

# Trust and Transparency in the Supply Chain

## A GlobeScan eBrief

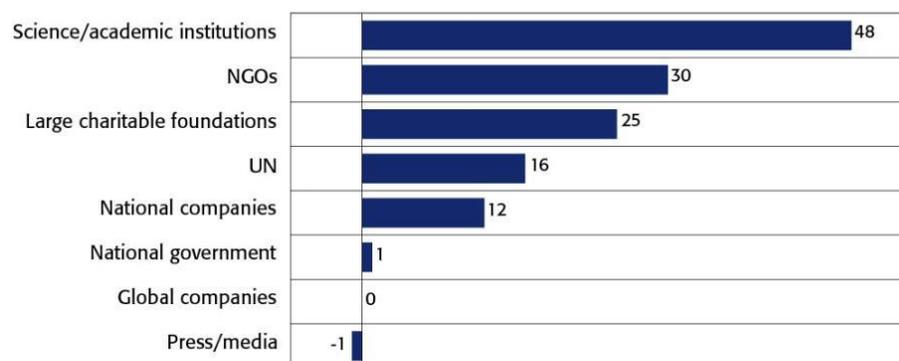
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Diminishing trust in a range of institutions has become a central issue, especially when it comes to the relationships between business and society. Trust in global companies and national governments is especially low, as evidenced by GlobeScan's annual tracking of trust in institutions. And in an age of increasing anti-globalization and nativism, this should be of great concern.

**In this eBrief, we look at the drivers of trust and relate these to the supply chains of global companies, a critical foundation of the world's economy.**

### Trust in Institutions

Net Trust,\* Average of 25 Countries,\*\* 2016



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\*"A lot of trust" and "Some trust" minus "Not much trust" and "No trust at all"

\*\*Includes Argentina, Australia, Brazil, Canada, Chile, China, France, Germany, Ghana, Greece, India, Indonesia, Israel, Kenya, Mexico, Nigeria, Pakistan, Peru, Russia, South Africa, South Korea, Spain, Turkey, UK, and USA

## From the 20<sup>th</sup> Century Onward

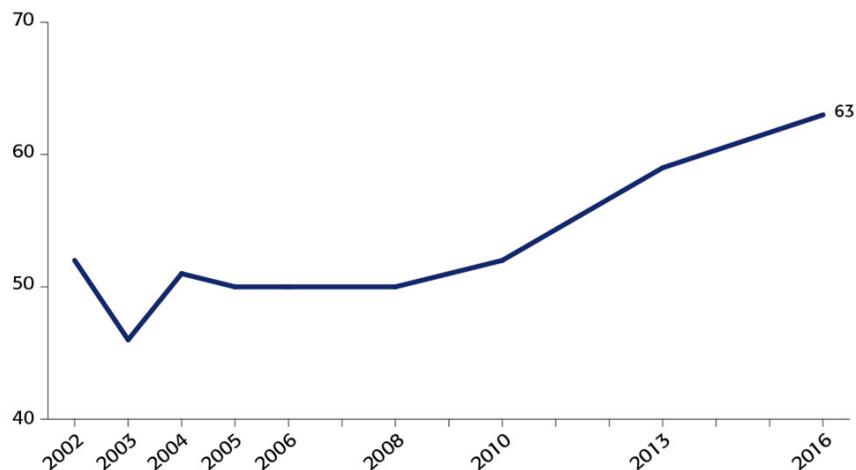
Milton Friedman's paradigm that the only social responsibility of business is to use its resources and engage in activities designed to increase profits, so long as it stays within the rules of the game, is said to have made him become the most influential economist of the 20<sup>th</sup> century. Even if this was ever true, this paradigm no longer aligns with current societal expectations. Almost two-thirds of

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consumers around the world expect companies to do more than just make money – and they expect governments to play a role in this as well. These expectations have been trending upward for the past 15 years, and reached an all-time high in 2016.

### Governments Should Require Large Companies to Work toward a Better Society

"Agree,"\* Average of 21 Countries,\* 2016

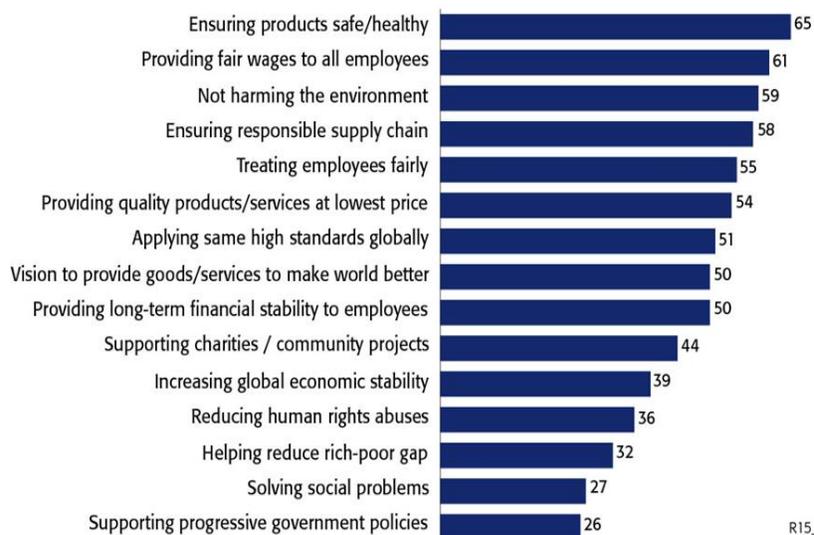


When asked more specifically, the global public has an extensive list of expectations of companies, with ensuring safe products on top, followed by providing fair wages, not harming the environment and ensuring responsible supply chains.

Looking more closely at the supply chain, corporate sustainability practitioners (via the [2016 GlobeScan/BSR State of Sustainable Business survey](#)) identified and ranked the following supply chain issues as the top three priorities, with working conditions and transparency seen as the most important.

### Expectations of Companies

Companies "Held Responsible for," Net Expectations,\* Average of 22 Countries, 2015



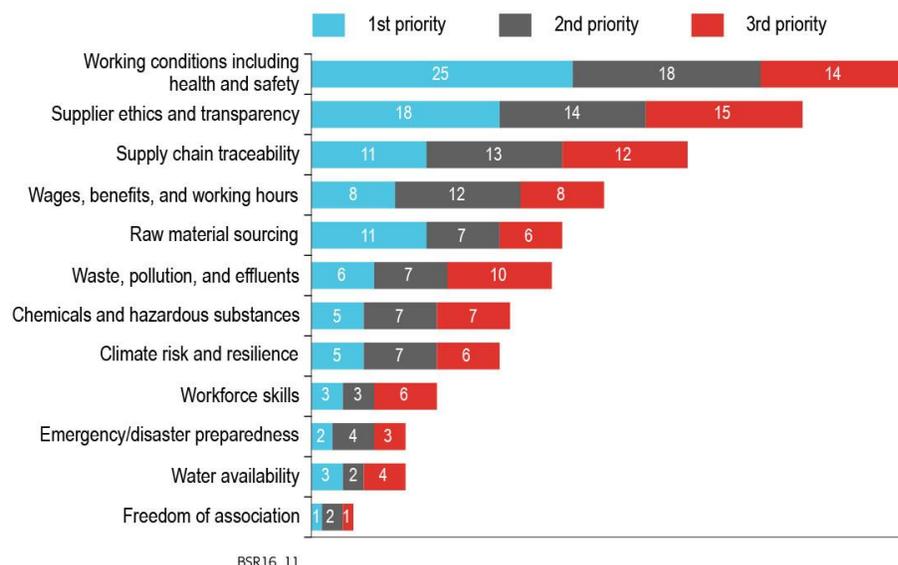
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\*(5+4) minus (1+2) where 5 means "Held completely responsible" and 1 means "Not held responsible"  
Not asked in Russia and South Africa

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### Total Mentions, Ranked, 2016

(Percentage of All Respondents Identifying an Issue as One of the Top-Three Most Important, Combined)



Consequently, many global brands have made noticeable efforts to improve their supply chain management and governance, and have upgraded their environmental policies and labor practices. This is not only in response to the demands from consumers, who expect brands to act responsibly toward workers in their supply chains, but also because the era of abundant cheap labor is changing. Workers are rightfully demanding better wages as well as improved working conditions, particularly in China. Failure to fulfil these demands on the part of factory owners poses challenges to employee retention, alongside the increasing pressure on brands to ensure responsible value chains. In the 20th century, supply chain workers were often represented by proxies such as labor unions, the International Labor Organization, as well as by government or management – and sometimes they did not have any representation at all. With the emergence of mobile, and even more recently, smart phone technology, individual workers are now better connected and can directly share their work circumstances with the world.



Changing demographics and new technology, from smart phones to increasing automation and robotics in factories, in combination with more demanding expectations from stakeholders and consumers, are forcing global companies to be ever more responsive. Many brands now welcome

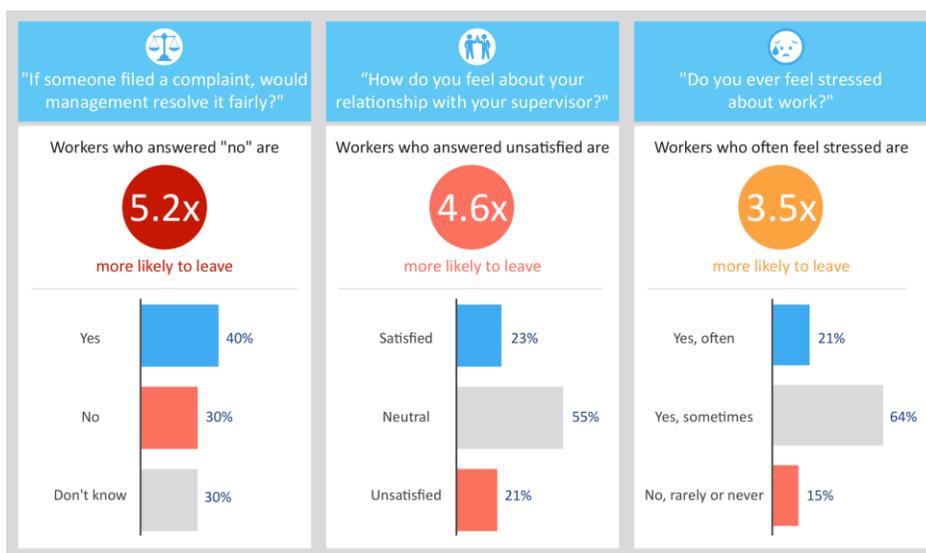
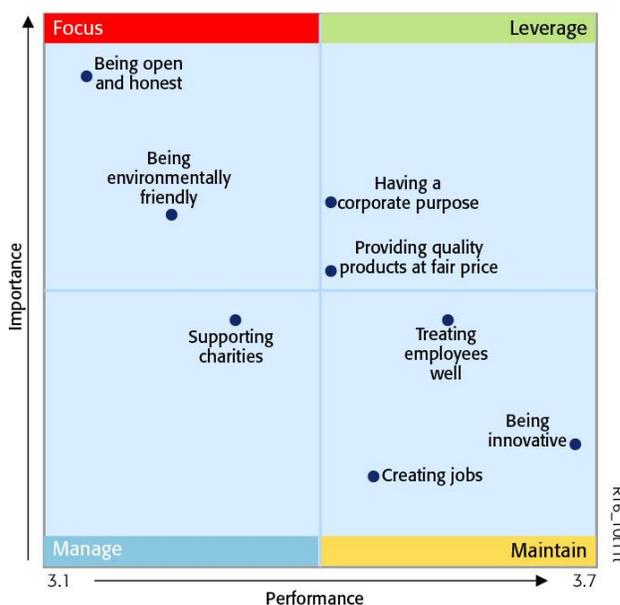
the voices of their workers, not only to fulfil the expectations of their customers but also to ensure that their workers are well treated – and thus continuing to choose to work at their factories.

## Transparency Leads to Trust

Increased transparency has many advantages. It gives workers a voice, which can improve their lives through empowerment and rights. It provides factory owners and management with the information they need to ensure the well-being of their employees, which leads to higher productivity and quality. This in turn benefits these factories' customers, the global brands, which can ultimately fulfil the expectations of consumers which results in higher levels of trust. As can be seen in this graphic, transparency is the most important driver of creating trust, but it is the one on which companies' performance is seen to be severely lacking.

In the context of this changing world, Good World Solutions, an organization focused on improving labor conditions with its tool Laborlink, reviewed best practices and challenges for labor in the supply chain by conducting a [survey program](#) that reached more than 100,000 workers in 70 factories in China. A factory snapshot below reveals the top three drivers of worker turnover and the likelihood of workers leaving the factories based on those drivers.

Drivers of Trust  
Performance vs Importance, All Companies, 2016



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At this specific factory, workers who self-reported that they did not believe that filed complaints are being resolved fairly by management are 5.2 times more likely to quit within the next six months. This lack of trust was evident across the 70 participating factories where on average 28% of workers reported that they do not believe complaints are resolved fairly by factory management. This represents a significant risk to many brands looking for quality work from workers, and is the basis for why so many brands have high expectations for workers to be treated fairly and responsibly.

High levels of trust generate favorable responses to the organization and create environments where discussion, collaboration and innovation can thrive. The evolving relationship between consumers, workers, brands and factory owners is becoming more strategic in our connected world. Shifting expectations, technology and transparency are all making supply chain management more fluid and challenging. This requires greater monitoring of all four stakeholder audiences to manage risks and capitalize on opportunities across the value chain.

### About GlobeScan

GlobeScan is a strategy and insights consultancy, focused on helping our clients build long-term trusting relationships with their stakeholders. Offering a suite of specialist research and advisory services, we partner with clients to meet strategic objectives across reputation, sustainability and purpose.

GlobeScan has offices in Cape Town, Hong Kong, London, San Francisco, Sao Paulo and Toronto.

For more information please visit [www.GlobeScan.com](http://www.GlobeScan.com)

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