

Sustainability



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SUSTAINABILITY by + SUSTAINABILITY Question Does Jeff Ballinger have a convincing argument about Nike? Does Nike have a convincing response? Jeff has a convincing argument about Nike. Like any other company, Nike has an obligation towards all its workers. The wage gaps that existed between the developing and developed countries was a major concern. This situation arises from the need to consider the employee welfare despite the differences in the economic environments. Nike as a company should have carried out a market research to enable them to provide reasonable wages to its employees in Indonesia and other countries. The gap that existed between the wages was an indicator that Nike was neglecting the third world markets and not caring about their welfare. Jeff's argument of focusing on the costs of production was an important aspect because Nike's revenue was mostly from this pool.

On the other hand, Nike's response was not convincing. Their response that the labor conditions of its contractors were not their concern was not a proper response. Like any other production company, it is necessary to evaluate the production principles of your partners or contractors. Their response was a selfish response that showed that they were concerned about profits, rather than the welfare of the employees and other stakeholders. Their response to the realization of the severity of the labor issue should have been done in the initial periods. At that time, they would have reduced the pressure that was rising in the labor market. The competitors such as Reebok used this opportunity to increase their competitive advantage while Nike was continuing to be stubborn.

Question 2. How well has Nike handled the publicity surrounding its labor practices? Could or should the company have done anything differently?

Nike did not handle the publicity surrounding its labor practices in a positive way. They waited for the labor issue to be amplified before they reacted. They reacted very late when the damage had been made. Had they acted earlier enough, they would have prevented the issues that arose from the labor unrest in its major distribution platforms. For example, when the criticism arose, they should have taken the initiative of evaluating the labor environment and making the possible changes. On entry into the market, Nike should have surveyed the minimum wages and provided considerable wages to its employees. It should have also evaluated its hiring platform to allow for the hiring of competitive and age appropriate individuals. This issue would have prevented the allegations that arose from the use of underage children in their production. They should also have involved major stakeholders such as the government, the unions, and other bodies in designing the employee rights and wages.

Question 3. What is a fair wage in Vietnam? How should Nike think about it? In Vietnam, a fair wage is the wage that caters for the essential expenditures and can generate discretionary income. The discretionary income was usually used by the workers to purchase items such as bicycles and wedding gifts for their families (Spar, 2002). The fair wages indicated that the workers required an extra income beyond that which supports the family expenditure. In this spirit, Nike could have evaluated the market and realized that they had other expectations beyond expenditure. Nike could have formulated their wages in terms of the fair wages and provided the extra expenditure required for the family. Furthermore, Nike could have diversified their working time to allow the workers to engage in other activities other than the company wages. This initiative could have included the reduction in

work hours, or increasing their wages. In this sense, the workers would have diversified their sources of income and devised other sources of income.

Reference

Spar, D. L. (2002). Hitting the Wall: Nike and International Labor Practices. Harvard Business School.