

Nike's Relation with Non-government-organizations: The Social Responsibility and Its Re-evaluation

Wangzhe Jin^{1,*}

¹Shanghai Weiyu International School, Shanghai, China

*Corresponding author. Email: guanghua.ren@gecademy.cn

ABSTRACT

In recent years, researches focus on relationships between business and human rights have been increasing. Nike, not only as a multinational business but also as a public limited business, should be socially responsible for society and be responsible for sustainable development. Non-government-groups, have the greatest influence on environmental policy, and the development of human rights. In these issue areas, they use the media and lobbying of individual governments, businesses to set the U.N.'s agenda. Scholars have made some academic achievements on some of the policies and rules in international relations and the substantive performance of Nike. This paper takes "mutual influence between Nike and NGOs" as an example to explain the relations between Nike and some non-government-groups through media, websites and essays, with discussion and reflection of such symbols at the end.

Keywords: NGOs, Nike, International relations

1. INTRODUCTION

In contemporary society, more people are looking at an ethical business. Nike, like a well-known multinational corporation, in which action they do to improve its reputation, and help them be more ethical. Nike, Inc. is an American multinational corporation that is engaged in the design, development, manufacturing, and worldwide marketing and sales of footwear, apparel, equipment, accessories, and services. The company is headquartered near Beaverton, Oregon, in the Portland metropolitan area. It is the world's largest supplier of athletic shoes and apparel and a major manufacturer of sports equipment, with revenue over US\$37.4 billion in its fiscal year 2020 (ending May 31, 2020). As of 2020, it employed 76,700 people worldwide. In 2020 the brand alone was valued at more than \$32 billion, making it the most valuable brand among sports businesses [1].

The non-governmental organization, simply known as NGO, is an organization that is, generally, formed independently from the government. They are typically nonprofit entities, and many of them are active in humanitarianism or the social sciences; they can also include clubs and associations that provide services to their members and others. Surveys indicate that NGOs have a high degree of public trust, which can make them a useful proxy for the concerns of society and stakeholders [2, 3].

Non-government organizations are the influencers to the businesses, especially for those multinational cooperations. Most of those businesses' objects are not simply to survive, but broader influence to the consumers and better reputation. Non-government organizations can impact consumers through publicity, some of the publicities are good, which would leave a good impression on the consumers, others may damage sales of products or profits of the business, which would ruin their brand. As a result, Nike would spend many of its profits to maintain a good relationship with those famous non-government organizations, such as Better Cotton Initiative, International Olympic Committees, and the marriage equality committee in Oregon.

Some scholars hold that cooperations are having the majority impact on organizations, which indicates businesses would choose to become certain non-government organizations' sponsors, instead of every NGO. The truth is that the NGOs and businesses are chosen by each other, it's a two-way selection, instead of a one-way selection. Those organizations need a famous company, like Nike, to make groups well known by the world, and Nike need those good disseminate from those renowned non-profits groups as well.

It is partly deemed that the influences between Nike and non-profit groups are always been misconceived as individual impact, that only NGOs affect Nike, the truth is that this is two-way impact by achieving a win-win

situation, that both benefits organizations and Nike.

These three points would be elaborated on in the following paragraphs by using methods of material arrangements and media information. Understanding neutral scholars' essays and researches about the relation between non-government organizations and multinational companies, some discusses focus on human rights and ethical decisions and deliberates about public policies, then summarize and analyze those points and give the conclusion.

2. NIKE'S SELF EVALUATION AND ITS DEVELOPMENTAL GOALS

2.1. *the history*

The athletic wear industry has expanded explosive growth over the past 30 decades. Nike, as a famous multinational company, should be considered to have social responsibility. Nike has improved its social responsibility in many ways, such as supporting certain minorities' groups, improving the supply chain, using high technology to the raw materials used in making sportswear, caring about human rights, and responding to certain issues about human rights that it once was believed to destroy [4-6].

This multinational cooperation does not do so well in human rights. In 1996, Life magazine published a story that included a photograph of a child stitching footballs that carried the Nike logo. There is some evidence that the photo was staged since it showed inflated footballs while in reality the balls were shipped uninflated. It didn't matter. The picture was a powerful visual for a situation that was shown to genuinely exist. The company's reputation suffered and the first of many protests began to take place. By 1998, the company accepted it needed to take responsibility. Phil Knight admitted "the Nike product has become synonymous with slave wages, forced overtime and arbitrary abuse." It was going to be a longer journey than they might have imagined. Nike and child labor had become indelibly linked to the public consciousness.

In 2002, Nike was persecuted by the World Trade Organization because of using child labor in Pakistan. Pakistan has a per capita income of 1900 dollars per year, which means the average daily income is only about 5 dollars per day, with the accelerating inflation worldwide, it's almost impossible to survive in that situation, so Nike's child labor is spread all over Pakistan and has a great impact through Pakistan [7]. After 2002, Nike has been widely known as the "sweatshop factory". During that period, Nike does not have a good reputation and does not remain a good relationship With those symbols of justice and human rights.

Things have changed in 2006, Nike was named top 10 for social responsibility reporting though with lots of

questions. After being named in the top 10, Nike has improved their relations with those NGOs especially in sustainable development and human rights.

Those symbols of sustainable development care mostly about raw materials since animal rights and biodiversity are all based on those raw materials used. As an old saying goes, "No business, no harm." so many social groups would care about this a lot. Nike, as a good example of raw materials choosing, is very environmentally friendly. Research done by Ohio State University showed that Nike widely uses those six makings to make their sportswear, are polyesters, rubber, Eva foam, cotton, synthetic leather, and leather has LWG certification. 19 percent of the polyester Nike uses is recycled. Nike helped recycle 82 million plastic water bottles to make polyester out of. Well over 70% percent of Nike's shoes now use environmentally preferred rubber. Nike released their environmentally preferred rubber in 2002, this altered rubber is made by incorporating more benign accelerators and plant oils, they also adjust the processing. Eva foam is a very environmentally friendly material used in many shoes. EVA stands for Ethylene Vinyl Acetate. Eva Foam is one of the most efficient and cheap materials that Nike uses in their shoes. Cotton is also the main material Nike uses during the production of shoes. Nike is proud to say that they are using more and more organic cotton every year and plan to keep this trend going. Organic cotton means that it is cultivated without chemical pesticides, no fertilizer, or defoliants. Nikes plan is to have at least 10% percent of organic cotton in all of their appeal that contains cotton by 2015. Synthetic leather is also used often in Nike products, which is a man-made fabric that is made to look and feel like real leather but functions better than real leather. Nike uses synthetic leather in many of its products because it is cheaper than real leather, tends to be more breathable, and is easier to clean. Nike also uses real leather that is LWG certified. Nike is one of the world's largest users of white leather and teams up with tanners, suppliers, and other distributors to be most efficient. Nike does not believe in harvesting leather from animals in the Amazon particularly for this circumstance they believe that it is contributing to deforestation but before 2011 they were using leather taken from the Amazon [8].

Nike has improved the supply chain in both two ways, one is within the company, another is outside the company, which is known as factory level [9]. Within the company, Nike has changed the organizational structure to better respond to sustainability. Nike uses the atria structure to support multiple departments' work. Employees at every department should take responsibility for certain sustainability and can give out their own opinions to the department. Also, to improve staff's obligation, Nurses the accountability, Demonstrates that everyone should be responsible for their own part, which can help sustainability better carry

out. Nike's senior director, Andrew Ogilvie said that "We have integrated sustainable innovation within Nike's growth strategy and, as a result, we have found leverage points within our matrix to accelerate change." In addition to making this more efficient, Nike also uses Cross-department scorecards to stimulate motivation. Outside the company, in the factory, Nike uses lean production to increase efficiency and decrease waste. The meaning of lean production is techniques used by businesses to cut down on waste and therefore increase efficiency. This waste includes raw materials waste and downtime waste. This is not only used for increasing productivity but also used to improve sustainability, which reduces raw material waste and can decrease electricity waste during downtime. In the factory, Nike also welcomes those experienced employees, since those staffs are familiar with the procedures, which is very suitable for those flow production. (Flow production means that large quantities of a product are produced in continuous processes.) Nike would categorize factories into five categories based on the score. Five categories are gold, silver, bronze, yellow, and red. Only those with gold, silver, or bronze would have a chance to become Nike's suppliers. Well-performing suppliers also help Nike do well on implementations of lean products and energy management. Finally, this can increase workers' satisfaction and gain a better business performance. In addition, several recent product design innovations have been successful. In 2010, World Cup football shirts were made from recycled plastic bottles and developed using the Nike Materials Sustainability Index, which enables product creation teams to select environmentally better materials. More recently, Nike's Flyknit technology was used to deliver lighter shoes for runners that use fewer materials. The shoe uses "essentially a single thread". Since the one-piece upper does not use the multiple materials and material cuts used in traditional sports footwear, the shoe reduces both waste and cost.

2.2. the human-right decision

In 2021, in March, H&M, Nike, Adidas was reported to refuse and boycott the use of Xinjiang cotton. The particular reason for this circumstance is some NGOs alleged forced labor in Xinjiang. To understand this decision made by Nike, the truth of this issue is very essential. On March 24th, H&M officially announced that H&M would not use Xinjiang cotton due to forced labor of cotton picking in Xinjiang. On the evening of March 24th, Nike and Adidas also announced separately on their overseas website that they would no longer use Xinjiang cotton. The trigger for the incident was an NGO called Better Cotton Initiative (for short call it BCI) which is a leader of cotton justify organization. As a result, much multinational company has joined this pressure group. Consequently, when BCI announced that Xinjiang has forced people to pick cotton and boycott it, many frontline companies also boycott cotton from

Xinjiang. Most of the time, companies are just the executor of an NGO.

The beginning of this issue is because a worker who live in Xinjiang and worked for the cotton-picking was not satisfied with his job, so he choose to call BCI, than BCI has an announcement that the Xinjiang government was forcing labor, using those minorities with low payments and difficult work in cotton picking.

As a neutral scholar, though China government has announced that BCI smeared the story. Those multinational companies that choose to claim that they won't use cotton from Xinjiang may have another explanation. Because refusing to use Xinjiang cotton means they would lose China's market share, with many powerful and aggressive competitors. For a company is unwise and unprofitable. So the definition of NGOs should be clear: non-government organization is an organization that is, generally, formed independently from government. The goal of an NGO may be similar to a government, as China's mainstream media claims that BCI was supported by foreign governments.

Therefore, why is BCI holding on to the Xinjiang issue? The particular two reasons for this circumstance are minorities and human rights. As minorities, those Xinjiang minorities do not have a strong sense of national identity, and in the western culture, those minorities usually can not maintain their basic rights in rural areas. As in most western countries, human rights and liberty are the most essential things they care about, while for Chinese culture, it's not. Taking trafficking as an example, for westerners, they can not imagine a person could be trafficked into a rural village and everyone in the village was concealing his or her tracks. In China, though it's now safe in a city or urban area, in a rural area, it's still very unsafe in that rural area, since people who live in one village would hide your track to the police, which is unreasonable for westerners. In Xinjiang's issue, with some exaggerations from BCI, the government of Xinjiang indeed has decent human rights of that person. As a result, many front stream companies announced not using Xinjiang cotton. So do Nike. Human rights for western people, especially for those large multinational companies weigh greater and more important than profits and market shares. As a famous multinational company, Nike cares about human rights more than just profits, the certain reason is caring about human rights can help a company to benefits in long term. Nike believes it can last for a very long time, so they would choose to give up some profits to make their belief strong. So at the very beginning, Nike stood its ground. For a company, this may not be a good decision, but for social responsibility, this may be good. It choose to stand for human rights, after knowing the truth, also to maintain profits, they also announced that cotton from Xinjiang is very good.

3. DISCUSSION

In these two issues, Nike's position and approaches are completely different. Nike was in different positions during those two issues. For the first issue, in which Nike was persecuted by NGOs and workers' organizations, it did not consider having good relation with those ethical groups. This was not only a lose-lose situation for Nike but also for non-government organizations. At that time pressure groups do not have much power on changing companies' decisions by using boycotts, propaganda methods. The particular reason for this circumstance is that the Internet and the message transition were not so efficient and have many limitations, such as distance limitation and time limitation, which has only a few people would know those messages on time, instead of out of time. Situations are different now. With the development of the internet and different social media, if a company is not ethical, this would spread quite fast around the world. So in 2002, this labor issue did not affect Nike a lot, at least now. Another issue, is a good issue for Nike, since this issue is about proper labor, Nike has to stand in a different situation from where they did before. In BCI's issue, Nike stands by its position as a human rights defender, at the risk of losing profits and Chinese market share, to protect human rights. As a multinational company, its object is not just to survive but to leave a good impression and have a better reputation in society [10]. For the BCI issue, Nike's choices impact its market share a lot, since Nike's opponent, China's government expressed its displeasure. On March 24th, Nike's market share in China decreased 11 percent by the propaganda from Chinese government. Nike still has some help after receiving the pressure from Chinese government and doing something to improve their profits. Nike later announced on the social media that Xinjiang cotton is of high quality, if have a chance, they would use Xinjiang cotton. After this announcement, the Chinese government does not ask citizens in China to boycott Nike. At this term, Nike actually achieves a win-win situation with BCI and its profits. Now think of Nike, the impression about sweatshops seemed to be not existed, and many people and workers would think that Nike is a protector for human rights and workers' rights.

4. CONCLUSION

This study has presented the complete discussion toward Nike's relation with NGOs and the Xinjiang cotton issue. Nike's economy of value has decreased during March due to the boycotting of cotton from Xinjiang. With the government's displeasure, the Chinese government propaganda this online and ask citizens not to buy Nike. After knowing the truth, Nike did something to remedy, including disseminating the goodness of Xinjiang cotton. The pressure Nike faces from the political field is the key to the understanding of

its relationship with NGOs. This great and reputation-based fashion and sports company has a great ambition both in its economic success and its self-identification as a human value protector. The reunion of Nike and NGO is helpful to defend Nike's enterprise value in human rights especially when it comes to struggle with political powers. By implying that the company is always with the poor, the oppressed and the miserable, Nike has built itself in the holy shrine that government and political power cannot condemn.

REFERENCES

- [1] Porteous, Angharad, and Sonali Rammohan. "Integration, incentives and innovation Nike's strategy to improve social and environmental conditions in its global supply chain." Stanford Institute for the Study of Supply Chain Responsibility, Stanford, CA (2013).
- [2] King, Alan L. "The Market Performance of Diversified and Non-Diversified Organizations within the P-L Insurance Industry." *The Journal of Risk and Insurance* 42, no. 3 (1975): 471–93.
- [3] Ogunseye, Bolaji. "Inside the NGO: Dilemmas of Their 'Way of Doing.'" *The Voluntary Sector and Sustainable Development in Africa: NGO Dilemmas*. International Institute for Environment and Development, 1997.
- [4] Browne, Jaron. "Rooted in Slavery: Prison Labor Exploitation." *Race, Poverty & the Environment* 17, no. 1 (2010): 78–80.
- [5] WOKUTCH, RICHARD E. "NIKE AND ITS CRITICS: Beginning a Dialogue." *Organization & Environment* 14, no. 2 (2001): 207–37. <http://www.jstor.org/stable/26161576>.
- [6] BOJE, DAVID M. "THE SEXUAL POLITICS OF SNEAKERS: 'Common Ground' and Absent-Referent Stories in the Nike Debate." *Organization & Environment* 14, no. 3 (2001): 356–63. <http://www.jstor.org/stable/26161671>.
- [7] Locke, Richard M., Fei Qin, and Alberto Brause. "Does monitoring improve labor standards? Lessons from Nike." *Ilr Review* 61.1 (2007): 3-31.
- [8] A resource list retrieved from <https://u.osu.edu/nikeshoes/raw-materials/>
- [9] Doorey, David J. "The Transparent Supply Chain: From Resistance to Implementation at Nike and Levi-Strauss." *Journal of Business Ethics* 103, no. 4 (2011): 587–603. <http://www.jstor.org/stable/41476046>.
- [10] Falt, Eric. "Sport and the Environment." *Environmental Health Perspectives* 114, no. 5 (2006): A268–69. <http://www.jstor.org/stable/3651010>.