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# **STANFORD** SOCIAL INNOVATION *review*

**15 Minutes**

**Hannah Jones**

SSIR Academic Editor Jim Phills spoke with Nike's Hannah Jones about the sportswear giant's extensive corporate social responsibility programs

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Stanford Social Innovation Review  
518 Memorial Way, Stanford, CA 94305-5015  
Ph: 650-725-5399. Fax: 650-723-0516  
Email: [info@ssireview.com](mailto:info@ssireview.com), [www.ssireview.com](http://www.ssireview.com)

# 15 minutes

Hannah Jones, Nike's vice president of corporate social responsibility, is in charge of integrating environmental and social practices into all parts of the company's operations.



## Hannah Jones

*SSIR Academic Editor Jim Phills spoke with Nike's Hannah Jones about the sportswear giant's extensive corporate social responsibility programs*

NIKE IS THE LARGEST SPORTSWEAR company in the world, creating shoes, jerseys, and other apparel for just about every sport one can imagine – golf, tennis, basketball, wrestling, swimming, soccer ... the list goes on and on. It's a huge business – one that generated \$16.3 billion in revenues last year and employed nearly 800,000 people in Nike contract factories in Indonesia, China, Vietnam, and other low-wage countries.

*The wages and working conditions of Nike's contract employees have been the source of a great deal of public controversy for more than a decade. And they are still the issues that consume much of Hannah Jones' time. Jones is Nike's vice president of corporate responsibility, and one of her duties is to make sure that Nike's contract manufacturers adhere to the company's increasingly strict labor standards. It's a challenge made all the more difficult*

*because the push to keep costs and consumer prices low is one of the few things that doesn't change in the global apparel industry.*

*One of the things that does change continually is what goes in and out of fashion. The apparel industry likes it that way because it creates a constant demand for new products. But it also poses a challenge for Nike as the company attempts to reduce its environmental footprint and become greener. This is another one of Jones' areas of responsibility, one she calls "recycle, reduce, reuse." One of the solutions is to use more environmentally friendly materials in Nike's products. Another is to recycle old sneakers and use them in playground surfaces. These are just a couple of examples of the creative solutions that Nike is coming up with as it strives to be more environmentally and socially responsible.*

**JAMES A. PHILLS JR.:** Can you tell us about the evolution of corporate social responsibility (CSR) at Nike, in particular the shift from a "do no wrong" ethos to the aspiration expressed in your current CSR report to "contribute to positive social change"?

**HANNAH JONES:** In the early '90s Nike moved into the center of a major storm around the issue of sweatshops and working conditions in global supply chains. We were one of the first brands to be targeted by NGOs in their effort to raise public awareness around these issues. It required us to focus on risk management and reputation management because that's what was under fire. It has been a huge change for Nike to go from that early era of firefighting to our current approach of engaging with external stakeholders in dialogue, consensus, and sometimes on-the-ground partnerships with even

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our harshest critics. It was through opening up the company and listening, learning, and engaging that we began to see how the social and environmental issues involved challenges way beyond Nike. And it became clear that the only way to solve those problems was through multi-stakeholder partnerships.

**When you say *multi-stakeholder partnerships*, are you referring to the business, government, and NGO sectors, or are you referring to an even broader range of Nike stakeholders?**

Both. When you look at issues like poverty and climate change, and you think about how the world will move toward more sustained action, you realize that every single individual needs to think about his or her role in effecting change. In order to solve these complex problems we're going to need the expertise of NGOs, business, and government – all working together. I also think that there's a broader conversation about how we in the business world engage consumers and society at large.

**What was the inflection point for the shift in how Nike approaches these issues?**

About two and a half years ago we started trying to challenge ourselves as a team to think about how CSR could be a source of innovation and growth to the company in new products, new services, and new markets, while also bringing a return on investment not just to our shareholders, but also to the environment and socially. That was a different approach from thinking about CSR as a policing agency.

We believe that applying the DNA of business innovation to solving

social and environmental problems is very powerful. We now talk a lot about the *art of social innovation* and how we can refine and deepen that art. So, for example, we started holding quarterly social innovation labs that focus on applying thinking about innovation. It's not about solving a problem; it's about the art of solving problems. Ultimately, we have come to talk about Nike's desire to innovate for a better world.

**Nike's recent CSR report identifies three areas of focus: improving working conditions at factories that are part of your supply chain; minimizing your global environmental footprint; and using your brand to provide excluded youth with access to the benefits of sport. What led you to select these three areas?**

We started the process by looking at Nike's impact on the world. If you think about what Nike does, we make and market a lot of stuff all around the world. So if you think about our social impact, it's clear that our primary responsibility is to have a positive impact on the 800,000 to 1 million people who work within the global supply chain that Nike has to produce its products.

About 80 percent of the supply chain workforce is employed in contract factories operated by other companies. On average, the workers are 18- to 24-year-old women, many of whom are the first women in their families and their communities to work in the formal economy and have economic independence. So we have a huge opportunity to affect these women and improve their working conditions, and in doing so potentially to have a multiplier effect on their communities.

But these women are often vulner-

able. They may have migrated from their home to a new location where they don't have a community of support around them, and they're often working in countries where the rule of law is poorly enforced. So these women have to be our primary concern. Even though this is not *our* supply chain in the sense that we don't own any of the factories, we feel that we have the ability and the responsibility to try to influence the whole industry.

**What about Nike's other two areas of focus?**

If you look at Nike from an environmental perspective, we produce a lot of products. We have to use a lot of natural resources and energy in order to make the product and transport it to the consumer. Our focus is on how we reduce waste and how we use innovation to create closed loop approaches – recycle, reduce, reuse – to reduce our environmental footprint. Something that we've also been doing for a decade is reducing our carbon emissions and looking at how we can move toward climate neutrality.

Our third focus is on excluded youth. We tried to go back to recognizing the passion that drives our employees and this company, which is sport and the power that sport has to unleash potential and to foster self-esteem, leadership, and health. So we focused our community giving predominantly around sport and the role it can play in community building and helping excluded young people.

**CSR is often talked about as a win-win situation. But the real difficulties arise when there are trade-offs between financial and social objectives. Have you encountered these trade-offs, and if so, how do you**

**deal with them?**

There absolutely are trade-offs. The difficulty arises when you get down to the middle-management level where people often think about their realm of responsibility and success vs. that of the company as a whole. Sometimes change needs to happen in a different part of the company or supply chain from where success will eventually be felt. The challenge is how you get people to see the bigger picture and how you create incentives so that people participate willingly. One of the challenges is that people often don't have visibility into the entire supply chain so that they can understand where the costs, investments, and returns are.

I'll give you an example. We did a lot of work to understand the causes of excessive overtime in factories. We discovered that one of the root causes is that designers are late handing their product designs over to the factory. We all know why that happens – they're busy, someone swoops in and makes a last-minute change, and before you know it they're two weeks late in handing the design over to the factory. But the deadlines of the factory remain the same, and the person who gets squeezed is the worker who is asked to do excessive overtime hours in order to complete the task. Simply explaining this to our design community has been an incredibly powerful conversation, because they had no idea what the downstream impact of their behavior was.

**Nike has been given credit for its openness about problems and for acknowledging areas where its social and environmental performance could be better. Was this a difficult thing to do?**

Initially, the idea of being transparent

about our own problems was counterintuitive, as it is to most people and most organizations. I was directly responsible for the CR report in 2004, in which we announced that we were disclosing our factory supply chain locations and where we tried to be candid about all of the challenges we saw, which was a first in the industry.

Disclosing these things was absolutely counterintuitive, because it was deemed a competitive advantage to remain secret about your supply chain. I remember this vividly, because our vice president for sourcing and I went to Phil Knight and the board and said: "Listen, if we do this, we have an opportunity to get the ball rolling on creating overall transparency about supply chains. It could make monitoring way more effective and help us all focus our energies on remediation and system change. Are you willing to take the risk?"

The reason they were willing to do it is that as early as 1998 there was an absolute mental model shift within the Nike team, right up to the chairman and board of directors, which was "We don't want to do this to get the monkey off our back. We want to do this to take a leadership position in addressing these issues and change the industry." And if you're going to change the industry you have to start by getting people to have an honest, fact-based conversation about what the issues are. Unless you do that, how can any of us come up with real solutions?

**Some critics dismiss CSR as simply public relations or spin. To what extent does this criticism have merit?**

Any company that thinks it can do CSR for PR or for spin is kidding itself,

because it's a very transparent world out there. There's the Internet, and there are NGOs that are very active and very, very smart at thinking through and understanding what these issues are. Unless you are walking the talk, you're better off not talking at all.

**What two pieces of advice would you offer to senior executives about how to have a more positive impact on social and environmental issues?**

First, it's crucial to develop a deep understanding of your company's business model, and to move CSR beyond being a function and toward being an integral part of every business unit. One does that by positioning CSR as a source of potential innovation and growth and by inspiring people, as opposed to operating as a policing or ethical oversight function. Partnering with various parts of the business gets you into far more conversations than the latter.

Second, getting CEO and board leadership is absolutely crucial. None of this happens without the CEO taking a vocal and sustained leadership position around these issues. People will take their lead from the leader, and when your leader says, "I empower you to integrate CSR into what you do as your day-to-day job, and I will reward you for doing it," then you will have a tsunami on your hands. In a good way, I might add.

**Are you optimistic about the future of CSR and transparency in large corporations?**

Yes, I am very optimistic. In the early '90s we were one of the few corporate responsibility teams. Now it's almost a requirement. I see more change, activism, and leadership on this than I've ever seen. □