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MAS Holdings: Strategic Corporate Social Responsibility in the Apparel Industry

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1. Introduction

Standing on the 10th floor terrace of his corporate headquarters, Mahesh Amalean, the Chairman of MAS Holdings, looked out across the dense, leafy expanse of central Colombo and the grey, rolling Indian Ocean. As he chatted with his visitors, he could barely be heard over the noise of political demonstrators marching in the streets around the building. In the summer of 2005, a ceasefire between the Sri Lankan government and the Tamil separatists was still tenuously in effect.

The separatist war between the majority Sinhala government and the Tamil rebels, who claimed an independent homeland in the north and east of the country, had cost more than 60,000 lives. Despite more than 20 years of serious civil unrest, Mahesh and his younger brothers, Ajay and Sharad, had built a US\$570 million intimate apparel business. His clients were the biggest brands in lingerie and sportswear: Victoria's Secret, Gap, Inc., Nike, Marks and Spencer, Speedo and Triumph.

The textile industry made up almost half of all exports in Sri Lanka. To take advantage of quotas into the US and European markets, MAS had set up 11 plants in other countries. Then, on January 1, 2005, the trade agreement that set textile quotas expired.

Within six months, the 'Bra Wars'¹ had begun. China was already exporting US\$33.9 billion in textiles and clothing each year to the US and the EU before the agreement expired. Post-quotas, China shipped 30 million more bras – 33% more to the US and 63% more to the EU. The European and American textile industries and government trade representatives were alarmed, not just about the increased export volume to their shores in bras, but dresses, men's trousers, t-shirts and even table linen. The overall textile trade hadn't grown, so China's share of the market was coming at the expense of every other textile producer on the globe.

60% of MAS revenues came from one customer, Victoria's Secret. Pictures of VS spokesmodel, Heidi Klum, wearing a lacy bra and panties hung on the MAS factory walls and in Amalean's boardroom with a view. Even though VS had been his first client back in 1986, how could he now compete with China's scale and production efficiency? MAS prided itself on having high labor standards and not being a "sweatshop". How would MAS meet its clients' demands for high quality and low costs? Until now, Mahesh Amalean had only dealt with the uncertainties of civil unrest. How would he lead MAS in times of peace?

¹ "It's Bra Wars", Daily Star (U.K.); "Mandy's Bra Wars", The Sun (U.K.), 25 April 2005.

2. MAS Holdings

2.1 Introduction

MAS Holdings is one of Sri Lanka's largest apparel manufacturers, employing more than 34,450 people in 21 factories in 10 countries (see Exhibit 1). Annual revenues are US\$570 million (see Exhibit 2). Each year, MAS manufactures 44 million bras and is Victoria's Secret's largest supplier.

The company is privately-held and owned entirely by the Amalean family. Chairman Mahesh Amalean, the eldest son of five children, held the CEO title until 2004. The current CEO and Deputy Chairman is middle brother, Sharad, who had previously been the CFO. The youngest brother, Ajay, is Director of the Corporate Solutions division, and also handles the creative Marketing and Design aspects of the business and oversees MAS' Finance and Human Resources functions. The rest of the Executive Management Board consists of three Managing Directors, the Director of Corporate Development and the Group Director of Human Resources. All are professional managers and longtime MAS employees. The two Amalean sisters reside in the US and are not part of the business.

MAS comprises four business units: MAS Intimates, MAS Active, MAS Fabrics and MAS Investments, a separate non-apparel business (see Exhibit 3). The Intimates Division is the largest and consists of seven plants that manufacture bras, panties and briefs in Sri Lanka and India and two Marketing, Design and Product Development units in Sri Lanka. MAS Active Division has eight leisure wear and sports wear plants based in Sri Lanka, Madagascar, Vietnam and India. MAS Fabrics manufactures elastic, fabrics, lace, hooks and other accessories in Sri Lanka, the UK, Mexico, Indonesia and China. MAS Investments includes two IT consulting companies, the Corporate Branding and Retail unit and a diversified investment portfolio.

2.2 Sri Lanka

MAS is headquartered in Colombo, the capital of Sri Lanka. Sri Lanka is an island of 20 million people located in the Indian Ocean, off the south-eastern coast of India (see Exhibit 4). The majority ethnic group (73.8%) is Sinhalese, and approximately 18% of the population belongs to the Sri Lankan and Indian Tamil ethnic minorities. The primary religion is Buddhism, although Hinduism, Islam and Christianity are also widely practiced.

Sri Lanka was occupied by the Portuguese in the 16th century, then by the Dutch. It was the British colony of Ceylon from 1796-1948, and renamed itself Sri Lanka in 1972. Post-independence, Sri Lanka was stable. Even Lee Kuan Yew, the first

prime minister of modern Singapore, was impressed by Sri Lanka's resources and infrastructure when he first visited in 1956.²

Yet today, Sri Lanka's per capita GDP is a mere US\$965 per year, even though in the 1950s, it was twice as high as that of Korea.³ Compared to developing countries with a similar income level, Sri Lanka has a high literacy rate and long life expectancy and low rates of fertility and infant mortality.

In the 1950s, under the influence of Marxist and nationalist political parties, Sri Lanka instituted state ownership of key enterprises and import-substitution policies to create national industries. Later, the dominant centrist party attempted to liberalize the economy through exports and privatization, first in 1977 and again in 1989. However, the economy remains highly dependent on the government, which regularly runs deficits between 8% and 12% and has accumulated an external debt of US\$5.1 billion on an annual GDP of US\$20.1 billion.

In the mid-1950s, the government moved away from promoting a pluralist Sri Lankan national identity to pursuing language and religious preference policies.⁴ These policies tilted toward the Sinhalese majority, away from the bureaucratic and educational privileges enjoyed by the Tamils under the British. The Tamils saw these policies as discriminatory, and for the next 30 years, Sinhalese and Tamils engaged in repeated episodes of ethnic violence.

A civil war between the Liberation Tigers of Tamil Eelam (LTTE), a separatist group, who attempted to establish a land for Tamils in the north and east of the island, and the Sri Lankan government began in 1983. About 64,000 people were killed in the conflict and 800,000 were displaced. Even though a ceasefire was declared in 2002, the political violence continued and Sri Lanka's foreign minister (an ethnic Tamil) was assassinated in August 2005.

2.3 Labor Issues in the Apparel Industry

Worldwide

Although a bra is the first piece of clothing that a woman puts on in the morning, it is one of the most complicated to make. A bra has between 20 and 48 parts, including the cups, lining, bands, straps and hooks. Lingerie orders from major retailers come in batches of 10,000, and the cutting, sewing and packing demand a large-scale operation.

"Sweatshops" are the dirty, "not-so-secret" secret of the apparel industry. In a low-labor cost country, the profit margins are high. Bras that cost US\$5-7 apiece

² Lee, Kuan Yew, "From Third World to First: The Singapore Story: 1965-2000," 2000.

³ Kelegama, S. and K. Parikh. "Political Economy of Growth and Reforms in South Asia," 2000.

⁴ De Silva, K. M., "Reaping the Whirlwind: Ethnic Conflict, Ethnic Politics in Sri Lanka," 1998.

to manufacture will retail for US\$50 or more in American stores. In larger plants, thousands of workers sweat in un-air-conditioned factories for ten to twelve hours a day, sometimes more.⁵ Abuses are common: no bathroom breaks, compulsory overtime work without extra pay, no weekends off, child labor and physical or sexual abuse.

Sri Lanka

In Sri Lanka, 85% of the textile industry workforce is female and approximately 350,000 women work in 848 factories. In addition to the US\$2.8 billion that textile exports bring into the country each year, 600,000 Sri Lankan women work abroad as domestic workers and send home US\$1.2 billion in remittances. Combined with tea, Sri Lanka's second largest export, these three female-dominated industries are responsible for 24% of Sri Lanka's GDP.

Despite these economic facts, working outside the home or living unchaperoned are traditionally not encouraged for Sri Lankan women. However, high unemployment in rural areas and the displacement of people due to the civil unrest means that many young women become their family's primary or sole breadwinner. The women work away from home or abroad to send money to their families. Without bank accounts, the women have to rely on their relatives to protect any cash savings they've acquired until they come home.

In Sri Lanka, women from rural areas in their late teens and early twenties enter the workforce primarily to save money to buy jewelry for their weddings, after which they leave the workforce. Child labor has been curbed in Sri Lanka, and the minimum statutory age for employment is 18, with some conditional exemptions for those over 16. Sri Lankan employers are required to contribute 3% of salary to a trust fund which the employees receive after they quit. Employers are also required to contribute 8% of salary to a Provident Fund which employees receive as a lump sum upon retirement. Additionally, employees receive a payment after five years of work, called a 'gratuity', which consists of a half-month's salary for every completed year.

Female garment workers are stereotyped as "Juki Girls" – a derogatory name that comes from a popular brand of sewing machine – and they come from rural villages and move to the free trade zones to find work in the garment factories for US\$2.20 per day. Since they have moved away from their families, the young women live in crowded hostels and have to deal with life issues, many of them for the first time. Many do not have proper nutrition or reliable transportation to work. Because they do not live with their families and have little life experience, Juki Girls in the free trade zones are often perceived as easy prey or "loose" women, and some are even subject to sexual abuse.

⁵ Tennekoon, R., "Labour Issues in the Textile and Clothing Industry: A Sri Lankan Perspective," International Labour Organization, 2000.

2.4 Working at MAS

From the beginning, the Amalean brothers rejected every element of the sweatshop model. When they founded MAS, they worked on the shop floor, supervising the lines. They believed in the workers' dignity and felt that workers would be more productive in a comfortable, air-conditioned environment. The Amaleans wanted to be able to eat in the same canteen, use the same restrooms and transportation as their workers. Rather than forcing their 92% female work force to relocate to the city away from their families, MAS built its plants in the rural villages (see Exhibit 5).

Before the 5:30AM morning shift at the Bodyline plant, MAS company buses pick up the women from their nearby villages each morning and drop them at the factory gate in the rural town of Horana, two hours from Colombo. The workers, none younger than 18 years old, wear blue smocks and hairnets, with pink hairnets for the pregnant women, in case they need special attention. The women put their belongings in their lockers, then sit down to a free breakfast in the company canteen. After breakfast, the 2,500 sewing machine operators clock in and begin assembling the bras.

The main assembly room is 100 meters long, bright, well-lit and air-conditioned. Every MAS plant adheres to the UN Global Compact (Exhibit 6) and the internal MAS Standard (Exhibit 7) on corporate practices. Even though there are legal rights to freedom of association and collective bargaining in Sri Lanka, there are no unions at MAS. Instead, MAS workers elect representatives to Joint Consultative Committees that meet monthly with management to discuss workplace, customer and community issues.

On the floor, the workers listen to Ibiza "chill-out" lounge music or traditional Sri Lankan ballads, depending on what is in the CD player. Each operator has her own sewing machine and logs into the real-time system. The supervisors walk through each cluster of machines, making notes. They sync their Palm Pilots to the central database to post their line's current efficiency and productivity numbers on the electronic boards overhead. Even the lowest-ranking employees learn that most MAS plants follow Six-Sigma and 5S, the Japanese system of house keeping (Sort, Set in Order, Shine, Standardize and Sustain). The workers are encouraged to contact the supervisor and stop the line if they hit a snag.

At 1:15PM, lunch time arrives and the clattering machines stop. The operators clean their workstations, stand and walk off the lines in single file. At the other end of the room, the next shift of 2,500 workers files in for the 1:30PM afternoon shift. The women on the morning shift head to the canteen for lunch or to the on-site infirmary for medical appointments. Others stop at the ATM machine or the electronic employee information kiosk to check their monthly wage and overtime payments before they get on the company buses and head home.

2.5 Getting Started (1984-89)

Before they established MAS, Mahesh and Sharad worked for the 60-year-old clothing family business run by their uncles. The family business had thrived when the Sri Lankan economy was closed. But Mahesh joined when the economy was being liberalized in the late 1970s and they were struggling.

All three brothers struck out on their own in 1984 when they pooled US\$10,000, bought 40 sewing machines and started Sigma Industries. Mahesh and Ajay were in charge of operations and marketing, Mahesh's wife was in charge of HR and administration and Sharad's wife did the accounts. Sharad joined the business later. Mahesh and Sharad then started families and their wives left the business. Yet, Sigma Industries attracted the attention of Martin Trust, the head of MAST, a US-based clothing supplier and subsidiary of Limited Inc., a major US retailer.

The brothers founded MAS Holdings in 1986, and their first opportunity was a joint venture to manufacture women's dresses with MAST. But the quota regime changed before MAS could start the order. The Amaleans saw that lingerie was still a quota-free product that was difficult to manufacture, and that no other Sri Lankan company was in the intimate apparel niche. So MAS began manufacturing lingerie at its Unichela plant in 1987 for Victoria's Secret, one of Limited, Inc.'s brands.

The Unichela venture was a success, but after working in a family business where the owner-managers had full control, the Amaleans struggled to adapt to the product and process disciplines of a joint venture with Limited, Inc. MAS was given the product specifications, told where to source the fabric and given a sample garment to copy. The Amaleans were then told to produce a product at a given price, time and quality. They hoped that the joint venture would give MAS access to the American and European markets and expose them to the latest technology and business practices. In 1989, with MAST's help, the brothers opened the Shadowline plant to make sleepwear.

2.6 Growing Pains (1990-95)

After four years in business, MAS' revenues were only US\$6 million, but Mahesh saw potential in the market. He and MAST proposed a deal to Triumph International, a 100-year-old German lingerie company. MAS, Triumph and MAST took equal shares in MAS' newest plant, Bodyline, which is run by Dave Ranasinghe, the joint managing director of MAS Intimates. Despite its equal financial stake, MAS was again the junior partner and hoped to learn from Triumph's operational expertise. From then on, MAS would use the joint venture model again and again to build its business.

After a series of politically-motivated Sinhalese youth riots and LTTE violence in the late 1980s, then-President Ranasinghe Premadasa (who was later

assassinated by the LTTE) initiated the 200 Garment Factories Program in 1992. On the surface, the program's intent was to end the violence by providing jobs in rural areas for underemployed young men. Yet, by targeting the apparel industry and mandating that the factories must employ 450 women and 50 men, the program continued the pattern of predominantly female export-oriented employment.⁶

As a result of this government pressure, MAS built the Slimline factory in 1993 on a former coconut estate in Pannala, a village located one-and-a-half hours from Colombo over narrow, winding roads. The village was so isolated that the plant manager, Dian Gomes, who is now the joint managing director of MAS Intimates, couldn't find a suitable house, and had to commute from a nearby town.

Slimline was a joint venture with Courtaulds, a UK-based private label manufacturer for Marks and Spencer, now owned by Sara Lee, a US company. The plant was a showcase with a feng shui-influenced layout, tiled walkways, verdant trees and bright purple paint. Slimline even had its own wastewater recycling plant. The factory opened with a ribbon cutting ceremony, and flew the Sri Lankan, UK and US flags to celebrate its multinational partnership.

At Slimline, MAS employed one thousand people from the Pannala area. The company had donated to the local school and maternity clinic. Yet, local residents believed that an American company had come to "exploit the local labor and make the capitalists rich." After work one day, one of the vans that MAS used to transport employees to and from home, hit a child who was running across the road. The child wasn't badly hurt, and three workers got out of the van to take the child to a doctor. A group of village residents gathered and asked where the workers were from. When it became apparent that they were from the new Slimline factory, the workers were attacked.

MAS realized that despite the jobs they provided and good employment practices, they were not immune to the consequences of local culture and prejudice. The company built a laboratory and auditorium for the school and held opening ceremonies with Courtaulds and Marks and Spencer executives in order to meet the parents and children. MAS put up 5,000 posters around Pannala of a child holding two books and the auditorium, and a Sinhalese slogan read: "A gift of the future for our children."

Slimline instituted an internal Community Development Policy that attempted to address the fact that it provided many public services, like a government agency, and that the area was economically dependent on its presence. The plan had six focus areas: education, health and community issues like alcohol and substance abuse, families affected by the communal unrest, reducing the area's economic

⁶ Lynch, Caitrin. "The Politics of White Women's Underwear in Sri Lanka's Open Economy," *Social Politics*, Spring 2002.

dependence on Slimline, sports and arts and the environmental impact of its manufacturing activities.

2.7 MAS Matures (2000-05)

By 1995, MAS had gone from US\$6 million in annual revenues to US\$66 million. In the late 1990s, MAS built four more joint venture plants in partnership with MAST, Triumph, Brandix International (another large Sri Lankan apparel company), Sara Lee Courtaulds and Stretchline Global, a UK elastics company. Revenues grew 20-30% each year, until they reached US\$225 million in 2000.

Companies like H&M and Zara were shortening the traditional fashion cycle from nine months to six weeks. MAS wanted to crash their lead times as much as possible so that their customers could work as close to the season as possible. MAS started two in-house IT consulting firms, one to manage their manufacturing and production information systems and the other to implement the business software solutions processes “Systems, Applications & Products”, or SAP.

MAS had originally implemented SAP in 1997, the first Asian apparel company to do so. Previously, each of the business units managed its own IT needs, but Mahesh saw the need to reap economies of scale in purchasing and sales, so he started the in-house venture in 2002. Also, the stand-alone joint ventures were competing with one another for business, and the complex company structure and multiple contact people were confusing to customers. So Mahesh and his brothers reshuffled the company divisions.

With the new IT systems at CCL, one of the MAS-run companies, customers like Marks & Spencer sent their sales information by the end of the day, Colombo time, on a Friday. On Monday morning, MAS recommended what Marks & Spencer needed to reorder and Marks & Spencer confirmed the order when they started their day, which was 2PM in Colombo. By the end of the day, MAS checked with the fabric mills and confirmed with Marks & Spencer that they would ship the order in two weeks’ time. Marks & Spencer could log in to the manufacturing systems, see the production floor, see the status of their style in the factories, how much was cut, produced, packed, ready to ship, what was traveling by sea, by air and how much fabric they had. If a color or size was selling faster in the store, Marks & Spencer could change their order midstream.

MAS also needed to diversify its customer base and sources of revenue. Since MAS had experience dealing with highly “engineered” apparel and high-tech fabrics, they entered a joint venture with Speedo and Brandot International, Martin Trust’s new venture, in 2001. Linea Aqua’s first project was as high profile as it gets – manufacturing the Fastskin full-body swimsuits worn by a number of gold-medal swimmers at the 2004 Athens Olympics.

Linea Aqua CEO, Sarinda Unamboowe, had to reorganize long production lines into modules of four to 14 workers to accommodate the much smaller 1,000-piece swimwear orders. He also had to depart from MAS practice and hire completely inexperienced seamstresses who could work with the new stretch fabrics without falling back on old habits. With its Speedo production on line, Linea Aqua also began to produce for Marks & Spencer and Victoria's Secret. Given its success in lingerie, leisurewear and sportswear, MAS' overall client list expanded to include Gap, Inc., Nike and Reebok and almost US\$500 million in revenues by 2005.

2.8 The Next Generation

The Amaleans had always hired professional managers, but Mahesh and his brothers still made the final decisions. As they were approaching their fifties, the brothers knew they had to prepare the groundwork to let outsiders run MAS. They attended a business school program on family enterprise management and succession to clarify their thoughts.

After Mahesh stepped down from the CEO position in 2005, Sharad took the job for three years. Then Ajay would also only hold the position for three years. The brothers envisioned that one of the 35 to 40 year-olds currently running the business units would eventually take over, since no one else in the family was in a senior management position.

Through their internal search and training programs and Fast Track program for potential general managers, the Amaleans had identified six to eight employees with CEO potential. Yet, after identifying and training their talent, they also worried about losing them to up-and-coming firms who were taking advantage of Sri Lanka's budding economic and political stability.

The other option was having non-family ownership or going public. Previously, MAS had always used joint ventures to raise capital for new plants. Aside from freeing up wealth for the family, the brothers couldn't come up with a business motivation for going public. Besides, all the joint ventures had outside ownership. Only the holding company was still completely family owned. The brothers decided to stick to their joint venture criteria of choosing partners who brought in technology expertise, marketing knowledge or access to certain markets.

2.9 Competition on the Horizon

By the end of 2005, MAS was a US\$570 million business. The company had won the American Apparel and Footwear Association's Excellence in Social Responsibility Award and countless international productivity and safety awards. Every manager in the company could recite Mahesh's latest slogan, "1-1-10", which stands for "number one preferred partner of the world's leading brands of intimates, sportswear and leisurewear with a turnover of US\$1 billion

by 2010.” Given the Amaleans’ track record, the only thing standing between MAS and “1-1-10” was China.

The Multi-Fiber Agreement (MFA) was instituted in 1974 to regulate the flow of textile exports from developing countries to developed economies. In 1994, the Uruguay Round of the General Agreement on Tariff and Trade (the World Trade Organization’s predecessor) agreed that textile import quotas would disappear at the end of 2004.

The textile industry appeals to manufacturers in developing countries because they can implement modern production methods and technology at a relatively low cost.⁷ The industry is also a source of employment for low-skilled women. However, the higher value -added activities in the apparel industry are design, marketing and developing new materials.

Previously, MAS customers had obtained their fabric, hooks and elastic in one country and manufactured the apparel in another to get around the quotas. Once the quotas expired, they would want to supply all their raw materials and manufacturing in one country. To create a “one -stop-shop”, MAS boosted the back-end of its supply chain with two product development units and four fabric and lace venture s. They also established a retail and branding initiative to look at the possibility of MAS developing its own brands.

Sri Lanka had a quota-free bilateral trade agreement with the EU starting in 2001. Prompted by the damage in South-East Asia following the December 2004 tsunami, the EU accelerated the implementation of the new three-tier Generalized System of Preferences. In July 2005, Sri Lanka received GSP+ treatment with duty-free access to the EU for 7,200 products conditional on maintaining sustainable development and good governance. The US and Sri Lanka signed a Trade and Investment Framework Agreement in 2002. After the tsunami, the US House and Senate introduced bills in January 2005 to give duty-free preferences to Sri Lanka, among other countries.

China had negotiated since 1986 to join the WTO and became a member in 2001. Despite the expiration of the MFA, both the EU and the US had bilateral trade agreements with China with safeguard mechanisms for specific products. If Chinese imports exceeded the growth limits in the safeguards, the excess imports could be blocked at the ports or penalized with tariffs.

A 2004 WTO report projected that mainland China’s post-quota clothing market share would grow from 18% to 29% in the EU and from 16% to 50% in the US (see Exhibit 8).⁸ In 2005, Chinese textile exports to the EU increased 534%, and 627% to the US. The EU renegotiated acceptable growth rates in June 2005 and

⁷ Nordas, H. K., “The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing,” World Trade Organization Secretariat, 2004.

⁸ Nordas, H. K., *ibid.*

blocked Chinese textile shipments at the ports in August until they renegotiated the growth rates again in September. The US filed safeguard petitions and entered negotiations with China, but did not take other actions. The safeguards were only a temporary solution, since the EU safeguards expire in 2007 and the US ones in 2008.

Sri Lanka was not even among the top ten export countries in the US\$120 billion global apparel trade. Post-quota Sri Lanka would benefit too, but it would still only make up 2% of the US market and a negligible portion of the EU market.

3. Strategic Corporate Social Responsibility at MAS

3.1 Introduction

TNS Kumari leaves her shift at the Bodyline plant in rural Horana in the afternoons to get home to her daughter and infant son. Her husband takes care of the children in the morning and he works the afternoon shift at the same plant. They have a new house, a car, some land and even a couple of cows. TNS grew up in Horana, and her life as a manager at MAS is vastly different from her poverty-stricken childhood with her widowed mother who worked on a rubber plantation to support her and her five siblings.

TNS was one of the first sewing machine operators hired when Bodyline opened. After working for a few years, getting married and having a baby, she was promoted and offered management training. The catch was that she would have to move to the US for six months. She had never been to Colombo on her own, lived alone or even driven a car! With her managers' encouragement, TNS practiced her English, got her driver's license and got on the plane. A well-educated executive might take an expatriate assignment like this for granted. But these types of opportunities are not usually handed out to sewing machine operators from rural Horana.

3.2 CSR or Just Doing the Right Thing?

Known for its progressive human resources policies, MAS has long attracted Sri Lanka's best workers and management talent. But at the beginning, the sweatshop reputation of the apparel industry kept many young potential employees away. Mahesh wanted to hire the same quality of people who would otherwise work in investment banks. The large number of educated Sri Lankans who chose to go abroad to study and work also meant that MAS would have to discover and train its own talent in order to have enough qualified managers.

The brothers weren't above working hard themselves. Rather than treating the business as a source of family cash, they took salaries based on their title and responsibilities, like any other employee. Any other family members who worked for the company had to start on the shop floor and learn the business.

In a country where the literacy rate is 90%, but per capita income is US\$965, MAS considered that it had to educate its employees about professional and cultural norms that employees in developed countries took for granted. Each plant created its own programs open to all employees, regardless of their status.

Bodyline offered English classes, reproductive health workshops and leadership training. Slimline was known for its athletics programs, employing and subsidizing the training of national, international and even Olympic level athletes. They provided maternity clinics, vaccinations, personal hygiene programs and positive thinking seminars. Linea Aqua supplied computer courses, outdoor adventure days, AIDS awareness and sexual harassment awareness sessions. All the plants held Parents Days, where the workers' families visited, met their co-workers and managers, and were assured that their daughters were in a safe and empowering environment.

The plants donated to the local schools and hospitals. At one plant, the senior executives donated their own money each month for college scholarships for village children. After the tsunami, employees raised money and spent their weekends building homes for displaced people.

All these programs added 3-4% to costs, but the Amaleans didn't mind this, even though fierce competition with China and India was affecting MAS' prospects. Even Sharad, the former CFO, thought that payback came in different forms: employees who embraced the company culture, higher productivity, lower downtime. One plant manager estimated that a 1% increase in efficiency or decrease in absenteeism added US\$200,000 to the bottom line at the plant. The 3% spent on CSR programs generally increased efficiency by 5%, which equaled a US\$1 million gain on the bottom line. MAS' labor practices also appealed to customers who felt their brands were better protected from sweatshop accusations, which helped boost the top line.

When the Amaleans started their business, CSR wasn't a buzzword in most industries. The brothers thought they were just doing the right thing. They had become efficient, well respected and successful without emphasizing their CSR programs. But in an environment where their competitors could match them on quality, quantity and their supply chain, MAS needed a way to differentiate themselves, and there were very few levers left for them to use in the harsh global apparel market.

3.3 The Outsider Looking In

Ravi Fernando moved to Colombo after spending 12 years in international over-the-counter and pharmaceutical marketing for SmithKline Beecham International in Kenya, Dubai and Vietnam. After finding few jobs in Sri Lankan industry at his level of experience, he joined MAS as the CEO of Corporate Branding in July 2003. When he joined the company, he spent three

weeks visiting the plants. He was struck by the difference between the MAS plants and the apparel plants he had seen elsewhere.

In the apparel industry, most outsourced manufacturers are 'nameless' but their brand owner customers are becoming more and more selective about where they place their business. In the late 1980s and early 1990s, labor unions, environmentalists, human rights groups and government agencies first sounded the alarm about the use of sweatshop contractors by major brands.⁹ This coalition of diverse interests continued to agitate, creating the anti-globalization movement. By 1996, Gap, Inc., Kathie Lee Gifford for Wal-Mart, Guess, Disney and Nike were all blistered in the press in what became known as 'The Year of the Sweatshop'.¹⁰ The size of the anti-globalization movement became apparent when 40,000 protesters demonstrated at the Seattle WTO meeting in November 1999. That year, the United Nations introduced the Global Compact for corporate practices based on human rights, labor, environmental and anti-corruption practices.

The majority of brands that contracted with MAS were still seeking rock-bottom prices, but now they had introduced their own labor compliance standards and were pressuring the manufacturers to be ethical. Based on his observations, Ravi believed that MAS was unique and should publicly advertise their compliance and labor practices, rather than be tarred as just another global sweatshop. MAS should capitalize on the growing interest in 'sustainable consumption', the trend of buying in a socially responsible way, like organically grown foods or non-sweatshop clothing.

With its emphasis on improving the quality of its predominantly female workers' lives, MAS was fulfilling the UN Millennium Development Goal of promoting gender equality and empowering women. Compared to other manufacturers in Asia, MAS' treatment of women would appeal to the brands that were constantly challenged on the labor practices of the companies that did their manufacturing.

The final task was to build MAS' own brand to enter markets where their brand name customers had not penetrated, such as Southeast Asia. This would give MAS the opportunity to move forward in the value chain.

3.4 The Birth of "Women Go Beyond"

If MAS was going to brand its HR practices, Ravi needed the help of the HR department. So Ravi, Deepthi de Silva, the Group HR director at MAS and a corporate board member, and Dinali Peiris, the Director of HR for the MAS Active division, examined the best practices in each plant and developed a structure for the new HR/branding program. The goal was to make MAS'

⁹ Bullert, B. J., "Strategic Public Relations, Sweatshops and the Making of a Global Movement," University of Washington, 2000.

¹⁰ Klein, N. "No Logo", 1999.

employee and community programs more systematic and uniform across all the plants. The plants were free to continue their existing programs, but they needed to fit into a four-point framework of Career Advancement, Work-Life Balance, Rewarding Excellence and Community Activation (see Exhibit 9).

Ravi called the Colombo office of the global advertising firm, J. Walter Thompson, to create a name, logo and image for the new program. The name was a challenge, since it had to be translatable into different languages in different countries, simple and short, but meaningful. After hearing about MAS' labor practices, the JWT team came up with 'MAS Women Go Beyond'. They chose a bright pink and blue logo of a beautiful, long-haired woman, with bold silver lettering. The MAS company logo was also prominently featured.

With a plan and a brand in hand, the Go Beyond concept was presented to the MAS board in August 2003. The Amaleans were not terribly excited. All three brothers strongly felt that 'we did it from the heart' and they didn't want to institutionalize or commercialize their company culture. They were afraid that they would be seen as trying to lure new customers or win more awards. The plant managers were also dismayed. They already had good labor practices, so why fix what wasn't broken? Some workers cracked jokes that Go Beyond stands for 'Women Go Beyond, Men Come Behind'. The board agreed a month later, but said that Go Beyond could only be launched internally at first, and it had to focus on recognizing and empowering female workers, the backbone of MAS.

MAS Women Go Beyond was launched only at the 17 apparel plants, since the elastics and accessories and other supply-side factories had a higher ratio of male employees. MAS hired a new staffer, Piyumi Samaraweera, to promote Go Beyond internally. For six months, from November 2003 to May 2004, the Go Beyond team traveled between the plants and presented Go Beyond to the management and workers. With JWT's help, they had posters, stickers and newsletters in both English and Sinhala, presentations hosted by noted guest speakers with singers and dancers, and even a short film about a beautiful young factory worker who fell in love.

The first step in standardizing the program across the plants was making sure that each site offered English and IT classes and financial management seminars. In 2004, each plant also selected a staff member to be a Go Beyond Champion, and other team members to ensure that the programs would be implemented. From June 2004 to May 2005, the plants reorganized their existing programs to fit into the four-point framework. Meanwhile, the Go Beyond team at headquarters developed a program impact measurement framework in July 2004, and launched a web site in October. In the first year of Go Beyond, the plants held 290 programs in the four areas and reached the average worker 3.7 times.

At the end of 2004, a female employee was selected from each plant to be Empowered Woman of the Year and a Go Beyond Winner. The women had to be

nominated as role models by their fellow workers, and were then interviewed by members of the corporate board, local celebrities and women's rights activists. MAS hired a Colombo marketing agency to put out a glossy booklet about the winners' life stories and achievements (see Exhibit 10). MAS also rented Sri Lanka's largest convention center to hold a gala awards ceremony with dancing troupes from each of the plants, a fashion show of MAS apparel and award presentations by leading Sri Lankan public figures and businesspeople.

TNS Kumari, the MAS manager from Bodyline and village girl from Horana, was selected as the overall MAS 2004 Go Beyond Winner. To her, MAS was recognizing what it took for her to defy cultural expectations – leaving her husband and baby daughter behind, driving in the New Jersey winter snow and working on the other side of the world – in order to advance her personal dream and career.

3.5 Going Beyond Go Beyond

Soon, Go Beyond was attracting attention outside MAS. The national newspapers started writing articles featuring the Go Beyond winners, and MAS' help was sought by the government who wanted to start a similar program nationwide. MAS also wanted to recognize women's entrepreneurship, and entered into strategic CSR partnerships with Gap, Inc. and Victoria's Secret to recognize and reward those achievements.

The Amaleans also kept their eyes on China. In their opinion, the Chinese plants had a good supply chain and good manufacturing facilities. But much of the work in Chinese apparel plants was subcontracted to other plants. So the customers had no idea exactly where and how, and by whom and under what conditions, the clothes were actually being manufactured. To make sure that the difference was clear to their customers, MAS allowed customers to visit the plants at any time, and have full and transparent access to information.

But keeping its old customers wouldn't be enough. Where would future growth come from? MAS pushed ahead with developing their own branded intimates for the Southeast Asian market and focused on entering the Indian retail market while hoping that they wouldn't step on their customers' toes as a result.

The key to MAS' future growth would be turning Go Beyond into a world-class stand-alone brand. On a bulletin board in his office, Ravi Fernando pinned up a little Go Beyond logo clothing label, like the tags with brand name and fabric care information sewn into the back of a t-shirt. He hoped that Victoria's Secret and Gap would let MAS sew the Go Beyond tags into the clothes right next to VS and Gap's own labels. Perhaps VS and Gap could attract new customers by advertising their ethically manufactured merchandise, identified by the Go Beyond label. Or would price still be the deciding factor for consumers? Would their shopping mall customers, who will never set foot in a bra factory in Pannala, Sri Lanka, care as much as the Amaleans did?

Questions

1. What are the lessons to be learnt from the MAS corporate story in terms of: leadership; culture and vision; development of new capabilities; and innovativeness in the interface with clients and customers?
2. What are the threats and opportunities facing MAS on global markets?
3. Evaluate MAS as a political player in Sri Lanka and on the global scene.
4. What do you consider the future holds for MAS? What actions do you recommend?

List of Exhibits

- Exhibit 1 Map of MAS Worldwide Locations and Sample Client List
- Exhibit 2 MAS Financial Highlights
- Exhibit 3 MAS Corporate Structure
- Exhibit 4 Map and Sri Lanka Facts
- Exhibit 5 Map of MAS' Sri Lankan Locations
- Exhibit 6 United Nations Global Compact Principles
- Exhibit 7 MAS Standard
- Exhibit 8 Trade and Apparel Market Data
- Exhibit 9 Go Beyond Framework and Logo
- Exhibit 10 Sample page from Go Beyond Winners Booklet

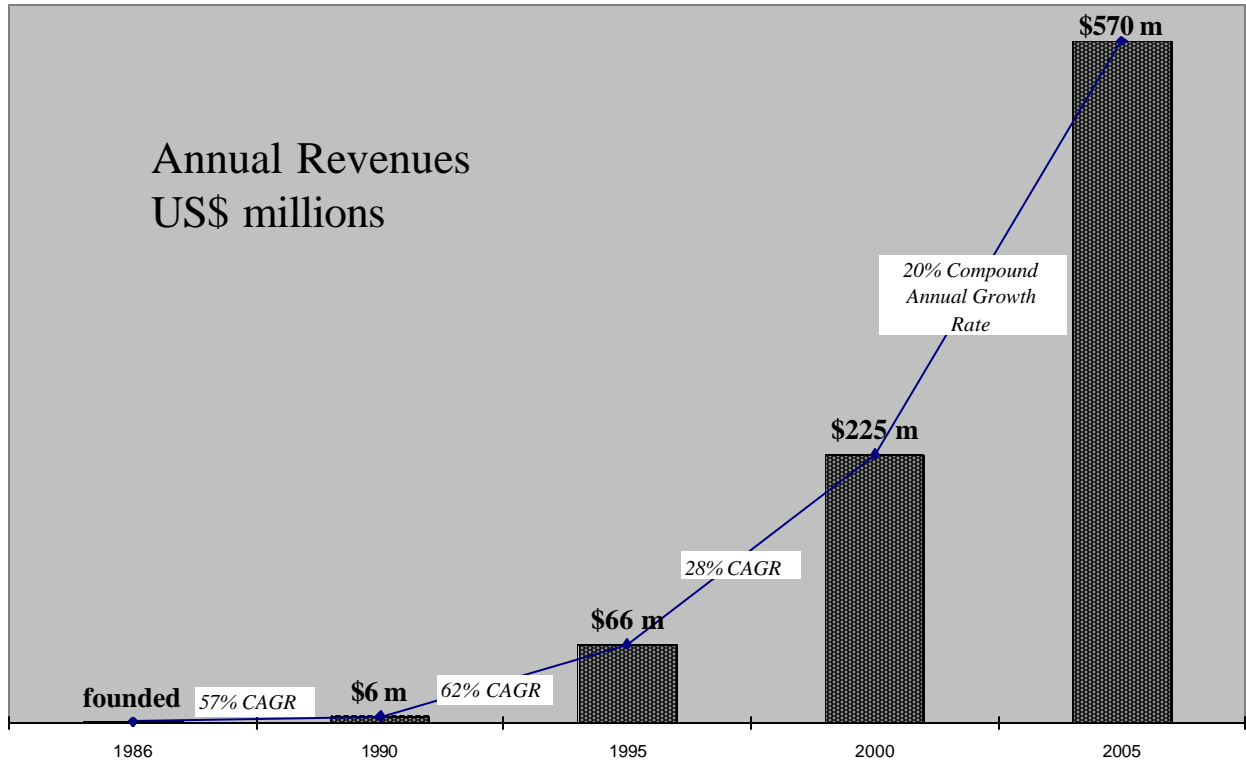
Exhibit 1

Map of MAS Worldwide Locations and Sample Client List



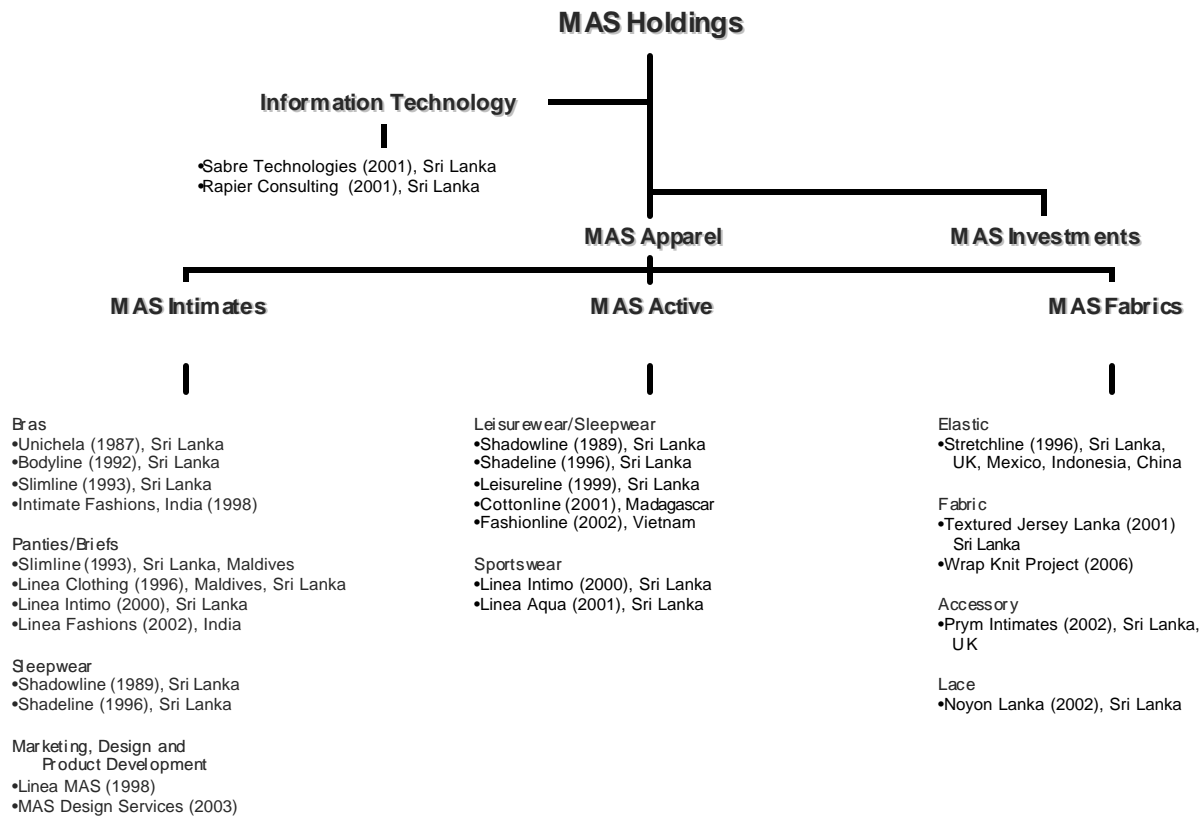
Source: Company.

Exhibit 2
MAS Financial Highlights



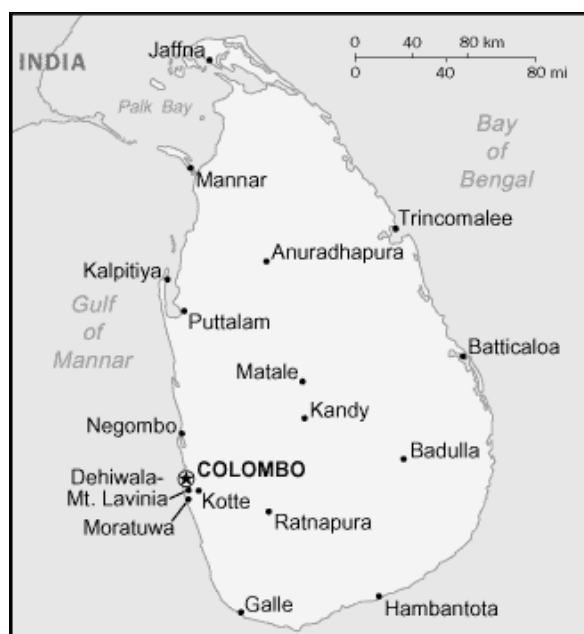
Source: Company.

Exhibit 3
MAS Corporate Structure



Source: Company.

Exhibit 4
Map and Sri Lanka Facts



Democratic Socialist Republic of Sri Lanka

Population: 20,064,776

Ethnic groups: Sinhalese 73.8%, Sri Lankan Moors 7.2%, Indian Tamil 4.6%, Sri Lankan Tamil 3.9%, other 0.5%, unspecified 10%

Religions: Buddhist 69.1%, Muslim 7.6%, Hindu 7.1%, Christian 6.2%, unspecified 10%

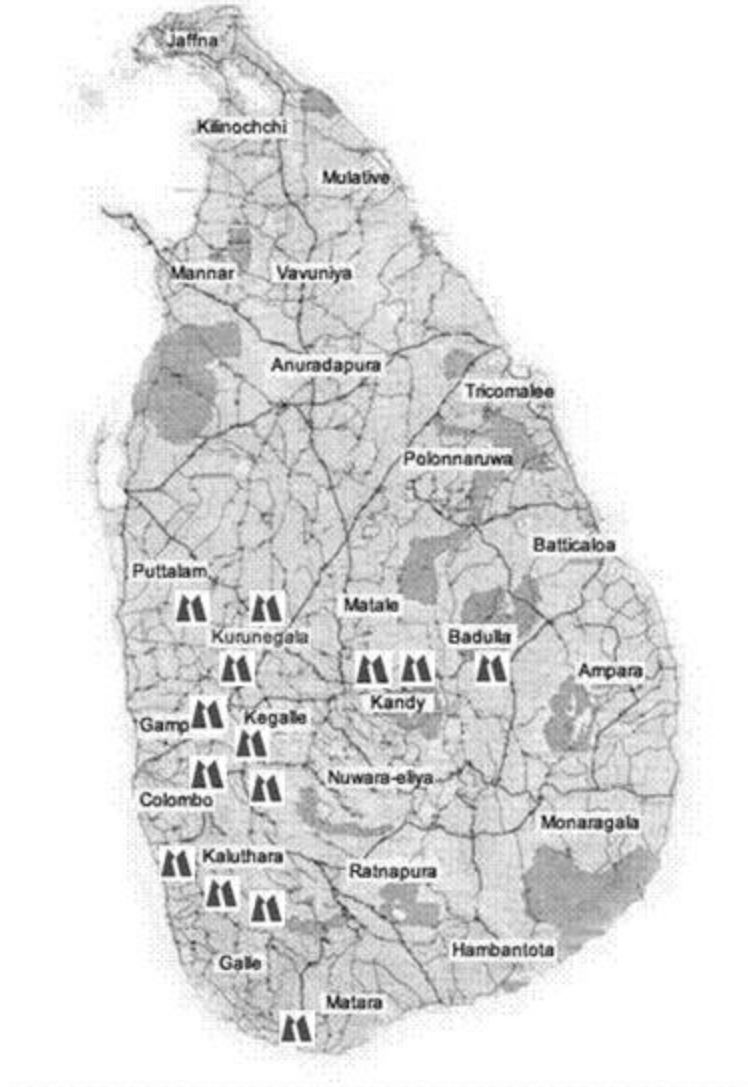
Languages: Sinhala (official and national language) 74%, Tamil (national language) 18%, other 8%; English is commonly used in government and is spoken competently by about 10% of the population

Comparisons

	India	Indonesia	Sri Lanka	Philippines	China	United States
GDP per capita, 2000 US\$	538.36	906.19	965.15	1,079.32	1,161.50	36,789.81
Life Expectancy at Birth	63.4	66.9	74.0	69.9	70.8	77.4
Fertility Rate	2.86	2.41	1.98	3.24	1.88	2.01
Infant Mortality Rate per 1,000	63.0	31.0	13.0	27.0	30.0	7.0
Adult Literacy Rate	61.01	87.87	90.36	92.6	90.92	97
% in Secondary School	52.8	60.72	86.19	83.98	70.26	94.15

Source: World Bank, World Development Indicators; CIA, The World Factbook.

Exhibit 5
Map of MAS' Sri Lankan Locations



Source: Company.

Exhibit 6
United Nations Global Compact Principles



The Ten Principles of the UN Global Compact

Companies are asked to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

Human Rights

- 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
- 2: make sure that they are not complicit in human rights abuses.

Labour Standards

- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4: uphold the elimination of all forms of forced and compulsory labour;
- 5: uphold the effective abolition of child labour; and
- 6: eliminate discrimination in respect of employment and occupation.

Environment


- 7: Businesses should support a precautionary approach to environmental challenges;
- 8: undertake initiatives to promote greater environmental responsibility; and
- 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- 10: Businesses should work against all forms of corruption, including extortion and bribery.

Source: www.unglobalcompact.org

Exhibit 7
MAS Standard



STANDARD
Concern for People and Fairplay

MAS - THE EMPLOYER

Human Rights
* We embrace the UN Charter of International Human Rights & the Global Compact Principles.
We do not accept any forms of harassment or discrimination and work in a culture of equal opportunity, whilst recognizing the contribution that people with disabilities can make to society and work

Working at MAS
* No persons below the age of 18 are employed, and no forms of forced labour are used
* Our working week, including overtime, does not exceed 60 Hours in our apparel manufacturing units
* We recognize the need to work in partnerships with employees, encouraging them to learn, develop, contribute and achieve a work-life balance
* We provide where appropriate, a range of benefits including transport, meals, air-conditioned facilities, health, life, and work place medical care, banking facilities and counselling

Health & Safety
* We provide a hygienic and safe working environment by training employees, and ensuring all plants, processes and equipment are designed taking into consideration best practices in Health & Safety
* We believe in the systematic assessment, measurement, and monitoring of risks associated with the business

Environment
* We are committed to protecting the environment in which we operate

MAS - THE CUSTOMER
* We actively seek and work with organizations who share our values

MAS - THE SUPPLIER
* We provide an excellent service to our customers, respecting and complying with the laws of the land that we operate in

MAS - THE CORPORATE CITIZEN

Women
* Women are the majority - a driving force in our organizations - and care and attention is given to reward and empower them both within the plant and the community, through "The MAS Women - Go Beyond" programme
* We take care of our pregnant employees, recognizing the many roles of women and the need to have a work-life balance

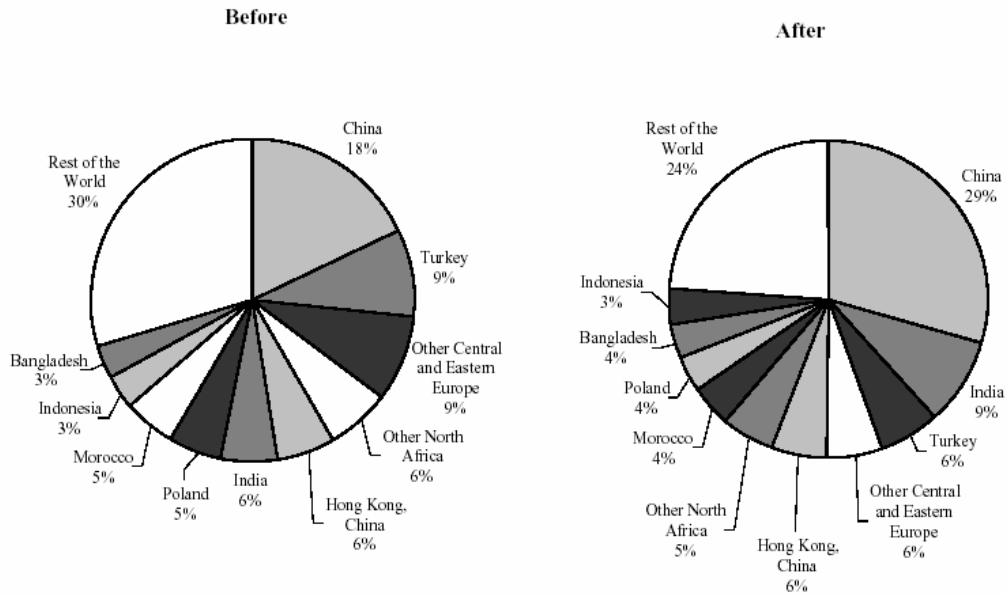
Community
* MAS actively supports development initiatives in the communities we operate in
* We build confidence in the families of our employees by having an open-door policy

Source: Company.

Exhibit 8
Trade and Apparel Market Data

Projected Clothing Market Shares Before and After Quota Elimination

EU



US

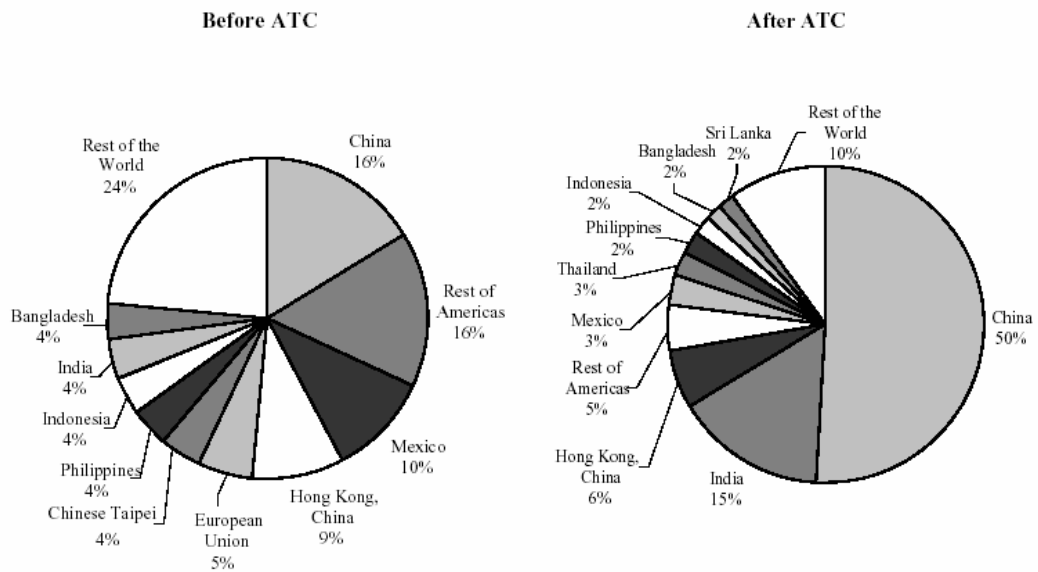


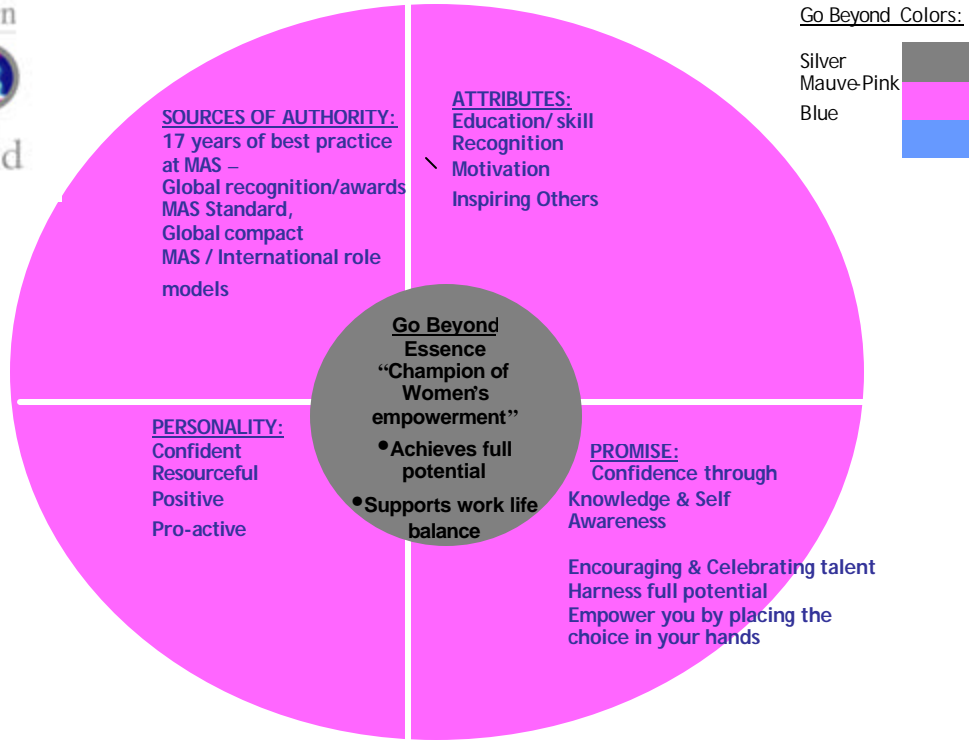
Exhibit 8 (Cont'd)
Trade and Apparel Market Data

Retail Value of Global Clothing and Underwear Market, US\$ billions

	Clothing		Underwear	
	2000	2004	2000	2004
EU	182.17	249.02	17.31	24.63
US	206.81	212.53	11.10	13.15
Japan	109.22	100.86	1.78	1.88
China	47.53	67.93	5.94	8.77
Brazil	59.49	41.12	1.73	1.09
World (does not sum to total)	750.86	862.47	51.73	66.99

Source: Euromonitor; Nordas, H. K., "The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing," World Trade Organization Secretariat, 2004.

Exhibit 9
Go Beyond Framework and Logo



Will Sponsor/ Associated With: Educational / Motivational Programs , Talent Shows, Sports events, Skill-building training programs with a focus on Women in the garment sector and the communities we operate in.; Joint programs with brand owners/MNCs with similar philosophy and the fashion industry..

Source: Company.

Exhibit 10

Sample page from Go Beyond Winners Booklet

The quiet achiever

T N S Kumari

Bodyline - Horana, Sri Lanka

Kumari's father died of a heart-attack when she was just four, leaving her mother to bring up Kumari and her five brothers and sisters, on her own. She earned only a small income as a rubber-tapper, on the rubber plantations that Horana is famous for, but was determined to keep all her kids in school. Kumari recalls walking the 2 miles to school each day and says that even a bicycle was out of reach for her family.

The young girl started looking for work as soon as she finished her schooling, and counts herself lucky that she was among the first 10 Machine Operators recruited to the new MAS factory, Bodyline, that had started up in Horana. "It was just a tiny place then", she remembers, "but the management style made us realise that we would someday go places, and as the factory grew, so did we".

A few years later, Kumari, who was by then married and had a daughter, was offered the opportunity to do a six-month stint at the 'Seamless Development Centre' in New Jersey. "I was really scared, because I had not even travelled to Colombo on my own before, let alone out of the country" she laughs. "I was told that I would have to travel on my own, live in an apartment and - worst of all - drive my own car! I had hardly even been a passenger in a car until then. But my managers at Bodyline had faith in me, and assured me that I could do anything I set my mind to, and my husband,



At 33, Kumari has achieved much to be proud of, not least having built a beautiful home and comfortable life for her young family, starting with nothing. Yet, she has retained her shy smile and simple ways.

Source: Company.