Ethics and Network Organizations[1]

Presidential Address
Society for Business Ethics
Chicago – August, 2009

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Late in the day on February 5, 1999, I hear the loud shouting of protesters outside my university office window. Like others at the Universities of Arizona, Michigan (in 1999 and 2000), North Carolina, Wisconsin (also twice), Iowa, Kentucky, Oregon, Pennsylvania, Toronto and Duke and Tulane Universities, students were conducting a "sit-in" protest in the university president's office that eventually lasted 85 hours. They were demanding that the university's name or logo appear only on garments created under non-sweatshop conditions.

Though not directed exclusively at sporting goods marketer Nike, the university had – and continues to have – close ties with the company. Indeed, the university's high profile former men's basketball coach had been a member of Nike's board of directors since 1991 and continues in that capacity today. As many of you will recall, this was at a time when Nike was disavowing responsibility for how its products were manufactured. Nike claimed at the time that it was a design and marketing firm, but that it was not a manufacturer…it did not *make* shoes.

Nike's perception of the relationship between it and its manufacturing sub-contractors was one of an arm's-length transaction. It was, to them, as if I held each of you responsible for the conditions under which your shirts were made or how your lunch was prepared. Moreover, Nike's direct manufacturing contracts were themselves further *sub*-contracted to others; this is

[1] My thanks to Shawn Berman, Heather Elms, Joshua Margolis, Jonathan Wight, Paul Achter, Richard Coughlan, Andy Litteral, Jake Noland, David Lefkowitz, Steve Tallman and Gary Weaver for their helpful comments on earlier versions of this talk.

akin to holding each of you responsible not only for how your meals were prepared, but how the food was grown and harvested.

I was struck, then as now, by the curiosity of this event. What I was seeing was the president of a university being held responsible for how one of its licensee's sub-contractors' sub-contractors treated its employees. So I began collecting examples of firms being held responsible for the actions and practices of ostensibly distinct organizations. And soon I had an accordion-size folder overflowing with such examples – now, a decade later, I have several large folders full. And the examples continue to proliferate. Among the recognizable examples of firms held responsible for the actions of their upstream suppliers are: Ford and Firestone, Starbucks and Fair Trade coffee, conflict diamonds, Mattel and lead paint, Hershey's and slave chocolate, Starkist and tuna fishermen, retailers (Wal-Mart, Albertsons, Ralphs, Vons) and their cleaning companies, McDonald's and farming practices and so on.

Companies are also frequently held responsible for how customers use their products and services downstream – irrespective of whether the use was the intended one. Familiar downstream examples include guns, gaming (casinos), glue (HB Fuller & *Resistol*), cell phone cameras, IBM and Nazis, Sudafed and meth labs, and Metabolife and ephedrine. And some organizations have faced pressure from both up- and downstream sources including McDonalds and members of the private security contractor industry.[2]

For the next few minutes, I would like us to consider some of the challenges that emerge in trying to attribute moral responsibility in this new, radically networked economy. In

[2] Craig Caldwell and I have examined similar issues in R.A. Phillips & C. Caldwell, "Value Chain Responsibility: A Farewell to Arm's Length," *Business & Society Review*, 110(4), pp. 345-70. Regarding stakeholder responsibilities in the private security contractor industry, see H. Elms & R. Phillips (2009) "Private Security Companies and Institutional Legitimacy: Corporate and Stakeholder Responsibility," *Business Ethics Quarterly,* 19(3), pp. 403-32.

considering these challenges, I will elaborate on three broad forms of denial of – or, arguably, defense against – attributions of responsibility in business networks. We will also make use of the burgeoning literature on social network analysis and the tools and insights used there to inform our understanding of responsibility. We begin our diagnosis of the challenges of network ethics by considering diffused responsibility.

Diffusion of Responsibility

The diffusion of responsibility is perhaps the defining challenge of organizational ethics. People engage in collective effort because we can do things together that we cannot do as well or as quickly (or even at all) as individuals. As long as there is division of labor, there will be questions about the division of spoils and the division of responsibility.

Even in the days before the ubiquity of outsourcing and joint ventures, when the boundaries of organizations were relatively clearer, it was difficult to attribute responsibility among organization members. Bureaucracy has been called "the rule of no one" for just this reason. Today, in the age of the virtual, network organization, the challenge of diffused responsibility is magnified considerably.

Numerous fields have examined the causes and implications of diffused responsibility. Darley and Latane's[3] seminal explanation for the failure of the denizens of Kew Gardens to come to Kitty Genovese's aid has motivated a rich literature on the psychology of diffusion. In Stanley Milgram's famous obedience experiments,[4] while it was surprising enough to discover that 25 of 40 subjects would go to the highest shock on the board in the standard experimental condition, still more troubling for those of us in business ethics, 37 of 40 were willing to stand by

[3] J.M. Darley & B. Latane (1968) "Bystander intervention in emergencies: diffusion of responsibility," *Journal of Personality and Social Psychology*.
[4] S. Milgram (1974) *Obedience to Authority: An Experimental View*, (New York: Harper & Row).

and watch someone else go all the way to the end. Those who have seen the video can't help but be struck by the "teacher" asking the "experimenter" if he (the latter) is taking responsibility with a quiet affirmative consistently sending the "teacher" still farther along scale.

Issues of diffused responsibility have also received attention in the legal literature. Much recent attention has been paid to the Alien Tort Claims Act (alternatively, the Alien Torts Statute).[5] This 18th century U.S. law is being increasingly tested as an avenue for redressing alleged human rights violations by multinational companies in lesser developed countries. In one case, a Canadian oil company was sued in New York for activities in Sudan. Trials following recent corporate scandals have compelled judges to issue what has been called an "ostrich instruction" to juries and much has been written on "willful ignorance" or "conscious avoidance" on the part of those proximate to alleged legal violations.[6]

In business and economics, I believe that the recent and on-going mortgage crisis is largely attributable to diffused responsibility. For a clear and accessible description, I would encourage all of you to listen to a podcast called "The Giant Pool of Money" which was originally aired on Chicago Public Radio's "This American Life". The question in many of these cases is what the parties should have known, when they should have known it and whether they took steps to avoid knowledge of a violation.

Three Varieties of Denial

This brings us back to my accordion files full of stories of companies being held responsible for the activities of ostensibly distinct actors up and down the value chain. I have

[5] See, e.g., E.J. Schrage (2003) **"**Judging Corporate Accountability in the Global Economy," *Columbia Journal of Transnational Law*.
[6] See, e.g., R. Charlow (1992) "Wilful Ignorance and Criminal Culpability," *Texas Law Review*, 79(6), pp. 1351-1429; D. Luban (1999), "Contrived Ignorance," *Georgetown Law Journal*, 87, pp. 957-980.

isolated three general sources of denial (or, again arguably, defense) against these attributions of responsibility:

- *Knowledge denial* ("We didn't know")
- *Control denial* ("We knew, but couldn't do anything about it")
- *Connection denial* ("Whether we knew or not, it's another organization's problem")

First is knowledge denial. This is likely the first sort of denial with which the general public became familiar in the context of Kathy Lee Gifford and sweatshop labor. This also seemed to be a primary defense for the parties to the Enron implosion – the auditors didn't know what the executives were doing, the executives took the word of the lawyers and it seems likely that some at the top simply didn't have the bandwidth to understand the sophisticated mathematics that led to the company's eventual downfall. And this is assuming those in charge even *wanted* to know. Eschewing knowledge has a long history in legally and morally questionable enterprises wherein the leaders actively avoid knowing how their orders are carried out. "I don't care how you do it, just get it done" we can hear them saying. Here we see diffusion of responsibility combined with ill-intent. Diffusion of responsibility's evil cousin is plausible deniability. The question in the case of knowledge denial is what companies *should* know.

The next variety of denial is control denial. It is axiomatic that "ought" implies "can". To say that an actor is responsible is also to say that it was within the actor's power to have acted differently. In fact, we may even say that this axiom is itself the source of control denials. Often companies engage in partnerships and joint ventures with other actors with equal or even greater power than they have. In such situations, companies disavow responsibility by asserting that, even when they know of a pernicious activity, and even when it benefits them or the venture,

there is little or nothing they can do about it because they cannot control this other powerful actor. This is Unocal's defense in a recently settled Alien Torts Statute case. Unocal lawyer, M. Randall Oppenheimer of the law firm O'Melveny & Myers states, "It seems fundamentally unfair to hold people liable for a situation that they don't control."[7] The question in cases of control denial is when, if ever, does "can" imply "ought"?

The final general class of denial is connection denial. In these cases, it doesn't particularly matter whether the company knew about, or could do anything about, the actions of a distinct actor for precisely that reason – they are distinct. The claim here is that, when one purchases a product, the transaction is an arm's length one. Everything that is morally or legally relevant to the purchaser inheres in the product or service and its delivery. Quality, price and on-time delivery are all that matter; how value was added and by whom is irrelevant to such arm's length transactions. When Wal-Mart hires an outside contractor to clean its stores at night, all it cares about is that the place is clean when the store opens in the morning and for the contractually agreed upon price. Whether the actual people cleaning the stores are legally allowed to be in the United States and whether they are locked in the stores overnight to prevent theft or shirking is the concern of the cleaning company. This is not Wal-Mart's concern according to the connection denial. The question here is what establishes a connection beyond arm's length?

Network Analysis

Here I believe business ethics can gain insight into questions of diffusion, deniability and ethics in network organizations from the sociological literature on networks. Though familiar to many, it will be helpful to briefly summarize some basic concepts from the networks literature that we will be using here. Advocates argue that networks represent an entirely new

[7] A. Markels (2003) "Showdown for a tool in rights lawsuits," *New York Times*, Sunday, June 15.

organizational form; they are "neither market nor hierarchy" nor really anything in between. Powell argues that the continuum view that places networks somewhere between the standard economic organizational forms, "blinds us to the role played by reciprocity and collaboration as alternative governance mechanisms."[8] Powell, Larson[9] and others emphasize cooperation, reputation, information exchange, trust and mutual gain as characteristic of network organizations.

A basic concept in the network literature is density. Density is the ratio of the actual number of links between nodes over the maximum number of possible links. Higher network density is typically associated with more shared information and better diffusion and enforcement of norms.

The next basic concept from network theory is centrality. Whereas density is a characteristic of the entire network, centrality is a characteristic of a particular node within the network. Though there are myriad variations of centrality, we will focus only on three: degree, closeness and betweenness. **Degree** centrality is simply a raw count of the number of connections. Degree centrality speaks only to the quantity of links to a given node or actor, but says nothing about the quality of these links. **Closeness** centrality is the shortest path from a given actor to all other actors. This measure begins to examine the quality of the links for any given node. High closeness centrality means less reliance on others to broker information. There is less dependence on other actors in the network. Finally, **betweenness** centrality is the extent to which an actor is on the shortest path between other network actors. Actors with high betweenness centrality can influence flow of information and have a greater ability to broker

[8] W.W. Powell (1990) "Neither market nor hierarchy: Network forms of organization," in *Research in Organizational Behavior*, B. Staw and L. L. Cummings (eds.), (Greenwich, CT: JAI Press), pp. 295-336.
[9] A. Larson (1992) "Network dyads in entrepreneurial settings: A study of the governance of exchange processes," *Administrative Science Quarterly*, 37, pp. 76-104.

access to resources– often to their advantage. Brass & Burkhardt[10] summarize by writing, "Whereas the closeness measure represent[s] avoiding the control of others, the betweenness measure represents controlling, or increasing the dependence of others."[11] Put simply, centrality of all sorts is a source of power within the network due to the ability of central actors to broker the flow of information.

Under-examined by network theorists, and a ripe area for business ethicists, is what we might term ***deniability networks***. The move from standard network analysis to an examination of deniability networks is similar to the move from diffusion of responsibility (as merely an observation about human social activity) to plausible deniability (as an intentional strategy for avoiding responsibility). In short, we move from diffusion of responsibility to the *externalization* of responsibility. Deniability networks invert the typical role of information in networks. Typically in network analysis, access to information is a source of power and the ability to broker information or avoid brokerage by others is an additional source of power for any given actor. In deniability networks, however, an actor seeks to actively prevent the flow of information – at least to themselves. Denial networks require low density so that information flows are short-circuited, low degree and closeness centrality for the focal actor in order to reduce the chances of undesirable information finding its way to the actor, and selective betweenness centrality – focal actors need to maintain some general influence over ends while maintaining deniability regarding means.

This brings us to the final network concept I will discuss here as being of potential interest to business ethics: structural holes.[12] Structural holes are areas within a network where

[10] D.J. Brass & M. Burkhardt (1992) "Centrality and power in organizations," in N. Nohria & R.G. Eccles (eds.), *Networks and Organizations: Structure, Form and Action* (Boston: Harvard Business School Press) pp. 191-215.
[11] *Ibid,* p. 195.
[12] R.S. Burt (1992) *Structural Holes*, (Cambridge, MA: Harvard University Press).

actors are not connected, but could potentially benefit from a closer connection. These holes are untapped sources of power within networks for an actor who can broker this connection. The actor who brokers this connection is called a *tertius gaudens*. Translated as the "third who benefits," it "describes an individual who profits from the disunion of others."[13] It is ambiguous in the networks literature whether structural holes pre-exist and are just waiting to be discovered by a wildcatting *tertius* or whether such holes can be created within networks. Certainly, if one considers the discussion of deniability networks above, it seems there are opportunities for actors with sinister intentions to create and exploit structural holes to their advantage.

These network concepts represent a new tool for business ethicists to analyze familiar problems. By way of example, let's now return to the curiosity that initiated this line of inquiry.

Insert Figure 1 about here

In this model, Nike (c. 1999) is our focal network actor. The other members of the network are the familiar stakeholders in this example. In this model, Nike is a highly central actor.[14] Nike is also a *tertius gaudens.* Nike benefitted for many years from the information asymmetries between and among university students, administration, faculty, athletes, customers, subcontractors and their employees. **"α"** represents this structural hole. As of 1999, Nike employed some version of all three forms of denial described above (knowledge, control and connection). Let's focus for a moment on knowledge denial.

The story of the intense pressure on Nike from the media, NGO's and other activists is, I expect, well known to this audience. Network analysis provides a novel way to look at the

[13] *Ibid,* p. 76.
[14] Admittedly, while plausible, the network here is merely stipulated rather than derived (e.g., via survey), hence centrality is assumed for the purpose of making the point rather than discovered through examination.

impact of these parties on Nike and its relative position – and hence its power and responsibility – within the network. Actors like the *New York Times*, the Fair Labor Association, Michael Moore and a myriad of others served to fill the structural hole from which Nike had benefitted. But the sort of benefit these actors obtained by filling this hole is slightly different from the sort normally envisioned by network theorists. Without discounting the benefits to the individual actors (e.g., Michael Moore sold more DVD's), the benefits described here are not exclusive to the *tertius*. The benefits of this sort of brokerage are diffused throughout the entire network. As a reference to the increased transparency these actors provide, we may call this sort of hole-filling actor a ***tertius illuminans*** – the third who enlightens.

Insert Figure 2 about here

The *tertius illuminans* has a number of effects on the network structure and actors. Most obviously, the *tertius illuminans* closes a structural hole. This significantly increases network density. When the *New York Times* publishes a story or *60 Minutes* airs an exposé, there are literally millions of additional links created between previously distant actors. This also has the effect of altering the *relative* closeness and betweeness centrality. While Nike remains a powerfully central node in this network, there are now numerous alternative paths for information flows. Actors in one part of the network now have alternative sources of information beyond what the company reports. Customers are "closer" to the people actually making the products and Nike is no longer the exclusive actor "between" these parties.

These effects are consistent with Rowley's widely-cited density/centrality matrix.[15] He argues, "As density increases, the ability of a focal organization's stakeholders to constrain the organization's actions increases." The *tertius illuminans* in this case increased network density with the predicted decrease in managerial discretion at Nike. Rowley also posits that, "As the focal organization's centrality increases, its ability to resist stakeholder pressures increases." The analysis presented here examines the effect in the negative, but the proposition holds. That is, as Nike's relative betweenness centrality decreased, the effectiveness of stakeholder pressure went up. Though more work is necessary before we can draw firm conclusions, it would seem that the *tertius illuminans* is one important mechanism for explaining movement between the cells of Rowley's density/centrality matrix.

Here we see the beginnings of a network theoretic approach to analyzing diffusion of responsibility and claims of knowledge deniability. What, then, can network theory contribute to our understanding of the other forms of denial: connection and control? And, what can organizational ethics contribute to networks research?

Let's take a look at connection denials. In the network literature, a common approach to defining a network is to simply ask the subjects whom they deal with on a regular basis. Such methods for defining network connections we'll call "perceptual" because they rely on the perceptions of the study subjects. In one variation, "snowball" sampling, the subjects indicate who is in their network and the researcher then queries these named subjects asking them who is in their network and so on until the researcher is satisfied (e.g., by repetition of names) that the network has been described. This sort of perceptual network definition is consistent with

[15] T. Rowley (1997) "Moving beyond dyadic ties: A network theory of stakeholder influences," *Academy of Management Review*, 22(4), pp. 887-910.

Donaldson and Dunfee's approach in their Integrative Social Contracts Theory wherein "A community is a *self-defined, self-circumscribed* group of people…."[16]

Two challenges arise in the use of such perception-based techniques: dynamism and perceptual asymmetry. Network membership, though eventually stable enough to be meaningfully studied, can be quite dynamic – particularly in the early stages of relationship building. In reporting on her groundbreaking study, Larson writes, "Each [relationship] began as a relatively arm's-length relation…" then evolved into a relationship, "…structured by the expectations and obligations established in the first phase."[17] It is reasonable to expect this to be a regular pattern as otherwise distinct actors endeavor to create the sustainable and consistent relationships that characterize networks.

Similarly, in the initial stages, and perhaps even longer, there may be asymmetries in the perceptions of network membership. Actors may believe themselves to be part of a network, while others continue to see them as arm's length trading partners. These different perceptions of the nature of the relationship can lead to different perceptions of responsibility and obligations. And these disparate perceptions can form the basis for a sort of connection deniability. What is needed in such cases is a critical, independent basis for discerning who is a member of the network.

Two related possibilities present themselves. First, networks researchers have relied on observational/behavioral indications of network membership. In his pioneering work on the strength of weak ties, Granovetter defines a strong network tie as two interactions per week between actors.[18] Such behavioral observation can provide a critical check on perceptual

[16] T. Donaldson & T.W. Dunfee (1999). *Ties that Bind: A Social Contracts Approach to Business Ethics*, (Boston, MA: Harvard Business School Press), p. 39, italics mine.
[17] Larson, 1992: 87.
[18] M. Granovetter (1973) "The strength of weak ties," *American Journal of Sociology*, 78, pp. 1360-1380.

definitions of the network. Second, we may look to **moral** concepts as a critical basis to describing network membership. In addition to the obligations derived by Donaldson and Dunfee's ISCT mentioned a moment ago, we might also look to a Rawlsian principle of fairness to describe the sort of moral obligation that defines network membership.[19] Here we have an example of conceptual reciprocity from organizational ethics to network analysis. Moral principles can provide a source of critical analysis when disagreements arise as to the nature and intensity of a given exchange relationship. In response to what we are calling connection denials, network connection can be defined perceptually, behaviorally, morally, or all three in combination.

Finally, we consider the form of responsibility denial that references the difficulty or impossibility of controlling another, distinct actor. For these actors, "ought implies can" and they are simply incapable of controlling other actors. One partial solution that emerges from the networks literature is reliance on "social control" within networks. Recall from earlier that, along with reciprocity and reputation, trust and social control are definitive of networks as a novel organizational form. Larson writes, "…social control encompasses self-regulation with a moral dimension in combination with control as jointly determined by and diffused across multiple participants…."[20]

This emphasis on joint determination of norms and expectations may find additional conceptual support in the literature on "deliberative democracy"[21] and "discourse ethics".[22]

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[19] R.A. Phillips, (1997) "Stakeholder Theory and a Principle of Fairness," *Business Ethics Quarterly*, 7(1), pp. 51-66; R.A. Phillips, (2003) *Stakeholder Theory and Organizational Ethics*, (San Francisco: Berrett-Koehler Publishers).
[20] Larson, *ibid.,* 1992.
[21] A. Scherer & G. Palazzo (2007) "Toward a political conception of corporate responsibility-- Business and society seen from a Habermasian perspective," *Academy of Management Review*, 32; A. Scherer, G. Palazzo & D. Baumann (2006) "Global rules and private actors: Toward a new role of the transnational corporation in global governance," *Business Ethics Quarterly*, 16(4), pp. 505-532.

Even those who find social control inadequate to the job of regulating the ethics of networks will perhaps concede that, particularly in international contexts or anywhere that stronger mechanisms for global governance are absent, social control may be a powerful alternative. At any rate, I would advocate for greater attention on the mechanisms of social control in our studies of global organizational ethics[23] with particular attention to the role and effectiveness of social control as a response to control denials.

Conclusion

Let's turn now to a few concluding remarks. Any conclusions we might draw from the preceding will be preliminary and in need of much deeper consideration. This said, I have just described social control as an important governing mechanism – particularly where legal controls are ambiguous or ineffective. To the extent that social control relies heavily on the creation, diffusion and enforcement of social norms, central actors have a large role to play in this process. As brokers, central network actors are the ***nexus of social control*** and thus bear greater responsibility for what norms are created, diffused and enforced within the network.

Though there is little new in the observation that commercial transactions are often characterized by significant power asymmetries, I have tried here to point out a new source of power in need of moral analysis. The observation that central network actors are best positioned to diffuse norms (for good *and* ill) may provide additional evidence to those many who believe powerful actors have additional responsibilities to mitigate social and systemic injustice.[24]

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[22] J. Smith (2004) "A precis of a communicative theory of the firm," *Business Ethics: A European Review*, 13: 317-331.

[23]W.S. Laufer & D.C. Robertson (1997) "Corporate ethics initiatives as social control," *Journal of Business Ethics,* 16, pp. 1029–104.

[24] See, for example, N. Hsieh (2004) "The obligations of transnational corporations: Rawlsian justice and the duty of assistance," *Business Ethics Quarterly*, 14(4), pp. 643-661; I. Young (2006). Responsibility and Global Justice: A Social Connection Model, *Social Philosophy and Policy,* 23, pp. 102-130; reprinted in A.G. Scherer & G. Palazzo (eds.) *Handbook of Research on Global Corporate Citizenship*. (Cheltenham Glos, UK: Edward Elgar Publishing),

There are many variations on what I call the Parker Principle: "with great power there must also come -- great responsibility!"[25] Those finding this principle convincing may find further exploration of the concepts of network power a fruitful new direction. As I have suggested here, while it is axiomatic that "ought implies can," a network ethics corollary worthy of further examination is the possibility that "can + connection = ought".

Other implications of our analysis, all in need of further inquiry, include the nature and extent of an obligation of active monitoring. Which actors within an extended value chain bear what responsibilities to see to it that exploitation and injustice are minimized? Can we develop a "should have known" standard for actors within global commercial networks and perhaps some notion of "moral recklessness" (akin to the legal hierarchy of culpability: willful, knowing, reckless and negligent) that can be applied to those who fail in this knowledge? Can we replace the absurdly low standard of *plausible* deniability with a more reasonable standard of *justified* deniability?

All of these issues fall under the broad umbrella of what we might term ***value chain tensility***. Like the concept of tensile strength of, for example, fishing line or cables, value chain tensility asks how far a value chain can be stretched before breaking. In particular, we must begin to examine the *moral* tensility of increasingly stretched global value chains as responsibility becomes more and more diffused. Nike's experience since the time of the events

[25] I call this the "Parker Principle" after Spiderman's Uncle Ben Parker or, more accurately, Spiderman's creator, Stan Lee of Marvel Comics in *Amazing Comics #15* (August, 1962). To be precise, the phrase originally appeared in a narrator caption box rather than as the spoken dialogue of any particular character. Later versions, including the 2002 feature film, have Uncle Ben uttering the phrase as among his last words to Peter Parker just prior to Ben's violent death.

Other variations on this theme relevant to our discussion here include Winston Churchill's "Where there is great power there is great responsibility, where there is less power there is less responsibility, where there is no power there can, I think, be no responsibility." (*The Parliamentary Debates (Authorised Edition), Fourth Series, First Session of the Twenty-Eighth Parliament of the United Kingdom of Great Britain and Ireland, Vol. CLII* (1906), London: Wyman and Sons, Limited, p. 1239). There are myriad other variations as well.

described at the beginning of my remarks is exemplary of the challenges of increasing value chain tensility (see appendix).

And so questions continue to mount. My hope is that I have said something here that can help frame these questions. And perhaps something you have heard (or read) here has prompted some novel direction in your own thinking about ethics in the new networked economy.

Figure 1 - Network Ethics & Knowledge

Nike as *tertius gaudens*

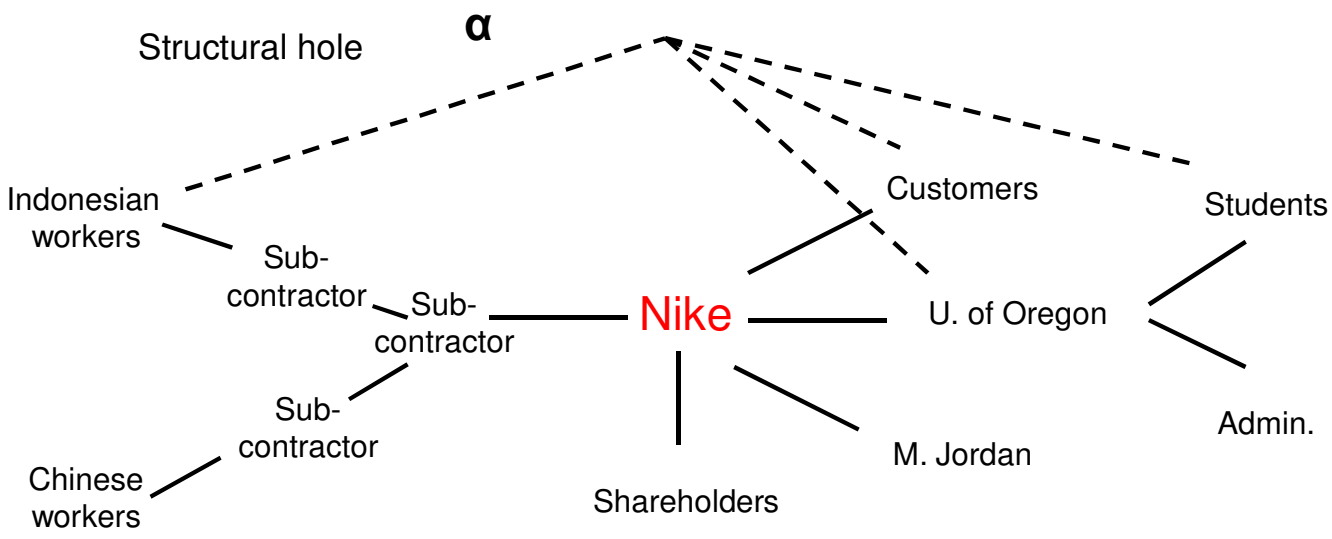
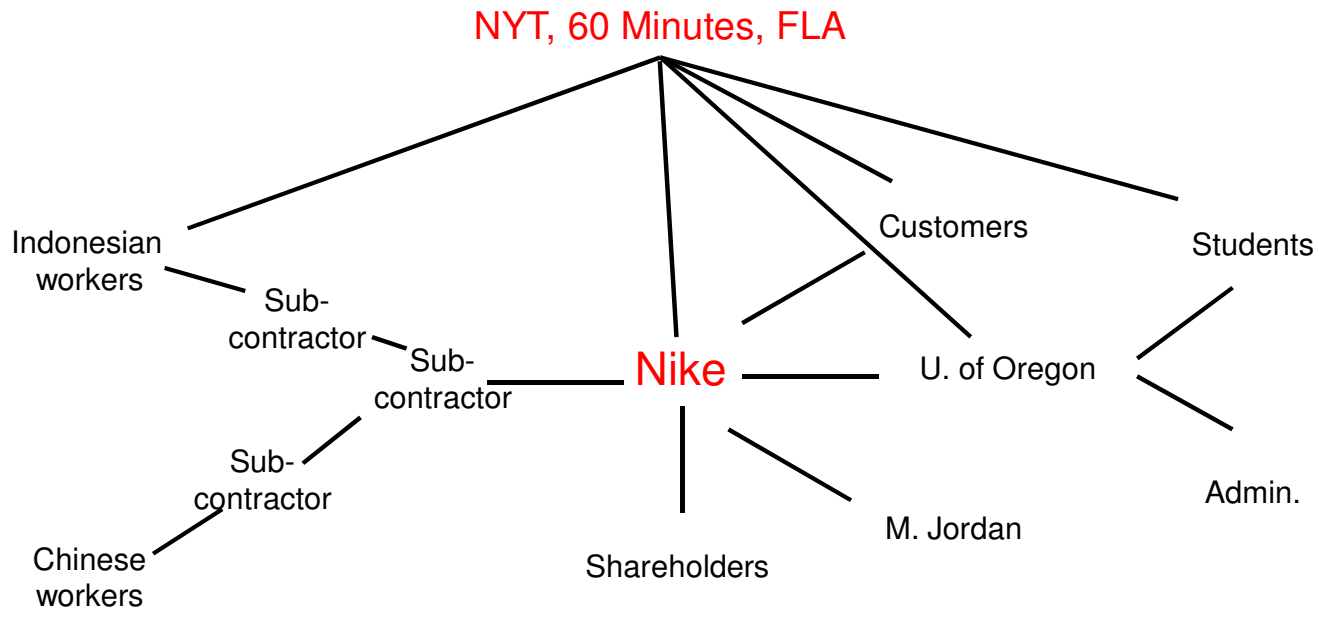


Figure 2 - Network Ethics & Knowledge



Appendix: Nike update

To avoid leaving an incomplete impression of Nike and its supply chain practices, I believe it is only fair to point out the change in the company's approach toward its manufacturing sub-contractors following the events of 1999 described earlier. The following are passages from Nike's *Corporate Responsibility Report* in 2001:

- "By June 2000 Apparel and Footwear had taken full responsibility for the product creation process, and our material supply chain related issues." (p. 6)
- "To succeed, we must also engage the suppliers who provide our manufacturing partner with the raw materials, components and chemicals with which to construct, package and ship our product" (p. 15)
- "Nike is in a position to positively influence the business practices of other industries." (p. 21)

Of course, this CSR report and Nike's practices have not been without critics and further challenges including an eventually settled case (Nike, Inc. v. Kasky) before the Supreme Court of the United States. Simon Zadek chronicles Nike's "…*metamorphosis from the poster child for irresponsibility to a leader in progressive practices*…" in "The Path to Corporate Responsibility," *Harvard Business Review*, Dec. 1, 2004. Discussion continues apace regarding the sufficiency of Nike's responses as of this writing.[26]

[26] See, for example, D. Hess & T.W. Dunfee (2007) "The Kasky-Nike threat to corporate social reporting: Implementing a standard of optimal truthful disclosure as a solution," *Business Ethics Quarterly*, 17(1), pp. 5-32; D. Mayer (2007) "Kasky v. Nike and the quarrelsome question of corporate free speech," *Business Ethics Quarterly*, 17(1), pp. 65-96; J. Nesteruk (2007) "Corporate speech as commercial speech: A response to Mayer's Nike v. Kasky analysis," *Business Ethics Quarterly*, 17(1), pp. 97-103.