

CASE STUDY

Nike's CSR Challenge

In 2005 Nike returned to reporting on its social and environmental practices after a couple of years of silence due to legal concerns. The sports and clothing company is very important to countries such as Vietnam, where it is the largest private-sector employer with more than 50,000 workers producing shoes through subcontractors.¹ Nike's 2005 report makes sobering reading, as it describes widespread problems in Asian factories. The company said it audited hundreds of factories in 2003 and 2004 and found cases of abusive treatment in more than a quarter of its South Asian plants. For example, between 25% and 50% of the factories in the region restrict access to toilets and drinking water during the workday. The same percentage of factories denies workers at least one day off in seven. In more than half of Nike's factories employees work more than 60 hours per week. In up to 25% of the factories, workers refusing overtime were punished. Wages were below the legal minimum at up to 25% of factories.²

For the first time in a major corporate report, the details of all the factories were published. The report was significant for this transparency and being so candid about the problems that workers for Nike faced, and therefore the continuing challenges for the management. The NGOs working on these issues know that such problems are common. Indeed, they realize that the company invested more in improving conditions than many of its competitors. Studies of voluntary corporate attempts at improving labor standards in global supply chains have suggested that while they are delivering widespread improvements, new approaches are needed that engage governments, NGOs, and local businesses.

This realization led to a new strategy from Nike. In May 2005 Nike's vice president of corporate responsibility, Hannah Jones, told delegates at the Ethical Trading Initiative (ETI) conference that, whereas the company had previously been looking into how to solve problems for themselves, now they are exploring how to create systemic change in the industry. She explained that "premium brands are in a lonely leadership position" because "consumers are not rewarding us" for investments in improved social performance in supply chains. Like other companies, they have realized that the responsibility of one is to work towards the accountability of all. Consequently, one of Nike's new corporate citizenship goals is "to effect positive, systemic change in working conditions within the footwear, apparel and equipment industries." This involves the company engaging labor ministries, civil society, and competitors around the world to try to raise the bar so that all companies have to attain better standards of social and environmental performance. One example is Nike's involvement in the Multi-Fibre Agreement (MFA) Forum to help countries, unions, and others plan for the consequences of the end of the MFA. (The agreement and the Forum were set up by the World Trade Organization to help developed countries compete in the textile industry. These have both since ended.)

This new strategy is beyond what many consultants, media commentators, and academics currently understand. By claiming to be an advance in thinking, an article in *The Economist* in May, 2005, by the worldwide managing director of McKinsey & Company, actually illustrated the limits of current consulting advice. It suggested that seeking good societal relations should be seen as both good for society and good for profitability. "Profits should not be seen as an end in themselves," suggested Ian Davis, "but rather as a signal from society that their company is succeeding in its mission of providing something people want."³ However, those who have experience working in this field for some years, including Nike, realize that, however we may wish to talk about the compatibility of profits with people and planet, the current societal frameworks for business are not making this a reality. The implication is that we have to make this so by changing those frameworks.

The key strategic shift for Nike's management is that they no longer regard the company as a closed system. Instead, they understand its future depends on the way customers, suppliers, investors, regulators, and others relate to it. Their challenge is to reshape the signals being given

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turned to reporting on its social and environmental practices after a couple of years to legal concerns. The sports and clothing company is very important to countries in which it is the largest private-sector employer with more than 50,000 workers and 250 factories through subcontractors.¹ Nike's 2005 report makes sobering reading, as it details a range of problems in Asian factories. The company said it audited hundreds of factories in 2004 and found cases of abusive treatment in more than a quarter of its South Asian factories, between 25% and 50% of the factories in the region restrict access to toilets during the workday. The same percentage of factories denies workers at least seven. In more than half of Nike's factories employees work more than 60 hours per week, 25% of the factories, workers refusing overtime were punished. Wages were below minimum at up to 25% of factories.²

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out by those groups to itself and its competitors, so that the company can operate in a sustainable and just way, which is also financially viable.

Nike's experience is pertinent to other companies, whose voluntary efforts are failing to address the root causes of the problems associated with their industry. Unilever, for example, was criticized by ActionAid for profiting from worsening conditions for workers on plantations.⁴ Falling prices have led to plantations laying off workers and wages going unpaid—a trend that has seen a consequent increase in attacks against owners and managers. Applying a systems view to the situation would suggest that Unilever reconsider how it influences the global political economy that is driving down prices for tea.

The challenge is not only one of strategy but also leadership. Traditionally, analysts and educators on corporate leadership have assumed that it involves leading people toward the goal of their employer, the company. In May, 2005 an article on leadership in Conference Board Canada's *Organizational Performance Review* quoted the thoughts of leaders from World War II and the Korean War.⁵ This reflects what Mark Gerzon describes as a focus on "leadership within borders," when what the world needs is "leaders beyond borders."⁶ This means people are needed who can see across borders created by others, such as the borders of their job, and reach across such borders to engage others in dialogue and action to address systemic problems. We could call this "transcending leadership," which was alluded to by James McGregor Burns in his path-breaking book *Leadership*.⁷ It is a form of leadership that transcends the boundaries of one's professional role and the limits of one's own situation to engage people on collective goals. It is a form of leadership that transcends a limited conception of self, as the individual leader identifies with ever-greater wholes. It is a form of leadership that transcends the need for a single leader, by helping people to transcend their limited states of consciousness and concern and inspire them to lead.

Perhaps the best modern example of transcending leadership is Gandhi, who aroused and elevated the hopes and demands of millions of Indians and whose life and personality were enhanced in the process. It is an irony of our times that this anti-imperialist, who chose to spin his own cloth, could be an inspiration for the future direction of executives in large companies sourcing clothes from factories across Asia. Gandhi called on us to understand our connectedness to "all that lives," and identify with ever-greater wholes. There is a lesson here for Nike and others. The apparel sector is an open system, and so the wider issues of trade flows, governance, media, financial markets, and politics impact on the potential of the sector, and thus Nike, to become sustainable and just. Without changes to the financial markets, Nike may find its efforts are in vain.

References

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