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This paper was prepared for the course Corporate Social Responsibility taught by Professor Peter Gourevitch in the winter quarter 2011 at the School of International Relations and Pacific Studies of the University of California San Diego (UCSD). The papers have not been edited after having been submitted to the course. They are posted here to provide others with information and ideas about CSR, NGO's and the private sector.

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Adidas Corporate Social Responsibility

As one of the biggest sports company in the world, Adidas' business success started from 2006 when it merged Reebok. Furthermore, According to Markus Baumann, vice president Adidas Global Football, "the World Cup is the ideal stage to present such innovations and our brand to a broad audience."¹ 2010 FIFA World Cup that Adidas AG hold had brought not only huge company's financial profits, at least 1.5 billion Euro in football category, but also brand recognition.²

However, except for focusing on its business success, the brand also put efforts on its sustainability behaviors. Adidas Group is the parent company of Adidas, Reebok and TaylorMade Golf, and it is the group works on social works, sustainability work, relationship with stakeholders and concern of workers. Furthermore, to maintain its credibility, the group has the brand's annual report that reveals process of its sustainability targets.

How does Adidas practice it's CSR plan?

According to Adidas Group, by collaborating with material suppliers, universities and scientific instituted, the company is able to embed its CSR practice in day-to-day activities. With the help of these professional teams, Adidas Group first of all plan and set proper and attainable 10-year-goals, and then they design strategies to reach the goals. For example, if wants to reduce the traffic CO2 producing, how employees

¹ Fibre2fashion, 2010 FIFA World Cup Already sales success for Adidas, Corporate News, 06/22/2010, retrieved from

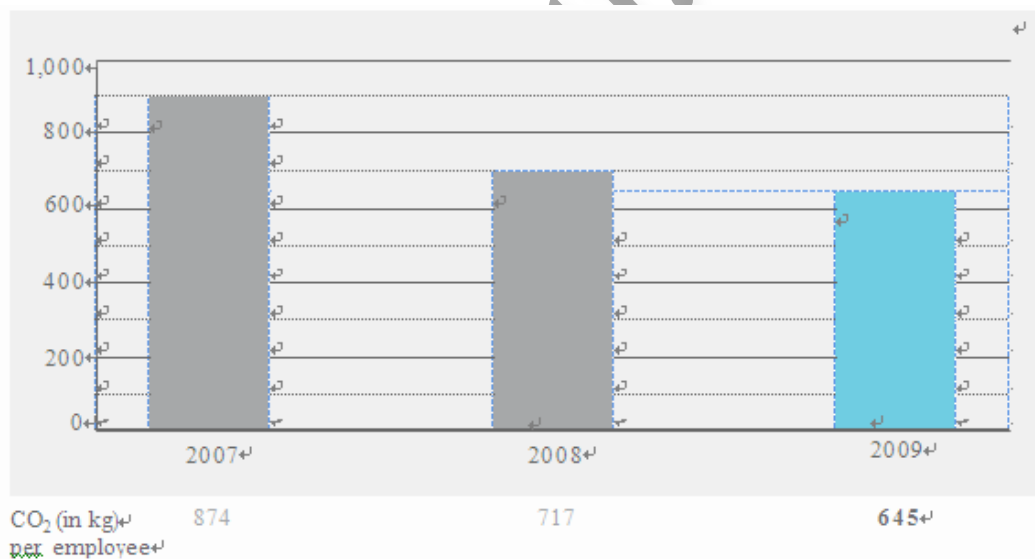
http://www.fibre2fashion.com/news/company-news/adidas-salomon/newsdetails.aspx?news_id=87696&page=2

²Wikinvest, Adidas AG (ADDYY), www. Wikinvest. Com/stock.Adidas_AG_(ADDYY)

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should change the way they travel? Or the business travel could be replaced by internet conferences? How much reduction should one employee's flying trip be per year so that the company will get to its goal of 30% less CO2 emission in 10 years. Lastly, the most important work for these professional team, is the post-work evaluation, which could test out the efficiency of the whole plans. With the steps of planning, designing, and evaluating, Adidas works their CSR work systematically.

The following is Adidas' CO2 emission reduction results from 2007 to 2009, which indicates that there is exact record every year since 2007 so that the group can put them into track. ³



CSR of Adidas includes environmental issues concerns, sustainable materials usage and labors' rights. They do recycle in both companies and factories, and they produce products by recycle materials like inlay soles, textiles, metals, plastics, packaging and rubbles. Moreover, Adidas works with organic cotton farmers and use their products,

³ Adidas Group(2009), CO2 Emission From Transport and Travel, 2009 Sustainable Review

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and they join Better Cotton Initiative (BCI) two years ago⁴, which aims at reducing water consumption and pesticide use in cotton farming. With those movements, Adidas claims itself cares about the society and sustainability.

The report, Adidas Group's Sustainability Performance Review 2009, includes its supply chain, audit systems, training sessions, environment plans, community involvement, and green company targets.⁵ It has its 10 year plans for sustainable issues. Starts from 2005, the whole plan broadly includes goals of environmental friendly plans, social compliance plans, and employee's wage and working conditions. Adidas Group from their hardware facilities, factories to every pair of shoes; from management strategies, wage fairness to employee's mental conditions, according to the annual reports of Adidas Group are being considered and audited.

The following is Adidas 10 year targets,

2015 Adidas Sustainable Targets⁶

Environment	Reduce energy consumption 20%
	Reduce carbon emissions 30%
	Save water 20%
	Reduce waste 25%
Social Compliance	80% of direct supplier factories to meet 3C or better under our social compliance model
	Common industry-wide monitoring platform used to check

⁴ Adidas Group(2009), Team Talk, 2009 Sustainable Review

⁵ Adidas Group(2009), Team Talk, 2009 Sustainable Review

⁶ Adidas Group(2009), Roadmap to Sustainability, 2009 Sustainable Review

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	workplace conditions Top 10 publicity listed suppliers are independently producing sustainability reports
Employees	To ensure succession readiness on all key leadership position: 80% of senior management positions to be filled by internal employees. To be a World Class Recruiter (quality, cost, speed, ranking) To be a top 10 employer in every key market and for employees (based on market surbey and employee engagement scores.)

How does Adidas prove its CSR credibility?

According to Adidas, it has its own internal team for assessing how well the suppliers are complying with our supply chain code of conduct, the worldplace Standards.⁷ In order to be impartial, those teams values transparency and stakeholder feedback, and it has regular reports on their compliance work. What's more is that it submits programs to evaluation and public reporting by the Fair Labor Association (FLA), and it practices full disclosure to researchers, trade unions and other concerned NGOs.⁸

Following are partnerships and engagements with different NGOs for different CSR categories.⁹

⁷ Adidas Group(2009), Awards and Recognition, 2009 Sustainable Review

⁸ Fair Laboe Association (2008), Participating Companies, Adidas Group, retrieve from http://www.fairlabor.org/fla_affiliates_a1.html

⁹ Adidas Group(2009), Team Talk, 2009 Sustainable Review

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<i>1. Corporate responsibility:</i>
World Federation of the Sporting Goods Industry(WFGSI)
World Business Council for Sustainable Development (WCSBD)
<i>2. Supply Chain Conditions</i>
Fair Labor Association (FLA)
Fair Factories Clearinghouse (FFC)
<i>3. Environment</i>
AFIRM Working Group
Better Cotton Initiative (BCI)

It seems like Adidas Group has pretty comprehensive CSR plans which addresses a lot of issues and concerns about it's credibility. Also, the other thing that cannot be denied is that the company has their annual reports clear and complete. A periodical report is an important index to tell how organized the company is, and it is the first step for customers or shareholders to trust. But how convincing the words and graphs in the reports can be? Even with all the credibility-proving strategies, how do customers know the credibility credible? Does Adidas the one choose NGOs to work with or vice versa? Is there any trade-off between them?

Moreover, Adidas not only gains approves from those CSR-certificating NGOs, but it gains recognition and rewards from the CSR-ranking/testing NGOs.

The below are organizations that gave Adidas Group positive credibility and rewards over time:¹⁰

- Daw Jones Sustainability Index

¹⁰ Adidas Group(2009), Awards and Recognition, 2009 Sustainable Review

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(2010/11 AG has been selected to DJSI for the 11th consecutive time.)

- Global 100 Most Sustainable Corporations in the World
- Nachhaltiges Einzelhandels- unternehmen
- 2009 was selected as “Sustainable retail business 2009”
- B.A.U.M. Environmental Award 2008 for Frank Henke, Social & Environmental Affairs
- Stiftung Warentest in 2006
- Corporate Research Foundation
- The German Chamber of Public Accountants

The list can still go on, but the length of the list comparatively means little because there is not enough of information to gauge the credibility.

As mentioned, the problem of credibility is the credibility itself. How is the credibility of those organizations? If there are organizations like Daw Jones Sustainability Index that gives credits to only big industries with strong financial ability, and organizations like The German Champer Public Accountants that might only be heard in German, how do customers in the US choose what and how much to believe?

This paper is not going to tell customers any scientific or quantitative skill to choose what to believe. Actually, the number of sustainability recognitions is not important.

Even if Adidas gains the recognition of 50 organizations, while Nike only gains 49, it does not necessarily follow that the sustainability performance of Adidas is more successful. However, if instead of small NGOs, international organizations such as the UN and WTO verify sustainability claims from the private sector, then people will more likely trust them. In many ways, organizations such as the UN and the WTO

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enjoy stronger credibility than the average national NGO. Not only do they have more resources, and a history of important international roles, but they often have better operational transparency as well. If sustainability can be proved by these kind of organizations, credibility will be less doubtful.

Complains and Criticizes from NGOs

Instead of all the recognition and rewards, there are CSR problems that Adidas got criticized. Here are two main CSR challenges that the company is facing in these two years.

NGO: Animal Liberation Victoria (ALV)

Issue:

Animal Liberation Victoria, an animal protection NGO in Australia, called for an international boycott of Adidas for the fact that they use Kangaroos' skin producing football shoes. The campaign's target was Adidas and its "Predator" shoe, Join in VIVAS, a UK animal rights group, They took the issue to the streets and urge shoppers to stop buying Adidas products. ¹¹

Response from Adidas: None

NGO: Ethical Corporation

Issue: 10 June 2008

¹¹ Animal Liberation Victoria, Boycott Adidas – Save the Kangaroos, Campaign Adidas, 08/31/2010, retrieve from <http://www.alv.org.au/issues/0207boycottadidas.php>

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A UK news paper investigation in March found that workers supply Adidas at factories in Fuzhou, China, were subject to discrimination, wage cheating, inadequate pay and long working hours, while union leaders suffered abuse. Adidas was dogged by reports of labor problems at supplier factories in China, especially in supply chains it acquired from Reebok.¹²

Response from Adidas:

In the news of 1 November 2010, headquarter of Social and Environmental Affairs, Asia Pacific of Adidas, William Anderson came out to respond Paul French's September Column, "with over 393,000 workers in our supply chain in China, the Adidas Group has looked closely at the root causes of worker death. "

"The greatest challenge for large-scale suppliers that employ tens of thousands of workers is making sure that the wellbeing of every individual counts."¹³

So there is criticism from NGOs. When Adidas says how much they work on their supplier chains' labor rights, labor rights' violation was still found and reported in China. Furthermore, the purpose of putting these two cases together is to reveal the fact that Adidas pick issues to answer. It might be because they don't have answers, they are not ready to answer or the answer might hurt their brand image. Either the reasons are, customers should be aware of. Having responds or not is one kind of responds and can tell the attitude that the company has when facing challenges.

¹² Rajesh Chhabara, Adidas in China – Giving Supply Chains a Sporting Chance, Ethical Corporation Magazine, 06/10/2008, retrieve from <http://www.ethicalcorp.com/content.asp?ContentID=5948>

¹³ Paul French, Letter, Chinese Supply Chains, Ethical Corporation Magazine, 11/01/2010, retrieve from <http://www.ethicalcorp.com/content.asp?ContentID=7144>

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Why sports industry like Adidas cares about CSR?

So, come back to this basic question. Even being criticized by NGOs, with the business success that Adidas achieves, why does Adidas still care? When potential growth of sports industry is still growing and brands like Nike and Adidas put more and more investment on their brand marketing and products promoting in order to be more competitive, why they still work on CSR work? Is CSR a part of competition? Are companies going to gain benefits when putting efforts on sustainability works? Or it's more like companies conduct costs and benefits analysis first, and then they will decide whether or not they want to work on CSR initiatives by seeing if the costs are smaller than benefits?

Reasons of companies working on their sustainability are various. "For the image" might be the first answer most people think of.¹⁴ It is indeed going to increase a brand's reputation when a company is more environmental or human rights concerned. And the increase of reputation will lead to better sales of the company products, which is a big motivation for private sectors who want to gain benefit.

There are other reasons for companies to do sustainability. The second one should be that companies' leaders have good sustainable senses, therefore they think of future generations when making decisions. Because the idea of sustainability is about making profits today without hurting future generations, leaders who have the

¹⁴ Jeffery Ballinger, Counterpunch, Why "High Profile" Effects to Protect Sweatshop Workers Have Failed: The Other Side of Nike and Social Responsibility, 02/08/2006

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sustainable idea will put future generations' benefit into today's cost and benefit analysis.

Furthermore, is that possible that companies want to work on sustainability simply because it is a right thing to do? I personally think so.

In the case of Nike, it is because the costs of not practicing social responsibility are too high it started its CSR projects. In the beginning time of its CSR program, Nike's motivation came from the high costs concern, but in the later period, after people started to give positive review of its brand reputation, Nike started to work on the program with the will of making good brand image. As for Adidas, it is not clear whether it started the sustainability work because of Nike case or because it wants the good CSR reputation from customers. Customers can not really tell the motivation from Adidas' reports, the only thing we can see is the well-organized reports and its complete sustainability group.

What should Adidas' Customers see the CSR work?

The last but not least two questions are, how much do customers care about sustainability of a company? If customers do not highly prioritize sustainable products, will Adidas still strive to its sustainability performance?

The first question is easier to answer. Nike's sustainability history is the best learn for Adidas, since the two companies basically share the same market they share the same

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customer pool. Therefore when Nike suffered from its ignorance of labor rights and suppliers' factories conditions before 1998, Adidas learns the fact, "yes, customers care". Since student groups, which is the biggest athletic group, cares about how labors' working conditions, wages and their treatment are, no matter in which part of the world, Adidas has to care.

The second question's answer is more complicated. It depends on the leaders' attitude. Companies will no longer have the incentive to operate sustainably if they believe that customers do not care about their efforts. On the other hand, if leaders do sustainability because they are aware of the importance of sustainability, the incentives come from the awareness, whatever customers' attitude is companies sustainability efforts will not be changed.

When it is very hard to gauge credibility of companies' sustainability records, we ask the motivation of their sustainability projects. But when companys knows that what sustainability can bring to them is more than just images, there will be long term benefits for either the company or the society, companys like Adidas should consistently put efforts on the project. After all, the benefits of "doing the right thing to the society and the globe" are immeasurable.