

Supply Chain Briefing Part 5: Nike - Beyond tick box auditing

Posted by [Rajesh Chhabara](#) [1] on Jul 5, 2010

Nike, the global sportswear brand, has evolved from a top target of anti-sweatshop campaigns in the early 1990s to a supply chain social responsibility leader

Nike, the global sportswear brand, has evolved from a top target of anti-sweatshop campaigns in the early 1990s to a supply chain social responsibility leader. Nike was one of the earliest multinational retail brands to be targeted by human rights campaigners for poor working conditions in their supplier factories. The criticism prompted Nike and other brands to re-examine their approach to supply chain and sourcing of goods. This resulted in the company acknowledging the profound and complex social and environmental footprint in its supply chain and a new understanding of accountability.

"We found ourselves pretty uncomfortably in the limelight," recalls Hannah Jones, Nike's vice-president for corporate responsibility. Nike introduced a supplier code of conduct in 1992 and began auditing and monitoring factories. The company soon realised the importance of multistakeholder partnerships to resolve the complex supply chain issues it was discovering.

Learning stakeholder engagement was one of the turning points in the company's approach to social and environmental issues in the supply chain, Jones says. The stakeholder dialogue led the company to understand the complexities in the global supply chain and the need for a systemic change rather than quick fixes.

Nike also realised that complete transparency was necessary to forge trusted partnerships with stakeholders and collaboration with other brands. This prompted the company to disclose the names and locations of its supplier factories in 2005, the first retailer to do so.

Jones says that although supply chain working conditions will always remain the primary concern, the company is adopting a broader sustainability agenda. The crucial piece of the current strategy is to move from the conventional monitoring and policing of factories to building capacities of suppliers to become better at business.

Lean manufacturing

Jones says that Nike is pushing for a transition to "lean manufacturing with a very strong human resource management".

This is a massive shift for clothing factories, which traditionally rely on low skills and have not used modern human resources practices. Jones says that HR management is crucial to build workforce relationships and improve quality and productivity.

Lean manufacturing aims to empower workers to improve methods, and helps reduce waste and improve efficiencies. More important is to develop pay structures that reflect quality and organisation rather than just hours worked.

Engaging suppliers to adopt lean manufacturing and human resource management practices is no easy task. Jones says that lots of factories do not understand that the relationship between treating workers well and productivity, quality and bottom line.

She says that the factory management needs to make a sincere commitment to move to lean manufacturing and be willing to embark on a long journey to make these changes.

But more importantly, the company has a challenge to demonstrate to suppliers that treating workers well indeed leads to higher productivity and quality. Nike found a good example in Chang Shin Inc, a footwear manufacturer in Vietnam and one of the largest Nike suppliers. Chang Shin adopted lean manufacturing 10 years ago. The supplier says that lean manufacturing and healthy human resource management has increased plant productivity.

Whanil Jeong, chairman of Chang Shin, says that the factory receives about 500,000 suggestions from workers every year, an average of 17 suggestions per worker a year. He says that these suggestions helped the company save \$2m in one factory last year.

In order to share the experience with other suppliers, Nike partnered with Chang Shin to open a training centre in Ho Chi Minh City in Vietnam. The model inspired MAS Lanka, a clothing giant in Sri Lanka reputed for responsible business practices and a favourite supplier for many leading brands, to open a similar training centre in Sri Lanka last year in partnership with Nike.

However, groups like MAS are rare. While Chang Shin was making impressive progress, two other Nike suppliers in Vietnam were making headlines for workers' strike over pay in December 2007 and April 2008.

Jones says the sheer scale of the clothing supply chain makes the task challenging. Nike, for example, has 600 supplier factories in more than 50 countries and about one million workers.

Building capacity of suppliers at this scale is a daunting task. The company is therefore experimenting with creating centres of learning. Other initiatives include human resource management and freedom of association training to key suppliers with an aim to cover at least half of them by March 2011. The company plans to roll out environmental sustainability training in the next two years. And Nike is also working towards launching a performance index for suppliers.

Jones says the big goals for the future include moving towards a business model that enables zero waste in the supply chain, continuous reuse of products and materials, and lean, green and best-in-class workplaces across the supply chain.

Links:

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