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THE ROI OF SUSTAINABILITY



# How Nike Embraced CSR and Went From Villain to Hero

Words by Andrea Newell



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It was only 20 years ago that consumers were protesting outside Niketown stores, and news stories were casting Nike in the role of villain amid child labor and sweatshop allegations. It's hard to believe, given the steady stream of corporate social responsibility (CSR) accolades the company has racked up in the last 10 years, that Nike was facing boycotts and public ire throughout the 1990s.

In 1998, then-CEO Phil Knight made a public speech promising change. The company struggled to put new policies in place and enforce them.

In 2005, Nike was [the first company](#) in its industry to demonstrate transparency, when it published a complete list of its contract factories. In the same year, it also published its first version of a CSR report -- detailing pay scales and working conditions in its factories and admitting continued problems.

The tide turned once the company acknowledged its issues, demonstrated transparency and worked toward change. And today the company is counted among CSR leaders.

## **The business case: Turning PR woes into brand value**

In its [latest CSR report](#) (2012-2013), Nike demonstrates its evolved worldview.

“Indeed, creating and building business models that not only recognize and accommodate, but thrive also on, the constraints of the natural world is the only way we can achieve growth in the present that won’t compromise our ability to grow and succeed for decades to come.

"Transforming Nike in this way will take time and is a long-term commitment," the report went on. "It touches every aspect of our business, from how we design and make our products to how we engage our employees and other businesses in our value chain ...

"We ask difficult questions of ourselves, our business model and our industry. Rather than working to avoid only known risk, we work to understand where risks and opportunities may emerge as well as what’s needed to address them and enable new forms of innovation to take hold.”

As of the end of fiscal year 2013, the report counted over a million workers in 785 contract factories and a total of 2.5 million people across Nike's value chain. The company has implemented policies supporting workers, demanded their contractors and suppliers meet them, and conducted third-party audits.

The intentional moves toward change proved successful: In 2013, auditors found violations in 16 percent percent of factories (down from 29 percent in 2012). Incidences of excessive overtime went down to 55 (from 116 in 2012), and 93 percent of factories reported no incidences (up from 87 percent in 2012).

After the tragic Rana Plaza factory collapse, the poor working conditions still found in the garment industry were brought under international scrutiny. By then, Nike CSR lead Hannah Jones was already advocating against manufacturing in Bangladesh, and had been doing so for years. But the tug-of-war over mandating good working conditions and the need to cut costs drove Jones and her colleagues to visit Lyric, a 10-year Nike supplier. The working conditions Jones [described to the Wall Street Journal](#) were so appalling, Nike cut ties with the company afterward, shortly before the Rana Plaza disaster.

Nike also worked with its contract facilities to improve its human resources and implement lean practices. Far from its exploitative practices in the 1990s, the company now [says](#):

“We believe that a valued contract factory workforce means better business for the factories and for Nike, and better well-being for individual workers. Factories that value their workers ... can build a skilled, productive and engaged workforce.”

## **Improving the supply chain: Focus on water**

In addition to continuing to work on improving conditions for workers, Nike is

innovating its materials development and management to address the impact of climate change on the supply chain and reduce its environmental impact. One area of concentration is water conservation.

Nike made this statement to TriplePundit:

"We are making progress in assessing and understanding our overall water footprint, which helps us identify opportunities for conservation across our value chain. Though we have targeted water efficiency improvements for manufacturing and materials processing, we recognize that efficiency is not the only relevant measure.

"Water quality, water security and access to water and sanitation also impact our supply chain and our business, affecting everything from the availability of raw materials to the health and well-being of workers and their communities."

In 2012, Nike partnered with DyeCoo Textile Systems, a Dutch startup, and adopted their new [carbon-based dyeing process](#) that dyes garments without using water or chemicals. Without water, the process also reduces its energy use by 60 percent since the garment doesn't have to be dried. It also dyes 40 percent faster.

The savings are significant. The previous process required 25 to 40 gallons of water for every 2 pounds of textiles dyed. Until this process, Nike's contracted textile plants used approximately 3 billion gallons of water a year, and Nike itself used 325 million gallons. In 2013, Nike announced the first water-free dyeing facility in its supply chain at a Taiwanese contract manufacturer, Far Eastern New Century Corp., and unveiled the name of the sustainable innovation -- ColorDry -- to highlight the environmental benefits and

intense coloring achieved with the technology.

In addition, Nike has pledged that it will [eliminate hazardous chemicals from its global supply chain](#) by 2020.

## **Transparency: The problem isn't accusations, but how a brand responds to them**

After all this progress, Nike's star has been soaring. However, recent allegations of shady business dealings (also during the 1990s) announced in the beginning stages of an extensive FIFA investigation are threatening to stain the sportswear giant's brand once again.

Rick Burton, the former head of the University of Oregon's Warsaw Sports Marketing Center, who worked closely with Nike as it expanded its business in China, [told the Guardian](#), "the real challenge for Nike may not be the accusations but how it responds to them."

The tide turned in 1998 when the company faced its problems head on. It has built up a lot of goodwill with its actions since. As this investigation continues and the topic resurfaces in the news, it will be interesting to see if the company's solid reputation gives it the benefit of the doubt in consumers' minds, and if the company, once again, will rely on honesty and transparency to regain consumer trust.

As for Nike, the company remains optimistic and focused on the future and their sustainability goals. The company told 3p:

"For Nike, there is no finish line when it comes to finding the best solutions for athletes, the business and the planet. As a company committed to sustainable innovation, exploration of advanced innovations like ColorDry continues to be part of Nike's effort to reduce dependency on constrained natural resources. We are excited by the progress being made and remain committed to the

objectives of scale and industry-wide transformation."

For better or worse, it's hard to question the ultimate business benefits Nike gleaned by adopting a more stringent CSR policy. Here's to hoping others in the apparel industry, and beyond, take notice.

*image credit: Flickr creative commons, [Maxime Fort](#)*



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Andrea Newell has more than ten years of experience designing, developing and writing ERP e-learning materials for large corporations in several industries. She was a consultant for PricewaterhouseCoopers and a contract consultant for companies like IBM, BP, Marathon Oil, Pfizer, and Steelcase, among others. She is a writer and former editor at TriplePundit and a social media blog fellow at The Story of Stuff Project. She has contributed to In Good Company (Vault's CSR blog), Evolved Employer, The Glass Hammer, EcoLocalizer and CSRwire. She is a volunteer at the West Michigan Environmental Action Council and lives in Grand Rapids, Michigan. You can reach her at [andrea.g.newell@gmail.com](mailto:andrea.g.newell@gmail.com) and [@anevell3p](https://twitter.com/anevell3p) on Twitter.

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