

Nike research paper



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Primary Business Function(s) and Background A primary business function or activity is the main focus or line of products that the business ventures into and the types of products that they aim to sell to the consumer market. Nike is a clothing and goods manufacturer, focusing on athletic shoes, apparel, sporting goods and accessories. Originally known as “ Blue Ribbon Sports”, it was founded by track athlete Philip Knight and his coach Bill Bowerman in January 1964. The company’s profits grew quickly, and in 1966, “ Blue Ribbon Sports” opened its first retail store.

Continual growth throughout the 20th Century has seen Nike become the world leading sports manufacturer and they now provide a range of apparel, shoes and accessories amongst other products, for a wide-range of global sports. **Business Structure** Nike is a global publicly traded company. As it was initially formed from a “ handshake”, it was “ implicit in that act was the determination that we would build our business based on trust, teamwork, honesty and mutual respect”. Nike has a matrix structure – a combination between the functional and the divisional structure.

This organisational structure sees the chief executive officer sit at the top of the hierarchy and the various managers of each department report directly to him. The business consists of 5 departments: HR, Marketing ; Sale, Accounting, Production, and Design ; Development, that cooperate and interact effectively to strengthen the overall brand. The main company executives are: Philip H. Knight, Chairman of the Board of Directors; Mark Parker, CEO, NIKE; Charlie Denson, President, NIKE Brand and there is a board of thirteen directors which controls and oversees the operations within the Nike Brand.

The importance of this organisational structure is the fact that it gives certain individuals the opportunity to recognise their roles and responsibilities and helps to facilitate communication between individuals centered in their responsibilities. This enables information sharing, problem solving, centered decision making and a balance in coordination and interaction within the company. A disadvantage of the matrix structure is its complexity. For example, if the functional manager and the project manager do not communicate well, the team members can be caught in the middle, causing confusion and a conflicting business environment.

Business Goals For Nike, as an already established and successful business, the importance of business goals are that it keeps them as a company motivated and striving to dominate a larger percentage of the global sports market. Nike's three long-term financial goals are high single digit revenue growth; mid-teens earnings per share growth; and increased return on invested capital and accelerated cash flows. To achieve this however, the company needs to increase their net margins and market share. Currently, they occupy 38% of the global footwear market, while their biggest competitor – Adidas – holds 34%.

To amplify this ascendancy in the market and, one of Nike's strategies is to sell low-priced/market shoes through wholesalers. The problem with this goal however, is that some executives think that it will dilute the Nike brand, while other executives are of the opinion that this strategy will boost revenue and profits for years to come. Nike CEO Mike Parker announced at the beginning of the year that company is aiming to grow sales to \$27-billion

in five years, and increase more than 40% on sales in the latest financial year.

The company says the goals would be achieved by opening more stores with a stronger emphasis on penetrating emerging markets, primarily China. More specifically, Nike is focused on increasing market share in the global apparel business (particularly in emerging markets), as that fragmented segment represents the most sales and future opportunity for the firm. Additionally, Nike is looking at expanding its Converse brand, by doubling its brand value to \$2-billion within five years. Most owners or executives of a business have a number of personal goals.

In small businesses, these are easier to distinguish, but in businesses like Nike, which are globally recognised corporations, it is very rare that the owner or CEO publicises their personal goals for the business. Personal goals however are important, as they often motivate people to increase and maintain the success of their business. Neither Nike CEO Mark Parker, nor founder Phillip Knight has publicly expressed their desired personal goals or aspirations. Social, Environmental and Economic Goals and Roles

By showing interest in increasing innovation and sustainability, Nike has been able to decrease its environmental impact. The business has recently published their long-term strategy focusing on innovation, collaboration, transparency and advocacy to prepare the company to thrive in a sustainable economy. The company's increased focus on Sustainable Business and Innovation will be integrated into Nike's business strategies,

creating a more sustainable approach aimed at providing greater returns to its business, communities, factory workers, consumers and the planet.

Some current and future initiatives used to achieve these environmental goals include; “ Considered Design”, “ GreenXchange”, “ Lean and Human Resource Management”, “ Sport for Social Change” and “ Energy and Climate Change Strategy”. Nike’s main focus socially, is to adopt numerous business strategies that will not only help them to achieve their financial goals, but will also be beneficial to the community. By acts such as sponsoring and endorsing community events, promotions and programs, Nike is able to offer ‘ community service’.

They also provide something of great social and personal importance, income. By providing employment, Nike supplies a source of income to many families and by adopting a strong sense of ‘ social justice’, it is able to ensure that employees and/or other community members are treated equally. The Business Environment and Interrelationships between Internal and External Factors The Business Environment refers to the surrounding conditions in which the business operates, and is divided into two broad categories: external and internal.

The external environment includes those factors over which the business has little control, such as government policy, technology, economic conditions and social attitudes. The internal environment refers to those factors over which the business has some degree of control, such as products, location, resources, management and business culture. As a multinational corporation, Nike is less-affected by geographical, financial and institutional

influences. Due to its strong reputation and the ongoing need for sports apparel, Nike is also luckily not affected greatly by social challenges.

As a result, economic and legal influences are the main external factors that Nike must deal with as a company. In its early growth and future planning stages, Nike had to consider technological influences, especially with e-commerce becoming increasingly popular across the globe. Just like the majority of businesses, the economic cycle of ‘booms’ and ‘busts’ have an effect on Nike’s net profit margins and their overall state as a global corporation. Unlike smaller businesses however, Nike’s business activity is affected much less by smaller recessions and booms, as they are large enough and well established so that they can afford to maintain production and sales in the event of an economic downturn. Due to the GFC in 2008/09, in an attempt to protect its assets and to maintain net margins, Nike was forced to temporarily shut some of its subsidiary offices and slow the rate of manufacturing in some of its Asian factories to use “just in time” stock control. Society expects all business to abide by government regulations and policies, no matter the circumstances.

Nike has had troubles with legal influences in the past, and was forced to deal with these factors and make an attempt to remain the sports-leading global company. In 1996, the ethical issue of child labour came to the surface regarding the hiring of young employees by Nike’s Asian and Latin subcontractors. For the last decade, Nike’s managers have had to plan and organize a world-wide public relations campaign to redeem their name and reputation related to this ethical controversy. Had it not been for their strong

business ethic philosophy, the company's image would undoubtedly have suffered greatly.

Internal influences are also very important to Nike. Due to the expansion of its products and markets, internal changes to operations and management have been adapted and modified to suit the structure of a global corporation. Due to the massive variations in areas of production and manufacturing, Nike has adopted various subsidiary structures all over the world. The growth from “ Blue Ribbon Sports” in 1964, to “ Nike” – the highly-regarded household name has forced the company's executives to adapt its structure over the course of the 20th and 21st Centuries. The Business Life Cycle

Each stage of the business life cycle has its own special features and challenges. The first stage in the life of a business is its establishment, which is not always an easy task. The second stage is a time of accelerating growth where the business undertakes the development of new products to satisfy different market segments. The third stage of the business life cycle, the maturity stage, presents unique challenges to the owner. It requires rethinking about how the business should be operated to guarantee survival. The post-maturity stage represents many further opportunities but companies subsequently have much to lose.

The decisions made will be crucial for the future survival of the business in this stage. After progressing from the establishment stage, for five years Nike had a 44% annual growth and progressed rapidly through the growth and maturity stages. Nike is currently in the post-maturity stage of business. The company remains fiercely competitive with Adidas, and still has the

potential to grow and develop as a business. Because of its highly-regarded state and the fact that it is a world-wide household name in sports apparel, the company also has a reputation to maintain, whilst attempting to diversify.

Social and Ethical Responsibility to Stakeholders Nike's stakeholders are their customers, the general public, the environment, managers, employees, right up to people and groups who have physical shares invested in the business. Nike's main responsibility to its shareholders is to maximise the return on their investments in a sustainable way. It also needs to hold an AGM to allow questions, concerns etc to be expressed, allow its shareholders to buy/sell as they wish, and needs to divide surplus assets upon its closure.

Nike's responsibilities to its employees include a safe working environment, fair pay and conditions, and access to training and development. Its societal roles are to provide honest business practices and make ethically responsible decisions. The company's responsibility to its managers is to provide a supportive environment with means of communication and operation, and they need to ensure that these business operations have considered the impact on the environment, and, if not, need to take part in environmental management.