

# Good example of nike: a sweatshop debate case study

[Business](#), [Company](#)



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## **Introduction**

Nike is the world's main supplier of the athletic shoes and attire and is multi-billion dollar corporation. The company was established in 1972 by Philip Knight and since then it is been successfully supplying the athletic shoes and other sports equipment across the globe. In the year 2009, Nike reaped a remarkable profit of US\$ 19. 2 billion with selling the products in over 140 countries and contracted with 700 factories in more than 40 countries across the globe. Yearly revenue of \$19. 2 billion (Hill, 2009). The company employs more than 750, 000 - the largest in the supply chain. However, over the past few years, the company has faced much controversy related to its sweatshops. Different aspects regarding Nike cultural, legal, ethical, strategic and operational issues will be discussed that Nike has to face in tis controversy as well as the role of the company in solving the problem (Hill, 2009).

Even though Nike does not own many of its manufacturing units across the

globe, but it has been repeatedly accused of utilizing the manufacturing facilities that are involved in the exploitation of the workers. The company had suffer attacks from various human rights organizations and agencies throughout the world who made a proposition that Nike products were made in organizations that are indulged in child labor, low wage rate and offer hazardous working conditions (Herbet, 1998). Nike became a symbol of evil for many considering it is a multi-million dollar western company exploiting the labor in order to manufacture low-cost products. Even though the company did realize and stated that some of the manufacturing plants are involved but Nike is trying to improve the working conditions and effort has been made in this regard (Herbet, 1998).

### **Legal, Cultural, and Ethical Challenges**

Even though Nike does not own the manufacturing plants outside the home country and has subcontracted to different foreign countries mainly in Asian region, it is Nike's duty and responsibility to ensure that the sites and on-field work is performed according to labor and employment laws and workers are able to perform their work with integrity (Hill, 2009). The negative press and the news around highlighted with major investigations that took place in order to prove that Nike was guilty in running these sweatshops, Nike was bound to take strict measures to ensure that the products were manufactured maintaining the labor rules and regulations. This greatly impacted the goodwill and financial position of the company. The Nike "Niketown" stores became a regular target of protests of anti-globalisation protestors (Hill, 2009).

As mentioned earlier, Nike did undergo some corrective measures and admitted that their subcontractors were involved in ill-treating the workforce. Nike developed a code of conduct and terminated the contracts of the manufacturing organizations and suppliers who were involved in this malpractice and did not comply with international rules (Hill, 2009). Nike did signal a need to improve the working conditions of the labor that manufacture their products. It required that the subcontracts should at least meet the minimum working standards and maintain the working conditions as required under the employment law. Employees should be paid accordingly, and low-wage will not be tolerated. A team of independent auditors were hired to examine the facility and labor conditions on regular basis and the company created a minimum age requirement for the workers and any worker below this age bracket was not allowed to be hired for Nike. The company also enforced OSHA standards for chemicals that were used by workers to manufacture Nike products (Hill, 2009).

## **Roles**

Nike as well as the manufacturing company (subcontractor) is responsible and compliant to protect workers' rights and to enforce that labor laws are practiced, and employee is provided with satisfactory working conditions. It is an organization's duty to maintain working standards, and it is the utmost responsibility of foreign investors like Nike to send quarterly or bi-monthly independent auditors for inspection. This way Nike will be able to eliminate the sweatshop stigma associated with the brand.

## **Strategic and Operational Challenge**

There are many operational and strategic challenges that company face today. In the case of Nike, totally bringing an end to sweatshops or continuous independent audits is one challenge that the organization had to decide upon. Another operational challenge was to ensure that the foreign contractors meet the quality and labor standards after the agenda has been set. Third challenge was to improve the goodwill and brand name of the company after the protests and negative news in media that did do some damage to Nike brand name. Fourth challenge was to improve and maintain a relationship with suppliers that adhered to strict standards (Bounds, 1997).

## **Conclusion**

It is important that when a company plans to manufacture its product in another country due to any reason, it should ensure that employee age requirements, wage rate and working conditions are maintained and the manufacturing plant fulfills the corporate social responsibility policy and the ethical policy to ensure that values and integrity of the workforce is maintained throughout the supply chain. The debate against Nike that whether the company was or not directly responsible or should be held accountable is yet to be resolved. What is important is that this exploitation of the workforce still exists, and many international companies are actively involved. It is an obligation of the hosting country as well as the foreign investor to ensure that working requirements are met and the workforce should be respected no matter what social class, gender, educational background and age they belong to. There is no country in this world that

allows a purposeful exploitation of its workforce. It is an organization's duty to maintain working standards, and it is the utmost responsibility of foreign investors like Nike to send quarterly or bi-monthly independent auditors for inspection.

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