Nike Company Business Strategy

Posted on November 1, 2018

View this essay online:
https://academic-master.com/nike-company-business-strategy/

Introduction

Nike, one of the biggest business brands, with $18.6 billion annual revenue, manufactures apparel, athletic shoes, and equipment (NIKE, Inc., 2020). With vast manufacturing processes, Nike, along with other brands, has social and environmental responsibility. In 1992, the brand issued its 1st protocol to reduce environmental impact and sustain its efforts to ensure its corporate social responsibility. With the help of Jones and Sprunk, two vice presidents, Nike sets sustainability goals for the future. The company reduced absolute carbon emissions to have a sustainable economy while concurrently growing revenues. Nike focuses on emerging technologies, innovative partnerships, financing in start-ups, and influencing policies and standards to drive innovation advancement. By redesigning its supply chain, the company sets a minimum standard for every supplier factory to follow Nike's code of conduct. Nike's business model is a lean, green, and reasonable workplace that focuses on core components such as design, growth, and marketing. The trendy and fashionable waterproof/windproof attire provided by competitors of Nike suggests improving the design and quality of the company's products.

Discussion

Nike is known as a pioneer among sports fashion brands worldwide, with over $20 billion in revenue for FY 2011. With its first- and second-place global rankings in major product categories, the brand is fiercely competitive in footwear and apparel. The social and moral responsibility that comes with this success is also huge. According to the Harvard business case study, to improve sustainability and growth at Nike, the company's board's corporate responsibility committee reviewed the preliminary sustainability goals for 2015-2020. Hannah Jones and Eric Sprunk, two members of the company's executive team, focused on removing poisonous releases from the supply chain. To achieve the target of zero discharge of toxic material, the estimated cost would be greater than the previous year's. It requires necessary resources, i.e., a change in the system, innovation in chemistry, and experts to advance scalable results within the planned time limit. Nike's vice president of sustainable innovation, Jones, and vice president of products worldwide, Sprunk, along with their teams, worked closely to design Nike's sustainability goals.

Nike's business model joined low-cost manufacturing with innovative shoe design by sending specifications to independent manufacturers in low-wage countries. The company's culture was

inspired by coach Bowerman's "just do it" formula; he famously invented the waffle sole one day by mixing urethane and preparing it on a waffle maker. Initially, the company outsourced shoe manufacturing to Japan, Korea, and Taiwan and invested more of its budget in research than any other company. In 2012, over 500,000 Nike products were manufactured in 900 contract factories in 45 countries. The business goal for 2015 was to expand the brand globally and build a strong relationship with customers. The company worked more in categories of sports and geographic regions to seek growth in direct business with customers across all brands. Nike's digital business expansion was globally established when the brand developed Nike+ to allow runners and athletes to track and share their events through Apple devices. However, the core component of growth lies in innovation.

In 1977, shortly after graduating, Parker, a college runner, joined Nike as a product engineer in the R&D centre and designer for footwear. He designed Nike Air Max technology, one of the most fruitful innovations for the company. Parker, with Charlie Denson as co-president, had held positions in general management, marketing, engineering, research, and design, including five years from 2001 to 2006. The brand's long-term business vision was to invest profoundly in digital sports. Parker introduced a game-changing sustainable growth innovation that contributed to a better world by remodeling the supply chain process.

The origin of Nike's sustainability journey dates back to the 1990s, when the company's critics said that employees were treated inhumanely and utterly underpaid. First, Nike tried to defend its stance by refusing to take responsibility for its suppliers, but in 1988, the company's approach changed. Maria Eitel was appointed by Nike as the first corporate responsibility vice president, and this set the foundation for a strategic framework to overcome the problems the company was facing. In the late 1990s, Nike initiated programs around recycling, toxic substances in the production process, and water use in the supply chain to cope with environmental challenges. The company also addresses sustainability in operations by looking into the reasons for overtime work and focusing on growing factors such as population growth, energy storage, water scarcity, governance, health issues, climate change, and the Internet. These innovations help Nike foresee coming threats in the supply chain that can impact the business, such as energy shortages or water disruptions. To take necessary precautions, Nike launched a water program in 2001 to track water usage in the supply chain. Jones, the vice president, continued recruiting people for financial analysis and strategic planning to integrate business decisions and sustainability. Nike took immediate action when one of the contract factories in Malaysia was treating employees inhumanely by demanding redress for the employees, including compensation for withheld salaries.

In July, Greenpeace launched a high-profile campaign accusing Nike and other well-known companies of not putting much effort into preventing hazardous substances from being released into the water supply by their suppliers. After the report, Nike issued a statement outlining its existing work and offering to work with Greenpeace and other NGOs to endorse better water management. This report sped up the process of treating toxic chemicals and reaching the goal of zero toxic discharge. Nike's new innovation agenda proposed research in materials, design, water, waste, climate change, energy,

and labour. The main target to achieve by 2020 involved a drop of 10%-25% per unit in water usage.

Nike's business social accountability plan gives top importance to consumers as a stakeholder group. Clients are important because they drive the company's revenues from the equipment market, such as sports shoes and apparel (Porter, 1985). In the example of Nike Inc., these stakeholders' benefits include high-value merchandise and reasonable prices. The business addresses these benefits through substantial R&D investments. For instance, Nike continues to deliver products with extraordinary excellence and innovative technology. Communities are an essential part of Nike's standing in social responsibility. Customers are inclined to purchase additional merchandise that has a positive influence on communities. The welfare of these stakeholders consists of supporting the growth of communities. Nike Inc. serves these interests through the Nike Foundation, which acts as the brand's main means of assisting community development initiatives. For instance, the Nike Foundation started its community development plans in developing countries in 2005, with an emphasis on supporting the empowerment of girls. The brand also has a range of "Civic Influence" business social responsibility programs, such as the *Active Schools & Youth Sports* platform, which gives money and athletic shoes, equipment, and apparel to encourage physical activity among students.

Nike Inc. knows the value of personnel as a stakeholder group that affects organizational efficiency. For example, employees' performance directly affects business performance. The benefits of these stakeholders include reasonable compensation, professional growth opportunities, and a sense of purpose. Nike provides these benefits through corporate social responsibility strategies and programs that emphasize core management development, talent management through training and coaching, and team building. These corporate social responsibility efforts are predicted to increase Nike's capability to produce more high-quality and innovative equipment, apparel, and athletic footwear.

As a part of its corporate social responsibility policy, Nike Inc. classifies governments as a stakeholder group. These stakeholders are significant because they influence how Nike functions in terms of its licenses, regulations, and lawful operations in certain marketplaces for its apparel, equipment, and shoes. Governments are involved in legal and regulatory compliance, as well as business contributions to tax revenues and public development. Accordingly, public development interests are addressed through Nike's corporate social responsibility programs for public growth. In addressing the additional welfare of this stakeholder group, Nike Inc. upholds a number of rules and values to safeguard compliance in all of its business operations. Thus, the company's social responsibility approach contains the interests of governments as stakeholders.

Nike's corporate social responsibility rules also address the welfare of some interest groups. These stakeholders have important effects on Nike in terms of possible government intervention and customer perceptions concerning the firm and its apparel, sports shoes, and equipment. The interests of these stakeholders are diverse, including fair work practices, business sustainability, and environmental preservation. Nike Inc. addresses these interests through the Nike Foundation's initiatives and also supports a range of connected programs. The corporation also has corporate social

responsibility strategies for improving labour management and environmental impact. These points indicate that Nike Inc. addresses the concerns of interested groups as stakeholders. Generally, Nike Inc. is effective in guaranteeing that its corporate social responsibility programs support the commercial goal of enhancing income from the sale of equipment, sports shoes, and apparel worldwide. The challenge Nike is currently facing is the design of trendy and fashionable footwear compared to its competitors. The brand needs to keep up with the style and comfort levels of customers by providing better and more innovative designs at reasonable prices. Nike is also struggling in the apparel industry. Suppliers that retail Nike products have been uncertain, too; for example, Sports Authority filed for insolvency this year. Macy's retails Nike, and though the Nike segment remains one of Macy's Herald Square's only unspoiled units, Macy's is still struggling to drive traffic flow to its stores. There are chief competitors like Under Armour and Lululemon, and then there are additional functional brands, like the ultra-luxe Sweaty Betty and Bandier and Outdoor Voices, which prides itself on marketing that emphasizes having fun rather than being competitive and the best. In other words, it's the anti-Nike, and that could be attractive to women who require a substitute for Nike's "just do it" attitude. Another major concern is that the most popular merchandise might be going out of fashion. This is particularly a worry since basketball attire accounts for 12-14% of Nike's trade.

References

NIKE, Inc. (2020). Annual report for the fiscal year ended May 31, 2020. https://investors.nike.com/investors/news-events-and-reports/sec-filings/sec-filings-details/default.aspx?FilingId=14286790

Porter, M. E. (1985). Competitive advantage: Creating and sustaining superior performance. Free Press. https://www.hbs.edu/faculty/Pages/item.aspx?num=193

Copyright © 2026 Academic Master.