



# Omega Compliance committed to supply chain integrity

By Michelle Russell | 14 June 2016

Increasing requirements by apparel brands and retailers for specialist quality assurance, compliance and supply chain security services are fueling the strong double-digit growth of Omega Compliance, a standalone subsidiary of sourcing specialist [William E. Connor & Associates Ltd.](#) Celebrating its tenth anniversary this year, the company tells just-style why its momentum on responsible sourcing shows no sign of slowing down.

"We're really in a unique position. What we do actually has a major impact on the lives of people in the factories in which we work," Jon White, managing director of Omega Compliance explains.



*Jon White, managing director of Omega Compliance*

The statement is not an exaggeration. The company, which was spun off as a standalone subsidiary of William E. Connor in 2006, spans Asia's main apparel producing countries and has experienced double-digit growth over the last few years as demand for specialist quality assurance, compliance, and supply chain security work grows.

This is particularly true of the apparel and footwear industry, the largest sector for Omega Compliance, accounting for 40% of its work and including clients such as Adidas and Columbia Sportswear. And its progress is clear. When it was set up, Omega Compliance solely served Connor clients, but fast-forward to today and 80% of its business is from non-Connor relationships, with social accountability the biggest growth area for the company.

White sees it remaining this way. "We're providing that service in 30 countries all over the world," he tells just-style.

His eight-year career in the Hong Kong police is also proving beneficial for another of the firm's growth drivers: integrity investigations services, such as conflicts of interest, bribery and fraud.

Fraud and corruption has become an all too common theme across many supply chains, and is a threat to business that brands and retailers are increasingly keen to stamp out. This can include purchase orders being awarded to poorly qualified suppliers, factories with egregious ethical issues, or defective shipments being passed by quality inspectors.

Omega's integrity service is unique in the industry, but even White admits that while supply chain integrity can be tackled, there is never a 100% guarantee of it being totally eradicated.

"Anyone who says they will never have an integrity issue in their company frankly has no credibility in my view. You can never give a guarantee like that, but you can implement important procedures and oversights which significantly mitigate these risks.

"The mistake made by any company with a supply chain is to look at integrity or corruption and say, 'How do we resolve that and fix it once and for all?' It's a totally unrealistic expectation. The way to look at it is in the same way you look at quality. In your management meeting have it on the agenda and tackle it all the time, just like you do any other issue in a company. That's what we do and it's really been a help."

## **Commitment to compliance**

Omega Compliance complements the work already undertaken by its parent, which itself carries out nearly 500,000 inspections a year for a long-standing client base that includes US department store group Dillard's and UK retailer Marks & Spencer. Indeed, such is William E. Connor's commitment to compliance that it has been named as one of world's most ethical companies for five years in a row by US business ethics think-tank the Ethisphere Institute.

Chairman and CEO William E. (Chip) Connor ascribes this success to the culture that has been created within the company. "With so much light being shone on corporate social responsibility, social compliance and human trafficking, where people are promulgating standards, the culture naturally evolved into this structure. We take it very seriously."

With an annual turnover of US\$2bn, offices in 35 locations across 20 countries, and more than 1,500 employees, Connor says having "boots on the ground" across its network ensures clients receive the right goods in a compliant manner.

"As production values become more far-flung, you can't just fly people out of Hong Kong to different cities in China. You have to have a physical emplacement of some kind."

Upstream compliance has also become increasingly important, going beyond the first-tier manufacturer to the provider of the materials – something Connor says is incredibly difficult to vet. "It's a matter of managing a tapestry of complexity," he explains. "You've got to sweat the small stuff. Business doesn't just take care of itself. You've got to deal with issues."

These issues also include wage increases in China, offset a little by the strength of the US dollar, and the rollercoaster of raw material costs.

China is where both Omega and Connor have the highest percentage of their business, and Connor believes that while country "is not going away", it "needs to change" if it is to address its demographic issues.

"China is extremely productive and extremely efficient. Demographics notwithstanding, and the movement of production to different areas notwithstanding, China remains competitive. Certainly, in the case of the US and Europe, China's share of apparel exports or imports into these regions is, if anything, up a little bit."

## **A transparent approach**

Omega's White says that specific challenges in China, which is where the company also has its largest teams, include the manipulation and falsification of records on wages and working hours from factories.

He admits there has been progress in this area, but explains: "If we ask a factory for their authentic records, they will ask 'what will happen if we don't provide them?' If the factory will continue to receive orders, unabated, from its client, what is their motivation to be transparent?"

"That's the dilemma. Another is that you may have several clients in one factory, and it'll be the company with the largest volume that dictates what they do. If they have four brands and three require transparency, but the biggest customer is just looking for the overtime to be within the legal limits, they're going to meet the requirement of the most important customer. That's an ongoing problem."

The solution, White says, boils down to collaboration and for "everyone to agree on what the standards are".

He admits that the willingness of brands and retailers to take a more practical and flexible approach with their factories has improved over recent years. But he says transparency remains one of the biggest concerns for customers thanks to an increase in sub-contracting and upstream supply-chain entities. Many, White says, want visibility beyond tier-one and tier-two facilities to farms and tanneries. And the key to tackling this? Having people on the ground.

"To properly understand and know what's happening [in your supply chain], you have to go and see it. There's no way around that. You can have the best IT platform in the world, but if you don't go to the factory, then you don't really know what's happening."

## **Maintaining the focus**

Growing at around 30% year-on-year, Omega continues to develop additional services such as environmental impact assessments.

"We don't want to lose the focus on what's made us successful. No matter what we do, we want to stay true to that because that's what has worked for us. We always come back to integrity and client service no matter which area we work in. We'll invest to make sure we retain those core strengths.

"Our number one priority, the reason that we're here [is] to work for our clients and protect them to the best of our ability. The way to do that effectively is to make sure the workers in their factories are being treated properly. By doing that, we actually help our clients.

"Sometimes we forget that if it weren't for an audit we've done where we pointed out a guard is missing on a certain machine, someone would've lost a hand. How's that going to impact their family? Sometimes we lose sight of that."

The business has grown geographically too, particularly in India and Vietnam, with the latter country expected to grow further for Omega going forward. In addition to Asia – Omega's main sourcing hub – the company has a presence in Europe, is in the process of establishing an office in Latin America, and is eyeing Africa as a major sourcing location over the next few years.

"Certainly we'll look to have a presence there," White says. "We're already performing audits in parts of Africa, but we are using our specialists from other countries to undertake them so we'll need a permanent presence soon."

For parent company William E Connor, growth continues to be organic and "not transactionally-driven", Connor says. That means nurturing existing relationships and identifying new, similar, ones where there has been fidelity over the years. Clients are also increasingly asking for more design, warehousing, and replenishment services, all of which are offered through its New York based Worldwindows unit.

"We're not going to change in any big way, but we are going to enhance what it is we do that we know is successful, where we're adding value, and then continue to adapt our model to meet the needs of our clients."