

THE UNLIKELY STORY
OF HOW BIG BUSINESS
CAN FIX THE WORLD



EVERYBODY'S BUSINESS

JON MILLER & LUCY PARKER

Sample chapter

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Start a conversation about the role of big business in the world and, often even before you reach the end of your first sentence, you'll find you've unleashed a furious response. To many, it feels as though business has become detached from society – it seems like part of the problem, not part of the solution. That's not good for the world: we're facing global challenges of unprecedented magnitude, and business has the scale, resources and expertise to make a positive difference. This book puts a powerful argument that if you want to fix the world, you're better off harnessing the power of business, rather than fighting it.

'This is such an important theme. The world is facing historic challenges, and we're going to have to turn to business to help grapple with them. I'm 100 per cent in agreement with this argument.'

DOMINIC BARTON, MANAGING DIRECTOR, MCKINSEY & COMPANY

'Getting your head around the relationship between business and society is complicated – and knowledgeable and independent interpreters are few and far between. But you're in very safe hands with Jon Miller and Lucy Parker.'

JONATHON PORRITT, ENVIRONMENTALIST AND WRITER

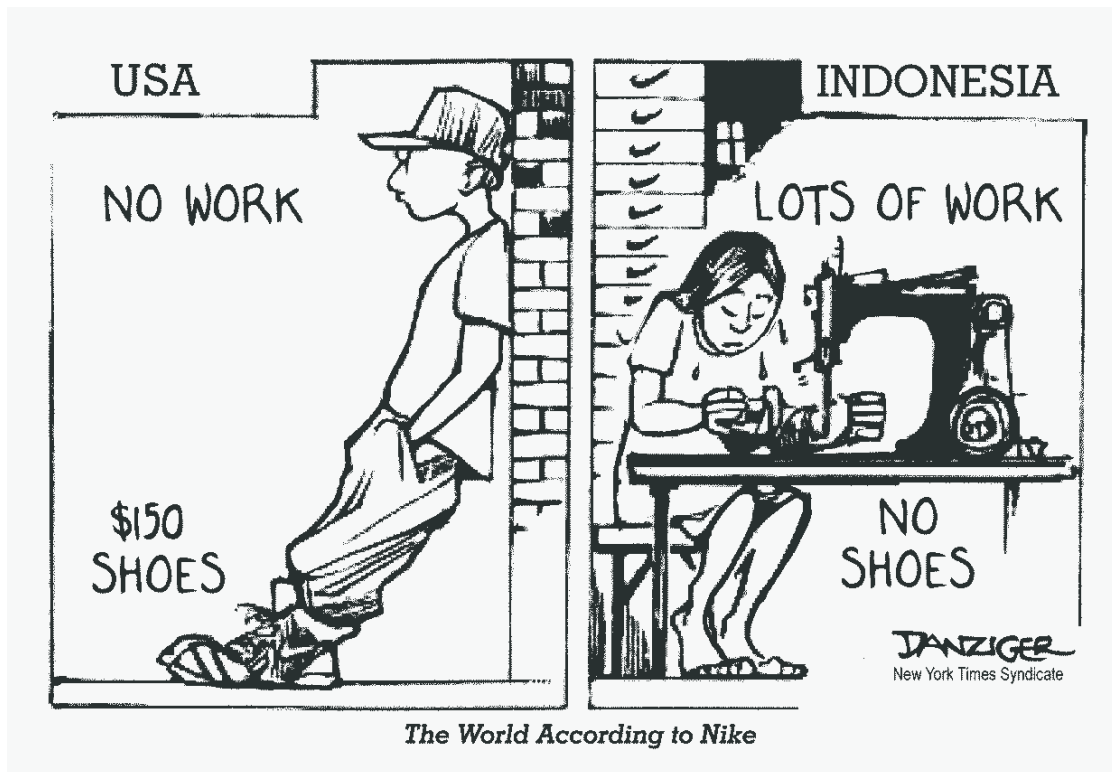


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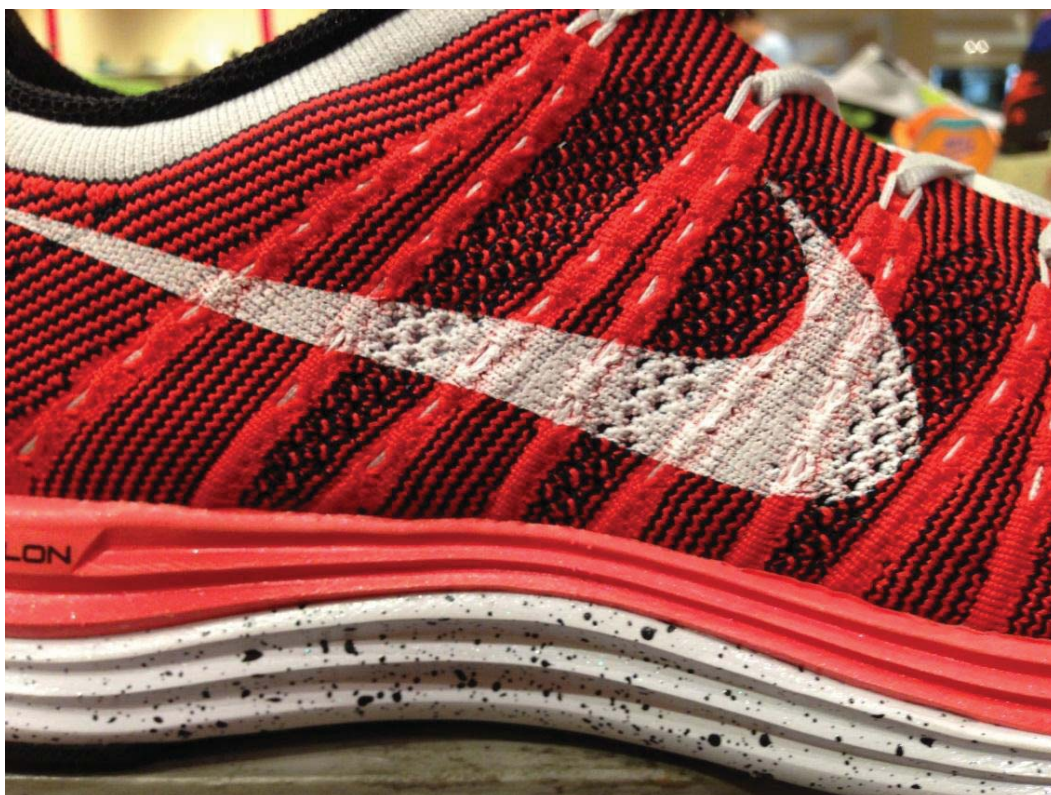
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A HARD PATH TO LEADERSHIP

*How Nike went from corporate villain
to hero of sustainable business*



In the 1990s, working conditions in factories making products for big Western brands became a cause for global concern.



Nike has become a leader in sustainable product innovation: shoes like the Flyknit Racer, which is knitted like a sock, have lower environmental impact.

A HARD PATH TO LEADERSHIP

It was a busy afternoon at the height of the pre-Christmas shopping season and TV crews gathered outside a department store in midtown Manhattan. They were there to capture some good prime-time news footage: a man dressed as Santa Claus being dragged into a police car, arrested for civil disobedience. Over in Sacramento, in the full glare of the national media, dozens of Girls Club members occupied a Disney Store dressed as the Seven Dwarfs.²⁰ These two stunts were part of a campaign drawing attention to the use of sweatshops by companies manufacturing clothes and toys. This was 1996, a year that had seen a flood of exposés on big brands with unethical offshore working practices. Undercover journalists using hidden cameras had brought back shocking images of people working in terrible conditions in factories across the world: in Haiti, Vietnam, El Salvador and Burma. People were appalled to discover the toys they were buying for their own children were made by other children in Indonesia and China, forced to work behind barbed wire in hazardous factories. Some of the best-loved and most iconic brands were found to have an ugly side, including Mattel, Gap and Walmart. These companies were hit hard by the revelations, which fuelled a growing anti-corporate movement. But one brand more than any other became the focus of public anger over sweatshops: Nike.

In the 1990s, Nike was a global phenomenon. Nike-sponsored athletes were cultural icons worldwide, among

them Michael Jordan, Bo Jackson, Andre Agassi, and Pete Sampras. The company had signed the entire Brazilian football team in a headline-grabbing \$200 million deal. Nike had become a powerful force in sports and one of the most desired brands in the world. *Forbes* magazine regularly marked it as America's most profitable company and its founder, Phil Knight, was one of America's richest men. It had been one of the great success stories of the time: a company named for the goddess of victory, championing the spirit of endeavour, soaring high in the public imagination, and also on the public stock market. Knight would often account for this achievement by explaining that Nike was driven by a higher purpose. Its mission wasn't simply to sell sportswear, but to 'enhance people's lives through sports and fitness' and to keep 'the magic of sports alive'. Nike's athletes, together with its aspirational 'Just Do It' advertising, sent a positive message to many young people around the world: with the right attitude, with the right vision, you can do anything. For many, especially those in poor urban areas, a pair of Nike Air Jordans became a symbol of rising above a drab reality. For a while, it seemed, the world had fallen in love with Nike.

In many ways, Nike had become the archetypal US corporate, fuelled by the edgy creativity of American urban culture. And yet almost none of its products were manufactured in the USA. From the outset, Phil Knight's big idea was that shoes could be made in Asia that would compete with established brands such as Adidas. This was the subject of a paper he wrote while studying for his MBA at Stanford University. It was to become a powerful formula for Nike: cut the product costs by manufacturing overseas, thereby generating large cash surpluses which could be invested in building a powerful brand. 'There's no value in making things any more,' said Knight.²¹ And so, in 1971, with a business plan and a freshly designed swoosh, Nike began by placing orders with factories

in Taiwan and South Korea. As demand grew, the company did open its own shoe factories in Maine and New Hampshire, but by the mid-1980s these were closed and production had moved to China, Thailand and Indonesia. By the mid-1990s, Nike had built a substantial network of suppliers stretching across Asia. Few of Nike's enthusiastic consumers had any idea that the trainers they loved were being made in some of the world's poorest countries.

As many as 500,000 people were working in factories making Nike products, but not a single one of them was a Nike employee, and Nike didn't own any of the factories that manufactured its gear. From Nike's point of view, the operation of these factories was entirely a matter for their owners – and this included the treatment of the people who worked in them. But from the outset, stories of poor treatment filtered back from these production outposts: people were working long hours for low wages, and some of the factories were said to be run like military camps, with corporal punishment. Workers might be allowed only two toilet breaks in a twelve-hour shift, and water was rationed. Many of the workers were women, and there were reports of sexual harassment. As demand for Nike products grew, so did the intensity of production in these factories – and accounts of poor treatment became more widespread. Human Rights Watch raised the issues in 1989, and reports started appearing in the media. Nike's response at the time is a good indicator of how times have changed: essentially, 'these aren't our factories, it's not our problem'. After a series of disturbances at factories in Indonesia, a Nike manager in the country was reported as saying, 'It's not within our scope to investigate.' He was aware that there were problems, but didn't know what they were about: 'I don't know that I need to know.'²²

Today, it's difficult to imagine any well-run company taking such a cavalier attitude. Nike, in particular, has been on a long journey from the days of 'I don't know that I need to

know'. As we shall see, the company is now widely recognised as a pioneer in managing supply chains responsibly. Back in the mid-1990s, unease about the treatment of workers in Nike factories was becoming a public outcry. Phil Knight was greeted by jeering students when he was invited back to Stanford University Business School as a guest lecturer. Media reports filled the newspapers with headlines like 'Worked to Death' and 'Wages of Shame'. Dozens of activist groups sprang up with names such as 'No Sweat' and 'As You Sow'. The sloganeering possibilities were immense, and included 'Do It Just', 'Just Boycott It', 'Just Don't', 'Ich Kaufe Es Nicht!' (German for 'I Don't Buy It') and 'Just Duit' (French for 'Just Products'). Many of these voices were part of a growing anti-globalisation movement, and they were easy to dismiss as fringe groups. But there were also signs of rising anger in many inner-city communities, which were essential to the brand's image, and its mainstream consumer appeal – and this really did start to rattle Nike. Up to this point, people living in poor urban areas had been Nike's core devotees, wearing the swoosh like a talisman against the grim realities of the ghetto. But many were starting to question this, especially given the high prices paid for Nike products by people on very low incomes. Naomi Klein talks to a sports store owner from New Jersey in her book *No Logo*:

I do get weary and worn down with it all. I'm always forced to face the fact that I make my money from poor people. A lot of them are on welfare. Sometimes a mother will come in here with a kid, and the kid is dirty and poorly dressed. But the kid wants a hundred-twenty-buck pair of shoes and that stupid mother buys them for him. I can feel that kid's inner need – this desire to own these things and have the feelings that go with them – but it hurts me that this is the way things are.²³

Stories were appearing of kids being assaulted – and even murdered – for their sneakers, and many people began to wonder whether the Nike brand was becoming a monster. When Nike’s core customers watched TV news reports of how the company was making vast profits by using sweatshop labour in poverty-stricken countries, it felt like a betrayal. Nike’s own figures showed that from a \$70 pair of shoes less than \$3 would go into workers’ hands. Klein recounts how customers sent hundreds of letters to Phil Knight, telling him how much they had spent on Nike products over the years. ‘I just bought a pair of Nikes for \$100,’ one kid wrote, according to Klein. ‘It’s not right what you’ve been doing. A fair price would have been \$30. Could you send me back \$70?’ By the late 1990s, a fully-fledged consumer backlash was under way, with protestors picketing Nike stores, and activists working hard to make the swoosh a symbol of sweatshops. As the backlash grew, profits began to shrink, and so did Nike’s stock price. Nike’s gleaming brand had lost its lustre.

‘One of the biggest mistakes we made was to think “we don’t own the factories, so that’s their problem”,’ says Nelson Farris, Nike’s longest tenured employee and now Global Head of Talent Development. ‘That’s when we recognised we were more powerful than we realised and as a consequence, people expected more of us. Employees were embarrassed and disenchanted and confused. The media had sweatshops and child labour in every sentence.’²⁴

Todd Maclean, who was a director at Nike at the time, agrees that the company failed to get a grip on the issue: ‘Quite frankly, that was a sort of irresponsible way to approach this. We had people there every day looking at quality. Clearly, we had leverage and responsibility with certain parts of the business, so why not others?’²⁵

In 1998 Nike publicly recognised the severity of the

situation. On 12 May, Phil Knight stood before the National Press Club in Washington DC and had a *nostra culpa* moment:

It has been said that Nike has single-handedly lowered the human rights standards for the sole purpose of maximising profits. The Nike product has become synonymous with slave wages, forced overtime and arbitrary abuse. I truly believe that the American consumer does not want to buy products made in abusive conditions.

With this, he declared that the minimum age of footwear factory workers would be raised to eighteen years of age, in response to numerous reports of factory workers as young as twelve years old. He committed to allowing independent monitors from some of Nike's harshest critics to inspect the factories. Finally, he announced that Nike would impose US standard working conditions in areas such as air quality. Nike's adversaries offered a cautious welcome to these announcements. For some of them, it was the culmination of more than two decades of campaigning. Many people were taken aback at the sudden ardour of Knight's tone: 'We believe that these are the practices that the conscientious, good companies will follow in the twenty-first century,' he told a surprised audience. 'These moves do more than just set the industry standards. They reflect who we are as a company.' It was the beginning of a series of contrite media appearances by Knight. 'You can make a lot of mistakes around here, but the brand is sacred,' he explained to the *New York Times*. For a company like Nike, the brand represents what it stands for in society. 'I messed that up,' he said.²⁶

Not everybody gave Nike's announcements a wholehearted welcome. Harvard economist Jeffrey D. Sachs saw things differently. 'My concern is not that there are too many sweatshops but that there are too few.'²⁷ In his view, low-wage

factory jobs were an essential stepping-stone for a developing economy. After all, the ‘Asian tigers’ of the 1990s – Singapore, Hong Kong, South Korea and Taiwan – had high-tech manufacturing industries and booming financial sectors, although each had started by making clothes, shoes and toys. A Unicef report had highlighted the unintended consequences of increasing the minimum age of labour: often child workers are forced into alternative jobs ‘more hazardous and exploitative than garment production’.²⁸ There are even reported cases of factories being closed and the child workers subsequently being found in the sex industry. Nobody was arguing that child workers, forced labour or abusive conditions were acceptable, but it was far less clear how to deal with these realities. In a provocatively titled article ‘In Praise of Cheap Labor’ Paul Krugman argued that the anti-sweatshop campaigners had ‘a policy of good jobs in principle, but no jobs in practice’.²⁹ They didn’t live in the real world, according to Krugman: ‘You may say that the wretched of the earth should not be forced to serve as hewers of wood, drawers of water, and sewers of sneakers for the affluent. But what is the alternative?’ And so Nike, a company whose core business was making trainers, found itself at the centre of a global debate on economic development in the third world.

Into the maelstrom stepped Hannah Jones, who joined Nike in 1998 at the height of the company’s difficulties. Hannah is now the Vice President of Sustainable Business & Innovation at Nike, and she looks back on that time as a formative period for Nike. ‘It was one of the single best things to have ever happened to this company, because frankly it gave us a very early wake-up call,’ she told students studying corporate responsibility at Duke University.³⁰ Nike’s nadir, in her view,

helped to prepare the company for the ‘tidal wave of change’ that was heading towards the business community. Over the next decade, society’s expectations of corporate behaviour would shift substantially, and not just in the area of workers’ rights, but across the full range of social and environmental impacts. In many ways, Nike’s journey since Hannah joined the company is representative of the transformations that still continue to shape the business world. For Nike, it began by setting up a distinct internal function to address these issues. ‘You have to remember, when I joined in 1998 the words ‘corporate responsibility’ didn’t exist. They didn’t exist,’ she tells her audience of corporate responsibility majors. ‘We were the world’s first corporate responsibility team, my boss was the first ever vice president of corporate responsibility. It was utterly unheard of.’

Hannah hadn’t planned a corporate career. ‘Nobody in my family ever worked in business, and I never believed I would ever work in business,’ she says. As a teenager, Hannah wanted to fight for social justice – and like many people eager to change the world, she thought corporates were the bad guys. ‘I had a completely different career path set out for myself. In my fantasy, when I was thirteen, I was somewhere between war journalist and campaigning activist, probably scaling buildings with Greenpeace.’ Today, Hannah heads a team based in Nike’s global headquarters in Beaverton, Oregon. It’s an expansive, leafy campus arranged around a lake, and criss-crossed by running tracks. Sports fields separate the low-rise office buildings, which have names like the Tiger Woods Center and the John McEnroe Building (the main gym was once known as the Lance Armstrong Center, and has been discreetly renamed the Fitness Center). It’s everything you might imagine of Nike’s HQ – modern, corporate, and embracing the outdoors. Still, it’s not the kind of bucolic habitat in which you might expect to find a campaigning activist,

but Hannah Jones feels like a woman on a mission: ‘At some stage in your life, you have to figure out whether you are more effective shouting from the outside, or whether you can effect change from the inside.’

Effecting change from the inside is no less challenging. For Nike to really deal with the issues facing it a significant internal shift was required, says Hannah. ‘Those first early years we did everything wrong. We didn’t understand what was going on, we didn’t accept it, and we simply added fuel to the fire.’ The journey begins with some self-examination, she says. ‘There comes a time when the company has to delve back into themselves, and learn the art of conflict resolution, of listening, of looking back into oneself and of taking responsibility. That in itself is a massive transformation culturally for a company to go through.’ For Nike, this led to an inevitable conclusion: you can’t change in a vacuum. In order to understand properly what was going on in the factories across Asia, Nike would need to work with a range of partners. To ensure the welfare of those who were working in those factories would need full collaboration with civil society: community groups, local authorities and NGOs. To resolve issues such as minimum wages and minimum working ages – without causing bad unintended side-effects – would need the participation of local governments. It was a big challenge, given the complexity of the supply chain, as Naomi Klein explains:

The only way to understand how rich and supposedly law-abiding multinational corporations could regress to nineteenth-century levels of exploitation (and get caught repeatedly) is through the mechanics of subcontracting itself: at every layer of contracting, subcontracting and homework, the manufacturers bid against each other to drive down the price, and at every level the contractor and subcontractor exact their small profit. At the end of

this bid-down, contract-out chain is the worker – often three or four times removed from the company that placed the original order – with a pay check that has been trimmed at every turn.

It was a complex network of suppliers, and Nike had been running it like a distant empire, issuing edicts for lower prices, faster productivity and higher quality – and it was the workers who suffered. As a report in *Asian Monitor* put it, ‘When the multinationals squeeze the subcontractors, the subcontractors squeeze the workers.’ But Nike still needed low prices, fast production and high quality. The challenge was how to deliver this in a way that could benefit everyone involved, including the dyers, machinists and gluers in the factories of its Asian subcontractors. To do this, an entirely new approach was needed – a more collaborative approach, as Hannah explains. ‘Once you begin to understand your full footprint, it becomes pretty clear that one is going to consider how to work in partnership with civil society, and also how to start looking internally, to changing the business processes and systems. And I call that the business integration phase.’

Collaboration has become a watchword for Nike, as it has for many companies on a similar journey. As the CEO Mark Parker writes in the company’s Corporate Responsibility Report, ‘We learned that the path to change ... is paved by collaboration with multiple stakeholders.’ Listening to external voices isn’t always a comfortable experience, but Nike’s mauling by its critics taught an important lesson: that sometimes the harshest voices are the ones that can prompt positive change. As Nike configured a new approach to running its network of suppliers, it became clear that a dependable critic was needed – one that was politically neutral, credible and with the ability to access workers in their own communities. They would need to be sensitive to local cultural issues and

able to talk to local people in their own languages – across the many countries from which Nike sourced its products. The trouble was, no such NGO existed at that time. And so Nike took an unusual step for a corporate: it created one. In 1999, the Global Alliance for Workers and Communities was launched, in partnership with Gap, Inc. and the International Youth Foundation.

Over time, the work of the Global Alliance was superseded by organisations like the Fair Labor Association (FLA). At the height of public clamour over sweatshops, President Clinton had summoned leading footwear and apparel companies to meet with human rights campaigners and representatives from consumer and religious groups. It was a very public banging together of heads by the President, and those assembled agreed to establish an ongoing working group. President Clinton gave them a clear task: to give consumers ‘confidence that the clothes they buy are made under decent and humane working conditions’. It was out of these beginnings that the FLA was born. It was incorporated in 1999 as a collaboration between corporations and various civil society bodies, as well as colleges and universities. Today, the FLA remains a powerful force for workers’ rights around the world, whether for farmers growing coffee or factory workers making smartphones.

For Nike, cleaning up such a large and complex supply chain proved a real challenge. As one of the first major multinationals to grapple seriously with this issue, there were few precedents they could draw upon. Their initial instinct was to treat it as a compliance problem: develop a strict set of criteria that suppliers must adhere to, covering all the major areas of concern (such as working conditions, wages, hours and minimum age). However, it soon became clear that simply imposing new, stringent requirements wasn’t enough: suppliers needed help to meet these conditions – such as access to examples of best practice and support to change their

processes. This had to be done by working in detail with the suppliers, together with the relevant unions and local community groups. And then, once suppliers met the conditions, the Nike team found that the next challenge was keeping them there: very often, improvements in performance could slip backwards. It's a continual process and is much more demanding than simply publishing a code of conduct: it requires a full-time team of people dedicated to making it work. It was a protracted journey for Nike, and one that many other companies have since followed.

Even as Nike was beginning to get to grips with its sweatshop problem, a new front had opened up. Nike's most famed product innovation is its Air Cushioning Technology, introduced in 1987. High-pressure air pockets were put into the soles of shoes, allowing greater cushioning and comfort – and, it was claimed, greater athletic performance. The shoes were immensely popular with athletes, and when the Nike Air Max was launched in 1987 – with distinctive, visible air pockets – they became iconic, must-have footwear. But there was a problem: the technology was an environmental nightmare. The air in a Nike Air was SF₆ – a super-potent greenhouse gas, with a global warming potential 22,800 times greater than CO₂. Nike's newly formed corporate responsibility team could have been forgiven for thinking that the small pockets of air in their trainers were relatively harmless, but by 1997, Nike Air shoes carried a greenhouse impact equal to a staggering 7 million metric tons of CO₂ – about the same as the exhaust from 1 million cars. This time, the company was much faster to respond – perhaps sensing the risk of another image meltdown. And so, just as Nike had embarked on a journey to improve the conditions of workers, a new journey had begun – and one which would prove no less transformative for the company.

It proved a far greater technical challenge than anyone had imagined. Pressurised air was the perfect shock absorber: it

could handle the repeated impact of a heel pounding a pavement far better than foam, and kept its springiness far longer. And it was lighter, too – a big advantage for runners. SF6 was the perfect gas: it didn't leak at high pressure, unlike every other gas that had been tried. After several years of experimentation the breakthrough came: the answer was not in the product itself, but in the production process. The company hit upon a new technique called 'thermo-moulding', which created a much tighter seal than the conventional blow-moulding techniques. In fact, it was so strong that it allowed the air pockets to extend the entire length of the shoe. The result was a better-designed shoe, from both perspectives – performance and environmental impact. It could be filled with a harmless gas, and the shoe was lighter and more comfortable. 'It was a moment of clarity that showed us a risk could turn into an innovation,' says CEO Mark Parker, who was the designer of the iconic Nike Air Max a decade earlier. 'It launched us on a continual search for similar advances in sustainable technology and performance.'

Hannah Jones agrees that it was a turning point in the way Nike approached issues of environmental impact. 'We found that if you start to look at product design through the lens of sustainability, you could start to deliver different types of innovation to the market that weren't just about green innovation, they were about performance innovation as well,' she told her audience at Duke's. Hannah has a show-and-tell style of giving talks – her stories are often brought to life through a colourful assortment of products and materials, which get lobbed into the audience for closer inspection. One of her favourites is the Air Jordan XX3, one of the first shoes that scored highly with pro basketball players as well as green observers. It was designed by Tinker Hatfield, messiah to the sneaker-heads, and showed how performance and sustainability can work together. The shoe's stitching provides the

geometry that holds the shoe together, reducing the materials and glues needed, and resulting in a lighter, more flexible shoe. 'It broke the myth that you can't do both,' says Hannah. '[People thought that] you can't win an All-Star game in a crunchy hippy-dippy tree-hugging shoe. And this shoe showed you are wrong.'

Another show-and-tell favourite is the Nike Trash Talk, which is 100 per cent made of waste from the factory floor. The shoe's upper is pieced together from scraps of leather and synthetic leather waste using chunky zigzag stitching. The mid-sole uses scrap-ground foam from factory production. The outsole uses 'Nike Grind' material, made from recycled footwear from any brand. It was designed with Phoenix Sun player Steve Nash, and he wore it in his All-Star games. The shoe made a powerful point to the business: there were materials worth tens of millions lying as waste on factory floors. Hannah explains, 'Suddenly waste got really sexy at Nike. It's a basic story of efficiencies, which is a basic story of common sense. And guess what, the gross margins on this were just unbelievable because it was just made of waste.' It was another product that made a point, says Hannah. 'The point is, look how waste can be turned into gold.'

Products like the Air Jordan XX3 and the Nike Trash Talk were part of a new approach to sustainability at Nike. Previously, environmental impacts were evaluated as the products were shipping – clearly too late to have any influence. To many of the designers, sustainability felt like carping from the sidelines. Corporate responsibility seemed like a mindset of fault-finding and limitation, not a constructive part of the design process. Hannah changed this: 'We picked up the environment team and we put them right up in the innovation and design place, and we said "now go make it easy for designers real-time, as they're sitting at their sketchbooks and at their computers, to design products that will

deliver performance and lower the environmental impact”.’ The result was a new type of corporate responsibility department, with responsibility for developing new design processes and new business models. Nike calls it Sustainable Business and Innovation (SB&I), and Hannah explains why: ‘We threw away the words “corporate responsibility” and introduced the words “sustainable business and innovation” because we needed to move out of being police, and move into being the architects and designers of the future growth strategy for Nike.’

It’s been a real shot in the arm for Nike’s product designers, forcing them to look at the product in a new way. Traditionally, shoes are made from multiple layers of material, all stitched together, providing shape and support. Nike’s designers developed a way to make a shoe using polyester thread and cable, woven into the shoe’s upper section and joined to a moulded sole. Essentially, the shoe is knitted, a bit like a sock. The result is the Flyknit Racer – the most striking new shoe to come out of Nike for many years. It weighs half what you expect when you pick it up – making it an instant hit with runners. The production process is faster, more efficient and produces less waste – bringing both economic and environmental benefits. It seems like more than just a new product, but a whole new manufacturing paradigm for the business: Hannah says it will ‘turn the industry on its head’. Understandably, the Flyknit has attracted a lot of interest: it was listed as one of *Time* magazine’s Best Inventions, and helped push Nike to the top slot on Fast Company’s list of most innovative companies in 2013. It also had the rather surprising effect of generating Nike product reviews in a number of knitting publications.

Fusing product design with sustainability has clearly unlocked innovation for Nike – but of course there were barriers to overcome, the most significant of which was a

dearth of information: Nike's designers had very little data on the environmental impacts of their products. It's a complex picture: for a start, there are hundreds of different materials to choose from – ranging from hemp, wool and leather to advanced new materials such as bio-based thermoplastics. On top of this, more than 900 different vendors supply these raw materials – each with their own environmental strengths and weaknesses. Clearly, a product's environmental impact will be largely determined by decisions about which materials to use, and where to get them from – but there were no comprehensive and reliable sources of data available to help make these decisions. And so Nike embarked on years of research and analysis of hundreds of different materials, evaluating their environmental impacts, including energy use, greenhouse gas emissions, water use, land use, waste and chemical use. The result is the Nike Materials Sustainability Index (Nike MSI), launched in 2012, and one of the most comprehensive databases of its kind. In a move that won widespread praise, the company has made Nike MSI an open index, available for anyone to use and even contribute to.

This follows Nike's decision to place more than 400 patents in the public domain, in an effort to promote sustainability through open innovation. The announcement was made as Nike launched the GreenXchange (GX), a web-based marketplace where companies can share intellectual property. It's a simple but powerful idea: for example, Nike's 'Environmentally Preferred Rubber' contains 96 per cent fewer toxins than the original formulation, and so Nike has placed the patent for this on GX so that other companies can pick it up and use it. Hypothetically, it could end up being used to make environmentally-friendly wellington boots or bicycle tyres by companies that wouldn't have the R&D capability to develop such a material for themselves. GX was launched in 2010 at Davos by CEO Mark Parker, who explained that

the company's lawyers had initially opposed the idea. It's not surprising: sharing intellectual property goes against a deeply engrained corporate instinct to keep everything locked down and under wraps.

This spirit of openness has become a driving force for SB&I, and 'transparency is an asset, not a risk' is a core precept for the company. Nike was the first major corporate to announce full supply chain transparency – complete disclosure of every factory used to make Nike products. Today, anyone can go on Nike's website and use an interactive map to view details of more than 800 factories: the address, products made and profile of workers.³¹ It was a bold move; for years, Nike had stuck to its position that this was commercially sensitive information, and many within the company had argued that publishing a full list of factories would be a competitive risk for Nike. In the end, the company decided that it was one worth taking. Collaboration was a central part of Nike's response to the sweatshop issue, and this proved difficult without being open about factory locations. Transparency signalled that Nike was serious about collaborating, and sent a confident 'nothing to hide' message to critics.

Of course Nike has still got plenty of detractors, but the company has come a long way from the days when it denied that workers' rights in its suppliers' factories were any of its concern. It has become far swifter to respond to criticism: in 2011 it was targeted by Greenpeace in their 'Detox Fashion' campaign, which aimed to stop the use of toxic chemicals in the apparel industry. Within weeks, Nike had produced detailed plans to eliminate all hazardous chemicals across its entire supply chain and across the entire lifecycle of its products by 2020. 'Nike sets a new pace', read the Greenpeace

headline, but Nike wasn't alone in this: the campaign also named other leading sportswear brands such as Adidas, Puma, Reebok and Timberland – all of which have fallen into line. This kind of fleet-footed corporate response would have been very unlikely only a decade ago. Across the sector, companies have become more aware of the need to account for their impacts on society. Puma in particular has worked hard to understand the company's environmental impact, introducing an accounting framework called Environmental Profit & Loss (EP&L). It was a particular passion for Jochen Zeitz, who was the chairman and CEO of Puma. Jochen became the youngest chairman and CEO in German history, taking the role at the age of thirty. When he took the helm in 1993, the company's share price was €8.6, and Jochen took it to an all-time high of €350. So when Jochen began something of a crusade on environmental accountability, people listened. He began by asking some interesting questions:

I wanted to know how much we would need to pay for the services nature provides so that Puma can produce, market and distribute footwear, apparel and accessories made of leather, cotton, rubber or plastic for the long run. I also wanted to know how much compensation we would have to provide if nature was asking to be paid for the impact done through Puma's manufacturing process and operations. While nature is much more to us as humans than a mere 'business', the simple question I put forward was – if our planet was a business, how much would it ask to be paid for the services it provides to a company in order to operate?³²

This line of questioning took Puma to the EP&L – or, as Jochen likes to call it, 'environmental calories'. The idea is simple: in the same way that you can see the calorie content on the side

of a box of cereal, so Jochen wanted to display the ‘eco-cost’ of Puma products. And they’ve made a good start: you can see, for example, that the environmental cost of a pair of InCycle Basket shoes comes in at £2.74. Greenhouse gas emissions make up the biggest chunk of this (£1.41). Air pollution (£0.84) and water (£0.49) comprise most of the rest.³³ Add that up across all of Puma’s products and you can calculate a total cost of the company’s environmental impact – £115 million in the most recent report.³⁴ Of course, putting a price on nature is not an exact science, and lots of big assumptions are required, but Jochen believes that measuring a company’s environmental impact is an important first step towards reducing it – and he thinks this will become common practice. ‘Even those concerned only about bottom lines – and not the fate of nature – must now begin to realise that the sustainability of business itself depends on the long-term availability of natural capital.’

Putting an environmental cost against each product means that Puma is able to understand which materials and processes work together to generate the lowest cost – in the same way that Nike’s Materials Sustainability Index allows designers to make more sustainable shoes. Certain things become clear very quickly: for example, products that use a lot of leather are a lot more damaging overall. However, leather is a cheaper option for Puma because of government agricultural subsidies – labelled as ‘perverse subsidies’ by environmentalists. In addition, import duties are placed on more sustainable synthetic materials, and Puma points out that shifting from leather would cost an additional €3.4 million each year in duties. Here’s where we start to see a business move from addressing its internal processes to campaigning for external change: ‘I call upon governments to start supporting companies to use more sustainable materials in their products instead of continuing with antiquated incentives,’ Jochen told *The Guardian* newspaper.³⁵ Once, corporates were dragged by

regulators into facing their environmental responsibilities. Now, some corporates are leading the calls for change:

Governments have a unique opportunity to incentivise corporations so that they can accelerate their evolution to a more sustainable economy through more sustainable practices and products.

Back at Nike, Hannah Jones shares the frustration with governments. 'The political systems of the world are geared to solving short-term national issues, and these are long-term global issues,' she says. Characters like Hannah and Jochen have brought a fresh energy into the debates about the role of business in society. By fusing sustainability with innovation, Hannah has shown that it can be more than a drag on performance or a cost to business. She's become a chief proselyte for the idea that sustainability can drive business performance. 'That's the key: how do you reposition sustainability as a design concept, as an innovation concept, as a business concept? Let's just jettison the language of *it's about less* or *it's about doing the right thing*. Let's talk about how you redefine business.'

For Hannah, 'redefining business' isn't just about lessening the negative impacts. 'Doing less bad is not the same as doing well,' she says. 'To do well we need to create products that can be continuously recycled, reused, that are decoupled from the use of water, that are decoupled from fossil fuels, and that will take innovation. And so the story of innovation today needs to be a story of radical and fast-scaled innovation.' As she speaks, you can hear a sense of urgency in her voice. Words like 'radical', 'fast-scaled' and 'innovation' aren't empty buzzwords – they carry an undertone of insistence, and even apprehension. 'We need to get to a place where growth is decoupled from scarce natural resources, and has far more

equity built into the fabric of how wealth is dispersed,' she says. You might think that the journey Nike has been on in the past two decades gives Hannah cause for optimism – but she is anxious about the path to a sustainable future. 'I am deeply concerned that we are going to have to be shocked into getting there. I had hoped that we would walk in a more planned way, as a collective, into that new future. I no longer believe that that is going to happen,' she says. 'The world is going to enter into a time of great stress and forced change. And so I believe that our role collectively is to be there to enable that change, when people are ready to make the wholesale transformation that will be needed.'



Jon Miller has worked all over the world with global brands such as Coca-Cola and American Express. He was Strategy Director for Mother, one of the most awarded creative agencies in the world, and spent many years with Ogilvy. Jon has created campaigns for many NGOs, including Amnesty, Greenpeace and WWF, as well as developing communications strategies for government health campaigns.



Lucy Parker has spent much of her working life as a documentary-maker for the BBC. She went on to make films about businesses around the world and has worked as a coach and adviser to the leaders of some of the world's biggest companies. In government, she led the Prime Minister's Taskforce on Talent and Enterprise, focused on the importance of skills to competitiveness in the global economy.

Today, Lucy and Jon are working together on one of the world's most contentious challenges: helping companies get to grips with their role in society. They are partners of the Brunswick Group, one of the world's leading corporate communications firms.



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