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EFFECT OF SOCIAL COMPLIANCES ON COMPETITIVE ADVANTAGE OF APPAREL COMPANIES IN SRI LANKA

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DECLARATION

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Abstract

Apparel industry plays a significant role in Sri Lankan economy as the number one foreign exchange earner and employment provider. Despite many pitfalls, industry continuously booms in the global market. Gained reputation over the years as an ethical and quality apparel supplier among competitors is a greatest strength to industry.

Issues regarding working conditions of the manufacturing facilities blemished the reputation of many world renowned buyers; hence social or ethical compliances were introduced as a remedy. Compliances can be voluntary or mandatory; standards become mandatory after promulgated into national law as a regulation.

This research investigated the impact of Social Compliances related to apparel industry in Sri Lanka. The different Social compliance standards found to be more or less similar in core content. Hence 'Worldwide Responsible Apparel Production' (WRAP) being the most widely implemented compliance standard in the country was selected for this study.

Out of twelve WRAP principles, only ten principles were taken into consideration as they were directly addressing the working conditions, labour issues and regulations related to them.

Data collection of this study was through questionnaires and interviews with Human Resources and Compliance managers. From the total of seventy-six apparel manufacturing companies listed in WRAP official website, sixty four companies that were possible to cover under practical circumstances were selected to survey. Another opinion survey was carried out with hundred and ten executives in sixty companies.

Data were illustrated in descriptive charts and analyzed through Freedman test, Mann Whitney test. Anderson Darling test statistics were used to check normal distribution.

Implementing seven WRAP principles were found to be effective. Improvements in factory performance were observed after WRAP. Many WRAP indicators influenced productivity and quality. Effect on Competitive Advantage of Apparel companies was analyzed through Porter's Diamond model. All the three hypotheses: Social Compliances have an effect on working conditions of Apparel companies in SL, Social Compliances have an effect on Labour standards of Apparel companies in SL and Social Compliances have an effect on competitive advantage of apparel companies in SL were accepted.

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TABLE OF CONTENTS

	Page
Declaration	i
Abstract	ii
Acknowledgement	iii
Table of Content	iv
List of Figures	vi
List of Tables	viii
List of Abbreviations	ix
List of Appendices	x
1 Introduction	1
1.1 Background of Study	1
1.2 Research Question	3
1.3 Significance of Study	4
1.4 Objectives	4
2 Literature Review	5
2.1 Compliances	5
2.1.1 Social Compliances	5
2.1.2 Development of Social Compliances	8
2.1.3 An Account of Social Compliances	13
2.2 The Competitive advantage of Nations	15
2.2.1 Porters diamond model of competitive advantage	16
2.3 Sri Lankan Apparel Industry Context	21
2.3.1 Sri Lankan apparel industry and Social and Ethical compliances	26
2.3.2 Social compliances, Labour Productivity and Competitiveness of Apparel Industry in Sri Lanka	28

2.4 Related researches done in the past	34
2.4.1 Researches based on Compliances	34
2.4.2 Researches based on Porter's Diamond model	41
2.5 Summary of Literature Review	42
3 Research Framework	46
3.1 Schematic Representation of Research Framework	46
3.2 Hypotheses	46
3.3 Scope and Limitations	46
3.4 Operationalization	55
3.5 Methodology	59
3.5.1 Data Collection	59
3.5.2 Sample Selection	59
3.5.3 Analysis of Data	59
3.5.4 Data Interpretation and Discussion	60
3.5.5 Draw Conclusions	60
4 Analysis of Data	61
4.1 Compliance Matrix	61
4.2 Analysis of Improvements taken place after implementation of WRAP	61
4.3 Analysis of selected parameters before and after WRAP certification	79
4.4 Effect of WRAP indicators on productivity and quality	86
5 Data Interpretation and Discussion	96
5.1 Social Compliances have an effect on Working Conditions of Apparel Companies in SL	96
5.2 Social Compliances have an effect on Labour Standards of Apparel Companies in SL	99
5.3 Social Compliances have an effect on Competitive Advantage of Apparel Companies in SL	104
6 Conclusions	110
List of References	116

Appendix A: Research Questionnaire	121
Appendix B: List of WRAP certified factories	127
Appendix C: Compliance and Operational Management Tools Matrix	129
Appendix D: Statistical Data Analysis of Section – A	130
Appendix E: Statistical Data Analysis of Section – B	133
Appendix F: Mann-Whitney Test Analysis of Section B	134
Appendix G: Analysis of Questionnaire – Section C	136

LIST OF FIGURES

Figure 2.1: The Porter's Diamond model	16
Figure 2.2: Export of apparel (January – November)	26
Figure 3.1: Schematic Representation of Research Framework	46
Figure 4.1: Compliance status of Laws and workplace regulations	62
Figure 4.2: Compliance status of Prohibition of forced labour	63
Figure 4.3: Compliance status of Prohibition of Child labour	64
Figure 4.4: Compliance status of Prohibition of Harassment or abuse	65
Figure 4.5: Compliance status of Compensation and benefits	66
Figure 4.6: Compliance status of Hours of work	67
Figure 4.7: Compliance status of Prohibition of Discrimination	68
Figure 4.8: Compliance status of Health and Safety	70
Figure 4.9: Compliance status of Freedom of Association and Collective bargaining	71
Figure 4.10: Compliance status of Environmental Considerations	72
Figure 4.11: Compliance status of other factors considered	74
Figure 4.12: Status of Efficiency before and after WRAP	80
Figure 4.13: Status of Absenteeism before and after WRAP	80
Figure 4.14: Status of Labour turn over before and after WRAP	81
Figure 4.15: Status of Average Defect rate before and after WRAP	81
Figure 4.16: Probability plot of Efficiency	82
Figure 4.17: Probability plot of Absenteeism	83

Figure 4.18: Probability plot of Defect rate	84
Figure 4.19: Probability plot of Labour Turnover	85
Figure 4.20: Effect of Forced Labour on Productivity	87
Figure 4.21: Effect of Forced labour on Quality	87
Figure 4.22: Effect of Age of Employees on Productivity and Quality	88
Figure 4.23: Effect of Incidents of Harassment or Abuse on Productivity & Quality	88
Figure 4.24: Effect of Compensation and Benefits on Productivity	89
Figure 4.25: Effect of Compensation and Benefits on Quality	89
Figure 4.26: Effect of Hours of work on Productivity	90
Figure 4.27: Effect of Hours of work on Quality	90
Figure 4.28: Effect of incidents of Discrimination on Productivity and Quality	91
Figure 4.29: Effect of Labour disputes on Productivity and Quality	91
Figure 4.30: Effect of Health and Safety conditions on Productivity	92
Figure 4.31: Effect of Health and Safety conditions on Quality	92
Figure 4.32: Effect of Implementation of WRAP on Productivity and Quality	93
Figure 4.33: Productivity against Quality	95
Figure C.1: Compliance and Operational management tools matrix	129

LIST OF TABLES

	Page
Table 2.1: Export of apparel (January – November)	26
Table 2.2: Summary of findings; impact of ETI	38
Table 3.1: Comparing Code Elements of Employment Relations and Regulations	47
Table 3.2: Comparing Code Elements of Forced labour	47
Table 3.3: Comparing Code Elements of Child Labour	48
Table 3.4: Comparing Code Elements of Harassment or Abuse	48
Table 3.5: Comparing Code Elements of Compensation and Benefits	49
Table 3.6: Comparing Code Elements of Hours of Work	50
Table 3.7: Comparing Code Elements of Prohibition of Discrimination	51
Table 3.8: Comparing Code Elements of Health and Safety	52
Table 3.9: Comparing Code Elements of Freedom of Association and Collective Bargaining	53
Table 3.10: Comparing Code Elements of Environment	54
Table 3.11: Operationalization of effect of WRAP on working conditions	55
Table 3.12: Operationalization of effect of WRAP on working conditions	56
Table 3.13: Operationalization of effect of WRAP on working conditions	57
Table 4.1: Summary of Statistical Analysis – Section B	86
Table 4.2: Calculated Mean Rating of Responses & Resultant Impact	93
Table B.1: WRAP Certified Factories List	127
Table E.1: Summary of Quantitative data Collected in Section B of questionnaire	133
Table G.1: Summary of Questionnaire – Section C	136
Table G.2: Calculation of Mean Rating of Impact on Productivity	137
Table G.3: Calculation of Mean Rating of Impact on quality	138
Table G.4: Calculated Weightings for Productivity and Quality	139

LIST OF ABBREVIATIONS

Abbreviation	Description
CCC	Clean Cloth Campaign
ETI	Ethical Trading Initiative
FLA	Fair Labour Association
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GRI	Global Reporting Initiative
GWG	Garment Without Guilt
HRDC	Human Resources Development
IFC	International Finance Corporation
ILO	International Labour Organization
NAFTA	North American Free Trade Agreement
QWL	Quality of Work Life
RED	Re-engineered Design
SA8000	Social Accountability International
SAFTA	South Asian Free Trade Agreement
SAI	Social Accountability International
SL	Sri Lanka
UN	United Nations
US	United States
WRAP	Worldwide Responsible Apparel Production
WTO	World Trade Organization

LIST OF APPENDICES

Appendix A: Research Questionnaire	117
Appendix B: List of WRAP certified factories	123
Appendix C: Compliance and Operational Management Tools Matrix	125
Appendix D: Statistical Data Analysis of Section – A	126
Appendix E: Statistical Data Analysis of Section – B	129
Appendix F: Mann-Whitney Test Analysis of Section B	130
Appendix G: Analysis of Questionnaire – Section C	132