

We see the evolution of our approach in terms of generations. In Generation I we set standards. In Generation II we developed tools and methods to monitor those standards. Each generation was a stepping stone to the next and delivered vital learning and experience for all stakeholders.

Both generations held promise of change that, to date, has been only partially realized. While we see on-the-ground improvements — examples of best practice and enduring work in the industry that changes conditions on a daily basis for workers — the promised systemic change has not yet occurred. Across the industry we continue to see systemic issues affecting workers’ rights.

This insight led to our FY04 report, a watershed for us. We consolidated and shared our data. Industry data solidified our assessment that Generations I and II were not yielding the anticipated systemic change. This signaled the evolution of our Generation III approach, which we have implemented during the past two years.

Generation III is what we call responsible competitiveness. While monitoring continues to be a cornerstone of our approach, we are taking a broader, more holistic look at our supply chain, focusing on

root cause identification and solutions that will drive systemic change. This evolution in our approach is the result of key learnings, some of which we outlined in our FY04 report. First, we know that monitoring by itself is not the answer. Monitoring sheds light on the issues, but not show how to solve them. It gave us a look back at incidents, but didn’t inform us of real-time system failures. Traditional monitoring audits the symptoms, not the causes.

Comprehensive monitoring in and of itself will not result in sustainable improvements for workers.

Second, secrecy around contract factory locations in supply chains — an inherited wisdom within the industry that locations are competitive information — led to a lack of cooperation between buyers and was responsible for massive wasted resources across the industry. The brands risked becoming caught in a never-ending cycle: placing all resources into monitoring supply chains would not allow them to focus resources on systemic change approaches.

We’d all be too busy monitoring the issues to actually solve the problems.

Chart 3
Compliance Generations at Nike

