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# Moving Beyond Boycotts: Strategies for Shared Responsibility in the Collegiate Apparel Industry

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# Moving Beyond Boycotts: Strategies for Shared Responsibility in the Collegiate Apparel Industry

Scott P. Kelley, Ph.D.

## Abstract

The 2013 factory collapse at Rana Plaza in Bangladesh is a painful reminder that labor issues in the apparel industry are abundant and troubling. Catholic colleges and universities (CCUs) are confronted with the reality that many apparel manufacturers can operate in stark contrast to the vision of economic justice found in Catholic social thought (CST). In response, activists on CCU campuses have demanded that CCUs boycott apparel manufacturers that they believe to be in violation of their school's values. While activism can draw much-needed attention to problems in the industry, it can be a problematic response. While CST offers principles of economic justice, it does not offer a blueprint for managing a supply chain, running a company, or buying goods. This paper identifies five strategies for CCUs to exercise moral responsibility in the apparel industry: protest, boycott, develop market capacity, develop management capacity, and develop capacity for systemic change.

## Introduction

Kalpona Akter, executive director of the Bangladesh Center for Worker Solidarity, has the talent for maneuvering her way into Bangladeshi garment factories after a tragedy to take pictures of labels and clothing scraps. She was a garment worker herself who has now taken on the role of intelligence gatherer to inform an army of activists in the United States.<sup>1</sup> After the collapse of an eight-story building at Rana

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<sup>1</sup> Sarah Stillman, "Death Traps: The Bangladesh Garment-Factory Disaster," *The New Yorker Blogs*, May 1, 2013, <http://www.newyorker.com/online/blogs/newsdesk/2013/05/death-traps-the-bangladesh-garment-factory-disaster.html?mobify=0>

Plaza near Dhaka, Bangladesh killed approximately 1,100 workers on April 24, 2013, Akter was eager to shine the spotlight on the brands that contributed to the perfect storm of negligence, apathy, and disregard for local law that led to the disaster. Not long after the tragedy, Pope Francis called the working conditions at the site “slave labor,” an utter violation of the principles of Catholic social thought (CST).<sup>2</sup> Unfortunately, the incident at Rana Plaza is but one tragedy in a sea of labor rights abuses in the apparel industry. For anyone who cares to observe, there is little doubt that the pains of globalization are abundant and troubling, particularly when it comes to worker rights. Frequent communications from labor rights monitoring organizations like the Worker Rights Consortium (WRC) paint a grim picture of forced labor, union suppression, underage workers, and horrific, preventable workplace catastrophes that have claimed thousands of lives.<sup>3</sup>

Seeking to confront labor abuses in the collegiate apparel industry, campus activism at Catholic colleges and universities (CCUs) brings attention to the troubling disconnect between the principles of CST and the working conditions of many who labor in the apparel industry. CCUs that put their logo on collegiate apparel have a real responsibility to ensure that apparel manufacturers are creating working conditions that are consistent with CST principles, otherwise there is a glaring gap between CST in principle and the reality of working conditions in the collegiate apparel industry, a gap that motivated Jim Keady to resign as assistant soccer coach from St. John’s University in Queens, New York in protest of Nike’s sponsorship in the late 1990s.<sup>4</sup> Keady has been making news headlines since, trying to make Nike more accountable for the working conditions in its supplier factories and sounding the alarm of worker rights in prominent media outlets. He founded the non-profit organizations Team Sweat and Educating for Justice that have created various reports and videos, and he travels the country giving talks at CCUs and Catholic high schools. He always challenges Catholic schools to confront Nike as a corporation that completely violates the principles of CST. His efforts appear to be having some success: Fr. Ryan High

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<sup>2</sup> Agence France Presse, “Pope Francis Condemns ‘Slave Labor’ In Bangladesh: ‘Goes Against God,’” *Huffington Post*, (2013) [http://www.huffingtonpost.com/2013/05/01/pope-francis-slave-labor\\_n\\_3191288.html](http://www.huffingtonpost.com/2013/05/01/pope-francis-slave-labor_n_3191288.html)

<sup>3</sup> For a database of factory investigations see Worker Rights Consortium, “Factory Investigations” at <http://www.workersrights.org/Freports/index.asp#freports> and “Archive of Communications to Affiliate Colleges and Universities” available at <http://www.workersrights.org/university/memo/>.

<sup>4</sup> Team Sweat, “About,” <http://www.teamsweat.org/about/>.

School in Tennessee decided to go “brandless,” placing a Jerusalem Cross over the brand on the school’s jerseys and outerwear.<sup>5</sup>

Keady’s argument is an important one because it challenges CCUs to take CST seriously as part of their institutional mission. Although his focus is on collegiate apparel, the same argument could be made for human resource practices, endowment management, and many other areas of modern institutional life. On the surface, Keady’s work may appear to be the kind of inspiring activism that is likely to bring about systemic change in an industry that has long been criticized for its exploitative practices. On closer analysis, however, there are some significant problems with this kind of campus activism as the primary approach to supply chain reform in the collegiate apparel industry. To begin with, CST is not a blueprint for managing a global supply chain, running a company, or buying goods. It often lacks mid-level thinking, making it very difficult to draw a direct line from CST in principle to a particular business practice. Thorny questions of implementation are rarely addressed in any systematic way<sup>6</sup>: Who determines the exact value of a “living wage”? By what process should they determine it? Who should monitor supplier factories for compliance and at what cost? What is an appropriate response to supplier factories that fail to meet compliance standards? These are the kinds of questions that make curbing labor violations in a globalized supply chain extremely difficult. As St. Augustine reminds us, we live in the *civitas perplexae*, a state of perpetual entanglement between the ideal vision of the City of God and the troubling realities of the Earthly City. CCUs may never completely resolve problematic labor conditions, but they can certainly participate in the collegiate apparel market with a principled commitment to improve the lives of apparel workers.

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<sup>5</sup> Team Sweat, communication sent to subscribers on August 28, 2013.

<sup>6</sup> The concept of a living wage has been a prominent dimension of CST for over a century, if not longer, but the principles of CST are best viewed as “prudential guidelines” as Pope Paul VI notes in section four of *Octogesima Adveniens*. The lack of universal “principles of reflection, norms of judgment and directives for action” have lead some Catholic business ethicists to conclude that CST lacks “middle level thinking.” Operationalizing CST is a daunting challenge, in part, because the principles of mid-level thinking have yet to be fully developed. This is an important area for further analysis, but one that is outside the scope of the argument in this paper. See Dean Maines and Michael Naughton, “Middle Level Thinking: The Importance of Connecting and Mediating Catholic Social Thought, Corporate Social Responsibility, and Business Practice” available at <http://www.stthomas.edu/cathstudies/cst/conferences/thegoodcompany/Papers/00POSITION%20Paper%20MLT.pdf>

## Toward Responsible Strategies for Wicked Problems

The Compendium of Catholic Social Doctrine fully recognizes that “[T]he relationship between labour and capital can show signs of antagonism (sec. 279),”<sup>7</sup> echoing the findings of labor rights monitoring organizations like the Worker Rights Consortium that believe labor problems in the collegiate apparel industry are global and industry wide. The conditions frustrating the pursuit of a living wage and worker rights are *wicked* problems: They are pervasive, multi-causal, dynamic, socially complex, have no clear solution, are the responsibility of many actors in a system, and potential solutions can often have unintended consequences.<sup>8</sup> Because the problems of supply chain management are wicked, Simon Zadek finds five distinct stages of corporate response in “The Path to Corporate Responsibility”: In the *defensive* stage, the corporation denies problematic labor practices, outcomes, or responsibilities; in the *compliance* stage, the corporation adopts a policy-based compliance approach as the cost of doing business; in the *managerial* stage, the corporation embeds the societal issue in its management process; in the *strategic* stage, the corporation integrates the societal issue into its core business model; and at the *civil* stage, the corporation promotes broad industry participation in corporate responsibility.<sup>9</sup> Depending on which stage of responsibility a corporation inhabits, CCUs should be attuned to how they can best intervene in the value chain ecosystem.

### *Strategy One: Protest*

In the defensive stage of corporate responsibility, Zadek argues, the company faces unexpected criticism from civil activists, the media, or direct stakeholders such as customers, employees, or investors. In the defensive stage, a company’s response to criticism of unjust labor practices tends to be legalistic in tenor and usually offers a meager defense that a particular incident didn’t happen or wasn’t the company’s fault. As Nike discovered in the late 1990s, students concerned with labor issues

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<sup>7</sup> Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, Libreria Editrice Vaticana, 2004, [http://www.vatican.va/roman\\_curia/pontifical\\_councils/justpeace/documents/rc\\_pc\\_justpeace\\_doc\\_20060526\\_compendio-dott-soc\\_en.html](http://www.vatican.va/roman_curia/pontifical_councils/justpeace/documents/rc_pc_justpeace_doc_20060526_compendio-dott-soc_en.html).

<sup>8</sup> Australian Public Service Commission, “ARCHIVE: Tackling Wicked Problems: A Public Policy Perspective,” accessed February 13, 2013, <http://www.apsc.gov.au/publications-and-media/archive/publications-archive/tackling-wicked-problems>.

<sup>9</sup> Simon Zadek, “The Path to Corporate Responsibility,” *Harvard Business Review* 82, no. 12 (2004): 125–132.

in the collegiate apparel industry began to organize and speak out. On the campus of the University of Oregon, the alma mater of former Nike CEO Phil Knight, concerned and protesting students achieved a “startling measure of power.”<sup>10</sup> As the anti-sweatshop movement spread to campuses across the country, it began to coalesce and organize as the United Students Against Sweatshops (USAS) in 1997. With affiliate groups on 150 campuses, it emerged as an effective, nationally coordinated campaign for economic justice.<sup>11</sup>

When Jim Keady and student activists across the country first began to draw attention to the labor conditions in Nike’s supplier factories in the late 1990s, they drew attention to an issue that had gone relatively unnoticed for some time and they created considerable public pressure to address it. As Stuart Hart describes in *Capitalism at the Crossroads*, Internet-connected coalitions of NGOs and individuals can band together as “smart mobs,” making it virtually impossible for large institutions to operate in secrecy.<sup>12</sup> Drawing attention to realities that some corporations are actively seeking to hide is a critical first step toward supply chain reform. Negative public attention can do considerable harm to a brand and it is through this kind of bold activism that the secrets of labor exploitation are brought to light.

Not long after the collapse of Rana Plaza in April 2013, Kalpona Akter began to collect from the site the labels of apparel makers to draw attention to the companies whose clothes were made under such shameful working conditions.<sup>13</sup> If local law enforcement efforts failed, then global brands could certainly change their behavior. The attention brought by USAS may well lead to systemic change: On June 3, 2013, less than sixty days after the factory collapse, the WRC announced that 43 brands and retailers had signed the Accord on Building and Fire Safety in Bangladesh, which requires participating companies to ensure compliance with fire and building safety codes, to accept public disclosure of inspection reports, to remedy all building code violations, and to sever business relationships with any supplier that isn’t

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<sup>10</sup> Liza Featherstone, “The Student Movement Comes of Age,” *Nation* 271, no. 11 (2000): 23.

<sup>11</sup> United Students Against Sweatshops, “About,” <http://usas.org/about/>.

<sup>12</sup> Stuart L. Hart, *Capitalism at the Crossroads: Aligning Business, Earth, and Humanity*, 2nd ed. (New Jersey: Wharton School Publishing, 2007), 20.

<sup>13</sup> Stillman, Sarah. “Death Traps: The Bangladesh Garment-Factory Disaster.” *The New Yorker Blogs*, May 1, 2013, <http://www.newyorker.com/online/blogs/newsdesk/2013/05/death-traps-the-bangladesh-garment-factory-disaster.html?mobify=0>.

compliant.<sup>14</sup> It is here where campus activism can be quite effective, bringing attention and public scrutiny to pressure brands that have not embraced the need for supply chain reform. Public outrage, usually after a tragedy like the one at Rana Plaza, is a necessary and effective tool for drawing attention to issues that are often hidden from public view; however, protest remains a very limited strategy because it is sporadic, reactive, and contingent on the right circumstances to grab news headlines. Rana Plaza received considerable attention in the media and on college campuses after April 2013, but a factory fire in Pakistan that killed 300 people the year before did not.

### *Strategy Two: Boycott*

As a corporation begins to fully grasp the considerable brand and litigation risk that often comes with low-cost suppliers, Zadek argues, it begins to operate in the *compliance* stage focusing on creating and enforcing codes of conduct. Compliance is framed as the cost of doing business in a particular region and mitigation of risk is the dominant mindset. If a brand does not appear to be making sincere efforts to remediate labor violations of its own code of conduct or local labor laws, universities can then “opt out” of a commercial relationship with the brand either by terminating an existing contract or not renewing one when it lapses.

Nike developed its own code of conduct in 1991 with principles similar to those created by industry-sponsored, multi-stakeholder, and independent monitoring efforts. Nike’s disclosure of all of its contract factories in 2005 marked a significant moment in the journey toward greater transparency, one that the broader apparel industry has yet to adopt.<sup>15</sup> Most brands do not disclose their contract factories, making it very difficult for independent monitors to assess labor conditions. Nike itself continues to monitor compliance at the factory level and discloses its monitoring results of all contract factories.<sup>16</sup> Despite its own internal efforts, there are still lingering doubts that a brand can effectively monitor its own supplier factories.

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<sup>14</sup> Worker Rights Consortium, “Updated on Bangladesh Worker Safety Breakthrough,” <http://www.workersrights.org/university/memo/060313.html>.

<sup>15</sup> David Doorey, “The Transparent Supply Chain: From Resistance to Implementation at Nike and Levi-Strauss,” *Journal of Business Ethics* 103, no. 4 (2011): 587–603.

<sup>16</sup> Nike, “Code of Conduct,” <http://nikeinc.com/pages/compliance>; “Corporate Responsibility Report,” <http://www.nikebiz.com/crreport/content/charts/chart-7-2.php>.

Around the time that USAS was being formed in the late 1990s, 17 colleges and universities joined an *industry-sponsored* effort, the Fair Labor Association (FLA), to monitor the apparel industry. Created in 1996 as the successor to President Bill Clinton's Apparel Industry Partnership, the FLA offered an alternative code of conduct and monitoring system that included participation from brands. In addition to industry-sponsored initiatives, there were other significant *multi-stakeholder* approaches that included industry representatives, NGOs, and trade unions, such as Social Accountability International (SAI) created in 1997 and the Ethical Trade Initiative (ETI) created in 1998. Using the International Organization for Standardization (ISO) methodology, SAI created the SA8000 standard as a substitute or complement to a brand's own voluntary code.<sup>17</sup> Despite these developments, industry participation in monitoring efforts did not satisfy protestors.<sup>18</sup> The campus activism of USAS gradually began to coalesce into a university-sponsored *independent monitoring initiative*, and in April 2000, the Worker Rights Consortium (WRC) was founded to assist universities with the enforcement of their labor rights codes of conduct. A number of CCUs are affiliate members of the WRC and FLA. Of the 194 U.S. members of the Association of Catholic Colleges and Universities, 23 are in the WRC, representing 12.7 percent of its 180 university affiliates; and 18 are in the FLA, representing 9 percent of its 200 university affiliates.

In the compliance stage of corporate responsibility, the focus remains on the creation and adoption of codes of conduct and monitoring to ensure that factories remain compliant. Reporting and communication from independent monitors can "sound the alarm" when a company appears to disregard or overlook serious labor rights violations. When informed by independent monitors, activism on CCU campuses can function like a central nervous system, detecting serious violations and building momentum across campuses to bring attention to it. When universities do not renew their contracts with a particular brand, the pressure can lead to significant change. After nearly two years of dispute, Russell Athletic reached an historic agreement with the former workers of Jerzees de Honduras<sup>19</sup> following the attention and activism generated

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<sup>17</sup> Laura Pincus Hartman, et al., *Rising Above Sweatshops: Innovative Approaches to Global Labor Challenges* (Westport, CT: Praeger Publishers, 2003), 104.

<sup>18</sup> Martin Van Der Werf, "Protesters Are Unswayed by New Effort on Labor Standards for College Apparel," *Chronicle of Higher Education* 45, no. 29 (1999): A48.

<sup>19</sup> Worker Rights Consortium, "WRC Update: Russell and Union Conclude Historic Agreement," <http://www.workersrights.org/university/memo/111709.html>.



by the WRC and USAS.<sup>20</sup> Concerns about supplier factories for Nike and Adidas followed a similar pattern, both of which eventually culminated in satisfactory remediation according to the WRC.<sup>21</sup>

While spot checks by independent monitors can and do serve an important function in the supply chain ecosystem, serious questions remain as to whether monitoring *of any type* can improve labor standards at all.<sup>22</sup> Take, for example, the April 2013 report from Stanford's Law School and the WRC titled "Monitoring in the Dark," which found that labor conditions in Cambodia had actually deteriorated over the last decade despite its reputation as a regional success story for ending sweatshops. Cambodia had enjoyed the reputation of sweatshop reform largely because of the International Labor Organization's Better Factories Cambodia (BFC) monitoring program.<sup>23</sup> While regulations and monitoring are vital, the problem of supply chain reform is not simply a function of creating new or better codes of conduct or more frequent and more exhaustive monitoring efforts, regardless of who does it, how they do it, or how often. Nike has argued that, for all practical purposes, it simply cannot "continuously and comprehensively monitor contract factories it does not own or manage."<sup>24</sup> The comment points to the wicked reality that problematic labor conditions have multiple causes, one of which is the sheer scale and diversity of manufacturing operations. An "opt out" strategy of boycott is effective for addressing the most egregious violations of codes of conduct, but it does not reward best practices or industry leadership. An "opt out" strategy is also unlikely to address the underlying market forces that create or exacerbate problematic labor conditions in the value chain.

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<sup>20</sup> Steven Greenhouse, "Labor Fight Ends in Win for Students," *New York Times*, November 18, 2009, sec. Business, <http://www.nytimes.com/2009/11/18/business/18labor.html>.

<sup>21</sup> Worker Rights Consortium, "WRC Update: Positive Resolution of Nike/Honduras Case," July 26, 2010, <http://www.workersrights.org/university/memo/072610.html>; Worker Rights Consortium, "WRC Update: Positive Resolution to PT Kizone Case," April 23, 2013, <http://www.workersrights.org/university/memo/042313.html>.

<sup>22</sup> R. M. Locke et al., "Does Monitoring Improve Labor Standards? Lessons from Nike," *Industrial and Labor Relations Review* 61, no. 1 (2007): 3–31.

<sup>23</sup> International Human Rights and Conflict Resolution Clinic, Stanford Law School, and Worker Rights Consortium, "Monitoring in the Dark: An Evaluation of the International Labour Organization's Better Factories Cambodia Monitoring and Reporting Program," February 2013, <http://www.workersrights.org/linkedddocs/Monitoring-In-The-Dark-Stanford-WRC.pdf>.

<sup>24</sup> Peter Alford, "One-Man Crusade to End Nike Sweatshops Pays Off," *The Australian*, January 21, 2012, 11.

*Strategy Three: Develop Market Capacity*

The flip side of the “opt out” strategy is the “opt in” strategy, by which universities can leverage their buying power for industry reform. Some estimates place the collegiate apparel industry around \$4 billion.<sup>25</sup> In the aggregate, consumers buy a large quantity of apparel that has a college logo on it. Like all institutions of higher learning, a CCU has a name, look, logo, symbol, design, slogan, character, or positioning that uniquely identifies and differentiates it from its many competitors, whether they are public, private, or for-profit. Just like corporations, institutions of higher learning also have a *brand*, the management of which is an increasingly important aspect of the modern university culture.<sup>26</sup> The relationship between CCUs and collegiate apparel brands should be seen through the lens of shared value creation, not merely through the lens of apparel manufacturer and customer.

Moving beyond protests and boycotts, CCUs can help develop *markets* that reward innovation in supply chain reform by leveraging their brands wisely. Unlike the style of activism that operates, almost exclusively, in a mode of protest against problematic corporate practice, CCUs—individually and collectively—can shape the larger apparel market by exhibiting a clear preference for best practices in the industry. Using any variety of “score cards,” independent or industry sponsored, CCUs can work to create a shared preferred vendor model that sends clear market signals in favor of labor rights, human rights, and environmental stewardship. As Steve New argues, “It is only through buyer-supplier interactions that pressure for improvement from end-consumers can be exerted back through the industrial system.”<sup>27</sup> Market pressure is only possible if CCUs endorse or create precise labor standards and manufacturing conditions that they judge to be compatible with CST; they must engage in the kind of mid-level thinking that is currently lacking. Business schools in CCUs can help define the nature

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<sup>25</sup> Howard Schneider, “University Logos Become Weapons in Debate over Textile Factory Working Conditions,” *The Washington Post*, May 28, 2013, sec. Business, [http://www.washingtonpost.com/business/economy/university-logos-become-weapons-in-debate-over-textile-factory-working-conditions/2013/05/27/503bbe06-c3da-11e2-8c3b-0b5e9247e8ca\\_story.html?wpisrc=emailtoafriend](http://www.washingtonpost.com/business/economy/university-logos-become-weapons-in-debate-over-textile-factory-working-conditions/2013/05/27/503bbe06-c3da-11e2-8c3b-0b5e9247e8ca_story.html?wpisrc=emailtoafriend).

<sup>26</sup> Kevin Carey, “The Brave New World of College Branding,” *The Chronicle of Higher Education*, March 25, 2013, sec. Commentary, <http://chronicle.com/article/The-Brave-New-World-of-College/138107/>.

<sup>27</sup> Steve New, “The Ethical Supply Chain,” *Understanding Supply Chains: Concepts, Critiques, and Futures*, abridged edition edited by Steve New and Roy Westbrook (Oxford University Press, USA, 2004), 254.

of corporate responsibility according to the long tradition of CST, analyze effective reform efforts, highlight best practices, and help increase demand for responsible sourcing.

As one example, the most notable living wage experiment in the collegiate apparel industry is Alta Gracia, a factory in the Dominican Republic developed by Joe Bozich, the CEO of Knights Apparel, in 2010.<sup>28</sup> Collaborating with the WRC, Knights Apparel opened Alta Gracia to see if the collegiate apparel market would support a factory that pays three times the prevailing minimum wage.<sup>29</sup> Alta Gracia is monitored frequently by the WRC, ensuring that its practices comply with the WRC code of conduct. While activists like Jim Keady point to Alta Gracia as a model of providing a living wage, the factory faces considerable headwinds and its viability as a business model is dubious. Alta Gracia has yet to break even and is subsidized by Knights Apparel, its parent company, which has factories in Bangladesh that do not pay the same standard of living wage as the one in the Dominican Republic.<sup>30</sup> Bozich believes there is an appetite for living wage apparel in the collegiate market, and universities like Georgetown are actively promoting the Alta Gracia brand as an expression of its commitment to worker rights.<sup>31</sup> Although the total size of the collegiate apparel market could be \$4 billion, it is not clear what segment, if any, is willing to absorb the price increases that naturally correlate with an increase in factory wages. Protesting against bad corporate behavior is one thing, paying more for apparel in a tight economy is another. If the market does not grow fast enough or large enough, Alta Gracia will be forced to close its doors. If market share increases sufficiently, however, the Alta Gracia venture will be viewed as an astute CEO recognizing a strategic business opportunity.

#### *Strategy Four: Develop Management Capacity*

At the managerial stage of corporate responsibility, according to Zadek, the company comes to realize that supply chain reform is a

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<sup>28</sup> Alta Gracia Apparel, “AG Education,” <http://altagraciaapparel.com/story>.

<sup>29</sup> Alta Gracia Apparel, “Change Lives,” <http://altagraciaapparel.com/story>.

<sup>30</sup> Jackie Northam, “Can This Dominican Factory Pay Good Wages And Make A Profit?” *NPR.org*, <http://www.npr.org/blogs/parallels/2013/06/20/193491766/can-this-dominican-factory-pay-good-wages-and-make-a-profit>.

<sup>31</sup> Howard Schneider, “University Logos Become Weapons in Debate over Textile Factory Working Conditions,” *The Washington Post*, May 28, 2013, sec. Business, [http://www.washingtonpost.com/business/economy/university-logos-become-weapons-in-debate-over-textile-factory-working-conditions/2013/05/27/503bbe06-c3da-11e2-8c3b-0b5e9247e8ca\\_story.html?wpisrc=emailtoafriend](http://www.washingtonpost.com/business/economy/university-logos-become-weapons-in-debate-over-textile-factory-working-conditions/2013/05/27/503bbe06-c3da-11e2-8c3b-0b5e9247e8ca_story.html?wpisrc=emailtoafriend).

long-term problem that isn't going away despite a brand's best efforts at compliance and public relations. At this stage, managers must be given core business responsibility for the problem and potential solutions, or what Waddock and Bodwell refer to as "total responsibility management."<sup>32</sup> With a clear code of conduct in place and full disclosure of its supplier factories, Nike began to carefully analyze why some factories would yo-yo in and out of compliance. The company began to understand that procurement incentives, sales forecasts, and inventory management often worked at cross-purposes with its code of conduct. The seasonal purchasing of the collegiate apparel market, the ebb and flow of demand, for example, poses a real challenge for regular compliance and long-term commercial relationships. The primary issue at the managerial stage, therefore, is not that a brand doesn't have a code of conduct in place, that it is trying to hide labor issues from the public, or that it isn't aware that factories don't always comply with a code of conduct. Rather, the core challenges are that factories function as *management ecosystems* that operate under considerable financial pressures, with differing codes of conduct from different brands, fear over public scrutiny, seasonal purchase orders, and a swirl of other factors that made perfect compliance extraordinarily difficult, if not impossible.

Judging from a supply chain management perspective, CCUs and campus activists must appreciate the complexities of managing a global value chain so they help identify solutions and intervention points. Nike is best viewed as a marketing and branding company that contracts with more than 900 factories it does not own and 1 million workers it does not employ in 50 countries that collectively create more than 500,000 different products, "each with its own environmental and social footprint."<sup>33</sup> In management language, Nike is not vertically integrated. Similar to the way that CCUs enter into contractual relationships between licensor (the CCU) and licensee (the brand), Nike contracts with factories to make products that bear the Nike logo. In this regard, Nike does not have direct control over the supplier factories that make its apparel, but rather exerts influence through its commercial relationships with supplier factories through its code of conduct. For companies that are vertically integrated, it is reasonable to expect a greater degree of knowledge and control over the manufacturing process; however,

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<sup>32</sup> Sandra Waddock and Charles Bodwell, "Philosophy Applied II: Total Responsibility Management," in Laura Pincus Hartman, et al., *Rising Above Sweatshops*, 119.

<sup>33</sup> Nike, Inc. "Manufacturing," <http://www.nikeresponsibility.com/report/content/chapter/manufacturing>.

even vertically integrated supply chains are by no means free from labor rights violations.<sup>34</sup>

At the most basic level, supply chain reform is about establishing feedback loops so that sourcing decisions are informed by factory working conditions. This is no simple task. Nike uses an array of auditing and monitoring tools to establish feedback loops and provide timely information about its supplier factories. MAV (Management Audit Verification) is an auditing tool to help analyze the impact of non-compliance with regard to work hours, wages and benefits, and freedom of association, in addition to action plans to remediate root causes. SHAPE (Safety, Health, Attitude of Management, People, and Environment) is an auditing tool for contract factories to do their own internal compliance auditing, and ESH (Environment, Safety, and Health) is another tool used by Nike compliance teams.<sup>35</sup> In some circumstances, poor labor conditions persist because basic information about working conditions does not surface in a company's own internal auditing process. Independent monitors like the WRC can help fill this gap by providing additional sources of information beyond a company's own audits—a second set of eyes, so to speak.

While it is well established that brands have responsibility for the working conditions of supplier factories, it is less clear what the nature and scope of that responsibility is. Nike's experience illustrates the challenges of supply chain reform in a globalized supply chain that is not vertically integrated, a concern that has been identified in business ethics literature.<sup>36</sup> Unlike many other aspects of corporate behavior, the extent of managers' control over what happens in a supply chain is not straightforward. While accountability in a vertically integrated hierarchy can be clearly delineated, this is not the case in "chains of economic activity punctuated by commercial boundaries."<sup>37</sup>

The nature of the brand's moral responsibility is not always clear, which is why the frames of *causal responsibility* and *role responsibility* are helpful. For *causal responsibility* to be determined there needs to be a comprehensible chain of cause and effect. For example, sufficient evidence indicating that factory management terminated workers who began to unionize indicates that management is causally responsible

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<sup>34</sup> Brad Bate, "Responsible Supply Chain Leadership: Should Apple Just Do It?" *Sustainable Brands*, March 7, 2012, [http://www.sustainablebrands.com/news\\_and\\_views/mar2012/responsible-supply-chain-leadership-should-apple-just-do-it](http://www.sustainablebrands.com/news_and_views/mar2012/responsible-supply-chain-leadership-should-apple-just-do-it).

<sup>35</sup> Nike, Inc, "Compliance," <http://nikeinc.com/pages/compliance>.

<sup>36</sup> Steve New, "The Ethical Supply Chain."

<sup>37</sup> *Ibid.*, 254.

for that code of conduct violation. With regard to wage determination, it is not always clear whether a purchasing agreement that has specifications for cost, quality, and timeframe is the primary causal factor in wage suppression or a contributing factor, or whether wage violations were an autonomous decision made by the management of a supplier factory to increase profitability. The “upward” pressure of collective bargaining serves as a counter-veiling force to the “downward” pressures of price. Without collective bargaining powers, workers may simply lack leverage in the employer-employee negotiation. For these reasons, wage determination must be viewed as one dimension of a labor-management ecosystem that must also support collective bargaining opportunities.

Using the frame of *role responsibility*, a brand can be said to have responsibility in the same way a lifeguard has responsibility for those swimming in the water. Nike might conclude that factory workers are “drowning” and insert itself into the employer-employee relationship because of its role as steward of a sustainable supply chain. In October and November 2009, the WRC issued two reports indicating that Hugger de Honduras and Vision Tex, two Nike contract factories, had closed without warning on January 9, 2009, leaving \$1.7 million and \$450,000, respectively, in unpaid obligations to workers.<sup>38</sup> By July 26, 2010, the WRC had reached an agreement with Nike, representing “the most positive resolution to a case of unpaid severance in the supply chain of any university licensee or major apparel brand,” which included \$1.54 million in a worker relief fund, a year of health insurance, and requests to its other supplier factories to give preference to the former workers of both factories.<sup>39</sup> The incident was part of an historical pattern of anti-union animus in Honduras that often culminated in a sudden factory closure when workers started to unionize. Nike was not under any specific contractual obligation to compensate laid-off workers in a factory it did not own or manage, and it is a stretch to claim that Nike bears singular responsibility for remediation; however, in the frame of *role responsibility*, Nike clearly had the capacity to remediate the issue and made the decision to do so. But, there are concerns with this approach as well because it may increase

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<sup>38</sup> Worker Rights Consortium, “New WRC Report: Hugger and Vision Tex,” October 9, 2009, <http://www.workersrights.org/university/memo/100909.html>; “WRC Update: Nike/Hugger de Honduras and Vision Tex,” November 12, 2009, <http://www.workersrights.org/university/memo/111209.html>.

<sup>39</sup> Worker Rights Consortium, “WRC Update: Positive Resolution of Nike/Honduras Case,” July 26, 2010, <http://www.workersrights.org/university/memo/072610.html>.

the moral hazard of anti-union animus especially when brands suffer the consequences more than the supplier factories.

The actions of a single brand, however responsible they are, are not sufficient to change a deeply embedded culture of union hostility. Typologies of responsibility and intervention points are but two examples of the kind of mid-level thinking that is necessary to clarify the moral responsibilities of multiple actors in a globalized value chain.

Even with typologies of responsibility and intervention established, difficult questions remain: How should consumers respond to apparel manufacturers or how should brands respond to supplier factories that are non-compliant, sometimes compliant, or compliant most of the time? Should brands stop sourcing from a factory that is non-compliant or work to bring it into compliance? Nike has taken a manufacturing approach that is more likely to develop long-term partnerships. Its Code Leadership Standards identify the precise steps factories can take to achieve compliance and to remediate when they aren't. Activists will always have an opportunity to point out instances of non-compliance, which are vital to identify and marginalize those suppliers that demonstrate little interest in the improvement of work conditions. Beyond activism, however, it is equally important to highlight milestones of ongoing improvement toward high production standards and labor rights.<sup>40</sup>

Beyond codes of conduct and managing for compliance, Zadek finds that a company at the strategic stage learns how to realign its strategy to address wicked problems as a way of positioning itself relative to other brands. When brands begin to take a leadership role in addressing labor concerns and environmental degradation, there are a number of strategic benefits: environmentally friendly strategies increase market share, corporate social responsibility can improve consumer beliefs and attitudes, and corporate social performance can enhance financial performance.<sup>41</sup> Companies that cease their socially responsible strategies

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<sup>40</sup> Brad Bate, "Responsible Supply Chain Leadership."

<sup>41</sup> Bulent Menguc and Lucie K. Ozanne, "Challenges of the 'Green Imperative': A Natural Resource-based Approach to the Environmental Orientation–Business Performance Relationship," *Journal of Business Research* 58, no. 4 (2005): 430–438; Karen Becker-Olsen et al., "The Impact of Perceived Corporate Social Responsibility on Consumer Behavior," *Journal of Business Research* 59, no. 1 (January 2006): 46–53; Sandra A. Waddock and Samuel B. Graves, "The Corporate Social Performance–Financial Performance Link," *Strategic Management Journal* 18, no. 4 (April 1, 1997): 303–319.

are severely punished in financial markets.<sup>42</sup> As an example of the strategic phase of corporate responsibility, Nike adopted a lean, green, equitable, and empowered manufacturing vision that delivers high-quality goods and eliminates waste, both of which require a workforce that is empowered to make physical changes to production processes. Only a skilled workforce can carry out Nike's vision of lean manufacturing.<sup>43</sup> Nike's sustainable manufacturing strategy is clear: a smaller, more effective and efficient manufacturing supply base made possible by an investment in factory workers and management.

The vision of a sustainable business model, which includes concern for labor rights, environmental degradation, and financial viability, is driven by the "tone at the top." A 2010 U.N. Global Compact–Accenture survey of 766 CEOs from across the globe found that 93 percent of CEOs saw sustainability as important to their company's future success. The "new era of sustainability" is a considerable shift from the previous survey in 2007, in which sustainability was only on the periphery. CEOs now believe sustainability cannot be viewed as a separate strategic initiative, but must be fully integrated into the strategy and operations of the company, so they are able to operate from a new concept of value that moves beyond mere profit and incorporates non-financial metrics to measure and communicate progress. Success in the new era of sustainability depends on a new generation of leadership and concerted efforts to change corporate culture to support these efforts.<sup>44</sup>

In the new era of sustainability, CCUs have an important role to play not only as shapers of the collegiate apparel market or as brands, but also as *communities of scholars and teachers*. In February 2011, the Pontifical Council for Justice and Peace conducted a seminar, titled "Caritas in Veritate: The Logic of Gift and the Meaning of Business," in collaboration with the John A. Ryan Institute for Catholic Social Thought at the University of St. Thomas in St. Paul, Minnesota. It brought together business professionals, university professors, and subject experts to discuss the vocation of the business leader. In the context of Catholic social thought, business must be viewed as a vocation to serve the common good in very concrete ways, a vocation that is often

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<sup>42</sup> Leonardo Becchetti et al., "Corporate Social Responsibility and Shareholder's Value," *Journal of Business Research* 65, no. 11 (November 2012): 1628–1635.

<sup>43</sup> Nike, Inc., "Manufacturing."

<sup>44</sup> Peter Lacy et al., "A New Era of Sustainability," *CEO Reflections on Progress to Date, Challenges Ahead and the Impact of the Journey Toward a Sustainable Economy. U.N. Global Compact–Accenture CEO Study* (2010), [http://www.uncsd2012.org/content/documents/Accenture\\_A\\_New\\_Era\\_of\\_Sustainability\\_CEO\\_Study.pdf](http://www.uncsd2012.org/content/documents/Accenture_A_New_Era_of_Sustainability_CEO_Study.pdf).





viewed itself as a profession, like law or medicine, even though this position has considerable detractors.<sup>50</sup> Judging from documents like “Vocation of the Business Leader,”<sup>51</sup> it is clear that management professionals have an obligation to contribute to the common good much as doctors and lawyers do; however, the management discipline currently lacks comparable professional standards, codes of conduct, training, and expectations.

*Strategy Five: Develop Capacity for Systemic Change*

Even when business professionals are equipped to connect the vision of a just society to business strategy, it is not enough. It is not enough for *one* brand to implement living wage standards, even across its entire supply chain. The entire *industry* must change so that individual brands are not forced to pay a price penalty for being pioneers, early adopters, or innovators in the improvement of working conditions. This kind of systemic change requires the participation of all sectors of society.

In the civil stage, according to Zadek, companies promote collective action among different sectors of society to address social concerns as they connect to a long-term business strategy. One notable systemic change effort at the international level is the United Nations Global Compact (UNGC), a forum for business that seeks to align business strategy with shared principles concerning human rights, labor, environment, and anti-corruption. Launched by U.N. Secretary-General Kofi Annan in 2000, the UNGC is the world’s largest corporate citizenship initiative seeking to “mainstream the ten principles in business activities around the world and catalyze actions in support of broader U.N. goals, including the Millennium Development Goals.”<sup>52</sup> After its founding in 1945, the work of the United Nations focused primarily on the development of rights and the rule of law, viewing its 193 Member States as the primary constituency. As the economic realities of globalization began to become clearer, Secretary-General Kofi Annan realized that corporations have a profound

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<sup>50</sup> Richard Barker, “No, Management Is Not a Profession,” *Harvard Business Review* 88, no. 7/8 (2010): 52–60, <http://library.depaul.edu/CheckURL.aspx?address=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=51600603&site=ehost-live&scope=site>.

<sup>51</sup> Pontifical Council for Justice and Peace. “Vocation of the Business Leader.”

<sup>52</sup> U.N. Global Compact, “Overview of the U.N. Global Compact,” <http://www.unglobalcompact.org/AboutTheGC/index.html>.

role in securing the rights envisioned by the U.N., leading to the creation in 2000 of the UNGC. As a further development in 2008, the U.N. established the Principles of Responsible Management Education (PRME) to facilitate the participation of universities. These international efforts provide a considerable opportunity for CCUs to engage in broader systemic change efforts.

The U.N. Rio +20 Earth Summit in 2012 marked 20 years since the first Earth Summit in 1992, and decades of development bringing together many different sectors of society. Held in Rio from June 12 to 22, three conferences all focused on the themes of sustainable development and culminated in the outcome document, “The Future We Want.”<sup>53</sup> The first of the three conferences, the PRME Global Forum, brought together 300 attendees from leading business schools around the world. It was followed by the U.N. Global Compact Corporate Sustainable Development Conference with 3,000 corporate and non-profit leaders attending. The summit concluded with the U.N. Conference on Sustainable Development with 30,000 attendees. In many ways, these conferences represented a growing convergence among many sectors of society to focus on sustainable development as a common concern.

On a smaller scale, the Sustainable Apparel Coalition is an example of industry-sponsored reform initiatives that enable brands to cooperate in reducing some of the environmental impact of sourcing decisions. The initiative began in early 2010 with a dozen members but now has 33 apparel companies, retailers, manufacturers, NGOs, academics, and the U.S. Environmental Protection Agency as members.<sup>54</sup> Like the FLA, SAI, and WRC, these types of civil initiatives can be drivers of industry reform that require the vision, initiative, and willingness to engage across different sectors of society.

As *Ex corde Ecclesiae* describes, CCUs can “become an ever more effective instrument of cultural progress for individuals as well as for society” through research activities that include careful analysis of serious contemporary problems in the search for “a new economic and political order that will better serve the human community at a national and international level.” Furthermore, “[u]niversity research will seek to discover the roots and causes of the serious problems of our time,

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<sup>53</sup> U.N. General Assembly, 66th session, *The Future We Want*, resolution adopted by the General Assembly on 27 July 2012 (A/RES/66/288), 11 September 2012, <http://sustainabledevelopment.un.org/futurewewant.html>.

<sup>54</sup> Jonathan Bardelline, “Walmart, Patagonia Strengthen Pact to Measure Apparel Impact,” *GreenBiz.com*, <http://www.greenbiz.com/news/2011/03/01/walmart-patagonia-strengthen-pact-measure-apparel-impact>.

paying special attention to their ethical and religious dimensions” (sec 32). CCUs can be of service to these larger civil efforts in dynamic and creative ways, contributing to the intellectual milieu that shapes business strategy. Concepts like shared value creation, the bottom of the pyramid, stages of corporate responsibility, smart mobs, systems thinking, stakeholder responsibility, and bio-mimicry are all concepts that emerged from or benefitted from the intellectual contributions of the university, which continues to be one of the great shapers of culture.

CCUs can convene different sectors of society to explore sustainable solutions to wicked problems like supply chain reform. As Thomas Berry argues in *The Great Work*, there are four great shapers of culture: governments, corporations, churches, and universities. CCUs have the opportunity to move discourse beyond the well-worn divisions of political rhetoric and the tired misperception that profitability is the singular driver of the corporate ethos.

## **Conclusion**

As apparel companies go through different stages of corporate responsibility, Catholic colleges and universities must develop strategies for exercising social responsibility. CCUs share the responsibility to draw attention to, protest against, and sever business relationships with businesses that engage in egregious violations of Catholic Social Teaching, but this does not fully express the range of responsibilities or opportunities they have in a globalized economy. CCUs must also develop and enforce robust codes of conduct and create an operational preference for companies that respect worker rights, thereby shaping market demand and sending clear market signals. Moving beyond boycotts and codes of conduct, however, CCUs also share a responsibility to educate business and non-profit leaders, elected representatives, consultants, and fund managers to ensure that they are equipped to develop sustainable strategies. CCUs can do this, in part, by participating in or hosting efforts that engage all sectors of society that share a desire to resolve wicked social problems such as poor labor conditions. Unfortunately, campus activism can too easily become the default and *de facto* strategy to these wicked problems, which betrays the breadth and depth of the Catholic moral imagination.

