**Nike: Corporate Responsibility at a “Tipping Point”**

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by Michael Connor

[](http://business-ethics.com/wp-content/uploads/2010/01/NIKE_Hyperdunk_Small.jpg)The old business maxim that “what gets measured, matters” is overused but nonetheless powerful, especially when applied to corporate responsibility:  when information and metrics are combined with disclosure and transparency, corporate posturing on issues that affect society can be quickly replaced with fact-based analysis and discussion.

One current example is [Nike Inc.’s newly-published Corporate Responsibility (CR) Report for fiscal years 2007 to 2009](http://www.nikebiz.com/responsibility/). It’s a slickly-produced multimedia display of data and information - in fact, Nike says, an independent panel of stakeholder advisers at one point concluded the volume of information contained in the 176-page written report was so “overwhelming” that it required a rewrite.

“This report is published at a tipping point. It’s time for the world to shift,” Nike CEO Mark Parker writes in the report’s introduction. “We see sustainability, both social and environmental, as a powerful path to innovation, and crucial to our growth strategies.”

That’s a huge change from the 1990’s, when Nike was a poster child for corporate villainy stemming from sweatshop labor practices in Southeast Asia factories.  Since then, the company has charted a very different course in corporate citizenship and, in many important respects, has succeeded.

**Grappling with Issues**

This latest report places a big focus on environmental sustainability, with Nike sharing its vision of “reaching a closed-loop business model where the goal is to achieve zero waste in the supply chain and have products and materials that can be continuously reused  – no pre- or post-consumer waste.”

What’s most interesting about the report, though, is that you can see Nike grappling, in public, with some tough choices.  The narrative demonstrates what can happen when a company begins reporting regularly and in-depth, and with an apparent commitment to intellectual honesty, about core issues.

For Nike, labor and human rights continue as a top priority and corporate worry.   The company’s three main product lines  — footwear, apparel and equipment — are made in approximately 600 contract factories that employ more than 800,000 workers in 46 countries around the world.  Nearly 60 percent of the work force is in North Asia, 31 percent in South Asia.  One major difficulty is that contract apparel factories generally produce for multiple brands, making it a difficult to maintain standards.

To listen to Nike, monitoring those contract factories for working conditions, wages and overtime – and a host of other issues, including possible unionization – is not easy.  “While we can point to many examples of improvements, challenging issues remain for our company and our industry in systemically identifying and tackling how to affect long-term system-wide change,” the company says.

“In evaluating where our targets fell short, we saw a consistent pattern: a focus on auditing against a set of criteria sometimes results in on-the-ground improvements for workers, but it rarely produces systemic change in the area of concern,” Nike says. “On further reflection, we realized that, if we want to make sustainable improvements for workers, we need to significantly change the way we engage and interact with our supply chain as a whole.”

One potential solution, Nike reports, is collaborating with other brands on factory audits and, maybe more importantly, working with competitors on developing remedies for labor problems as well as standardized codes. And then there are improvements that can be made by Nike alone.  Example: “Asking factories to manufacture too many styles is one of the highest contributors to factory overtime in apparel. We have an opportunity to reduce this pressure by reducing the number of apparel styles and partnering with the factories to improve efficiencies through lean production methods.”

**Increased Reporting**

There’s more detail in the Nike report than most any layman could digest and understand, and Nike critics – such as Oxfam’s [Nike Watch](http://www.oxfam.org.au/explore/workers-rights/nike), and a new activist initiative, [TeamSweat](http://www.teamsweat.org/) – are likely to find weaknesses. That’s as it should be.  No one should be satisfied simply because the company has issued a report, even one chock-a-block with narrative, charts and bar graphs.

Some critics of corporate responsibility reports believe they can’t help but be self-serving.  And, in fact, more companies are reporting.  Sixty-six of the S&P 100 firms produced a formal sustainability report with performance data in 2008, a 35 percent jump from the 49 reports produced in 2007, [according to a report from the Sustainable Investment Research Analyst Network (SIRAN), a working group of the Social Investment Forum (SIF)](http://www.socialinvest.org/news/releases/pressrelease.cfm?id=148). However, the SIRAN survey found that only six S&P 100 firms publish complete sustainability reports that meet the highest “A” level reporting standard set by the [Global Reporting Initiative](http://www.globalreporting.org/Home).

In the end, it’s difficult to see how more reporting can’t help, as long as it’s done well.  Nike’s latest effort is a good example of how the process can lead to data being gathered, metrics developed and performance benchmarks set.  The process grew out of Nike’s public floggings in the 1990s, says CEO Parker, when “we learned to view transparency as an asset, not a risk