Nike Porter’s Five Forces, Value Chain, and Sustainability Case Study

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Introduction

This paper will discuss the underlying strategies and business objectives that the organization must manage during the business’s course. It will also examine the role the concept of value chain plays in an organization and the role of sustainability in these businesses.

Porter Five Forces Model

Threat Of New Entrants

The threat of new entrants is always prevailing when one talks about any business, but the fact of the matter is that these organizations have expanded their scale to such an extent that they are now working on the benefits of scale (Marufuzzaman et al., 2014). The scope of these organizations is so large that smaller businesses may find it very hard to break into the market (Marufuzzaman et al., 2014). The other thing that is damaging the prospect of new entrants is that these firms are making decent profits while the new business has to wait for a considerable time before it can generate profit (Antràs & Chor, 2013).

Threat Of Substitute Products Or Services

These organizations have neutralized the threat of new entrants as they have focused on innovation and rebranded themselves time after time. When that happens, the organizations acquire a certain position in the business, and due to that, they are able to further consolidate their position (Marufuzzaman et al., 2014). Even if there is a new product in the market, the product range of these organizations is so large that the other businesses would find it hard to compete with them in the first place (Antràs & Chor, 2013).

Bargaining power of customers

This is the ability of the customer to put the firm under pressure. Now, if one looks at the business model of these organizations, it becomes clear that these firms are some of the more distinguished names in the industries in which they are operating, and due to that, they acquire a position that is in sync with their overall objectives (Marufuzzaman et al., 2014). They make their customers stakeholders in their business process, but due to the higher concentration of these firms, the customers cannot pressure them (Antràs & Chor, 2013).

Bargaining Power Of Suppliers

Suppliers always want the organization with which they are conducting business to allow them greater flexibility, and this is where these organizations have done well. They are not relying on one supplier to fulfill their business needs (Marufuzzaman et al., 2014). As a matter of fact, what they are doing is that they have diversified as far as their suppliers are concerned, and when that happens, the bargaining power of the suppliers declines as they cannot dictate their terms to the business (Antràs & Chor, 2013).

Intensity Of Competitive Rivalry

There are certain instances when competition is all that is needed to bring out the best in you, and the same rationale can be applied to these organizations as well. Due to the strong competitors that are doing well on their own, not only do they have to emphasize the quality of the product, but they also have to take care of their business practices (Antràs & Chor, 2013).

Importance and Prospect of Value Chain in Business

Now, coming towards the expansion of the concept of Porter, it can be said that the same rationale can be applied to the whole value chain of the business, and it can be seen how they are needed to ensure that the value that is transmitted to the customer is carried out in the right manner. There are many aspects these days that businesses have to take care of; for instance, inbound logistics might turn out to be an important part of the business, and the business has to make sure that it allows efficiency in the storage and distribution of the products (Antràs & Chor, 2013). At the same time, they also have to increase their operational efficiency as well so that the value transmission is carried out more smoothly and in a more refined manner (Marufuzzaman et al., 2014). The important thing in this regard is to make sure that the outbound logistics of the product is taken care of, and that can only happen when the distribution of the final product is carried out in the right manner (Antràs & Chor, 2013). This is an important aspect as far as the whole thing is concerned (Marufuzzaman et al.,

2014).

Value Chain and Business Process of Nike

Now if one looks at the way Nike worked, they had to make sure that the threat of new entrants did not affect their whole business process, so they had to make sure that the overall operations and practices that are carried out at the organizational level had to be organized in a manner that the value loss is minimized (Fearne et al., 2012). The challenge that they were facing at that point in time was that their labor practices were not really popular, and they were facing a challenge in that regard that they had to automate their processes. This was important due to the fact that the labor practices were under the scanner and the stakeholders were not really happy with what was going on (Fearne et al., 2012). One thing that was done during the course of their operations was that the effort regarding the control of waste and production and operations was made more streamlined during the course of their operations (Fearne et al., 2012). The effort was carried out specifically in the operational areas, and they ensured that the production efficiencies were taken off in the right manner and the business process was improved (Fearne et al., 2012).

Labor Practices and Nike

The major reason that there was so much discussion in this regard was that Nike was under the scanner all these days as people started to question its commitment to the way labor practices were carried out in the organization. Nike did not focus much on compliance and social responsibility. All that became a source of concern for Nike was that questions were being asked regarding the material that was used during the course of production as well as other components of their value chain. There was a lot of scope regarding how it could have been achieved in the right manner (Fearne et al., 2012). They were the ones then who adopted the concept of lean management and manufacturing as they determined the way the overall design of the product could be made more efficient and less prone to error (Miller & Mork, 2013). As a matter of fact, it contributed tremendously towards the goal and value chain of Nike, and they were able to save about $700 million in that regard. They were quite successful in achieving the goal of zero waste in the coming years, which played much to their advantage (Miller & Mork, 2013). Now, whenever there is any discussion about the value chain, the product's marketing and sales aspects are the definitive ones that must be considered. This is due to the fact that marketing is actually the creation of value, and it is an integral part of the whole value chain of the customer (Antràs & Chor, 2013). When efficiency is combined, all these things would definitely increase the sales prospects and allow for superior service (Trondsen, 2015). But these things would not do the job as far as the value transmission is concerned; to round off the whole process, procurement, the whole infrastructure of the firm and finance would also need to play their part (Marufuzzaman et al., 2014).

Sustainability and Efficiency

The example of General Electric is important when one has to consider how sustainability is concerned regarding overall efficiency. The intention was right on their part as they ensured that they made sustainability part of their business process (Miller & Mork, 2013). The realization on their part is that carbon must be considered a cost, and thus, there was the implementation of regulations that allowed them to view the environment and make sure that the effects of acid rain are limited to an extent (Chou & Chou, 2012). They were the first organization to actually go into a climate coalition with other governments, and the trading system was the main reason that they were able to do that (Miller & Mork, 2013). The main rationale behind their going into an environmental alliance was that they wanted to ensure that some sort of cap was introduced during the course of their operations (Miller & Mork, 2013). Another thing that they wanted to do was that they wanted a certain sense of certainty as far as their whole organization is concerned (Miller & Mork, 2013).

Employee Engagement in Value Chain

With that, one went to see an example of how employee engagement has to be used to ensure that energy savings are taken care of. There were instances as simple as employees being asked to turn off the lights when they were leaving the office premises (Miller & Mork, 2013). This was an important part as not only did GE show that they were concerned about the environment, but they also allowed a certain degree of control in that regard, and the resource allocation was certainly improved on their part. These efforts have reaped benefits for them as well. Per some estimates, they have been able to save as much as $100 million during the course of their organizational operations, which is a big amount for something as elemental as it (Miller & Mork, 2013).

Sustainability In The Business

Businesses these days are under constant scrutiny, and people these days are not only interested in the product but have the same level of interest in how sincere an organization is when it comes to the cause of the community and the way it is taking care of all the people that surround it. In that regard, these organizations have done well as they have made a conscious effort when it comes to business development (Marufuzzaman et al., 2014). They have ensured to an extent that they do their part in the development of the community as far as it is concerned (Antràs & Chor, 2013).

Rio Tinto and Sustainability

Some businesses give in to their lack of sustainable alternatives because they allow complacency on their part. Many threats to biodiversity were being faced in the last few years by Rio Tinto. The idea that came from Rio Tinto was about developing the economic potential of the community in which

they are living and increasing their social outreach (Miller & Mork, 2013). There is a slight background behind the whole issue as well (Chou & Chou, 2012). At that time, Madagascar had gained some unwanted controversy as some of the NGOs were uncomfortable regarding how this whole project was carried out. As the plan was moving forward, the majority of the island, 90% by some estimates, was cleared by farming, grazing, and charcoal production (Miller & Mork, 2013). The island was considered one of the last pristine areas, and due to that, the NGOs were overly concerned by the state of the island, so getting it right was one of their primary agendas (Chou & Chou, 2012).

Integration of Concerns of People

The good thing, though, that was witnessed at that point in time was that Rio Tinto did not outright ignore the concerns of these people, and they made sure that they addressed these concerns to some extent. So, they came up with a plan that talked about how economic opportunities could be created for the people of that region (Miller & Mork, 2013). The idea on their part was to make sure that some standards are developed and the organizational goals are set up in the right manner (Chou & Chou, 2012). Then, these goals have to be aligned with the broader goals of the company, and the concept of environmental stewardship was created along these lines. Then they have to make sure that they preserve the water quality that one gets to see around these mine locations (Miller & Mork, 2013). Now, the example of Rio Tinto is unique in this regard, as these initiatives did not create that much value for them. Still, it shows that in this day and age, organizations have to take care of sustainability and work for the betterment of the local community so that enough goodwill for the organization is created in the first place (Bititci & Carrie, 2013). Even though the monetary value is not created, they have done just about enough for themselves now that whatever natural habitats they would be part of, they would eventually ensure that the people's environmental concerns are taken care of (Miller & Mork, 2013).

Better Place and Sustainability

This strategy of selecting one location and using it for one's own advantage might have worked for one organization, but that does not mean that the same rationale could be applied to any contemporary organization (Chou & Chou, 2012). Thus, there is a need to change how things are done (Bititci & Carrie, 2013). The normal course of action that is applied by Better Place is that they seem to identify locations that are feasible for it. They were also adamant about what sort of adjustments one needs to bring at the organizational level to ensure that the technology is accepted at the local level (Chou & Chou, 2012). What Better Place did was that they were the ones that made an attempt to bring electronic cars to real life and toward the end user. They identified many nations that were adaptable to this concept, and the country that showed the greatest interest was Israel, as they wanted to convert to electronic cars in 2020. From these examples, it is clear that if any business wants to be sustainable, they have to at least make an attempt to ensure that these sustainability initiatives are adding value to the business (Bititci & Carrie, 2013). The idea at the end of the business

has to be that they should allow themselves some leverage in that regard and use the market situation to their advantage (Chou & Chou, 2012).

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