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Closing the ‘CSR gap’ through a successful CSR strategy— insights from Nike Inc.

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Closing the 'CSR gap' through a successful CSR strategy– insights from Nike Inc.

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I. ABSTRACT

1. SUMMARY

CSR has become an important asset for most companies. It has been at the centre of multinational companies' strategy such as Nike Inc's in controversial industries. However, its efficiency is questionable as such companies are still pointed out for their recurrent wrong ethical behaviours. Hence public associates CSR with practices of window-dressing: their actions often don't represent their commitment to 'social good'. Accordingly, even though stakeholders are increasingly sensitive to business ethics, a 'credibility gap' is still present in most company's CSR. The lack of CSR credibility combined with little awareness on CSR created a 'CSR gap': hindering the possible benefits companies can retrieve from their investments in CSR.

The market study explores beliefs related to CSR, shows the existence of the CSR gap, and how perceptions of CSR can act as barrier to an effective CSR. Insights on awareness, perceptions of CSR performance, and expectations of present CSR are gathered through an online survey. Results show lack of awareness, high expectations, negative perceptions of CSR performance and doubts on the ability of CSR to do 'social good'.

Finally, the author identifies actions that can be taken to address the 'CSR gap' and allow companies to fully benefit from CSR investments. Companies need to establish long term positive awareness and credibility of their CSR initiatives, to cut the association of CSR to window-dressing, by minimizing the contradiction between claims and actual events or actions.

2. RESUMO

A RSC (Responsabilidade Social Corporativa) tornou-se um trunfo importante para a maioria das empresas. Tem estado no centro das estratégias de empresas multinacionais controversas tais como a Nike Inc's. Porém, a sua eficácia é questionável pelo facto de tais empresas serem continuamente apontadas pelos seus comportamentos éticos errados recorrentes. Daí, o publico associar a RSC a práticas de window-dressing: muitas vezes as ações não representam o compromisso das empresas para com o "bem social". Assim, mesmo que os *stakeholders* sejam cada vez mais sensíveis à ética empresarial, o fosso ao nível da credibilidade ainda está presente na maioria da RSC das empresas. A falta de credibilidade na RSC combinada com a pouca conscientização sobre a RSC criou um "*RSC gap*": limitando assim os possíveis benefícios que as empresas podem obter dos seus investimentos em RSC.

O estudo de mercado explora crenças relativas à RSC, mostra a existência do fosso na RSC e como as percepções na RSC podem agir como um obstáculo para uma RSC eficaz. Percepções sobre a conscientização, sobre o desempenho e as expectativas da RSC presente são recolhidas através de um questionário online. Os resultados mostram a falta de conscientização, as expectativas elevadas, a visão negativa sobre a RSC e as dúvidas quanto à habilidade da RSC para a criação de bem social.

Finalmente, o autor identifica medidas a tomar para combater o fosso na RSC e permitir às empresas beneficiar plenamente dos seus investimentos em RSC. As empresas necessitam de estabelecer uma conscientização positiva a longo prazo e uma credibilidade nas suas iniciativas de RSC, para diminuir a associação da RSC ao *window-dressing*, ao minimizar a contradição entre reivindicações e eventos ou ações reais.

3. KEY WORD

csr; csr credibility; window-dressing; csr gap; credibility gap; ethical business practices; csr strategy

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III. INDEX

4. LIST OF ABBREVIATIONS

ASI	Apparel Sustainable Index
CSR	Corporate Social Responsibility
FSI	Footwear Sustainability Index
MI	Manufacturing Index
MSI	Material Sustainable Index
SMSI	Sourcing & Manufacturing Sustainability Index
WOM	Word Of Mouth

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IV. INTRODUCTION

In recent years Corporate Social Responsibility (CSR) has been taking a lot of importance and has been increasingly considered as an essential activity for business to contribute to social well-being improvement. Indeed, studies have proven many business benefits that companies can retrieve from engaging in CSR. As Multinational Corporation's (MNC's) visibility is increasing through globalisation as well as accessibility and availability of information is improving with the expansion of internet, CSR has taken great relevance in managing business credibility. Moreover, general public and other stakeholder groups are increasingly sensible to social business impacts such as environmental damage and working conditions. This has also promoted CSR as a tool to limit business from engaging in wrong practices.

As business commitment to social and environmental causes has been raising, at the same time expectations and social norms over how companies should behave have also built up. A growing and crucial issue nowadays is that CSR policies and initiatives launched by committed industries and businesses are recognised to lack credibility. As a result it has led to negative perceptions of CSR performance which translated in a wave of skepticism and distrust of CSR. Observations and measurements of stakeholder's views on CSR over the last decade has proven the existence of a gap between their expectations and their perceptions of CSR performance – CSR gap (GlobeScan, 2011). In other words there is a gap between what stakeholders think business should be doing (i.e. expectations), and what they think business is really doing (i.e. perceptions of CSR performance). This discrepancy between expectations and perceived performance is proposed to be linked to a credibility gap.

As such, even though business can retrieve many interesting benefits from engaging in CSR such as managing its reputation, these benefits are limited by their lack of credibility thus reducing the returns from the current large investments made in CSR. Although there is a plethora of academic research on CSR, sustainability and general corporate credibility, there is little to none on CSR credibility and the credibility gap related to CSR. The author will attempt to assess the challenges related to closing the credibility gap. Overall, this paper is intended to give insights on the CSR gap, analyse what are the root causes of the gap and how despite a company's actions a CSR gap still exists, by what means companies can close the gap through

increasing their credibility and to what extent can be possible. This paper therefore only provides the grounds to further research in this subject.

Challenges of closing the credibility gap will be developed through the business case of Nike Inc., the largest apparel company in the world and also one of the leaders in terms of CSR. Nike operates in a controversial industry, where scandals are relatively common and has received a large amount of media backlash and criticism over its history. The case study will give a practical view on Nike's CSR, and will help evaluate its contribution to an existing CSR gap.

Four research questions will drive us through the research problem:

- RQ1: What is the CSR credibility gap and what constitutive parameters are involved?
- RQ2: What are the main CSR activities of CSR leaders (i.e. Nike)?
- RQ3: How does the current CSR involvement by industry and business affect the parameters of the credibility gap? (Market research – perception of CSR performance and expectations)
- RQ4: Is CSR really effective to make social good and why does it matter in the credibility gap?
- RQ5: How can we solve the issue of the Credibility Gap?

First the methodology of the literature review and case study are provided. The literature review in itself revises the existing literature on CSR, CSR credibility, CSR expectations and on the CSR gap. The second main part of the paper presents the case study of Nike, Inc. where the author will provide a broad overview of its CSR. Following in the third part is a summary of the results of the market research where the study delivers insights on three main components of the CSR gap: CSR awareness, perceptions and CSR credibility. Finally, the last part will draw the main conclusions by answering the research questions and will also present counter arguments and critics to its CSR approach. The last part will also carry limitations and opportunities for future research.

1. METHODOLOGY

1.1 Literature review

In the literature review the author analysed primary and secondary sources on the different themes of interest. The author narrowed the range of search by using specific keywords related to these themes. To keep the accuracy of the information given, only academic articles were included in the literature review. Similarly, to ensure the highest quality of information, the author always prioritized articles from high-quality journals to other type of sources. In addition, to provide the most up to date information the most recent articles were prioritized whenever it was possible. Finally, a large variety of articles were used. It is important to note that there is a lack of academic literature on the CSR gap itself, although information on its components (i.e. CSR expectations, perceptions and CSR credibility) were extensive and precise. As a result the lack of information made it sometimes difficult to be precise enough in these areas. In that case the author mixed the quality of the sources balancing as much as possible their credibility, or else simply gave a broader overview of that specific theme. Finally, several parts of the literature review includes large amount of secondary data retrieved from market researches done by specific organizations. In that matter, similarly to articles, to keep a high quality research data and accuracy the author selected recognized and reliable organizations.

1.2 Case Study

The author chose Nike for several reasons, first it constitutes one of the largest apparel company in the world, and second it has an interesting history as it was known as an unethical company given its multiple controversies on child labour and more recently on the collapse of Bangladesh building, but became a CSR example in its industry. The author focuses on a large company because it generally has greater engagement in CSR activities and it has more media exposure so more accurate and readily available information. As such, the study of Nike seems suitable for the investigation of our research problem.

The author primary source of information on CSR was taken from the company's website (e.g., Du et al., 2012). More especially the author looked at the two last produced CSR reports and

their corresponding websites, as well as NIKE's corporate website. We took the most up to date information of both when the information was overlapping. We chose company's website because they are considered as a mainstream information channel for CSR nowadays, provide extensive and comprehensive information, and are supposed to reach a large variety of stakeholder groups (Du et al., 2012). Although Nike accepts no individual interviews by its communication policy¹ its commitment to transparency provided the necessary information for the author to develop the case study.

V. LITTERATURE REVIEW

In this section will present some theoretical concepts important for this paper. Three large topics are presented here: CSR, CSR gap and credibility gap. In the first sections about CSR in general, we will present its background and definitions, as well as how CSR became an essential part of business nowadays. Then, we'll explain what is the CSR gap and the credibility gap, and why they are important to take into account to have an effective CSR.

1. CSR

1.1 Definitions

CSR has been a subject of research for many years now. The concept of CSR has evolved along with its definition. Amongst many definitions, the one prevailing is the one released by the European Commission, which particularly emphasizes on CSR as a voluntary decision from companies to improve society and environment, as well as their will to integrate these concerns in their business operations and in their relationship with its stakeholders². The EU highlights voluntary aspects and going beyond the legal obligations as two main aspects of modern CSR.

¹ Student inquiries at <http://about.nike.com/pages/contact-us#tab4-tab>

² <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52011DC0681>

A clear evolution has been made in the adoption of CSR within business practices. Recently, CSR became recognized as a formalized field adopting international standards. The newly developed ISO 26000 provide official, international standards and guidelines for social responsibility. This shows the wide adoption of CSR as a best practice in business nowadays, and the associated standardization tools.

CSR is an umbrella term embedding a range of activities such as 'corporate sustainability', whereby companies focus on long-term growth and value creation. While there is no common definition for the concept in literature, an early definition of sustainability was given by the WCED as the "development that meets the needs of the present without compromising the ability of future generations to meet their own needs"³. Moreover, sustainability evolves around three main dimensions: economy, society and environment (Triple Bottom Line - Elkington 1997). Business practices sustainability incorporates principles of ethics, governance, transparency, business relationships, financial return, community involvement, product and services, employment practices and protection of the environment (Epstein and Roy, 2003).

1.2 CSR drivers

A relevant reason for the increasing adoption of CSR is the growing expectations from stakeholders such as shareholders, management, employees, public agencies and governments, partners, communities and consumers who expect more from business than just making profits, namely to be socially responsible (Maignan I. & Ferrell, 2004). Several surveys show that consumers grant an increasing importance to CSR related issues (MORI, 2000; GlobeScan, Nat Geo. 2008).

Nowadays, companies need to evaluate their environmental and social impact and to acknowledge their responsibilities and obligations as members of society beyond simple profits (Dawkins, Lewis, 2000). Stakeholder's opinion becomes an important factor, which has a significant effect on how companies choose to run their operations.

³ WCED 1987, Chapter 2, p. 1

Another important motive to engage in CSR is to protect itself against negative publicity from NGO's, media, community groups and other stakeholders (Sprinkle, Maines, 2010). Indeed, CSR increases “resilience to negative information about the company”⁴ (Du, S, Bhattacharya, C, & Sen, S 2004). Negative publicity can damage reputation, hurt sales and company's performance (e.g., Nike boycott). Accordingly, a study showed 9 out of 10 citizens would boycott a company if it had irresponsible behaviour⁵ (Cone, 2013). Literature supports that consumers are likely to change their behaviours towards companies by switching or boycotting brands (Du, S, Bhattacharya, C, & Sen, S 2010). This confirms social responsibility is a sensitive subject that companies have to address.

1.3 Benefits of engaging in CSR

Beside answering stakeholders' expectations, academic literature shows that engaging in CSR offers potential business returns which range from strategic, managerial, to corporate financial performance (Du et al., 2010; Margolis & Walsh, 2003; Sen & Bhattacharya, 2001; van Beurden & Gössling, 2008). Specifically companies can reduce cost and risk; maximize profit, build competitive advantage, gain value through higher reputation and legitimacy and finally integrate stakeholder's interests within corporate norms and values to build synergistic value creation (Krucz et al., 2008). For example, the extent of CSR involvement may play as a differentiation strategy from competition, attracting ethical customers switching to the most sustainable product or brand (Bhattacharya & Sen, 2001). CSR activities can have a positive impact on consumer's attitudes and behaviours towards a company such as internal outcomes (e.g., awareness, attitudes and attributions) or external outcomes (e.g., higher purchase, word-of-mouth). Other key benefits are consumer loyalty, resilience, positive word-of-mouth, product advocacy and willingness to pay a premium (again Bhattacharya & Sen, 2004). CSR is a necessary tool for companies to help them reach public expectations, improve performance, reduce company's footprint and supporting environmental and social causes.

⁴ Doing Better at Doing Good: when, why, and how consumers respond to corporate social initiatives – p.19

⁵ Cone Communications/ Echo Global Csr Study, 2013

“CSR initiatives are difficult to manage, however must be implemented carefully to avoid possible consumer skepticism” (Lii, Lee, 2011).”

Then important factors such as stakeholder’s awareness and skepticism can influence the level of benefits the company can reap from its CSR endeavours (Du, Bhattacharya and Sen, 2010; Skarmeas, Leonidou, 2013). Frequently happening incidents show irresponsible behaviour despite attempts from business to adopt CSR, resulting in public’s skepticism over companies’ CSR engagement and doubts on their genuine contribution to the social and environmental cause (Forehand & Grier, 2003; Vanhamme & Grobben, 2009). CSR best practices minimize stakeholder’s skepticism. Some specific types of CSR initiatives (i.e. cause-related marketing, sponsorship or philanthropic) receive more consumer suspicion resulting in negative stakeholders’ attitudes towards the company (Lii, Lee, 2011; Marin and Ruiz, 2007). The same study shows that if a company has a low reputation, people will be more skeptical on the motives behind its CSR initiatives. In this case, scepticism emerges when the individual perceives inconsistencies between his prior expectations (e.g., reputation) and the information received (e.g., initiatives) (Becker-Olsen et al., 2005).

2. CSR CREDIBILITY

In early years, CSR was rated far behind performance-related factors such as product quality or value for money (Dawkins, Lewis, 2003). Now, CSR expectations⁶ have been rising significantly in the past 10 years as information is more rapidly and readily available and the public and other stakeholder groups are well aware of the environmental impact of industries and business, (Dawkins, Lewis, 2003). Consumers is the group attributing highest importance

⁶ CSR expectations refers to people’s beliefs of what companies should be doing.

to CSR (still Dawkins, Lewis, 2003). Besides, a study shows that environment, poverty and hunger are the main factors consumers expect companies to tackle. Findings show consumers expect companies to go beyond simple “back-end processes”; they want companies to integrate CSR in their products and service offerings, and to be “aligned with greater social and environmental need” (Cone echo, 2013).

Research indicate public’s disbelief about both the ability of CSR to have a real impact and the authenticity of companies’ commitment to CSR (Cone, echo, 2013; Ipsos MORI 2007)⁷. Thus, “the question is not whether companies will engage in corporate social responsibility, but how they will create real and meaningful impact”⁸.

Thus, in this chapter we are going to assess the credibility of CSR nowadays and why it is an important aspect of the CSR gap. This is relevant mainly in controversial industries where companies suffer from a lack of credibility due to the nature of their operations.

2.1 Why companies need CSR credibility?

First, without credibility, companies will raise public’s suspicion on everything they claim and do. In that regard, there are two most important characteristics believed to drive credibility: transparency and authenticity⁹ (Blackshaw, 2008; our research – Chapter VIII). In several public polls on CSR, including our online survey, the public expected companies not merely to say they are ethical, but need to prove it (MORI, 2001). In other words, stakeholders expect first that companies are able to create a real or perceivable impact through their CSR practices, and second being able to communicate it to them clearly, which entails being transparent.

⁷ Indeed, only 15% believe in the ability of companies to make an impact in social and environmental issues (Cone, echo, 2013) and in another study on UK attitudes half think companies are still not ‘very ethical’ (Ipsos MORI, 2007).

⁸ Cone communication, Echo. “Global CSR study” – p 3. Survey, 2013.

⁹ Blackshaw (2008) identifies a total of six drivers of credibility which are trust, authenticity, transparency, listening, responsiveness and affirmation.

2.1.1 The 'credibility Gap' of CSR and the 'CSR gap'

A lack of CSR credibility - or “lack of trust” or “lack of believability”¹⁰ - has hardly been subject of research despite acknowledgement of its significant importance in literature.

The 'Credibility gap' is defined as the discrepancy between companies' claims and their actions or the reality of the situation to which they relate¹¹. The gap creates publics' skepticism over the truth of claims, and a lack of trustworthiness¹². A study made on CSR perceptions of a group of employees revealed that “most corporate employees perceive a gap between their company's CSR commitments and behaviour (GlobeScan radar, 2012).

The 'CSR gap' is the discrepancy between CSR expectations aroused by unrealistic claims and low perceived CSR performance¹³ because of trust in CSR. Studies suggest that the credibility gap causes a widening of the CSR gap (Wagner et al., 2009). Indeed, expectation theory indicates that a discrepancy between actions and claims leads to unsatisfied high initial expectations¹⁴ which can later lead to negative judgement of overall CSR performance if events don't match claims (Zeithaml, Berry & Parasuman, 1993; Wagner, Lutz & Weitz, 2015). Thus closing the credibility gap would solve the CSR gap.

Regarding the 'CSR gap', market research showed that the gap has been widening constantly between 2001 and 2013 (GlobeScan radar, 2015). Accordingly expectations are rising and perceptions of CSR performance are falling mainly due to the lack of credibility; only 38% think that companies are honest when communicating their CSR, and a majority think companies engage in CSR to improve their image (GlobeScan radar, 2012).

¹⁰ <http://www.merriam-webster.com/dictionary/credibility?show=1>

¹¹ Collins English Dictionary – Complete and Unabridged. S.v. "credibility gap." Retrieved October 1 2015 from <http://www.thefreedictionary.com/credibility+gap>

¹² Ibid.

¹³ <http://www.businessdictionary.com/definition/credibility-gap.html>

¹⁴ In literature, expectations act as standards that are compared with later experiences to determine the level of satisfaction and are used to form a judgement (Zeithaml et Al., 1993).

2.1.2 Explaining the CSR gap

As expectations rise and credibility plummets, the CSR gap is widening. This section develops the causes for these trends.

2.1.2.1 Expectations

Literature acknowledged that companies' communication is the principal determinant of the formation of expectations (Parasuraman et Al., 1985). Nowadays stakeholders can get a hold of companies' information from many different sources on top of corporate ones (Du, Bhattacharya & Sen, 2010). Thus, expectations are created from a combination of all companies' information available to stakeholders, including CSR reports and media coverage such as TV, internet, journals etc., word of mouth, NGOs and more.

Novo Nordisk developed a theoretical framework explaining how public's expectations grow with the maturity of social issues. The framework underlines the link between the amount of information available reaching the public on a particular issue and the associated level of public's expectations (see Exhibit 6). Thus, as a result of globalization and hyper-transparency people are more aware and sensitive about CSR, as confirmed by a study on millennials (Cone com, 2012).

Another reason for increasing expectations is the evolution of social norms, which shape expectations and determine companies' behaviour.

Besides, the level of expectations vary between stakeholder groups (i.e. shareholders vs NGO's) and companies bear different responsibilities for each group (Caroll, 2001). The 'Pyramid of CSR' (Exhibit 7) proposes a classification of business responsibilities expected from stakeholders. It shows which company's responsibility is most important to its survival, from economical responsibility being the most important to legal, ethical, and lastly philanthropic responsibilities. Accordingly a business is expected to be profitable, obey the law, be ethical and be a good corporate citizen (Caroll, 2001).

2.1.2.2 Lack of credibility¹⁵ – perceptions of low CSR performance

Authenticity, one of the most important drivers of credibility is still not demonstrated in social responsibility shown by the prevalence of practices such as 'greenwashing' and 'window-dressing'. These words refer to the fact that companies usually don't commit seriously to their CSR claims, rising doubts on their real motives, and proving again that their actions don't match their claims. This lack of commitment is shown by weak regulations and implementation (e.g. auto-regulatory practices such as codes of conduct for suppliers of major multinationals are not enforced) (Utting, 2001). As a result of poor CSR management, scandals such as the Exxon Valdez spill and the collapse of Nike's manufacturing building in Bangladesh are bound to happen. This lack of serious enforcement of CSR regulations shows that this framework doesn't prevent dramatic incidents from reoccurring. Therefore lowers the possible benefits companies achieve from CSR and likely leads companies to commit even less to CSR, favouring greenwashing and window-dressing which in turn rises skepticism and lowers CSR credibility (Dahl, R., 2010; Battacharya, Sen, 2004; Pivato, Miscani & Tencati 2008).

These inconsistencies in CSR management suggest companies are not credible and create negative perceptions of CSR performance (Wagner et Al., 2009). Thus, such practices are present and participate greatly in diminishing CSR effectiveness.

2.1.2.3 Closing the credibility gap: focus on CSR communication & scepticism

Previous chapters highlighted the importance of company information available (i.e. through corporate claims) for building up expectations and of how failing to meet these communicated expectations can lead to negative perceptions of CSR performance. Effective communication can adjust expectations as well as increase credibility (S. Du et al., 2010) therefore contributing to close the gap. Moreover, to be effective communication should be credible in order to minimize stakeholder's doubts on CSR practices.

¹⁵ The dictionary definition of credibility is - "the quality or power to inspire belief"¹⁵.

In that regard, due to the underlying contradiction in company's goals, being profitable versus being socially responsible, companies bear the risk of losing trust and credibility if they try to communicate their CSR (Mögele, Tropp, 2010). In fact motive evaluation theory suggests that if a subject evaluates the company's motives behind CSR mostly as self-serving rather than benefiting society, the subject will become sceptic or suspicious (Wim J.L. Elving, 2013). Similarly literature on credibility states that a subject loses credibility if it appears as self-serving. Communication should be carefully planned in order to minimize skepticism and convey credibility (S. Du et al., 2010), knowing that communication does not only happen through tacit information, but also through company's actions or behaviour being intentional or unintentional (Bodo B. et al, 2005). This underlines the importance of the 'message' conveyed to stakeholders through a company's CSR actions, minimize skepticism, convey trustworthiness and credibility.

Minimizing scepticism is important because benefits from CSR cannot be gained if stakeholders are skeptical of organisations and business (The Economist, 2012). Scepticism is caused by many reasons. It appears that determinants and effects of scepticism are generally related to the type of CSR activities (i.e. cause-related marketing, philanthropy etc.) and how well they fit with the core business but also to CSR communication strategies (Bhattacharya and Sen, 2004; Wim J.L. Elving , 2013) (see Exhibit 9).

2.2 Aligning claims and actions - Practices to improve CSR credibility

In this chapter we will explore measures helping companies to align CSR claims with actions, with the objectives to increase CSR credibility.

2.2.1 Integrate CSR

Despite high stakeholder's expectations of CSR performance, businesses still struggle to show genuine impact of CSR. The contradiction between profit goals and social good makes decision making process of managers more difficult (Santos & al., 2015) and prevents companies from

being completely committed to its CSR objectives. Consequently, regulations to improve sustainability in the business are not sufficiently enforced. Two approaches are proposed to remedy; first making a trade-off choice between profits and social goals and second, aligning profit and societal impact through new, innovative ways of doing business as changing the business model, the organizational structures to embed sustainability within the core processes (Santos & al., 2015; Epstein, Buhovac, 2014). The trade-off approach to sustainability is prone to tensions such as competition between allocation of resources in social versus financial places, unclear trade-offs decisions and performance typically evaluated in terms of short-term profits despite being accountable on social and environmental areas (Epstein, Buhovac, 2014).

To effectively integrate sustainability Epstein & Buhovac (2014) propose that companies tie the measurement and reporting of social and environmental impacts into the decision-making process arguing that sustainability must be integrated into the way companies does business in order to create value for stakeholders and the organization simultaneously.

A theoretical tool developed by Harvard Business School called the Civil Learning tool supports this approach. The tool gives companies organizational stages needed to address effectively each level of issue maturity (see Exhibit 6) with a clear relation drawn between the maturity of the issue and the organizational integration of CSR.

In addition, to eliminate trade-offs decisions turning down the environmental option due to its financial implications (e.g. higher costs than social gains), companies use innovation to reduce the cost of the socially or environmentally friendly option, thus making social goals viable. Companies would find value in waste through recycling it in the production and creating a 'win-win' situation (e.g. Nike 'Reuse a Shoe'¹⁶, P&G Purchasing Asset Recovery Program¹⁷) (still Epstein & Buhovac 2014). However, despite benefits and advantages CSR can bring to businesses, there is a lack of knowledge on how CSR impacts social issues it is focused on which make social gains uncertain and investments riskier (Blowfield, 2007).

¹⁶ http://www.nike.com/us/en_us/c/better-world/reuse-a-shoe

¹⁷ http://us.pg.com/sustainability/environmental_sustainability/focused_on/waste

2.2.2 Create a real impact: collaboration: from self-regulation, to co-regulation

To align claims and facts, companies need to create and enforce CSR regulations that encourage change and create impact. A solution is through different types of collaboration. Structures of collaboration have shifted through the years, from command and control to self-regulation, to co-regulation with civil organizations (P. Utting, 2002). In fact, history has proven that the old 'self-regulatory' approach such as self-designed codes of conduct were more instruments of public relations than anything else, and most of the time not enforced. For this reason, new structures of collaboration have been appearing to make sure companies comply with their CSR goals. (P. Utting, 2002). Multi-stakeholder organizations (MSO) are forms of co-regulation implying that multiple stakeholders come together to create credible and robust approaches to compliance (S. Zadek, 2004). One of the first MSO was UN Global Compact. As a result of the relative success of MSO's compared to other regulatory practices, it has become the dominant regulatory approach in recent years.

MSO have had many benefits. For instance, it has effectively improved CSR compliance through organizational learning, through implementing common standards for reporting and monitoring as well as creating a centralized verification and monitoring procedures (P. Utting, 2002). Specifically, Multi-stakeholders' organizations enabled wide adoption of commonly accepted standards, allowing for global progress towards sustainability and implies all the supply chain actors to work together (S. Zadek, 2004). Combining knowledge and resources of multiple companies and civil organizations helps tackle larger and more complex sustainability problems. Finally, Multi-stakeholder initiatives reduces the disadvantages a firm can have when improving its social and environmental footprint as it may increase its costs in comparison with its competitors (also S. Zadek, 2004).

MSO's are criticized of greenwashing, as companies acquire certifications of compliance (e.g. for workers conditions, such as SA8000) when in practice they still perform very poorly in that regard (P. Utting, 2004). It is actually a persistent problem, explained by the very nature of existence of a company: cutting costs and increasing profits.

2.2.3 How communication practices can build credibility

Closing the credibility gap requires companies to adjust their claims to reflect better reality of things and to reveal less inconsistencies between claims and actions or events (T. Wagner et al., 2009). More accurate communication will positively influence beliefs about CSR performance and increase its credibility by reducing the eventuality of a disparity between claims and events. Therefore, creating a good CSR communication is paramount, however it implies multiple challenges.

An effective communication will raise stakeholder awareness and increase CSR credibility. However, communication has been a central issue of CSR: CSR has an underlying identity-revealing dimension, which make it a sensitive matter. Studies suggest that stakeholders quickly become suspicious over CSR communications (Du et al. 2010). Despite stakeholder's willingness to learn more about CSR practices, companies prevent from advertising or publicising their good deeds because of fear to jeopardize their credibility. They can be perceived as self-serving and CSR can thus be interpreted easily as window-dressing (Blowfield, 2007, Schlegelmilch & Pollach, 2005). And stakeholders' perceptions of the motive behind CSR initiatives will influence their beliefs, attitudes and buying intentions (Becker-Olsen et al.).

Du & al. (2007) identified that generating favourable attributions of a firms' CSR in stakeholder's minds and reducing skepticism are the biggest challenges for an effective CSR communication (see Exhibit 9). The inherent contradiction of company goals (i.e. profits vs social) makes people naturally sceptic if CSR claims convey only social benefits – or to be social-serving, thus, acknowledging simultaneously intrinsic and extrinsic motives¹⁸ minimizes skepticism and increases CSR credibility (Forehand, Grier, 2003).

¹⁸ *Intrinsic motives refers to when a company is viewed as acting out of genuine concern for the cause and willing to do social good;*

Extrinsic motives when the company is viewed as acting from external factors to the cause: increase profits, improve reputation, stakeholder pressure etc.

VI. CASE STUDY

Citations

1998: *“the Nike name has become synonymous with slave wages, forced overtime, and arbitrary abuse” Parker.*¹⁹

2013: *“It was an opportunity to make Nike a better company and less about making Nike a better brand.” Parker.*²⁰

1. ABOUT NIKE

1.1 Nike, top apparel company in the world

Nike Inc., was founded by University of Oregon track athlete Philip Knight in 1964. From its early years, the business model was to produce quality footwear at lower costs by using cheap labour at overseas factories. Because of the intrinsic characteristics of the business this led to many CSR problems.

Now, the company is the biggest apparel and athletic shoes supplier and a major manufacturer of sports equipment in the world. It engaged in design, development, marketing and sells athletic footwear, apparel, equipment, accessories and services. Nike operates 850 retail stores over the world, as well as employs close to 50,000 people. Moreover, it is estimated that a total of 2.5 million people work at various stages of their supply chain, among which 1 million people working across 692 contract factories in 42 countries. Nike's revenues topped close to \$28 billion sustaining a steady growth over the last decade.

But the history of the company is not as bright as it seems. Nike has had to deal with a lot of criticism regarding its labour practices over the years. It has been criticized for its poor working

¹⁹ Paine, L S., Hsieh, N, Adamasons, L, 2013, 'Governance and Sustainability at Nike (A)', Harvard Business School Publishing, retrieved 31 February 2015.

²⁰ Schiffrin, D, Carroll, G, Brady, D, 2013, 'Nike : Sustainability and Labor Practices 1998-2013', Harvard Business School Publishing, retrieved 31 February 2015.

conditions in “sweatshops” mainly based in China, Vietnam, Indonesia and Mexico. Criticism focused on violation of minimum wages and overtime hours. In 1990 Nike was also criticized for using child labour in Cambodia and Pakistan for the production of its soccer balls. Nikes’ way to manage public relations changed over the years going from defensive stance, or even denying allegations, to a pro-active strategy (i.e. trying to tackle the problem at the source), which led the company to integrate CSR and putting it as an important aspect of its decisions making. Despite Nikes clear goals to embrace sustainability, it had been unsuccessful to prevent very serious recurring incidents and scandals such as the collapse of a factory building in Bangladesh, killing 1,137 workers.

1.2 Nike Inc.: industry CSR leader

In the past ten years, Nike has made a significant effort to change its reputation around, implementing new CSR initiatives. After the 1998 speech of CEO Phil Knight, in which he stated that “the Nike product has become synonymous with slave wages, forced overtime, and arbitrary abuse”, the company had to take its responsibilities if it wanted to stay in business. Nike has been adopting significant changes internally and in its factories overseas, to embed values of sustainability within the business. The company shifted its strategy slowly over the years, establishing processes of monitoring, and creating key collaborations and partnerships with external organizations. Nike has made improvements to control and reduce its footprints creating control tools and measurement of sustainability and implementing them all along the creation and supply processes of the product.

Nike’s present CSR is mainly based on alignment of its strategy and process change with important societal issues. Regarding its CSR communications, Nike began to adopt a transparency policy since 2005 presenting sensible information and facts about its sustainable practices in a document called ‘Sustainable Report’. The report included information such as the list of its contracted factories, data of its environmental and community impacts, factory worker’s pay and demographics.

After consistent efforts to change its sustainable landscape, Nike created the first shoe to embed their vision of sustainability: The Flyknit. It was presented as a “sustainable breakthrough” and the first result from CSR as a “driver of innovation and performance”.

By 2012 labor associations had eliminated Nike from their top targets and Nike was listed as one of the top leading companies in different CSR rankings.

2. CHARACTERISTICS OF CSR INITIATIVES

Initiatives address three main areas of action, the environment, the community and labour. The company emphasizes more resources on environmental and community purposes as given by the number of programs and commitments.

Environmental initiatives address three main areas: climate and energy (e.g., cutting energy, carbon reduction), chemistry (e.g., achieving zero discharge of hazardous chemicals “ZDHC”), water (e.g., water efficiency and management) and waste (e.g., minimize waste of materials). The second domain where Nike brings most of its CSR efforts is towards communities. This includes several initiatives, from health, funding educational programs, promoting socioeconomic development and empowerment (e.g., The Girl Effect), to developing sport and physical activity (e.g., Designed to Move, N7 collection). Nike partners with and funds non-profit organizations (e.g., Kids Run the World 2015, NikeGo Portland parks and Recreations 2005²¹, Let’s Move! Active Schools 2010²²). “The Girl Effect” supports the development of adolescent girls living in poverty. Finally, initiatives aiming at engaging the consumers are wide and diverse, from favouring sports for women to organizing marathons and creating the free Nike+ app.

²¹ <http://news.nike.com/news/nikego-announces-175000-donation-to-portland-parks-recreation>

²² <http://www.letsmoveschools.org/>

Most of Nike's CSR initiatives which are focused on labour and environment are undergone outside the US, whereas community improvement are mostly within the US.

Compared to other domains, we could identify a lack of initiatives and commitments aiming at factory workers overseas i.e. labour. Nike developed a HRM initiative, which scope is to educate factory managers about HRM best practices but labour is clearly the one area with the least involvement limited to general checks over minimum compliance requirements. These requirements were stated in a document called the "code of conduct", given to its contracted suppliers overseas. The code requires the factory to implement a set of standards to ensure minimum conditions of work. Besides from general requirements such as minimum pay, safe working conditions and age requirements, little or no further concern was dedicated to improve health or workers socioeconomic situation.

Lastly, initiatives targeting employees ranged from creating computer systems for learning, training and development (e.g., NikeU), improving feedback to managers (e.g., Manager90), to developing an Inclusion and Diversity Index which track demographic profiles such as gender, ethnicity and race.

There is a clear lack of initiatives to promote diversity and inclusion (e.g., only a small amount of workshop organized). The Diversity Index is only tracking demographic within the US only.

2.1 The pillars that drive change

2.1.1 Integrating CSR, Innovation & System change approach

Originally the CR team within Nike played an after policing role, being reactive to emerging CSR issues and implementing incremental changes whenever a new issue appeared. The company realized that to create a real impact, incremental changes were not enough. Nike decided to change its approach: the company shifted towards a pro-active approach, which entails identifying the root cause of the issues, and adopting a system-change perspective to solve them. For Mr. Parker, CEO of Nike, changing the system was the only way to create noticeable impact at a scale and fast enough.

In order to transition to sustainability more effectively and lead to impactful changes the company decided to integrate sustainability into “the critical path” - to implement sustainability everywhere.

2.1.2 Integrating sustainability

“To achieve ongoing, profitable growth, sustainability considerations must be deeply embedded throughout the company.”

-FY 12-13 Nike report

As part of this transition, the most prominent challenge to date was to integrate CSR within its core with sustainability being reflected into every aspect of the business, making organizational and structural adjustments to embed sustainability in the decision making process, opening itself to collaboration and increasing its transparency. To achieve its commitments such as reducing waste in its production process, the company puts emphasis on the role of integration.

The path to Nike’s sustainable governance evolves around 3 themes:

1. To be able to track and identify emerging issues, or “Meta-Trends”
2. To drive sustainability by embedding it in the decision making process
3. Solving issues faced by the company through a pro-active system-oriented approach

Nike set up the following processes and support structures to achieve these objectives:

1. A system change perspective to approaching CSR issues or issues implying CSR impact
2. Create a culture of innovation to advance in sustainability
3. Implement organizational changes putting in place teams and functions in charge of integrating, scaling sustainability throughout the company and creating tools that monitor sustainability progress and performance (e.g., Manufacturing Index, BEST scenario tool, Material Science Innovation

function) and pushing sustainable innovations in the production creation pipeline (Product sustainability team)

4. Introduce Collaboration and Transparency as the pillars of innovation and system-change.

A summary chart of how Nike's sustainability rating works through the design process, material choice and manufacturing ranging is included in Exhibit 4. Nike's rating system indicates how these processes along the supply chain match sustainable criteria: from red (low score - far from matching) to gold (high score - matching). A specific index called the Sustainable Business Roadmap monitors and evaluates the overall integration of sustainability. The index measures sustainability across key business dimensions such as strategy, structure, operations and people.

2.1.3 Innovation

"Innovation is most powerful when it's activated by collaboration between unlikely partners, coupled with investment dollars, marketing know-how and determination," Parker said. "Now is the time for big, bold solutions. Incremental change won't get us where we need to go, fast enough or at a scale that makes a difference."

-LAUNCH 2020 Summit, NIKE, Inc. President & CEO Mark Parker, April 2013

Nike has engaged in sustainability with focus on finding solutions through innovation including sustainable challenges such as reducing production waste by innovating in material design. Nike invented the Flyknit, a shoe with 80% less waste, with much lighter weight and using less materials. Nike reduces its footprint but at the same time spends less in materials.

Another example is Nike's target of Zero Discharge of Hazardous Chemicals (ZDHC), an ambitious project to eliminate any release of toxic chemicals in the production process.

The company uses innovation as a tool to improve sustainability within the production process and supply chain, from design and material innovation, chemicals innovation, to process innovation as a whole²³, balance costs and increase long-term performance.

2.1.4 Drivers of System Change

In order to support the process of change Nike needed to open up to collaboration and gain transparency²⁴. First, effective collaboration is key for the programs' success.

Achieving zero waste for example would imply to change the whole manufacturing-production system and could only be possible through collective impact, at a global scale²⁵. Second, transparency entails sharing data at all points of the supply chain, internally like between brands, or externally with all type of stakeholder organizations.

The concretization of this philosophy was achieved through the creation in 2011 of the Sustainable Apparel Coalition (SAC) which mission is to standardize sustainable measurement tool called the Higg-Index – “a suite of assessment tools that empower participants to measure their environmental, social and labour impacts at every stage of the lifecycle and value chain, in a standardized and simplified way”. The coalition is a multi-stakeholders organization composed of non-profits, governmental agencies, retailers, apparel brands, academics etc. As a result Nike's material sustainability index (MSI) is included in the Higg Index. Nike decided to share their Materials and Sustainable Index (MSI) widely, first through industry apparel companies, and with the general public through a dedicated mobile app (i.e. The Making App). By sharing comprehensive information widely and increasing awareness on impact of using materials Nike tends to affect the system as a whole rather than individual points.

²³Nike's Detox Challenge System map,

http://www.nikeresponsibility.com/report/uploads/files/Nike_Detox_Challenge.pdf

²⁴ When Nike decided to commit to zero discharge, they created a large coalition made of The research for new materials was by the Sustainable Apparel Coalition which NIKE is a member

²⁵ <http://apparelcoalition.org/the-coalition/>

Other example of system change is the creation of Nike's Manufacturing Index (MI), implemented to introduce labour and working standards within the selection process of its manufacturing base. Here long term financial sustainability together with reducing underlying costs (i.e. auditing, reputational damages etc.) is also targeted.

The company claims to collaborate and invest in innovative technologies to advance changes. Collaboration with DyeCoo led to the creation of waterless textile dyeing, allowing dyeing clothes without the use of water.

System changes, ultimately targeting real impact, require innovation to create win-win situations; transparency to acknowledge and identify issues faced by the company and report them; and collaboration to exchange information.

2.1.5 Collaboration for thriving system change

2.1.5.1 Embedding Collaboration

CSR integration is a define choice of path to sustainability. Collaboration is the tool to implement it. Therefore collaboration embedded in the core and day to day corporate life and decisions will drive the spread of the sustainability at all levels. Nike President & CEO Mark Parker said in April 2013 at LAUNCH 2020 Summit, that “a journey of partnering for solutions started”.

Nike fundamental argument behind this choice of collaboration is that sustainability is a field where all win or fail together. It benefits or strikes all the parts of the chain, the value chain including the supply chain. In addition collaboration is seen as the key support for a successful pro-active approach, anticipating issues and events, addressing its roots rather than acting over problems that have already occurred.

Nike engages in different types of embedded collaboration at different levels, internal (e.g., suppliers) and external (e.g., other brands, NGO's). The plan provides guidance for acting on three main collaborative lines: building constructive cross-sector partnerships, creating or

joining multi-stakeholder organizations and adhering to or developing common sustainability standards (see Exhibit 8).

Hence, through the creation of the Code of Conduct (i.e. a list of standards given to its suppliers) a collaborative relationships was founded with supply chain and non-production actors such as governments and governmental agencies, the private sector, the civil society and non-governmental organizations (NGOs).

2.1.5.2 Building Partnerships

Nike created bodies such as the Fair Labor Association (FLA), aimed at promoting better labour conditions through a new set of common industrial sustainability standards. Partnerships with public bodies and governments look for acceleration of adoption of regulatory frameworks which make sustainability compatible with business models.

Nike is a partner of organizations acting on environmental and social impact and helped to launch some of them such as the Zero Discharge of Hazardous Chemicals (ZDHC) coalition already quoted. To address sustainable innovation opportunities in chemistry, the group entered into partnership with a provider of sustainable formulas called Bluedesign.

Nike developed also a spirit of collaboration within the company itself. Nike implemented coded and standardized guidelines for collaborating within the organization and with contracted suppliers and factories. Nike incentivizes the internal collaboration amongst its own different brands called multi-brand collaboration. Partnership with its factories is materialized through the explicit implementation of the Code of Leadership Standard (CLS) as well as the MI and SMSI. Similarly, partnerships with its suppliers of materials is accepted depending on their level of commitment towards Nikes' standards awarding system for materials sustainability.

Social responsibility programs constitute the axis of the collaborative partnership with civil society. Following its philosophy, Nike created an internal Inclusion Index, a Foundation and its program "The Girl Effect" to help girls, as a driver force of society in developing countries, getting out of poverty.

2.1.5.3 Moving with Stakeholders

Partnership as described above is one way of collaborating. Nike is also looking at its stakeholders by introducing sustainability vision in its relationship processes and in the requirements issued to stakeholders. A training centre in Vietnam has been set up where sustainability, under social and environmental principles published by the company, constitutes a large part of the training program. In May 2011, the vast majority of manufacturers had participated in the training.

Another example is the ZDHC program (chemistry), created by the SAC coalition which is a multi-stakeholders organization composed of non-profits, governmental agencies, retailers, apparel brands and industry players, academics etc.

Manufacturers with a long-lasting business with Nike benefit from this reinforced scheme of collaboration in many ways²⁶, as indicated by their higher compliance rating. The objective of collaboration efforts is to enhance social and labour aspects including health and safety conditions of these manufacturers, particularly in developing countries, closely related to reputation and image of their client.

Nike collaborations also engages a wide range of stakeholder groups such as communities through collaboration initiatives like “Create Active School” or “Lead by Example” to promote youth sport in these institutions²⁷. Likewise, Nike joined The Ecology Centre dedicated to educate people on the sustainable use of water.

Nike actions aims at creating a common impact through stakeholders from a wide diversity of demographics and social backgrounds.

Finally Nike also interacts informally with stakeholders through different channels such as networks, panels and surveys to get feedback on sustainability policies and perceived impact from all parties involved such as consumers, shareholders, employees, suppliers, contract

²⁶ Locke et al. 2007

²⁷ an estimated 3 million kids participated in 11 countries.

manufacturers. On the other hand, formal feedback from Nike to the stakeholders is mainly aired through reporting on sustainability activities, accessible on line. Relevant experts and workshop sessions with Nike channels feedback from the civil society to Nike.

2.1.5.4 Regulating CSR: Implementing Collaborative Common Standards & Reporting

Nike developed internal standards or metrics such as the Manufacturing Index MI, MSI, and SMSI to ensure suppliers meet sustainability requirements. In addition to organization-based standards, Nike adopts institutionalized standards such as the Global Reporting Initiative and the UN global Compact recognized as accepted social principles and an international reference for measuring and benchmarking operations. In that matter standardization allows for comparability and recognition at a global scale of the sustainability progress and adds credibility to the implementation of sustainable measures.

Nike needed common standards for each areas of impact. The adoption and development of standards are the fruit of consistent collaboration with all of its key stakeholders. It should provide assistance in implanting recognized sustainability standards complementary to its own standards, in particular those related to working and labour conditions, operations and decision making processes.

The approach to compliance of recognised standards through collaboration initiatives is aimed at boosting credibility, robustness and allows enforcing regulations with success. A major collaboration effort with its supply chain actors targets the implementation of the Code of Leadership Standards (CLS) and its related emphasis on enforcement of workers' compensation, benefit schemes and implementation of better labour conditions in contracted factories. Subsequent audits showed a real improvement. Similarly collaboration in the Fair Labor Association (FLA) allowed to develop the Sustainable Compliance Initiative (SCI) which focuses on minimum compliance of labour conditions.

Another key standard initiative was joining the Better Cotton Initiative (BCI) standards which should bring Nike to use 100% organic or grown cotton by 2020 supported by MSI internal rating.

Thus, collaboration is considered as a core concept supporting the acceleration of efficient innovation and implementation of new technologies at a competitive cost. Common standards and indexes play as key enablers for the transition to sustainability allowing to set quantified goals and to measure its improvements and performance comparison.

2.1.6 Sustainable indexes

Thus, Nike took several key strategic decisions and actions to move from a defensive attitude and position, basically reacting to hard facts and figures trying to save its reputation, to a proactive stance towards building the foundations of a credible CSR.

To help building a culture of transparency and credibility applicable to the company itself and contractors under consistent measurable criteria, Nike set up a series of Indexes acting as reference points to review progress and achievement.

These Indexes are fundamental building blocks of the Sustainability approach as they:

- ✓ Allow to measure progress of the sustainable strategy designed and implemented by the Board
- ✓ Form the basis of the reporting within the company and of the communication externally
- ✓ Provide and assign recognized scores to evaluate the level of sustainability and environmental impact as well as the compliance of both business partners and operational processes
- ✓ Measure the environmental and sustainable profile of products designing and manufacturing processes
- ✓ Push the company to innovate by trying to use more sustainable materials and processes in the creation of new products

- ✓ Allows to reduce the environmental impact by providing incentives in the production process specifically where local regulations overseas fail to do so.

Indexes along with their proper auditing and scoring are tools aimed at making Nike's sustainability more effective.

2.1.6.1 Characteristics of indexes

Nike developed a series of Sustainability Indexes (Exhibit 2) on 3 determining phases, design and creation, material selection and manufacturing, each measured by their assigned indexes.

The Indexes contribute to measure the impact of CSR initiatives grouped in "Make Today Better" program, which contains the company's commitments to reduce its footprint in six impact areas: energy, labour, chemistry, water, waste and communities (See Exhibit 1).

They would return the major environmental impact of the designed products in terms of waste, energy or water use or chemical products consumption. This is a major change for designers who now are forced to think differently to make more sustainable choices.

The sustainability of the materials used in the production process is measured through the Material Sustainability Index (MSI). For each major materials entering in the production of a given product Nike defines the less environmental impactful options or combination. Sourcing & Manufacturing Sustainability Index (SMSI) is focused on auditing and measuring sustainability factors such as Labor, Health & Safety and Environment. The MI is the basis of the rating of factories, each assigned with a rating score: gold, silver, and bronze compliant or not compliant.

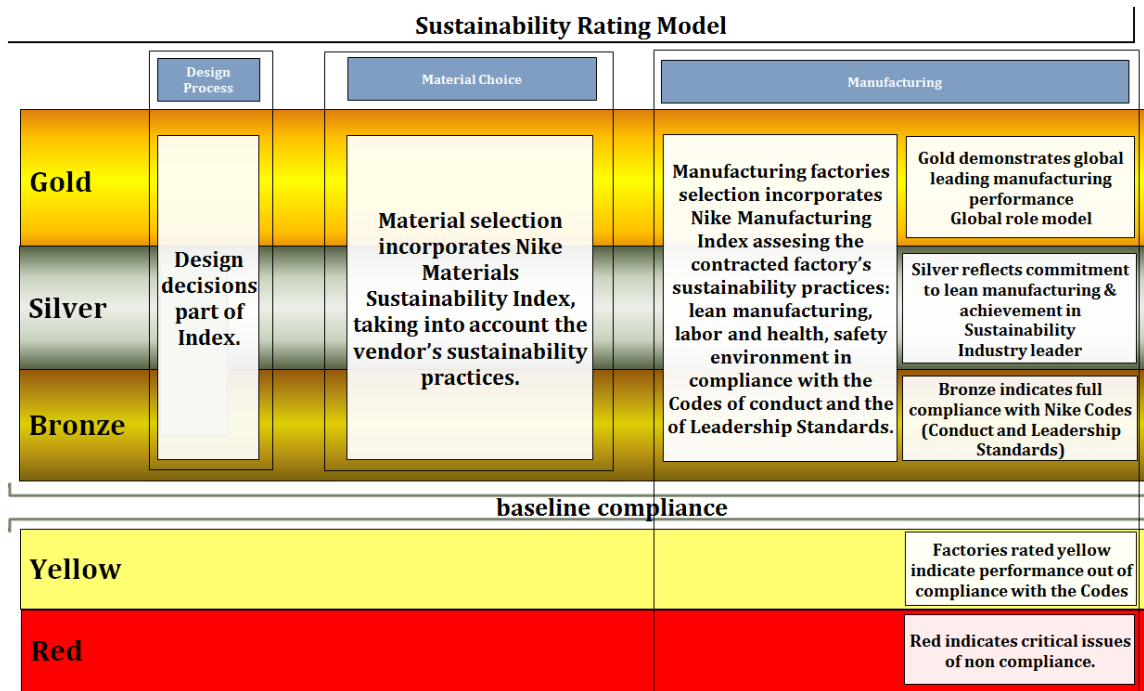


Figure 1- Nike's Sustainability Rating System

Depending on the index score given to each manufacturer, Nike can decide to increase or decrease orders or even remove the supplier from its sourcing base. Indexes also are used to incentivise or to impose sanctions to suppliers.

2.1.7 Control protocols for suppliers (ranking for suppliers)

Thus Nike introduced in 2011 a medal-based rating (red to gold) of its suppliers. This transition is part of Nike's strategy to switch from reactive 'auditing and checking' control of its suppliers, to an implementation of a proactive 'lean' manufacturing through a collaborative scheme. Ultimately, Nike wants the medal-based system to act across the organization. Nike believes that under the apparent simplicity it is a methodology of credible and measurable benchmark as well as a catalyser of continuous CSR improvement.

It is structured to give better scores to more sustainable materials such as recycled polyester, rubbers and cottons. Each designer also receives a medal for each contribution.

The medal-based model influences the decisions in the key elements of the sustainable value chain: design, material selection and manufacturing including sourcing towards more sustainable solutions. For instance, 100% of the leather used in footwear respects the standards of the Leather Working Group, rating sourcing tanneries based on their environmental practices in leather processing; 58% of the Nike brand leather is gold-rated.

The MI ratings given by internal auditors and third party consultants scrutinizes the Code of Conduct principles detailed in the Code of Leadership Standards (CLS) and drive the selection of supplier factories. Besides, less violations of the Code particularly in the area of labour (i.e. overtime, missing paperwork and documentation) have been noticed over years.

Audits review the situation and progress on legal compliance, license to operate, corporate compliance, country risk, sustainability achievements

Nike's objective is that, by FY20 all contract factories from which Nike sources have to be at the bronze level or above on the SMSI, when currently 68% are at this level (see Exhibit 4). It is stated that in FY13, 94% of factories have been fully assessed.

2.1.8 Embracing leadership: Setting ambitious targets

In sustainability Nike adopted engagements in the past years. Nike and the **ZDHC** coalition group committed to eliminating completely toxic discharges by 2020.

Nike's most ambitious target is "zero waste" project which entails the creation of a close-loop, where everything in the product is recycled and reused such as eliminating the creation waste.

Sourcing only from factories which achieve Bronze or higher on the SMSI by 2020 sets the bar high as how many Bronze manufacturers they have today.

2.2 Transparency of Nike's CSR communication

Transparency seems to be at the forefront and acting as a pillar of Nike's sustainable strategy. The first CR report was released in 2002, after recognising transparency as a driver to create impactful change. Besides, the word "Transparency" is the first word of the latest issued report on Corporate Responsibility. This simple observation demonstrated its utmost importance. Thus, the company has made an evolution in comparison to early time when Nike used to deny allegations.

Transparency has been necessary to the transition to a pro-active, systemic approach of CSR. Indeed it acts as a prerequisite to create effective collaboration and partnerships and to engage in driving impactful change. Again, transparency is needed for improvement and feedback and Nike considered it as one of their pillars to create opportunities of change²⁸.

Its importance is verified by several actions taken in that regard. Below is a list of some of them:

- ✓ In 2004 Nike published the names and addresses of all factories making Nike branded products.
- ✓ Meta-trends evolution (i.e. 'emerging sustainability issues' which have the greatest business risk) are reported.
- ✓ Transparent material sourcing selection (e.g., tanneries are selected through criteria dictated by the Leather Working Group).
- ✓ The MI reports on labour practices and environment impact at its contracted factories.

The CR report contains mentions of factories' incidents, and particularly contains extensive mention and narrative on the Bangladesh disaster occurred in 2013.

Wide and extensive information is disclosed through the website and through its CSR reports.

²⁸ FY 12/13 Nike, Inc. CSR report.

VII. MARKET RESEARCH

1. METHODOLOGY

The market analysis is based on an online survey, comprising 23 questions and separated in different themes. The survey was spread over social media, and by e-mail. There was no screening of preferred channels to spread the survey which would intentionally create bias. Most of the validated answers came from respondents receiving the survey directly by e-mail. Completion times vary between 12 minutes to almost 45 minutes depending on respondents.

The survey includes two distinctive parts; the first part of the survey focuses on four themes: awareness, skepticism, expectations and CSR perceptions. For each of these themes, questions are asked to give us insights from the perspective of the respondents. The second part covers the same themes but asked in relation to Nike. Accordingly, the study tries to answer the 1st key research question as 'What is CSR credibility gap and what constitutive parameters are involved?'. The information collected allows us to identify and explain the CSR gap: unveiling 1. Public's expectations on CSR practices and 2. The lack of credibility related to these practices, by collecting how respondents perceive CSR performance and comparing it with how companies really perform, which insights are retrieved from the case study.

It is important to note that the online questionnaire is originally intended towards learning about respondent's insights in a more in depth way than what a general quantitative survey could do. Hence, the survey is positioned between a personal interview and a data collection survey. It includes open ended questions as well as close-ended questions or Multiple Choice Questions. It is assumed that an analysis of MCQ's extract the main trends serving the intrinsic purposes of our study. The objective was to be able to identify overall insights and trends on related subjects of CSR awareness, credibility, expectations

2. SAMPLE'S ANALYSIS

Our online survey counted 53 participants in total with a drop rate of 28%, which account for 34 validated questionnaires. The sample was composed mainly of male (79%). Individual's age go from 20 to 59 years old. Most of respondents were Professionals with 74%, followed just under by a small amount of students (13%), then experts (13%) and the rest as 'Other'.

In order to identify more precisely which type of respondents took the online survey - and according to a past study made on ethical consumerism (MORI, ethical consumerism research, May 2000) – the author classified the types of consumers in 5 characteristic clusters related to their ethical consumer behaviours. The five groups; range from individuals which are least concerned about ethical matters, to people which are showing clear ethical concerns and pro-advocators about it. To relate a respondent to a group, the author applied a number of criteria depending on their answer to questions with regard to their consumer behaviours and habits (Exhibit 5 for more info). Looking at the percentages in the graph below, which indicates the repartition of respondents within each cluster, all our respondents are at least a little ethically conscious (0% 'look after my own'). A fair 15% of respondents fall in the category of 'Global Watchdogs', individuals in this category are ethical consumers, ethics are an important part of their purchase decisions, and seek information to make better choices. Most of respondents see ethics as not being their main concern, but still trying to do 'what they can' to help with simple tasks such as recycling.

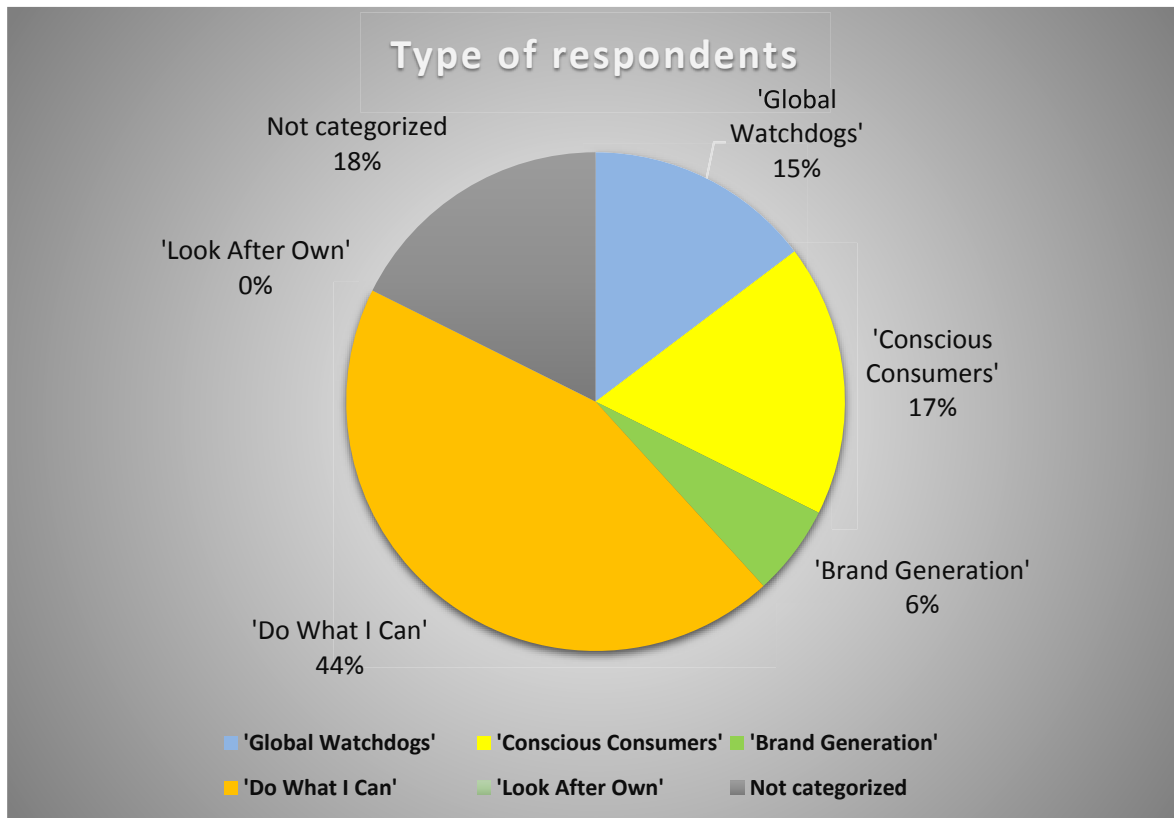


Figure 2- Type of respondents

When asked to rate their own general knowledge on CSR, on a scale from A to F, 80% of respondents rated their knowledge on CSR as a C or lower, and only 5% rated themselves as A. A large part seem not especially aware of CSR and more than half has average to low knowledge on the subject. This is to be taken into account when interpreting answers from specific questions in the market research.

3. RESULTS

The following section summarizes results in a simple structure to make it better understandable to the reader as well as easier to relate and compare to other parts of this study.

3.1 Awareness & Knowledge

Respondents are not aware of CSR and have a less than average knowledge of the practices, most of them admit to hear few of it. Furthermore, not half could quote a company with a recognized reputation for its CSR. This gives us a first insight of the awareness levels on CSR.

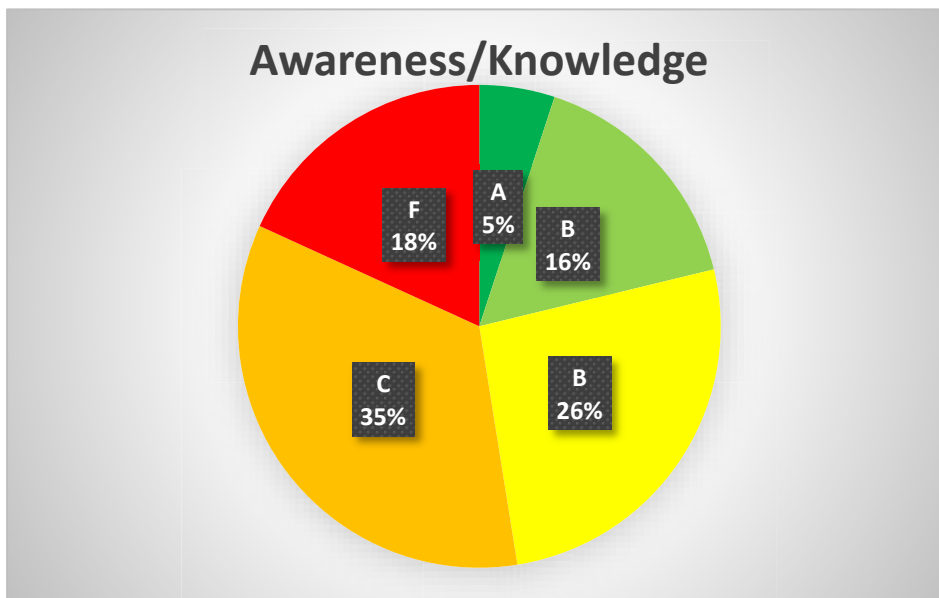


Figure 3 - Awareness Levels of Respondents

3.2 Important themes linked to CSR

Overall, a good CSR reputation is linked on 6 themes as seen in the graph below (the X axis is the number of answers):

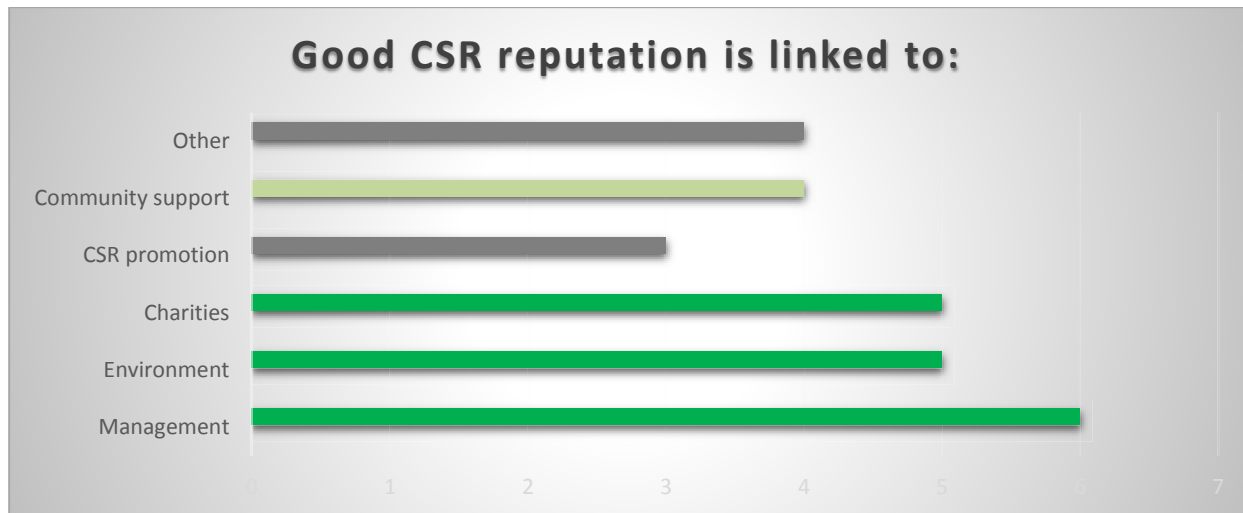


Figure 4 - Domains indicated to have a link with a good CSR reputation

Respondents create a greater link between a high CSR reputation and CSR activities in domains of management, environment and charities.

More specially, respondents recognized that good CSR reputation is linked mainly to:

- ✓ Implemented strong CSR processes & measurement (Management)
- ✓ CSR as a global management asset and a contribution to improvement (Management)
- ✓ Labour treatment fairness & relationship (Management)
- ✓ Environment, energy efficiency (Environment)
- ✓ Product sustainability (Environment)
- ✓ Amount of donations to specific charities (Charities)

3.3 Factors considered for an effective CSR

3.3.1 Communication: 'how did respondents learn about CSR?'

As employees: respondents get informed on their company CSR through internal communication.

As consumers: respondents learned about a specific company's CSR mainly through Medias (paper, web and TV) and WOM rather than from the companies or organizations themselves. Only one respondent mentioned having learned about CSR performance from corporate websites.

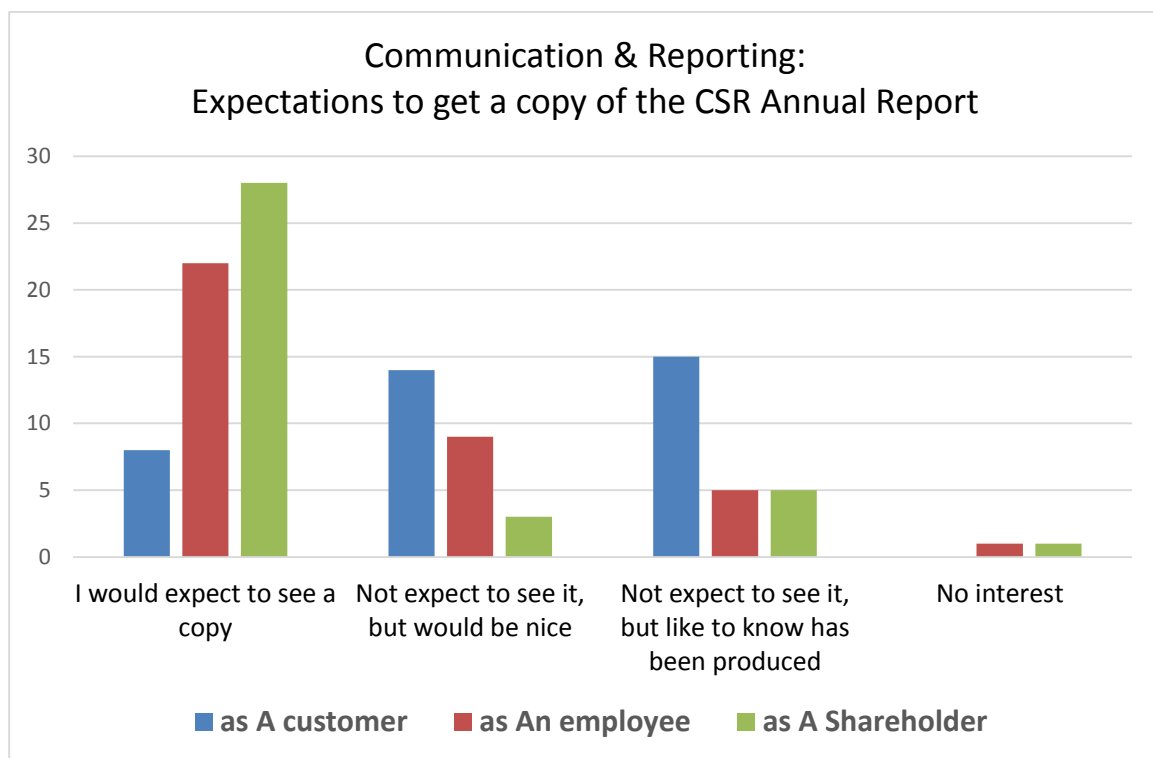


Figure 5 - Expectations to get a copy of the CSR Annual Report

Most have a willingness to be informed of developments and initiatives in the field of CSR.

On the other hand, every respondent shows expectations and interest to be informed on issuance of CSR reports by companies. More especially, as shareholders and employees most respondents strongly expect to be informed and receive a copy of it, whereas when being a consumer most would just expect the company to produce it. This suggests the stronger the

engagement between the individual and the company, the more CSR becomes important and expectations on CSR performance raise.

3.3.2 CSR Credibility drivers

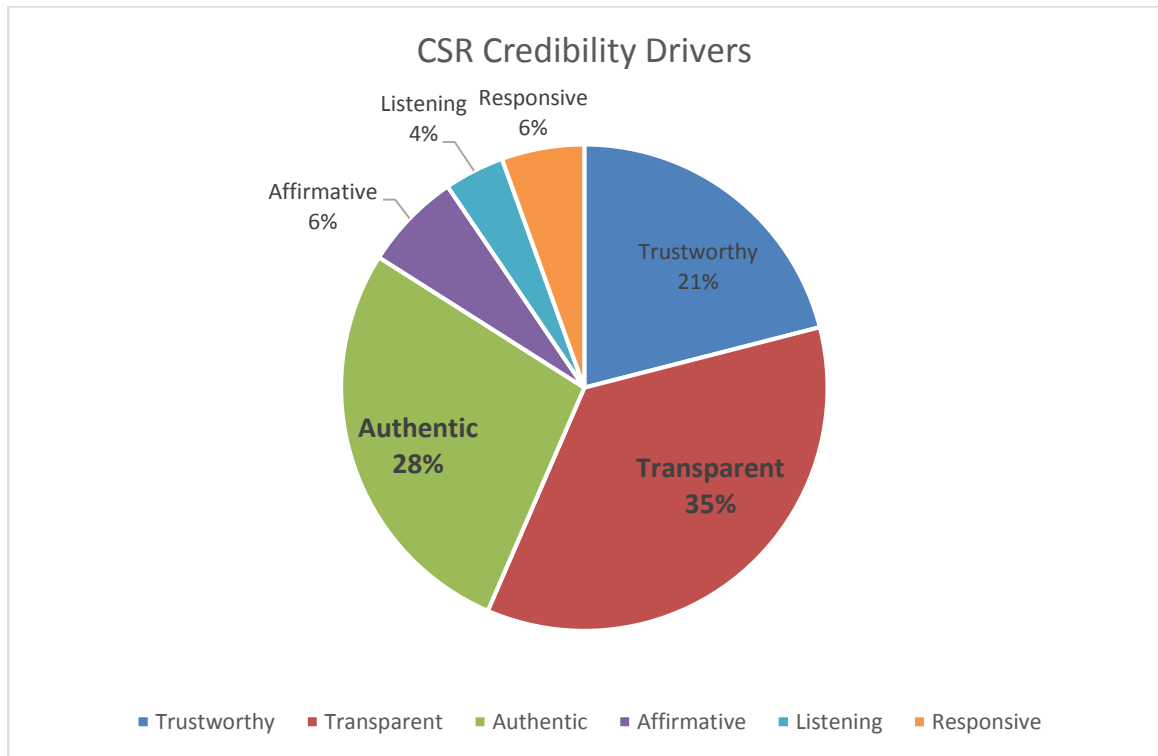


Figure 6 - 'what are the main drivers of credibility?'

The majority of respondents agreed that a credible CSR is founded on transparency and authenticity: Transparency refers to freely and easily available information and data, and authenticity is regarded as the company being sincere, consistent and genuine.

3.3.3 Meeting targets & CSR expectations

- ✓ Expectations regarding CSR initiatives are high from the majority.
- ✓ Company efforts and attention are not sufficient.
- ✓ Business is expected to go beyond legal obligations, to prove the impact of their CSR to the public rather than focusing on communicating their good deeds.
- ✓ Companies are considered accountable for any environmental and social damages from their operations.

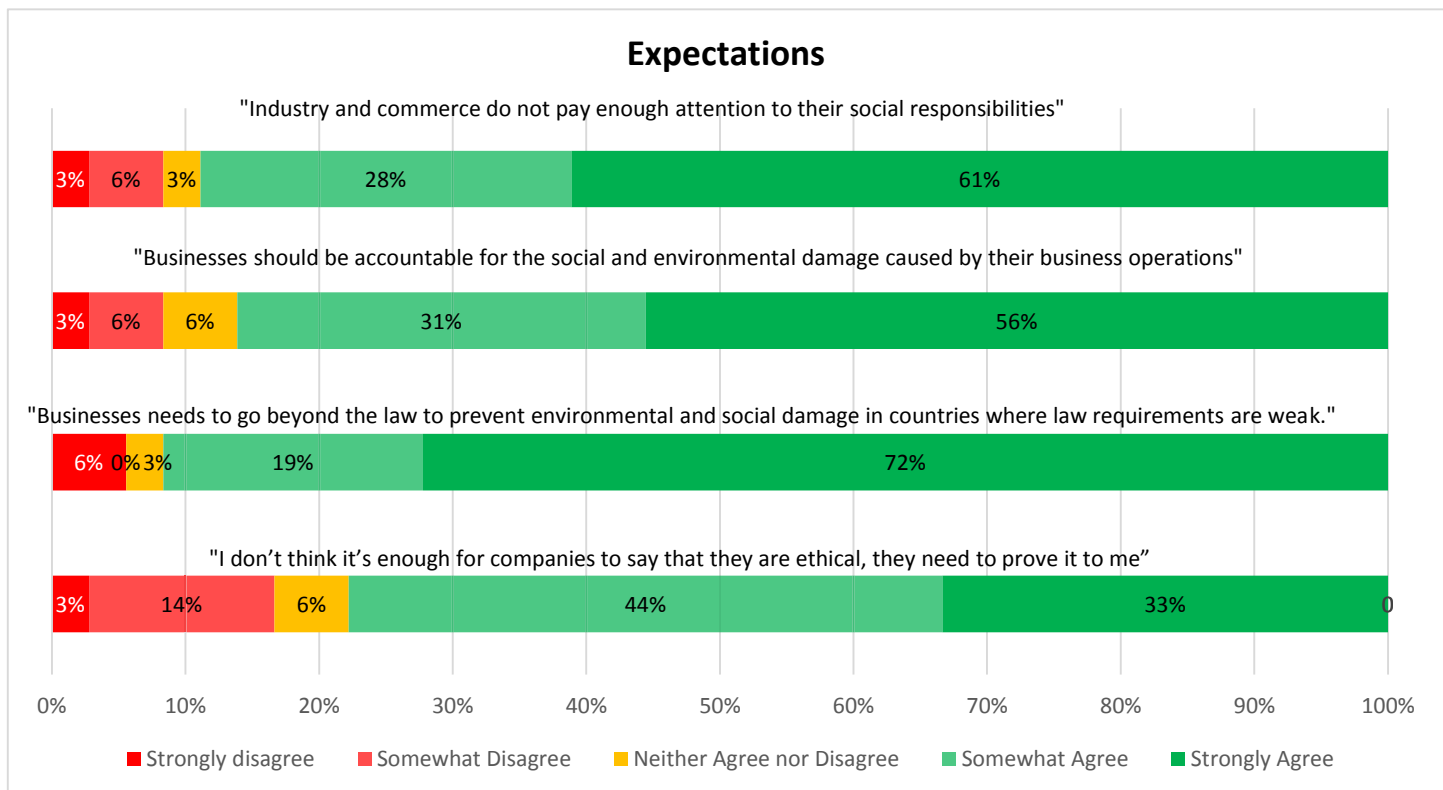


Figure 7- CSR expectations of respondents

As the two graphs below show, more than 90% of respondents consider that CSR developments and efforts do not match public expectations and moreover that CSR performance do not meet targets.

Companies Meet or Not Expectations

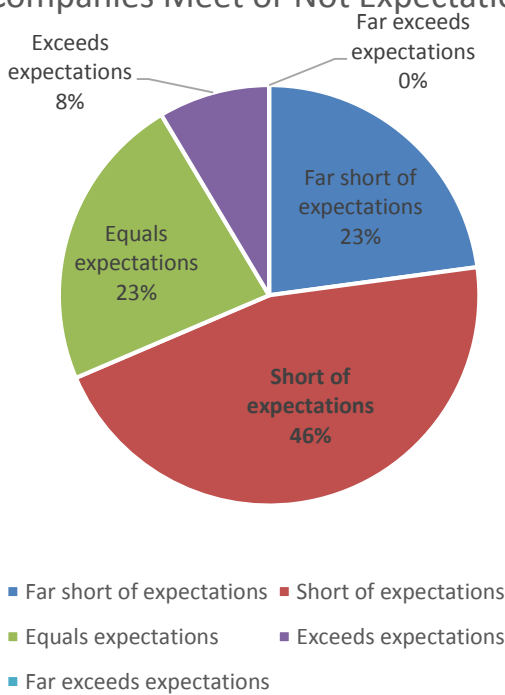


Figure 9- 'Do companies meet stakeholder's expectations?'

Companies Meet Their Announced Sustainability Targets

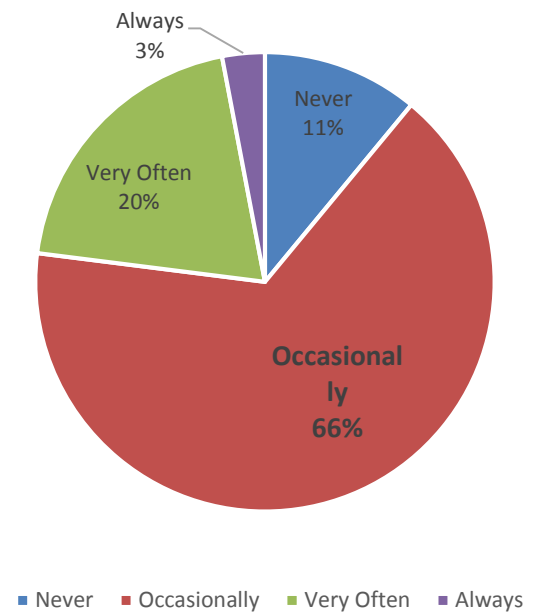


Figure 8 - 'Do companies meet their CSR targets?'

From an industry point of view, companies in sectors of energy, chemicals, food and banking are expected to be the most involved. This relates to recent broad media reports of scandals in these industries and concerns about food production and safety. The level of involvement in CSR is expected to be higher in industries related to the environment (i.e. chemicals, energy), to human health (i.e. food and beverages), to wealth repartition (banking) and finally to labour conditions (textile, footwear, apparel).

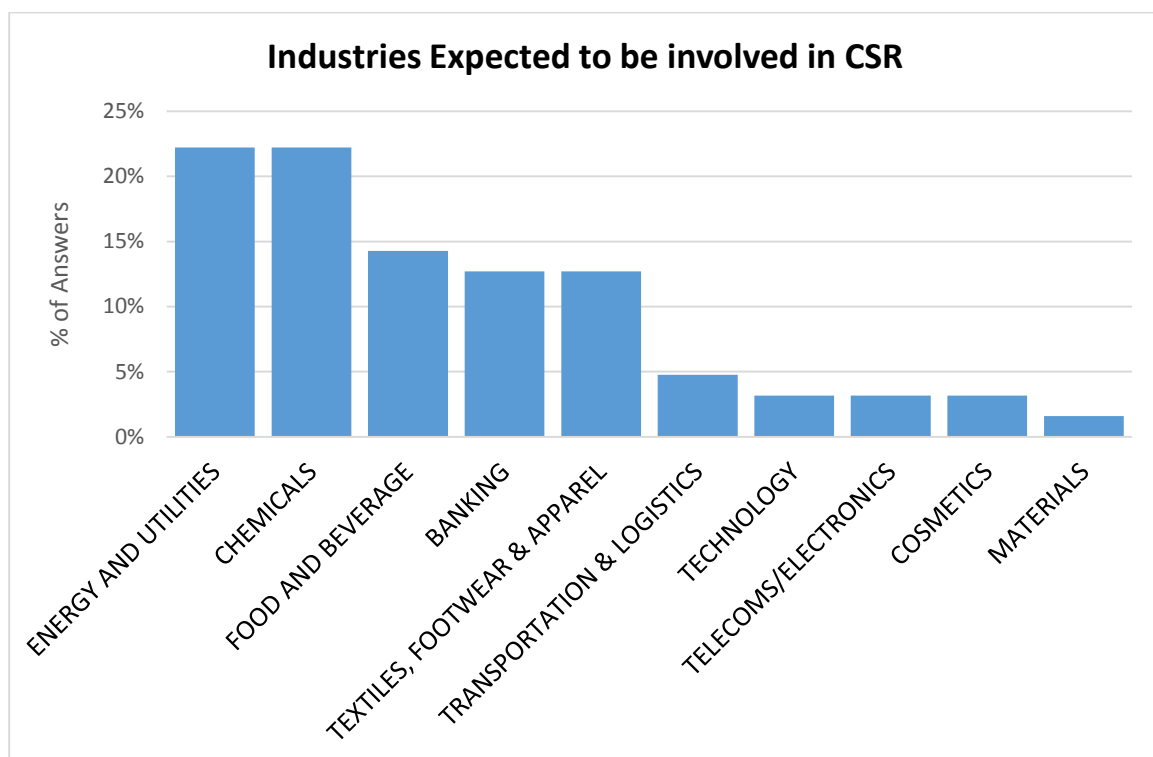


Figure 10 - 'what industries need to be involved the most in CSR?'

3.4 Factors expected to hinder effective CSR

3.4.1 Commitment

Respondents admit that global society as a whole lacks of commitment towards sustainability.

3.4.2 Skepticism

Answers reflect an overall scepticism towards CSR policies and initiatives as well as doubts on their effectiveness and their ability to create a real change. Respondents don't believe targets are met. The graph below suggests that a large part of respondents are sceptical towards the real benefits of CSR for society.

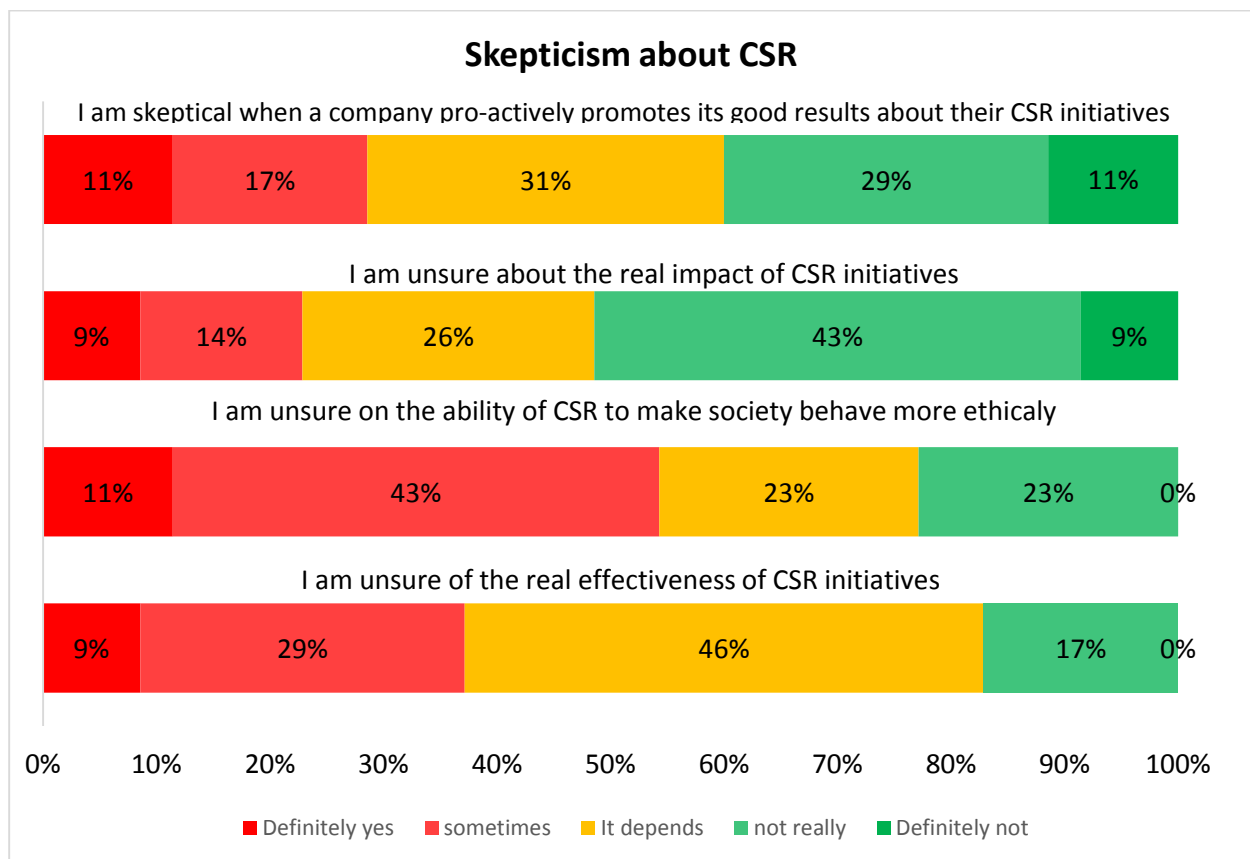


Figure 11 - Opinions on CSR effectiveness

3.4.3 Showing extrinsic motives

The majority (70%) believes that company moves into CSR policies and initiatives are mainly coming from extrinsic pressures (e.g. monetary benefits, reputation, public opinion) more than from voluntary intrinsic motives.

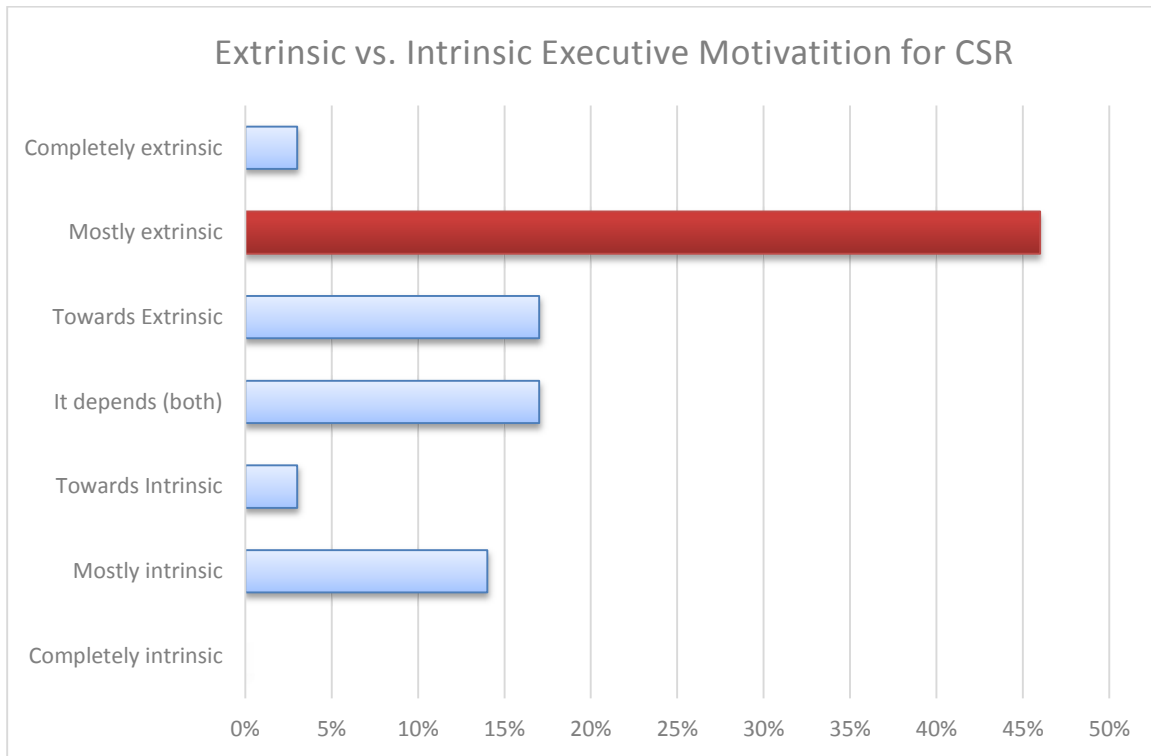


Figure 12 - Motivations behind CSR involvement

This highlights the fact that respondents think companies are not genuine when it comes to their motives behind CSR.

3.4.4 Lack of stakeholder collective engagement

As consumers, most do not take into account CSR factors at the moment of buying, neither are they environmentally or socially active through specific organizations or movements, however they behave conscientiously friendly to environment or society in individual actions.

3.4.5 Perception –beliefs about CSR

Definitively a large majority agrees that businesses need to act in a more responsible manner. More than half believe it is possible for industry and business to be perfectly sustainable, but at the same time most agree society as a whole lacks commitment towards sustainability. This despite respondents considering sustainability is an urgent matter that society should take seriously.

Almost 80% think that companies never achieve or only occasionally achieve their targets in terms of CSR.

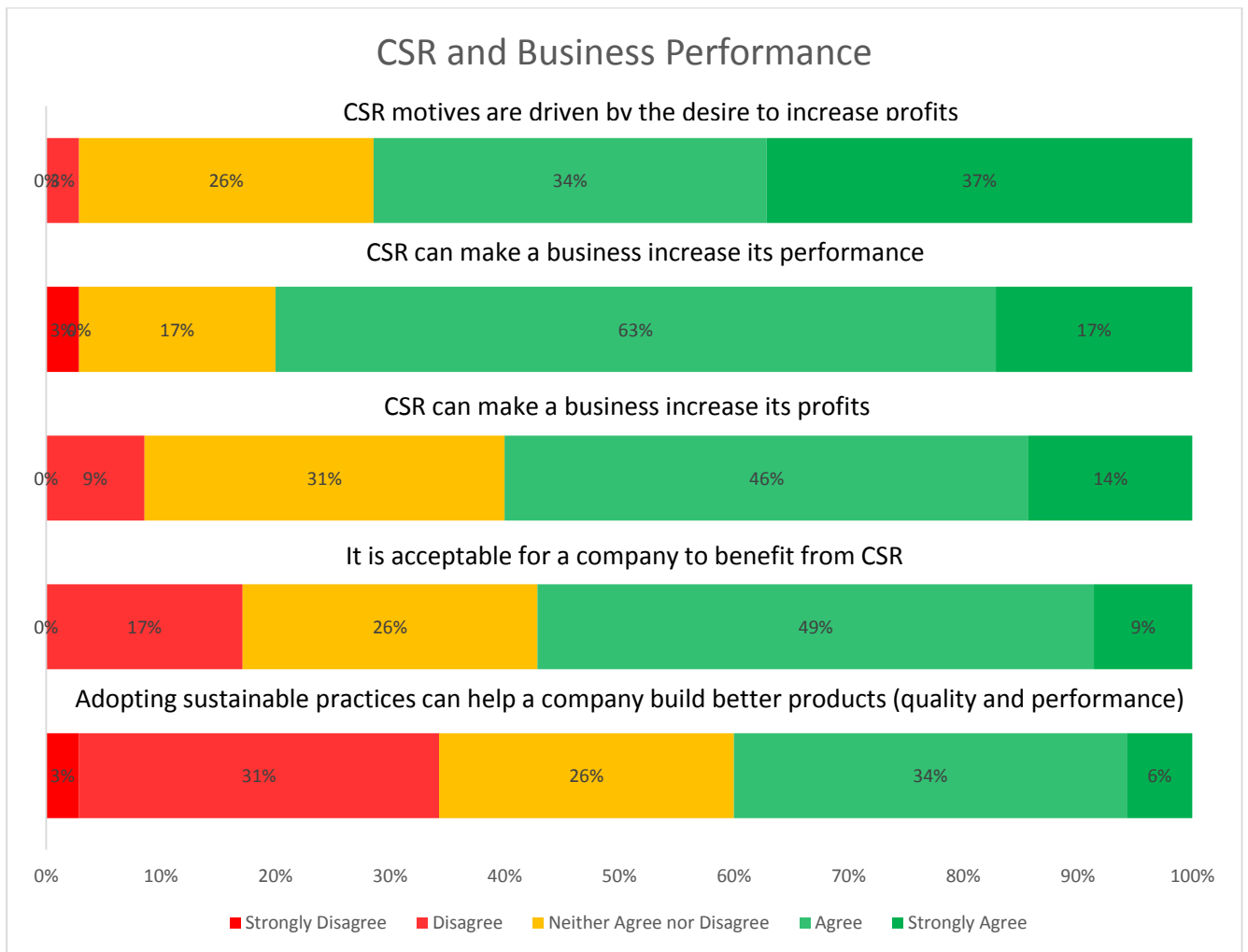


Figure 13 - 'Can CSR improve Business Performance?'

Most of the respondents believe that CSR has the ability to increase profits and boost business performance but they are more doubtful about accepting these goals and about CSR generating a return for them in terms of better products. This shows a confusion on the impacts of CSR and its benefits.

3.4.6 Communication

Roughly, respondents are not aware about Nike's CSR. Publicity-wise the survey shows people still tend to hear more negative than positive feedback on Nike's CSR.

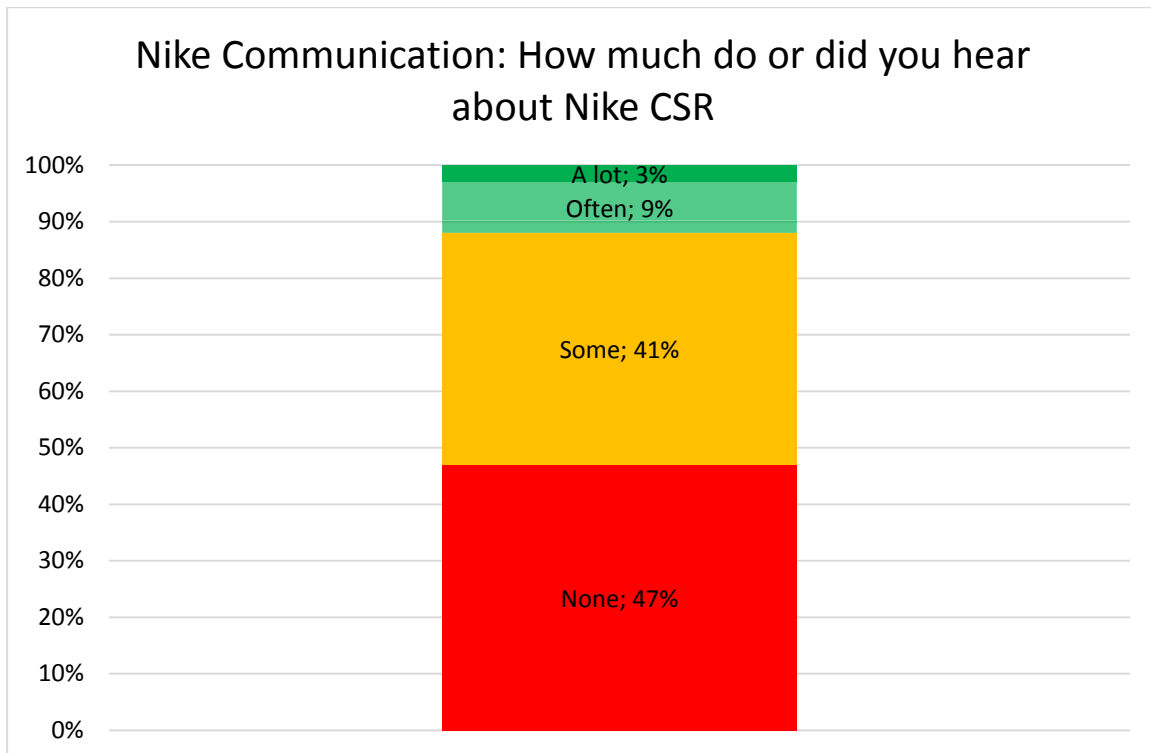


Figure 14 - 'Nike's CSR awareness'

3.4.7 Credibility gap (or CSR gap)

The CSR gap suggests that a discrepancy exists between expectations and actual deliveries. Interestingly, we identify the Nike's CSR gap through our survey, shown in the results below:

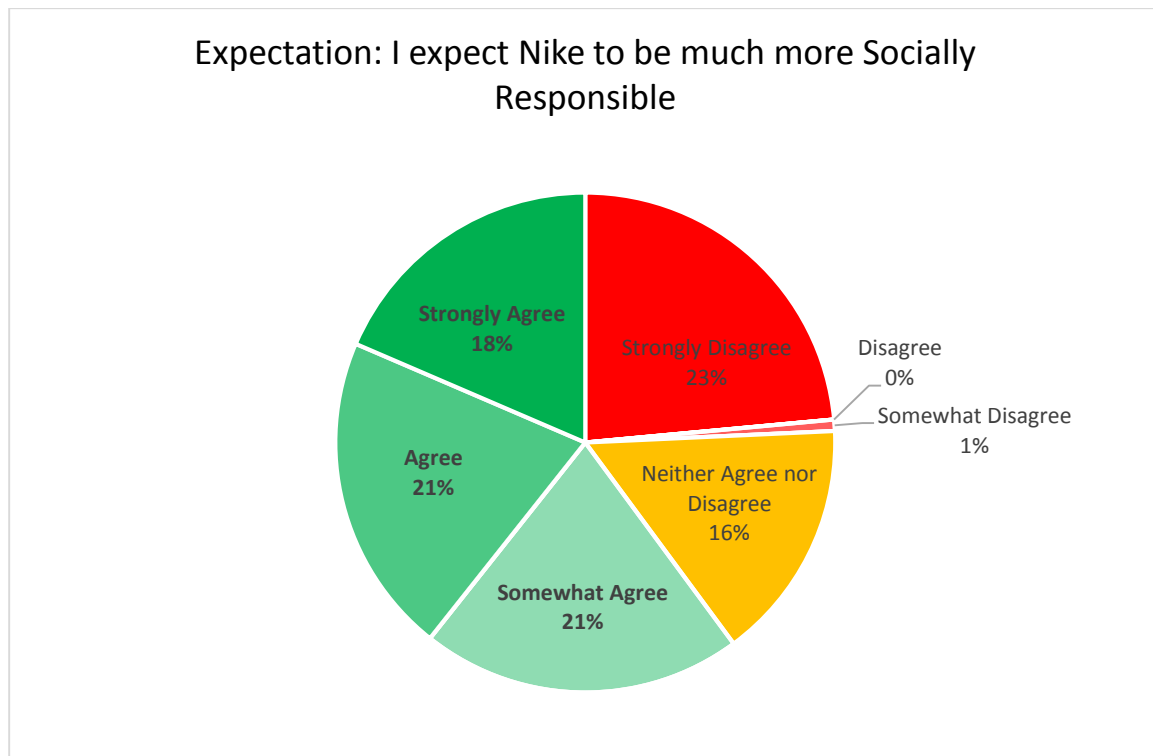


Figure 15 - 'Does Nike has to be more responsible?'

The graph shows that the majority agrees that Nike should be more socially responsible.

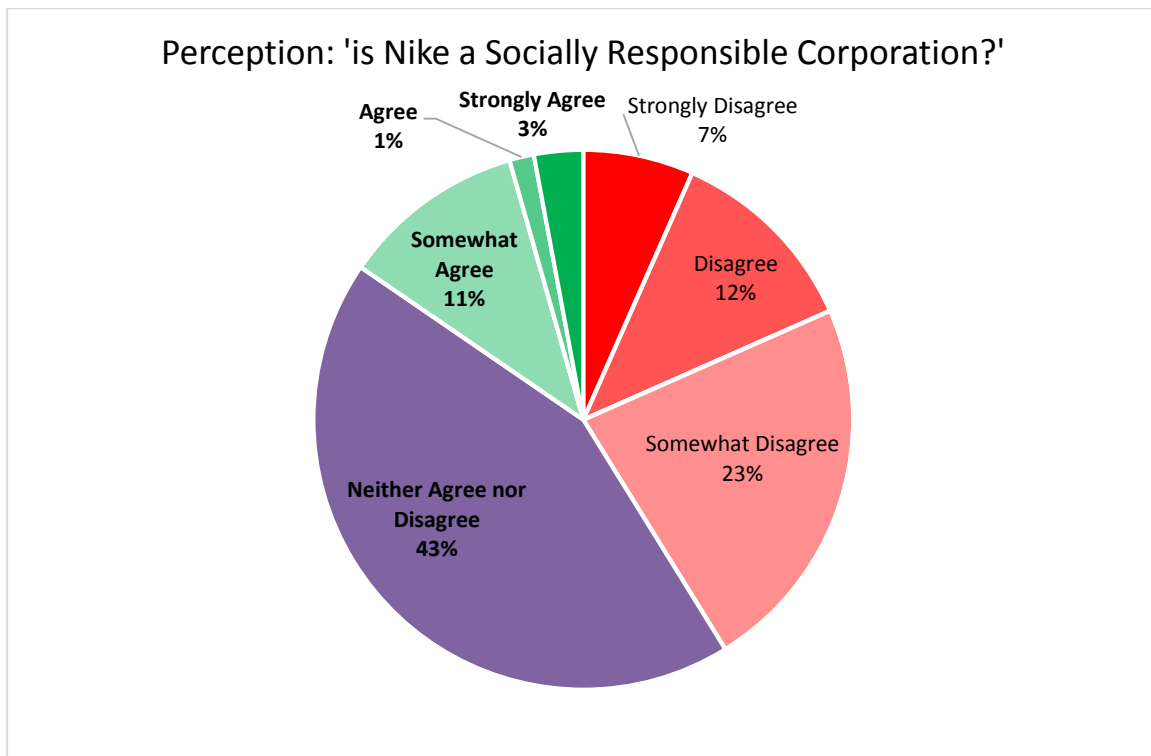


Figure 16 - 'Is Nike Socially responsible?'

On the other hand, this graph highlights the fact that perceptions about Nike's CSR performance tend to be negative.

Generally speaking, respondents have high expectations from company CSR but doubts about them meeting expectations and their ability to balance trade-off between profit and sustainability, therefore lowering credibility and raising CSR gap.

As far as Nike is concerned, the results show that there is discrepancy between:

- ⇒ what people expect Nike should be doing in CSR (i.e. their expectations), and
- ⇒ what people perceive or believe they are actually doing (i.e. their beliefs over its CSR initiatives and performance or simply lack of awareness) often resulting in a lack of credibility, trust as well as consumer scepticism.

As a matter of fact, respondents agree that Nike should do better in terms of environment, community, labour and workers, but at the same time, they are unsure or not aware of what

Nike is actually doing in terms of CSR, which generates a lack of trust in its CSR and negative perceptions on CSR performance.

VIII. CONCLUSION – ANSWERING THE KRQ

1. DISCUSSION

- RQ1: What is the CSR credibility gap and what constitutive parameters are involved? – Answered in the Literature Review
- RQ2: What are the main CSR activities of CSR leaders (i.e. Nike) – Answered in the case study
- RQ3: How does the current CSR involvement by industry and business affects the parameters of the credibility gap? Market research – perception of CSR performance and expectations
- RQ4: Is CSR really effective to make social good and is existence of the credibility gap proof that it is not? – Discussion
- RQ5: How can we solve the issue of the Credibility Gap? – Discussion

We identified the CSR gap as the gap between high CSR expectations and beliefs that CSR performance is low. High expectations mainly reveal an increasing sensitivity in society as a whole towards corporate responsibility. This means that first, high expectations are not satisfied through present companies CSR actions and second, that despite companies' claims of higher CSR involvement, there is a general disbelief and mistrust from stakeholders on the positive effects of CSR on society and on its real effectiveness as a tool to do social good (see our market study) creating negative perceptions of CSR performance.

As stated in the literature review, one important reason for negative beliefs over CSR performance is that company's actions don't reflect its claims and therefore the credibility of CSR is low (Wagner et al. 2009). Besides, the gap between what is on paper and what happens in practice – interpreted as 'window dressing' and 'greenwashing' (Wagner et al. 2009; Utting, 2002) – is still very present in business, and thus still negatively influences people's beliefs.

The analysis of this thesis suggests that the credibility gap is a major contributor to the CSR gap, underlying the importance of the key constitutive elements of a credible CSR: succeed in

aligning actions with public expectations, and adjust claims. These will contribute to minimize the risk of a credibility gap.

What are the important aspects to take into account when addressing the gap? The first element is credibility: to increase it, CSR needs to be intrinsic, systemic and measurable. Thus, companies' CSR has to be embedded in the decision process of the company from the Board to each actors of the value and supply chains. Then, internal and external collaboration with all actors of the value chain are key elements for it to be successful. To ensure a successful implementation, they need to measure and monitor their progress by developing tools (e.g. Code of Conduct) and adhere to new international regulations. From the public's perspective, companies need to show results: CSR appears genuine if there is demonstrable impacts internally and externally in terms of products and services as well as societal and environmental impacts. Lastly, business needs to shape expectations through realistic and measurable claims, thus a careful communication plan is paramount. To fully retrieve the possible benefits from its CSR investments, a company has to increase the populations' awareness of its CSR. Thus, it is only at that stage that promoting CSR will be possible while diminishing suspicions, skepticism and conveying a credible CSR plan, together with positive views of the CSR performance.

Accordingly, the Nike case is interesting because the credibility gap is particularly present despite Nike's strong commitment to CSR. Besides, Nike's strategy can be described as authentic as it embeds social values in the company's mission and slogans, takes a proactive and leadership role to affect industry-level changes (i.e. systemic changes) (Du et al., 2012). In fact, Nike changed significant patterns of its business model to integrate CSR. However Nike has suffered many repetitive incidents (like in Bangladesh) and scandals generating reputation crisis and thus showing there's still flaws in their approach. As a result CSR gap remains, even though it is ranked one of the bests CSR players in the industry, proving that it misses to act or focus on some of the important aspects making its CSR untrustworthy, preventing them from publicising their CSR endeavours, failing to raise awareness, and thus lowering dramatically their ability to benefit from their CSR investments.

Regarding the analysis of Nike's CSR, our market research shows that perceptions of Nike CSR performance are low compared with the efforts claimed by the company. Recurrent

inconsistencies between their claims and actions (i.e. incidents recurring in recent years) emphasise the existence of a credibility gap. Again the absence of any quantifiable impact as well as real proof of the effectiveness of its CSR makes claims unrealistic and shows a lack of serious CSR commitment.

However, and as reflected in our enquiry, public's present negative beliefs of CSR can be explained by the fact that CSR may not be an effective tool to genuinely 'do good' to society. Its application in business may be limited: as such, business's first priority is still financial gains and profitability. There is a trade-off between making social good and making profits, thus being able to do both in synchronicity can be considered as paradoxical (Epstein, 2015). The existence of this trade-off may be the reason that prevents CSR from ever being effective tools for creating social good.

Given the natural antagonism of profit and social goals, isn't CSR then rather going to act merely as a compliance factor? In that matter, literature suggests that CSR has a twofold goal, which is 'doing good' and 'avoid from doing bad'. The second one is generally taken for granted and thus not rewarded by stakeholders, while 'doing good' has a more positive effect on stakeholders (Lin-Hi & Müller, 2013). Due to the higher weight of negative over positive information on people's mind, if a company ignores the aspect of 'avoiding bad', incidents emerging from irresponsible behaviour will affect more the stakeholder's perceptions of CSR than actions to 'do good', as demonstrated by the answers to our questionnaires. Avoiding bad is therefore a pre-requisite for business and industry to be able to benefit from doing good (Lin-Hi & Müller, 2013).

Thus, to increase their CSR credibility, companies first need to make sure they avoid incidents, before stepping forward and claiming it does good (Lin-Hi & Müller, 2013). In that matter, Nike's CSR needs to be focused towards implementing new strategies to avoid incidents. Furthermore, a specific communication will be paramount to convey trust and to perceive CSR as credible. The survey demonstrates, particularly in the perspective of Nike incident history and change in communication strategy, that trying genuinely to 'do good', being able to prove it but also being perceived as such are all important matters to close the CSR gap. These requirements will allow the company to spread awareness of the company's CSR but at the

same time elude beliefs of associated window-dressing. In the long run, expectations of CSR performance may be closer to what is really possible to do, and perceptions of CSR performance will raise, closing that gap.

2. RECOMMENDATIONS

From the literature review, the market research and conclusions from the previous discussion, we draw several recommendations for Nike to address its multiple problems that prevent it from exploiting fully its CSR, being effective, impactful and increasing its CSR credibility

First, it needs to actually create change, and stakeholders need to be able to perceive the change. The bottom line for its CSR is to absolutely avoid 'the bad'. As stated in the literature review and confirmed by our market survey, the company cannot communicate freely the benefits of its CSR if scandals are recurring constantly, as it will endanger its image, its credibility (Wagner et al., 2009) and magnify 'the bad'.

Secondly, Nike needs to adjust expectations to reality. Adjusting expectations are made through visible CSR impact and a carefully planned transparent communication strategy of CSR initiatives and results. Transparency and integrity are both paramount for an effective strategy. Nike also needs to educate its stakeholders on the challenges and realities of CSR.

Simultaneously CSR awareness has to be raised reducing ignorance, and in turn skepticism on claims achieved by the company. As observed in our survey, awareness is a relevant problem, as most respondents ignore the extensive range of CSR initiatives Nike undertakes.

Finally, the last recommendation is that claims need to be backed up by actions, and show results. This includes preventing as much as disastrous events. This is possible through the combination of the past recommendations. As a result, the inconsistencies will be minimized

and CSR will be perceived positively, allowing Nike to promote their CSR, gain better reputation and credibility, and thus generate better returns from impactful CSR investments.

3. LIMITATIONS AND FUTURE RESEARCH

The present thesis has several limitations. First, this research has been based mostly on academic articles, however research on the CSR gap is almost inexistent, thus there's a lack of reliable and quantified data. Therefore we highlights the need for a deeper research on this subject in order to fill the gap.

Secondly, the sample from our research is short (i.e. 54) and may hinders the generalizability of the results. Moreover, most of the respondents are middle-aged professionals, only a little part are young adults or students. Thus, the results can be biased and a study with a better randomised and larger quantitative sample could address this issue.

Another important limitation is the geographic location of the respondents; in this market research there was no delimitations with regard to the country. However, culture and social manners influence beliefs and behaviours as indicated by a Greendex research on CSR²⁹. Thus, the research could be extended and have different outcomes depending on the country or continent.

Fourth, this thesis is mainly focused at giving an introduction and a broad overview of the concept of CSR gap and credibility gap. Thus, no scientific cause-to-effect research was undertaken, such as for instance moderating factors influencing parameters of the CSR gap. It would be interesting to measure what are the impacts of incidents, specific communication practices, CSR initiatives, and effective CSR integration and performance on parameters of the CSR credibility gap (i.e. expectations and perceptions). In addition, future research could focus on one aspect of the CSR gap such as to quantify the extent of the gap between expectations and perceptions of CSR performance.

²⁹ Greendex 2014: *Consumer Choice and the Environment – A Worldwide Tracking Survey*

Finally the author applied the study of the CSR gap to the specific case of Nike. This case study could be adapted or reproduced to other companies and to different industries.

IX. TEACHING NOTES

1. SYNOPSIS

As companies increasingly adopt CSR within their core business, and society's expectations towards the role of business to do social good, a discrepancy between stakeholders' CSR expectations and stakeholder's beliefs of CSR performance has been identified. This discrepancy is called the 'CSR gap'. The existence of this gap makes possible CSR returns that a company can retrieve from it lower. Companies are spending money without an effective return with resulting low CSR credibility, lack of stakeholder's trust and unrealistic expectations building up a gap. This case study focuses on identifying and understanding the CSR gap at Nike. Inc. one of the biggest apparel companies in the world. The company, despite earning a lot of respect for its recent advancement in CSR, is still suffering from its past record of wrong ethical practices.

2. TARGET AD AUDIENCE OF THE CASE

This case is suitable for undergraduate and master, to MBA courses. The case study explores up-to-date themes, which are becoming an increasing concern for big companies and multi-nationals. As the case study highlights it, recent trends suggest that CSR and management disciplines are to be unified as one, and not separated as thought in the past. This study is relevant for any management course in addition to ethical business courses.

3. TEACHING OBJECTIVES/ USE OF THE CASE/ RELEVANCE OF STUDY

With regard to its teaching objectives, students should be able to:

- Understand the business case of strategic CSR and its building blocks
- Update their understanding of how CSR can change a business and its governance, its credibility, its performance, its products, its reputation, its profits as well as how it can deteriorate it if is not done carefully.
- Be able to explain what is the credibility gap and the CSR gap and their constitutive elements, what are the causes. And why the CSR gap represents a problem for companies.

- Explain some of the key strategies undertaken by businesses or industries taking Nike as an example to help them improve their CSR in the past years; How these strategies could influence the parameters of the credibility gap and the CSR gap; and finally, with the help of the literature review, set up a list of recommendations which should help companies address consistently the existent CSR gap.
- Finally, understanding the difficult challenges faced by multi-nationals such as Nike in preventing scandals and implementing efficient proactive attitude and control protocols. In addition to understanding what role CSR has in the survival of a company, compared to making profits for instance.

4. TEACHING PLAN

The instructor should provide questions related to the teaching objective presented earlier. As support and complement, students should read 5 important articles that will help them understand the subjects explored in this thesis in a more in-depth manner:

- Doing better at doing good
- The CSR bottom line: Preventing corporate social irresponsibility
- Corporate Hypocrisy: Overcoming the Threat of Inconsistent Corporate Social Responsibility Perceptions
- Striving for Legitimacy Through Corporate Social Responsibility: Insights from Oil Companies
- Internet: CSR gap (Globescan study)
http://www.globescan.com/news_archives/bcccc_article/

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I. APPENDIX

1. CSR INITIATIVES AND COMMITMENTS

MAKE TODAY BETTER	Progress	Commitment	Latest Initiatives
<p>CLIMATE & ENERGY</p> <p>Aim Drive innovation and collaboration and engage in public policy advocacy to deliver carbon reductions across the value chain</p> <p>Target CUT ENERGY Achieve a 20% reduction in CO2 emissions per unit from FY11 levels through FY15</p>	<p>% of Reduction in per-unit CO2 emissions</p> <p>Achievement: By the end of FY1, achieved a per-unit CO2 reduction of 13%,</p>	<p>MANUFACTURER PERFORMANCE Increase contracted manufacturer participation in NIKE's energy and carbon continuous improvement program</p> <p>GHG FOOTPRINT Assess and report energy and CO2 footprint</p> <p>RENEWABLE ENERGY Expand use of renewable energy in our built environment (where available), including all new retail stores</p> <p>LEED DESIGN Design new NIKE, Inc. build to LEED standards</p>	<p>1.1 Wind generation at Laakdal</p> <p>Six turbines with capacity of 1.5 MW each, the park clearly demonstrates the facility's commitment to renewables. The facility also features on-site solar energy.</p>

<p>LABOR</p> <p>Aim Transform our working relationship with contract factories to incentivize changes that benefit their workers. Instil changes in our code, instigate innovation, educate to build management capabilities, address root causes in our own processes, work with the industry, and reward factories’ progressive achievement</p> <p>Target EMPOWER WORKERS Source from factories that demonstrate commitment to workers by achieving minimum bronze rating on our Sourcing & Manufacturing Sustainability Index by the end of FY20</p>	<p>% of Contract factories achieving bronze or better scoring on Sourcing & Manufacturing Sustainability Index</p> <p>Achievement: In FY13, 68% of contract factories rated bronze or better on our Sourcing & Manufacturing Sustainability Index, compared to 70% at the end of FY12 and 49% at the end of FY11.</p>	<p>OVERTIME Align sourcing decisions by the end of FY20 to prioritize sourcing in factories that have eliminated excessive overtime (defined by Our Code of Conduct as more than 60 hours in a week or less than one day off in seven)</p> <p>LEAN MANUFACTURING Require commitment to lean manufacturing and demonstrate progress toward a lean culture for contract factories to move beyond compliance by the end of FY15</p> <p>EQUITABLE MANUFACTURING Develop and test new models of manufacturing by the end of FY15 that serve to improve factory approach to workers, their skills and livelihood, and share findings</p>	<p>Sourcing & Manufacturing Sustainability Index (SMSI) The SMSI is one component of the overall Manufacturing Index, which also assesses contract factory performance on quality, on-time delivery and costing in equal measure. At the end of FY11, 49% of contract factories scored bronze on the SMSI. By the end of FY13, 68% had reached that score.</p> <p>Fair Labor Association Sustainable Compliance Tool (see Manufacturing)</p>
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<p>CHEMISTRY</p> <p>Aim Minimize the impact of product ingredients throughout the lifecycle</p> <p>Target REJECT TOXICS Achieve the goal of zero discharge of hazardous chemicals for all products across all pathways in our supply chain by 2020</p>	<p>In FY12, together with six other companies, created and signed a joint plan for achieving zero discharge of hazardous chemicals. We are now working toward this ambitious goal, while continuing to track and report on restricted substances, use of petroleum-derived solvents and training of factories and vendors.</p> <p>Tests in FY13 to confirm materials did not contain chemicals on Nike restricted substances lists (RSLs); 95% of materials passed those RSL tests</p> <p>80% of NIKE Brand footwear designs used environmentally preferred rubber in FY13, consistent with use in previous years</p> <p>bluesign® bluefinder certified formulations are available in the</p>	<p>CHEMISTRY INDUSTRY COLLABORATION Establish an industry-wide management coalition; companies had joined the Zero Discharge of Hazardous Chemicals (ZDHC) coalition</p> <p>POSITIVE CHEMISTRY Expand use of environmentally preferred chemistries</p> <p>TRACEABILITY Expand material traceability</p> <p>DISCLOSURE Explore disclosure advancements committing the company to the goal of zero discharge of hazardous chemicals by 2020.</p> <p>TRAINING Expand chemicals management and awareness training</p>	<p>Zero Discharge of Hazardous Chemicals (ZDHC): helping to improve water quality</p> <p>NIKE Water Program Collects water-quality data from vendors that supply materials to contracted factories and actively partner with the Institute of Public and Environmental Affairs on their Green Choice Alliance program.</p>
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	<p>chemical database for materials vendors to access and use</p> <p>Committed to phasing out long-chain per fluorinated chemicals (PFCs) by January 2015, replacing them with alternatives that have better toxicological and environmental profiles</p>		
<p>WATER</p> <p>Aim Borrow water and use it responsibly</p> <p>Target SLASH WATER USE Improve water efficiency by 15% per unit, from FY11 through FY15</p>	<p>Water efficiency in manufacturing is improving. Our contract footwear manufacturers have improved efficiency of gallons of water per pair by 23% compared with FY11.</p> <p>Fewer gallons of water were used in footwear manufacturing in FY13 compared with FY11</p> <p>793 vendors and contract factories participated in the NIKE Water Program in FY13 against 527 in FY11.</p>	<p>WATER PROGRAM PARTICIPATION Increase participation in NIKE Water Program across NIKE, Inc.</p> <p>INDUSTRY CHANGE Drive industry change through expanded access to the use of NIKE-developed H2O Insight Tool</p>	<p>ColorDry New carbon-based dyeing process that dyes garments without using water or chemicals</p> <p>Zero Discharge of Hazardous Chemicals (ZDHC): helping to improve water quality</p> <p>NIKE Water Program In FY13, 793 NIKE materials vendors and contract factories participated in the NIKE Water Program, up 50% from 527 in FY11. Participants self-</p>

	50% increase in the number of vendors and factories participating in the NIKE Water Program since FY11	GEOGRAPHIC IMPACT Assess geographic impact of water	report their water use related to the production of NIKE Brand product and beyond.
<p>WASTE</p> <p>Aim Use less, buy less to reduce impact across the value chain</p> <p>Target REDUCE WASTE Achieve a 10% reduction in waste from finished goods manufacturing across NIKE, Inc. (from an FY11 baseline through FY15)</p>	<p>Good progress toward the 10% finished goods manufacturing waste reduction goal, achieving an 8.6% reduction in FY13 over FY11 levels. By the end of FY15 fully rolled out a redesigned footwear box that reduces overall average shoebox weight by 3% compared to FY11. Even with full implementation, however, likely fall short of the 10% target.</p> <p>44% of waste diverted from landfill in FY13 at retail stores</p>	<p>WASTE REDUCE AT MANUFACTURING Reduce waste in manufacturing</p> <p>IMPROVE PACKAGING Improve packaging</p> <p>RECYCLE, REUSE, REPURPOSE Increase recycling, reuse, repurpose & compost of waste (manufacturing, retail, distribution centres, offices)</p>	<p>Flyknit The Flyknit Lunar 1+ running shoe reduces footwear waste by 80% on average when compared to typical NIKE running footwear</p> <p>Reuse-A-Shoe Since 1990, the program has recycled 28 million pairs of shoes into NIKE Grind. NIKE Grind includes not only recycled shoes but manufacturing scrap, with scrap representing 90% of the recycled material and recycled shoes the remaining 10%. The primary uses of NIKE Grind include turf in-fill (i.e., the fill material between the</p>

	<p>69% of waste diverted from landfill in FY13 at NIKE World Headquarters</p> <p>92% of waste diverted from landfill in FY13 at major global distribution centres</p> <p>13% weight reduction of Converse shoebox</p>		<p>blades of artificial grass), sports surfaces, carpet underlays, and fitness flooring.</p>
<p>COMMUNITY</p> <p>Aim</p> <p>Catalyse human potential by creating community and business impact through a portfolio of innovative partnerships, advocacy and movement-making initiatives</p> <p>Target</p> <p>SUPPORT COMMUNITIES Invest a minimum of 1.5% of pre-tax income in communities annually</p>	<p>1.5% pre-tax income contributed annually FY12 contributions (FY12 contributions \$42.8 million and 52.7 in FY13)</p> <p>100+ organizations joined together in support of the Designed to Move framework</p> <p>USD 31m contributed by NIKE, Inc. in support of the Girl Effect through the NIKE Foundation in FY12/13</p>	<p>ACCESS TO SPORT Build and expand Access to Sport agenda</p> <p>EMPLOYEE ENGAGEMENT Engage, encourage and enable employees to support communities</p> <p>LEVERAGE BRAND POWER Tap the power of our brands to engage consumers and leverage support for the issues they care about</p>	<p>Kids run the world Partnership with Marathon Kids, a non-profit organization dedicated to improving the health and happiness of children by engaging them in a positive, simple, goal-driven running program.</p> <p>1.2 Designed to move framework co-authored by the American College of Sports Medicine, the International Council of Sport Science and Physical Education, to rethink policies to encourage early</p>

	<p>USD 2.4m in NIKE, Inc. matching funds for employee charitable contributions in FY12/13</p> <p>298000+ community volunteer hours logged by NIKE, Inc. employees in FY12/13</p>	<p>THE GIRL EFFECT Through the NIKE Foundation, continue to use insight, innovation and inspiration to equip adolescent girls in the developing world and transform their world, so that their full potential can be realized</p>	<p>positive experiences of physical activity for youth, and for people to integrate physical activity more effectively into their daily lives.</p> <p style="text-align: center;">1.3 The Girl Effect (Nike Foundation)</p> <p>To leverage the unique potential of adolescent girls and provides them with resources to end poverty for themselves, their families, their communities, their countries and the world.</p> <p style="text-align: center;">1.4 N7 Fund & N7 Line</p> <p>provides grants to Native American and aboriginal communities in the United States and Canada</p> <p>Waves For Water</p>
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			<p>Help an estimated 5 million people gain access to clean water through portable water solutions</p> <p>1.5 SIX</p> <p>The Systems Innovation Experiment or “SIX” is a business simulation NIKE created. SIX provides audiences of up to 150 people with a unique, fast-paced and entertaining experience that helps them quickly understand the systemic sustainability challenges and innovation opportunities in a global apparel business</p>
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Table 1 - Present targets and achievements

DESIGN THE FUTURE	Progress	Commitment	Latest Initiatives
<p>INNOVATION</p> <p>Aim</p> <p>Integrate sustainability principles into our innovation processes, governance and portfolios</p>	<p>We continue to embed sustainability into NIKE's overall innovation focus and efforts</p> <p>0 litres of water used in dyeing apparel with DyeCoo technology, compared to an average 30 litres per shirt needed for traditional textile dyeing</p>	<p>BUILD CAPABILITY Build sustainable innovation capabilities across the business to drive a disruptive innovation</p> <p>DEVELOP INDEX Develop and prototype an index to drive and measure how sustainability is integrated into our innovation</p>	<p>Plant PET Technology Collaborative (PTC) – Together with Coca-Cola Company, Ford Motor company, H.J. Heinz Company and Procter & Gamble, NIKE, Inc. formed the PTC in 2012 as a strategic working group focused on accelerating the development and use of 100%</p>

	<p>10 sustainable materials innovation finalists surfaced through LAUNCH 2020</p> <p>4 phases in NIKE, Inc.'s innovation pipeline: explore, prototype, pilot, scale</p> <p>1000 NIKE leaders, angel investors, venture capitalists, industry leaders and members of the media participated in Demo Days in which 10 start-up companies presented their product concepts after 3 months in NIKE's backyard, collaborating with</p>	<p>portfolios, decision making and processes.</p> <p>MEASURE IMPACT Develop tools, processes and systems to establish metrics to measure impact that can be shared as part of the index</p>	<p>plant-based PET materials and fibre.</p> <p>LAUNCH – NIKE co-founded LAUNCH, a strategic collaboration between NASA, NIKE, the US Department of State and the US Agency for International Development (USAID) in 2010 to identify and support visionaries whose ideas, technologies and programs have the potential to create a better world.</p> <p>DyeCoo – Since 2012, worked to advance waterless textile dyeing.</p>
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			bluesign® – In FY13, established a strategic relationship with this Swiss firm to provide our suppliers with access to extensive information about more sustainable materials and chemistries.
<p>PRODUCT</p> <p>Aim Design products that provide superior performance and lower environmental</p> <p>Target</p>	<p>Since our last report, developed, tested and rolled out new sustainability indices for measuring the environmental performance of Nike products. By the end of FY13, 98% of all new global NIKE Brand footwear product and 86% of all new global NIKE Brand apparel product was scored using these new indices.</p>	<p>PRODUCT SUSTAINABLE NewNIKE Brand global product achieves minimum rating on the NIKE Sustainability Index by the end of FY15</p> <p>EXPAND REACH Expand reach of indices to score other NIKE, Inc. product (i.e. products of</p>	<p>MAKING App Make the index even more widely available through the MAKING App. Any designer can now download and use MAKING on an iPhone.</p> <p>1.6 Recycling polyester</p>

<p>Understand and improve the environmental profile of our product designs by the end of FY15</p>	<p>Materials have been scored in the NIKE Material Sustainability Index (NIKE MSI)</p> <p>Material vendors have been rated in the NIKE MSI</p> <p>35% of NIKE Brand's global polyester garments contain recycled polyester</p> <p>88% of NIKE Brand's global cotton-containing apparel uses at least 5% organic cotton</p>	<p>Affiliate brands, licensees and carry over products)</p> <p>BETTER MATERIALS</p> <p>Increase use of environmentally preferred materials</p>	<p>More than 35% of our global NIKE Brand polyester apparel contains some recycled content.</p> <p>NIKE Footwear Sustainability Index (FSI), the NIKE Apparel Sustainability Index (ASI) and the NIKE Equipment Sustainability Index (ESI)</p> <p>These indices provide a way for product creation teams to measure the environmental profile of each product. The NIKE FSI, ASI & ESI are powered in part by the NIKE Materials Sustainability Index (NIKE MSI).</p>
<p>MANUFACTURING</p> <p>Aim</p>	<p>68 % of Factories achieving bronze or better scoring on our</p>	<p>MANUFACTURING SOURCING SELECTION</p> <p>Incorporate factory labor and</p>	<p>Human Resources Management</p> <p>The HRM initiative in phases beginning with pilots in FY07. The initiative included training for</p>

<p>Drive improvement in factory sustainability performance</p> <p>Target</p> <p>Source all products from factories that have achieved bronze or better on our Sourcing & Manufacturing Sustainability Index by the end of FY20</p>	<p>Sourcing & Manufacturing Sustainability Index.</p> <p>Progress toward bronze rating and better will take time as we calibrate scoring and confirm consistent application of ratings.</p> <p>1m workers in factories making product for NIKE, Inc. globally</p> <p>94% of NIKE, Inc. contracted factories were audited in FY13</p> <p>85% of footwear and 76% of apparel made on lean-certified lines</p>	<p>environmental performance criteria into production</p> <p>EXPAND CAPABILITY Enable contracted factories to expand and optimize their labour and environmental sustainability capabilities</p> <p>ENGAGE PARTNERS Engage external partners to drive sustainability and transparency across the industry</p>	<p>contract manufacturing management on HRM best practices</p> <p>Manufacturing index (mi)</p> <p>Assesses sourcing based on key measures of performance, making sustainability a factor in all supplier evaluations and ratings through the Sourcing & Manufacturing Sustainability Index (SMSI), a component of our Manufacturing Index, which puts sustainability considerations on equal footing with quality, cost and on-time delivery, and is one tool we use to select factories with which we do business.</p>
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			<p>Fair Labor Association Sustainable Compliance Tool NIKE participated in testing it in 2012. NIKE is working to leverage this tool more broadly in collaboration with the Sustainable Apparel Coalition to provide greater consistency in indicators measured across the industry.</p>
<p>PEOPLE & CULTURE</p> <p>Aim Tap people and culture, the most powerful source for innovation and change</p>	<p>Making progress in our work to invest in and engage employees to inspire ideas and ignite innovation.</p> <p>80% of employees with access to NikeU have registered for online development</p>	<p>EMPLOYEE DEVELOPMENT Invest in employee development</p> <p>EMPLOYEE ENGAGEMENT Engage employees and employee satisfaction.</p> <p>INSPIRE AND IGNITE Inspire ideas and ignite innovation</p>	<p>NikeU Launched NikeU (website) in FY12, offering a single destination for employee learning, training and development.</p>

	<p>Launched Manager90, an upward feedback tool that gives managers insight from employees about key strengths and opportunities to improve</p> <p>Completed a prototype Inclusion Index, which will help leaders and teams measure the link between diversity, inclusion and innovation</p>		
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<p>HOW WE WORK</p> <p>Aim</p> <p>Build sustainability into the DNA of the business model, into operations and into the culture</p>	<p>Advancing in work to embed sustainability across NIKE’s business and to invest in employees, engage them, and inspire ideas and ignite innovation</p>	<p>HARDWIRE Hardwire sustainability in the way we do business. Created the NIKE Sustainable Business Roadmap, which we will use to define and measure integration of sustainability across key business functions at the corporate and business-unit levels.</p> <p>MEASURE Measure the business value of sustainability</p> <p>CATALYZE INNOVATION Be a catalyst of sustainable innovation; create a common understanding of what it means to</p>	<p>1.7 Nike 2021: simulating sustainability</p> <p>To further develop NIKE leadership’s understanding of how thinking through the lens of sustainable innovation can help decouple the company’s long-term growth from constrained resources, the Sustainable Business & Innovation team created NIKE 2021. Using real data, innovations and market force trends, employees immersed themselves in a business simulation</p> <p>Fair Labor Association Sustainable Compliance Tool</p>
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		<p>integrate sustainability into the business.</p> <p>STAKEHOLDER ENGAGEMENT Participate in multi-sector efforts to drive system change and market transformation</p>	(see Manufacturing)
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Table 2 - Future aim and Targets for sustainable strategy

2. NIKE SUSTAINABILITY INDEXES SUMMARY

Considered Index (CI)

Value products environmental impact of committed areas such as waste, water, energy and toxins.

Footwear, Apparel and Equipment Indexes (FSI, ASI, ESI)

The NIKE FSI and ASI focusing on design are structured as follows:

NIKE Index	MSI Score	Manufacturing Waste	Manufacturing Solvent Use Score	Manufacturing Energy Use Score
FSI 100%	40%	30%	20%	10%
ASI 100%	60%	40%	-	-

Table 3- FSI and ASI indices

Materials Sustainability Index (MSI)

The MSI is in turn a measure of the environmental impacts of specific materials and material vendors based on a variety of environmental criteria such as the use of recycled material and organic content or the participation of the vendor to a Nike initiative like Nike Water program.

Manufacturing Index (MI) & Sourcing & Manufacturing Sustainability Index (SMSI)

The Manufacturing Index, used to select factories, is aligned to include the sustainability element through the scoring of the Sourcing & Manufacturing Sustainability Index (SMSI). Therefore sustainability is paired with quality, cost and on-time delivery. During FY12 and FY13 Nike continue to transform its selection process and relationships with contract factories grounding their decisions on credible, audited and measurable index factors. This is part of the integrated approach of sustainability into the business operations running.

Indexes also drive collaboration with partners and focus the interactions on tangible drivers. Finally by the inclusion of the sustainability factor in the MI, Nike ensures that all elements are equally factored into this Index with scope covering resources, business, worker health and safety, labour compliance, human resources management, lean implementation, energy and carbon management and other environmental issues.

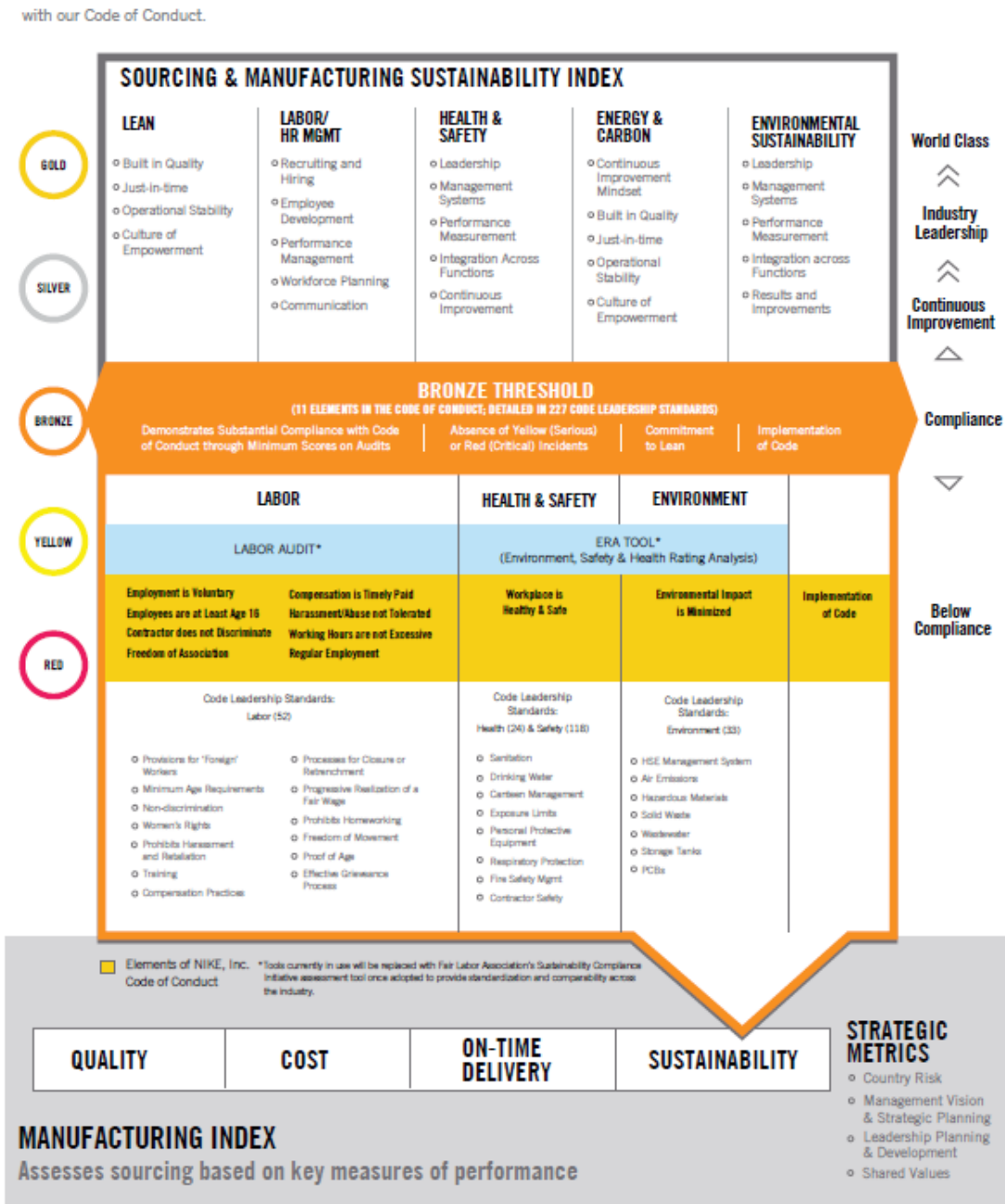
The MI measures contract factory performance delivering a consistent scorecard including cost, on-time delivery, quality and sustainability (25% each). Factories are then rated in 5 categories according to their scores (out of 100 points): red (<60), yellow (60-69), bronze (70-84), silver (85-94), gold (95-100). As of Bronze level, the organization is considered as compliant with Gold targeting World Class level.

The Country Risk Index (CRI) is part of the Manufacturing Index and contributes to assess the sourcing factor. Aside from risk assessment in terms of political & economic environment, infrastructure, it takes into account sustainability components such as water factors to reflect potential risks and impacts arising from water availability or water quality.

Source: Nike Sustainable Business Performance Summary – FY 2012/13

3. INDEX MEASUREMENT SYSTEM (COLORS)

Manufacturing Indexes (MI) & Sourcing & Manufacturing Sustainability Index (SMSI) are presented as in the Nike FY report:

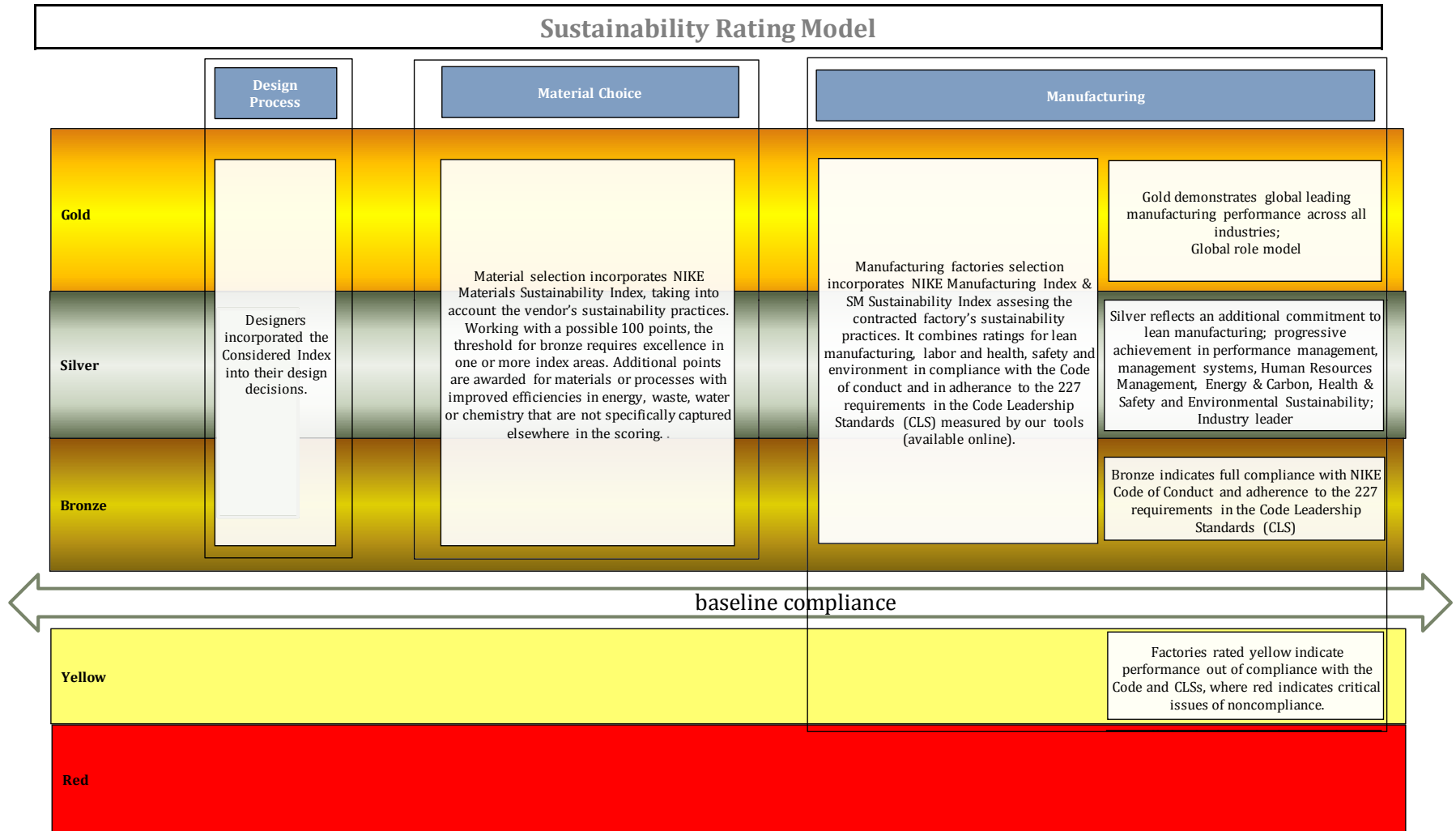


4. FACTORY RATING SYSTEMS AND TRENDS

FACTORY RATINGS AND TRENDS



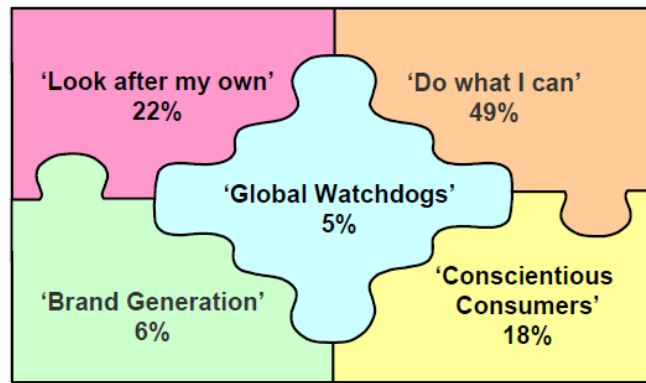
	FY11	FY12	FY13
Gold	0	0	0
Silver	0	0	<1% / 1
Bronze	50% / 441	70% / 639	68% / 535
Yellow	38% / 336	21% / 193	20% / 156
Red*	5% / 46	6% / 51	10% / 77
No Rating	7% / 59	3% / 27	2% / 16
TOTAL	100% / 882	100% / 910	100% / 785



5. FIVE CLUSTERS & PERSONALITY CHARACTERISATION

The following graphs shows how the author categorized respondents to the survey:

The Five Clusters



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³⁰ Ipsos MORI. "Ethical Consumerism Research". Survey, May 2000, p. 18

What do they do?

	Look after own (22%)	Do what I can (49%)	Brand Generation (6%)	Consc. Consumers (18%)	Global Watchdog (5%)
Recycled Bought local	✗	✓	✗	✓	✓
Talked to friends/family Recommended company Chosen responsible company Avoided unethical purchases	✗	✗	✓	✓	✓
Bought primarily on ethics Actively sought info. Felt guilty - unethical purchase Actively campaigned	✗	✗	✗	✗	✓

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³¹ Ibid., p. 19

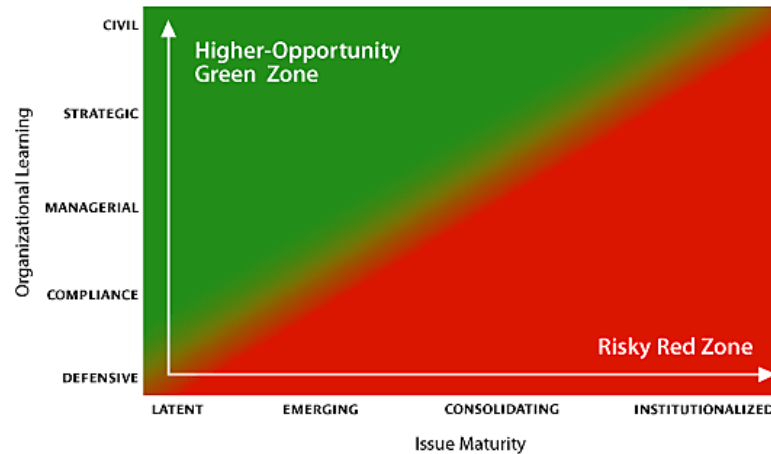
6. HBS EXPECTATIONS – TO BUSINESS ACTIONS

The Five Stages of Organizational Learning

When it comes to developing a sense of corporate responsibility, organizations typically go through five stages as they move along the learning curve.

STAGE	WHAT ORGANIZATIONS DO	WHY THEY DO IT
DEFENSIVE	Deny practices, outcomes, or responsibilities	To defend against attacks to their reputation that in the short term could affect sales, recruitment, productivity, and the brand
COMPLIANCE	Adopt a policy-based compliance approach as a cost of doing business	To mitigate the erosion of economic value in the medium term because of ongoing reputation and litigation risks
MANAGERIAL	Embed the societal issue in their core management processes	To mitigate the erosion of economic value in the medium term and to achieve longer-term gains by integrating responsible business practices into their daily operations
STRATEGIC	Integrate the societal issue into their core business strategies	To enhance economic value in the long term and to gain first-mover advantage by aligning strategy and process innovations with the societal issue
CIVIL	Promote broad industry participation in corporate responsibility	To enhance long-term economic value by overcoming any first-mover disadvantages and to realize gains through collective action

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The Four Stages of Issue Maturity

Pharmaceutical company Novo Nordisk created a scale to measure the maturity of societal issues and the public's expectations around the issues. An adaptation of the scale appears below and can be used by any company facing any number of societal issues.

STAGE	CHARACTERISTICS
LATENT	<ul style="list-style-type: none"> Activist communities and NGOs are aware of the societal issue. There is weak scientific or other hard evidence. The issue is largely ignored or dismissed by the business community.
EMERGING	<ul style="list-style-type: none"> There is political and media awareness of the societal issue. There is an emerging body of research, but data are still weak. Leading businesses experiment with approaches to dealing with the issue.
CONSOLIDATING	<ul style="list-style-type: none"> There is an emerging body of business practices around the societal issue. Sectorwide and issue-based voluntary initiatives are established. There is litigation and an increasing view of the need for legislation. Voluntary standards are developed, and collective action occurs.
INSTITUTIONALIZED	<ul style="list-style-type: none"> Legislation or business norms are established. The embedded practices become a normal part of a business-excellence model.

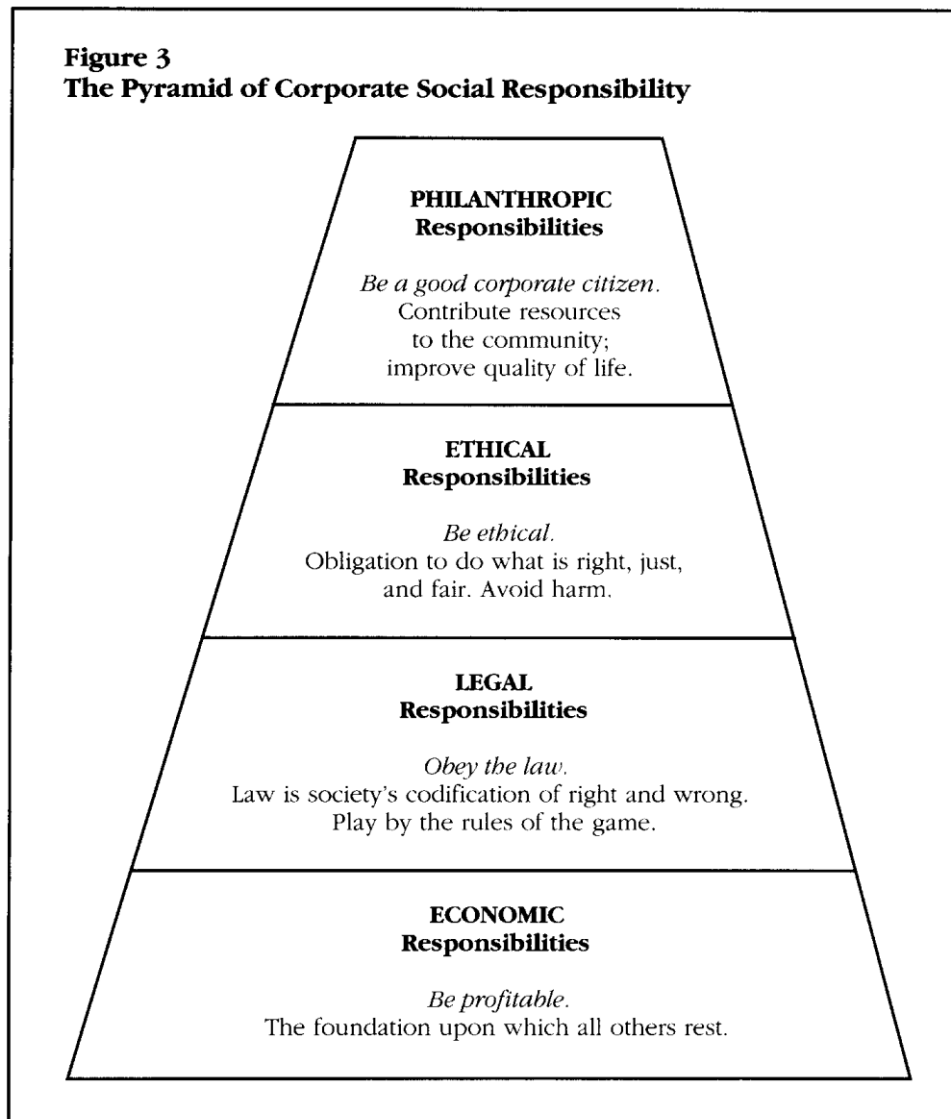
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In the framework “The Five Stages of Organizational Learning”, as sustainability issues are being more and more institutionalized – mature – legislations and business norms are established, and sustainability becomes part of ‘normal’ operations. To address the rise in expectations and thus the maturity of the issue, the study shows that companies are compelled to integrate more and more.

In the framework, there are “Four Stages of Issue Maturity” for a particular issue. For instance for an issue in a latent stage, only NGO’s and activist communities will be aware of it, and thus little will be done in the business community to address it. Conversely, a consolidated societal issue will be known and acknowledged by the majority, and thus will be subject of extensive business voluntary actions and collective efforts.

This is observed in practice as publicly acknowledged societal issues such as climate change, pollution, child labour, workers’ rights are currently being addressed by CSR initiatives of most companies. Accordingly, company’s efforts to “go green” and the need for better labour conditions are the ones with the highest expectations (Cone Com, 2012).

7. THE PYRAMID OF CORPORATE SOCIAL RESPONSIBILITY



Source: adaptation from Carroll, A. B. "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders", *Business Horizons* 34(4), July-August, 1991, pp. 39-48

8. TYPES OF COLLABORATION: COLLABORATIVE FRAMEWORK

Collaboration Framework	Internal Nike	Private/Industry Sector	Public Sector	Civil Society
Partnership	<ul style="list-style-type: none"> Multi-brand: Converse Hurley Nike 	<ul style="list-style-type: none"> bluesign® 	<ul style="list-style-type: none"> LAUNCH Cut Energy Create Active Schools/Lead by Example 	<ul style="list-style-type: none"> Girl Effect Hub collaboration (UK Department for International Development) Nike U with Harvard Creative Active Schools
Create/join Multi-stakeholder Organizations/Movement making	<ul style="list-style-type: none"> Dedicated Vietnam training centre (staff) Manufacturing Leadership Forum 	<ul style="list-style-type: none"> ZDHC coalition SAC dedicated Vietnam training centre (contracted factories) FLA 	<ul style="list-style-type: none"> LAUNCH 	<ul style="list-style-type: none"> Designed to Move Georgetown University and RoundPegg, Nike Foundation The Ecology Centre LIVESTRONG Foundation Forum for the Future
Common voluntary Standards & Reporting	<ul style="list-style-type: none"> CLS Contracted factories FLA compliance tool Shared Sustainable Indexes (FSI, ASI, MSI, etc.) 	<ul style="list-style-type: none"> FLA compliance tool MSI as core part of the cross-industry Sustainable Apparel Coalition's Higg Index. Better Cotton Initiative (BCI) standards 	<ul style="list-style-type: none"> MSI for public use Cut Energy 	<ul style="list-style-type: none"> Inclusion Index Forum for the Future (guidance)

Table 4 - Collaborative Framework

9. COMMUNICATION'S BEST PRACTICES – THAT INCREASE CREDIBILITY

A large body of research focused on identifying best practices for communicating CSR more effectively and minimizing the risk of backlash (e.g. Bhattacharya & Sen; Skärd & Thorbjornsen; Forehand & Grier; Wagner & Lutz etc.; Becker-Olsen et al.; Du et al., 2010). Mainly, research is generally spread over two dimensions of CSR communication: message content (e.g. type of initiatives, motives) and message channels (e.g. corporate website, CSR reports). In other words, 'what' and 'how' to communicate (Du et al. 2010). As an illustration, the type of communication channels used to disseminate CSR influences its credibility: the more controllable the channel³² (by the company) the less credible or trust-worthy it is (Bhattacharya and Sen, 2010). Another study shows that it is better to use a reactive rather than pro-active³³ CSR communication strategy to minimize the risk of creating negative perceptions of its CSR and prevent the company from losing trust (Wagner & Lutz, 2009). By these few examples, we understand how communication has to be carefully planned to minimize backlash, and ultimately to make it a tool to increase CSR credibility.

More generally, a recent research found that the most important factor to convey a credible CSR is through transparency and honest presentation of facts (i.e. no intentional omission of negative information) (Kim & Ferguson, 2014).

³² *Company-controlled channels include media channels, annual reports, advertising, brochures, corporate website etc.*

Uncontrolled channels include forums, blogs, news media, non-controlled social-media etc.

³³ *Proactive strategy: when the firm's CSR statements precede a conflicting observed behaviour*

Reactive strategy: when the firm's CSR statements follow observed behaviour