders own shares in the company. They are able to influence key decisions, for example, through their endorsement and selection of board members. Shareholders expect Primark to foster ethical business relationships with all its stakeholders to uphold the core values of the company. One of the ways that Primark demonstrates its ethical and socially responsible behaviour to its shareholders is through the ABF Corporate Social Responsibility (CSR) report.

Conclusion

Acting ethically involves making the right choices – doing the right thing. Primark seeks to adhere to its values by taking care of its employees, being a good neighbour, maintaining ethical relationships and respecting human rights. By engaging with its many stakeholders, including factory owners and workers in countries that specialise in the production of fashion garments, it ensures that everybody gains from the business process and everyone is treated fairly.

1. Make a list of ten stakeholders that have an interest in the products that Primark source from India. In each case, briefly explain their stake in the process. Produce a diagram showing the position where you would place each of the stakeholders in relation to the two dimensions of power and interest.
2. This case study features several initiatives that Primark is supporting to help workers and communities in developing countries. Which of these do you think should be most effective? Can you suggest some other helpful initiatives?
3. Primark has developed some collaborative educational programmes. Do you think that it is a good idea to engage with young people in this way? In what other ways could Primark engage with young people?
4. How important do you think it is for Primark to be a member of the ETI? Discuss the ways you think Primark's stakeholders will benefit from Primark's work with the ETI.