



Gap's New Look: The See-Through

When it comes to working conditions in their factories, Dan Henkle and Anne Gust have opted for full disclosure.

From: [Issue 86](#) | September 2004 | Page 69 **By:** Cheryl Dahle **Photographs by:** Jessica Wynne

On May 12, Gap Inc. released a report that had jaws dropping in corporate boardrooms and activist corridors across the land. The 40-page "social-responsibility report" details, with unflinching honesty, the problems the \$6.5 billion clothing retailer found in the 3,000 factories it contracted to produce clothing for its Gap, Old Navy, and Banana Republic brands. The company discovered persistent wage, health, and safety violations in most regions where it does business, including China, Africa, India, and Central and South America. The infractions range from failure to provide proper protective equipment to physical abuse and "psychological coercion." Though discoveries of the worst violations (such as child labor) were rare, Gap reported that it had pulled its business from 136 factories and turned down bids from more than 100 others when they failed to meet its labor standards.

None of the findings were especially surprising; labor abuses are a fact of life in the global apparel industry, where intense price competition continually drives factories to produce more clothing for less money. What was extraordinary was Gap's willingness to go public and reveal, in exceptional detail, its responses to these conditions. Even some of Gap's harshest critics say the company's candor will drive industry changes that ultimately improve the lives of factory workers. "Instead of dealing with a black box, we now have a window into data that can really help us make a judgment on how the company is progressing in its handling of these issues," says Conrad MacKerron, director of the corporate social-responsibility program for As You Sow, a nonprofit shareholder advocacy group. "This will put pressure on other retailers to do the same."

Often, courage evolves over time; at Gap, courage is very much a work in progress. Gap published the report only after Domini Social Investments and other investors filed a shareholder resolution requesting greater transparency from the company. But in rising to meet that demand, Gap offered not the sanitized gloss that might have been, but a warts-and-all profile that freely admits to not having all the answers. In an industry where most companies simply write codes of conduct and hope to stay off the activists' radar screens, Gap has pulled back the curtain to reveal an imperfect effort.

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"For us to be transparent, we had to be willing to live with bad reactions to the report," says Anne Gust, Gap's chief administrative and compliance officer. "We knew it was not going to be strictly, 'Gap is good.' It's more complicated than that."

Gust's petite frame seems too small to contain her intensity -- she thinks fast, talks fast, blinks fast. Having worked on "ethical sourcing" issues at Gap for 13 years, she has the hair-trigger air of one who has been personally bruised by the activists' vilification of her employer. Along with many others at Gap, she is dismayed that the company has won little credit for the efforts it has made over the years to tackle the sweatshop issue.

That collective defensiveness is one reason Gap only reluctantly agreed to engage its critics. Its first response to the sweatshop exposes of the mid-1990s was to clam up and go into fix-it mode. It built an elaborate monitoring system, which today has more than 90 members who perform more than 8,500 factory inspections each year. But the company has gradually realized that internal monitoring alone cannot unravel the industry's tangled problems. "We have been reactive. The industry has been reactive," says Dan Henkle, Gap's vice president of global compliance. "As a company, we needed to really start thinking about where we're headed with this work."

Henkle is lauded by several labor advocates for bringing a new sense of candor to the sweatshop debate. For his part, Henkle credits timing. Three years ago, when Gust plucked him from human resources and asked him to take over the global compliance division, the economy was in the tank and Gap was laying off 1,040 employees. "There was a lot of soul-searching within the company about who we are and where we wanted to go," Henkle says. "We all understood that there was a real need for change."

That point was driven home about nine months into Henkle's tenure, when he met with several labor-advocacy groups with whom the company had worked frequently. Henkle assumed that these allies were intimately familiar with Gap's policies. Then came a question: "What percentage of your factories do you monitor?" Henkle was taken aback by the questioner's ignorance. "We monitor 100% of our facilities," he says. "The fact that they didn't know the basics of what we were doing was a pretty compelling argument for increased openness on our part."

But that increased openness is just a first step. Gap must go further if it expects to build on the goodwill the report has engendered. And, impressively, it has committed to do so. The report outlines next year's goals, including allowing an external review of its own monitoring. Most significantly, Gap has agreed to rethink accepted garment-industry business practices, which include unrealistic production cycles that drive such abuses as unpaid overtime.

Critics say there is much more to do. Gap agrees. In its report, the company outlines a plan for 2004 that requires it to broaden its efforts to support industry standards. The report is the map that outlines, with ambition and daring, the road ahead. The destination is by no means in sight. But from this moment forward, the world will be watching to see if Gap stays the course.

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