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EICC Strategic Direction

Prepared by FSG

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Executive Summary

EICC engaged FSG to facilitate the development of a new strategic direction to guide the organization's work. The objective of this process was to help EICC develop a powerful, yet realistic three- to five-year strategic direction that goes beyond traditional supply chain sustainability considerations to create shared value and maximize both business results and social/environmental impact.

Under this new strategic direction, EICC will undertake several important shifts:

- **Improve its overall focus**, sense of urgency, and orientation toward measurable results
- **Change its emphasis from compliance to proactively solving issues** in the supply chain, and from a responsibility frame to one of creating shared value
- **Build out a more robust sensing function** to identify emerging risks and learn from audit data
- Maintain a foundation of standards and accountability work, including
 - **Enhancing the VAP process** through better auditor quality and a deeper understanding of the possibilities of audit equivalency
 - **Shifting capacity building efforts** away from direct tool development and towards
- **Evolve the meaning of membership**, and consider adding a new membership tier based on achieving specific performance measures, while maintaining the core member compliance based on audit process requirements
- **Expand engagement with external organizations** on both information gathering and partnership on solving issues

This document describes the recommended high-level direction in more detail. It is important to note that subsequent to this process, EICC will need to embark on a separate process to develop an implementation plan. The implementation plan should assess in more detail topics such as:

- Resource implications
- Specific technical content of changes to processes such as member compliance
- Decision-making processes going forward
- Steps for further member engagement in the strategic planning process
- Timeline for rollout of changes within the strategic direction
- Metrics for tracking progress on new activities

This document has been reviewed by the EICC's board and Senior Executive Advisory Committee (SEAC). It will guide the EICC staff as they begin implementation of the new strategic direction. Ultimately, the strategic direction and accompanying implementation plan will be shared with the broader membership for endorsement.

Overview of Strategic Direction Process

EICC engaged FSG to facilitate the development of a new strategic direction to guide the organization's work. The objective of this process was to help EICC develop a powerful, yet realistic three- to five-year strategic direction that goes beyond traditional supply chain sustainability considerations to create shared value and maximize both business results and social/environmental impact.

"Now, the EICC is ready for change. That's why we are doing this new strategic direction. It's been a tough haul, but now we're there"

As inputs to this process, the FSG team conducted interviews with each member of the EICC board of directors and the Senior Executive Advisory Committee (SEAC), as well as with EICC staff and external organizations (see Appendix for complete list). We received initial input on the strategic direction during the September 30th meetings of the SEAC and board, and have since refined the direction based on subsequent rounds of input.

This document is the result of this process, and lays out the vision, mission, and key activities for the organization going forward. Throughout the document, we note considerations for implementation of the strategic direction. The EICC will need to develop a more detailed implementation plan, keeping these considerations in mind, in order to arrive at a final strategic plan.

Context for the New Strategic Direction

Several guiding principles for the new strategic direction emerged from our discussions with the SEAC:

- **Be proactive, not reactive:** Leaders in EICC companies want the organization to set its own agenda and priorities, rather than just reacting to external events
- **Create tangible business value:** They want to frame engagement on social issues in terms of the available business opportunities, not just the mitigation of risk
- **Improve external collaboration:** The SEAC sees an opportunity for more active communication and partnership with external stakeholders, including NGOs and governments
- **Improve focus and results orientation:** The EICC should be outcomes-driven and focus on strategically selected priorities. The new direction should also emphasize a sense of urgency in achieving results
- **Meet the needs of diverse member companies:** The EICC should also maintain a base of activities that reflect diverse needs given members' positions across the full range of the supply chain
- **Define the meaning of EICC membership:** EICC leaders see a need to define more specific requirements for EICC membership at various levels, balancing the need to maintain a broad platform for interested companies but also recognize leaders in the industry

"Today, one of the things I find is that we are less proactive and more reactive. I don't see EICC, with the exception of conflict minerals, having a discussion on the emerging issues we need to pay attention to. I would like to get ahead of the curve"

"Some of this is table stakes, but there are plenty of areas where business imperatives means treating workers well. Without a healthy ecosystem at the factory level, there's tremendous turnover, and that's a real cost"

Additionally, recent changes within EICC as an organization affect the context for the strategic direction:

- **Formation of the Senior Executive Advisory Committee (SEAC):** To drive change into supply chains, EICC needs committed leadership at the senior-most levels of business operations; the SEAC provides a forum for this type of strategic engagement
- **Addition of permanent staff:** With the decision to hire an Executive Director and full-time staff for the organization, EICC is equipped to take on substantially more activities than it was capable of under the previous, volunteer-driven model
- **Expanded membership:** As the EICC has grown to over 90 companies, with even deeper representation into the electronics industry supply chain, its influence on issues – but also the complexity of meeting the needs of diverse members – have increased

Evolution of EICC Areas of Activity

The EICC has historically been engaged in the two major areas of activity: establishing standards and accountability, and solving issues in the value chain (see Figure 1).

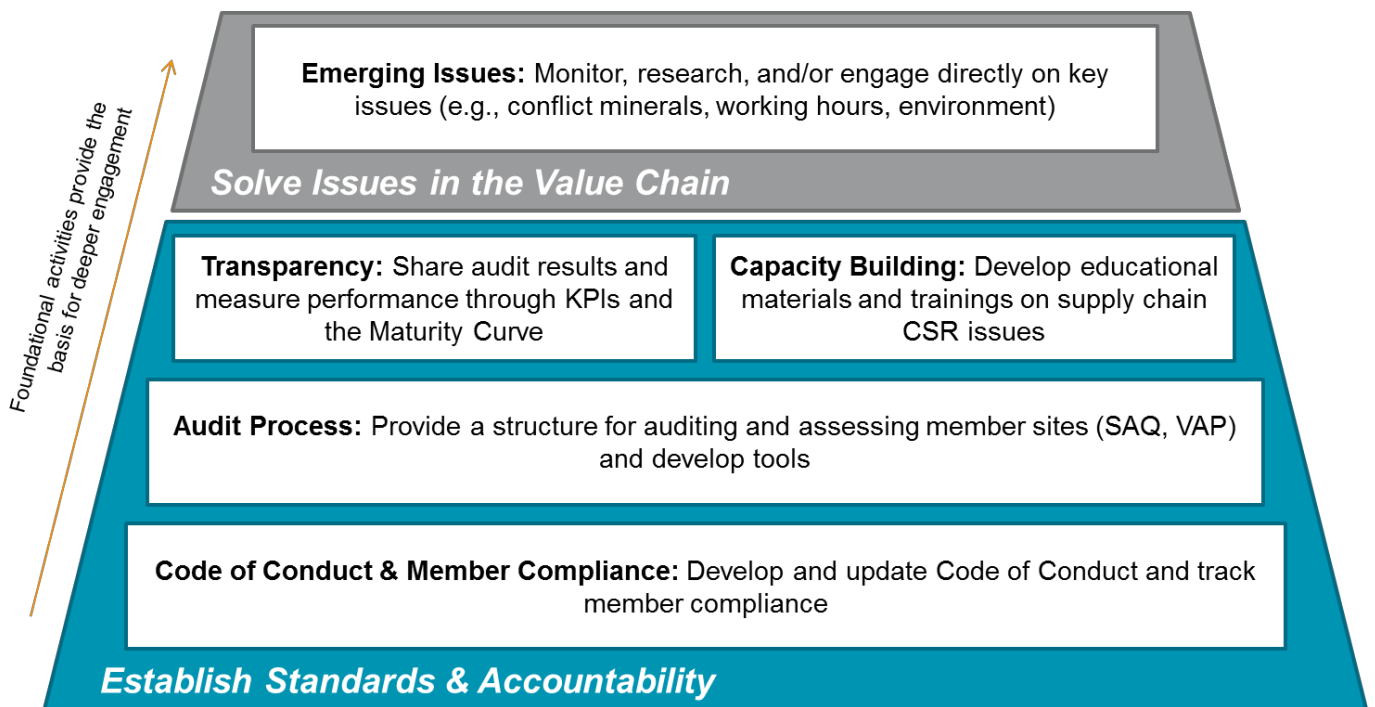


Figure 1

Based on our discussions with leadership in the EICC, there are several areas of consensus on how these areas of activity should evolve going forward, as summarized in Figure 2 below:

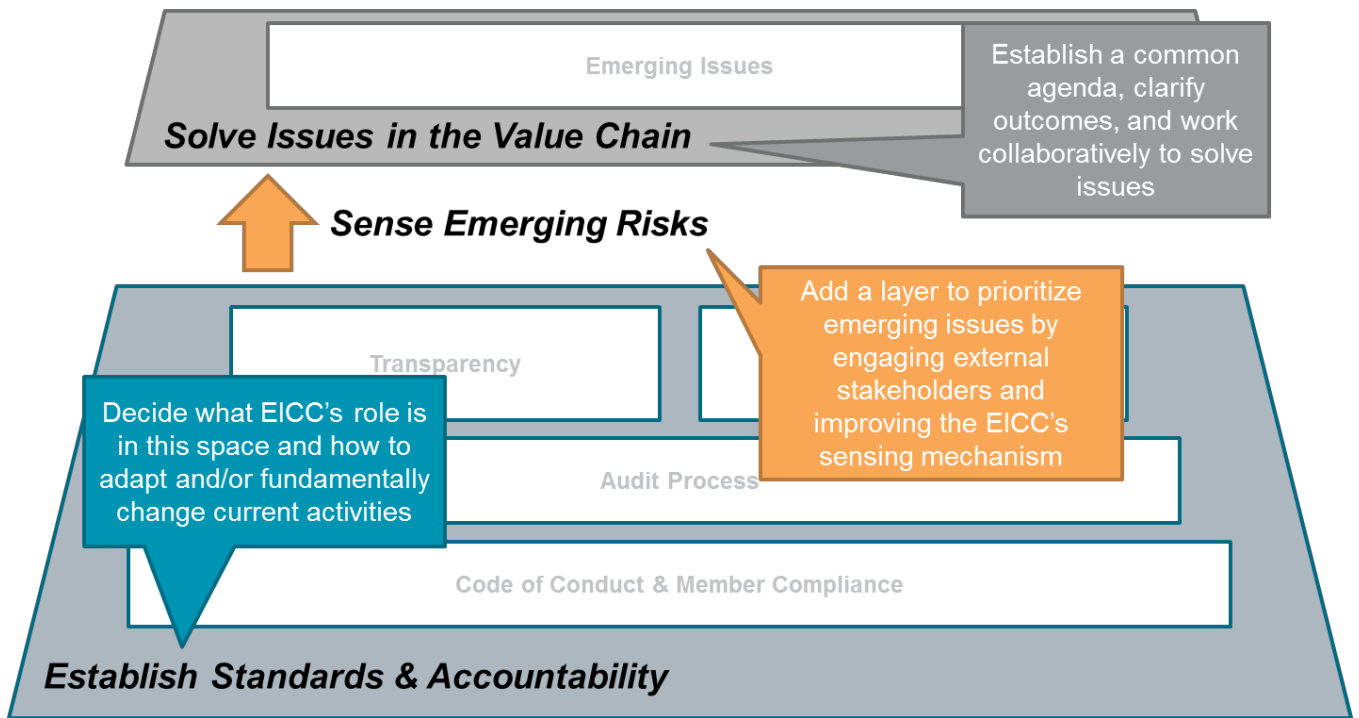


Figure 2

In standards and accountability, the EICC is interested in reviewing the value of its current code, audit, and capability building activities, and can consider a range of options for how it can play a unique role in this space.

In solving issues, EICC sees an opportunity to build on its success working on issues like conflict minerals. EICC wants to take a more proactive role in solving issues in the supply chain, with more clearly defined goals, and greater connections between the issues they take on and the drivers of business value for member companies.

Finally, EICC recognizes the need to add a new sensing function to serve as a bridge between standards & accountability and solving issues, to identify emerging risks, engage external organizations to understand and track these issues, and use an ongoing mechanism for prioritizing and selecting issues for deeper engagement.

In order to place this new evolution of EICC activities in the context of the organization’s broader purpose, we will first share options for refining EICC’s vision, mission, membership requirements, and external engagement structures, and then describe the key shifts in each of the above areas of activity in more detail.

Articulating EICC's Vision and Mission

The EICC's new vision and mission statements need to codify that multi-level focus of the organization.

Definitions of Vision and Mission

Vision: A vision statement is an aspirational, long-term view of the organization's impact on the world.

Mission: A mission statement answers the question, "Why do we exist?" Most mission statements include the following components:

- Purpose of the organization
- The organization's primary stakeholders: current or prospective members, government, NGOs
- How the organization provides value to these stakeholders, for example by offering specific types of products and/or services

EICC Current Vision and Mission

- **Current Vision:** "A global electronics industry supply chain that consistently operates with social, environmental and economic responsibility"
- **Current Mission:** "To enable and encourage our members to progress towards the EICC vision through a common Code of Conduct, collaborative efforts and shared tools and practices"

Evolving the Vision and Mission

We would recommend that EICC's vision and mission should reflect the following ideas:

The EICC vision should:

- As with the current vision, put forward an aspiration for the industry as a whole given the breadth and depth of the EICC membership
- Evolve from a responsibility focus to one on creating value (for business, workers/society, and the environment)

The EICC mission should:

- Emphasize proactive issue solving in order to create shared value
- Go beyond facilitating member action to also serving as a direct agent for change
- Engage a broad set of external stakeholders in service of fulfilling EICC's activities

"The EICC has a broad mission statement. **We run the risk of diluting our impact by making the organization catch-all.** I would like to focus on getting things right rather than making things too broad"

Based on a review of relevant external examples (see Appendix for list) and feedback from the EICC board, we have developed the following draft vision and mission statements; these should be refined further in consultation with the board and EICC's communications staff:

Proposed Vision: "A thriving electronics industry that, through its engagement on social and environmental issues, creates measurable business value, ensures continuous improvement in the health and economic well-being of workers, and is environmentally benign."

Proposed Mission: "The EICC works directly and through its member companies to solve social and environmental issues in the electronics supply chain, collect data on emerging risks, and provide tools and services to promote continuous improvement."

The Meaning of EICC Membership

The meaning of EICC membership has in the past consisted of two levels: applicant members who pay dues, and full members who comply with EICC's compliance provisions related to SAQs (complete for all suppliers) and audits (complete for 25% of high-risk suppliers based on SAQs). Leaders within EICC companies have expressed several concerns about the current definition of member compliance:

- **Member compliance is limited:** EICC would like to see an improvement to the number of members in compliance today
- **The lack of a mechanism to remove members creates potential reputational risk:** Members have expressed concern that allowing companies with continued poor social and environmental performance to maintain membership risks diluting the brand and reputation of EICC
- **Across maturity levels, companies are not acknowledged for continuous improvement:** Despite EICC's aspiration for continuous improvement, the current member compliance structures only reflect a binary: compliance, or not. Going forward, there is interest in recognizing continuous improvement
- **Companies with leading-edge social and environmental performance are not recognized:** Additionally, companies within the EICC membership who are establishing true leadership positions on their social and environmental commitments are not recognized

Going forward, leaders in the EICC have expressed interest in putting more "teeth" in EICC membership by holding members accountable to performance measures instead of process ones such as audits completed. EICC leaders have further expressed a need to do this in ways that allow the organization to maintain a "big tent" that allows companies at various sizes, maturity of CSR efforts, etc. to engage with EICC.

We recommend that EICC adapts the current member compliance model into a three tier structure where the new, third tier is based on objective performance measures. Membership would include three levels:

1. **Applicant member (same as current approach):** Company in the electronics industry supply chain that pays annual dues and makes commitment to EICC Code of Conduct
2. **EICC full member (same as current approach):** Fulfills process requirements for EICC membership (currently, two years having completing SAQs with all suppliers and VAP or equivalent with 25% of high-risk suppliers)
3. **Additional, optional performance-based membership tier:** Fulfills process requirements (SAQ and audit) and also achieves targets on social and environmental performance, as measured by audit findings. EICC would need to establish targets with participation by credible third parties, and review them periodically to reflect both a high standard of performance, and ongoing improvement. Members

at this level would also need to meet transparency requirements around both their audit processes and key objective performance measures found from these audits

To more fully design and implement this shift in the structure of EICC membership, the organization will need to address several steps:

- **Define the specifics of the performance-based membership tier, and how this will evolve over time.** The EICC needs to set a current threshold for the new performance-based standard, as well as define a process for evolving these requirements over time. This process will need to incorporate questions such as:
 - What social, environmental, and governance issues are included? What are the relevant targets?
 - How deep into the supply chain a company must be able to demonstrate this performance?
 - How do the specifics of the performance-based standard vary by company size and/or position in the supply chain (i.e., is there some kind of “maturity curve” associated with the performance-based tier)?
 - How is performance verified (e.g., combination of audit findings and third-party spot checks)?
- **Determine how to establish credibility for a performance-based tier.** To realize the benefits of recognition for higher-level performance, the EICC will need to engage external partners to generate deeper credibility and trust. This could occur at multiple levels: an external organization could own the process of defining the performance targets, and/or lead the process of auditing and verifying performance against those targets.
- **Decide the extent to which transparency is a requirement for membership.** Regardless of the level of a company’s membership, the EICC should continue its existing discussions around the role of public transparency in EICC membership, and whether a model that includes disclosing KPIs in the maturity curve should eventually become a formal requirement for membership.
- **Establish a mechanism for changing members’ status based on results.** The organization needs to define the conditions under which member companies would shift from full to “gold” membership based on performance as well as a process for transitioning to full or applicant membership if a company no longer meets performance requirements. The resource requirements for conducting these assessments will need to be considered carefully.

EICC Transparency Efforts

EICC can better define the purpose of transparency efforts in order to manage both internal and external pressures. There are a range of transparency options, including: making members’ membership status public within the EICC, profiling members’ membership status externally, sharing aggregated progress KPIs about member audits, or going as far as sharing individual member performance measures.

Across each area of activity, EICC should consider the appropriate transparency component:

- 1. Standards and Accountability:** Bring third-party organizations in to set audit standards and measure members’ performance. Where relevant, share results externally
- 2. Sensing Emerging Risks:** Actively engage external stakeholders in assessing emerging risks and selecting issues of focus
- 3. Solving Issues:** Share common agenda externally and make public progress against pre-identified targets

Additionally, EICC can strengthen elements of transparency related to governance, such as how decisions are communicated to the broader membership. They should also promote greater sharing of member contributions to EICC. As a mechanism for encouraging members to share tools, contribute resources, and get involved in leadership, there should be more sharing of members' positive contributions to the organizations

EICC Engagement with External Organizations

Another area requiring greater definition is **EICC's role in engaging with external organizations**. To date, EICC has been an industry-focused organization with little engagement with external stakeholders. Going forward, the EICC will need to engage externally for each of the following functions:

- **Sensing:** Adapt structures such as the Stakeholder Advisory Board to engage a broader cross-section of organizations to understand the emerging issues that affect the electronics industry. Determine what steps are needed to make participation in this group appealing to stakeholders (e.g., ensuring that input is followed up on in a timely way and actually incorporated into EICC activities)
- **Solving issues:** As needed based on the specific priority issues, engage additional NGOs as partners in developing a common agenda and working to solve issues
- **Code and audit processes:** Engage academics and other experts in revising the elements of the Code of Conduct; partner with outside firms to enhance the quality and credibility of audit processes
- **Advocacy:** Communicate with governments on key issues affecting the supply chain; consider whether a fuller lobbying capability is appropriate, or to maintain that function within individual member companies
- **External credibility:** Determine what types of formal external participation is needed to bolster EICC's credibility as a mission-driven organization (e.g., by incorporating relevant NGOs or other organizations into EICC governance). Consider the role that EICC's credibility as a platform plays in the benefits experienced by EICC members, as this will determine what types of credibility with what types of stakeholders are most important
- **Media relations:** Decide what expectations member companies have for EICC's rapid-response communications with media on relevant stories

The above recommendations are further expanded upon in the Sensing and Solving Issues sections later in the document.

EICC's Role and Areas of Activity

While those refined areas of activity give guidance for the range of options that EICC could take on, they leave the organization with **several options for how to fundamentally define its focus**.

Recommended option: After weighing its internal capabilities, positioning versus other organizations, and interests from members, **the EICC has expressed the greatest interest in an integrated approach**, in which activities from across the three areas would reinforce one another, as shown in Figure 3 below.

- **Establish Standards and Accountability** Support members to continuously improve their supply chains by tracking progress against EICC standards and providing access to relevant tools and services
- **Sense Emerging Risks:** Assess internal data, monitor external trends, engage workers and external stakeholders, and identify issues to address and monitor

- Solve Issues in the Value Chain:** Support the electronics industry to take a coordinated approach to taking action on priority issues in the supply chain, as prioritized through the data generated in and criteria established via the sensing process

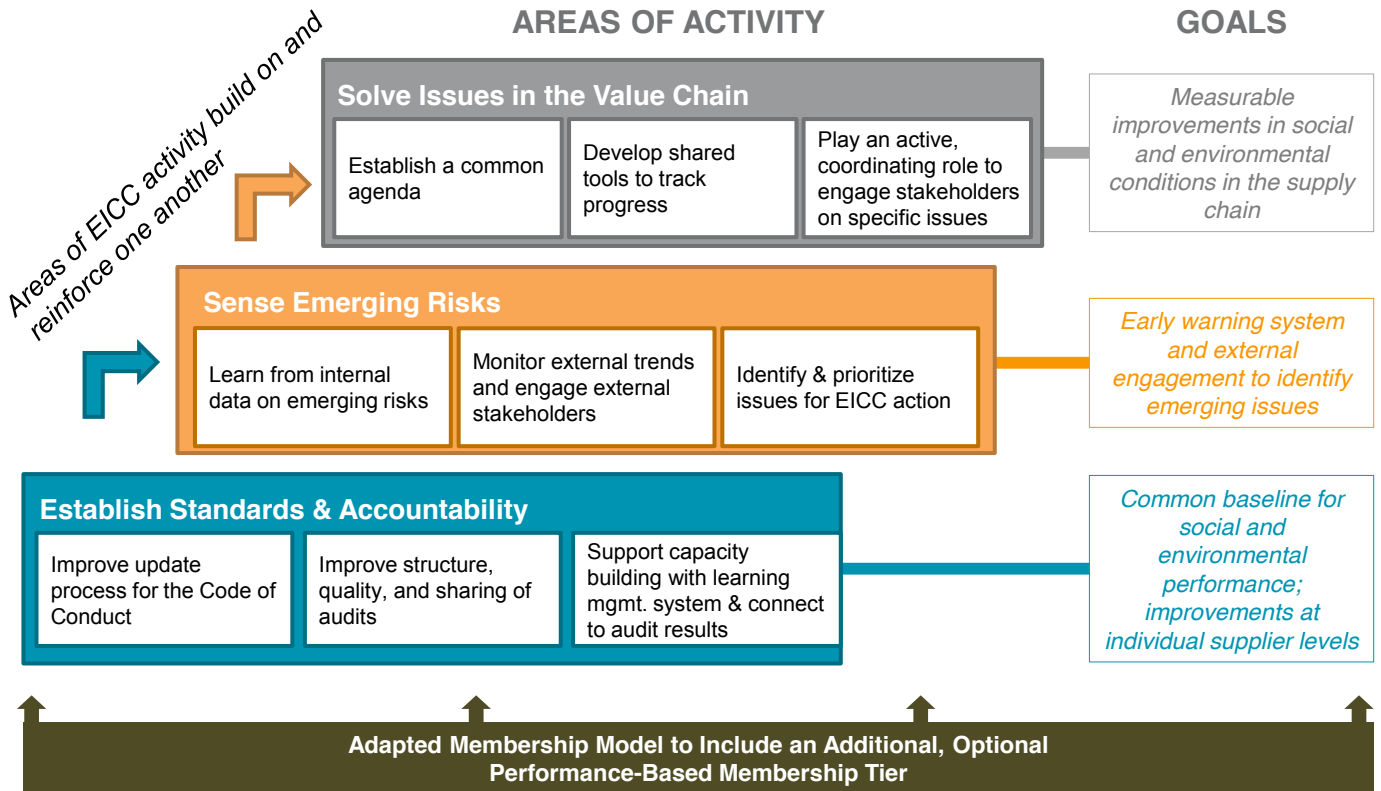


Figure 3

This approach represents a clear and compelling choice for EICC. The organization could have elected to focus more specifically on one of these three levels: for example, to serve as a branded certifier that establishes and measures against a standard and provides a seal of approval, a focused think tank-like research organization, or a much narrower issue engagement platform that would facilitate a small number of companies to engage on certain issues.

Instead, EICC has opted for an integrated approach. This reflects a bold and differentiated vision for the organization in its next phase. It will also entail a substantial shift in emphasis for the organization. In the past, the vast majority of EICC’s efforts and resources have been focused on standards and accountability work (e.g., tools, online platform, shared services). Going forward, this balance of attention and resources will shift toward solving issues, as well as sensing.

In the sections that follow, we share recommendations and considerations for implementation within each of the three major areas of activity.

Standards & Accountability

EICC's Code of Conduct has served as the organization's foundation and created a common platform for individual members to engage. To date, EICC's standards and accountability efforts have served as the focal point of EICC's efforts, with the following objectives: measure individual company performance, achieve process efficiencies in audits and reporting, and promote member accountability and transparency.

Going forward, EICC should **redefine the purpose of its standards and accountability efforts** to move from accountability and compliance to **driving continuous performance improvements** across the industry's supply chain.

There are three distinct steps that can help EICC achieve these goals:

1. Update the Code of Conduct
2. Improve the VAP
3. Support capacity building efforts

This shift from transparency and accountability to driving continuous improvements has implications for the definition of EICC membership, how the organization engages with auditors and external organizations, and existing EICC workgroups.

1. Update the Code of Conduct

The EICC's Code of Conduct outlines the basic guidelines for good social and environmental practice in the supply chain. The current code serves as a solid foundation, and EICC should continue refining the code every two years to reflect the evolving issues impacting the electronics industry supply chain and continue raising the standard for the industry.

"The code is the early success – it's the common element that everything stems from. The early agreement on the outline of the code launched the group into being a success."

Specifically, the EICC can **strengthen its processes for incorporating external expert input** into areas of the code in which members or other stakeholders have indicated weak points in the past (e.g., environmental issues). This should ideally contribute to addressing the broader concern of whether the EICC code should evolve to a higher level of requirements, as compared to the current contents which are seen by some as more basic.

EICC should also **consider adding enforcement mechanisms to the code**. Including factory-level verification would enhance the credibility of membership, especially if conducted by third parties. For instance, EICC could conduct annual "spot checks" in 10% of member factories in addition to rigorous audit requirements. The EICC could similarly tier to whom these checks apply, such as limiting the process to members who are candidates for a performance-based membership tier.

2. Improve the VAP

In many regards, the VAP has been a strong success for EICC. Many member companies see it as having streamlined audit processes and reduced duplication across the industry. Going forward, EICC can further strengthen the VAP by improving auditor quality and equivalency with other audit programs.

Strengthen the current approach to the VAP in two areas:

- **Improve the quality of auditors:** One of the challenges expressed by EICC members is the poor quality of the auditors who are currently part of the VAP process. EICC can serve as stronger quality assurance entity for all VAP auditors by establishing clearer performance standards for auditors, and developing

clearer requirements for trainings (e.g., by requiring each audit firm to participate in a Verite or equivalent training session). EICC could establish these standards using input from external groups that also have a stake in factory audits, supply chain experts, and member company representatives. EICC should also identify ways to improve communication and feedback between auditors, companies, and EICC.

“We would like greater acceptance and sharing of the audits. The customers conduct their own audits, so it’s magnified for suppliers who have to support those multiple audits”

- **Seek greater equivalency between VAP and company-specific audits.** Today, member companies take a range of approaches to conducting audits, including auditee-managed audits, customer-managed audits, and the VAP. Looking ahead, it will be important to get to greater equivalency in order to track companies’ progress, realize the goal of reducing audit duplication, and encourage industry-wide improvements. There will still be multiple audit approaches across membership, but the EICC needs to take steps to move companies along the following equivalency spectrum:
 - For as many companies as possible: adopt the VAP; accept VAPs conducted by other companies
 - In cases where there are issues where a company needs to conduct deeper audits, use the VAP for the core findings, and conduct only the additional modules if factories have undergone a VAP or equivalent

3. Support Capacity Building Efforts

With the addition of full-time staff, EICC has begun developing a set of capacity building tools based on working group interest (e.g., in-person trainings for audit managers, health and safety managers, and HR directors, certification courses for CSR professionals and factory managers).

“Capacity building could use an overhaul and become more focused on how to drive improvement”

While members recognize the importance of capacity building, especially for companies with nascent efforts in this space, there is skepticism about whether EICC is the right organization to directly develop and implement capacity building efforts given existing efforts currently conducted by member companies, external stakeholders, and comparable organizations. Rather, they emphasize EICC’s potential role in tracking members’ capacity and performance as a result of trainings and sharing best-practices and lessons learned.

We recommend that EICC shifts toward a central clearinghouse model that matches existing tools to member needs, rather than continuing the direct development of capacity building tools.

EICC can leverage the members’ audit results to identify the set of capacity building tools or resources the membership needs to improve supply chain performance. This assessment will enable EICC to provide members with resource hub of best practices, connect members to the tools and trainings appropriate for their stage of performance improvement, and provide guidance on relevant training resources (e.g., for health and safety managers) available through other firms. EICC could recommend or tailor a training schedule based on KPI performance needs or audit flags, and monitor changes in performance as a result of those tools and trainings.

To implement this approach, EICC would need to determine ways to identify the best sources for each type of tools (e.g., from EICC’s existing tools, from members companies who develop supplier tools in-house, from external stakeholders like SAI). To distribute these tools, EICC should determine how to leverage its information systems and staff to offer a combination of in-person trainings and online tools. Where quality tools do not already exist, EICC may need to commission their development. Staff should also leverage recommendations from EICC’s Learning and Capability Building Working Group to establish a mechanism to track use of tools and trainings.

Sense Emerging Risks

Today, EICC relies on ad hoc research and informal sharing of data and experiences to inform its understanding of emerging risks in the electronics industry supply chain. Going forward, member companies see an important role for the EICC in using data to sense external risks, monitoring issues based on research and external input, and elevating more urgent issues to be addressed through member action. EICC can proactively anticipate opportunities for supply chain improvements by focusing on the following three activities:

1. Learn from internal data on emerging risks
2. Monitor external worker trends and engage external stakeholders
3. Identify issues to address and monitor based on prioritization criteria

It is important to note that without clear processes and lines of responsibility for coordinating the collection and synthesis of these inputs, nothing will change in how EICC senses emerging risks. Additionally, without the layer of prioritization of supply chain issues and elevation of them for proactive focus, this data and research will not translate into actual change in the industry.

1. Learn from internal data on emerging risks

While EICC has spent years refining the set of information its members should track through the Code and VAP, they have not mined the results of this work to better understand industry-level trends about emerging risks. EICC can leverage the breadth and depth of its membership base to identify issues to monitor and/or address through the following mechanisms:

Use aggregated anonymized findings from audits. The EICC can use aggregated data available from the VAP to develop a “heat map” and highlight key emerging issues across the industry. This could be further broken down by particular geographies or industry segments to be more actionable. Ideally, this information will also be useful at the level of individual customer-supplier relationships to put requests for certain performance standards into the context of broader industry benchmarks.

To implement this approach effectively, EICC needs to achieve greater and more consistent participation in the VAP or equivalent from member companies. The usefulness of the aggregated data will hinge on the quality of inputs, which will require EICC to tighten the quality of the audit results across its members and auditing firms. Getting companies to submit more audits will also require EICC to acknowledge and address member concerns about sharing audits of only their product lines.

Understand members’ priorities through a structured process. Conduct scan of current and prospective members’ priorities, challenges, and concerns. This research can be done through document reviews, regularly polling members, surveys, and 1:1 conversations. Individual EICC members have robust and sophisticated research capabilities around issues in the industry; EICC should leverage their findings to better understand the landscape. The EICC should also promote more active sharing of lessons and best practices across members.

As part of implementation, EICC will need to determine the method, depth, frequency, and communication outlets with which it scans members’ priorities. EICC should determine the best method(s) with which to scan the membership (e.g., surveys, 1:1 conversations), how detailed that feedback should be (e.g., ratings, detailed commentary, interviews), how often to take the pulse of the membership (e.g., annually, bi-annually), and how to best aggregate and communicate out those priorities internally and externally (e.g., internal use for staff and the board of directors, “State of the Membership” memo, report available for external use).

EICC should also determine what roadblocks exist that prevent members from sharing pre-competitive best practices around seeking more socially and environmentally responsible supply chains. EICC should then tailor the sharing mechanism to mitigate those roadblocks. Incentivizing a diverse set of front-runners to share best practices early will encourage more members to view and share best practices.

2. Monitor worker trends and engage external stakeholders

EICC can pair internal assessments with external scans as a basis for identifying emerging issues for the industry to address. EICC should engage with external stakeholders through the following activities:

Maintain ongoing conversations with external stakeholders. The priorities of leading nonprofit actors and governments are important for EICC. Among the implementation steps recommended for EICC's external engagement on sensing are:

- **Formalize the Stakeholder Advisory Board and ensure sufficient representation and participation;** if this remains a challenge, consider how to adapt the structure or terms of engagement to be more appealing to targeted stakeholders
- **Determine other mechanisms for surveying or convening stakeholders around emerging issues;** learn from examples of other companies such as Nestlé who have created efficient structures for these purposes

The experience of Nestlé in using multiple forms of stakeholder engagement, shared in a case study that follows this section, is illustrative of how to take a fit-for-purpose approach to these relationships.

Track worker needs. EICC members should be aware of the specific needs of workers in the regions where EICC members operate. This can be achieved through regular worker surveys plus interviews to deepen findings, engaging organizations made up of worker representatives, and anonymous "tip lines." The EICC should establish a structured approach to selecting a relevant sample of worker voices each year (e.g., by geography, by industry segment); these activities could potentially be completed in-house but outsourcing to a third party may be more feasible.

Understand what others are doing. EICC should monitor the landscape of innovative efforts / initiatives by other leading peer and competitor organizations (e.g., SAI, FLA, Sustainable Apparel Coalition, GSCP) and use this to inform its understanding of emerging issues in the supply chain.

Stay attuned to issues highlighted in the media and other external sources. Continuously monitor media coverage of the electronics industry at large as well as of EICC members. By keeping a pulse on high-profile events and media coverage, EICC can better understand the external perception of its members and play a more supportive and proactive role to help external organizations engage with the electronics industry in times of crisis. The EICC should also draw on trade journals, industry events, and external research reports to inform the sensing function.

3. Identify issues to address and monitor based on established prioritization criteria

The internal and external assessments will yield a broad set of issues that impact the electronics industry. EICC can play an active role in prioritizing the issues for the EICC membership to collectively address. This process will require a set of prioritization criteria to ensure the EICC focuses energy and resources on a few, high-priority issues. In addition, there will likely be a sub-set of issues the EICC should continue to monitor if they meet some but not all the prioritization criteria.

"I've never seen an EICC risk assessment that has the things that can be identified as top issues in an organized and risk-based way to find shared value"

Figures 4 and 5 (below) shows a list of potential issues and prioritization criteria developed in conjunction with EICC leaders.

On an annual basis, the EICC staff and board should complete the following prioritization process:

1. **Summarize data generated through the sensing process:** As part of a broader look at the EICC's results for the year and the current state of the industry, synthesize the key findings identified through the internal and external sensing mechanisms
2. **Revise the list of issues in the supply chain:** Use the sensing data synthesis to update the list of potential priority issues
3. **Rate issues against the prioritization criteria:** Develop a rating of each issue based on both objective data (e.g., use of reports that quantify the potential bottom-line benefit of addressing different issues), and subjective impressions (e.g., surveying EICC members to rate how well each issue fits each criterion)
4. **Select issues for proactive focus:** Keeping resource availability in mind, establish cutoffs for how the ratings will be translated into a small number of issues for intensive focus
5. **Maintain a list of issues for closer monitoring:** Additionally, use the ratings to establish which issues are trending upward in terms of importance

Supply Chain Issues Identified as Potential Priorities

- Working hours
- Forced or bonded labor
- Student labor
- Dispatch labor
- Occupational health and safety
- Worker wellbeing and mental health
- Worker grievances
- Conflict minerals
- Pollution prevention
- Resource reduction efforts

Figure 4

Criteria for Issue Prioritization

- Creates or protects business value
- Mitigates business risk for multiple levels of the supply chain
- Improves economic and social conditions for workers
- Ensures a stable, long-term, and satisfied employee base
- Reduces supply chain's environmental impact
- Requires membership-wide action
- Improves EICC brand among members and external stakeholders

Figure 5

Case Example: Stakeholder Engagement at Nestlé

Nestlé's approach to engaging stakeholders is helpful for understanding the range of forms of engagement that might be appropriate for EICC going forward.

Nestlé is committed to creating shared value in the areas of nutrition, water and rural development. In support the company's shared value goals, Nestlé makes public commitments that help the company assess their progress and allow stakeholders to hold Nestlé accountable for achievements and shortcomings. This level of transparency serves as an incentive to help the company achieve continuous improvement in creating shared value, environmental sustainability, and compliance performance.

Engaging with stakeholders underpins Nestlé shared value strategy, enabling the company to identify emerging issues, shape their strategy, and drive performance improvements. Nestlé has three formal mechanisms for engaging with external stakeholders:

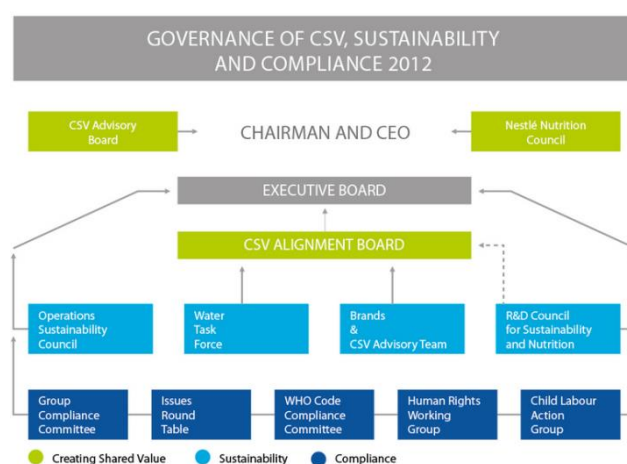
1. Annual Stakeholder Forum to Identify Unmet Social and Environmental Needs

Each year, Nestlé hosts a forum that includes government, civil society, and business representatives to discuss key issues impacting the regions in which Nestlé operates. Last year, Nestlé convened leading thought leaders in New Delhi, co-hosted with the Federation of Indian Chambers of Commerce and Industry (FICCI), to identify new shared value opportunities for companies operating in South Asia.

2. Stakeholder Convenings to Sense New Shared Value Opportunities and Receive Feedback on Current Approaches

While the Forum focuses on the role of business in development – particularly as it relates to nutrition, water and rural development – stakeholder convenings are focused on issues specific to Nestlé, including accountability and delivering on their shared value commitments.

Nestlé hosts stakeholder convenings twice annually to understand stakeholder expectations and concerns, stimulate fresh thinking, and prioritize key actions on shared value, sustainability and compliance issues. Each convening is facilitated by SustainAbility and include more than 60 external expert stakeholders from a wide range of NGOs, academic centers, governmental and intergovernmental organizations, think tanks, consultancies, and social enterprises working in Nestlé's focus areas of nutrition, water, and rural development, as well as human rights and compliance. During these sessions, stakeholders make specific recommendations that Nestlé uses to inform its strategy.



Nestlé is committed to transparent discourse with its stakeholders and publishes the recommendations surfaced during stakeholder convenings on the company's webpage.

3. Shared Value Advisory Board to Provide Direct Guidance to Nestlé Senior Leaders and Ensure Accountability

Nestlé has a formal governance mechanism to advise the Chairman and CEO on the company's shared value strategy. The CSV Advisory Board currently has 12 members. They are appointed for three years, and meet annually.

Solve Issues in the Value Chain

Proactively solving social and environmental issues in the value chain is where EICC can help its member companies create shared value. While the other areas of activity will help individual companies achieve continuous improvement, gain efficiency, and better anticipate risk, only a deeper and more concerted issues strategy will achieve change at scale.

EICC is building from a strong foundation of success in areas such as conflict minerals. However, progress on other issues has been limited. In order to solve these issues at an industry level, EICC needs to adopt a structured approach, including the following three components:

1. Establishing a common agenda
2. Creating a platform for engaging both internal and external stakeholders
3. Developing a set of tools EICC members can use to track progress

1. Establish a common agenda

In order to solve problems that can create shared value, EICC can take a coordinated approach to addressing and making a meaningful difference on a small number of high-priority issues. Characteristics of a strong common agenda include:

- Participants have a shared vision for change, including a common understanding of the problem
- Joint approach to solving the problem is identified
- Action is required of both customers and suppliers, and by the business, not just CSR staff

EICC can develop a common agenda by engaging in the following activities:

Conduct upfront research to establish the baseline. The EICC can leverage internal and external research to establish a baseline understanding of the issue. For instance, if addressing working hours was elevated by the prioritization process for EICC to collectively address, the organization would complete a landscape assessment of the current state of the working hours issue across the industry. This process could include interviews with workers and factory managers, a survey of factory managers, suppliers, and brands, and secondary research to better understand working hours within the electronics industry but also other industries (e.g., apparel, mining). This research would serve as an input to determining the types of metrics EICC members will want to track against going forward. This process will provide EICC with a substantially more rigorous and structured approach to initiating engagement on a prioritize issue compared to the model today.

Identify inhibiting factors and opportunities by taking a systemic view. The process for establishing the baseline will also yield a set of inhibiting factors and challenges EICC will need to address to make a meaningful difference on the issue. By understanding the inhibiting factors, EICC can then identify possible solutions as well as high-leverage interventions. The result could be a common agenda that might not focus on the specific issue in isolation (e.g., working hours) but a broader set of worker-related issues (e.g., involving HR management systems, compensation structures).

2. Create a platform for engaging internal and external stakeholders to take action

As part of its revised strategic direction, the EICC will take a more active role as a coordinating mechanism that harnesses the expertise and influence of member companies and external stakeholders to take action on prioritized issues.

Among internal stakeholders, EICC should **engage a more diverse range of leaders within member companies.** This could include C-suite executives as well as leaders in areas like supply chain operations, government and public affairs, etc. These individuals' participation and buy-in will be crucial as EICC addresses

complex issues with deep links to the core business operations of member companies. The presence of the SEAC provides an important early step into this kind of engagement, but they will need to engage an increasingly wider circle of peers to achieve success. To support this participation, EICC should highlight early advocates of this approach, and communicate the value of collaborative efforts to key stakeholders (e.g., member company executives, NGOs, advocacy and industry groups).

The set of external stakeholders to be engaged in solving issues should be determined based on current needs, issue area expertise, and influence on the problem at hand; this will entail a combination of NGOs, academics, governments, international organizations, and other entities.

3. Develop tools to track progress

Collecting data and measuring results consistently across all participants ensures efforts remain aligned. In order to support this vision, EICC will need to develop and share a measurement platform that fills two objectives.

Track progress. Building on the baseline assessment, EICC should identify the specific metrics and approach to measurement. EICC can support members by developing some of the tools for tracking progress. This may include a dashboard that looks at business consequences and social performance side-by-side. It could also include a methodology for tracking progress (e.g., identify mix of information gathering approaches, illustrative survey questions, and timeline). The work underway by the transparency task force is an early step in this direction, but will need to be tailored for the specific issues that are ultimately prioritized.

Support continuous improvement. In addition to articulating the high-level vision and approach to measurement, EICC can serve as a central repository for measuring improvements on these issues. This will ensure that each member benefits from the lessons learned, and allow EICC to stay informed on the current state and recommend strategy improvements.

To implement this shared measurement platform, EICC should assess the current set of data tools and measurement processes and determine how to best leverage what exists currently and what options should be considered to meet any gaps. Though EICC is currently undergoing an assessment of its EnableOn tool, further consideration should be taken to account for the best ways to share and communicate progress in its supply chains to a broader set of external contributors.

Case Example: Levi Strauss & Co. Developing a Common Agenda

Levi Strauss & Co.'s (LS&Co.) approach to defining a common agenda aimed at moving the company and industry from thinking in terms of auditing and monitoring to solving issues is a helpful model for EICC in thinking about the issues facing the electronics industry today.

Twenty years ago, LS&Co. set new standards and expectations for labor, health and safety, and environmental performance throughout its global supply chain. LS&Co. understood that the well-being of the people and communities that help make its products wasn't just an ethical imperative, it was good business and a key to long-term value creation. In 2011, LS&Co. took a hard look at whether its workplace code of conduct, in place since 1991, was doing enough to improve the quality of life for workers and their communities and concluded that a focus on compliance, monitoring, and reporting on supplier performance wasn't getting the job done.

LS&Co. wanted to design a new approach to engage suppliers to create local, factory-level programs to address worker well-being. LS&Co. engaged BSR to research and develop the approach and then worked with CERES to obtain valuable feedback from external stakeholders and business partners before developing a report that captures LS&Co.'s goals, indicators, and plans for execution.

In addition to creating transparency around LS&Co.'s goals and approach, the report offers a set of action steps for relevant stakeholders. LS&Co. recognizes that systemic change does not easily nor does it come quickly, so the company is working to create a community of practice that shares ideas, resources, and research. LS&Co. is calling on the community to participate in progress assessments to improve programs and identify opportunities for partnership to implement the approach throughout the global supply chain.

Shared Value for the Electronics Industry: Becoming the “Employer of Choice”

As EICC aims to live into the vision outlined under the new strategic direction (“a thriving electronics industry that creates measurable business value, ensures worker health and economic wellbeing, and is environmentally benign”), the organization has an opportunity to redefine how the industry defines and addresses issues.

Today, the electronics industry takes a narrow view of the challenges impacting the supply chain. The industry looks at workers’ needs at the single-issue level (e.g., working hours) and as distinctly separate from business priorities. Issues are defined in isolation from other contributing factors. As a result, the strategies designed to address issues are largely responsive to immediate needs and/or the result of public pressure. At the same time, business leaders acknowledge the need for taking a system view. They see that without a holistic approach, companies may reduce their near-term reputation risk, but ultimately will fall short of the kind of transformational business value (e.g., reduced costs or increased profit) that EICC members seek.

There is a business case for taking a holistic view of workers. Productivity improvements are not limited to the traditional paradigm of faster machines or more working hours. Studies show that attracting and retaining workers requires a more comprehensive approach to working conditions. Worker productivity and retention is not just the result of fair hours and good pay but also on leisure time, their physical conditions, and training and long-term professional development opportunities.

A recent study by KPMG and IDH revealed that investments in working conditions can pay for themselves through productivity improvements, with margin improvements of up to 0.4%, which is significant given typical net margins of 1%-2%. Investing in workers reduces worker turnover, which can form the first step in a positive cycle of worker engagement, up-skilling, and higher value-add per worker

The electronics industry has an opportunity to create shared value in a transformational way by focusing on the factors that affect worker retention and productivity. Attracting and retaining workers is both a business need and a social opportunity. EICC can support industry leaders to shift current, targeted efforts to address issues to a proactive and holistic approach. In doing so, the industry can set forth a bold ambition where workers see employment in the electronics industry as a long-term career opportunity and EICC members as the employers of choice in high-growth markets around the globe.

This is not an easy task. There are cultural barriers, misaligned near-term business incentives, and risks of competitive undercutting that make this holistic approach difficult. But by looking at the “whole worker” the industry can design strategies that proactively address those needs and, in turn, create measurable business value in the form of limited turnover, reduced costs, and improved productivity.

Next Steps

Once EICC leadership comes to consensus on each element of the proposed strategic direction, EICC staff should lead the development the subsequent implementation plan, with engagement by the board as well as the SEAC where appropriate. Implementation planning is the process of linking strategic goals and objectives to tactical goals and objectives. It should describe milestones, conditions for success, and how strategic plan will be put into operation during a given period of time. The implementation plan serves as the basis for an annual operating budget.

An effective implementation plan addresses the follow components:

1. The **resources necessary** to support the proposed strategic direction
 - a. What financial resources and capabilities are needed to support the proposed strategic direction?
 - b. Does EICC have the necessary resources (financial, HR) to support the proposed activities?
 - i. If no, are there new areas of activity that can/should be prioritized over existing areas of activity?
 - ii. Does the new strategic plan provide an opportunity to raise funds from new or different funders?
2. A **process for making decisions** going forward
 - a. How can EICC streamline its decision-making processes to a more limited yet representative set of members?
 - b. To what extent will staff have the ability to make strategy and resource allocation decisions for the organization?
3. Perspective on how to **engage the membership** in the proposed strategic direction
 - a. To what extent are member-driven working groups effective in driving existing or new activities forward? Is there an opportunity to shift some of the responsibility currently housed within EICC working groups to the EICC staff?
 - b. For working groups that are maintained, how can EICC ensure they are more representative of the diversity of the EICC membership?
4. A **realistic timeline** for rolling out each element of the proposed strategic direction
 - a. Considering all current activities and new activities, which activities are necessary to take on today versus longer-term?
5. Proposal for how to **track progress to ensure continuous learning and improvement** and to demonstrate success
 - a. What goals does EICC hope to achieve?
 - b. What metrics are necessary to track progress towards those goals?
 - c. How will EICC measure its progress (e.g., member surveys, third party assessments)?
 - d. What resources are needed to track progress (e.g., in-house evaluation capacity, dedicated evaluation budget)?

Appendix 1: List of Interviewees

EICC Senior Executive Advisory Council

- Alex Brown, AMD
- Todd Melendy, Celestica
- Keith Miers, Dell
- Kathrin Winkler, EMC
- Tony Prophet, HP
- Jackie Sturm, Intel
- Joseph Adams, Jabil
- L. Joseph Sullivan, Logitech
- Joan Krajewski, Microsoft
- Keenan Evans, ON Semi
- Dave Mosley, Seagate
- Diane O'Connor, Xerox

EICC Board of Directors

- Deborah Albers, Dell
- Hamlin Metzger, Best Buy
- Eric Austermann, Jabil
- Bob Mitchell, HP
- John Gabriel, IBM
- Alain Denielle, STMelectronics
- Tim Mohin, AMD
- Seb Nardecchia, Flextronics
- Tonie Hansen, Nvidia
- Judy Wentz, Intel

EICC Staff

- Rob Lederer, Executive Director
- EICC Staff

Other

- Jacky Haynes, Apple
- Dunstan Hope, BSR
- Sasha Radovich, Independent Consultant
- Ayesha Barenblat, Better Work
- Monique Lempers & Ted van der Put, IDH
- James McMichael, ELEVATE

Appendix 2: External Examples Vision and Mission Statements

Vision: A vision statement is an aspirational, long-term view of the organization’s impact on the world.

Mission Statement: A mission statement answers the question, “Why do we exist?” Most mission statements include the following components:

- Purpose of the organization
- The organization’s primary stakeholders: current or prospective members, government, NGOs
- How the organization provides value to these stakeholders, for example by offering specific types of products and/or services

ORGANIZATION	VISION (or equivalent)	MISSION
FLA	N/A	The mission of the Fair Labor Association is to combine the efforts of business, civil society organizations, and colleges and universities to promote and protect workers’ rights and to improve working conditions globally through adherence to international standards.
Sustainable Apparel Coalition	An apparel and footwear industry that produces no unnecessary environmental harm and has a positive impact on the people and communities associated with its activities.	The Sustainable Apparel Coalition was founded by a group of sustainability leaders from global apparel and footwear companies who recognize that addressing our industry’s current social and environmental challenges are both a business imperative and an opportunity.
SAI	Social Accountability International's shared vision is of decent work everywhere—sustained by widespread understanding that decent work can secure basic human rights while benefiting business.	Social Accountability International (SAI) is a non-governmental, multi-stakeholder organization whose mission is to advance the human rights of workers around the world. It partners to advance the human rights of workers and to eliminate sweatshops by promoting ethical working conditions, labor rights, corporate social responsibility and social dialogue.
GESI	A sustainable world through responsible, ICT-enabled transformation.	By 2014, GeSI is a globally recognized thought leader, partner of choice and proactive driver of the ICT sustainability agenda as measured by the development and use of its tools, broad member base and contribution to relevant policies.
BSR	N/A	BSR works with its global network of more than 250 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North and South America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.

<p>GBCHealth</p>	<p>Our Vision is a global business community that is fully contributing its assets, skills, influence and reach to making a healthier world for employees, their families, and their communities.</p>	<p>Our Mission is to leverage the power and resources of the business community for positive impact on global health challenges. GBCHealth accomplishes its mission by supporting member companies through the following efforts:</p> <ul style="list-style-type: none"> • convening and connecting businesses, governments, multilaterals and civil society for the purpose of knowledge and idea sharing on global health • driving the creation of high-impact partnerships and collective actions • providing recognition and visibility to members for the global health work they support • championing best practices in business engagement on health • representing business in key global health settings • and providing advisory services and guidance to individual member companies, as needed
<p>Global Social Compliance Program</p>	<p>The GSCP's objectives, as a global cross-industry platform, are:</p> <ul style="list-style-type: none"> • to build consensus on best practices • to develop a clear and consistent message for suppliers globally • to drive convergence by building comparability and transparency between existing systems • to reduce audit fatigue and duplication • to strengthen collaborative efforts for capacity building and training 	<p>The Global Social Compliance Program’s mission is to harmonize existing efforts and deliver a common, consistent and global approach for the continuous improvement of working and environmental conditions in global supply chains</p>