
Levi Strauss & Co.: Global Sourcing

Case Study Analysis

Berat Onur Ersen - 2016800075 - 23 Oct 2016



Introduction

The following is the analysis on global sourcing problems and solutions of world-wide known denim producer Levi Strauss & Co.

The China Policy Group (CPG) inside Levi Strauss & Co. , as a group of seniors to check and advise about company's strategic movements,business partnerships,ethical issues had been formed in 1992. By implementing "principled reasoning approach" Levi Strauss Co. created a company philosophy for long term company respectability.CPG's prior task was making recommendations based on the company's ethical values & global sourcing guidelines.

History : From miners' clothing to a Global Brand

LS&CO history depends 1850s.Starting as a cloth manufacturer becoming the name of denim, Levi Strauss&Co. had been through many phases like going public then taking ownership of the company by the family as a result of the biggest buyout in history.

Company has always been known with charity work & respect to human rights.

Like most apparel manufacturer Levi Strauss&Co. considered to work with contractors from overseas countries.This move challenged the company's values so CPG group was formed to check compliances of contractors with their core values.

Global Sourcing : Contractor Selection , Country Selection

Good ethics resulted good business.Ethics & country selection rules forced contractors to comply.We see power of ethics in Saipan incident;how company suspended its human right-violating contractor and how contractor was put in a condition to pay penalty. Also abandonment of operations in Burma where contractors required to support military, shows how Levi Strauss&Co applied its country selection guide.Incidents forced contractors to upgrade working standards and created positive impact by encouraging local manufacturers for good reputation to work with the company as a contractor.In terms of business principles defining such guidelines contributed Levi Strauss&Co.'s world-wide reputation as a manufacturer & employer.

Business , Human Rights & China

In 1991, company was to assess China contractors for compliance.This move aroused some contradictions between country legalities and ethical rules.Although US authorities predicted that China would be the second biggest economy,Levi Strauss&Co. had doubts about sourcing or investing in country.

China market was very attractive but challenging.There were some issues to bear if they want to do business. Choosing between direct investment and joint venture options; joint venture would be a good option.Business is running over political & personal

connections in China. Direct investment can end up leaving everything behind in a politically challenging situation. "Working Global - Acting Local" is a reasonable path to choose in business perspective.

Moreover, standing up to Chinese affairs against human rights was not the case of a company like Levi Strauss & Co. so forcing China to correlate with universal human rights is an action to be taken by US authorities through quotas, bans & penalties.

Conclusion

Case is a problem case on business ethics, guidelines company followed and how those contradicted with Chinese work environment. Was it good for the company to put "Human Rights" in the heart of its approach? Did it work while doing business within world's fastest growing economy : China?

China's stunning development will challenge Levi Strauss & Co.'s approach to local work environment in terms of human rights. Company needs to choose the best option between "forcing and losing contractors and manufacturing potential in China" and "granting privilege to China in terms of sourcing". Losing China contractors may result in falling behind competition. Granting privilege may result in losing global respectability.

So the most reasonable way seems to be neither changing rules nor granting privilege but pushing China and Chinese society into more humanitarian working conditions through creating awareness.