

ONLINE EXCLUSIVE: Nike Reports Lean Production Success

Nike Inc. highlighted its lean manufacturing milestones in the recently released [“FY10-11 Sustainable Business Performance Summary.”](#)

The Beaverton, OR-based company unveiled its new factory rating system, the Manufacturing Index, which looks comprehensively at a contract factory’s total performance and includes a deeper look at how a factory approaches sustainability, This index elevates labor and environmental performance alongside traditional supply chain measures of quality, cost and on-time delivery.



Adopting a “better manufacturing” or lean approach as part of its sustainability initiative has led to Nike Inc.’s reduction of material waste and production time.

Within its overall Manufacturing Index, Nike’s Sourcing & Manufacturing Sustainability Index (SMSI) assesses contract factory performance on sustainability measures, including measures of lean, environment performance (e.g., water, energy, carbon, waste), health and safety, and labor management factors, according to the report. Following two years of development and piloting the program, the company has rolled the SMSI out across its global supply chain.

By adopting a “better manufacturing” or lean approach as part of the sustainability initiative, Nike has reduced material waste and production time, allowing the company’s supply chain to operate more efficiently.

The report stated that contracted factories that adopted Nike’s lean approach experienced defect rates 50 percent lower than facilities that didn’t. Delivery lead times from lean factories were about 40 percent shorter. Lean factory productivity increased 10 percent to 20 percent; and the time to introduce a new product to a factory was reduced by 30 percent.

“Sustainability at Nike means being laser-focused on evolving our business model to deliver profitable growth while leveraging the efficiencies of lean manufacturing, minimizing our environmental effect and using the tools available to us to bring about positive change across our entire supply chain,” Nike CEO and President Mark Parker said in a statement.

In some areas, including the reduction of excessive overtime at contract factories, progress was slower than expected. Nike also changed its approach to some targets, including carbon emissions, based on a deeper understanding of the challenges and to improve alignment with business strategy, according to the report. Incremental progress against several targets was a key driver for the company to redesign its factory evaluation and sourcing criteria to improve performance in the long-term.

Nike worked with Business for Social Responsibility to engage a panel of external reviewers with expertise across broad areas, including representatives from non-governmental organizations and academia to business, students and open-data advocates. The group assessed the company’s reporting and discussed the sustainability targets. Massachusetts Institute of Technology Professor Richard Locke, whose current research focuses on improving labor and environmental conditions in global supply chains, was one reviewer who said the process was well organized, rigorous and transparent.

“I have been impressed by Nike’s willingness to engage in constructive debate about what is feasible and what is aspirational,” Locke said. “This is a company that takes a leadership position and has clearly learned the value of partnership and that collaboration is a business opportunity, not a risk.”

In conjunction with the release of its report, Nike launched an interactive web experience at www.nikeinc.com enabling users to explore the company’s value chain and learn more about its progress and commitments against each impact area.

