

Review of Nike Considered Index and Support Tools

1 Introduction

Nike has invited The Natural Step to provide external assessment and advice on the Considered Index from a strategic sustainable development perspective. This review covers the overall Index approach, recognizing that there are variations of the Index (e.g. for apparel and footwear). The assessment method is explained below. We refer to different aspects of the Index in this review, so a description of the approach and its parts is provided. We then give an overall assessment, followed by technical examination of different parts of the Index and commentary on its public release.

Assessment Method – Backcasting from Success

The assessment has been conducted using both the sustainability principles and backcasting planning method of the unifying Framework for Strategic Sustainable Development, promoted by The Natural Step in collaboration with its international research and practitioner networks. Four science-based [sustainability principles](#) from the framework describe success in terms of the conditions needed for a sustainable society, providing an operational definition of sustainability that allows for a gap analysis between where we are today and where we need to arrive at in the future.

From this ‘whole systems’ perspective, it needs to be clearly stated that there is no such thing as a sustainable or an unsustainable material or product; there are only sustainable material and resource management practices. Product and material sustainability claims therefore need to be viewed carefully, and as part of a journey toward sustainability – one that has many possible pathways.

Understanding Purpose and Context for the Index

All tools serve a purpose. They need to be examined with their purpose in mind, and understood within the context in which they are used. To judge if this Index is a good tool for supporting Nike’s movement toward sustainability, Nike’s overall approach to sustainability must be understood:

- The Index has been developed to aid design and material choices as part of Nike’s Considered design ethos, which is part of an overall company sustainability agenda.
- Nike has long-standing commitments to sustainability in place.
- The tool is integrated into Nike’s innovation process.
- Dedicated personnel support the tool’s development and integration across the organization.
- The Index connects with, draws from and supports many other aspects of Nike’s sustainable business and innovation agenda (for example, procurement sustainability and audit programs, restricted substances lists, company targets and policies etc).

Just as an analysis of any single move or piece of sports gear used in a football game cannot tell you who will win, one needs to look at the whole picture. Organizations wishing to use the Index and build from Nike’s experience should bear this in mind and ensure they build the necessary competencies and structures in place to make the best use of the results from the Index.

Description of the Considered Index Approach

The Considered Index approach can be described as a set of strategic design innovation tools providing:

- 1) *Insight* into the environmental impacts of materials used in product creation (material scores).
- 2) *Incentives* for Nike to make more sustainable products, in line with the company’s priorities and goals (product scores).
- 3) *Communication* of the performance results using Nike’s internal standards (Considered benchmarks e.g. Gold standard).
- 4) *Company targets* for continual improvement (stretch goals for meeting company-wide benchmarks of product performance by a given year e.g. all footwear to be Considered Bronze by 2011).

The two main tools that make up the approach are:

1. **Material Assessment Tool (MAT).** This tool scores and ranks the material types used to manufacture Nike products from least to most preferred. The scoring is based on:
 - Major, known supply chain environmental issues within defined impact categories.
 - A life cycle perspective, from ‘cradle to gate’.
 - Publicly available data that is compiled and aggregated for general material types and typical supply chain scenarios.
 - Third party input from specialists in materials environmental impact assessment methods.
 - Weightings are assigned to impact categories, based on Nike priorities.
2. **The Considered Index.** The Index rewards design innovation choices related to product creation by assigning scores to products. It encourages the selection of environmentally preferred materials (as scored in the Material Assessment Tool) as well as other practices where the designer can improve the environmental profile of the product, i.e. less waste generation, use of desired chemistry and an innovation bonus for breakthroughs that can be transferred across models.

Nike uses these tools in a number of ways - for example, aiding procurement decisions, setting of internal standards and more broadly for defining sustainable design performance. Nike has chosen to externally label Silver and Gold standard products, sending a signal to the consumer about Nike’s Considered design ethos.

2 Overall Assessment

Using Sustainability as a Driver of Innovation

Many traditional tools and approaches for measuring product or material sustainability take a static perspective, attempting to measure and assess the scale and severity of known issues and impacts today (primarily a risk avoidance approach). On their own these life cycle assessment approaches have limitations in terms of guiding strategic decision-making toward 1) sustainable resource management and 2) related business opportunities.

It is therefore refreshing to see the approach Nike has taken – combining quantitative material assessment with qualitatively-derived scores rewarding improvements in product creation.

This approach highlights an evolution in thinking on measuring sustainability away from solely ‘impact minimization’ and movement toward an ‘innovation enabling’ strategic perspective. We believe this Index is a powerful demonstration of an overall ‘backcasting’ approach for enabling sustainable design innovation, not simply a set of tools for measuring movement away from environmental impacts.

Driving Progress toward a ‘North Star’ Vision

For innovation tools to really drive progress toward sustainability, the definition of sustainability itself must be clear – what are we trying to achieve? Companies committed to sustainability must ultimately assess and align their corporate business model and goals with the needs and principles of the sustainable society we are trying to create. Although the Considered Index tools were first created to address a sub-set of known environmental sustainability issues, Nike has since defined its long term innovation goals using sustainability principles that provide full awareness of the sustainability challenge in both social and environmental dimensions.

This ‘Considered North Star’ vision establishes an ambitious scope of action based on what science says is needed for sustainability and what is relevant for Nike’s business. While the Index does not currently address all of Nike’s aspirations, we have observed that the goals themselves are now driving further evolution of the Index. This guarantees a living rather than static method of evaluation that can continue to grow over time.

The lesson for other organizations is that the use of such tools can only make sense when they are linked to a clear and comprehensive definition of sustainability in combination with relevant company commitments for helping society to achieve this desired state.

Evaluating the Impact of the Index

Recognizing that Nike needs a pragmatic approach relevant to designers, the utility of the Index is best assessed by looking at the way designers use it and the outcomes of their work. Designers interviewed in this review noted that the approach helps them:

- Achieve a good overview of the environmental sustainability profile of a product style.
- Identify ‘low hanging fruit’; quick easy changes become obvious.
- Strategically develop a style with sustainability issues in mind.
- Creatively explore design choices, analyzing pricing and testing scenarios for improvements that are cost-neutral.

Nike staff also noted outcomes from the Considered Index as follows:

- Built commitment for Nike Considered’s approach to sustainable product innovation.
- Provided a broader perspective on what designers can do to make a difference.
- Raised enthusiasm and excitement about sustainability by making it tangible.

- Overcame perception that sustainability costs extra by showing cost-neutral improvement possibilities.
- Informed procurement decision-making.
- Challenged designers to compete between product lines.

Anecdotal reports from Nike affiliates who are beginning to use the Index also suggest that it is prompting new questions to be asked of suppliers. Further measurement of the impact attributed to the Index is explained in Nike’s Corporate Responsibility Reports and studies such as the MIT Sloan Management study “Nike Considered: Getting Traction on Sustainability” (Henderson & Locke 2009). The impact on the end consumer has not been evaluated, though much has been publicly written about the evolution of Nike’s Considered approach and the high profile athletes who wear Considered product.

3 Getting Technical: Index Structure

Here we comment on certain aspects of the Index construction. As the Index and Material Assessment Tool use different scoring approaches we discuss the two tools separately. Assessment of the MAT is included in the next section.

How Comprehensive is the Index?

The Index needs to be acknowledged as a sophisticated tool covering a significant scope of environmental issues relevant to Nike. Looking through the lens of the four sustainability principles we can explore the Index’s strengths and gaps in relation to the full scope of sustainability:

- Key environmental sustainability impact categories (energy, chemistry, waste, and water) have been chosen in order to balance practicality with comprehensiveness. The impact categories cover some issues related to the first three sustainability principles that cover problems associated with mined materials, man-made substances and physical degradation of nature. The approach identifies the least number of variables that can be used to have fairly high confidence that Nike is moving in the right direction toward sustainability. It does not seek to cover everything.
- Social sustainability issues (related to the fourth sustainability principle) are not directly included. Some implications are addressed indirectly (e.g. health effects on workers from chemistry, sourcing from water-scarce regions). Social issues and environmental sustainability issues are inherently connected issues so ideally they should not be addressed in isolation.

This shows that while the tool addresses some aspects under each of the four primary mechanisms of un-sustainability, it does not cover them fully. As Nike has expressed the desire to expand the scope of the Index tools and develop new tools, we suggest that the sustainability principles be used to inform these updates. This would capture issues not currently addressed, such as chemical persistence, release of scarce metals, and more on the social dimension.

Design Parameters within the Index

The overall scoring scheme developed by Nike to reward design choices has been given considerable thought and sensitivity testing to ensure that differentiation between design options is possible. We expect that the scoring reflects a good range of options (best to worst options) for the designer from a sustainability perspective.

Although we cannot comment in detail on the suitability of the design variables in the Index (points rewarded for material selection, waste generation, chemistry and innovation) we believe they strike a good balance of what the designer has control over. There may, however, be scope to expand the scoring to look at the fate of the product, e.g. is it designed for closed loop, durability, or for cold water washing?

Finally, it needs to be noted that the scoring has been developed directly by Nike who does not claim this to be a third party eco-label. External input on the approach is now being sought.

4 Getting Technical: Material Assessment Tool

In this section we comment specifically on the materials assessment approach in the Material Assessment Tool underpinning the Index.

MAT Impact Categories, Weightings and Aggregation

We note the following:

- Nike has used external input and guidance from materials environmental impact assessment experts to create a 100-point scoring system from the materials assessment data (the details of the approach are not included in the scope of this review). The impact categories included in the scoring reflect Nike's priorities. Weightings are applied to the impact categories so that scores generated in each category can be aggregated into overall material scores.
- In our view, deciding on the importance or significance of particular impact categories over one another (e.g. toxicity vs. climate change) is an impossible task and should not be attempted. They are simply different dimensions of unsustainability to be tackled. The danger in this aggregation is the perception that the best scoring materials are viewed as the 'most sustainable' rather than 'most preferred, based on current priorities'. This needs to be more closely examined, as the potential (and cost) of a material to be managed sustainability can change over time, be region and scale-specific or be heavily affected by only one parameter. Recognizing that Nike has consulted external parties to develop its scoring approach we simply wish to note the interpretation risk in scoring 'apples' and 'oranges' together.
- With the above caution noted, other companies who wish to aggregate data from the different impact categories in the MAT and Index may choose to assign different priorities to them. In order for the tools to retain their integrity, the company priorities must be included in a transparent way. The rationale for setting priorities should also be outlined e.g. perceived importance or urgency of sustainability issues, business priorities, ability to influence etc.

Data Quality and Validity

All organizations working on sustainability will recognize lack of supply chain transparency and access to meaningful data as key challenges. The MAT employs a somewhat pragmatic approach, working on available information and proxies. The assumptions and data quality used to generate material and product scores need to be understood so that results - the basis for decision-making - are interpreted correctly:

- Publicly-available data has been used.
- Data is not consistently available and expert input has been used to make educated decisions in order to generate scores from multiple sources.
- The scores are also base scenarios for generic material types with significant aggregation. This does not account for the differences between supply chains and suppliers, which are likely to be significant.
- Ensuring that data is accurate and stays current is a key challenge. A clear mechanism for updating the assumptions in the Material Assessment Tool is not apparent but will be essential moving forward.

In the future, industries will need increasingly sophisticated tools to understand the consequences of their activities and plan solutions. Lack of data will need to be addressed. Given this, we would like to see Nike and the industry at large aiming for full transparency in the supply chain on sustainability issues. If this ambitious long-term goal were agreed, rather than create only the generic material scorecards, a further step would be to quantify the uncertainty range and incentivize suppliers to demonstrate where they lie within it. The use of web-based technologies may also be a means for building transparency by crowd-sourcing of data.

Overall, the MAT illustrates the challenge of getting reliable normalized data from manufacturers and suppliers and suggests a requirement for a sea change in industrial practices. Nike's effort to share its research findings on supply chain impacts needs to be commended for raising this issue to industry attention.

5 Public Release of the Index

It is a hallmark of leadership that Nike is sharing its lessons learned with the industry and opening up for public scrutiny a generic version of the approach – the Nike Environmental Design Tool. This should be seen as a significant contribution to the industry dialogue on sustainability performance and it should support the development and convergence on approaches that can be universally applied across the industry.

We suggest that metric tools alone are not enough for industry alignment on sustainability. Capacity building tools should accompany any Index to bring people on board with a shared story of what sustainability means for the industry, using a robust definition. In this way each actor can assess the inherent problems in their own activities and work to generate and evaluate possible solutions.

Knowing the ultimate aims that Nike and other industry leaders are seeking to achieve with their tools is helpful regardless of current demands, the state of tools or available information. Such an approach would help revise current tools by identifying gaps and continually lift the bar as the industry makes progress.

6 Conclusion

We really like this tool as it takes a pragmatic, strategic life cycle management approach where sustainability is viewed as a journey rather than a static measurement of impacts. The use of product scores and labels such as Gold, Silver and Bronze for scoring and communication helps to simplify a complex task, making sustainability concrete enough to bring designers on board, giving them the information and incentives to make a real impact through design choices. Digging deeper one can see the depth of analysis as well as the scope limitations and challenges with data availability and aggregation methods.

This Index is a very sophisticated tool and a powerful demonstration of an overall 'backcasting' approach for enabling sustainable design innovation. What sets Nike apart is that it has used scientific principles of sustainability to set the scope for its vision of success for product sustainability. Nike is now using its tools to make progress toward these goals.

It is a hallmark of leadership that Nike is sharing its lessons learned with the industry and opening it up for public scrutiny. We look forward to seeing how Nike continues to evolve its tools to make progress toward sustainability.

7 About this Review

The Natural Step

The Natural Step is an international not for profit organization dedicated to sustainable development. The Natural Step acts as a catalyst for society, bringing about systemic change by giving decision-makers a common, science-based understanding of sustainability, and a framework to make decisions in a genuinely sustainable way.

www.thenaturalstep.org

The Framework for Strategic Sustainable Development

The Framework for Strategic Sustainable Development - commonly called The Natural Step Framework after the organizations promoting its development, application and dissemination - has been developed, tested and applied together with researchers, business and political leaders and practitioners all around the world over the last 20 years. It underpins and has inspired many of the world's pioneering sustainability initiatives and is openly published and freely available for use by all.

The Framework as the Lens for this Review

What makes the framework unique is that it is proven on 3 arenas:

- It is built on scientific consensus, with PhDs, peer-reviewed articles, and international scientific recognition.
- It has been used by practitioners all over the world in organizations of all fields and scales.
- It can be used to analyze and relate all sustainability tools and concepts to one another and to the goal of sustainability.

It is these attributes which make it suitable as a lens for reviewing Nike's Considered Index from a strategic sustainability perspective.

Scope of Review

This assessment is made drawing on insights by advisors familiar with Nike's business. It has been reviewed by Dr Karl-Henrik Robert within the scope of the international research program [Real Change](#), in which The Natural Step is a founding partner. The review was conducted between December 2009 and July 2010 through interviews with Nike's Considered Team and Index users, training on Considered Index, document review and participation in an NGO stakeholder session. It builds upon The Natural Step's prior understanding and collaboration with Nike's Considered innovation team throughout 2008 to support the development of Nike's North Star Vision.

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