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Analysis of Corporate Sustainability Management Cases in Sneaker Brands

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Abstract

In terms of corporate sustainability management, the footwear industry is still at a very early stage compared to other sectors, and footwear, especially sneakers, is not as far along as apparel due to the nature of the product. As a result, there is a lack of research on sustainability in the sneaker industry in the academic community. Thus, this study analyzed the sustainability practices of three leading brands in the sneaker market, adidas, allbirds, and NIKE, in order to provide basic data for expanding sustainability in the sneaker industry. The study found that the characteristics of sustainable management in sneaker brands are economic efficiency, environmental circularity, social integration, and governance soundness. Sustainable management is increasingly recognized as an essential task in modern society, and as the sneaker market expands, the demand for CSM from relevant brands will grow accordingly. Therefore, the results of this study will help to set policy directions for sneaker brands pursuing sustainable management.

Keywords: TBL, ESG, Economic efficiency, Environmental circularity, Social integration, Governance soundness

1. INTRODUCTION

The fashion industry is gradually shifting away from its apparel-centric structure to include a wider range of non-apparel items, and the footwear market is expanding rapidly, especially sneakers, due to the casualization of fashion and the pursuit of functionality. This is confirmed by reports from various market research organizations. Global Information, an industry market research firm, predicts that the global footwear market will expand to \$113.6 billion over the five-year period from 2023 to 2028, with a compound annual growth rate (CAGR) of 4.73% during this period. According to Verified Market Research, another market research firm, the sneaker market was valued at \$91.1 billion in 2023 and is expected to grow at a CAGR of 7% from 2024 to 2030, reaching \$145.3 billion by 2030 [1]. Sneakers, which were incorporated into the realm of fashion in the early 21st century, have been increasingly using mixed materials, mainly plastics and plastic-like materials, due to their high demands for design and functionality, causing environmental pollution problems in the entire process of the industry, from material supply and production to disposal. In addition, it is a labor-intensive industry due to the use of complex materials, design methods, and production processes compared to general shoes. As this implies social issues such as workers' rights, it is necessary to consider environmental and social sustainability.

Sustainability is one of the most important topics in global industry in recent years, with global companies pledging to source 100% of their electricity from renewable sources, such as the Renewable Electricity 100

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(RE100) campaign, due to the ongoing global warming since industrialization [2]. In addition, the world is now applying the concept of Environmental·Social·Governance (ESG) management to Corporate Sustainability management (CSM). However, ESG is a concept that refers to the non-financial values of the Triple Bottom Line (TBL), an important framework for sustainability, and in recent years, there have been calls for a balance with TBL due to the problems that may occur if ESG is emphasized only on non-financial values [3]. Accordingly, global fashion brands are exploring various ways to practice sustainability in line with the global industry trend, and are striving to improve non-financial factors such as environment, society, and governance along with financial factors in their management. Thus, the Korean industry and academia should pay attention to sustainability, which is currently dominating society as a whole. In addition, in practicing sustainability, it is necessary to introduce the concept of sustainability into the management method itself, not just issues such as eco-friendly materials and production methods. However, domestic sneaker brands are still in the stage of introducing CSM, and there is a lack of research on sustainability in academia despite the expansion of the sneaker market.

Therefore, this study analyzes the CSM practices of sneaker brands from an integrated perspective of TBL and ESG to provide basic data for the expansion of sustainability in the sneaker industry. The results of this case analysis can be utilized as information for setting policy directions for sneaker brands. The research method is to set the criteria for brand analysis by examining the concepts of CSM, TBL, and ESG through literature research, analyze brands that are practicing CSM according to the criteria, and derive their characteristics. The analysis will be limited to adidas, allbirds, and NIKE, which are global sneaker brands that have been highlighted as sustainable footwear by specialized market research organizations such as Grand view research and the media, and are evaluated by Sustainalytics, an ESG management performance evaluation agency. The analysis will utilize the official websites and reports of each brand, as well as press releases from the media.

2. THEORETICAL CONSIDERATIONS

2.1 The Concept of CSM

According to the 1987 World Commission on Environment and Development (WCED) report, sustainability is "development that meets the needs of the present without compromising the needs of future generations" [4]. Based on this concept, CSM combines sustainable development and corporate social responsibility (CSR) [5], and the Korean Standards Association (KSA) defines CSM as "management activities that enhance the value of an organization by promoting communication between the organization and its stakeholders and pursuing economic, social, and environmental sustainability of its members." [6]. In other words, CSM is a concept that encompasses environmental management and social contribution activities [7] and is recognized as an essential task for modern society as a whole.

2.2 The Concepts of TBL and ESG

CSM can be explained in two concepts: TBL and ESG. First, TBL, the three pillars of sustainability, is a concept that refers to a company's economic performance as well as environmental and social performance, and seeks linkages between elements and emphasizes complementarity and balance [8]. Next, ESG is "the non-financial performance of environmental, social, and governance aspects that directly or indirectly have a significant impact on a company's mid- to long-term enterprise value as three key elements of achieving sustainability in corporate management." [9]. In addition, ESG is a concept that "CSM and CSR have evolved, normed, and institutionalized" [10]. In this study, we will analyze the CSM practices of sneaker brands by synthesizing the components of TBL and ESG [Table 1].

Table 1. Elements of case analysis

TBL [11]		ESG [9]		Analytics	
Economic	<ul style="list-style-type: none"> - Business & Technology Transformation - Corporate transparency - Fair Trade - Contributing to the local economy 	Environmental	<ul style="list-style-type: none"> - Climate change & carbon emissions - Resource & waste management - Environmental Pollution - Environmental Regulation - Energy efficiency - Ecosystems & biodiversity - Responsible purchasing, procurement, and more 	Economic	<ul style="list-style-type: none"> - Business & Technology Transformation - Ethical management - Economic contribution
Environmental	<ul style="list-style-type: none"> - Use eco-friendly materials - Protecting resources - Full course management - Climate Action 	Social	<ul style="list-style-type: none"> - Customer satisfaction - Community relations - Data protection & privacy - Supply chain management - Human rights, gender, diversity - Worker safety and more 	Environmental	<ul style="list-style-type: none"> - Policy operations - Resource virtuous circle - Water management - Climate Correspondence - Product liability
Social	<ul style="list-style-type: none"> - Human Rights & Fair Labor - Social contribution - Social ethics in action - Giving back 	Governance	<ul style="list-style-type: none"> - Board & audit committee composition - Business Ethics - Bribery & anti-corruption - Compliance - Lobbying & political contributions - Fair Competition, etc. 	Social	<ul style="list-style-type: none"> - Human Rights Management - Health & safety - Information Protection/Security - Customer satisfaction - Social contribution - Supply chain management
				Governance	<ul style="list-style-type: none"> - Operating systems - Business Ethics

3. CSM PRACTICES OF SNEAKER BRANDS

3.1 adidas

On the economic side, adidas has been included in major CSM indices to manage its CSM performance. In addition, the company has shown achievements in environmental policy management by utilizing science-based frameworks and establishing integrated management system policies, and has implemented policies related to the virtuous cycle of resources, such as expanding renewable energy and operating circular services. In the social aspect, the company operated various programs related to human rights management and established detailed guidelines to realize equality in gender, race, and ethnicity. In terms of governance, the company has formed relevant committees and operates ethical policies [Table 2].

Table 2. Corporate sustainability management _ adidas [12]

KE	DE	Contents	KE	DE	Contents
Eco	BTT	<ul style="list-style-type: none"> - CSM Index Performance Management - Sustainable materials development 	Soc	HRM	<ul style="list-style-type: none"> - Operate a modern slavery & forced labor assessment and reporting program - Supporting the movement to end racism
	EM	<ul style="list-style-type: none"> - Climate-related reporting & disclosure - Publication of the adidas Annual Report for material non-financial information 			<ul style="list-style-type: none"> - Launching a new Diversity-Equity-Inclusion (DEI) strategy to drive global racial equality - Developing women in leadership

Table 3. Corporate sustainability management _ allbirds [13]

KE	DE	Contents	KE	DE	Contents
Eco	BTT	- Development of methods for quantifying carbon footprint [14]	Soc	HRM	- Have employee resource groups (ERGs) to support diverse communities
		- Designing a Sustainability Principles and Objectives (SPO) framework			- Build foundational skills and leadership capabilities for retail and customer support teams
	- Leverage application programming interfaces (APIs)	- Leveraging a total rewards strategy for full-time employees to align with company values and sustainability goals			
EM	- Become certified as a B Corp [15]	- Have a gender-diverse committee			
EC	- Publishing sustainability reports and annual reports	H&S		- Ensure safe, legal, humane, and ethical manufacturing practices	
	- Executing a wind power project in India	InfoSec		- Protect and secure intellectual property & sensitive data	
Env	PO	- Planting activities to preserve and restore biodiversity and introduce regenerative agricultural practices		CSAT	-
	RVC	- Using wool, natural materials, and Trino®, a blend of eucalyptus tree fibers & ZQ Merino wool		SC	- Supporting the community through donations of commercially unsellable shoes
	WM	- Planting activities to protect and improve waterways and adopt regenerative agricultural practices		SCM	- Achieving supply chain decarbonization through the use of a recycled wool platform and verification by certification bodies [14]
	CCo	- Measure the carbon footprint to become a carbon-neutral business		- Supporting the transition to regenerative agriculture with an improved wool grazing project	
		- Introduce multiple renewable energy sources through solar & hydro	OS	- Establish an Audit Committee, Compensation & Leadership Management Committee, and Sustainability, Nomination & Governance Committee to oversee ESG issues.	
PL	- Improve transportation methods, such as using biofuels & electric trucks	BE	- Provide a code of business conduct and ethics		
	- Soil carbon storage through innovative regenerative agriculture models				
		- Invest in new solutions to develop greener materials			
		- The official unveiling of the world's first zero-carbon shoe design			

3.3 NIKE

Nike demonstrates technological innovation on the economic side by reusing and developing materials. On the environmental front, the company is looking for ways to create a virtuous cycle of resources, such as reducing and recycling waste to reduce carbon emissions. On the social front, the company is fostering a diverse workforce, investing in employee empowerment, and realizing human rights management. For local communities, the brand provides direct support, but also supports employees who participate in community activities to create a culture of sharing. In terms of governance, NIKE has a committee to review corporate

guidelines [Table 4].

Table 4. Corporate sustainability management _ NIKE [16]

KE	DE	Contents	KE	DE	Contents
Eco	BTT	- Developing materials with minimal environmental impact	Soc	HRM	- Offer wellness support benefits and programs for employees and their families
	EM	- Publishing a sustainability impact report			- Invest in and focus on employee resource groups for employee engagement and inclusion
	EC	- Supporting community partners and providing space			- Fostering inclusive leadership and career growth through professional development
Env	PO	-	Soc	H&S	- Collaborate with strategic suppliers to create a healthy and safe workplace
	RVC	- Explore environmentally preferred materials (EPMs)		InfoSe	-
		- Waste reduction and diversion practices		CSAT	-
	- Operate a circular system of refurbishment, recycling & donation	SC		- Commitment to improving accessibility for all athletes around the world, including athletes with disabilities	
	WM			- Reduce freshwater usage with sustainable freshwater use	- Provide play and sports-based programs for underprivileged children
CCo	- Drive water restoration to conserve resources and reduce environmental impact	- Helping organize activities to equalize the playing field and address racial inequality			
Soc	HRM	- Reduce greenhouse gas (GHG) emissions through renewable electricity use and Vehicle electrification	- Support for increasing the number of employees involved in community activities		
		- Changing GHG emissions by improving manufacturing and transportation	SCM	- Form partnerships to improve and evolve relationships with diverse suppliers	
		PL		- Adopt clean chemistry alternatives for priority chemicals	- Supporting suppliers to advance gender equality
Soc	HRM	- Promoting gender equality and increasing workforce diversity and leadership opportunities for race, ethnicity, gender, etc.	Gov	OS	- Work with suppliers who are committed to labor, health & wellness, safety & environmental standards
		- Investing in academic institutions, including Historically Black Colleges and Universities (HBCUs) & Hispanic-Serving Institutions (HSIs)			- Corporate Responsibility, Sustainability & Governance Committee (CRS&G Committee) to review and provide corporate guidance
		- Achieving pay equity for all employees and providing growth opportunities for Firstline employees			BE

4. CSM CHARACTERISTICS OF SNEAKER BRANDS

4.1 Economic Efficiency

From an economic perspective, both adidas and allbirds had policies in place to efficiently manage their management structure and performance in management and technological innovation. Adidas also sought to realize sustainability through technological development of materials with NIKE. In the case of allbirds, the focus was on technological innovation, such as quantifying carbon footprints and developing interfaces to create a digital customer experience. In terms of ethical management, all three brands report on their sustainability performance, and in the case of allbirds, they have achieved B Corp certification, serving as a new corporate model for sustainability. In other words, all three brands are pursuing economic efficiency in CSM to balance corporate social responsibility with economic profitability.

4.2 Environmental Circularity

From an environmental perspective, adidas adopted an integrated management system in the operation of its policies and, together with NIKE, had a circular system for virtuous circulation of resources. On the other hand, allbirds focused on environmental policies rather than systems, such as restoring nature and using natural materials. In terms of water management, all three brands were promoting water restoration through water quality and wastewater management, and in terms of climate response, they were working to reduce GHG emissions through various methods, such as improving transportation methods with the goal of decarbonization. In the case of product responsibility, adidas and NIKE focused on managing chemicals, while allbirds pursued policies to enhance the sustainability competitiveness of its products, such as developing eco-friendly materials such as zero-carbon materials. Thus, it can be seen that the three brands are aiming for an environmental cycle in which human activities on resources and climate do not affect nature and allow it to cycle as it should.

4.3 Social Integration

From a social perspective, three brands had policies in place for human rights management. Various programs are in place to reduce discrimination based on race and gender and to ensure representation of each minority group. They also provided continuous training and growth opportunities for employees to enhance their competencies and professional development. In terms of human and material protection, adidas and allbirds pursued health and safety in the work environment and operated programs and systems for data security. In terms of social contributions, in order to improve the quality of life of the community as a whole, adidas and NIKE support various sports activities and volunteer programs, and adidas and allbirds make direct donations such as product support. In terms of supply chain management, adidas and allbirds are working to create an enabling environment and provide incentives to encourage de-oxygenation, while adidas and NIKE are working to build relationships and collaborate with their suppliers. This shows that the common value of all three brands is social integration centered on diversity, equity, and inclusion.

4.4 Governance Soundness

From a governance perspective, all three brands have established committees in their operating systems to oversee sustainability initiatives and ESG issues, and in the case of NIKE, review and provide corporate guidelines such as the DEI. In terms of business ethics, adidas and allbirds have implemented compliance policies by providing regulations and guidelines on business behavior and codes of ethics internally. In other words, the three brands have various governance policies in place along with the development of sustainability skills. In addition, they also have a sound governance structure, integrating sustainability into their core business functions to effectively embed sustainability in economic, environmental and social terms.

5. CONCLUSIONS AND RECOMMENDATIONS

The sneaker industry, which is dominated by large global brands, is a typical labor-intensive industry. Many sneaker brands manufacture in developing countries in Asia, Africa, and Central America to take advantage of cheap labor, use large global supply chains to deliver their products, and use multiple modes of transportation to deliver finished shoes to retailers. These characteristics make the sneaker industry one of the most impactful on the natural environment and labor markets, and recent awareness of this has led to a significant increase in the use of sustainable materials. However, from a CSM perspective, this movement is still in its infancy compared to other industries, and footwear, especially sneakers, is not performing as well as apparel due to the nature of the product. In order to expand CSM in the sneaker industry, this study analyzes the cases of leading brands in the sneaker market and identifies the following characteristics: economic efficiency, environmental circularity, social integration, and governance soundness. As the sneaker market expands, the demand for CSM will become even greater for related brands. Therefore, it is hoped that the results of this study will be used as basic information for setting policy directions for sneaker brands pursuing CSM. In addition, research on domestic and foreign sustainable footwear brands should be continued based on this study to expand sustainability not only in sneakers but also in the entire footwear industry in Korea.

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