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## **Manufacturing in Ethiopia: Decathlon's Partnership Model**

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**TEACHING CASE STUDY**

***Manufacturing in Ethiopia: Decathlon's Partnership Model***

**Authors: Dorothee Baumann-Pauly, Lorenzo Massa, & Natasja Sheriff**

**November 3, 2020**

## **Case Synopsis**

*The case focuses on Decathlon, Europe's biggest outdoor and sports retailer. It examines how the company is adjusting its business model to align growth and profits with positive social impact and respect for human rights. It discusses Decathlon's recent involvement in the nascent Ethiopian garment industry and the company's efforts to introduce a partnership model, which is based on longer-term business relationships and joint growth strategies with selected suppliers. Beyond Ethiopia, the partnership approach is enabling suppliers in developing countries to organize their work more effectively and helping garment workers acquire new skills and capabilities, thereby improving productivity. At the same time, manufacturers receive support from Decathlon to improve general working conditions and, over time, to increase workers' wages.*

*The case introduces the challenges experienced by Anas Tazi, Decathlon's country manager for Ethiopia. Decathlon's sourcing strategy, based on a long-term business vision, requires stable demand and investments to unlock the strategy's true potential. In Ethiopia, recent positive trends, such as greater supply chain transparency and heightened sensitivity to exploitative labor practices in the garment sector are threatened by ethnic and regional conflicts. These conflicts, sometimes violent in nature, could undercut efforts by the Ethiopian government and pioneering brands like Decathlon to develop and diversify the country's economy. Against this backdrop, the questions are: How can brands source responsibly from developing countries and support their socio-economic development? Can Decathlon's partnership model overcome a largely transactional business model and create value for foreign corporations and for the communities where the goods are being produced?*

*The case illustrates what companies can do to promote and uphold human rights through core business processes. But it also shows the complexities of managing global supply chains when crucial factors remain outside the control of individual companies. Establishing longer-term business relationships appears to support improved labor rights at supplier factories over time. Still, a high degree of economic and political stability is needed to support investments in longer-term sourcing relationships. In Ethiopia, the partnership model is put to the test, and students can discuss how brands could best deal with the challenges of the global and local operating context.*

## 1. Introduction

Anas Tazi is an optimist. He joined Decathlon in 2016, when the company first began sourcing apparel from Ethiopia's garment factories. During an interview with him in Addis Ababa in March 2019, he recalls the early days of Decathlon's operations in the country:

“When we came here in 2016, we carefully studied the opportunities, but we were among the very first brands that set up a sourcing office in Ethiopia and doing business here comes with challenges we were not prepared for. We are learning by doing because we think there is a future for garment manufacturing in Africa.”

Ethiopia's nascent garment-manufacturing sector is the latest frontline in the apparel sector's pursuit of low-cost production. Ethiopia is the first African country seeking to create jobs at a large scale through making clothing. As an emerging economy with no real experience setting up large-scale apparel production, Ethiopia is still in the process of building a workforce equipped with the skills needed to operate in an industrial setting.

Decathlon is a French family-owned business founded in 1976. Today, it is one of the largest and fastest-growing sports retailers in the world. However, it is Decathlon's sourcing model that differentiates the company from other sports retailers, and from most global apparel companies.

“We are interested in longer-term partnerships, not short-term relationships with our suppliers,” Tazi explains. “A partnership is more an alliance than a mere contracting of production orders. You embrace a journey together.”

These longer-term contracts between Decathlon and its suppliers, under this “partnership model” are always open-ended. Tazi points out that the selection of suppliers has always been an important decision for Decathlon. The company enters into a relationship with a supplier only if they can foresee working together for at least five years and if there is a willingness to start a journey with a shared mission that can lead to a long-term collaboration. In the fast-paced and price-sensitive garment industry, such long-term sourcing commitments are relatively rare and diverge substantially from the common practice of global brands and retailers, which routinely switch suppliers based on short-term costs and order demands.

In contrast to the usual dynamics of this competitive and quick-moving market, Tazi and others at Decathlon believe that establishing partnership models with suppliers can create business opportunities for both sides.

## 2. Garment Production in Ethiopia

Ethiopia is the new frontier of the garment industry and the first African country that has ambitions to create a large-scale garment manufacturing sector<sup>1</sup>.

Manufacturing in Ethiopia holds a lot of promise for US- and European-based brands. There are a range of factors that make Ethiopia attractive for buyers, including a large, young workforce; a supportive local government; cheap energy; and very low wages. Ethiopia has no legal minimum wage and the starting base wage for a garment worker is currently USD \$26 per month. With benefits, the wage can increase to around \$52 per month, which is still the lowest wage in the garment sector in the world. In Bangladesh, the country with the second-lowest minimum wage in the garment sector, workers earn nearly double, or about 96 Dollars per month. In an industry in which workers' wages are the only major flexible cost element, wage levels can be the decisive factor in whether foreign companies decide to invest.

With two million young Ethiopians entering the workforce every year, generating sustainable employment is a top priority for the Ethiopian government. Given its great potential for job creation, garment manufacturing is one of the key industries subsidized by the government. The Ethiopian government has created a number of special economic zones, also known as industrial parks, to support the country's manufacturing expansion. The flagship park at Hawassa employed around 25,000 garment workers prior to the Covid-19 pandemic, with plans to grow the workforce there to 60,000 employees.<sup>2</sup>

## 3. The Challenge of Human Rights in Apparel Supply Chains

In the 1990s, the sportswear industry was forced to acknowledge human rights concerns and poor working conditions in its supply chains. These were the early days of outsourced production and the globalization of apparel manufacturing. As production moved to China and other developing countries, high-profile media investigations exposed the exploitation of garment workers, including child labour and forced labour. These accounts raised popular awareness about these conditions, and consumers began to demand change.

Nike was the first sportswear brand to experience the media spotlight in the 1990s with the exposure of child labor in its South Asian footwear factories. The American company was one of the first global brands to be held publicly accountable for human rights violations in its global supply chain. In subsequent years, many apparel and sportswear companies faced public allegations of sweatshop conditions at their supplier factories. After initially denying any responsibility for working conditions at contracted production sites,<sup>3</sup> Nike became one of the first companies to introduce a

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<sup>1</sup> NYU Stern Center for Business and Human Rights, "Made in Ethiopia: Challenges in the Garment Industry's New Frontier" (New York, May 2019).

<sup>2</sup> NYU Stern Center for Business and Human Rights, "Made in Ethiopia: Challenges in the Garment Industry's New Frontier" (New York, May 2019).

<sup>3</sup> 'As Todd McKean, then Nike's director of compliance, stated in a 2001 interview, "Our initial attitude was, 'Hey, we don't own the factories. We don't control what goes on there.'" Dale T. Miller, 'Sarah Soule: How Activism Can Fuel Corporate Social Responsibility', *Stanford Graduate School of Business*, (10 October 2014),

code of conduct, and an accompanying monitoring scheme to assess compliance with the code.

Nike's moves led to a wave of initiatives from the private sector to address human rights and labor-standard issues, and in general, to the introduction of standards and monitoring for human rights in international business. Many fashion and sportswear companies adopted their own codes of conduct, typically referencing international labor standards as defined by the International Labor Organization (ILO), the UN agency that brings together governments, employers, and workers to set labor standards, develop policies, and promote decent work. Some of these brands also integrated these codes of conduct into their contracts with suppliers. To monitor compliance with codes of conduct, companies formed their own audit teams and soon also commissioned social audits from independent third parties. Social audits are typically checklist-based monitoring tools that assess the compliance of factories with the basic labor-rights provisions in the codes. Many of the independent professional audit firms had no special expertise in assessing compliance with international labor rights, and they rarely pushed their clients to do more to protect workers, fearing that this could result in losing their financial audit business. Consequently, after more than a decade of auditing, poor working conditions persist in apparel factories around the world.

In 2002, Decathlon created and implemented its own Human Responsibility in Production (HRP) charter with the aim to improve and promote fair working conditions at production sites and suppliers. To ensure compliance with local laws and the HRP charter, Decathlon began conducting social audits the same year through third-party consultants and Decathlon's own in-house HRP team.<sup>4</sup>

In 2003, Decathlon published an additional Social Charter, which outlined the course the company takes when selecting, approving, and monitoring its suppliers. Decathlon suppliers sign a contract with the company prior to any business relationship, setting out the Decathlon's requirements on safety and human rights in such categories as child labor, working hours, and discrimination.<sup>5</sup> The Social Charter was amended a decade later to incorporate the United Nations Guiding Principles on Business and Human Rights, a set of guidelines grouped under three pillars, the second of which addresses corporations' responsibility to respect human rights in their operations.<sup>6</sup>

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<https://www.gsb.stanford.edu/insights/sarah-soule-how-activism-can-fuel-corporate-social-responsibility> (accessed 15 March 2020).

<sup>4</sup> 'The Responsible buying process at Decathlon', *Bipiz*, <https://www.bipiz.org/en/csr-best-practices/the-responsible-buying-process-at-oxylane.html> (accessed 16 March 2020).

<sup>5</sup> See: Decathlon Declaration of extra-financial performance 2018. Available at [http://sustainability.decathlon.com/media-reports/csr\\_reports/](http://sustainability.decathlon.com/media-reports/csr_reports/) Last retrieved Jan 2020  
Supply Chain Disclosure – company's website - <https://www.decathlon.com/pages/supply-chain-disclosure> Last retrieved Jan 2020

<sup>6</sup> United Nations, Guiding Principles on Business and Human Rights, HR/PUB/11/04 (2011), [https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf) (accessed 16 March 2020).

#### 4. The Challenge of Ethiopia's Emerging Garment Industry

For companies that pride themselves on their responsible sourcing practices, Ethiopia is a potential proving ground. Its extremely low wages are attractive to companies under immense economic pressure in the highly competitive garment industry.

At the same time, current conditions in Ethiopia raise serious concerns about potentially poor working conditions in production sites. After the 2013 Rana Plaza disaster killed over 1,100 workers in Bangladesh, consumers and investors have become even more sensitive to the potential human rights risks in garment production.

Decathlon's ambition is to manage both economic and social pressures in parallel by developing a business model that enables it to operate in a principled manner. Their initial decision to source from Ethiopia was driven by a range of factors, factors that apply to any sourcing destination around the globe. According to Lionel Dias, Purchasing Process Leader at Decathlon's headquarter in Lille, these considerations always take into account people and planet. What matters for Decathlon is the geographical location, which should enable speed and responsiveness to markets, available energy sources and the logistical setup in-country, industrial foreign and local investors, government incentives, and emerging industries for materials and components. In this context, it is important for Dias to point out that "wages alone mean nothing to us".

Yet, the company's plans in Ethiopia have been complicated by uncertain political developments and ethnic conflict, which potentially affect production facilities.<sup>7</sup> For some companies, these added challenges have reached a point where they question the wisdom of continuing to source from Ethiopia at all.

Decathlon's country manager Anas Tazi expressed specific concerns about three current challenges associated with doing business in Ethiopia. All three are largely beyond the company's control:

- a. *Political instability*: Ethiopia has experienced continued political unrest since 2018, primarily in the regions where most garment production facilities are located. Such political uncertainties in the country could make sourcing from Ethiopia infeasible for Decathlon, despite its commitment to long-term sourcing partnerships.
- b. *Economic costs associated with poor logistics*: Ethiopia does not have sea access, and shipping garments requires coordination between trucking and rail companies that bring the finished good to the port in neighboring Djibouti. Uncertainties in laws and practices linked to sourcing (e.g., duties, taxes, transport times) result in delays and unexpected costs, rendering Ethiopian suppliers risky business partners.

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<sup>7</sup> NYU Stern Center for Business and Human Rights, "Made in Ethiopia: Challenges in the Garment Industry's New Frontier" (New York, May 2019).

- c. *Human rights concerns:* As customers around the world demand increased supply chain transparency, consumers are alert to potentially negative impacts of sourcing from a developing country. In the context of Ethiopia, extremely low wages paid to garment workers have raised red flags among human rights advocates. While public pressure from a growing community of business and human rights advocates may encourage fashion brands to assess their human rights impact, it may also deter them from considering Ethiopia as a sourcing destination.

Tazi thinks that all companies must address these challenges if they are considering sourcing from Ethiopia. He is convinced that the typical transactional business model from other sourcing destinations will not work in Ethiopia. He says: “Companies merely interested in ‘shopping’ will not be successful here”. Developing successful sourcing relationships in Ethiopia, Tazi says, requires longer-term commitments from brands and specific investments in improving the skills of the workforce.

Tazi is convinced that Decathlon’s purchasing practices and approach to sourcing are a differentiating factor which could help the company make incremental progress in addressing the current challenges and make sourcing from Ethiopia a success story. Tazi believes that “you cannot bring democracy to the hungry” and industrialization with the help of garment manufacturing could be a pathway to greater prosperity and stability. Over the years, Decathlon has developed its purchasing practices to deal specifically with issues related to purchasing in low labor-cost countries, initiatives that are explained below.

## **5. Decathlon’s Business Model**

In 1976, Michel Leclercq, a French businessman, opened a small sporting goods store located in his hometown of Lille, France. He and his six partners named the store Decathlon.

Exactly a decade after the flagship store in Lille was opened, the company began its expansion in Europe, starting with an outlet in Germany. Over the next three decades, Decathlon continued its international expansion across Europe, Asia, and finally, in 2018, Australia. Today, the company operates more than 1,600 stores across 57 countries and employs over 93,000 people – or “teammates” as they are called within the company. In 2019, it generated 12.4 billion EUR in net sales, making Leclercq one of the richest men in France.<sup>8</sup>

Decathlon transitioned in the 1990s from retail to designing and creating its own products. In 1986, Peugeot, which was supplying bicycles to Decathlon, told the company that its strategic plans changed and they will reduce their bike production and no longer be able to fulfill Decathlon’s bicycle orders. It was on that occasion that Decathlon’s management, under the vision and leadership of Leclercq decided to

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<sup>8</sup> ‘Michel Leclercq & family’, *Forbes*, <https://www.forbes.com/profile/michel-leclercq/#40e15d1f6483> (accessed 15 March 2020).



produce its own bikes,<sup>9</sup> marking the beginning of Decathlon as a producer of its own products and, eventually, of its own brands.

Three decades later, Decathlon designs and produces more than 2,800 types of products every year.<sup>10</sup> The company has created twenty of its own brands, known as “passion brands”, each dedicated to a different sport.<sup>11</sup> In addition, Decathlon has developed six brands providing technical support for the company’s passion brands. As evident in this evolution from a single retail store to a mass producer of thousands of products, Decathlon is increasingly becoming a vertically integrated company, executing the entire production cycle (i.e., design, engineering, and manufacturing) of its own sports products in-house.

Yet Decathlon remains a family business, with Leclercq and his immediate family and the extended Mulliez family, which controls numerous European retailers, each owning 40 percent of the business.

Decathlon owns 20 of the 1,200 factories that manufacture its products across the world. The remaining factories are owned by local suppliers and are located in 47 countries. In Ethiopia, Decathlon owns no factories but works with foreign companies from Asia that set up garment factories in industrial parks. All except five of these factories have production offices, where local Decathlon teams are in charge of day-to-day supplier relations. This close oversight of the production process by the brand is exceptional in the industry.

Suppliers are categorized into two groups, “rank 1” and “rank 2”. There are currently 1,007 rank 1 suppliers.<sup>12</sup> They have a contractual relationship with a Decathlon group company to produce or assemble finished/semi-finished products (i.e, a manufacturing contract) or to supply raw materials or components (i.e., a purchasing contract). These rank 1 suppliers receive purchase orders from, and submit invoices directly to, the relevant Decathlon group company.

There are currently 346 rank 2 suppliers. They contribute to Decathlon’s product value chain by supplying raw materials or parts such as packaging, cloth hangers, or zippers. They do not have a direct commercial relationship with Decathlon, but with its suppliers. They receive purchase orders from, and issue invoices to rank 1 suppliers. Decathlon retains the option to have a say in the selection and approval of rank 2 suppliers, while not interfering in the relationship, commercial or legal, between these two categories of suppliers.<sup>13</sup>

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<sup>9</sup> *“Et Bien, nous créerons nos propres vélos”* (In English: “We design and create our own products”.) This sentence by Leclercq in response to Peugeot’s refusal to continue supplying bikes, is famous within the company and today is still considered an element of pride and exclusivity among Decathlon employees.

<sup>10</sup> ‘World’s Largest Sporting Goods Retailer “Decathlon” to Disrupt Canadian Retail’, *Retail Insider*, (4 April 2018), <https://www.retail-insider.com/retail-insider/2018/4/decathlon> (accessed 14 March 2020).

<sup>11</sup> <https://www.decathlon.com/pages/our-story#passion-brands>

<sup>12</sup> ‘2019 Declaration of Extra-Financial Performance’, *Decathlon*, [http://sustainability.decathlon.com/media-reports/csr\\_reports/](http://sustainability.decathlon.com/media-reports/csr_reports/) (accessed 22 September 2020).

<sup>13</sup> ‘2019 Declaration of Extra-Financial Performance’, *Decathlon*, [http://sustainability.decathlon.com/media-reports/csr\\_reports/](http://sustainability.decathlon.com/media-reports/csr_reports/) (accessed 22 September 2020), p74.

### ***a) The Partnership Model***

Decathlon's partnership model is based on strategic long-term business relationships, but there is more to the model than simply the longevity of the business contract. The model comprises a joint business plan, adherence to high social and environmental standards, open costing calculations, and investment in skills development and capacity building. Suppliers are chosen based on their shared vision and values. Tazi believes that Decathlon's business model, based on long term supplier partnerships, is the key to their current success in Ethiopia. "In a partnership with factories in developing countries you know that you have to commit to transfer knowledge, skills and capabilities, invest to create trust, and learn how to best work together. Over time, these efforts result in improved quality and reduced costs." The Ethiopian suppliers of Decathlon have not yet reached official partner status but the relationship was formed on the same principles as for partnerships and one Ethiopian supplier will be approved as an official partner in 2021.

### ***b) Supplier selection***

Decathlon's partnership model is based on the careful and thorough selection of business partners. The process for selecting suppliers is outlined in Decathlon's Social Charter. Suppliers are regarded as partners and are selected from among those that share the company's vision and values. "Aligned purpose and values are the foundation for supplier relationships," says Lionel Dias, Purchasing Process Leader at Decathlon's Lille campus.<sup>14</sup> This long-lasting commercial relationship also implies that some of these suppliers grow to become very critical for Decathlon's supply chain and vice versa. Over 50 percent of production capacity held by strategic suppliers is reserved for Decathlon, Dias explains. This gives the company leverage. "The resulting dependency is what we would call an 'enlightened risk'. We see it as an opportunity to create a joint future." says Dias. Saying this, he emphasizes that the large influence of Decathlon in individual suppliers is not meant to constrain or control the supplier in any way. Instead, he thinks this influence should oblige Decathlon staff to work hard to "write and live a winning story for everyone, including suppliers, workers, managers, and shareholders".

### ***c) Joint business plan and open costing***

Instead of the short-term, transactional relationships that characterizes many, if not most, business relationships between suppliers and buyers in the apparel industry, Decathlon has developed a model based on these longer-term partnerships. These strategic partnerships are based on a jointly developed business plan in which both Decathlon and the supplier work closely together to improve product quality, working conditions, and overall factory management. For Decathlon, this means actively working on areas such as worker empowerment and capacity building, living wages, and fair buying practices. The joint business plans also concretely set out the necessary investments in terms of capacity building and necessary upgrades and

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<sup>14</sup> Personal interview with Lionel Dias, Decathlon sustainability team, Lille Campus, France, November 2019.

adjustments in the production process that are required if the supplier is to meet their production and compliance targets.

Decathlon prefers to work with suppliers on the basis of open costing calculations, coming to a joint understanding of costs with the supplier rather than negotiating on price. “If you use power to get what you want short-term, you do not build relationships,” says Tazi. “Competitiveness comes from operations, not from negotiations.” According to Tazi, buyer and supplier are transparent about their costs, enabling them to come to a realistic price with the potential to bring costs down over time. Both sides understand that they might only break even for the first couple of years, with investments paying off if they stick to the joint business plan. This involves risks for supplier and buyer, making communication and strategic alignment critical to the success of the partnership. “We talk about everything with our suppliers,” says Tazi. “The supplier and Decathlon take risks together and we need to decide together.”

#### ***d) Compliance with social and environmental standards***

Decathlon’s suppliers are required to adhere to high social and environmental standards to qualify for the partnership model. Potential and existing suppliers are assessed against the Code of Conduct that Decathlon has developed specifically for them. It sets labor standards, including for child labor, forced labor, freedom of association, health and safety, chemical management, fire safety, living environment, working hours, compensation and wages, human resources management, social accountability, and pollution (water, soil and air).

Suppliers are divided into 5 compliance categories based on yearly audits that grade on a scale from unacceptable (Level E) to exemplary (Level A). Partnerships are only formed with suppliers that have at least a B grade.

Today, Decathlon has established these partnerships with 43 suppliers that account for a third of the total production with industrial suppliers. The goal is to reach 80% of production with 150 partners by 2026.<sup>15</sup>

#### ***e) Skills development and capacity building***

Tazi regards major investments in improving the skills of its workforce as an absolute prerequisite to improving the currently low productivity rates of Ethiopian garment factories. “The partnership model is an interesting model and one in which I personally believe,” says Tazi. “We can already see initial positive results but at the beginning you have to accept some losses. You cannot accept magical results the first year.” To support skill development, Decathlon puts a high emphasis on training. They set up training workshops for new workers and extended the initial training period before they integrated new workers in the production lines. They have employed trainers from factories in India to train Ethiopian workers and supervisors.

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<sup>15</sup> ‘2019 Declaration of Extra-Financial Performance’, *Decathlon*, [http://sustainability.decathlon.com/media-reports/csr\\_reports/](http://sustainability.decathlon.com/media-reports/csr_reports/) (accessed 22 September 2020), p71.

The company also understands that the orders they place with their Asian production partners in Ethiopia must match the skill level of the workforce. At the beginning, the company ordered basic products only, but subsequently they were able to increase the complexity of the products produced in these factories.

Tazi reports that many workers are keen to learn ‘transferable skills’ that they can build on in their future. He thinks offering skill development compensates to a certain degree for the low salaries in entry-level positions. It also increases motivation, which lowers turnover rates and improves productivity. He has tracked these positive developments with the owners of these Ethiopian factories. While these achievements are remarkable within the context of Ethiopia, neither productivity nor turnover rates can be compared to other sourcing destinations like for example Bangladesh, where productivity is higher and turnover rates are lower.

## 6. Moving Forward

Anas Tazi reports that after two years he can already see initial positive results from Decathlon’s sourcing strategy. Employee turnover rates have stabilized and are below the rates of other production facilities where they sometimes exceed 100% (meaning the entire workforce gets replaced within a year). Productivity varies greatly, but has increased overall among Decathlon’s suppliers, the result of the investments the company has made in the training of its workforce.

Tazi acknowledges that the wages of workers need to increase, explaining that while factories producing for Decathlon in Ethiopia already pay relatively higher wages than others in the industry, additional increases are factored into their business plan. He says Decathlon would welcome a legal minimum wage in Ethiopia to create a level playing field for all brands and manufacturers. Mounting pressures around the wage issue have already resulted in a reaction from the Ethiopian government. In May 2019, the government agreed to review the wage situation in industrial parks.<sup>16</sup> Following this decision and under the leadership of the ILO, a wage review commission was set up. Decathlon is currently supporting the work of the ILO together with H&M, the Swedish fashion giant, by providing real wage data. Real wage data is indispensable input in the process of determining a realistic minimum wage.

Decathlon has also adjusted the type of products it orders from Ethiopia to address the uncertainties around transport and lead times. Products such as simple T-shirts ordered in Ethiopia are less time-sensitive, compensating for potential shipping delays.

However, Tazi says that other issues could still derail the positive business trajectory for Decathlon’s suppliers in Ethiopia. Most importantly, increasingly violent ethnic conflicts and potential political instability are his greatest concern. Ethiopia is a country of over 90 ethnicities, and in 2019 and 2020, political instability negatively

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<sup>16</sup> ‘Ethiopia: Proposed law to improve wages and promote safe working environment in industrial parks’, *Business & Human Rights Resource Centre*, (30 May 2019), <https://www.business-humanrights.org/en/ethiopia-proposed-law-to-improve-wages-and-promote-safe-working-environment-in-industrial-parks> (accessed 13 March 2020).

affected production sites, including factories production for Decathlon, with several disruptions due to political demonstrations. On June 29, 2020, internal conflict in Ethiopia reached a new peak. The killing of a popular Musician, Hachalu Hundessa, in Addis Ababa triggered violence and unrest across the country. Hundessa was an outspoken representative of the Oromo people, the largest ethnic group in the diverse nation that has long felt economically and politically sidelined. By July 8, violent conflict had left over 240 people dead from both civilian and law enforcement and resulted in massive property destruction and displacement in Oromia, the region surrounding Ethiopia's capital. Human Rights Watch reports in August 2020 that the police arrested over 9'000 people and many opposition leaders are held in prisons without charge.<sup>17</sup>

Tazi, who is based in Addis Ababa, started wondering whether the positive outlook of development in Ethiopia had now reached a turning point. In addition to increased political instability, Covid-19 infection rates in the country kept rising over the summer of 2020 and Tazi initially worried about his production partners in-country and how to align production methods with Covid-19 precautions. In Hawassa, an industrial park in the south of the country, Covid infections had already led to major disruptions. New Covid regulations require the double amount of buses to transport the workers from their homes to the industrial parks, additional protective equipment, and several other measures that will add to the production cost. Tazi, however, points out that during a pandemic similar measures affect all garment factories around the globe.

Regarding the country's ethnic clashes, Tazi says that all manufacturers in Ethiopia and buyers should expect the situation to get even more tense over the course of the next months, particularly prior to the general election, which had to postponed due to Covid-19 from August 2020 to an undetermined date in 2021. He also thinks that the legacy of the political events this summer will linger for a long time.

Many European, American and Chinese companies that have begun sourcing in Ethiopia have also raised concerns that due to the need for constant recruitment and training, Ethiopian labor ended up being “considerably more costly than the government had initially advertised”<sup>18</sup>. With political uncertainties on top of this general discontent, companies may have fewer incentives to consider sourcing from Ethiopia.

Yet, the development potential for Ethiopia lies in manufacturing jobs. Will Decathlon's partnership model be able to compensate for the business uncertainties in this new sourcing destination? Will the partnership approach lead to sustainable business relationships that contribute to the socio-economic development of Ethiopia?

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<sup>17</sup> <https://www.hrw.org/news/2020/08/15/ethiopia-opposition-figures-held-without-charge>

<sup>18</sup> NYU Stern Center for Business and Human Rights, “Made in Ethiopia: Challenges in the Garment Industry's New Frontier” (New York, May 2019).

**Questions for students –**

1. What are the elements of the partnership model compared to the typical sourcing model in the garment industry?
2. What are the advantages for the worker, supplier, and the brand of the partnership model?
3. What are the potential disadvantages?
4. What does it take from a brand perspective to set up partnerships?
5. Why is the partnership model particularly relevant in a context like Ethiopia?
6. What elements are missing in Decathlon's responsible sourcing strategy?