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# THE EFFECT OF THE SOCIAL AUDIT METHODOLOGY SMETA ON AN INTERNATIONAL BUSINESS AND ITS SUPPLIERS.

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- A case study based on an international business -



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## Glossary

<b>Evaluation</b>	The process of judging something's quality, importance, or value (Evaluation, n.d.).
<b>Sedex</b>	Nonprofit membership organization and founder of SMETA.
<b>SMETA audit</b>	Social audit based on the SMETA methodology.
<b>SMETA methodology</b>	Sedex Members Ethical Trade Audit methodology.
<b>Social audit</b>	A formal review of a business' procedures and code of conduct regarding social responsibility and the business impact on society. An assessment of how well the company is achieving its goals set for the social responsibility (Kenton & Murphy, 2019).
<b>Social indicators</b>	Measures that describe the well-being of an individual or a community (NOAA Fisheries, 2019).
<b>Social performance</b>	The measurement of how well a business has translated its social goals into practice (CGAP, 2018).



## Preface

I, Lisette Pruis, am a fourth year student of the International Food Business program at the Aeres University in Dronten. In order to complete the program successfully, I wrote a thesis, which is included in this document. Based on the research proposal, all feedback from the three assessors is incorporated into this research.

The main topic of this paper is the social audit, as social issues have always been an interest of mine. I am very aware of the comfortable position I am in and the many opportunities I have, just because of the place I was born. The fact that so many people are not in the same situation has always been a struggle for me to accept and is one of the reasons that the focus of my thesis is on a topic related to social issues, namely the effect of social auditing. Social auditing made me realize how blessed I am, and that I want and need to be grateful for everything I have and for what I am able to do.

Besides that, I would like to use this opportunity to thank all the persons who were involved in the process of writing my thesis, as without them I would have not be able to complete it. The first person I would like to thank is the supervisor at the company where I was able to write my thesis. She was always available to support me and help me whenever I needed her. The second person I would like to thank is Mr. Medema, who has directed me through the process of writing the thesis, with all its difficulties. He was the person to help me take back control and guided me to the right track. He encouraged me to keep going and motivated me to push further. I would also like to thank my parents, who have been very supportive. Last but not least, I would like to thank the suppliers who were very helpful and willing to participate in the interviews. Unfortunately, the two NGO's I contacted were not available for comments.

I truly hope to enrich your knowledge about social auditing, especially about the effect of the social audit methodology SMETA on the business LUX and its suppliers.

I hope you will enjoy reading the thesis as much as I had while writing it.

Lisette Pruis

Dronten, September 2019

## Summary

In order to reduce social issues, the social audit was introduced, along with social audit methodologies. However, the effect of the social audit, or the social audit methodology, is still unknown, because evaluation methods with clear variables are not present.

The objective of this research was to show the effect of the social audit methodology SMETA and to introduce a hands-on approach in evaluating the social audit. The following research question is answered: 'What is the effect of the social audit methodology SMETA on an international business and its supplier?'

The results of the desk research and the semi-structured interviews support the conclusions made. The audit process approach did not have a significant impact on the effect of the social audit methodology SMETA, as this approach focused too much on the history and the audit process itself. However, it showed the scorecard used by the business to evaluate the audit. The results regarding the cost benefits approach were more helpful. The provided documents, guidelines and audit criteria are very helpful, clear and comprehensive. The influence of using the SMETA methodology on the reputation and image is very positive, as SMETA is highly recognized. The cost of using the methodology was identified as time, but is still acceptable. The bureaucracy is neither a cost nor benefit, but a weaker point, just like the platform on which the audit reports are uploaded. The cost-benefit equation is very positive and received the score of 4.33 out of 5.00. The influence of the SMETA methodology on the social and community indicators is also positive and received a 4.29. The interviewees saw the most improvements in the working conditions and labour standards. In addition, results showed that SMETA methodology is very effective. There was little improvement seen in the living conditions, which received the lowest score of 3.83.

The recommendations are focused on the target group Sedex, the business LUX and its suppliers. The most important recommendation to Sedex is to improve the user-friendliness of the platform by adding a time line regarding the progress of the facility. To the business LUX it is recommended to communicate and modify the internal scorecard in order to have more control on less improved requirements of SMETA, such as the living conditions. To the suppliers it is recommended to stay up to date with the policies and to keep improving the conditions of the workers.

# 1. Introduction

Social issues, such as poverty, inequality, human rights, health and safety, and pollution have been around for a long time (United Nations, 2019). Governmental organizations, non-profit organizations, and businesses are called to find solutions to these social issues around the world, especially in developing countries. Governmental organizations try to solve the social issues by implementing stricter laws regarding pollution, while other organizations, such as the International Labour Organization (ILO) and the Ethical Trading Initiative (ETI) are devoting themselves to the promotion of justice by creating comprehensive labour standards in order to improve the working conditions of every and each employee. Also businesses are seen as responsible organizations to solve, or at least reduce the severity of the social issues. Therefore, businesses have adopted and implemented voluntary social standards to prove their commitment to society, as well as to improve their actual practices and their reputations. Social standards, such as the Social Accountability 8000 (SA 8000) and AccountAbility 1000 (AA 1000), are directly addressed to the business and are implemented to improve the practices of the businesses (Kolk & Van Tulder, 2010). In order to verify the implemented standards, social audits are conducted. Social audit methodologies have been introduced during the past years with the aim of helping businesses conduct their social audit. The social audit methodology sets the rules, guidelines and criteria of the social audit in order to conduct the same audit and to be able to compare the outcomes. A popular social audit methodology is the Sedex Members Ethical Trade Audit (SMETA). This methodology was created by Sedex and introduced in 2001. Over the past seventeen years the organization has grown rapidly and has over 50,000 members, including Lidl UK, Mars Inc., Nestlé, and Tesco (Sedex, 2019a). Still, little research is found about SMETA, or social audits in general. However, the researchers found focus on the results of social audits that are using the Ethical Trading Initiative or SA 8000 (Jubb, Ryan, Eliwa, & Ritos, 2018) (Anisul-Huq, Stevenson, & Zorzini, 2014) (Barrientos & Smith, 2007) (Kortelainen, 2008). Or on the overall question if social audits improve the working conditions of the workers, yes or no. However, not one research included the now popular social audit methodology SMETA, while quite a few important companies are connected to it. Furthermore, no research took a closer look at social audit methodologies, which is what a social audit can be based on and therefore just as important. It is not known if social audit methodologies are as useful as they claim or if they have an effect at all (Beschorner & Müller, 2006). Therefore, this paper will research the effect of the social audit methodology SMETA.

In order to research the effect of the SMETA methodology, the paper will evaluate the SMETA methodology according to three approaches gathered from Buchholz's five types of evaluation. In addition to the three approaches, the paper will use a case study about the international business 'LUX' and its suppliers. 'LUX' is a well-known company and purchases toys for their products. The company implemented this methodology in order to stay in compliance with the internal code of conduct, internal code of ethics, as well as with customers, retailers and licensors' wishes. Besides the case study, the researcher will interview one NGO to add an external opinion about the SMETA methodology.

The research will focus specifically on the SMETA methodology, as this is the methodology used by the contacted business and suppliers. Researching the effect of the social audit methodology SMETA will enhance the common knowledge about social audits, especially about the social audit methodology SMETA. Furthermore, this research will explore the usage of a structured evaluation method. The experience of the international business LUX, its suppliers and a NGO will support this research to find out what the effect of the social audit methodology SMETA is.

The content of the SMETA audit includes four pillars, which are labour standards, health and safety, environment, and business ethics (Sedex, 2019b). Each pillar consists of detailed requirements that the business and supplier should meet in order to have a positive result. Table 1 presents the SMETA audit content, in which the first column presents the four pillars, while the second column presents the requirements

*Table 1. The 4-Pillar audit content of the SMETA methodology (Sedex, 2019b).*

<b>4-Pillar Audit</b>	<b>Audit Content</b>
<b>Labour Standards</b>	<ul style="list-style-type: none"> <li>- Prohibition of forced labour / prison labour / child labour</li> <li>- Freedom of association / workers' representation</li> <li>- Compensation and benefits, including Living Wage</li> <li>- Working hours</li> <li>- Zero-hours contracts</li> <li>- Prohibition of discrimination</li> <li>- Regular employment</li> <li>- Prohibition of harsh / inhumane treatment</li> <li>- Universal Rights</li> <li>- Responsible Recruitment Practices</li> <li>- Entitlement to Work</li> <li>- Subcontracting and Homeworking</li> </ul>
<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>- Healthy and safe working conditions (site of work)</li> <li>- Healthy and safe living conditions (dormitories)</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>- Awareness of and compliance with legal requirement regarding environmental protection</li> <li>- Awareness of site's impact to the environment, and measurement of this impact</li> </ul>
<b>Business Ethics</b>	<ul style="list-style-type: none"> <li>- Awareness of legal and client requirements regarding the prohibition of bribery</li> <li>- Implementing of policies to prevent bribery and to facilitate whistleblowing in cases of unethical business practices</li> <li>- Any additional international and customer requirements/standards</li> <li>- Document Review site's ethical policies</li> <li>- Permits and Licenses legal, and customer requirements</li> <li>- Natural Resources Usage</li> <li>- Triangulation via Worker and Management Interviews</li> </ul>

More information about Sedex and the SMETA methodology can be found in Appendix A. Before researching the effect of the SMETA methodology, it is important to explain where the social audit came from and what the goal of social auditing is.

### 1.1. Globalization

People have always been trading; no matter how far back in time one goes. With trading, new worlds were discovered and globalization started. Globalization introduced many new products during the Age of Discovery, introduced new technologies after World War II, or, more recently, introduced the fast-growing cyber world, including the rise of e-commerce, digital services and 3D printing. These are all very impressive and great developments of globalization; however, there are always two sides to a story.

On the other hand, globalization caused the increase of pollution, the disappearance of the rain forest, the increase in economic inequality and social instability, protectionism, trade wars, and immigration stops (Vanham, 2019). In order to help stop these growing problems, non-governmental organizations started to make an appearance. The NGOs were not afraid to give their unsalted opinion about unfair practices. Many of the unfair practices related to the social issues mentioned before. Especially, countries such as China and India are facing many social issues and have many people living in poor conditions. Furthermore, the government is often not showing enough concern and is not doing enough to improve the lives of its inhabitants (Knight, 2012).

The laws, or better said the lack thereof, were, and are still, not protecting the people. Businesses took advantage of the situation and moved their production facilities to countries where the local laws were not as strict and where the resources, such as labour, were much cheaper. First, there were only big profits and not many concerns, but this lasted only so long. The NGOs became aware of the unfair practices and started campaigns against the big multinationals (Moura-Leite & Padgett, 2011). Especially, the workers' rights became a high point on the agenda (Jubb et al., 2018). The public expected more transparency about the origin of the products on the shelves, the type of raw materials used, the way of producing, and who were involved in the production process of the product. Customers became more concerned about the working conditions and questions arose. Most of the questions related to the usage of child labour, and the impact on the environment during the production of the products (Cochran, 2007).

International businesses started doing good deeds to please the public, which were the beginnings of the corporate social responsibility, and a step closer to the introduction of the social audit.

## 1.2. Corporate Social Responsibility

'Corporate Social Responsibility', shortly written as CSR, is about the impact of the business' actions on society, as well as how these actions should protect and improve the welfare of society. Carroll defines CSR as the encompassing economic, legal, ethical and philanthropic expectations that society has of organizations. Carroll made this definition more practical with a pyramid based on his definition (Carroll, 2016). Figure 1 presents the pyramid, in which four categories, or responsibilities, are the foundations and framework of the business' responsibilities to the society it is part of (Carroll, 2016).



Figure 1. The CSR pyramid of Carroll (Carroll, 2016).

It is interesting that, although the third responsibility is called 'ethical responsibilities', ethical thoughts are present in all the responsibilities. For instance, in the economic part, it is required by society that a business is profitable, because without making profit the business would go bankrupt. However, the economic system thinks it is also ethically appropriate that the owners and/or shareholders merit a return on their investments. Ethical thinking is also applicable for the legal part, because most laws and regulations are created with some sort of ethical reasoning in order to make them appropriate. Ethical reasoning can support the fourth responsibility, as the company is doing its best to do the right thing. To be bold, all the responsibilities are coming from ethical thinking and therefore ethical motivation plays a very important role in CSR (Carroll, 2016).

In addition to ethical thinking, corporate sustainability is important within CSR. Corporate sustainability is important, because a business would not be able to survive without it, as it is essential to long-term success and it will assure that markets deliver value across society (United Nations, 2015). Most of the time, corporate sustainability refers to people, planet and profit. The following figure will show the relation between CSR and corporate sustainability, as well as introduce the social audit. Figure 2 shows the CSR in blue, and the sustainability in red including three pillars, which are social, environmental and economic, which are similar to the previously mentioned pillars of people, planet and profit. The figure also shows a blue arrow, which presents the impact of the practices of the business on the sustainability, as well as an orange line presenting the social audit (Rahim & Idowu, 2015).

A further explanation about the relations between CSR, corporate sustainability and the social audit is given below figure 2.

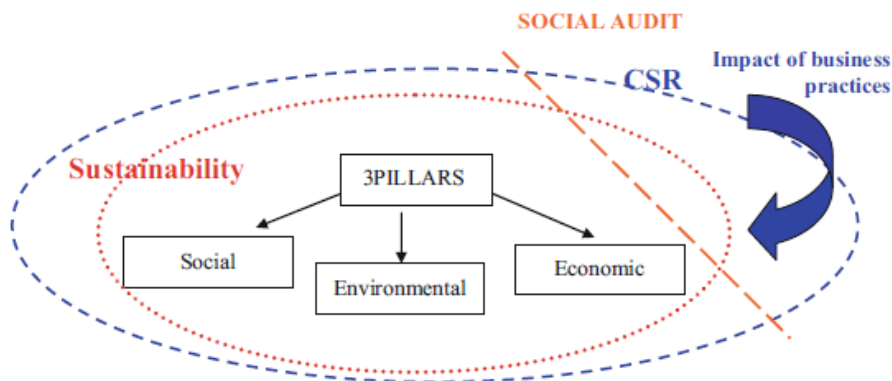


Figure 2. The social audit related to CSR and corporate sustainability (Rahim & Idowu, 2015).

As can be seen in figure 2, the CSR is the umbrella of verifying the impact of business practices on sustainability, in which there are three pillars, social, environmental and economic. In figure 2 it seems as if the social audit verifies the impact of these three pillars, which is partly true because, the social audit is mostly focusing on the social and environmental impact of the business, not necessarily on the economic impact. The social audit could verify if the workers are receiving the minimum wage set by the law, but mostly not more than that (Rahim & Idowu, 2015). An interesting case that shows this theory is what happened with Nike.

Nike received criticism because of its sourcing activities for its products from countries where low wages, human rights issues and poor working conditions were prominent. As a result, and to save name, Nike was pressured into adopting codes of conduct specifically designed to ensure acceptable working hours, wages and working conditions in their supply chain.

However, just implementing the code of conduct was not enough, because the public demanded that Nike started to provide proof of implementing their code of conduct at the production facilities abroad. Nike tried to reassure the public by conducting internal social audits in order to have proof of the improved situation (Jubb et al., 2018).

As explained, ethical reasoning played a very important role in the establishment of CSR, which introduced the social audit. However, what exactly is a social audit and what is the purpose of it?

### 1.3. The Social Audit

In order to gain a better understanding about social audits, the study provides three definitions. According to Gerald Vinten (1990, p. 127) the social audit is:

*A review to ensure that an organization gives due consideration to its wider and social responsibilities to those both directly and indirectly affected by its decisions, and that a balance is achieved in its corporate planning between these aspects and the more traditional business-related objectives.*

Buchholz (1989) defines the social audit as:

*An attempt by an individual corporation to measure its performance in an area where it is making a social impact, an attempt to identify, measure, evaluate, report and monitor the effects a corporation is having on society that are not covered in the traditional financial reports.*

Investopedia (Kenton & Murphy, 2019) focuses more on the relation between the social audit and social responsibility. The organization defines the social audit as:

*A social audit is a formal review of a company's endeavors, procedures, and code of conduct regarding social responsibility and the company's impact on society. A social audit is an assessment of how well the company is achieving its goals or benchmarks for social responsibility.*

The first definition is more a working definition, while the second one focuses more on the measurement of the social impact. The third definition again shows the relation between the social audit and CSR.

The purpose of the social audit is to review the implemented codes of conduct, and to review the impact of a business on the world around it; the society. Furthermore, businesses use the social audit to maintain, or sometimes even improve, their reputation, or so-called public image. The social audit helps the company respond to social concerns, such as working conditions and equal treatment. Furthermore, the social audit encourages the business to report sustainability and CSR related information. Moreover, the social audit improves the credibility of the reports (Rahim & Idowu, 2015).

In order to conduct a social audit, a business and/or supplier could decide to use a social audit methodology to make the social audit easier and to increase the credibility. The social audit methodology provides documents with guidelines and criteria of the social audit, as well as the format of the social audit report. Furthermore, the methodology supports the business and supplier during the preparation of a corrective action plan. The goal of a social audit methodology is to support the business and/or supplier to increase the credibility, comprehensiveness, and simplicity of conducting a social audit (Tiron-Tudor, Dragu, Cordos, & Oprisor, 2015).

As written in the first section of the introduction, several methodologies have been introduced over the past decade, but how trustworthy and effective are social audit methodologies? In order to find that out, it is possible to measure and evaluate the social audit.

#### 1.4. The Measurement and Evaluation of the Social Audit

To research the effect of the SMETA methodology, the researcher looked into measurement and evaluation methods of the social audit. Unfortunately, not many studies were found tackling this topic, as measuring and evaluating the impact or effect of the social audit is still complicated. Measuring and evaluating the effect of the social audit is still complicated as there are no written agreements on the variables that should be used (Natale & Ford, 1994). Nonetheless, the literature research resulted in four measurement strategies and five types of evaluation, which are explained below.

The four measurement strategies identified are social performance disclosure; social performance reputation ratings; social audits, social performance processes, and observable outcomes; and managerial social performance principles and outcomes (Lu, Chau, Wang, & Pan, 2014) (López-Arceiz, Bellostas, & Rivera, 2017) (Orlitzky, Schmidt, & Rynes, 2003). Table 2 presents the four measurement strategies with corresponding explanation.

*Table 2. Measurement strategies for the social audit with corresponding explanation.*

<b>Measurement strategy</b>	<b>Explanation</b>
<b>Social performance disclosure</b>	Uses public information as a basis, including annual reports and letters to shareholders.
<b>Social performance reputation ratings</b>	Focuses on assessing a business' social performance behaviors.
<b>Social audits, social performance processes, and observable outcomes</b>	Similar to the previous approach. The behaviors include community service, environmental programs, and corporate philanthropy.
<b>Managerial social performance principles and outcomes</b>	Assesses the values and principles incorporated in the culture of the organization.

The first strategy, which is the social performance disclosure strategy, might be the most objective one, as tangible information is used. However, the strategy has the tendency to focus only on the profitability of the business, as it uses annual reports and letters to shareholders to gather data. This makes the strategy less useful to research the social performance of the business (Chen, Feldmann, & Tang, 2015) (López-Arceiz et al., 2017). The problem faced with the second and third two strategies is that it is difficult to compare the information. In addition, the information can be rather intangible and if the social audit process is not known, the comparison will not be feasible (Gao & Zhang, 2006). The last approach can be very subjective, as the evaluation of the values and principled is based on the perceptions of the person who does the evaluation (López-Arcei et al., 2017).

Besides the previous mentioned measurement strategies, the literature research also resulted in the five types of evaluation of the social audit. The list of Buchholz is about five evaluation types, which are the inventory approach, program management approach, process audit, cost-benefit approach, and social indicator approach (Natale & Ford, 1994). Table 3 presents and explains Buchholz's five types, in which the first column presents the type of evaluation and the second column the corresponding explanation.



Table 3. Types of evaluation of the social audit (Natale & Ford, 1994).

Type of evaluation	Explanation
<b>Inventory approach</b>	A simple listing and short description of programs which the firm has developed to deal with social problems
<b>Program management approach</b>	A more systematic effort to measure costs, benefits and achievements, “an extension of a traditional management audit to social program”
<b>Process audit</b>	Similar to the above approaches, but with more information over four phases, which are history and background, objectives, operations, and evaluation
<b>Cost-benefit approach</b>	An attempt to list all social costs and benefits with a common (monetary) denominator.
<b>Social indicator approach</b>	Utilizing social criteria (e.g. suitable housing, good health, job opportunities) to clarify community needs and then evaluating corporate activities in the light of these community indicators.

As can be seen in table 3, each approach of Buchholz is different in depth, as well as what aspects it is focusing on. The inventory approach is focusing on creating a list of the incorporated programs the company has in order to deal with social problems, while the program management approach is more focusing on the management involved and what the management costs, benefits and achievements are. The process audit is concerned about the processes, divided into four phases, which are the background and history of the audit, the objective of the audit, the operations of the audit, and evaluation of the social audit. The cost-benefit approach is concerned about the costs and the benefits generated from the social audit. Costs could include time, effort, energy, and money, while benefits could relate to the user-friendliness, the provided guidelines, and the improvement of the image. The social indicator approach is a little bit more complicated, as it uses the social criteria to clarify the community needs. Furthermore, it evaluates the related implemented activities of a company relating to the community indicators.

As read, it is still difficult to measure and evaluate the social audit, as there is no clear method or approach with clear variables to do it. Consequently, the effect of the social audit, as well as the social audit methodology, is not known very well and more research is needed. Therefore, this research identified the following knowledge gap.

### 1.5. Knowledge Gap

The knowledge gap identified relates to the question asked in the first section of the introduction, which was about the effect of social audit methodologies. A few research papers did evaluate the social audit, but those are not focusing on the effect of the social audit methodology, just on the non-conformities found. Besides that, the researchers of the papers found did not use a measurement or evaluation method and were not able to clearly indicate the used variables. Furthermore, those studies did not include the opinion and experience of a business or an external organization, for example an NGO. As the social audit, and therefore the social audit methodology, is an important and sensitive topic, more research should be conducted to make the evaluation of the social audit easier. This means that a well-structured evaluation method with clearly defined variables is necessary. Recognizing the importance and need of researching the effect of the social audit, this research will look at the social audit methodology SMETA. The SMETA methodology has been chosen as other researchers did not focus on this methodology, as well as that the business LUX and its suppliers use this methodology.

To close the knowledge gap about the effect of the social audit methodology SMETA, the following research questions will be answered.

## 1.6. Research Questions

### *1.6.1. Main question:*

What is the effect of the social audit methodology SMETA on an international business and its suppliers?

### *1.6.2. Sub-questions:*

1. What is the influence of the SMETA methodology on the social audit according to the four phases included in the audit process approach?
2. What are the generated costs and benefits of the SMETA methodology according to the cost-benefit approach?
3. What is the influence of the SMETA methodology on the social and community indicators according to the social indicator approach?

The purpose of the study is to find out the effect of the social audit methodology SMETA on the business LUX and its suppliers. In addition, an evaluation method is used to research the effect of the SMETA methodology and test if an evaluation method is useful to find the effect of SMETA. The goal of each sub-question is to find the effect of SMETA according to a different approach that covers a different scope. At the end, the answers of the sub-questions support answering the main question.

The study will be of interest for several parties. The first being the international business and its suppliers on which the study is focused on. The study will also be of interest to other businesses and suppliers that are considering implementing the SMETA methodology, as well as Sedex, as the evaluation will be about their methodology. In addition, the study will research the opinions of an external organization on SMETA, and the study will reflect on the evaluation approaches chosen. However, the main target groups are the international business LUX, the toy suppliers of the business LUX, and the organization Sedex. The results of the interviews will show how the business LUX and the suppliers think about SMETA, which will include valuable feedback for Sedex.

The hypothesis of this study is that the three evaluating approaches will show what the combined effect is of the SMETA methodology on the business and its suppliers. The expectation is that the methodology will have an overall positive effect, including a better image and better working conditions for the employees of the supplier. Furthermore, the expectation is that the usage of the evaluation approach will give a structured overview and will help to give clearer variables for future research.

## 2. Materials and Methods

The materials and methods chapter explains how the research took place. The research about finding the effect of the SMETA methodology consisted of secondary research and qualitative research, both further explained in this chapter.

### 2.1. Main question

***What is the effect of the social audit methodology SMETA on an international business and its suppliers?***

To answer the main question, secondary research and qualitative research were used. First secondary and qualitative research will be explained. Following the explanations, the use of both secondary and qualitative research will be further explained.

Secondary research is about using existing research, such as scientific journals, in a new research. Using secondary research will give this research the ability to compare the results gained with the new research with the existing research. Qualitative research is all about using new information and according to Denzin and Lincoln (Denzin, NK & Lincoln, YS, 2004, p. 2) qualitative research is the following;

*Qualitative research is multimethod in focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret phenomena in terms of the meanings people bring to them. Qualitative research involves the studied use and collection of a variety of empirical materials – case study, personal experience, introspective, life story, interview, observational, historical, interactional and visual texts – that describe routine and problematic moments and meanings in individuals' lives.*

Qualitative research uses case studies and interviews in order to answer the main research question. It helps the researcher to keep the focus on the research question, as well as on the aim of the research.

For this research about SMETA, the secondary research included the use of literature found about the history and background of SMETA and Sedex, which supported this research to get a better understanding about the organization and the social audit methodology. In addition to the literature found about SMETA and Sedex, this research used literature found about general results, benefits and losses of social audits conducted. The papers found that focused on the social audit were helpful to get a better understanding of the results found, as well as gave the ability to compare the results.

The qualitative part of this research included a case study to paint a clear picture of the effect of the SMETA methodology on one single case. First, it was planned to also contact other companies; however, this would take too much time and would complicate the research even more. One detailed case gave a clear enough picture about the effect of the SMETA methodology on the business and its suppliers. The case study was about a very well known international business, which for confidential reasons is called LUX. LUX is active in more than 150 countries and has more than 30,000 employees working for the company. The company had a revenue of €10 billion in 2016. LUX purchases toys for their products from approximately 25 different suppliers, located in Asia and Eastern Europe.

Semi-structured interviews were conducted to collect most of the required data. Semi-structured interviews gave room for a real conversation and gave the interviews more depth.

The interviewees were able to talk freely and gave interesting and valuable comments outside the asked questions, which was very useful for the research. Sub-questions 1 and 3 were answered by the usage of a combination of secondary research and qualitative research; sub-question 2 collected data according to qualitative research. The plan was to conduct eight interviews, one with the compliance manager of LUX, six toy suppliers of LUX and one non-governmental organization, preferably the Ethical Trade Code (ETI) or Impactt. Table 4 shows the chosen interviewees and their characteristics.

*Table 4. Interviewees and characteristics.*

<b>Interviewee</b>	<b>Characteristics</b>
<b>Compliance manager LUX</b>	In charge of organizing the social audits at LUX for more than ten years.
<b>Toy suppliers</b>	Performed SMETA audit between January 2019 and July 2019. Located in Eastern Europe and Asia.
<b>NGO ETI or Impactt</b>	Experience with social issues and social audits.

As table 4 shows, the compliance manager had more than ten years' experience with the social audits and was in charge of organizing the social audits with the SMETA methodology. Six toy suppliers of LUX were interviewed, which all performed a SMETA audit between January 2019 and July 2019. The study interviewed suppliers with different audit results, which prevented biased answers and increased the validity of the answers. Two of the interviewed suppliers were located in Eastern Europe, two suppliers in China, and two suppliers in India. The decision was taken to use two suppliers from each region in order to give a more balanced outcome of the toy suppliers of LUX. The Ethical Trade Code (ETI) and Impactt have been contacted. These organizations were chosen because of their many years of experience regarding social issues and social audits. An interview with an NGO gave the study more value, as it adds an external opinion about the SMETA methodology to this research and increased the validity. However, both organizations were not available for comments, which means no results could be presented.

The interview questions were written prior to the interview in order to give them structure. The prepared interview questions can be found in Appendix B. Prior to each interview, the researcher asked permission to record the interview, as this helped to keep the focus on the interview. The recordings were only used to process the responses given during the interview. The recordings were completely confidential and deleted once the responses were processed. The responses were processed as followed. First, the responses were summarized in word, which gave the possibility to identify the most important parts of the response. The most important parts were identified according to the relevance of the answer to the question asked. After summarizing the answer of each interview question in two to three sentences, the answer was coded according to identical terms used by the interviewee. Table 5 shows the table that is used to present the results of the interviews. As can be seen, the first column presents the interviewee, the second column the summarized response, and the third column the identical terms used by the interviewee.

*Table 5. Table showing results of interview.*

<b>Interviewee</b>	<b>Summarized response</b>	<b>Identical terms used</b>
<b>Compliance manager</b>		
<b>Supplier A</b>		
<b>Supplier B etc.</b>		
<b>NGO</b>		

During a big part of the interview, the interviewee was asked to give a score or grade, which made the results more tangible. The rating scale for the scores was one to five, in which one was the lowest and five the highest. A score range of five had been chosen because of its reliability and validity. According to existing research, the reliability of a score scale grows until the score range of seven. However, the bigger the score range, the lower the validity of the score range gets. In order to keep the reliability at an acceptable level, while not making the score range too long as the validity would decrease, the score range of five is acceptable for this research (Krosnick & Presser, 2010). The questions answered with a score were coded according to the score given by the interviewee. These results are displayed in a circle diagram in which the percentage indicates how many gave the same answer.

The qualitative research part also included Buchholz's types of evaluation in order to evaluate and research the effect of the social audit methodology SMETA. Buchholz's types were chosen as the other measurement strategies mentioned (see table 2) were too complicated and all of the strategies had to be used in order to have a valid evaluation. In addition, the measurement strategies had too many downsides, as written in the previous chapter. Buchholz's types were not that complex and easier understood, and not all the types need to be used in order to give a valid evaluation of the SMETA methodology. Furthermore, the types of Buchholz were easier to adjust in order to make them as suitable as possible for this study. Two types were eliminated and the name of one type needed to be adjusted. The following section explains the reasons behind these decisions.

The first approach of Buchholz's types was eliminated, as it focuses on the incorporated programs the business has in order to deal with social problems. This aim of this research was to find the effect of the SMETA methodology, which means that SMETA was the focus, not the other programs the business might have implemented. Therefore, the first approach was not useful and not included in the adapted version. The second approach was also not included, as this approach focused too much on the management aspect, which was neither relevant nor valuable to research the effect of the SMETA methodology. The name of the third approach was slightly adapted from 'process audit' to 'audit process approach'. This kept the titles somehow similar, as well as the applications. Table 6 presents the adapted and simplified model of the types of evaluation. Again, the first column presents the type of evaluation and the second column the corresponding explanation.

*Table 6. Adjusted types of evaluation of the social audit based on the five types of Buchholz.*

<b>Type of evaluation</b>	<b>Explanation</b>
<b>Audit process approach</b>	Covering four phases (history and background, objectives, operations and evaluation).
<b>Cost-benefit approach</b>	List of all (social) costs and benefits.
<b>Social indicator approach</b>	Utilizing social criteria (e.g. suitable housing, good health, job opportunities) to clarify the community needs and evaluating the corporate activities in the light of these community indicators.

The audit process approach researched and evaluated the SMETA methodology based on four phases, including history and background, the objectives of the methodology, how the methodology operates, and the evaluation of the audit. The cost-benefit approach looked into the costs included in the methodology, and the social benefits, such as time and user-friendliness. The social indicator approach focused on the social criteria, and the social and community needs. This approach took a closer look at the social specifications to indicate the social and community needs.

During the research about the effect of the SMETA methodology, the business, its suppliers, and the external organization were the focus of the study. This meant that the auditing firm or the auditor, which is always an external party and has an influence on the results of the social audit, has not been taken into consideration. The researcher was not biased to the SMETA methodology and therefore had no interest in a positive or negative outcome, which made it easier for the business and suppliers to talk freely and really give their opinion about the social audit methodology.

## 2.2. Sub-question 1

***What is the influence of the SMETA methodology on the social audit according to the four phases included in the audit process approach?***

The first sub-question used the audit process approach to evaluate the influence of the SMETA methodology on the social audit. As written before, the audit process approach covered four phases, including the history and background, the objectives, operations, and evaluation. The four phases gave a more general evaluation of the SMETA methodology, as it focused on the audit process as a whole. First, this sub-question looked into the history and background of the SMETA methodology, such as when and why it started, if and why it is a well-known social audit methodology, and how it developed over the past years. Documentation and attending a SMETA audit supported the researcher in answering this part of the sub-question. This means that the secondary research approach and the qualitative approach were used. The same applied for researching the objectives of the methodology SMETA.

After the objectives, the focus shifted to the operational and evaluation process. This part used qualitative research, as the study focused on finding out how the process works in practice. The compliance manager was able to provide more information about the operational process of using the SMETA methodology, as she had already attended and organized many audits based on the SMETA methodology. Furthermore, attending a SMETA audit supported describing the operational process. During the audit, the researcher followed the audit and took notes. However, the interview with the compliance manager was useful to elaborate on parts that were not clearly understood by the researcher.

The first part of appendix B presents the prepared interview questions, which were derived from the variables chosen for this sub-question. The chosen variables for the first sub-question were the history and background, the objectives, operation and evaluation of the social audit methodology SMETA. The expectation was that the result would present a clear overview of the phases the history and background, the objectives, operations, and evaluation of the social audit methodology SMETA. This would give the first overall impression of the influence of using the SMETA methodology.

## 2.3. Sub-question 2

***What are the generated costs and benefits of the SMETA methodology according to the cost-benefit approach?***

The second sub-question used the cost-benefit approach to evaluate the SMETA methodology. The cost-benefit approach focused on the benefits generated in relation to the costs. The benefits included the clarity of the provided documentation, the clarity of the guidelines, measurement criteria, user-friendliness, time consumption, bureaucracy, image influence, and the industry recognition. The costs were described as time, energy, money and effort. As explained before, the variables were rated according to a score. The scale for the scores was one to five, in which one is the lowest and five the highest.

In order to answer the second sub-question, the compliance manager and six different suppliers were interviewed. As explained before, the suppliers were located in Eastern Europe, in China and in India. The selected suppliers performed a SMETA audit between January 2019 and July 2019 and received different outcomes; some did a very good job during the audit and some did not have a very high score.

The second part of appendix B presents the prepared interview questions, which were again derived from the variables chosen for this sub-question. The variables of this sub-question and the corresponding description can be found in table 7.

*Table 7. Variables of sub-question 2.*

<b>Variable</b>	<b>Description</b>
<b>Procedures and guidelines</b>	Including the helpfulness of the documents and guidelines, as well as the measurement criteria.
<b>Time consumption</b>	Covers the overall time spent on the methodology.
<b>Bureaucracy</b>	The standardized procedures, the formal division of responsibility, hierarchy, and impersonal relationships and how the bureaucracy is getting better or worse while using the methodology.
<b>User-friendliness</b>	Includes the accessibility, usability, practicality, and simplicity of the SMETA methodology.
<b>Image influence</b>	The public perception.
<b>Industry recognition</b>	Indicating how well known the methodology is in the industry.
<b>Costs</b>	Including time, energy and effort.

The variables chosen were subjected to change, as it was expected that the variables could change during the interviews. This means that the variables worked as a framework to give direction to the research and the interviews. However, variables could have changed, disappeared or added as the study continued and more information was gathered. Allowing the variables to change gave this research the chance to grow more precise and accurate, as well as to end up with the most suitable variables. The interview questions were again based on the variables, which are presented in appendix B. The expectation of the second sub-question was that a clear demonstration could be given of all the generated costs and benefits of using the SMETA methodology.

## 2.4. Sub-question 3

### ***What is the influence of the SMETA methodology on the social and community indicators according to the social indicator approach?***

The third sub-question used the last approach, which is the social indicator approach. This social indicator approach focused on the social criteria and social and community needs. The approach evaluated the incorporated social and community needs within the SMETA methodology. To research the influence of the SMETA methodology according to the social indicator approach, the study identified six social and community needs. The six social and community needs, or the so called community indicators, were labour standards, healthy and safe working conditions, healthy and safe living conditions, awareness and compliance with legal requirements regarding environment protection, awareness of site's impact on environment, and business ethics of which the basis is coming from the audit content of the SMETA methodology (see table 1).

To research and evaluate the SMETA methodology according to the social indicator approach, the research looked into literature about the impact of the social audit according to existing researchers.



This decision was made to compare the results of this research with existing research and to show if the SMETA methodology had a similar impact or not, which supported writing the discussion part of this study. Using similar researches was part of the secondary research method. For the secondary research the following search engines were used, Google Scholar, Google Books, ScienceDirect, Springer, Emerald Insight, Wiley Online Library and the WUR Library.

The terms used were 'social audit benefits', 'social audit function', and 'social audit effect', as these combinations of words provided journals about the theoretical gain, benefit and impact of the social audit. However, in some cases a journal referred to the social audit using terms such as social sustainability or CSR performance. The journals used were not older than fifteen years and were written in English. The study did not take into consideration the industry in which the social audit had been conducted or which standard or methodology had been used during the social audit, as this limited the amount of journals available too much. The first journal found and used was the journal 'Social sustainability in developing country suppliers, an exploratory study in the ready-made garments industry of Bangladesh' (Anisul-Huq et al., 2014). The second article found and used was 'Do workers benefit from ethical trade? Assessing codes of labour practice in global production systems' (Barrientos & Smith, 2007).

As explained before, interviews also supported answering the third sub-question. However, for this sub-question the plan was to include the opinion of an NGO to give the research more depth by adding a second opinion. The researcher contacted Ethical Trade Initiative (ETI) and Impactt; unfortunately, both parties were not available for comments, which means that no results about NGOs are given.

The third part of appendix B shows the prepared interview questions, based on the chosen variables. The variables chosen include the 'labour standards', 'healthy and safe working conditions', 'healthy and safe living conditions', 'awareness and compliance with legal requirements regarding environment protection', 'awareness of site's impact on environment', and 'business ethics'. The identified variables for this study were coming from the audit content of the SMETA methodology, as shown in table 1. The expectation was that the answer would give a clear indication how and if the chosen variables are influenced by the SMETA methodology.

## 2.5. Limitations of this study

Due to the time given for this research and the resources available, there are some limitations for this study. The first limitation is that the study focused on one business and its suppliers, and no other businesses were contacted to find out their experience with the SMETA methodology, nor what the effect of using SMETA was on their business and suppliers. This means that the result could be biased because of the focus on one business. The second limitation of the study is that during the interviews, the researcher only talked with one worker of the supplier's site, which means that only one employee spoke on behalf of the entire site and that the perspective of the representative was taken as the truth. The third limitation of the study is that the evaluation approaches used for the study have not been used before, which means that the variables chosen might not be perfect and are subject to change. Furthermore, it is not possible to compare the usage of the chosen evaluation approaches with other researches, as those are not available. The fourth and last limitation is the limited existing data available, so not many different sources could be provided.



### 3. Results

This chapter presents the results of the data gathered from the literature review and the interviews. The main question of the research is:

***‘What is the effect of using the social audit methodology SMETA on an international business and its suppliers?’***

The answer to the main question will be formulated with the help of the three sub-questions. The answers to the sub-questions are presented in the sub-chapters according to the following order:

- 3.1 What is the influence of the SMETA methodology on the social audit according to the four phases included in the audit process approach?*
- 3.2 What are the generated costs and benefits of the SMETA methodology according to the cost-benefit approach?*
- 3.3 What is the influence of the SMETA methodology on the social and community indicators according to the social indicator approach?*

The data collection went almost according to the drafted plan as explained in chapter 2. The first part of the questions of sub-chapter 3.1 and 3.3 were answered with the support of desk research, while the second part was answered with data gathered from the interviews. The question of sub-chapter 3.2 was fully answered with the information gathered from the interviews. Unfortunately, this research was not able to include the external opinion of an NGO, as both ETI and Impactt were not available for comments, so no result from the NGOs is presented.

#### 3.1. What is the influence of the SMETA methodology on the social audit according to the four phases included in the audit process approach?

As written before, the first sub-question used the audit process approach to evaluate the SMETA methodology. This approach covers four phases, including the history and background, the objectives, operations, and evaluation. The goal of this question was to research the effect of the social audit methodology SMETA according to the four phases mentioned. The first phase gave more background information about the SMETA methodology to get a better understanding about the history of the methodology. The second phase presents the objectives of the SMETA methodology, while the third and fourth phase are more practical, as both cover a process. The first two phases are researched with the usage of literature gained about Sedex and the SMETA methodology. For the third and fourth phase, the research used the interview with the compliance manager and the knowledge gained during the attended SMETA audit.

##### 3.1.1. History & Background

As written in the introduction, Sedex (Supplier Ethical Data Exchange) is the organization that created the SMETA methodology. In 2001, Sedex started through the collaboration of a group of UK retailers and their first tier suppliers. The group recognized the need for an international social audit standard and ethical self-assessment questionnaire. The goal of creating a new organization and social audit methodology was to ease the burden on suppliers who were being audited multiple times during the year according to different codes of conduct, and to improve labour standards internationally. In 2004, Sedex became a not-for-profit organization and launched the Sedex system. Three years later, Sedex achieved 10,000 members and hosted their first annual members’ forum.

During the same period, Sedex started to offer the Sedex system in five different languages, including Arabic, Chinese, English, French, and Spanish. In 2019, Sedex had more than 50,000 members in over 150 countries (Ally Information Service, 2009) (Sedex, 2019a).

### 3.1.2. Objectives

The main objective of Sedex is to support improvements in responsible and ethical business practices in global supply chains. The organization created the SMETA methodology to be able to offer a collection of guidelines regarding the technique of best practices in social auditing. Using the SMETA methodology ought to reduce the amount of social audits performed at the supplier sites, as the audit reports are sharable with multiple customers. It is possible to adapt and tailor the guidance according to the business' preferences (The British Standards Institution, 2019).

The business LUX had four objectives regarding the usage of the SMETA methodology. The first objective was to increase the comprehensiveness of the social audit, followed by the expected simplicity of the SMETA methodology. The third objective was to save costs and reduce audit fatigue, while the fourth objective was to increase the credibility of the social audit.

### 3.1.3. Operation & Evaluation

The following section will show the results relating to the operational process and evaluation of the social audit methodology SMETA for the business LUX and the suppliers.

According to the compliance manager, the operational process regarding arranging the audits is not very different from the arrangements of other audits and it does not take too much time. Figure 3 shows all the steps taken in order to arrange and complete the SMETA audit.

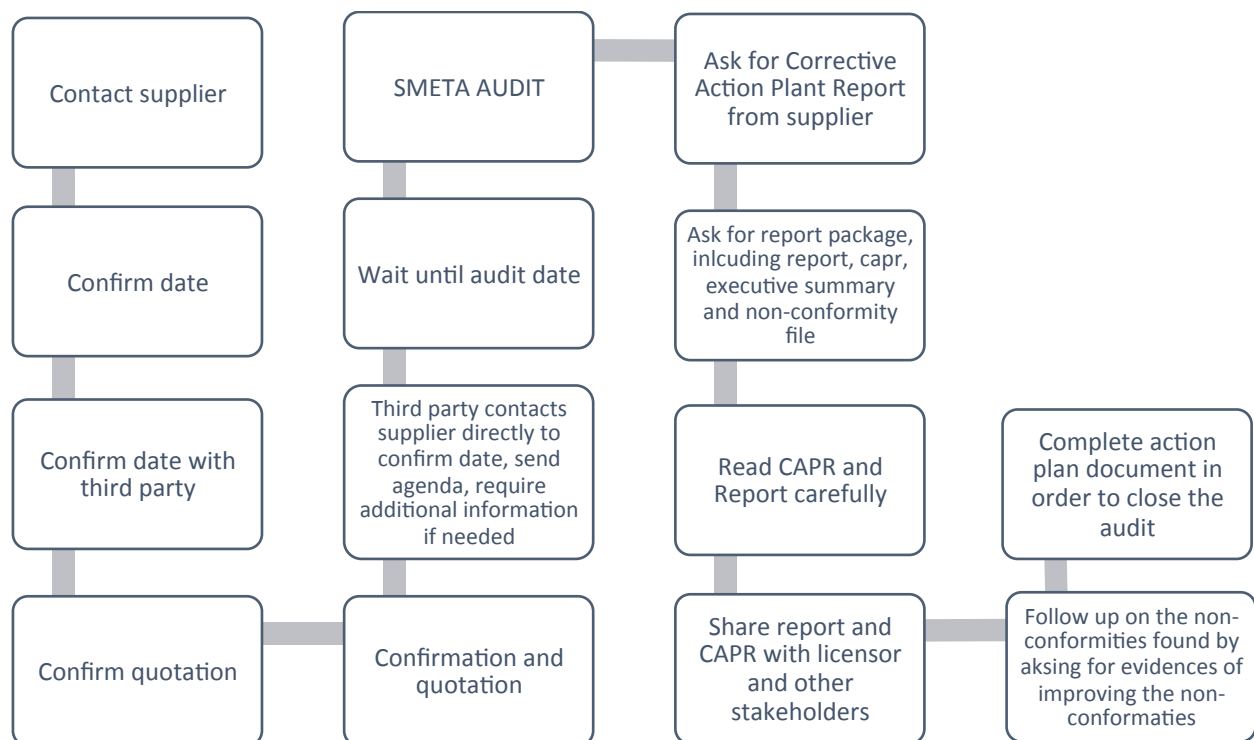


Figure 3. Steps taken by the business LUX to complete the SMETA audit.

As figure 3 shows, the process starts with contacting the supplier and ends with completing the action plan document and closing the audit. The process usually includes a lot of waiting for the compliance manager. The last four steps are part of the evaluation of the audit conducts, as the compliance manager will verify the audit report and follow up on the corrective actions taken by the supplier. In order to evaluate the audit better, the company LUX created a scorecard and a non-conformity file in which the compliance manager keeps track of all the non-conformities found and solved by the supplier. Therefore, these steps will take the most effort and time of the compliance manager.

Besides the company LUX, the supplier needs to prepare the facility for the audit; these steps are shown in figure 4. Figure 4 shows the activities that the supplier will follow in order to prepare and finish the SMETA audit.

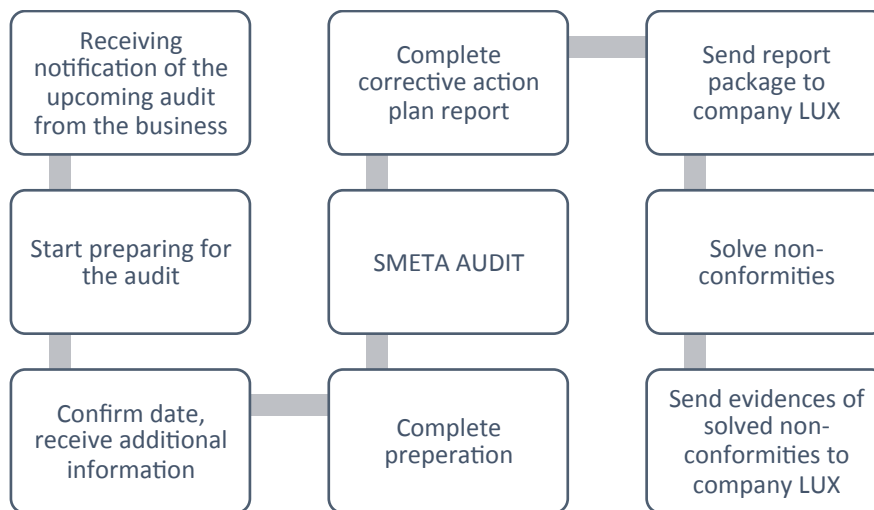


Figure 4. Steps taken by the supplier to complete the SMETA audit.

As figure 4 illustrates, the supplier starts with receiving the notification of the upcoming audit and starts preparing for the audit. After the confirmation of the audit date, the facility will prepare for the audit. After the audit is conducted, the supplier needs to complete the corrective action plan and send the report package to the compliance manager of LUX. The last two steps include solving the non-conformities found and sending proof to the compliance manager of LUX, which are also part of the evaluation of the social audit.

#### 3.1.4. Key Findings

Sedex was found in 2001 and has more than 50,000 members. The organization created the SMETA methodology with the goal to reduce the amount of social audits performed at the supplier sites. The business LUX chose the SMETA methodology because of its comprehensiveness, simplicity, the cost savings, reduction of audit fatigue, and for the credibility that the SMETA methodology brings. The operations for the compliance manager and supplier are not very different. For the compliance manager it is mostly waiting, except for verifying the report package and following up on the corrective actions taken by the supplier. For the supplier it is more work, as it needs to prepare the facility for the audit, the audit itself and solving the non-conformities found.

### 3.2. What are the generated costs and benefits of the SMETA methodology according to the cost-benefit approach’?

The second sub-question used the cost-benefit approach to evaluate the SMETA methodology. The cost-benefit approach focuses on the benefits generated in relation to the costs. The results for this sub-question were gained by interviews. The tables show the summarized responses according to the questions asked during the interviews. The circle diagrams show the scores given by the interviewees and show the corresponding percentage. The score range is from one to five, in which the lowest score is one and five is the highest score.

#### 3.2.1. Documents & Guidelines

The first section shows the opinions of the interviewees regarding the included documents and guidelines of the SMETA methodology.

The interviews started with the question about the helpfulness of the provided documents. Sedex provides several documents, such as the best practice guidance, in order to prepare the business or facility for the SMETA audit. As can be seen in table 8, the overall answer given was that the provided documents are very detailed and complete. Furthermore, the documents were seen as helpful during the preparation for the SMETA audit.

*Table 8. Helpfulness of SMETA documents.*

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Very helpful. However, a summary of the most important things to do and to know would be helpful.	Very helpful
<b>Supplier A</b>	Very detailed, as there are many small steps to follow. Very supportive to every audit preparation.	Detailed and supportive
<b>Supplier B</b>	Yes, complete. The e learning is also helpful. However, it is not always clear where to start.	Complete and helpful
<b>Supplier C</b>	Yes, very useful and supportive. The documents are comprehensive of knowledge about SEDEX and the audit. Giving a general idea and overview.	Very useful and supportive
<b>Supplier D</b>	Yes, the guidelines and requested documents are useful. SMETA is more focusing on ethical trading, and international recognized. The guidelines help during the preparation for the audit.	Very useful and helpful
<b>Supplier E</b>	Yes, very helpful.	Very helpful
<b>Supplier F</b>	Yes, list regarding the needed documents are provided prior to the audit and the available information on internet is useful. Documents are clear and detailed, but do not cover all aspects asked by auditor (factory establishment documents, factory land registration).	Clear and detailed

Figure 5 shows the diagram with the scores given regarding the helpfulness of the documents.

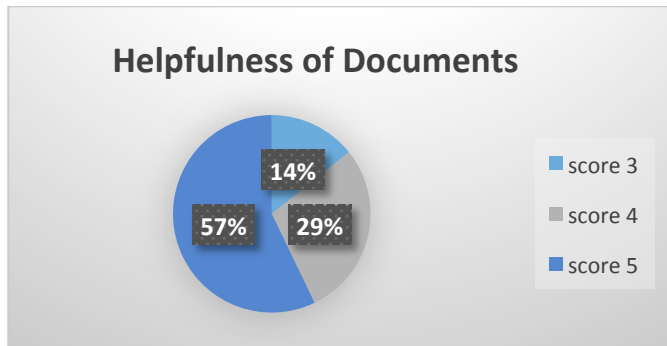


Figure 5. Scores helpfulness of the documents.

Figure 5 illustrates that 57% of the interviewees gave the score 5, 29% the score 4 and 15% the score 3. The average score of all the interviewees is a 4.43.

The next question asked was about the clarity of the guidelines that the SMETA methodology provides. Table 9 shows that the interviewees think that the guidelines of the SMETA methodology are very clear and detailed.

Table 9. Clarity of the guidelines.

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Yes, especially when examples are given.	Clear
<b>Supplier A</b>	Guidelines are very clear and detailed. The given information is easy to identify, as many little steps support the supplier.	Very clear and detailed
<b>Supplier B</b>	Yes, like the synthetic part.	Clear
<b>Supplier C</b>	Guidelines are quite clear, they point out the audit directions, convenient to get to know more about the whole process	Quite clear
<b>Supplier D</b>	Give the facility a clear indication of the audit type, methods, and audit contents. The guidelines are easy to understand and helped the supplier to improve our factory auditing process.	Clear
<b>Supplier E</b>	Very clear. The scores give a good indication, and the timeline given is also clear.	Very clear
<b>Supplier F</b>	Yes, guidelines are clearly defined, easy to understand and easily accessible on internet.	Clear, understandable, and accessible

The interviewees also gave the clarity of the guidelines of the SMETA methodology a score, which can be seen in figure 6.

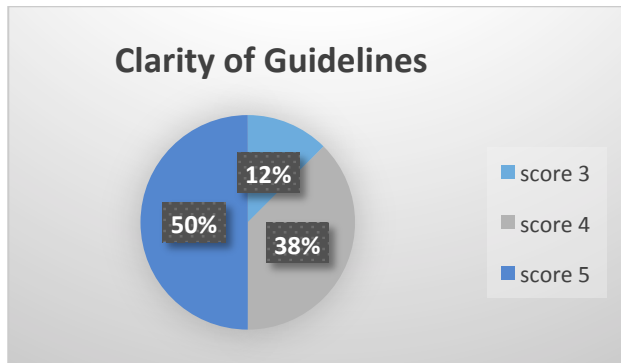


Figure 6. Scores clarity of the guidelines.

As the circle diagram in figure 6 shows, the guidelines are rated quite high as well, 50% gives the guidelines the highest score, 38% a score 4 and 12% a score of 3. The average score for the guidelines is a 4.38.

The following question is about the criteria of the SMETA audit and if the criteria cover enough regarding a social audit. Table 10 shows that the interviewees think that the criteria cover many areas regarding a social audit. Supplier C commented that the criteria are quite full, but still acceptable.

Table 10. Coverage of the audit criteria.

Interviewee	Summarized response	Identical terms used
Compliance manager	Many aspects are covered, the criteria covers a lot.	Covers a lot
Supplier A	It covers a lot and it is very detailed.	Covers a lot
Supplier B	Covers a lot regarding social aspects.	Covers a lot
Supplier C	The criteria is full, but still acceptable, should not be more.	Acceptable
Supplier D	Covers enough and is informative and helpful.	Covers enough
Supplier E	The clearest, as it is about what SMETA wants and expects.	Clearest
Supplier F	Yes, it covers enough.	Covers enough

The next interview question also referred to the criteria of the SMETA audit, but this time to the clarity of the criteria. All the interviewees think that the audit criteria are clear, as can be seen in table 11. Only supplier B commented that the criteria could be clearer, especially regarding the environmental aspects.

Table 11. Clarity of the audit criteria.

Interviewee	Summarized response	Identical terms used
Compliance manager	Yes, many examples given.	Yes
Supplier A	Yes, very clear.	Yes
Supplier B	Yes, majority is clear. Regarding environment could be clearer.	Yes
Supplier C	Very clear.	Yes

<b>Supplier D</b>	Yes, clear.	Yes
<b>Supplier E</b>	Yes, very clear.	Yes
<b>Supplier F</b>	Yes, it is clear and because of the clarity no arguments during the audit itself.	Yes

The scores given for the criteria of the audit are shown in figure 7, which presents the circle diagram with the results regarding the clarity of the audit criteria.

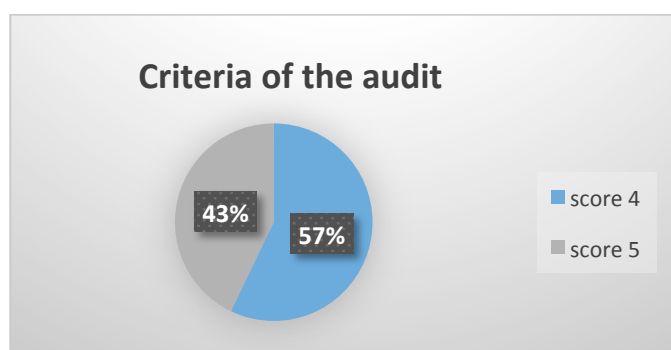


Figure 7. Scores audit criteria.

Figure 7 shows that 57% of the interviewees thought that the criteria scored a 4, while 43% gave it a score 5. The average score given for the criteria of the SMETA audit is a 4.43.

### 3.2.2. Time consumption

This section is about the time consumption of preparing for the audit, the duration of the audit itself and the duration of closing the non-conformities.

The first question asked in this section related to the time given to the supplier to prepare itself for the audit. As can be seen in table 12, the interviewees find the preparation time for the audit acceptable and doable. All the interviewees said that the facility had enough time to prepare for the audit.

Table 12. The preparation time for the SMETA audit.

<b>Interviewee</b>	<b>Summarized response</b>	<b>Identical terms used</b>
<b>Compliance manager</b>	Depends really on the facility, but not too much.	Doable
<b>Supplier A</b>	The documents are hard to find, not impossible, but hard to find. It takes time, but as the audit will be performed more often, it will get easier.	Acceptable
<b>Supplier B</b>	In comparison to other methodology used, SMETA takes more time, but still acceptable.	Acceptable
<b>Supplier C</b>	Takes time, but the better the preparation the better the audit, so spending the time has many benefits.	Doable
<b>Supplier D</b>	Acceptable. Facility had roughly 3 months to prepare.	Acceptable
<b>Supplier E</b>	Acceptable.	Acceptable
<b>Supplier F</b>	Time to prepare for the audit is sufficient. Supplier needs to know all aspects and review them before submission.	Sufficient

The following question was about the interviewee's opinion on the duration time of the SMETA audit itself. As can be seen in table 13, two out of the six interviewees think that the audit itself takes too much time, while the other four interviewees think that the duration of audit is acceptable.

*Table 13. The duration of the SMETA audit itself.*

<b>Interviewee</b>	<b>Summarized response</b>	<b>Identical terms used</b>
<b>Compliance manager</b>	It is acceptable.	Doable
<b>Supplier A</b>	Audit days are acceptable, but shorter would always be better.	Acceptable
<b>Supplier B</b>	Too much for this facility, it takes three days.	Too much
<b>Supplier C</b>	Reasonable.	Reasonable
<b>Supplier D</b>	The duration is a bit too long; maybe it can be reduced by 25%, which would make it easier for the facility.	Too long
<b>Supplier E</b>	Acceptable.	Acceptable
<b>Supplier F</b>	Duration is acceptable, considering that all points need to be verified.	Acceptable

The third question regarding the time consumption related to the time allowed to solve the non-conformities found during the SMETA audit. Table 14 shows the responses given during the interview. As the table presents, four interviewees think there is enough time to solve the non-conformities, while the other two think that it depends on the non-conformity given.

*Table 14. Time to correct non-conformities.*

<b>Interviewee</b>	<b>Summarized response</b>	<b>Identical terms used</b>
<b>Compliance manager</b>	Acceptable, the maximum in 180 days, which is enough.	Enough
<b>Supplier A</b>	It depends. For example, when a document is missing and the supplier needs to request this document from the authority and the authority will extend the amount of days to provide the documents, it is not possible to close the non-conformity in time. Correcting the non-conformity should be adjusted from case to case.	Depends on non-conformity
<b>Supplier B</b>	Depends on the non-conformity, but overall the facility needs more time.	Depends on non-conformity
<b>Supplier C</b>	Reasonable.	Reasonable
<b>Supplier D</b>	Acceptable.	Acceptable
<b>Supplier E</b>	Acceptable. The facility had enough time to correct the non-conformities.	Acceptable
<b>Supplier F</b>	Acceptable, as it is based on the severity of the non-conformity.	Acceptable

The last question asked for the score the interviewee would give the overall time consumption, of which the results are shown in figure 8.



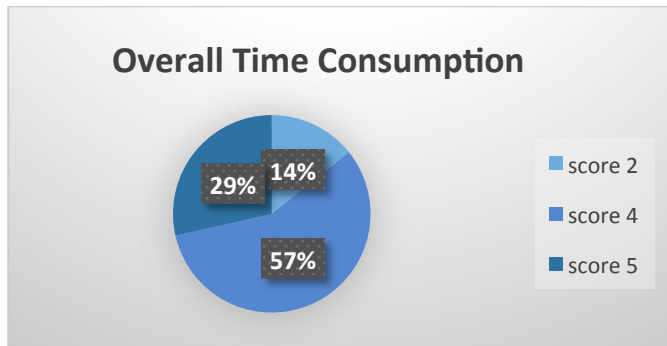


Figure 8. Scores overall time consumption.

As figure 8 illustrates, 57% the score 4, 29% the score 5, and 14% of the interviewees gave the score 2. The average score for the overall time consumption is a 4.00.

### 3.2.3. Bureaucracy

This section is about the bureaucracy of the SMETA methodology.

Table 15 shows the summarized answers regarding the question asked about the bureaucracy of the SMETA methodology. As can be seen in table 15, most of the interviewees think that the bureaucracy has improved, as the many procedures make the preparation easier. However, the compliance manager and supplier A think that the bureaucracy increased, but did not improve.

Table 15. The bureaucracy.

Interviewee	Summarized response	Identical terms used
Compliance manager	Increased, as SMETA introduced more documents, but still acceptable.	Increased, but acceptable
Supplier A	Bureaucracy is increasing. Supplier is not fan of this, as procedures make people think less.	Increased
Supplier B	Improved, the written policies are clear.	Improved
Supplier C	Positive impact on the self-improvement, as the regulations push the facility to improve themselves	Improved
Supplier D	Improved, as the bureaucracy helps the factory auditing in a systematic way. SMETA has a standardized process to implement. The key information in the guidelines makes is easy to follow.	Improved
Supplier E	Improved, as the procedures assist the employees in knowing their rights.	Improved
Supplier F	Still acceptable, as with SMETA the increased bureaucracy works.	Acceptable

Figure 9 shows the scores given related to the bureaucracy of the SMETA methodology.

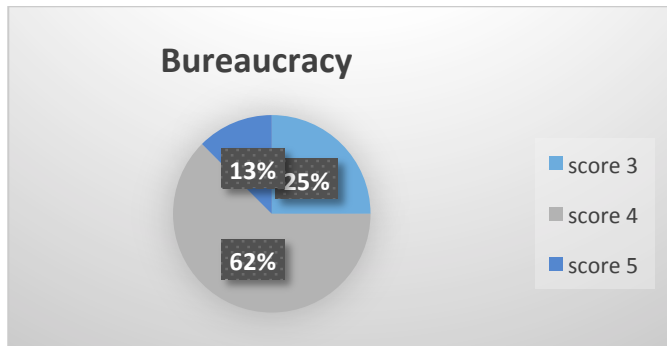


Figure 9. Scores bureaucracy.

The circle diagram presented in figure 9 shows that 62% agreed on giving a score of 4, 25% gave a score of 3, and 13% a score of 5. The average of the scores given is a 3.88.

### 3.2.4. User-friendliness

This section presents the data gathered about the user-friendliness of the SMETA methodology.

The next question asked during the interview was about how user-friendly the SMETA methodology is. Table 16 shows the responses given by the interviewees. As can be seen, five interviewees think that the SMETA methodology is user-friendly. However, supplier B thinks that the SMETA methodology is not very user-friendly, as the supplier finds the process unclear.

Table 16. The user-friendliness.

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	The website is not clear and would be a 2, as it is very complicated to find the things you need. However, the guidelines are clearer.	Friendly enough
<b>Supplier A</b>	Is user-friendly and SMETA is used to make sure that is nothing left beside.	User-friendly
<b>Supplier B</b>	When starting with the methodology, it is not very clear. Something to improve is the website and add a process line including steps that the facility needs to undertake.	Not very user-friendly
<b>Supplier C</b>	Comprehensive and detailed. It is not difficult to follow or understand everything, which makes it user-friendly enough.	User-friendly
<b>Supplier D</b>	It is user-friendly. The factory auditor said it is practical for her work. Guidelines are clear and the factory can use it in a systematic way.	User-friendly
<b>Supplier E</b>	User-friendly, as it is easy to implement and the guidelines are easy to understand.	User-friendly
<b>Supplier F</b>	Is acceptable, although it could be improved by making the uploading process easier. Now the facility needs to contact help desk often, because the website is not clear.	Acceptable

The scores given regarding the user-friendliness of the SMETA methodology are presented in figure 10.

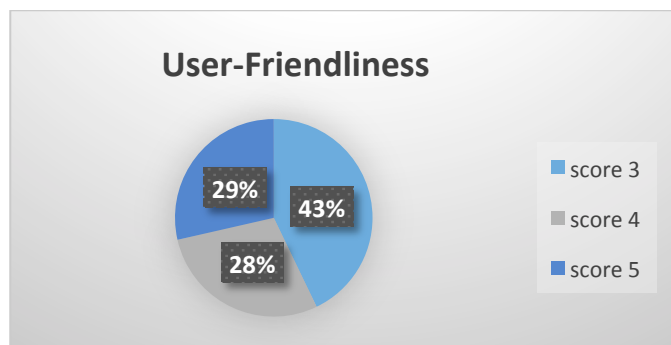


Figure 10. Scores user-friendliness.

Figure 10 shows the circle diagram regarding the scores given for the user-friendliness of the SMETA methodology. The diagram presents that 43% of the interviewees gave score 3, 29% a score of 5, and 28% a score of 4. The average score given is a 3.86.

### 3.2.5. Image influence

This section is about the influence the SMETA methodology has on the reputation/image of the business and the suppliers, according to the interviewees.

As can be seen in table 17, the compliance manager and four suppliers think that the SMETA methodology has a positive influence on the reputation/image of the company or facility. Supplier C did not find itself capable enough to answer this question, which is why no comment was provided.

Table 17. Influence on reputation/image.

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Positive. SMETA has a very good reputation, as the members created the methodology, including businesses and NGOs with the same goal to improve the supply chain.	Positive
<b>Supplier A</b>	SMETA has a good influence on the image of the supplier.	Positive
<b>Supplier B</b>	Yes, as SMETA is internationally recognized and can help in the recruitment process of workers as SMETA can present better working conditions.	Positive
<b>Supplier C</b>	Too early to give a comment	No comment
<b>Supplier D</b>	Using SMETA for auditing can show professionalism and improve the image of the factory, as the methodology is internationally recognized and can be used in other sectors and with other clients and customers. It is a good foundation in the ethical trading. By using it, the professionalism of the factory improves and gives positive impact to the reputation.	Positive
<b>Supplier E</b>	Positive impact on the facility.	Positive
<b>Supplier F</b>	It has a good influence in our industrial circle. It is easier for us to get more business opportunities if we are SMETA approved	Positive

The following figure presents the scores given regarding the influence of conducting the SMETA audit on the reputation/image of the business and suppliers.

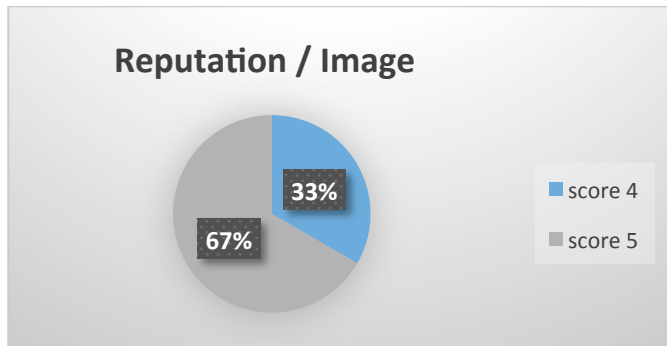


Figure 11. Scores influence on reputation/image.

The circle diagram in figure 11 shows that 67% of the interviewees give the score of 5 and 33% of the interviewees give a score 4 regarding the influence on the image or reputation of the business. The average score given is a 4.67.

### 3.2.6. Industry Recognition

This section presents the results of the interview question relating to the influence of conducting SMETA audits on the companies and suppliers recognition in the industry.

Table 18 presents the opinions of the interviewees regarding the recognition of the SMETA audit within the industry. According to the compliance manager and supplier B the industry recognition is acceptable, while supplier A and supplier C say that it is not very well known within their circle. However, supplier D and E think that the SMETA audit is highly recognized within their industry. Supplier F said that the SMETA audit is acknowledged by multinationals from abroad, but that companies within the country are not very familiar with it.

Table 18. Influence of SMETA on the industry recognition.

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Very acceptable in the industry, one of the most, as the company does not have any problems with clients or customers.	Very acceptable
<b>Supplier A</b>	SMETA is not as well known in the circle of the supplier as ISO for example.	Not very well known
<b>Supplier B</b>	SMETA is internationally recognized and is more acceptable in the industry as a social audit methodology.	Acceptable
<b>Supplier C</b>	Not really well known or popular in the circle of the supplier.	Not very well known
<b>Supplier D</b>	It is highly recognized by our major client, which makes it beneficial to use and implement. SMETA shows professionalism of the facility.	Highly recognized
<b>Supplier E</b>	Highly recognized, as it improved the internal processes of the company.	Highly recognized
<b>Supplier F</b>	Especially MNC companies are acknowledging SMETA. Local industries are not going for it as of now.	Acknowledged

Figure 12 presents the results of the scores given for the industry recognition.

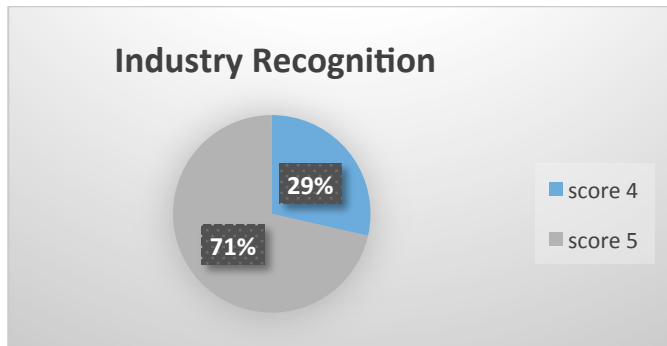


Figure 12. Scores influence on industry recognition.

As figure 12 presents, 71% of the interviewees gave the score 5, while 29% gave the score 4, and the average of the scores given is a 4.71.

### 3.2.7. Costs

This section gives the results regarding the so-called costs of the SMETA methodology.

The interviewees identified the so-called 'costs' of the SMETA methodology mostly with time, as can be seen in table 19. Supplier B said both time and money, while supplier C said the work that needs to be done in order to complete the SMETA audit. Supplier F added also resources to the list of costs.

Table 19. Identified so-called costs.

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Time.	Time
<b>Supplier A</b>	Time, as getting everyone involved and in line with the SMETA methodology takes time.	Time
<b>Supplier B</b>	Time and money, which are linked.	Time and money
<b>Supplier C</b>	The work that needs to be done in order to prepare and complete the audit.	Work
<b>Supplier D</b>	Time for auditors to get familiar with the SMETA methodology.	Time
<b>Supplier E</b>	Time to implement.	Time
<b>Supplier F</b>	Time and resources. Need to deploy dedicated resources and set the systems to ensure all required compliances and conducts periodic performance reviews. Also monitoring various practices, including deployment of external resources like consultants, NGO representatives etc.	Time and resources

The scores given regarding the overall costs are presented in figure 13.

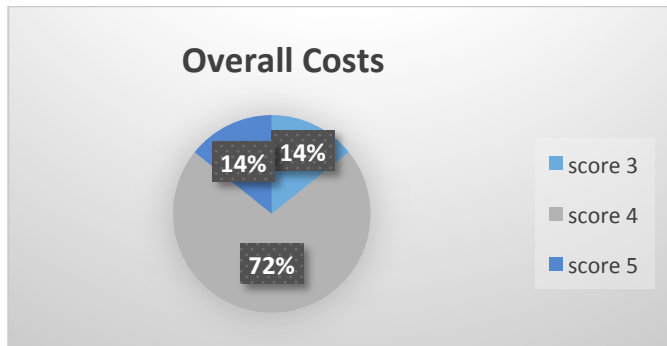


Figure 13. Scores overall costs.

Figure 13 shows results of the scores given regarding the overall costs of using the SMETA methodology for the social audit. The circle diagram shows that 72% of the interviewees give the overall costs a score 4, while 14% gives it a score 3 and score 5. The average for the overall costs is a 4.00.

The last question was about the cost-benefit equation of using the SMETA methodology. Table 20 shows the summarized responses regarding the cost-benefit equation of using the SMETA methodology. The compliance manager thinks that the cost-benefit equation is very reasonable, supplier A thinks that the equation is 50/50, supplier B, E and F think that the equation is positive, supplier D thinks that the equation is reasonable, while supplier C thinks that it is not feasible yet as more time is needed to give a proper answer.

Table 20. Cost-benefit equation.

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Very reasonable, the company spends a little bit more, but receives more in return as well. Such as evaluation of the supplier, etc.	Very reasonable
<b>Supplier A</b>	50/50 equation.	50/50
<b>Supplier B</b>	Positive, as most of the guidelines are clear and easy to follow in order to write procedures. There is not a lot of space for wrong interpretation, which is a good thing.	Positive
<b>Supplier C</b>	Have not seen the feasible return yet. As it is focusing on the social aspect, it will eventually improve the image and reputation. It might be possible to calculate this in the future with more data.	Not feasible yet
<b>Supplier D</b>	Reasonable. The benefits include improving the auditing methods, as the international recognized guidelines help the facility to audit in a more professional way.	Reasonable
<b>Supplier E</b>	Positive, as it improves the image of the facility and SMETA enhances the entire facility.	Positive
<b>Supplier F</b>	Positive. There are costs, however SMETA helps to maintain all the requirements of legal, statutory, labour compliances and environment. It helps to ensure a good healthy and safe working environment, which benefits the overall organization.	Positive

Figure 14 presents the circle diagram regarding the scores given to the cost-benefit equation.

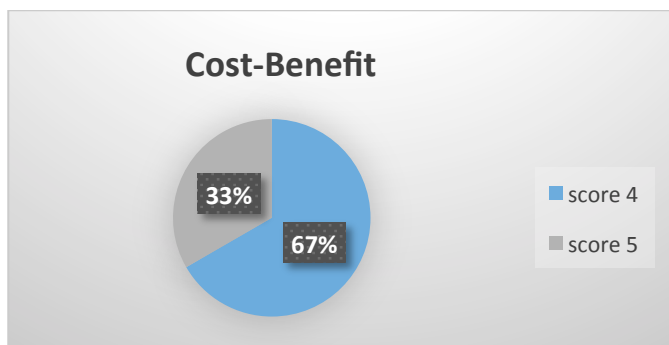


Figure 14. Scores cost-benefit equation.

Figure 14 shows that 67% of the interviewees think that the cost-benefit equation deserves the score 4, while 33% think that it deserves a score 5. The cost-benefit receives a 4.33 as an average.

### 3.2.8. Key Findings

Table 21 shows the key findings about the costs and benefits of using the SMETA methodology. As can be seen in the table, the first column presents the key findings and the second column presents the average score given by the seven interviewees.

Table 21. Key findings sub-question 2.

Key finding	Average score
Documents are helpful, supportive, detailed and clear. Especially helpful for the preparation for the audit. A summary could be added.	4.43
Guidelines are clear, as they are detailed and easy to understand.	4.38
Audit criteria covers a lot and are clear due to the examples given. However, explanation regarding environment could be better.	4.43
The overall time consumption is seen as doable and acceptable. The time taken for the audit itself could be reduced, and the time for solving non-conformities could sometimes be more appropriate.	4.00
The bureaucracy has increased and improved. Two interviewees think this is negative, the other six think this is positive as the many documents help keep everything clear.	3.88
The SMETA methodology is mostly seen as user-friendly enough. The website of Sedex is not very clear and difficult to understand.	3.86
The influence on the reputation/image of the business and facilities is positive.	4.67
The SMETA methodology is almost recognized everywhere.	4.71
The overall costs include time and effort, but are very reasonable.	4.00
Cost-benefit equation is positive and reasonable. The overall costs are taken for granted, as the benefits are very good.	4.33

### 3.3. What is the influence of the SMETA methodology on the social and community indicators according to the social indicator approach?

The third sub-question used the last evaluation approach, which is the social indicator approach. This approach focused on the social criteria and social and community needs. It evaluates the social and community needs incorporated in the SMETA methodology. The first part will describe the literature review, while the second part shows the results of the interviews.

#### 3.3.1. Literature Review

##### **Objective, Data Sources and Eligibility Criteria**

Regular auditing is necessary for the continuous improvement process of a business or supplier in order to stay in compliance with the agreed upon criteria (Kortelainen, 2008). However, what is the exact impact of the social audit on the workers in the suppliers' site? The literature review will look into three studies that focused on the impact of the social audit on several buyers and suppliers. The research of Kortelainen evaluated the labour condition auditing in China. The Kortelainen study used the SA8000 standard as a baseline, as according to the study this standard focuses on labour conditions (Kortelainen, 2008). The second research found was about the social sustainability in developing countries, which discusses several reasons regarding the implementation of social practices (Anisul-Huq et al., 2014). The third research assessed codes of labour practice in global production systems, based on the ETI Base Code (Barrientos & Smith, 2007). All three researches used case studies based on suppliers located in China, India and Bangladesh to gather their data. This section will give the study the ability to compare its findings with the findings of the studies used to write this part.

The results of the literature review are divided into motivational reasons of implementing social standards, influence on health and safety, influence on employee wages and benefits, influence on child labour, forced labour and discrimination, and influence on working hours and conditions.

##### **Motivational reasons of implementing social standards**

The three main motivational reasons to implement social standards are the feeling of social obligations, compete for skilled labour, and economic benefits. Research found out that the buyers felt that complying with social standards was now the minimum requirement. The feeling to respect the workers' rights at their customers' facilities was strong, which was a big motivation to implement code of conducts regarding social aspects. Another motivational factor to have social standards it to keep the most valued workers, as workers would leave if there were other facilities with better working conditions. Finally yet importantly, the economic benefits also played an important role. The improvements that were made because of social standards had a positive impact on the productivity. For example, poor conditions could lead to higher sickness rated and worker absences, which reduces the productivity of the facility, as there is less output. Therefore, better working conditions lead to less absences and a higher output (Anisul-Huq et al., 2014).

##### **Influence on health and safety**

One of the studies used found that the health and safety practices were the most improved. These improvements were seen in clearer procedures, information and training, fire safety, personal protective equipment, safer use of chemicals, lighting and ventilation, toilets and drinking water. Overall, the study found that the workers felt safer and more secure (Barrientos & Smith, 2007).



However, the Kortelainen study found that especially the health and safety aspects needed to be improved. This study showed that the fire drills were not regularly arranged, inadequate instructions for chemical handling, poor ventilation, and lack of first aid equipment (Kortelainen, 2008).

#### **Influence on employee wages and benefits (remuneration)**

Two studies say that the social codes did not have an impact on increasing the wages of the workers. Fortunately, one study showed that the benefits increased, such as paid state insurance and pension, but the other did not see an overall improvement (Barrientos & Smith, 2007) (Kortelainen, 2008).

#### **Influence on child labour, forced labour and discrimination**

In all three researches, neither child labour nor forced labour was found, as it is common knowledge that buyers do not appreciate this at all (Anisul-Huq et al., 2014) (Barrientos & Smith, 2007) (Kortelainen, 2008). On the other hand, two studies found that there was little to no change found regarding discrimination. The discrimination mostly happens regarding women, temporary workers, and migrant workers (Barrientos & Smith, 2007) (Kortelainen, 2008).

#### **Influence on working hours and conditions**

The codes did seem to reduce the working hours of the workers. This meant that the workers had more leisure time (Barrientos & Smith, 2007). However, in the other case study, the working hours were excessive and the overtime was a big problem. Cases found showed more than 100 hours overtime per month (Kortelainen, 2008). These working hour violations are a common and known problem in developing countries. Two of the three studies state that the workers welcome these overtime hours, as the hourly rate of overtime is higher and thus adds a lot to their monthly pay (Kortelainen, 2008) (Anisul-Huq et al., 2014).

### **3.3.2. Interview Results**

This part will give the results of the interviews for sub-question 3. The tables show the summarized responses according to the questions asked during the interviews. The circle diagrams show the scores given by the interviewees and the corresponding percentage of the chosen score. As explained in the chapter 'materials and methods', the score range is from 1 to 5, in which 1 is the lowest score and 5 the highest score.

The first question of the interview related to the interviewees' opinion on the influence of the SMETA methodology on the labour standards of the workers of the facility. As can be seen in table 22, the overall answer the interviewees gave was that the SMETA methodology improved the labour standards of the employees. Only supplier B thinks that the SMETA methodology does not have an influence on improving or worsening the labour standards.

*Table 22. Labour standards.*

<b>Interviewee</b>	<b>Summarized response</b>	<b>Identical terms used</b>
<b>Compliance manager</b>	Improved, as first is was just one day off in 14 days, now it is 1 day off after 7 days of work.	Improved
<b>Supplier A</b>	Improved, as it keeps the facility to be up-to-date.	Improved
<b>Supplier B</b>	Not a big improvement in comparison to the previous methodology.	No influence
<b>Supplier C</b>	Improved workers' rights, which improves the workers productivity.	Improved

<b>Supplier D</b>	Provide more employee protection, even more than the local law. SMETA provides more details and regulations.	Improved
<b>Supplier E</b>	Improved, as everything is related to the local law and helps the facility to implement this in a proper manner.	Improved
<b>Supplier F</b>	Improved, as monitoring and complying with the requirements helps the facility to have a good working environment, good social image in industrial areas, as well as with government authorities.	Improved

The scores given for the influence of the SMETA methodology on the labour standards can be seen in figure 15.

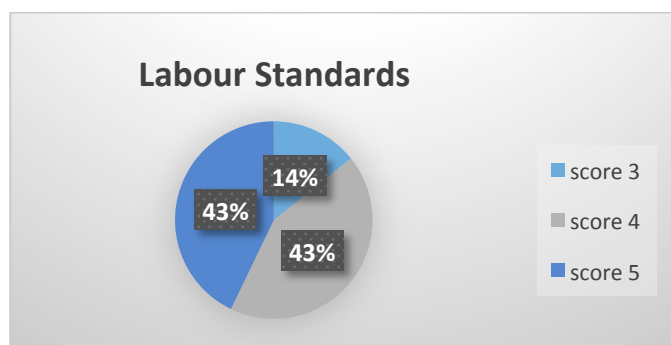


Figure 15. Scores labour standards.

Figure 15 shows the opinions on the labour standards in scores. As the circle diagram shows, 43% of the interviewees gave the influence on the labour standards a score 5, 43% a score 4, and 14% gave the score 3. The average score given for the influence on the labour standards is a 4.29.

The next question related to the influence of the SMETA methodology on the health and safe working conditions of the workers. Table 23 presents the summarized responses and shows that most of the interviewees think that the SMETA methodology improves the health and safe working conditions of the workers.

Table 23. Health and safe working conditions.

<b>Interviewee</b>	<b>Summarized response</b>	<b>Identical terms used</b>
<b>Compliance manager</b>	Improved, because SMETA has extra criteria around the correct and safely use of the machinery for example.	Improved
<b>Supplier A</b>	Improved, as it keeps the supplier aware of the things that should be incorporated.	Improved
<b>Supplier B</b>	Not a big improvement in comparison to the previous methodology.	No influence
<b>Supplier C</b>	Improved. Improved employees' health causes the workers to work safer, which reduces the incidents and improves the product quality.	Improved
<b>Supplier D</b>	Supplier set up a committee for health and safe working conditions in the factory, which has monthly meetings about safe working conditions.	Improved
<b>Supplier E</b>	Improved, as there is a special section for health and safety. The tools, such as doing questionnaires around the facility help maintain the standards.	Improved

<b>Supplier F</b>	Improved, as monitoring and complying with the requirements helps the facility to have safe, clean and healthy working conditions. This safety culture helps the facility to have reliable operations and minimizing interruptions in the process due to unsafe conditions.	Improved
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The scores given for the influence on health and safe working conditions can be seen in the circle diagram in figure 16.

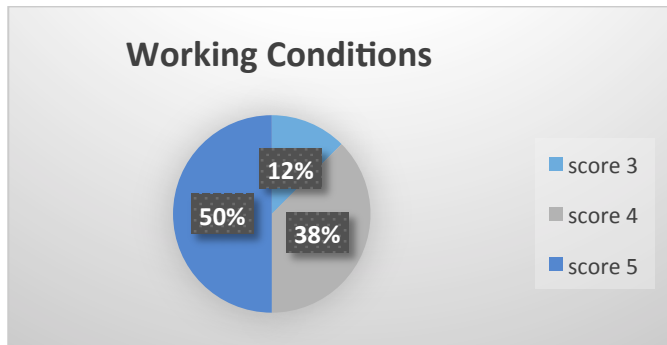


Figure 16. Scores working conditions.

Figure 16 shows that 50% of the interviewees gave the score 5, 38% a score 4, and 12% gave a score 3. The average score for the working condition is a 4.38.

Following the previous question, the next question was about the influence of the SMETA methodology on the health and safe living conditions of the workers. Table 24 presents the summarized responses, in which the compliance manager, supplier A, supplier C and supplier F think that SMETA helped improving the health and safe living conditions of the employees, while supplier B thinks that it has no influence and supplier D a minimal influence. Supplier E does not have dormitory at the facility, but provides transportation from the homes of the employees to the facility and back.

Table 24. Health and safe living conditions.

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Improved, as many aspects are focusing on this part. Most relate with the law, which helps to verify if the facility respects the law and are in compliance with the law.	Improved
<b>Supplier A</b>	Improved, as it keeps the facility up to date.	Improved
<b>Supplier B</b>	Not a big improvement in comparison to the previous methodology.	No influence
<b>Supplier C</b>	Improved the living conditions; release their worries on the living and keep focus on the work, which improves efficiency again.	Improved
<b>Supplier D</b>	Clear guidelines, but not a big impact on the workers, as after work the workers live how they want to. The living conditions are not important.	Minimum influence
<b>Supplier E</b>	Supplier does not have dormitory, but arranges transportation from the workers homes to the facility.	No dormitory
<b>Supplier F</b>	Improved, as monitoring and complying with the requirements helps the facility to have safe, clean and healthy living conditions.	Improved

Figure 17 presents the circle diagram with the scores relating to the influence of using the SMETA methodology on the health and safe living conditions. One supplier does not have any dormitories and was not able to give the living conditions a score.

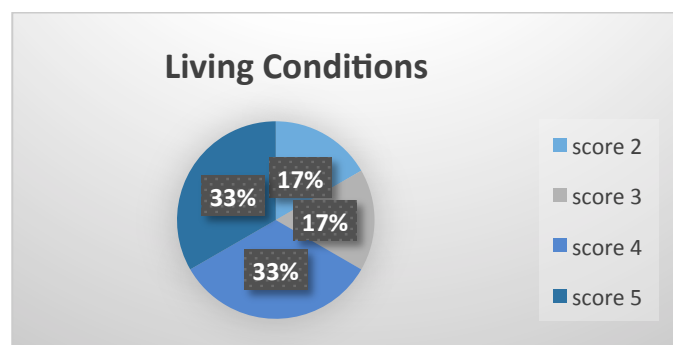


Figure 17. Scores living conditions.

Figure 17 illustrates that 17% gives the score 2, 17% gives the score 3, 33% gives the score 4 and 33% gives a score of 5 for the influence of the SMETA methodology on the health and safe living conditions. The average score given is a 3.83.

The next question asked related to the influence of the SMETA methodology on the awareness of and compliance with legal requirements regarding the environmental protection at the supplier's site. Table 25 presents that all the interviewees, except for supplier D, think that SMETA has helped improved the awareness of and compliance with legal requirement regarding environmental protection at the supplier's facilities. Supplier D thinks that there was a minimum influence. Supplier F even thinks that the SMETA methodology has a very positive impact on improving the awareness of environmental protection.

Table 25. Awareness of and compliance with legal requirement regarding environmental protection.

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Yes, with the minimum of the International Labour Organization (ILO).	Improved
<b>Supplier A</b>	Improved, as it is very clear if you do not know about the legal requirements.	Improved
<b>Supplier B</b>	Yes, big improvement, as SMETA asks for a plan of energy usage and water consumption.	Improved
<b>Supplier C</b>	Positive influence, increase the overall protection and helps to engage the facility in this process.	Improved
<b>Supplier D</b>	Not really, because it is not of major concern, as economic growth is more important and local laws do not care.	Minimum influence
<b>Supplier E</b>	Improved, the basic guidelines help to follow the aspects, such as the regularly performed fire drills and measuring air pollution.	Improved
<b>Supplier F</b>	Very positive. It helps monitoring and improving performance on reducing waste generations, water usage, and electricity usage and meet required norms. Helps in improving sustainability of the environment.	Very positive

The interviewees also gave the influence on the awareness of and compliance with legal requirements regarding the environmental protection at the suppliers' site a score. The scores given can be seen in figure 18.

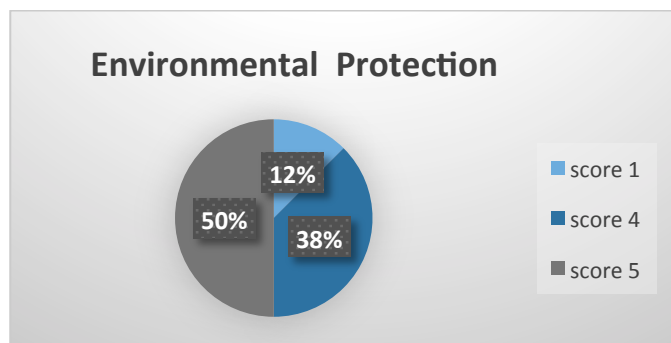


Figure 18. Scores environmental protection.

Figure 18 presents that 50% of the interviewees gave a score 5, 38% gave the score 4, and 12% gave a score 1. The influence on the environmental protection received the average score of 4.13.

The following question referred to the influence of the SMETA methodology on the awareness of the site's impact on the environment, and measurement of this impact at the supplier's facilities. Table 26 shows that all the interviewees, except the compliance manager and supplier D, think that the SMETA methodology improved the awareness. The compliance manager said that there is a minimal influence. Also supplier D said that the SMETA methodology has a low influence.

Table 26. Awareness of site's impact on the environment, and measurement of this impact.

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	The requirements are mostly related to the law.	Minimal influence
<b>Supplier A</b>	Improved, because it pushes the facility in the right direction. SMETA makes it clear what it means and what the consequences area. It also helps to find the right balance between human rights and the environment.	Improved
<b>Supplier B</b>	Yes, major impact. The facility became more aware of the energy and water usage. Useful for the future to keep this into consideration.	Major improvement
<b>Supplier C</b>	Yes, helping the facility to have more awareness on the environment. Helps as a motivation to focus on the safety of machinery.	Improved
<b>Supplier D</b>	Low influence, because the workers do not have a sense of environmental protections and do not care about it. In addition, management does not really care, as economic growth is more important and valuable.	Low influence
<b>Supplier E</b>	Improved, again guidelines are clear and make it easier for the facility to implement and maintain.	Improved
<b>Supplier F</b>	Very positive. It helps to monitor and improve the performance on reducing waste generations, water usage, and electricity usage and meet required norms. Helps in improving sustainability of the environment.	Very positive

Relating to the previous question, the interviewees gave the influence of the SMETA methodology on the awareness of the site's impact on the environment, and measurement of this impact at the supplier's facilities a score, which can be seen in figure 19.

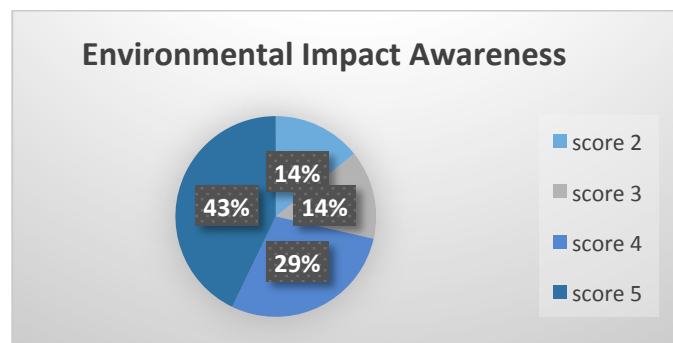


Figure 19. Scores environmental impact awareness.

Figure 19 shows the circle diagram presenting the scores regarding the influence on the environmental impact awareness. The circle diagram presents that 43% of the interviewees gave a score 5, 29% the score 4, 14% the score 3 and 14% the score 2. The average score given is a 4.00.

The next question asked was about the interviewees' opinion regarding the influence of the SMETA methodology on the business ethics. Table 27 shows that the compliance manager, supplier A, supplier C, supplier E, and supplier F think that the SMETA methodology helped improving the business ethics at the facilities of the supplier. Supplier B and supplier D said that SMETA had a minimal influence on improving the business ethics.

Table 27. Business ethics.

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Yes business ethics improved, because it is mandatory by the methodology. This does not mean that the supplier understands or agrees with it.	Improved
<b>Supplier A</b>	Improved, keeps the supplier aware of the regulations. It is effective for the supplier to use.	Improved
<b>Supplier B</b>	Nothing really changed. In the plant the possibility of bribery is very low, because the facility is not a buyer.	Little influence
<b>Supplier C</b>	Yes, improved the business ethics.	Improved
<b>Supplier D</b>	SMETA has some influence on improving the business ethics at the suppliers' facilities. The employees do not really care, as it is not their task and they do not understand.	Little influence
<b>Supplier E</b>	Improved, as SMETA helped to develop policies to keep integrity in the facility.	Improved
<b>Supplier F</b>	Improved, as SMETA helps to ensure to have all required business ethics policy and compliances.	Improved

For the next question, the interviewees were asked to give the business ethics a score. Figure 20 presents the corresponding circle diagram and scores.

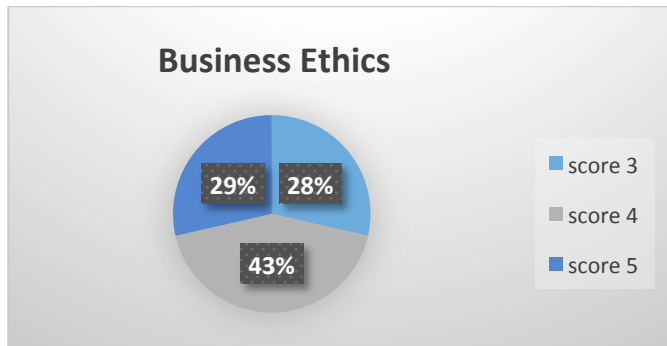


Figure 20. Scores business ethics.

As figure 20 presents, 28% of the interviewees gave the business ethics the score 3, 43% the score 4, and 29% the score 5. The business ethics received an average score of 4.00.

The following question was asked to see what the interviewees thought about the influence of the SMETA methodology on the overall social and community needs of the employees at the facilities of the supplier. As can be seen in table 28, all the interviewee's think that SMETA helped improve the overall social and community needs of the employees at the suppliers' facilities.

Table 28. Influence on the overall social and community needs.

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Positive impact. Example, women in India are not able to go outside after 6pm, because of safety reasons. With SMETA the supplier will need to arrange safe transportation in order to eliminate discrimination	Positive
<b>Supplier A</b>	Improving, especially work and environmental protection are improving.	Improved
<b>Supplier B</b>	Yes, especially regarding the wages.	Improved
<b>Supplier C</b>	Positive influence.	Improved
<b>Supplier D</b>	Yes, SMETA an influence on improving the overall social and community needs of the employees at the suppliers' facilities.	Improved
<b>Supplier E</b>	Improved, as the whole community is included.	Improved
<b>Supplier F</b>	Improved.	Improved

Relating to the previous question, the interviewees gave the overall social and community needs a score. The scores are presented in figure 21.

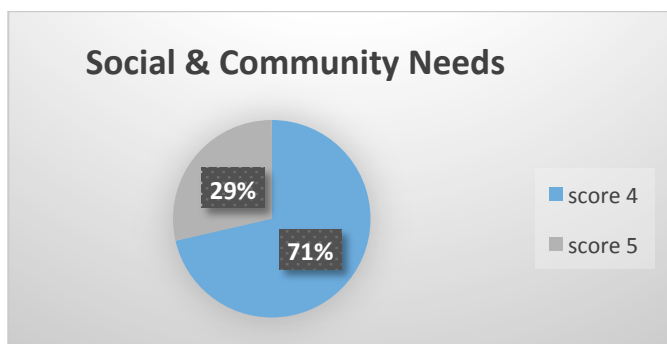


Figure 21. Scores influence overall social and community needs.

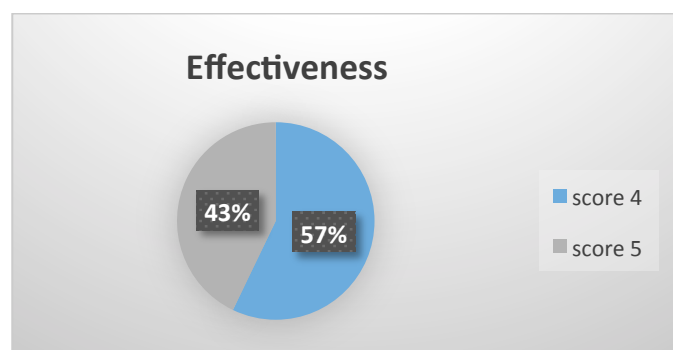
The interviewees gave the influence of SMETA on the overall social and community needs two different scores. 71% of the interviewees gave the score 4 and 29% gave the score 5, as can be seen in figure 21. The average score of the influence on the social and community needs is a 4.29.

The next question was about the effectiveness of the SMETA methodology. According to the interviewees, the SMETA methodology is effective, as can be seen in table 29.

*Table 29. Effectiveness of the SMETA methodology.*

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Effective enough, however, the information better should be managed better, more case to case handling.	Effective enough
<b>Supplier A</b>	Overall, effective. The requirements are clear, and the SMETA helps and support the facility to keep control.	Effective
<b>Supplier B</b>	Effective, as there is little bureaucracy and increase of the level of the organization.	Effective
<b>Supplier C</b>	Effective, as it is an open platform and a plus for the suppliers to improve their network and choices when people look for other suppliers or customers.	Effective
<b>Supplier D</b>	Guidelines are very clear; it is not needed to be a professional to understand the guidelines. It also helps to maintain relationships with customers and to maintain universal rights. Helpful to improve guidelines.	Effective
<b>Supplier E</b>	Effective, as SMETA helps with the implementation of all the requirements for the law as well.	Effective
<b>Supplier F</b>	Effective, as SMETA is useful in overall improvement on organization performance from compliance of labour, safety, ethical and environment fronts.	Effective

Figure 22 shows the scores given for the effectiveness of the SMETA methodology.



*Figure 22. Scores effectiveness.*

Figure 22 presents that the effectiveness of the SMETA methodology resulted in 57% with the score 4 and 43% with the score 5. The average of the scores given for the effectiveness is a 4.43.



In addition to the previous questions, which were all about the audit content of SMETA, the interviewees were asked if something should be added or removed from the audit content of SMETA. As shown in table 30, only the suppliers B and D would like to add or remove something to or from the audit content. Supplier B would like to remove the part about the supplier and the environment, and supplier D would like to add a chapter about culture diversity.

*Table 30. Opinion on adding or removing items to or from the audit content.*

<b>Interviewee</b>	<b>Summarized response</b>	<b>Identical terms used</b>
<b>Compliance manager</b>	Nothing to add.	Nothing
<b>Supplier A</b>	Nothing to add, it already covers every aspects and adding would make it too much.	Nothing
<b>Supplier B</b>	Remove part for the environment, as the facilities do not have a big part in that and these parts seem unnecessary.	Remove environment part
<b>Supplier C</b>	Nothing.	Nothing
<b>Supplier D</b>	It is already very comprehensive, in reality, many grey areas. Therefore, it would be helpful to add a chapter for different cultural diversity to provide knowledge about the different cultures.	Chapter with cultural diversity
<b>Supplier E</b>	Nothing, it is precise enough.	Nothing
<b>Supplier F</b>	Nothing.	Nothing

The very last question asked was if the interviewee would recommend the SMETA methodology to other businesses and suppliers. As shown in table 31, all the interviewees would recommend the SMETA methodology.

*Table 31. Recommend SMETA to businesses/suppliers.*

<b>Interviewee</b>	<b>Summarized response</b>	<b>Identical terms used</b>
<b>Compliance manager</b>	Yes, most aspects improve a lot and Sedex is engaging the stakeholders a lot. SMETA is the most complete one regarding social audits.	Yes
<b>Supplier A</b>	Yes, it is a good improvement of the control.	Yes
<b>Supplier B</b>	Yes, it is not always clear for the first time. However, in the end the methodology is good and easy to follow.	Yes
<b>Supplier C</b>	Yes, definitely. This way could encourage more suppliers, which will be beneficial for the cooperation, improve practical thinking, and will reduce the audits conducted, more recognition and open competition.	Yes
<b>Supplier D</b>	Yes. The SMETA methodology has provided useful and practical guidelines for ethical trade audit. It has improved the suppliers' professionalism in regards to factory auditing.	Yes
<b>Supplier E</b>	Of course. Very good methodology to implement and maintain labour standards. Includes good regulations, which are also in line with the law.	Yes
<b>Supplier F</b>	Yes.	Yes

### 3.3.3. Key Findings

The three main reasons to implement social standards and to conduct a social audit are the feeling of social obligations, competition for skilled labour, and economic benefits. The influences of the social audit on health and safety were contradictory, as one study showed that health and safety practices were improved, while the other study showed that these needed to be improved. Two studies showed that there was no influence on employee wages and benefits, while another study did see little improvements. In all studies used, no child labour was found; however discrimination was not improved. The codes used did seem to reduce the working hours; however excessive overtime was still found, mostly because workers want to work as many hours to receive higher pay.

Table 32 presents the key findings from the interviews about the influence of the SMETA methodology on the social and community indicators. The first column presents the key finding, while the second column shows the average score given by the seven interviewees.

*Table 32. Key findings sub-question 3.*

<b>Key finding</b>	<b>Average score</b>
Labour standards improved as workers are better protected.	4.29
Health and safe working conditions improved, because of the special focus on health in the audit content.	4.38
Health and safe living conditions improved according to three interviewees, while the living conditions improved a little according to other interviewees.	3.83
Awareness and compliance with legal requirements regarding environmental protection improved.	4.13
Environmental impact awareness improved, however according to two interviewees only a little.	4.00
Positive influence on improving the business ethics, also according two only a little.	4.00
Overall social and community needs have improved.	4.29
The SMETA methodology is seen as effective.	4.43
For one supplier the environmental part could be removed, and a chapter with cultural diversity could be added to make the audit content suitable for reach culture and country.	No score
Each interviewee would recommend the SMETA methodology.	No score

### 3.4. Results Not Used

Appendix C shows the results that were not useful in answering the sub-questions or the main research question. However, the five questions were asked and answered and therefore presented in the appendix.

## 4. Discussion of results

The main objective of this research is to find out what the effect of the social audit methodology SMETA is on the business LUX and its suppliers. The study researched the effect by using three evaluation approaches from Buchholz. Data was gathered through interviews with the Business LUX and six suppliers. The study focuses on the experience of and opinions about the SMETA methodology used by the business and its suppliers. This chapter discusses the results presented in chapter 3, in which the focus lies on the comments made by the interviewees and the different answers given.

### 4.1. What is the influence of the SMETA methodology on the social audit according to the four phases included in the audit process approach?

The four phases of the audit process approach included the history and background, the objectives, operations, and evaluation of the SMETA methodology. The results showed that Sedex created the SMETA methodology in 2001 through the collaboration between UK retailers. More information about the history and background was not available, which makes it hard to identify the influence of the history and background of SMETA on the social audit performed. The second phase focused on the objective, which is to ease the burden on the suppliers by providing the social audit methodology SMETA of which the report can be shared with other businesses on a platform. However, it is only possible to share the audit reports with other Sedex members. This means that the supplier is not able to share the audit report with businesses that are not a Sedex member, which gives Sedex a monopoly position. However, this is understandable, as the audit reports need to be uploaded on the shared point of Sedex, for which businesses and suppliers need to pay money. In addition to the objectives of the Sedex, the objectives of the business LUX were also taken into consideration. The objectives of the company LUX were to increase the comprehensiveness, the simplicity, and credibility of the social audit with the SMETA methodology. It was interesting to take these objectives into consideration, as the research shows if these objectives are met. These four objectives of LUX seem quite valid, as these reasons are all related to the aim of the methodology. However, the results of the other two research questions of this research will show if these objectives are met.

The operational process regarding arranging the audits is not very different from the arrangements of other audits, according to the compliance manager. The process is not taking too much time for the company LUX as it involves a lot of waiting, which is understandable because, the compliance manager does not attend the audit but only needs to confirm the audit dates. It gets a bit busier for the compliance manager after receiving the report package, as it takes time to read the audit report and to follow up on the non-conformities found. For the supplier it is more work, as it needs to prepare for the audit and to implement the necessary policies in order to be able to pass the audit. The supplier also needs to present the facility during the audit that can take a few days. During the evaluation, the supplier solves the non-conformities found and sends the proof of the solutions to the compliance manager.

### 4.2. What are the generated costs and benefits of the SMETA methodology according to the cost-benefit approach'?

The second sub-question used the cost-benefit approach to evaluate the SMETA methodology and this section will discuss the opinions of the interviewees regarding this approach.

The interviews started with opinions on the provided documents and guidelines of the SMETA methodology. The results show that the documents and guidelines are useful, detailed and clear. The documents and guidelines are especially seen as valuable during the preparation of the audit. The interviewees gave the documents and guidelines an average score of 4.43, which proves the interviewees' satisfaction. The criteria of SMETA also scored a 4.43, and were found very detailed and comprehensive. The high score did not come unexpectedly, as the four pillars are the basis of the criteria and cover all aspects regarding a social audit.

The time consumption was expected to result in a relatively lower score, because reading, understanding, and implementing all the procedures seems to take a lot of time. However, the time consumption was seen as acceptable and doable and gained the average score of 4.00. The comments given regarding the time consumption related mostly to the duration of the audit itself and the time given to solve the non-conformities. It was mentioned that the duration of the audit itself could be shorter, preferably with 25%. The duration of the audit might seem long; some facilities need to plan three days for the audit. However, the researcher argues that the time used to conduct the audit is needed in order to be able to cover all the aspects within the audit content. Furthermore, the supplier always would like to spend less time on audits, as the social audit is an additional task that takes time, and time is money. Another comment included that the time given to solve the non-conformities was not always enough. The supplier said that it received a non-conformity regarding a missing official document. The same supplier had 30 days to solve this non-conformity by obtaining the official document. However, it would at least take 30 days before the government would be able to provide the facility with the official document. This means that the facility would never be able to solve the non-conformity within 30 days.

As mentioned before, the provided documents are seen as very helpful. However, the many documents do significantly increase the bureaucracy. The responses given were more varied and resulted in an average score of 3.88, which is the second lowest score given for sub-question 2. Fortunately, most of the interviewees found the increase regarding the bureaucracy acceptable, as the documents are very helpful. Only two interviewees were not very positive with the increased bureaucracy. Both interviewees mentioned that the downside of the increased bureaucracy is that people just follow the procedures and stop thinking about solutions on their own. This could cause facilities and businesses to implement the policies without understanding why the policies are needed, which can make it more difficult for the workers to follow the implemented policies. Nevertheless, how important is that? The main goal of the social audit is to improve the practices and conditions of the workers, not to make them understand, or is it? On the other hand, the procedures do make it easier for the suppliers to stay in compliance with the requirements of the SMETA methodology. Both sides are understandable; therefore it might be important to find a balance between the amount of procedures included within a methodology and the ability to teach the workers to keep thinking. It might be even helpful for the facility to develop its own procedures in order to meet the requirements. This can help the facility to understand the problem better and to increase their committed in solving it. However, the social audit is already an additional activity, so the facility might not have the time or knowledge to create its own procedures. The research of this study also argues that it might be the goal of the supplier to just meet the requirements and pass the audit in order to keep an important client, and that the facility does not want to do more than necessary, as this could lead to additional work and costs.

The user-friendliness of the SMETA methodology received the average score of 3.86, which is the lowest averages score for the second sub-question. The main cause for the relatively low score is that the website, on which the audit reports need to be uploaded, is not clear at all.

In addition, the interviewees said that the information about the steps, which need to be taken prior to the audit, is unclear. The information is difficult to find, because the website does not present the information clearly. The compliance manager even said that the website would be a score of 2, but because of the user-friendliness of the documents, guidelines and the audit itself, a higher score was given. This could indicate that the website could be seen as a small cost, as it is not user-friendly.

The interviewees gave high scores for SMETA's influence on the image of the facility, as well as on the recognition of SMETA within the industry. The influence on the image received the average score of 4.67 and the influence on the industry recognition of SMETA received the average score of 4.71. These scores were the highest scores given for sub-question two. The interviewees said that using the SMETA methodology for the social audit shows the professionalism of the facility. The SMETA methodology also helps recruiting workers, as working conditions are better, and increases business opportunities. One supplier gave an interesting comment regarding the industry recognition. The supplier mentioned that while the SMETA methodology was not well known within its own country, it experienced that the SMETA methodology is highly recognized outside the country. An explanation for this could be that multinationals are mostly implementing and using the SMETA methodology in order to keep the public satisfied. These multinationals are usually well-educated on the most accepted methodologies and therefore more familiar with it than the local facilities. This could also explain why two other interviewees think that the SMETA methodology is not highly recognized within their circle of suppliers.

The interviewees identified the costs of SMETA mostly with time, because it takes time to understand and implement all the requirements in order to pass the SMETA audit. This is not very surprising, as it is understandable that implementing procedures and keeping them up to date takes time. However, overall the interviewees commented that it is understandable that it takes time and that as long as there are enough benefits the facility could not complain. The average score given for the overall costs was a 4.00, which is exactly the same as the score given for the overall time consumption, which is not surprising at all as the interviewees identified the costs with time. The balance between the costs and benefits of using the SMETA methodology received an average score of a 4.33. The interviewees thought that the balance between the costs and benefits is very reasonable and positive. This result was better than expected, as the facilities could have seen the social audit has a burden and not needed at all.

#### 4.3. What is the influence of the SMETA methodology on the social and community indicators according to the social indicator approach?

The third sub-question used the social indicator approach to evaluate the SMETA methodology and this section will discuss the influence of the SMETA methodology according to this approach.

SMETA's influence on improving the social and community indicators received an average score of 4.29. This score can be explained by looking at the identified indicators. The first indicator was about the labour standards. According to the interviewees, the labour standards were positively influenced by the SMETA methodology. For example, with the SMETA methodology the workers have one day off after seven days of work, while without using the SMETA methodology the workers received one day off after fourteen working days. Another comment included that because of the policies working environment improved. In the other studies found about the results of the social audit, it was also indicated that the overall labour conditions improved. Only overtime was still a big problem.

Workers having excessive overtime records are still a big problem, especially in facilities located in countries such as China, India and Bangladesh.

During the interviews, two interviewees commented that solving this problem is almost impossible, as workers ask for the extra hours and want to work overtime in order to make more money. One interviewee even mentioned that extra time off was not seen as a reward, because the workers would lose income. However, the facility did receive positive feedback when it organized activities after working hours, such as a gathering with traditional food and music. This might not be a solution for the overtime problem, but offering leisure activities could be a start.

Besides the fact that the workers want to work as many hours as possible, this paper argues that culture also plays an important role. People in developing countries do not value leisure time as much as people in developed countries do. Besides that, people in developing countries, such as China, believe that inequalities among people is acceptable, which can be the reason why the workers do not care that other people might have more leisure time. A similar cultural difference can be found in India, where people tend to just go with how things and situations are, and do not take initiative to change the situation. Both countries are flexible regarding the adherence to rules and laws and tend to adapt them to their own preferences, which could explain why the government is not taking action against this problem (Hofstede Insights, 2019). These examples show that culture differences are present and that it might be time for the developed countries to change their perspective regarding issues such as overtime.

Positive improvements are also seen regarding the health and safe working and living conditions of the workers. Most of the interviewees mentioned that the SMETA methodology reduces the amount of incidents and improves product quality. Furthermore, SMETA helps the supplier to verify the health and safe conditions more often. However, two suppliers did not agree with the others. One supplier does not see any improvements in comparison to the previous methodology. The reason for this could be that the conditions were already similar to the standards of the SMETA methodology. However, this is hard to say, as this study has not looked into the previously used methodology. Another reason for the minimum impact could be that it is hard for the facility to control the workers after working hours. In addition, the living conditions are not seen as a priority in comparison to all the other aspects within the social audit, such as working conditions. The other studies about the results of the social audit were also showing contradicting results regarding the improvements in health and safe practices. However, this paper argues that it is in the workers' own interest to follow the rules and to keep the dorms safe and clean, but that it is the facilities' responsibility to implement the correct policies and verify them. It should work both ways. The contradictory results are also shown in the average score, which is 3.83 and the lowest score given regarding the third sub-question.

According to the interviewees, using the SMETA methodology has a positive influence on the awareness of and compliance with legal requirements regarding the environmental protection, as well the environmental impact awareness has improved. Most of the facilities mentioned that the guidelines helped the facility implement the policies and procedures of the SMETA methodology. Implementing the policies and procedures also help the facility to stay in compliance with the local law, as the requirements of the SMETA methodology do correspond with the local law. However, two suppliers did not see a big influence and gave low scores regarding these two aspects. SMETA's influence on the environmental protection received the average score of 4.13, while the awareness of the facilities' impact on the environment received the average score of 4.00. The facility that gave low scores on both aspects said that these topics are not seen as very important by the management of the facility. Furthermore, according to the same supplier the workers do not have a sense of environmental protection, which makes it hard to see a positive influence.

The cause of this could be the low education level of the worker and the minimal interest in environmental issues. At the end of the day, making enough money is the biggest concern of the worker, because the money earned is most of the time sent to home. The workers' low sense of environmental protection can also be explained with Maslow's hierarchy of needs. Maslow created a pyramid that identifies the five main needs of a human being.

The five needs included in the pyramid are physiological needs, safety needs, love and belonging needs, esteem needs, and self-actualization needs. The physiological needs are the most basic needs in order to stay alive, while the other identified needs support the person in becoming the most he or she can be (McLeod, 2018). Maslow's pyramid can be seen in appendix D. The workers in the facility are mainly focusing on earning money and not on anything else, it could mean that the workers are only meeting the first two needs in the pyramid, which are the physiological needs and safety needs. This paper argues that the other needs in the pyramid are not met, because the workers do not have the possibility to really think about those needs, as the circumstances do not allow it. Caring about the environmental impact would come later in the pyramid, maybe within the love and belonging needs or the esteem needs of a person, as those needs include sense of connection, respect and status (McLeod, 2018). This could explain why the awareness of the environmental impact might be lower. In addition, the environment does receive minimal attention by the management, as other topics are seen as more important. Both explanations do not help in improving the awareness of the facilities' impact on the environment.

The influence on the business ethics were seen as positive, as the policies helped to increase the integrity of the facility. Two interviewees did not see a significant change, as the possibility of bribery in the plant is already very small. The other facility said that the business ethics are not seen as important and that the workers do not care about it. This paper argues that these reasons are not very valid as each facility could claim this to make it easier. The compliance manager also commented that the ethics do improve, but that this does not mean that the suppliers agree with the criteria or understand it. This is understandable, as ethics relate to the fundamental principles of a human being (WebFinance Inc., 2019). The fundamental principles are different around the world, as culture plays an important role in defining the fundamental principles and the way of life (Culture, n.d.). This could mean that also business ethics depend on cultural differences and are different everywhere around the world. The other studies about the results of the social audit did not comment on the business ethics.

Each interviewee would recommend using the SMETA methodology, as it is effective in improving the conditions of the workers, which will also increase the productivity of the workers in the long run. The effectiveness of SMETA received the average score of 4.43, which is the highest for sub-question 3. The interviewees were convinced that the SMETA methodology helps to improve and increase the level of the organization, as well as to stay in compliance with the law and to maintain the relationships with customers.

#### 4.4. Study Design & Limitations

The well-detailed drafted plan was very useful and helpful. The interviews conducted were very helpful in researching the effect of the SMETA audit methodology and taught the researcher a lot about social issues and the social audit. In addition, the usage of the evaluation approaches really helped to give more structure to the research. The evaluation approaches of Buchholz gave this study more purpose, and a better direction and lay out. However, the audit process approach did not give as much interesting or helpful information as the researcher expected prior to the research.

At the end, that approach did not contribute enough to answering the main question and finding out the effect of the SMETA methodology.

Conducting this research took more time than anticipated. The expectation was to finish the research at the beginning of June. However, the research was completed two months later. Several factors caused these two months delay, including additional improvements that needed to be made, as well as that the interviews took more time. It was anticipated that the interviews would take 30 minutes, however, in reality the interviews took at least 60 minutes. Another unexpected limitation was that not one of the contacted NGOs was available for comments, which was very disappointing, as an external opinion was desired. The researcher could have taken more time to search for other NGOs to ask for comments, however the time available would not allow this. Another difficulty was the limited information available about the social audit. On the other hand, the limited available information made the research so much more interesting, as there is not much knowledge about the evaluation of the social audit yet.

In addition, the researcher did not use all the results gained during the interviews. The first results not used related to the interview questions in which the researcher asked if the interviewee wanted to add or remove items from the audit criteria. The results on those questions were often negative and not further used in the study. Another question not further used in the research was if the interviewee had any comments. The results gained from this question were too broad to include in this research. However, another research could use these results to further explore possible changes and improvements Sedex could think of. The results gained from the question related to the definition of the costs of SMETA were almost identical to the next question asked, which was also about the costs of SMETA. Both questions were very similar and the answers identical, so only one out of the two questions were enough. The last question not used further in the research was if the interviewees had any comments or questions. Most interviewees did not want to add something, which made the results not interesting enough to add to the results of this research.



## 5. Conclusions and Recommendations

This study researched the effect of the social audit methodology SMETA on the business LUX and its suppliers. In order to research the effect, the research used three evaluation approaches of Buchholz. The first approach being the audit process approach, the second the cost-benefit approach, and the last the social indicator approach. This chapter will give the conclusions found during the research and will give recommendations according to the conclusions made.

### 5.1. Conclusions

The answer to the first sub-question is that the four phases, history and background, the objectives, operations, and evaluation do not have a significant influence on the business LUX and its suppliers. The history and background might be interesting to know, but it does not influence the effect of the SMETA methodology. The same goes for the objective of SMETA, it might be helpful to know the objective prior to using the methodology. However, knowing that the objective is to ease the social audit burden does not influence the effect of SMETA on the business LUX or its suppliers. Using the SMETA methodology does ease the burden a bit, but only if the customer of the supplier are a Sedex member. The objectives of the business LUX were of more interest, as the study could verify if those objectives were met or not. The objectives of the company LUX regarding the SMETA methodology are mostly met. The SMETA methodology enhanced the comprehensiveness, the credibility, and the simplicity of the social audit. The SMETA methodology enhanced the comprehensiveness of the social audit by providing a very detailed audit criteria and audit content. In addition, the credibility of the social audit grew, because of the use of an external audit methodology that is well recognized within the toy industry and has a very positive influence on the image and reputation of both the business and the supplier. The simplicity of the social audit was the least affected, because the user-friendliness of the SMETA methodology received the lowest score of 3.86. Especially, the platform on which the suppliers need to upload the audit reports is unclear. Furthermore, finding the information needed is not always easy. However, the documents provided by the SMETA methodology are very clear, understandable and useful. The guidelines and provided criteria are supportive during the preparation process and support the facility to be in compliance with the audit criteria, as well as with the local law. The other two phases, operation and evaluation of the SMETA audit, is not very different from a regular audit. The only thing is that it takes time to organize, prepare, conduct and verify the audit. The evaluation process of the SMETA audit mostly consists of the internal scorecard created by the business LUX. However, the business does not communicate the scores with the supplier or other parties.

The answer to the second sub-question contains two elements, the generated costs and the generated benefits. The generated cost of the SMETA methodology is identified as time, as it takes time to read all the documents, to understand the guidelines, and to implement all the policies necessary to be in compliance with the audit criteria. However, the interviewees understand that it takes time to prepare for the audit and to solve the non-conformities found. The overall time consumption received a positive average score of 4.00, and indicates that the interviewees do think that the time needed is more than acceptable. The only comment given is that the facilities would like to have more time to solve non-conformities related to missing official documents. In addition to time, the bureaucracy is a small cost. The bureaucracy has significantly increased, because of the many documents and guidelines, which causes people to think less. This can cause people to not understand the reason behind the policies and not act upon them. However, the many documents and guidelines do help the facility a lot during the preparation for the SMETA audit. The generated benefits of the SMETA methodology are that the SMETA audit is well recognized within the industry, and that the image and reputation of the business LUX and its suppliers improves.

Both aspects have a minimum average score of a 4.67. The documents are very useful and received the average score of a 4.43, and the criteria of the audit are very clear and helpful. The user-friendliness is neither a cost nor benefit, but more a weak point of the SMETA methodology, especially the website is unclear. The user-friendliness received the lowest score of 3.86. At the end, the cost-benefit equation is rated very positive with a positive average score of 4.33.

The third sub-question was about the influence of the SMETA methodology on the social and community indicators, according to the social indicator approach. The overall influence of the social and community indicators is very positive, as the interviewees gave an average score of a 4.29. The SMETA methodology is seen as effective, which received the average score of 4.43. Especially, the labour standards, and the health and safe working conditions improved. Furthermore, most suppliers see a positive influence on the environmental aspects and the business ethics, but the impact is not as significant as on the labour standards, and health and safety. The reason for this is that the environmental aspects are not as clear, and not all the workers have a sense of environmental protection. The business ethics did improve, but it is not very clear to the suppliers why the business ethics are needed. In addition, the workers do not really care about the business ethics. Furthermore, there is also a lower influence seen on the living conditions, which received the lowest average score of a 3.83. The interviewees did not see much improvement, because this aspect is harder to control and not seen as important. In addition, the only main issue seen is the overtime, which is a known and common problem in developing countries and difficult to solve, as workers ask for the extra hours.

Overall, it can be concluded that the SMETA methodology has a positive effect on the business LUX and its suppliers. The methodology helps and supports the facility to stay in compliance with the law, as well as with the expectations of the devolved countries in the world regarding social aspects. Using the SMETA methodology helps to prove the business and suppliers' commitment, is favorable in the eyes of customers and the public, and increases the output on the long run. All the interviewees would recommend the SMETA methodology to other suppliers and customers.

The method used to evaluate the effect of the SMETA methodology was effective and useful. The three chosen approaches supported the direction and purpose of the research. Especially, the second and third approaches were very useful in answering the main question. The first approach was less useful, as the included phases were not having a significant impact on researching the effect of the SMETA methodology. However, the approach was useful in finding the objectives of the company, which helped to find out if the SMETA methodology met the expectation of the business LUX.

## 5.2. Recommendations

As written, the SMETA methodology has an overall positive effect on the business and its suppliers. However, the user-friendliness could be improved, as the average score of 3.86 was relatively low. The website does not clearly indicate where the documents can be found and it is very unclear how and where the audit reports should be uploaded. Therefore, it is recommended to Sedex to improve the platform and clearly indicate where the documents can be found. In addition, Sedex could add a time line on which the facility can see the steps that need to be taken and to follow their progress during the preparation of the audit. This will help the supplier understand how far in the process the facility is and which steps still need to be completed. In addition, to make reduce the time needed to read all the documents, it would be favorable to add a summary about the most important information. Another recommendation to Sedex is to revise the days given for solving the non-conformities, as it often depends on external organizations when the facility is able to solve them.

It might be helpful to include exceptions for countries in which the government takes a long time to provide the supplier with official documents, or extend the days for non-conformities related to official documents. In addition, a chapter about cultural differences could be added to the SMETA methodology. A chapter with cultural differences regarding overtime, environment, and business ethics could help the business, the supplier and the auditor to have a better understanding and decrease the strictness of certain requirements. This could result in less non-conformities found regarding aspects that are not solved anytime soon.

The first recommendation for the business LUX is to communicate the scorecard with the supplier, because when this is communicated the business LUX has more influence on the aspects that the company think are more important. The business LUX could also modify the internal scorecard. The internal scorecard could be adapted by reducing the severity of a non-conformity related to working hours, especially overtime. In this way, the company LUX could decide to focus on more important aspects that are easier to solve and improve, such as environmental protection. It would help the supplier in taking the environmental aspects more seriously when the severity of the score related to environment is more severe. Besides the environment, the business LUX should focus more on the living conditions. The living conditions were seen as less important in the eyes of the suppliers' management. The business LUX could also increase the severity of the living conditions of the workers, in order to make the suppliers more aware of its importance. Another recommendation for the long term could be to set a bottom line of a minimum score that the supplier needs to obtain, for example, the supplier should obtain a minimum score of 75 out of 100. This score could then also increase slightly over the years. The minimum score in three years could then be 80 out of 100. If there is a supplier that does not meet the minimum score, the business LUX could think about reducing the workload for that facility.

It is recommended that the suppliers keep improving the conditions for the workers and to keep the policies up to date, as well as to try to focus more on the environmental impact and the living conditions. The facility could for example introduce a commission specifically for the environment and even work together with other facilities. Another recommendation is to educate the workers more on why certain policies are implemented and why it is important to stay in compliance with the policies. This will increase the involvement of the workers in the facility and improve their commitment to the policies.

Using the evaluation approaches of Buchholz were very useful for this research. In addition, the chosen variables used within the approaches supported this study to research the effect of the SMETA methodology on the business and its suppliers. It would be recommended to add the variables credibility, comprehensiveness and simplicity. These variables came up during the interview with the compliance manager and after writing the conclusions, these variables helped to indicate if those aspects improved and why. The other variables chosen supported the reasons as to why the credibility, comprehensiveness and simplicity of the social audit were improved or not. Another recommendation would be to eliminate the first approach, as this approach was not very helpful in finding the effect of the SMETA methodology on the business LUX and its suppliers. The last recommendation is to do the same research again in three years, with the same business and same suppliers, in order to see if after more experience with the SMETA methodology, the opinions have changed or not. In addition, more research is needed to verify if the variables used will be applicable for other evaluations of social audits, or if the chosen variables are too specific and are only useful for evaluation of the SMETA methodology.

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# Appendix A. Sedex & SMETA Information

Sedex, who developed the SMETA audit methodology, is a nonprofit membership organization. The organization created the platform Sedex Advance, which supports sharing responsible sourcing data thorough (global) supply chains, such as audit reports. In addition to the platform, the organization developed the Sedex Member Ethical Trade Audit (SMETA). SMETA is an audit methodology that offers a central agreed protocol and format for the ethical, or social, audit. The methodology basis is the Ethical Trading Initiative (ETI) Code, as well as the local law. The assessment criterion, which is a voluntary guideline, includes four pillars. The four pillars that are used are labour standards, health and safety, business ethics, and the environment (Sedex Stakeholder Forum, 2017).

Figure shows the previous explanation in a diagram that starts from left to right, in which SEDEX is the head organization. Under the head organization are two main subjects, which are SMETA and Sedex advance. SMETA, based on the ETI, includes the four pillar assessment criteria, while the Sedex Advance is the platform.

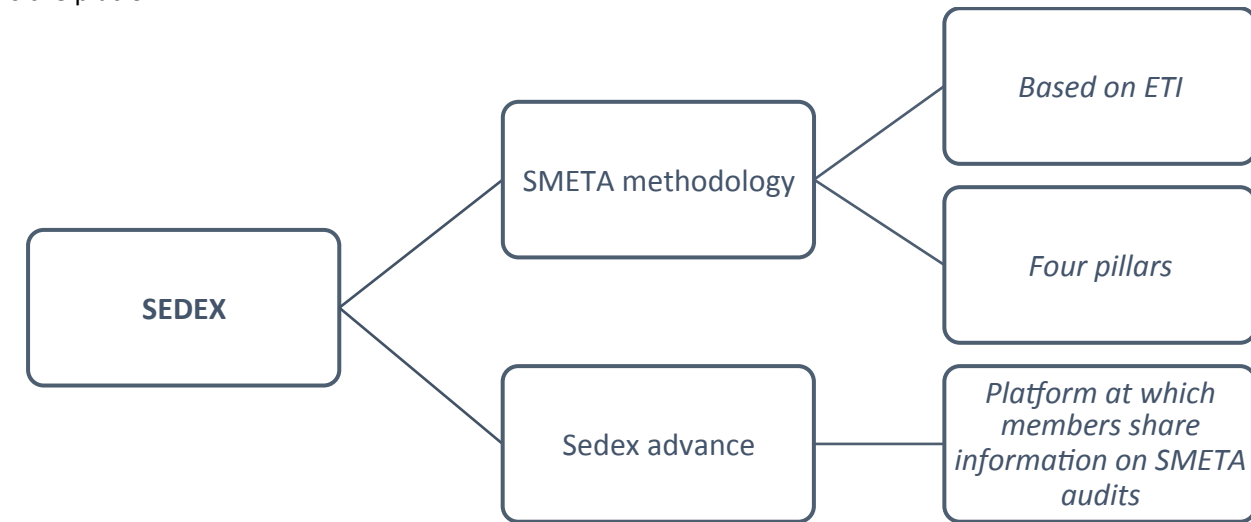


Figure 23. Sedex overview.

As can be seen in figure 23, Sedex is the organization who created the social audit methodology SMETA and Sedex advance. Sedex advance is a platform on which members can share the audit reports. . SMETA is based on the ETI base code and includes four pillar on which the audit is based. These four pillars include labour standards, health and safety, environment, and business ethics. Table 1 presents the audit content of the 4-Pillar audit of SMETA.

The criteria chosen by SMETA is in line with the ETI code and ILO, which is the International Labour Organization. Moreover, the content also includes the three pillars of sustainability (see figure 2). The first pillar of the SMETA audit content ‘labour standards’ can be linked to the sustainability pillar ‘economic’, the ‘environment’ pillar of SMETA to the ‘environment’ pillar of sustainability, while the ‘business ethics’ pillar, and the ‘health and safety’ pillar can be linked to the ‘social’ pillar of sustainability. This also shows again the relation between CSR, sustainability and the social audit.

It is important to know that Sedex is only an organization that provides businesses and its suppliers a voluntary standard that serves as the basis of a framework, and that the organization is not a certificate, nor a social auditing company (Rahim & Idowu, 2015). This means that the business and/or supplier will always need an external party certified to conduct the audit.

The next figure shows the steps of the SMETA audit.

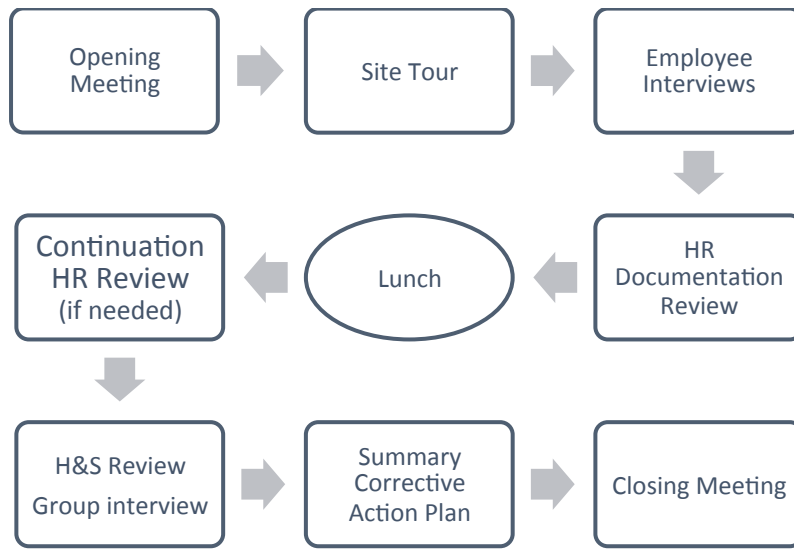


Figure 24. SMETA audit operational process.

As figure 24 shows, the SMETA audit starts with the opening meeting and ends with the closing meeting. According to the compliance manager of the LUX, the most valuable part of the SMETA audit is the interviews the auditor conducts with the employees. During the interviews the auditor is able to speak confidentially with the employees; this gives autonomy and more honest answers from the employees.



## Appendix B. Semi Structured Interviews

The semi structured interviews.

### General introduction

Dear (*interviewee*)

Thank you for your time and availability for being here today and to be willing to participate in this interview.

I am Lisette Pruis and I am a fourth year student at the Aeres University of Applied Science. First, I would like to thank you for your time and availability to be part of my thesis and of this interview. The interview will take approximately 20 to 30 min.

My thesis is about finding the effect of the social audit methodology SMETA has on the business, its suppliers and the suppliers' social and community needs. I am researching this by using three different evaluation approaches, which are the 'audit process approach', the 'cost-benefit' approach, and the 'social indicator approach'. I divided the interview in one part for the NGO, two parts for the suppliers and in three parts for the compliance manager.

Before we start the interview, I would like to ask your permission to record the interview, as this will help me to focus on the interview, instead of taking notes. Please know that the recordings will be deleted ones I have transferred the information on paper and that I will handle the information with care. I promise that I will not share the recordings in any circumstance.

One last thing before we start, do you have any questions or comments?

### Sub-question 1

#### Compliance manager of the business

The first part of my research focuses on the evaluation type 'audit process approach'. This approach will cover four phases, including the history and background, the objectives, operations, and evaluation. This will give a more general evaluation of the SMETA methodology, as this approach focuses on the audit process as a whole. I would like to obtain more information about the operation process and the evaluation process of the SMETA audit.

If I understand well, you have attended and prepared quite a few SMETA audits and therefore I would like to ask you some questions related to that.

1. In your opinion, how would you describe the audit in terms of activities? In other words, what kind of activities are included in the SMETA audit?
2. Would you be able to describe the operational process of the SMETA audit? (giving order to the activities)
3. In your opinion, what would be the most valuable activity of the audit? Why?
4. In your opinion, what would you add to the activities if you were able to add something?

Going on to the activities after completing the audit, which I assume could be part of the evaluation process.

1. After completing the audit, what are the general next steps?

2. Assuming there are some non-conformities found, how will you solve them?
3. In your opinion, what would you consider part of the evaluation process of the SMETA audit?
4. As a company, do you add activities or steps to the evaluation process?

I want to thank you for your cooperation and availability! It means a lot to me that you have taken some time to do this interview with me.

## Sub-question 2

### Compliance manager of the business

The second part of my research and of this interview focuses on the second evaluation type, which is the 'cost-benefit approach'. This approach focuses on the benefits generated in relation to the costs. The benefits I have thought of prior to the interview are *user-friendliness, bureaucracy, strictness of the procedures, time consumption, image influence, and industry recognition*. To make this evaluation more practical, I will ask you to rate the aspects according to a score. The scale for the scores will be between one and five, in which one is the lowest and five the highest. In other words, one is the worst 'grade' and five the best 'grade'.

The following questions are all related to the social audit methodology SMETA and your experience with it so far.

I have read a lot about SMETA and there are several supporting documents including, the best practice guidance, the common audit report format, the common corrective action plan format, and the measurement criteria manual.

1. In your opinion, would you say these documents are helpful and really supporting you in the preparation for the audit? (assuming you have read them)
2. Would please explain?
3. If you would need to give the helpfulness of the documents a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

The previously mentioned documents include many guidelines, as well as the criteria of the audit.

4. In your experience, do you find the guidelines clear?
5. Would please explain?
6. If you would need to give the guidelines a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

The measurement criteria are an important part of the SMETA methodology, as it is the basis of the audit.

7. In your opinion, what do you think of the criteria? (Do you think that it covers enough regarding a social audit?)
8. If you were able to add something to the criteria, what would you add? Would you please explain?
9. If you were able to remove something from the criteria, what would you remove? Would you please explain?
10. In your experience, do you find the criteria of the audit clear? Would you please explain?
11. If you would need to give the criteria of the audit a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)

- b. Would you please explain?

I can imagine that the preparation for an audit is precise work, like the audit itself and improving the non-conformities. Therefore, I would like to know your experience regarding the time consumption of the methodology.

- 12. In your experience, do you think the preparation time is too much or do you think it is acceptable? Would you please explain?
- 13. In your experience, do you think the duration of the audit itself is too much or do you think it is acceptable? Would you please explain?
- 14. In your experience, do you think the time it takes to correct the non-conformities is too much or do you think it is acceptable? Would you please explain?
- 15. If you would need to give the overall time consumption a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

I would like to know what your thoughts on the bureaucracy of the methodology. (NOTE: bureaucracy → is the structure and set of rules that control the activities of people that work for large organizations. It is characterized by standardized procedure (rule-following), formal division of responsibility, hierarchy, and impersonal relationships)

- 16. In your experience, do you think that bureaucracy is improving or getting worse with the methodology?
- 17. If you would need to give the bureaucracy a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

Taking everything we just talked about into consideration, I would like to know your opinion about the user-friendliness of SMETA.

- 18. In your experience, what do you think about the user-friendliness of the SMETA methodology? (NOTE: user-friendliness → accessibility, usability, practicality, simplicity)
- 19. If you would need to give the user-friendliness a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

Beside the user-friendliness of the SMETA methodology, I would like to know what your opinion is on what the influence of using this methodology is on the image of your business. (NOTE: image → public perception / reputation).

- 20. In your opinion, what do you think is the influence of using SMETA on your reputation/image? Would you please explain?
- 21. If you would need to give the influence on your reputation/image a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

In addition to the previous question, I would like to know how you think the industry thinks about SMETA. (NOTE: how familiar and accepted is it the industry with SMETA?)

- 22. In your opinion, how is the recognition of SMETA in the industry? Would you please explain?
- 23. If you would need to give the influence on your reputation/image a score, what would you give it?

- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
24. In addition to what we talked about so far, what would you like to add?
25. If you would need to give those a score, what would you give them? (OPTINAL)
- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
26. How would you define the costs of SMETA? (besides money)
27. Where would you say the costs are in the SMETA methodology? Would you please explain?  
(NOTE: costs → the expenses, such as time, energy, money, effort, etc)
28. If you would need to give the costs an overall score, what would you give it?
- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

Taking everything we talked about into consideration, I would like to know your opinion on the cost-benefit equation of the ethical audit methodology SMETA.

29. In your opinion, what do you think about the cost-benefit equation?
30. If you would need to give the costs an overall score, what would you give it?
- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

This is the end of this part of the interview.

31. Do you have any questions or comments?

I want to thank you for your cooperation and availability! It means a lot to me that you have taken some time to do this interview with me.

### Suppliers of the business

The second part of my research and the first part of this interview focuses on the second evaluation type, which is the 'cost-benefit approach'. This approach focuses on the benefits generated in relation to the costs. The benefits I have thought of prior to the interview are *user-friendliness, bureaucracy, strictness of the procedures, time consumption, image influence, and the industry recognition*. To make this evaluation more practical, I will ask you to rate the aspects according to a score. The scale for the scores will be between one and five, in which one is the lowest and five the highest. In other words, one is the worst 'grade' and five the best 'grade'.

The following questions are all related to the social audit methodology SMETA and your experience with it so far.

I have read a lot about SMETA and there are several supporting documents including, the best practice guidance, the common audit report format, the common corrective action plan format, and the measurement criteria manual.

- 1. In your opinion, would you say these documents are helpful and really supporting you in the preparation for the audit? (assuming you have read them)
- 2. Would please explain?
- 3. If you would need to give the helpfulness of the documents a score, what would you give it?

  - a. 1 – 2 – 3 – 4 – 5 (bad – good)

- b. Would you please explain?

The previous mentioned documents include many guidelines, as well as the criteria of the audit.

- 4. In your experience, do you find the guidelines clear?
- 5. Would please explain?
- 6. If you would need to give the guidelines a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

The measurement criteria are an important part of the SMETA methodology, as it is the basis of the audit.

- 7. In your opinion, what do you think of the criteria? (Do you think that it covers enough regarding a social audit?)
- 8. If you were able to add something to the criteria, what would you add? Would you please explain?
- 9. If you were able to remove something from the criteria, what would you remove? Would you please explain?
- 10. In your experience, do you find the criteria of the audit clear? Would you please explain?
- 11. If you would need to give the criteria of the audit a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

I can imagine that the preparation for an audit is precise work, as the audit itself and improving the non-conformities. Therefore, I would like to know your experience regarding the time consumption of the methodology.

- 12. In your experience, do you think the preparation time it too much or do you think it is acceptable? Would you please explain?
- 13. In your experience, do you think the duration of the audit itself is too much or do you think it is acceptable? Would you please explain?
- 14. In your experience, do you think the time it takes to correct the non-conformities is too much or do you think it is acceptable? Would you please explain?
- 15. If you would need to give the overall time consumption a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

I would like to know what your thoughts on the bureaucracy of the methodology. (NOTE: bureaucracy → is the structure and set of rules that control the activities of people that work for large organizations. It is characterized by standardized procedure (rule-following), formal division of responsibility, hierarchy, and impersonal relationships)

- 16. In your experience, do you think that bureaucracy is improving or getting worse with the methodology?
- 17. If you would need to give the bureaucracy a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

Taking everything we just talked about into consideration, I would like to know your opinion about the user-friendliness of SMETA. (NOTE: user-friendliness → accessibility, usability, practicality, simplicity)

- 18. In your experience, what do you think about the user-friendliness of the SMETA methodology?

19. If you would need to give the user-friendliness a score, what would you give it?
- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

Beside the user-friendliness of the SMETA methodology, I would like to know what your opinion is on what the influence of using this methodology is on the image of your site. (NOTE: image → public perception / reputation).

20. In your opinion, what do you think is the influence of using SMETA on your reputation/image? Would you please explain?
21. If you would need to give the influence on your reputation/image a score, what would you give it?
- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

In addition to the previous question, I would like to know how you think the industry thinks about SMETA. (NOTE: how familiar and accepted is it the industry with SMETA?)

22. In your opinion, how is the recognition of SMETA in the industry? Would you please explain?
23. If you would need to give the influence on your reputation/image a score, what would you give it?
- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

24. In addition to what we talked about so far, what would you like to add? (OPTINAL)
25. If you would need to give those a score, what would you give them? (OPTINAL)
- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

26. How would you define the costs of SMETA? (besides money)
27. Where would you say the costs are in the SMETA methodology? Would you please explain? (NOTE: costs → the expenses, such as time, energy, money, effort, etc.)
28. If you would need to give the costs an overall score, what would you give it?
- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

Taking everything we talked about into consideration, I would like to know your opinion on the cost-benefit equation of the ethical audit methodology SMETA.

29. In your opinion, what do you think about the cost-benefit equation?
30. If you would need to give the costs an overall score, what would you give it?
- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

This is the end of this part of the interview.

31. Do you have any questions or comments?

I want to thank you for your cooperation and availability! It means a lot to me that you have taken some time to do this interview with me.

### Sub-question 3

#### Compliance manager of the business

The third part of my research and of this interview focuses on the third and last evaluation type, which is the 'social indicator approach'. This approach focuses on the social criteria and social and community needs. It will evaluate the incorporated social and community needs (community indicators) within the SMETA methodology. The study will focus on six community indicators, including *labour standards, healthy and safe working conditions, healthy and safe living conditions, awareness and compliance with legal requirements regarding environment protection, awareness of site's impact on environment, and business ethics* of which the basis is coming from the measurement criteria of SMETA.

To make this evaluation more practical, I will ask you to rate the aspects according to a score. The scale for the scores will be between one and five, in which one is the lowest and five the highest. In other words, one is the worst 'grade' and five the best 'grade'.

With this interview, I would like to obtain more knowledge about the pay-off of using the SMETA methodology regarding the social and community needs of the supplier. Meaning, how is the suppliers' community actually benefitting from using this methodology.

I have brought a table that presents the summary of the 4-Pillar audit of SMETA with the focus points during the audit. I would kindly ask you to read this through, as this will be helpful for the following questions.

Table 33. Audit content of the 4-Pillar audit from SMETA for the interviews.

4-Pillar Audit	Audit Content
<b>Labour Standards</b>	<ul style="list-style-type: none"><li>- Prohibition of forced labour / prison labour / child labour</li><li>- Freedom of association / workers' representation</li><li>- Compensation and benefits, including Living Wage</li><li>- Working hours</li><li>- Zero-hours contracts</li><li>- Prohibition of discrimination</li><li>- Regular employment</li><li>- Prohibition of harsh / inhumane treatment</li><li>- Universal Rights</li><li>- Responsible Recruitment Practices</li><li>- Entitlement to Work</li><li>- Subcontracting and Homeworking</li></ul>
<b>Health and Safety</b>	<ul style="list-style-type: none"><li>- Healthy and safe working conditions (site of work)</li><li>- Healthy and safe living conditions (dormitories)</li></ul>
<b>Environment</b>	<ul style="list-style-type: none"><li>- Awareness of and compliance with legal requirement regarding environmental protection</li><li>- Awareness of site's impact on the environment, and measurement of this impact</li></ul>
<b>Business Ethics</b>	<ul style="list-style-type: none"><li>- Awareness of legal and client requirements regarding the prohibition of bribery</li><li>- Implementing of policies to prevent bribery and to facilitate whistleblowing in cases of unethical business practices</li><li>- Any additional international and customer requirements/standards</li></ul>

	<ul style="list-style-type: none"> <li>- Document Review site's ethical policies</li> <li>- Permits and Licenses legal, and customer requirements</li> <li>- Natural Resources Usage</li> <li>- Triangulation via Worker and Management Interviews</li> </ul>
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1. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the labour standards of the employees/workers at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
2. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
3. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the health and safe working conditions of the employees/workers at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
4. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
5. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the health and safe living conditions of the employees/workers at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
6. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
7. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the awareness of and compliance with legal requirement regarding environmental protection at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
8. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
9. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the awareness of site's impact on the environment, and measurement of this impact at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
10. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
11. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the business ethics at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).



12. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
13. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the overall social and community needs of the employees at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
14. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

Just two more questions:

15. In your opinion, if you would be able to add or remove something from the audit content, what would that be? Would you please explain?
16. Would you recommend the SMETA methodology to other businesses/suppliers? Would you please explain?

I want to thank you for your cooperation and availability! It means a lot to me that you have taken some time to do this interview with me.

#### Suppliers of the business

The third part of my research and the second and last part of this interview focuses on the third and last evaluation type, which is the 'social indicator approach'. This approach focuses on the social criteria and social and community needs. It will evaluate the incorporated social and community needs (community indicators) within the SMETA methodology. The study will focus on six community indicators, including *labour standards, healthy and safe working conditions, healthy and safe living conditions, awareness and compliance with legal requirements regarding environment protection, awareness of site's impact on environment, and business ethics* of which the basis is coming from the measurement criteria of SMETA.

To make this evaluation more practical, I will ask you to rate the aspects according to a score. The scale for the scores will be between one and five, in which one is the lowest and five the highest. In order words, one is the worst 'grade' and five the best 'grade'.

With this interview, I would like to obtain more knowledge about the pay-off of using the SMETA methodology regarding the social and community needs of the supplier. Meaning, how is the suppliers' community (your community) actually benefitting from using this methodology.

I have brought a table that presents the summary of the 4-Pillar audit of SMETA with the focus points during the audit. I would kindly ask you to read this through, as this will be helpful for the following questions. (Please see table 33 'audit content of the 4-pillar audit from SMETA used for the interviews').

1. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the labour standards of the employees/workers at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
2. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

3. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the health and safe working conditions of the employees/workers at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
4. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
5. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the health and safe living conditions of the employees/workers at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
6. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
7. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the awareness of and compliance with legal requirement regarding environmental protection at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
8. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
9. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the awareness of site's impact on the environment, and measurement of this impact at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
10. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
11. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the business ethics at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
12. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
13. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the overall social and community needs of the employees at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
14. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
15. From the organizations' point of view, how effective would it say is the SMETA methodology? Would you please explain?

16. If you would need to give the effectiveness a score, what would that be?
- 1 – 2 – 3 – 4 – 5 (bad – good)
  - Would you please explain?

Just two more questions:

17. In your opinion, if you would be able to add or remove something from the audit content, what would that be? Would you please explain?
18. Would you recommend the SMETA methodology to other businesses/suppliers? Would you please explain?

I want to thank you for your cooperation and availability! It means a lot to me that you have taken some time to do this interview with me.

#### Non-Governmental Organization (NGO)

The third part of my research and the only part of this interview focuses on the third and last evaluation type, which is the 'social indicator approach'. This approach focuses on the social criteria and social and community needs. It will evaluate the incorporated social and community needs (community indicators) within the SMETA methodology. The study will focus on six community indicators, including *labour standards, healthy and safe working conditions, healthy and safe living conditions, awareness and compliance with legal requirements regarding environment protection, awareness of site's impact on environment, and business ethics* of which the basis is coming from the measurement criteria of SMETA.

To make this evaluation more practical, I will ask you to rate the aspects according to a score. The scale for the scores will be between one and five, in which one is the lowest and five the highest. In other words, one is the worst 'grade' and five the best 'grade'.

With this interview, I would like to obtain the opinion of an external party about the social audit methodology SMETA (the 4-pillar).

First, I would like to ask two short questions about your organization.

1. What does the organization stand for?
2. What is the aim of the organization?

I would like to continue with the organization point of view on social audits.

3. From the organizations' point of view, how would you describe a social audit?
4. From the organizations' point of view, how important is conducting a social audit?
5. Is the organization familiar with the social audit methodology SMETA? (NOTE: assuming here they say yes)
6. From the organizations' point of view, how would it describe the SMETA methodology?
7. From the organizations' point of view, how effective would it say is the SMETA methodology? Would you please explain?
8. If the organization would need to give the effectiveness a score, what would that be?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

I have brought a table that presents the summary of the 4-Pillar audit of SMETA with the focus points during the audit. I would kindly ask you to read this through, as this will be helpful for the following questions. (Please see table 4 'audit content of the 4-pillar audit from SMETA). (NOTE: only ask the next questions if the organization is familiar enough with the audit content).

9. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the labour standards of the employees/workers at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
10. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
11. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the healthy and safe working conditions of the employees/workers at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
12. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
13. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the health and safe living conditions of the employees/workers at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
14. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
15. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the awareness of and compliance with legal requirement regarding environmental protection at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
16. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
17. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the awareness of site's impact on the environment, and measurement of this impact at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
18. If you would need to give this improvement or deterioration a score, what would you give it?
  - a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
19. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the business ethics at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).

20. If you would need to give this improvement or deterioration a score, what would you give it?
- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?
21. In your opinion, how would you say the SMETA methodology has had an influence on improving (or worsening) the overall social and community needs of the employees at the suppliers' facilities? (NOTE: assuming it had an influence and considering the audit content from the table provided).
22. If you would need to give this improvement or deterioration a score, what would you give it?
- a. 1 – 2 – 3 – 4 – 5 (bad – good)
  - b. Would you please explain?

Just two more questions:

23. In your opinion, if you would be able to add or remove something from the audit content, what would that be? Would you please explain?
24. Would you say that the SMETA audit methodology actual makes a difference? Would you please explain?

I want to thank you for you cooperation and availability! It means a lot to me that you have taken some time to do this interview with me.

## Appendix C. Results

Appendix C shows the results not used in answering the sub-questions.

As can be seen in table 34, the overall result is that there should be nothing added to the criteria.

*Table 34. Added items to the criteria.*

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	No, covers enough.	Nothing
<b>Supplier A</b>	Nothing to add it is detailed enough and covers all the needs of a social audit.	Nothing
<b>Supplier B</b>	No adding.	Nothing
<b>Supplier C</b>	For the time being, it is good enough.	Nothing
<b>Supplier D</b>	Nothing.	Nothing
<b>Supplier E</b>	Nothing	Nothing
<b>Supplier F</b>	Nothing seems to cover all aspects.	Nothing

As can be seen in table 35, is that nothing should be removed from the criteria.

*Table 35. Removing items from the criteria.*

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Nothing	No
<b>Supplier A</b>	Nothing to remove either.	Nothing
<b>Supplier B</b>	No removing.	Nothing
<b>Supplier C</b>	Nothing	Nothing
<b>Supplier D</b>	Nothing	Nothing
<b>Supplier E</b>	Nothing	Nothing
<b>Supplier F</b>	No need. It is sufficient.	Nothing

Table 36 shows the answers when the interviewee was given the possibility to add something. The compliance manager took this chance to say that the rating should be removed, supplier A would like to see that other certifications will be taken into consideration, supplier B would like to make the criteria more plant specific, and supplier C would like to see more flexibility regarding the working hours indicated in the measurement criteria. Supplier D and E do not have anything to add.

*Table 36. Added comments.*

Interviewee	Summarized response	Identical terms used
<b>Compliance manager</b>	Removing the rating part	Rating removed
<b>Supplier A</b>	Request the latest audit report of other audits performed. So not removing something, but if the facility has other certificates this should be taken into consideration. Only nice to show to other SEDEX members the SMETA methodology. No other certifications are showed.	Taking other certifications into consideration

<b>Supplier B</b>	Criteria should be more specific for the plant, such as pollution, water measurement is not easy to understand.	Plant specific
<b>Supplier C</b>	Modify the working hours, could be more flexible according to the locations and the positions; flexible adjustments.	More flexible working hours
<b>Supplier D</b>	Nothing to add.	Nothing
<b>Supplier E</b>	Nothing to add.	Nothing
<b>Supplier F</b>	Nothing	Nothing

As can be seen in table 37, the compliance manager thinks that the costs of SMETA are in money and time. All the suppliers think that the major cost is time.

*Table 37. Definition of the costs.*

<b>Interviewee</b>	<b>Summarized response</b>	<b>Identical terms used</b>
<b>Compliance manager</b>	Money and time	Money & time
<b>Supplier A</b>	Same time, energy and effort as for the other audits conducted at the facility. Especially time.	Time
<b>Supplier B</b>	Time, as many people are involved in the implementation process, such as operator, quality and human resource management.	Time
<b>Supplier C</b>	All the work in order to prepare for the audit and SMETA is a cost. The money costs would be bigger.	Work
<b>Supplier D</b>	Reasonable, as it makes sense that it takes time to get familiar with a new methodology. Convincing the workers to use the new methodology took some effort.	Time
<b>Supplier E</b>	Time	Time
<b>Supplier F</b>	There are various cost incurred to maintain the requirements like consultancy trainings at regular intervals, mock drills, dedicated resources for monitoring performance and reviews	Work

As can be seen in table 38, only one supplier wanted to add something, which was that SMETA acts like a second checklist to be in compliance with the law regarding social audits.

*Table 38. Comments or questions.*

<b>Interviewee</b>	<b>Summarized response</b>	<b>Identical terms used</b>
<b>Compliance manager</b>	Nothing	Nothing
<b>Supplier A</b>	Everything SMETA asks are obligations of the law, which makes it a legal framework, which is the right thing to do. SMETA is like a second control.	Second checklist
<b>Supplier B</b>	Nothing	Nothing
<b>Supplier C</b>	Nothing	Nothing
<b>Supplier D</b>	Nothing	Nothing
<b>Supplier E</b>	Nothing	Nothing
<b>Supplier F</b>	Nothing	Nothing

## Appendix D. Maslow's Hierarchy of Needs

Appendix D presents and explains the Maslow's Hierarchy of needs.

Figure 26 shows the pyramid with the hierarchy of Maslow's needs.



Figure 25. Maslow's Hierarchy of Needs (McLeod, 2018).

As figure 25 presents, there are five main identified needs. The first are the physiological needs, which include the most basic needs in order for a human being to survive, such as air, water, food, clothing and shelter. After meeting those needs, the person could try to fulfil the safety needs, including personal security, stability and employment. The third is love and belonging, including friendship, trust, and receiving and giving affection and love. Esteem is the fourth need and includes the esteem for oneself and the desire to build a reputation. The last need is self-actualization, which is about seeking personal growth. According to Maslow, the first identified need, which includes the physiological needs, should first be met before the person can fulfil the next set of needs (McLeod, 2018).