

Achilles:

Collaborative industry approaches to supply chain corporate responsibility

A Global Compact business case study

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Executive summary

This study documents how The Achilles Group and its partners have internalized the principles of the Global Compact with reference to the Utilities Vendors Database in the UK. It is intended for companies, Non-Governmental Organizations (NGOs) and other organizations interested in how Achilles implemented the principles within its core business. Its analysis and comparisons seek to enable others to learn from and apply Achilles' experiences.

Achilles is a provider of supplier management information, delivering procurement and business solutions to over 500 companies principally in the utilities, transportation, mining and construction sectors. This study focuses on how Achilles and its partners adopted a collaborative approach to incorporating human rights and labour standards of Global Compact Principles One to Six into Achilles' supplier database for UK utility companies.

Main findings

1 The Global Compact enables companies to express and internalize existing principles and values through an internationally recognized framework.

2 Diverse Corporate Responsibility (CR) drivers and challenges facilitate companies' learning from organizations in other sectors and geographic regions.

3 Effective implementation of CR within the supply chain requires a combination of clear leadership and support from people across all companies involved (service provider, purchasing companies and suppliers).

4 The credibility of CR data is achieved by understanding how suppliers adhere to international standards as the Global Compact Principles. The effective implementation of an international standard depends upon purchasers and suppliers having an improvement mindset rather than a "policing" expectation.

5 Compromises inherent in the collaborative approach based on an international framework may prevent participants from pursuing certain sensitive topics in depth. Nevertheless, adherence to an international framework provides the minimum standard capable of being tailored by individual companies, through a three-tiered approach that combines:

- general questions
- specific questions for those suppliers identified as potentially "high risk"
- templates for specific contract-related questions.

Conclusions

The industry-wide collaborative model has tangible results. Achilles' experience in the utility sector shows that collaboration benefits companies across the supply chain providing them with ways to add value, manage costs and share best practices. Moreover, collaboration generates support among suppliers, thus ensuring consistency and limiting duplication of efforts. Collaboration between competitors and purchasers or suppliers enables the dissemination of CR initiatives within the supply chain. The collaborative approach's effectiveness depends on clear (strong?) leadership and frequent compromise.

The collaborative approach is commercially viable. The approach presents a starting point for additional services and provides opportunities for smaller firms to influence their peers, as well as bigger companies and the communities they operate in. Collaboration benefits participating companies by universally increasing standards and providing a platform from which companies can develop a competitive advantage in terms of their own CR strategies.

Successful CR strategies should be based on recognized international standards from the outset. Recognized international standards as those promoted by the Global Compact Principles facilitate measurement and comparison across countries and sectors providing companies with a mechanism to demonstrate commitment and measure performance on an international benchmark.

Effective CR supply chain management requires both a risk-management approach and CR implementation in daily practices. Embedding CR strategies within day-to-day procurement practices guarantees sustainable improvements in companies' supply chain management and prevents conflicts between CR and procurement policies.

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Profile of The Achilles Group

The Achilles Group is a provider of supplier management information, delivering procurement and business solutions to 500 companies principally in the utilities, transportation, oil & gas and mining sectors. Established in Norway in 1990, the company is based in Abingdon near Oxford in the UK, has 300 employees in 20 countries and a turnover of £17 million. Achilles' services aim to both improve the efficiency of the procurement cycle and help companies manage commercial, health, safety, environmental and Corporate Responsibility (CR)¹ risks.

The company's business model is based on creating industry communities of organizations with a common supply chain in order to standardize the process of supplier sourcing. Through this model, Achilles has developed a global network of supplier management services including key industry players, who use the services to register, pre-qualify and monitor the performance of their suppliers. Achilles currently gathers data on 28,000 suppliers, each of which completes a comprehensive annual questionnaire and pays a subscription fee to their particular industry service. Each completed questionnaire is then made available online to all subscribing buyer companies within that industry. Each service is governed, developed and partially financed by a steering group that comprises representatives of the purchasing companies. Achilles is a member of the steering group and offers the services as a neutral third party provider. Achilles' neutrality and independence are fundamental to its success across markets, since these characteristics encourage collaboration between companies within the same sector, with Achilles acting as the intermediary between buyers and suppliers. This model underlies the company's rapid growth across sectors and geographical regions.

Achilles' ability to translate learnings from diverse sectors and countries into practical solutions has expanded its supplier management system's role into a method for companies to implement risk management strategies, including health, safety and environment (HSE) matters, as well as suppliers' CR performance.

Human Rights at Achilles

¹ Considerable debate about the meaning of the term "Corporate Responsibility" exists. For this case study's purposes, CR means voluntary actions taken by a company to address the "ethical, social and environmental impacts of its business operations and the concerns of its principle stakeholders" (Institute of Business Ethics, see www.ibe.org.uk) This definition reflects Achilles' own broadly based understanding of CR.

The development of Achilles' procurement services into supplier management tools has increased the company's awareness of CR issues and their possible solutions. As the Company Secretary stated,

"The kinds of procurement issues corporate responsibility raises are too big for individual companies to solve on their own and they are increasingly looking at working at an industry level. ... Our customers were coming to us as we had questions on HSE. They felt that CR included other areas they needed to address and they'd rather use an existing tool... Achilles was a natural home to look at corporate responsibility."

In response to its clients' growing interest in CR issues, Achilles joined the Global Compact in July 2005. Even before joining the Global Compact, Achilles had incorporated CR elements within several of its industry services, thus enhancing CR awareness and increasing peer pressure to integrate CR elements within companies' policies and operations.

UK Utilities Vendors Database (UVDB)

Achilles established the UVDB in 1995 to help utility companies shorten the procurement cycle, while also complying with European procurement legislation. It is now used by 80 companies, including Centrica, United Utilities, EDF Energy, E.ON UK, Severn Trent Water, Scottish Power, RWE npower and South West Water. The portfolio includes over 5,000 registered suppliers who complete an online questionnaire to pre-qualify for work with the utilities and their partners. By joining the UVDB, utility companies can identify pre-qualified companies for a tender, potentially reducing the procurement cycle by up to 37 days, which represents the legal period for a tender to be advertised in the Official Journal of the European Union.

Achilles extended UVDB in 2001 by creating Verify, a service which further qualifies suppliers by assessing their HSE and quality capabilities based on management systems and site performance. The assessments help the utilities in their procurement processes and the supplier company in identifying priorities for improvement.

In February 2006, a series of CR questions were integrated into the UVDB questionnaire. This case study examines the process leading up to this integration, as well as its implications for the UK utilities industry.

Startbank construction industry service, Norway

With the support of the Norwegian government, in 2006 Achilles launched Startbank, a common qualification service for the construction industry. Startbank targets problems of illegal labour in the construction industry by ensuring that only companies with responsible labour practices are eligible to join.

Oil and gas industry

The development of a Venezuelan oil and gas supplier management service in 1999 provided an opportunity to increase tender process transparency. Achilles and the

steering group that established the RPP (Oil Suppliers' Register) worked with both oil companies and local stakeholders (including the Petroleum Chamber and the Petroleum Industry Business Alliance) to increase the flow of business to local suppliers.

In 2005 Achilles entered into dialogue with major oil and gas operators to address CR issues via the already established supplier management services for the UK Continental Shelf oil and gas sector (FPAL) and the Norwegian sector (JQS). Achilles was asked to carry out a consultation process among oil and gas buyers and suppliers in the North Sea, including a proposed questionnaire to identify the issues involved and assess the feasibility of incorporating CR questions into the existing supplier profiling tool.

Established in 2006 by companies including Exxon Mobil, Chevron, Shell and Total, the Nigerian Joint Qualification System (NJQS) aims to provide visibility and transparency in the contracts and procurement processes in the Nigerian oil and gas industry. Suppliers register only once to reach purchasers in the participating companies and the system will also be used to monitor Nigerian content and due process.

ICT Supplier Self-Assessment Questionnaire

This is Achilles' first service with an exclusive focus on CR issues. A joint initiative of the Global e-Sustainability Initiative (GeSI) and the Electronic Industry Code of Conduct (EICC) with the support of the United Nations Environmental Programme (UNEP), the ICT industry questionnaire seeks continuous improvement in CR performance across the ICT supply chain through an e-tool (E-TASC) that helps companies collate and manage their CR information. Achilles first delivered E-TASC in Q2 2007, after extensive collaboration between diverse partners, including Hewlett Packard, IBM, Microsoft, Motorola, Vodafone and O2. E-TASC aims to influence behaviour, inform the public of companies' actions to improve performance, and encourage information and communication technologies that foster sustainable development².

Regic mining service, Chile

In Chile, Achilles has worked with its partners to integrate CR questions into the mining industry's Regic supplier service. Since 2006, buyers have had access to detailed information about suppliers, including their CR policies. This information also includes details of each supplier's HSE performance, union participation and declarations in which the company confirms it has not been found guilty of any illegal environmental, marketing or professional diligence practices. Regic enables buyers to better understand suppliers' approach to CR issues. It also creates awareness across the Chilean mining sector about supply chain CR issues.

The above success stories from several industries across different countries indicate that Achilles' ability to implement CR elements into supplier chains depends both on its neutrality and trustworthiness as a third party service provider and on its ability to face novel challenges within new geographic markets. Moreover, Achilles' unique position as

² See below for more information on this initiative. The E-TASC supplier questionnaire can be found online at www.gesi.org or www.eicc.info.

a third party service provider enables it to ensure that CR elements from certain markets are integrated within other geographic markets.

“What we do as a business is well suited to helping our customers put in place the principles of the Global Compact... Our remit is intrinsically linked with corporate responsibility. It fits with the values of our company and the way we want to portray ourselves.”

Head of Marketing, Achilles

The company itself is therefore an ambassador for CR issues, as the integration of CR elements is consistent with Achilles' business practices and the services it provides. The Global Compact further facilitates Achilles' contribution to CR awareness among companies by providing an international benchmark to measure its own activities and those of its customers.

Method

This case study is designed for companies, NGOs and other organizations interested in Achilles' experience of implementing the Global Compact's principles in its core business. It documents the process by which Achilles and its partners have internalized the principles of the Global Compact, combining an accessible narrative with practical analysis, thus enabling other organizations to learn from Achilles' experiences.

This case study focuses on how Achilles has implemented the principles in its UK utilities database (UVDB). By way of comparison, reference is also made to Achilles' role within the ICT E-TASC project. The UVDB focuses on human rights and labour standards, and the first two principles of the Global Compact (human rights) and Principles Three, Four, Five and Six (labour standards) are therefore also addressed.

This case study is based on a series of interviews held during October-December 2006 with key actors within Achilles and UVDB member companies (see Appendix 2). In addition, it incorporates relevant public and internal documents produced by Achilles and its steering and working groups, particularly those of the UVDB. The information review also included relevant academic literature, placing Achilles' experience in a wider context. The case has been analyzed using the Global Compact's Performance Framework.

The case: Achilles' collaborative approach in the UK utilities industry

Background

The UVDB was established in 1995 by four major utilities (Wessex Water Services, South West Electricity Board, Midland Electricity Board and Bristol Water. NB These

companies have either been taken over or ceased to exist so may not need to include themxx), which formed the steering group that continues to manage the service today. Conceived as a way for utilities to shorten their procurement cycle, the UVDB and its steering group rapidly became an arena through which the utilities could address common problems related to their management of the supply chain. During the 1990s, all the companies faced pressure to improve their suppliers' HSE performance. This led to the establishment in 2001 of the Verify assessment process, which qualifies suppliers through an assessment of their HSE and quality capabilities based on their management systems and site performance. More than half the UVDB's members now use Verify. From 2003 onwards, a number of UVDB/Verify members began to exchange ideas about using the service to address the challenges of driving improvements in supply chain CR. These members, including Scottish Power, Severn Trent Water, South West Water, RWE npower and Anglian Water, formed the CSR Working Group.

Timeline of developments

In July 2004, Achilles' Company Secretary and a representative of human rights consultancy TwentyFifty Limited presented the findings of the strategic review "Corporate Responsibility and Achilles" to the Achilles Board. The review included a gap analysis of the UVDB and a preliminary assessment of CR-related market opportunities. The board unanimously agreed that the company should embrace CR as an important strategy for the company's future direction, and develop CR questions for the UVDB.

In November 2004, TwentyFifty Limited presented to the CSR Working Group how the UVDB could include information on suppliers' labour standards to help purchasing companies comply with their CR requirements as well as the Global Compact Principles. The presentation triggered a discussion regarding the extent to which CR-related data was already managed via UVDB, as well as the international standards guiding the development of a utilities CR database, and the benefits of a phased (phased meaning gradual introduction of approach).

In May 2005, Achilles reported back to the CSR Working Group on discussions with legal experts regarding the significant legal uncertainty surrounding both the general approach and the drafting of the questions in a non-discriminatory, quantifiable and statistically proportionate manner. To comply with EU procurement legislation, a subsequent working group meeting approved the following approach:

- generic questions for all suppliers as part of the buyers' assessment process
- specific questions for suppliers of products and services identified as potentially "high risk"
- templates for specific questions to particular suppliers, as necessary, would be developed later.

In September 2005, Achilles organized a national conference for suppliers to the utilities industry on corporate responsibility in the supply chain. The conference provided suppliers with information on major utilities' evolving expectations of their suppliers' CR and provided tools for them to develop their own CR programmes. However, many attendees came from the utilities themselves, demonstrating their desire to find out more

about what their competitors were doing. Significantly, among the conference speakers was a CR manager from BT, highlighting Achilles' interest in sharing best practice across sectors.

In December 2005, the CSR Working Group approved a communication to accompany the release of the social and ethical questions into the UVDB, as well as a six-stage action plan for future developments:

- implementation of Phase 1 (general) questions;
- introduction of a "dynamic questionnaire" for suppliers of high risk products/services;
- standard template of CSR questions within e-Qual³ system for more detailed issues;
- customized questions within e-Qual to enable purchasers to ask about more specific CSR requirements;
- verification through factory/on-site audits;
- performance feedback to drive improvement.

It was also agreed that the group would implement a supply chain review of three specific products (protective clothing, yellow pipe and meters), to gain insight into potential risks further down the supply chain.

In December 2005, a final draft of the "UVDB Stage 1 CSR questions" accompanied by extensive help text was circulated to members of the CSR Working Group (see Appendix 1). The CR questions are not searchable and cannot currently be used in shortlisting suppliers for tender but provide additional background information for purchasers. Suppliers can also provide optional data on adherence to recognized labour and ethical standards and reporting. The answers to the optional questions cannot be viewed by purchasers and can only be seen as aggregated data from all responding companies. The questions went live on the UVDB database in February 2006.

In November 2006, Achilles published its Communication on Progress Report for the UN Global Compact. The report detailed how during the preceding year, the company had started work with five industry sectors, including the utilities, to enable them to incorporate human rights criteria into their contracting and procurement practices. It also detailed how the company was working with its customers to promote greater environmental responsibility, eliminate discrimination and work against corruption and bribery.

Key Factors behind CR within the Supply Chain

Three key drivers underlie the utilities' increasing concern about human rights, labour standards and environmental issues within their supply chains from 2003 onwards.

³ Launched in 2006, the e-Qual service allows buyers to ask selected suppliers additional contract specific pre-qualification questions via the UVDB.

First, increased shareholder and consumer activism has illustrated the public's sophisticated understanding of business' role and its perceived responsibilities towards society. Fringe campaigns captured a wider audience and began to impact corporate performance, especially in industries characterized by strong brands, such as sportswear. Most significantly, sportswear companies became increasingly accountable for the actions of suppliers throughout their supply chain, regardless of whether the companies knew of such suppliers' participation in their supply chain. The example of strong-brand industries impacted other industries, including the utilities, to the potential reputation threat:

“Utilities do have high risk areas like clothing or meters. You need to know how the components were produced. They're likely to have your logo on them and be in people's houses so there's a high brand association.”

Utilities Sector Manager, Achilles

Second, although competition may not be as strong as among sportswear and other strong-brand companies, utilities are still susceptible to consumer and market pressure:

“Utilities aren't under the same pressures as a company like Nike... so they wouldn't get hit by problems in the supply chain in the same way. But the share price could be affected and if there was some major problem with a supplier it would come back with the utility's name on it.”

Procurement representative, UVDB member company

Third, utilities face specific risks inherent to utilities' production and distribution processes, namely minimizing pollution and maintaining drinking water quality. These risks particularly expose utilities to local pressures from their geographic region of operation. They also have to tackle social issues, as the services' affordability and superior customer support.

The success of the utilities' collaborative approach to resolving HSE challenges meant that when faced with pressure to address supply chain CR issues, the obvious forum for discussion and action was the UVDB steering group.

Key players

Extensive collaboration from participating companies, Achilles, a consultancy firm and a legal expert ensured that the CR-related questions were precise and non-discriminatory. Several members of the UVDB steering group, including the chair (from Scottish Power) and representatives from companies including EDF Energy and Severn Trent Water participated in the discussions. Moreover, various Achilles employees facilitated the discussions, among them the Utilities Sector Manager, the Company Secretary and the CEO. TwentyFifty Limited provided independent advice regarding human rights and corporate responsibility matters and an expert in EU procurement legislation from the University of Nottingham provided input (NB concept of “advise” may be taken to imply particular legal connotations and has therefore been changedxx) regarding the questions' legal implications.

Outcomes/impacts

The collaboration's main outcome was the incorporation of CR-related questions into the UVDB supplier questionnaire (see Appendix 1). The questions are derived from Principles One to Six (human rights and labour standards) and Principle Ten (corruption and bribery) of the Global Compact and invite the respondent to demonstrate whether the company has:

- Working practices which take into account internationally recognized labour standards;
- An approach to track and/or report on its performance against labour standards;
- Appropriate working practices which prevent any form of bribery or corruption;
- Working practices to evaluate and select suppliers/sub-contractors that take into account internationally recognized labour standards;
- A demonstrable approach to track and/or report on its suppliers' or sub-contractors' performance against labour standards;
- Appropriate working practices which prohibit any form of bribery or corruption within its suppliers or sub-contractors.

The questionnaire also includes four optional questions, inviting the company to disclose whether it subscribes to any recognized social, labour or ethical standards or guidelines, whether it requires subcontractors to adhere to such guidelines, whether it publishes an annual report on its key labour standards/ethical issues and whether any such report includes auditable improvement targets.

As outlined in the "Timeline of developments" section, extensive discussions preceded the questions' inclusion in the supplier questionnaire. The included questions are therefore more general than those originally envisaged, thus reconciling diverging interests while covering a broader supplier base (see "Innovation and process"). These questions' inclusion is significant for two related reasons. First, it symbolizes companies' expectation that their suppliers conform to, or even exceed, measurable CR standards. Second, it presents a necessary framework for suppliers' CR awareness and actions encouraging them to get actively involved in their companies' CR management and understand its implications for their business, their relationships with purchasers and suppliers and their position within their communities.

The generality of the included questions allowed them to be made mandatory for companies updating their existing UVDB record. Companies must further produce documentary evidence (e.g. internal policies) to support their answers. The current questions represent the first stage of the implementation of the UVDB's CR component.

The second stage, to be launched in 2007, will include more detailed questions of direct relevance to contracts for specific products and services identified as potentially “high risk” in terms of CR.

Analytical framework

Vision

The key principles and values of the Achilles Group, as articulated in published documents and through interviews with key staff, include non-discrimination, transparency and neutrality. These principles and values are important to Achilles’ staff, fundamental to the company’s business model and crucial to sustainable relationships with its clients:

“Being non-discriminatory and transparent has always been very important to us as trust is crucial to what we do.”

Chief Executive Officer, Achilles

This emphasis on transparency and trust enables Achilles to encourage collaboration between companies within the same industry in areas where they do not compete (such as their supply chain or CR practices). It also enables a cooperative, partnership-like approach between buyers and suppliers. Technological advances, consumer demand for lower prices and global sourcing are three primary pressures behind continuous cost decreases within the supply chain across diverse industries since the 1990s. Coupled with growing public interest in sustainability, these pressures require companies to go beyond mere efficiency and ensure that their procurement policies and processes are also based on market intelligence about their suppliers. Achilles’ strategy of repositioning itself from a supplier management service to an industry facilitator mirrors this development towards intelligent procurement policies. Its website states its vision of working with its customers to manage and improve their management of CR within the supply chain:

“In its role as a provider of information to buyer and supplier communities in a wide range of industry sectors, Achilles is uniquely placed not only to help companies manage ethical risk but also to encourage performance improvement and the raising of standards.”

Achilles’ membership in the Global Compact has confirmed its vision while providing it with additional tools and insights into assisting its customers. The company has thus incorporated the Global Compact principles into its vision through the staff handbook, induction and training and externally through its website, marketing materials and external services.

Leadership

Achilles is managed by the CEO and seven regional directors. Achilles has developed a relaxed management style well suited to promoting and implementing its leaders’ vision

through informal channels. The company's rapid international growth through the mid- to late-nineties was therefore managed through considerable face-to-face interactions and partnerships with clients. The Chairman and CEO travel extensively, working with recently established teams in Europe and the Americas to communicate the company's vision and ensure that new offices shared in the vision. A similar level of informality characterizes the company's UK operations.

"The leadership style is accessible, subject to time constraints. Although it's now becoming more difficult for people to wander into [the CEO's] office and say 'I've got an idea,' this is due to availability, not any lack of interest."
Company Secretary, Achilles

Achilles now requires more formal structures to manage and improve communication within the company. One example is the new regional corporate structure, which facilitates the exchange of information across six geographic areas. Despite these sustained levels of growth and the development of new structures, the heritage of informality remains:

"I'd like to say our management style is open and consensual. We have a matrix structure. A high degree of what we do – our intellectual property - is in people's heads. We have to run the business in an open way otherwise people would leave and take their ideas with them."
Chief Executive Officer, Achilles

In addition to the company's leaders, the company's staff and customers also encourage the implementation of the Global Compact principles. For example, the UVDB CSR Working Group had already been established prior to the Board meeting in 2004 that officially endorsed the strategy of including human rights and labour standards questions within the UVDB supplier questionnaire.

Achilles' previous experience within the utilities sector and with HSE issues enabled senior managers to actively advocate the principles' incorporation:

"We've always offered an element of thought leadership... We were thought leaders with regard to how to manage European procurement law. This is just for a different constituency. We're working with everyone from engineers to specialists in CR to people working in PR. It's a different audience."
Chief Executive Officer, Achilles

Achilles' experience of managing HSE risk assessment for its customers presents certain similarities, as well as possible solutions to the needed extension of the original UVDB to incorporate CR questions. There is strong awareness within Achilles of the similar challenges involved in incorporating human rights into the company's vision and those posed by the environment. In fact the UVDB's incorporation of HSE questions occurred in response to demand from the utilities, foreshadowing the dynamic about supply chain CR five years later.

“Companies will have to raise their game, which is what happened 15 or 20 years ago with regard to health and safety. HSE is part of the fabric now and CR will be the same.”

Utilities Sector Manager, Achilles

In the case of both HSE and CR, customers sought a sector-wide approach to tackle the shared challenge.

“The development of Verify brought us more fully into the world of corporate responsibility. Companies are looking for some kind of visibility within their supply chain... assurance about how their suppliers are behaving.”

Company Secretary, Achilles

The inclusion of HSE and CR questions within UVDB have required Achilles to act both as a service provider and a facilitator, even an industry leader in facing HSE and CR challenges. This dual role lies at the heart of Achilles’ collaborative approach to supply chain management, and is predicated on extensive, often slow, discussions among steering group members.

“There’s typically quite a long cycle involved before we launch a new scheme. We need to get to know our customers well, and vice versa, so they get to trust us, and work with us almost on a partnership level.”

Company Secretary, Achilles

In this case, Achilles’ role was that of facilitator: The initial driver was a member of the steering group and a number of other members were beginning to consider how best to integrate CR policies into their supply chains.

“As an energy company, corporate responsibility has always been a significant issue for us... We’ve been working on it for a while but it’s definitely coming up the agenda. We identified supply chain issues as a potential weakness for the company, but we were aware that there was a lot of scope to use supply chain management as a way to address wider corporate responsibility issues.”

CR representative, UVDB member company

Empowerment

Achilles’ informal management style exposes a culture that emphasizes the value of employees’ contributions at all levels within the company. For example, the company’s Head of Marketing described the way in which the company dealt with the challenge of the GeSI/EICC tender process as follows:

“It was interesting to see how a team of people from across the business got together to talk about how we should respond. It was a great illustration of our collaborative approach.”

Another illustration of the company's emphasis on employee contributions is the Graduate Management Development Programme which places employees in different areas of the business for 7 to 13 weeks over the course of the programme. Employees thus familiarize themselves with the entire business process and are prepared for management roles in business units within two years. Another example of how Achilles seeks to empower its employees is its involvement with the Outward Bound Trust. The company regularly sends staff on the trust's training courses and has become a corporate sponsor. In July 2006 Achilles funded a five-day outward bound trip for children from inner-city primary schools and sent three graduate trainees to work as volunteer instructors with the children. The graduate scheme and support for Outward Bound Trust activities suggest that Achilles invests in staff and recognizes the value of accessing latent skills and experiences.

While this reflects an identifiable Achilles "ethos," the company has taken advantage of emergent structures to ensure diversity. In particular, the staff handbook is a tool to standardize recruitment and HR policies:

"The handbook contains information about the company's principles. We've tried to embed what our values and culture are and we want to recruit people with the kinds of principles Achilles is upholding. But we're also trying to give people opportunities within Achilles and make those opportunities available across the group."

Head of Human Resources, Achilles

The handbook is an internal reflection of how the company seeks to address business challenges through combining a consistent global approach with locally informed solutions.

"We want to run a simple straightforward business, not to overcomplicate things through a complicated organizational structure. We want to be consistent in the way we manage people... Obviously we want to comply with each jurisdiction where we work, but we want to go beyond that and set minimum standards in the way we manage people."

Head of Human Resources, Achilles

During 2006, a grading structure for all posts within the company was introduced and policies on HSE and diversity were developed, along with grievance and disciplinary procedures. All these elements were drawn up in consultation with the global business units in different countries. The policies set the "minimum standard" for the group, but are adapted in each country to meet specific local responsibilities and priorities.

"We've used the Global Compact as an opportunity to review our procedures and make sure we're doing everything we should."

Head of Human Resources, Achilles

Employees have participated extensively in the Handbook's preparation. Their awareness of its content therefore enables them to inform and encourage new employees of its contents and the actions required of each employee.

Policies and strategies

Achilles' website and marketing materials clearly articulate the company's policy of encouraging CR in supply chain management. This commitment is made clear on the company's home page:

"Achilles' supplier management schemes improve the efficiency of the procurement cycle while promoting health and safety, environmental management and wider corporate responsibility in the supply chain."

The website also has a dedicated CR area, with links to clients' websites that reference Achilles' work in the area. Achilles' "CSR brochure" also features on the website. This provides examples of the "benefits, capabilities and experience Achilles can bring" to organizations seeking to manage CR risks across the supply chain. However, apart from the above information, little else is published about Achilles' approach to CR. This is perhaps inevitable, given its focus on embedding CR within day-to-day operations: Its CR work is an evolution of existing activities and is therefore not strongly articulated as a separate area of work. It also reflects the company's reluctance to present itself as a "CSR hero," as discussed in "Resources" below. Likewise, it is also not surprising that Achilles' customer-focused approach to service delivery translates into flexible CR responses that vary between sectors. As articulated by a number of interviewees, Achilles is well placed to recognize the differing motivations and understanding of CR in diverse sectors:

"Different industries demand different information. The rail industry is very focused on safety critical information... They're looking at risk assessment... Oil and gas are focused more on quality."

Marketing Manager, Achilles

This results in different responses from Achilles on a sectoral basis. As documented elsewhere, the UK utilities industry has traditionally been preoccupied with health and safety issues, which drove the development of Verify. More recently, the increased awareness of human rights and labour standards, which largely stems from observing the experiences of other industries, has driven the inclusion of questions based on the relevant Global Compact Principles in the UVDB database. By contrast, the North Sea oil and gas industry has responded with less urgency:

"We were asked by a number of oil and gas companies to consider setting up a corporate responsibility database. We ran a consultation process with suppliers who supply products and services to the North Sea Oil & Gas sector and we had a number of responses questioning the need and the timing for this. In some cases it was questioned if it was needed at all in a heavily regulated region."

Head of Group Services, Achilles

Consequently, Achilles work with the oil and gas sector has been more focused on awareness-raising among buyers and suppliers. This flexible approach fits with what one interviewee termed Achilles' approach of "identifying local solutions for global problems."

However, the increasingly international debate about supply chain CR is likely to result in more convergence of approaches in future, both between sectors and between countries. A recent example of this is the GeSI/EICC initiative for the ICT sector. As outlined below, this project seeks to improve CR performance among ICT suppliers and is based on a single questionnaire used by suppliers anywhere in the world.

A common element between the CR services provided within these diverse industries is a focus on improvement rather than monitoring. Both purchasers and suppliers recognize that increased auditing can lead to a “policing” approach to CR, with a resulting focus on problems and reputation harm rather than solutions and community contributions. By contrast, the collaborative approach aims to secure cooperation not only between purchasing companies, but also between purchasers and suppliers. Consequently, the focus is on asking questions enabling suppliers to demonstrate their compliance with international standards, including the Global Compact.

“When we talk to suppliers about the Global Compact and corporate responsibility, we’re always telling them that they’re probably doing a lot of this already, it’s just that now it comes under a different banner.”

Utilities Sector Manager, Achilles

Suppliers that need to improve or document their CR commitment can attend workshops and access support materials regarding how to demonstrate progress. This focus on improvement rather than monitoring is more productive but depends upon the validity of any data supplied:

“Our aim is to have a common standard. We ask basic questions and ask suppliers to back up their answers.”

Chief Executive Officer, Achilles

Like all information on UVDB and other services, CR information provided by suppliers is only made available to purchasing companies and cannot be accessed by their competitors. Without such documentary validation, the data stored has no credibility. Suppliers on the UVDB currently submit documentation to support their answers, but will in future be externally audited as well. Achilles’ status as a neutral third party becomes especially important, but is potentially problematic, not least because Achilles has moved from being a service provider to becoming a member of the communities it serves. On the one hand, it is important the company retains its neutrality to build up credibility in the CR context. On the other, if it wishes to be a “thought leader” and encourage companies within its sphere of influence to become more active in addressing CR challenges, it runs the risk of compromising that same neutrality. The company therefore needs to collect and disseminate credible data, which enables it to preserve its integrity and neutrality. This dual-role challenge is recognized by Achilles’ management team.

“Most suppliers would inevitably prefer not to have to pay to have their information made available to our buyer customers, so we’re aware we need to offer value to the supplier community. We have to demonstrate to them that the

systems are being used by the buyers. But we believe there is still an inherent value to the suppliers under our model.”

Company Secretary, Achilles

In other words, the company is careful to place the responsibility for driving CR developments in the hands of its customers. One participant talked of giving companies access to the tools needed to make an educated decision. These include information on developments in other sectors and countries. In order to stimulate debate and identify the key CR challenges for purchasers and suppliers, Achilles has established the Oxford-Achilles Working Group on Corporate Social Responsibility, a joint venture with the University of Oxford’s Saïd Business School (see “Resources”). While Achilles has apparently identified its role, the way in which its customers address their respective challenges is clearly determined by the customers themselves. The benefit for Achilles is that it can take its experience from one sector to another. For example, the global GeSI/EICC E-TASC initiative brings new demands in terms of the level of service required:

“E-TASC is the first Achilles service that is truly global in nature. Demand for the database and for its integral service support stretches right across the globe. Our offices in the US and Hong Kong have had to get engaged. Our other offices may need to get involved in supporting [ICT] customers in their region... This might also create a need for new offices in other countries.”

Head of Group Services, Achilles

Resources

To date, Achilles has not created a separate CR department, rather it seeks to durably integrate CR within existing activities, services and operations.

“Our approach to corporate responsibility is laid out in our draft CR policy, which is a single page. There’s no single department responsible for all CR issues throughout the company. It should be inherent in everything we all do and in the way we all work.”

Company Secretary, Achilles

The advantage is that CR activities are being incorporated into employees’ day-to-day work, thus ensuring a wide base of employees shaping the development of Achilles’ CR strategy. The incorporation of CR activities also facilitates the transfer of learning between employees involved with different sectors:

“We set up a separate team [to develop the GeSI/EICC service]. But the leaching out of awareness about corporate responsibility issues across the company is hugely important.”

Head of Group Services, Achilles

This approach faces two potential challenges. On the one hand, the assumption of the CR function by employees limits the use and contributions of external CR professionals. Achilles has addressed this concern by creating an internal role for a CSR Business Analyst, who will co-ordinate the response to challenges and opportunities created by CR. A former graduate trainee will thus become the main internal CR resource, providing support for managers across the group and building up Achilles' knowledge of the key issues and actors in the CR arena. On the other hand, the use of an integrated approach means multiple actors are involved across the company and CR-related activities and impacts are difficult to isolate and measure. However, this is not necessarily undesirable:

“You need to embed CR in the wider way you do business. It's not a separate piece of the jigsaw and this is the way most people will come to look at it... If there was no business interest, we would still wish to do this. We see a big advantage. The Global Compact creates a huge opportunity for us to get our own house in order.”

Chief Executive Officer, Achilles

However, it is then difficult to market Achilles specifically as a “CR service provider.” One interviewee explained this reluctance as stemming from an instinctive suspicion of “people or companies that stand up and say they are CSR heroes.” Achilles' response has been to build its CR reputation through both “tried and tested” and novel channels. Firstly, it has taken the matter-of-fact approach of the service provider:

“People have just got to learn it and apply it. It's essentially a training issue. Companies just have to take a few sensible steps.”

Chief Executive Officer, Achilles

Secondly, Achilles is building its reputation in CR by sponsoring the Oxford-Achilles Working Group on Corporate Social Responsibility. Conceived as a way to build up the knowledge base about CR, this joint venture between the company and the University of Oxford's Saïd Business School comprises a series of academic lectures and public seminars, along with published white papers and case studies on CSR.

The incorporation of CR questions into existing or new services, supplier training and the relationship with the Working Group on CSR are all clearly manageable using existing financial and human resources. However, the auditing and validation of CR information, which is crucial to establishing its credibility, presents a challenge in terms of resources as experienced external auditors will need to be recruited and managed.

Innovation and process

Clearly Achilles has adopted a practical approach, supporting companies' efforts to operationalize CR within their existing supply chain management systems. Collaboration enables companies to share experiences and develop an industry-wide approach to measuring suppliers' CR commitment. This standards-based focus is advocated by the Global Compact, the Global Reporting Initiative and other projects as offering the best

way to create transparent CR measures that facilitate comparison across and between sectors. Nonetheless, in order to secure the widest possible agreement across a particular sector, the CR questions selected will necessarily be those that will be acceptable to all and will therefore not go as far as some companies would like, as demonstrated by responses from two of the companies interviewed.

In addition, questions in the UVDB must comply with EU procurement legislation: Companies cannot be pre-qualified on the basis of their answers to CR questions that may or may not relate to their ability to carry out a particular piece of work. Achilles' solution is to use the structure of the UVDB service to offer a three-stage approach. Firstly, all suppliers must answer the UVDB's CR questions and produce evidence as part of their annual update. Buyers can use this information to assess suppliers but not to exclude them. Secondly, specific questions will be asked of suppliers of products and services identified as potentially "high risk;" thirdly, templates will be developed to enable purchasers to ask specific questions of suppliers where justified by the product or the individual contract. This three-stage approach will ensure compliance with existing legislation and facilitate benchmarking.

"The work we've done ... has been quite cutting edge. We're taking organizations and moving them forward to the 'doing' stage. The time for attending conferences is at an end: Now it's time to do something."

Chief Executive Officer, Achilles

However, it is also a time-consuming process.

"The most frustrating part is how long it's taken [to progress action within the CSR Working Group]... It's difficult to get people together and getting agreement is difficult. We didn't want to live with the risks for any longer than we had to."
Procurement representative, UVDB member company

"It's not moved quickly and that's been frustrating. There's been a lot of discussion even around what human rights mean. It's at the beginning, like the early discussions that happened about environmental issues in the supply chain."
Procurement representative, UVDB member company

"For the first 12 months or so it was largely a discussion forum. It was difficult to crystallize into tangible actions."
Utilities Sector Manager, Achilles

Consequently, a number of utilities have since developed their own questions to speed up the incorporation of CR within their supplier management system. Some have also looked beyond the Achilles community to gain access to best practice: Both Eon and South West Water have actively approached competitors and suppliers. However, both companies also acknowledge the value of the networks they have developed through membership of UVDB. The questions developed internally are informed by and compatible with those under discussion by the CSR Working Group.

“It’s been important to us to be part of that group and to be able to influence it. We’ve helped shape the questions that have come out of it. We wouldn’t have developed our own questions as quickly had we not been a part of it. It was very useful to have access to that expertise.”

Procurement representative, UVDB member company

Impact on people

As outlined above, the increased CR focus is consistent with the values and principles of the company. Consequently the impact on employees has been to confirm rather than challenge their understanding of the company:

“We always want to improve things in the way we manage the business. But the [Global Compact] hasn’t had a revolutionary impact... We’ve used the Global Compact as an opportunity to make sure we’re doing everything we should.”
Head of Human Resources, Achilles

The CR focus has coincided with the company’s expansion, growing from 40 employees in the UK and Norway in 1996 to almost 300 across 20 countries. This growth has brought challenges that have impacted the measurement and communication of CR activities.

“Communication is an issue for us as a growing organization. We have always tried to cascade information and will increasingly rely on that process through our new regional structure. Cascading information is a key management activity and some are better than others depending on their management style.”
Head of Human Resources, Achilles

While the CR work is seen as coherent with Achilles’ vision and strategy, for some staff it is integral while for others it is a novel add-on to other services. One respondent suggested that people in support functions see Achilles as a service provider, whereas managers emphasize its thought leadership. These different perceptions are perhaps inevitable as the firm repositions itself. The decision to undertake a branding review in 2006 recognized the need to work towards developing a new consensus on how people view the company both internally and externally. In fact, the overlap between the company’s role as procurement service provider and CR thought leader may have enabled the company to better manage the differing needs of procurement and CR professionals within its client companies, mitigating potential tensions between the priorities of the two functions:

“We’re clear that we’ve got to incorporate corporate responsibility into our procurement practices. There’s a strong basis in our procurement department... Some of the biggest problems in terms of corporate responsibility come from the supply chain so we have a big influence on how the company’s CR policy is developed.”

CR representative, UVDB member company

Impact on value chain

Both Achilles and the utilities agree that Achilles' CR activities have not affected the nature of its relationships with external stakeholders, primarily because Achilles' commitment to the Global Compact reflects an extension of existing values and practices within the organization.

"It's made us focus on the things we should be focused on... Joining the Global Compact has pushed us down the road of doing more."

Chief Executive Officer, Achilles

However, this commitment to the Global Compact will likely strengthen the company's existing role as an intermediary between buyers and suppliers. Despite the challenges presented by the collaborative approach, especially the time taken to secure resources and agreement, the utility companies are highly supportive of the process and recognize Achilles' value:

"We are able to gather people together in the same room who wouldn't normally think about sitting and talking together... The steering group can raise standards through an industry."

Head of Marketing, Achilles

Combined with its ability to build CR awareness and capacity among suppliers, Achilles' role as facilitator influences not only its customers but also various other companies and organizations within the communities it services. Thus, utility representatives are currently seeking Achilles' help in integrating their national CR strategy within their company's international branches.

"We're part of a French operating company. The challenge for Achilles is how to realign itself with the global view that the utilities now have."

Procurement representative, UVDB member company

Despite these developments, Achilles continues to concentrate on markets offering the strongest opportunities for collaboration. It has thus not developed a utilities supplier management service in France, where the electricity industry has not yet been fully de-regulated. Achilles will hence need to be creative in addressing the increasingly global focus of supply chain CR. For example, Achilles should facilitate discussions between the chairs of the various national steering groups for the utilities industry:

"There have always been differences between different countries and different industries, but we now need to face the demands of globalization... and present our services in a more rational way."

Head of Marketing, Achilles

This global focus would offer Achilles the opportunity to facilitate CR benchmarking between companies at an international level.

Impact on society

Achilles' key stakeholders are its customers. The Achilles business model is stakeholder-led so companies' views are by definition incorporated into – and usually drive - the decision-making process. Decisions require active participation in the relevant steering group and working groups, such as the CSR Working Group. Groups meet quarterly, with regular e-mail contact between meetings.

Both Achilles and the utilities recognize that incorporating CR within the supply chain requires the support of suppliers in order to gain access to companies beyond the first tier. However, there is clearly variation among suppliers, both in terms of their understanding of and commitment to improving CR performance and their engagement with Achilles' model of supplier management. Some suppliers are supportive of the company's attempts to integrate CR management within its services, but others are sceptical of Achilles' motives. Nevertheless, Achilles and the utilities have worked to identify the potential impact of those developments and to incorporate suppliers' views into the decision-making process. This has mainly been accomplished through informal means, such as the utilities CSR conference in 2005 or supplier training sessions. Individual utilities have also formally involved suppliers through their formal stakeholder engagement processes. The supply chain mapping exercise (see the "Timeline of developments" section) also offers a way to gather feedback from suppliers on the likely impacts of addressing their CR capabilities and performance. Supplier support is significant to this exercise as it is the suppliers not the utilities who provide access to those companies further down the supply chain.

Reporting and communication on progress

Reporting and communication relies on a cascade model, both within Achilles and the utility companies. Within Achilles, developments are communicated informally and via regular e-mails across the group. For the utilities, representatives on the steering group and working groups report back to their companies and this information filters down through the relevant hierarchy. It is still too early to assess results and the extent to which these are being communicated across the participating companies. However, participants from the utilities mention high-level support within their respective companies for pushing CR up the agenda. One company in particular has stated its ambition to be the highest ranked utility in Business in the Community's CR Index, meaning that it is likely to prioritize reporting and communication.

ICT Supplier Self-Assessment Questionnaire, E-TASC

As discussed elsewhere in this report, E-TASC encourages continuous improvement in CR performance across the ICT supply chain by helping companies collate and manage their CR information through an online supplier questionnaire that helps subscribing

companies identify any labour, ethical, health, safety or environmental issues that may require more in-depth assessments or audits. The questions uphold the Global Compact Principles and companies are asked to provide evidence to support their answers⁴. Achilles became aware of the GeSI/EICC tender through its relationship with TwentyFifty Limited. It responded to the call to tender in June 2005, became the “preferred supplier” in September 2005 and was awarded the contract in April 2006. Achilles’ successful bid demonstrated the strength of its reputation in supplier management and confirmed the extent to which its business model could cross-over into the CR context.

The development of the GeSI/EICC service demonstrates a number of similarities with the incorporation of CR questions into the UVDB. Firstly, both initiatives used Achilles’ preferred collaborative approach. The ICT initiative built on existing discussions not only within GeSI but also with member companies of the Electronic Industry Code of Conduct, which released a common set of environmental and social standards in 2004. Given the fiercely competitive nature of the ICT industry, the collaboration between them represented not only a practical but a symbolic step.

“To get all these people in the same room and for them to stay actively engaged for three days shows a real will to do something [about raising standards across the supply chain]. It was encouraging and enlightening.”

Head of Group Services, Achilles

Secondly, as with the extension of the UVDB, Achilles adopted a low-key approach, emphasizing that the companies themselves were driving the database’s development. The structure of the database therefore reflects the companies’ concern about giving away any possible competitive advantage: For example, member companies cannot see information on each other’s supply chains.

This concern about potential competition lies behind a number of differences between E-TASC and the CR element of the UVDB. Most significantly, E-TASC is exclusively CR focused and there are no plans for it to be developed into a sourcing tool. It was conceived and developed exclusively to enable ICT companies to manage their CR information and drive improvement across the supply chain. While this might potentially limit how the tool could be developed in future, it also represents an alternative model for Achilles to develop in other sectors, an idea that is supported by the ICT companies themselves. Secondly, the database’s exclusively CR focus has created an expectation that it should be a “not-for-profit” enterprise. While the not-for-profit approach has been adopted elsewhere (for example by Fair Factories in the US and by UK organisation Sedex, which runs an ethical supply chain database for the retail sector), clearly Achilles’ ability to develop and expand this model depends on its commercial viability.

There were also differences in the management of the two projects. The work with the utilities was managed within UVDB’s existing infrastructure: The steering group identified a need for a common approach to CR monitoring within the supply chain and set up the CSR Working Group, which devolved particular activities to the UVDB team within Achilles. By contrast, the ICT initiative was managed as a separate project, with a team

⁴ See www.gesi.org or www.eicc.info.

of 5 full-time members put in place under the leadership of the Head of Group Services. These approaches reflect the differing origins of the initiatives. However, the existence of a designated project team, characterized by clear lines of authority and responsibility, meant the ICT project developed significantly faster, going from submission of tender to launch in 18 months.

I would prefer to see the comparison between ICT and UVDB within the discussion of UVDB and the defining characteristics/learnings from UVDB. The idea behind presenting the ICT service separately was to enable an element of comparison, while not interrupting the discussion of UVDB. Consequently, there are a number of references to the ICT service within the main discussion, but the details and process have been kept separate.xx

Conclusion

It would be helpful if the below conclusions were further explained throughout the case study.

This section pulls together points embedded within the case study e.g. point 1 on “collaboration bringing benefits” is a theme returned to in several sections within the main body of the report. In other words, the idea behind the section was to summarise the key learning for people who might not otherwise read the whole case study, hence we’d like to leave it in if possiblexx.

Achilles’ experience of integrating the Global Compact Principles into supply chain management in the UK utilities sector generates four main areas of learning for other companies and industries.

1 Collaboration among competitors brings benefits across the supply chain

Achilles’ experience demonstrates that the industry-wide collaborative model works both in sectors with a history of cooperation (like the UK utilities sector) and in highly competitive sectors (as telecommunications) because it allows participating companies to gain added value, manage costs, share best practices and establish long-term partnerships. It also generates support among suppliers, as it ensures consistency and limits duplication. Supplier cooperation can be increased by emphasizing improvement rather than monitoring, as well as facilitating their incorporation of CR policies. Collaboration between competitors and between purchasers/suppliers is crucial to drive CR initiatives down the supply chain, since companies further down the supply chain can only be reached through the cooperation of first-tier suppliers.

The collaborative approach can be slow and frustrating for participants, yet commitment can be maintained by managing expectations about timeframes and outcomes and ensuring clear leadership at all times. Thus, decisions should be taken on a collaborative basis, whereas one individual should be given ultimate responsibility for ensuring those decisions are implemented. In addition, collaboration entails compromise. One participant noted that their company’s CR priority is lowering carbon emissions, while the CSR Working Group has to date given precedence to human rights and labour

standards. However, collaboration also brings an opportunity for shared discussion and learning, which can result in a realignment of priorities.

2 The collaborative approach is commercially viable

Achilles' model has proved commercially viable, first in procurement, then HSE and now in CR. This is especially significant due to current challenges about the sustainability of increased corporate responsibility. Achilles presently faces little competition and its closest competitors are not-for-profit organizations in the UK and US. Service providers should heed the message that integrating CR across supply chains through an industry-wide approach can work commercially and provide a starting point for other services. It also brings opportunities for smaller firms to have an influence that belies their size. Likewise, those industry sectors yet to explore working with competitors should consider that such an approach can both increase standards across the board and provide a platform from which individual companies can develop a competitive advantage in terms of their individual CR strategies.

3 CR strategies should have a clear basis in recognized international standards from the outset

Growing public interest in global supply chains' CR has created the necessary awareness to CR-related challenges. Suppliers thus need to develop concrete tools enabling them to address those challenges in a quantifiable and consistent manner across countries and sectors. CR activities have been criticized both by NGOs that believe they do not go far enough and by businesspeople who question their value and sustainability. International standards, as the Global Compact, provide companies with an international benchmark to demonstrate commitment and measure performance. Companies are thus encouraged to take a global approach to CR, and service providers like Achilles need to develop solutions that are equally international in scope.

4 Effective management of supply chain CR depends on looking beyond a risk management approach

Much of the current supply chain CR debate views supply chain CR as a risk management issue. Not surprisingly, procurement and CR policies often conflict: a buyer's best intentions can be undermined when faced with tough choices and limited budgets. This case study suggests that CR and procurement policies can be complementary not contradictory, suggesting that only by embedding CR strategy within day-to-day procurement practices can a company secure sustainable improvements in its supply chain management.

The development of this shared vision requires the active participation of CR and procurement professionals. Creativity may be required to gain commitment from different parties. In this case, the procurement actors signed up on the basis of past experience of working with competitors and Achilles via the steering group mechanism. The CR actors were unfamiliar with Achilles and the steering group system: The involvement of a third party with an established reputation in CR (human rights consultancy TwentyFifty

Limited) was instrumental in securing their participation. Consequently, the collaborative approach relies on recognition of the strengths and weaknesses of potential participants and a willingness to draft in external support where necessary.