Nike strategic fit

Nike - Strategic Fit This paper is an effort to analyse how well Nike has been able to fit its strategies in line with its mission and the overall vision for the company. Nike is a renowned name in the sporting arena. Mission1 of the company is, " To bring inspiration and innovation to every athlete in the world." To give a wider meaning to the term athlete, the company says, " If you have a body, you are an athlete." Traditionally, maximising the profits has been considered to be the main objective of any organisation. Not any more ... This criterion has now been discarded. Now companies are supposed to have multiple objectives, monetary as well as non-monetary in order to move in the direction of its mission. Leerhsen and Crandall (1990) stated that, 'Running is the world's simplest sport, unless of course you insist on doing it in shoes.' That's where the multimillion footwear industry comes into picture.

Nike aspires to serve the human potential through sports - as the company states, " We feel lucky to have a genuine, altruistic reason to be: the service of human potential. That's the great benefit of sports, and we're glad to be in the middle of it." 2 Kotler (1974) states that, 'an individual's beliefs or conceptions about what is desirable, good or bad - forms the value system.' In today's competitive environment such a value system plays a crucial role not only in satisfying customer needs but in taking on the competition as well. A company can acquire competitive advantage on its rivals on account of marketing efforts, brand building, value creation, innovation, operational efficiencies etc. but more important is to sustain the leading edge. Value creation forms the core component for sustaining the competitive advantage. Mele and Colurci (2006) provide distinctive paradigms for value as such. It is stated that the term 'value' can be defined in different ways according to the adopted perspective of analysis; it is possible to determine a 'customer value', a 'firm value' and a 'stakeholder value'. Phills (2007) while talking to Hannah Jones, the vice president of corporate responsibility at Nike, explains that Nike is the largest sportswear company in the world, creating shoes, jerseys, and other apparel for just about every sport one can imagine - golf, tennis, basketball, wrestling, swimming, soccer the list goes on and on. Nike generated revenue of over $15 billion last year with the help of nearly 700, 000 people in locations like Indonesia, China, Vietnam, and other low-wage countries. Comparing Nike with companies like Home Depot, Treacy and Wiersema (1993) try to explore the answers as to Why Home Depot's competitors kept loosing the market share to this fast growing retailer when they were all selling similar goods And how did Nike, a start up company with no reputation behind it, managed to run past Adidas, a long-time solid performer in the sport-shoe market Treacy and Wiersema (1993) figure out that all such questions have similar answers. First, Home Depot and Nike redefined value for customers in their respective markets. Second, they built powerful, cohesive business systems that could deliver more of that value than competitors. Third, by doing so they raised customers' expectations beyond the competition's reach. Michael Porter (1985) developed a generic value chain with inter-related activities which are common in many firms. Porter identified primary and support activities. Primary activities being the one's generating a profit margin by adding value. In my opinion, in today's cut-throat competitive environment such activities can be instrumental in providing a sustainable competitive advantage for the company, while making room for product differentiation as well.

Nike has strategically positioned a majority of its footwear and apparel products manufacturing units outside US, while equipment products are produced in US as well as abroad (Datamonitor, 2006). This helps the company in leveraging the economies of scale in its favour. In my opinion, by shifting the manufacturing facilities to developing countries, Nike is able to have significant cost savings, which are being better used to establish its brand identity in marketing campaigns worldwide. Afterall, we are living in an era where strategic tie-ups in liberalised economies hold the key for better prospects and market leadership. Moreover, the world is becoming technology savvy and the South Asian region in particular has established itself as the hub of IT, so it perfectly fits into the strategy of Nike that in order to bring innovation and inspiration the company is moving its operations near the scene of action. Nike has been a frontrunner as far as launching of high-tech sports shoes is concerned. For example, it was Nike in 1987 that Nike came out with Air Max, the shoe with tiny windows that exposed the gas-filled urethane pillow that Nike has been packing into midsoles since 1979 (Leerhsen and Crandall, 1990). Subsequently Reebok followed with the 'Pump', a technology allowing the wearer to inflate the lining by means of a squeeze device located in the tongue. In my opinion such leads in technology indeed prove to be fitting testimony towards the strategy of bringing in innovation and inspiration to every athlete.

SWOT Analysis:

Strengths

1. A well established brand identity
2. Strong international market position
3. Well diversified portfolio of products

4. Association with prestigious sporting events and celebrities

5. Strong financial performance

6. Multi-location production facilities

Weaknesses:

1. Fluctuating cash flows from operations,

2. Growing employees unrest at many production locations

3. Overdependence on contract workers

Opportunities

1. Strategic Alliances with other retail stores e. g. recently Nike and athletic apparel and footwear retailer Foot Locker announced opening of a basketball store, House of Hoops by Foot Locker at Harlems's.

2. Wider acceptability of the company in providing customised products.

Threats

1. Growing influence of cheaper Chinese products in the international markets

2. Shrinking margins in the footwear business

3. Rising raw material costs

It is therefore quite apparent that Nike has been able to achieve the strategic fit so far with strategies in line with its objectives and growing market space in the international arena. The acceptability is bound to grow with increasing involvement of Nike in a number of community programmes and activities as part of its corporate social responsibility.

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