

CASE STUDY

Described for the project: "The Hexagonal Leader"

Name of the organization

PENNEYS - PRIMARK

Website of the organization

<https://www.primark.com/en-ie>

Logotype of the organization



Operated by PRIMARK®

Type of organization

- Business organization
 Public administration
 NGO's
 Others (what kind?)

Size of the organization

- Small
 Medium
 Large

Economic sector

RETAIL - DESIGN

Brief description of the organization

Primark is an Irish fast fashion retailer with headquarters in Dublin, Ireland, and a subsidiary of the

British food processing and retail company ABF. The company is named Penneys in the Republic of Ireland, where it was founded. The Penneys brand is not used outside of Ireland because it is owned elsewhere by American retailer J. C. Penney. The company has operations in Europe and the United States.

The company was launched in 1969 in Ireland trading as Penny's. By 2000, there were over 100 stores across Britain and Ireland. By 2012 Primark had 238 branches across the UK, Ireland and Europe. Primark has become distinctive for offering unbeatable value whilst never losing its innovative, fashion-driven edge.

Case study description (situation / the problem they are facing) [max 2000 characters]

Primark have a highly efficient supply chain, including a policy of buying large volumes of each garment directly from factories in low-cost economies, particularly in Asia. From the outset, Primark's performance has been outstanding, underpinned by a "value retailing" model of low gross margins and high volumes; known in the trade as "stack them high, sell them cheap".

Like many retail fashion businesses, Primark does not manufacture goods itself. Its expertise lies in understanding its customers and working with its suppliers to produce goods to Primark's specification. It then gets the right goods to the right places at the right prices. Its profitability depends on sheer volume of sales. Primark's value-for-money prices rely on low costs. These are achieved in part through economies of scale and efficient distribution.

Suggested solutions (added pros and cons)

In the face of recession, particularly considering their exposure to two of the worst hit economies of Ireland and Spain, Primark's business model proved resilient. Revenue grew year on year in the period since 2008. Its operating profits have also grown since 2011, an impressive result given its rate of expansion into prime urban retail locations.

However, Primark's products are mainly sourced from suppliers in Europe and Asia. Its key sourcing countries are China, India, Bangladesh and Turkey. Putting the manufacturing of garments into these countries creates jobs. These are often at better rates of pay than other types of work on offer, improving overall standards of living.

Primark has initiated a programme of activities which supports its corporate social responsibility (CSR) stance and ensures that its trading meets the company's values and ethical standards. Supporting its programme of activities is Primark's Code of Conduct which ensures that all workers making its products are treated decently, paid a fair wage and work in good working conditions. (For more information please visit www.primark-ethicaltrade.co.uk).

This case study looks at Primark's involvement in the HERproject (Health Enables Returns) which is

raising awareness and delivering healthcare education to female workers in supplier countries.

Now let's have a look at CSR. Businesses need to acknowledge and respond to factors in their environment, for example, changes in available workforce or the business' impact on its local communities. Corporate social responsibility represents the responsibility that a business has towards all its stakeholders, not just to owners or shareholders, to deal with their needs fairly.

Internal stakeholders include shareholders and employees. Shareholders want a return on their capital and this depends on making a profit. That in turn means by adding value. Employees want job security, good pay and conditions and job satisfaction.

External stakeholders include customers, suppliers, non-governmental organisations, workers and the local communities where its products are made. All of these have different needs.

An organisation therefore needs to be able to respond and demonstrate responsibility in different ways. This might include activities as wide-ranging as encouraging employees to volunteer in community projects; sponsoring and supporting charity work; or contributing time and money to improving its environmental impact.

Chosen solution

The global apparel industry employ millions of people around the world. Design, branding and marketing which generates higher value, has predominately remained in developed countries, whereas manufacturing which is considered less valuable, has moved in an almost wholesale fashion to low-cost.

As an international business with a global supply chain and a growing retail base, Primark believes that business has a responsibility to act and trade ethically and that, by doing so, it can be a force for good. Its business directly contributes to the employment of more than 700,000 workers across three continents. Ensuring that their rights are respected is key to its continued growth.

Primark does not own the companies or factories that produce its goods, but it does have a responsibility to the workers in those factories, to its customers and shareholders, to ensure that its products are made in good working conditions. The HERproject in Bangladesh is an example of how Primark is actively seeking to make positive changes in the lives of its supplier workforces.

What does the **HERproject** consist of? In Bangladesh, over 50% of the manufacturing workforce is made up of women. The jobs available to women in garment factories give them greater independence and help to reduce poverty. However, these women often have little education and low levels of literacy as they drop out of education early to help their families.

They also lack basic knowledge of health, hygiene and nutrition and an understanding of how a woman's body works. Poor hygiene often causes persistent and painful infections. Childbirth is particularly hazardous and post-birth complications are common. There is little understanding of the

symptoms of sexually transmitted diseases (including HIV) or the means of preventing transmission. Far more women than men are malnourished and many women suffer from anemia. These issues, often combined with a lack of access to qualified medical advice, mean that the female workforce is particularly vulnerable.

The HERproject uses education as the key tool against all these inter-related problems. The programme aims not only to improve the health of female workers through training and education, but also to give them the tools to help them take charge of their personal and working lives. These benefits in turn pass on to their families and help to enhance whole communities.

Rationale of the decision taken

European customers have flocked to their stores, Penneys seems to be meeting an unmet need as consumers seek fashion within constrained budgets. This seemingly insatiable demand is shaping the sourcing and practices of the firm as they seek to win in a competitive marketplace.

The HERproject is an initiative started by **BSR (Business for Social Responsibility)**, a non-governmental organisation that works with over 250 companies on environmental, social and human rights. The HERproject has so far helped over 50,000 women in different countries. It has done this through working with companies like Primark, Primark's suppliers and local health providers.

The HERproject is simple but surprisingly powerful:

-A small number of female staff in a factory (around 10%) is selected to become health education trainers called 'peer group educators'.

-The local health service provider trains the peer group educators, who are then responsible for training the other women based in the workplace, passing on the message and helping to disseminate what they have learned.

The process emphasises mutual help and encouragement. The women trainers are effective because they fully understand the local culture. They are not seen as outsiders imposing strange ideas. Instead, the trainers understand why the women may be reluctant to seek help with issues that can be sensitive. They can build their self-confidence as well as their practical knowledge.

'I didn't have anyone to tell me how to look after myself, it wasn't taught at school. The trainers told me that many diseases come from the unpurified water that I was taking from the tap. This water can be the cause of sickness, cholera and diarrhoea. At first my family said to me, how do you know this stuff? You work in a garments factory! I told them it's what I have learnt from the herproject. when I began to give them advice they started to get interested in the project. Everyone I have told now boils their water and they don't suffer like before.' Umme Habiba (garment worker).

The HERproject is also helping others not directly involved in the project. Outside the workshops informal learning continues. Women build supportive relationships and talk to each other out of work. This is reinforced by the project helping to set up factory clinics and creating vital referral links to local hospitals.

Selina Kamal is a factory quality inspector and a peer educator for HERproject. Through her own training she is now more aware of the importance of cleanliness for herself and her children. They all now drink purified water and eat more vegetables. She has already helped a friend, Shilpi, who is a school teacher.

'I came to Selina after I had two miscarriages and irregular periods. Selina advised me to go the doctor as she knew something must be wrong. The doctor prescribed me medication for my problem.' Shilpi (teacher).

Solution implemented in practice

The key to Penneys actions was to continue to offer value for money and variety in an ethical fashion. The benefits have become obvious and they are making a difference and having a deep impact at the local level.

Mrs Kaniz Fatema is the managing director of a medium-sized factory in Dhaka, Bangladesh. When the HERproject was introduced to her factory a year ago, she was unconvinced, viewing it as 'just another project'. However, just one year later her view has been transformed. Women's health is now high on her agenda. A healthier workforce is literally paying dividends. Absenteeism and labour turnover are down by a startling 50%. Productivity is up and even internal staff communication is more effective. Mrs Kaniz Fatema now employs a female doctor and has set up a scheme to provide sanitary napkins to her female workers, helping to embed a new culture within the factory and allowing health education in the factory to continue after the project ends.

'HERproject has made a real difference in my factory. The workers have increased their productivity as they are now looking after themselves better. I have become a lot closer to my female workers. I have also told other factory managers about the success of the project at our factory. The male workers are now asking when we will start a similar project for them.' Mrs Kaniz Fatema (factory manager).

Other benefits are harder to measure but are increasingly recognised by the factory managers. Getting women to communicate effectively on health matters builds trust and confidence. This feeds back into better communication with supervisors and managers. This, in turn, leads to improved teamwork and the motivation to accept more responsibility and leadership roles in the community.

'Workers now stay longer and are more productive. The HERproject has also helped my relationship with the women workers. They are not so shy to talk to me anymore. If there are problems, I now hear about them.' Mr Riaz (factory manager).

Increasing motivation has been an aspect of Primark's decision in practice. This demonstrates the principles of the **Hawthorne effect theory of motivation**. Theorist Elton Mayo found that factory workers with long hours of routine work were motivated by someone taking an interest in them and their work. Feeling that they mattered as individuals, they experienced a new connection with the job. As a result, productivity improved. In a similar way, by focusing on the women workers and their health issues, the HERproject is also delivering improved motivation. (See more on the HERproject at http://www.primark-ethicaltrading.co.uk/ourwork/c/womens_health).

'Not only has HERproject given women the knowledge to improve their health behaviour, it has empowered them to seek leadership roles in their jobs and their communities. The peer-to-peer model – with women teaching each other about women's health – has given them the confidence to go against the grain in regions where the traditional role for women is not as strong.' Racheal Yeager (BSR HERproject manager).

Lesson learned

Resilience during tough economic crisis and challenges. The ethical values of a company can make a real difference to workers on the ground. The industrialised countries of the world benefit from the lower costs of labour in countries such as Bangladesh and India. However, more consumers are now asking if this is ethical and questioning its sustainability.

Some trade-offs between stakeholder needs are inevitable. CSR does not come free. It involves a real commitment of resources, management time and energy. On the other hand, as studies of the HERproject in other countries have shown, the money invested in the health of female employees can yield up to three times more in business benefits. In addition, the improvements in human well-being are incomparable.

Despite criticism of globalisation, business and trade can be a force for good. This is increasingly recognised in the ways that consumers assign values to brands. Primark is making progress in taking on wider responsibilities and devising relevant projects that work on the ground. It has done this with help from NGOs and organisations such as BSR. Its approach with the HERproject is not purely about business benefits, but focused on making a difference to the lives of its supplier workers.

To date, 4,500 women in Primark's factories have been trained under the HERproject in Bangladesh. The project results have shown such benefit that the project is being rolled out to Primark's suppliers in China and India. Primark's ongoing involvement with the women workers in Bangladesh and other supplier countries will help to provide it with a sustainable and ethical business model.

Connection to the six skills depicted in the project

DECISION MAKING
MINDSET AND VALUES
COACHING