

Nike became a global company marketing essay



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Nike has become one of those global companies targeted by a broad range of campaigning NGOs and journalists as a symbolic representation of the business in society. In Nike's case, the issues are those of human rights and conditions for workers in factories in developing countries. In the face of constant accusations, Nike has developed a considered response, supported by corporate website reporting. It now has a well developed focus for its corporate responsibility on improving conditions in contracted factories, aiming for carbon neutrality, and making sports available to young people across the world. The criticism continues, however.

Developing a realistic corporate social responsibility policy or ethics policy is one of the first and most important steps a company can do to extend its values throughout its supply chain (Alexandra Wrage, president of TRACE). My personal belief is that the hosting country as well as the foreign investor has an obligation not only to the betterment of the country but both entities have an obligation to the workers in these factories no matter what the gender, educational background, or social status. Rules and regulations of governments should be obeyed whether it is from foreign investors coming into a country or whether it is those making the rules. Individuals should be treated with respect no matter what their social status is and money seems to be the social status behind Nike, and Vietnam's government. Nike had been accused of unethical business practices such as forced overtime, unnecessarily long hours, child labor, and payment to employees insufficient to meet even foreign minimum wage.

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Introduction

Nike Corporation irrefutably has created wealth for its owners and shareholders, but its rhetoric of social responsibility-its self-presentation of the corporation as a now global citizen-constitutes a more dubious claim. Nike is not alone in engaging in such marketing practices, but the corporation has long been in the vanguard of innovations in both production and marketing and therefore offers an instructive case study of how multinational corporations produce and manage their public images. This essay looks at the conditions that have made this particular self-presentation possible for U. S. consumers.

Nike is an American company that is world's largest athletic apparel and equipment manufacturer in the world. (Burke). The past two decades have been tough for Nike as they were scrutinized for their business ethics. In the 1990's Nike found itself in the middle of a heated debate regarding issues of

human rights and working conditions, and people began to believe the corporation's actions in regard to its ethical practices, were contradictory to the image they were attempting to portray to consumers.

2. 0 Nike the company

Nike Inc produces footwear, clothing, equipment and accessory products for the sports and athletic market. It is the largest seller of such garments in the world. It sells to approximately 19, 000 retail accounts in the US, and then in approximately 140 countries around the world. Just about all of its products are manufactured by independent contractors with footwear products in particular being manufactured in developing countries. The company manufactures in China, Taiwan, Korea, Mexico as well as in the US and in Italy.

Nike's vision statement is to bring inspiration and innovation to every athlete in the world. Nike convey their image of triumph over adversity, fulfillment of the American Dream, and hard work reaping dividends, communicates to consumers a brand image of success through hard work, fair competition, and equal opportunity for success. Their head spokespersons; Michael Jordan, LeBron James, Kobe Bryant, and Tiger Woods, are the epitome of what it means to wear the brand Nike. All are racial minorities, all are dominating figures in their respective sports, each of them has worked tirelessly to achieve their level of success, and all have donated millions of dollars to community charities. These men are the face of Nike. They represent what Nike wants their trademark " swoosh" to symbolize in the minds of consumers.

Since Nike's early roots, they have expanded their product line to include sports equipment and athletic apparel-wherever you find athletes, you find Nike.

3.0 Unethical Issues at Nike highlighted in 1990's

Apart from being the market leader in sports equipment and athletic apparel, Nike has been the most criticized company in terms of ethical issues. Nike does not have any factories for mass production; instead their goods are manufactured by contracting companies in developing world. In the 1990s, most of the Nike goods from produced in impoverished nations such as China, Vietnam, Indonesia, and Mexico to keep the manufacturing costs low. Nike increased its profits by paying lower wages in less developed countries.

In Indonesia, the following was reported: 30.2% of the workers had personally experienced, and 56.8% had observed, verbal abuse. An average of 7.8% of workers reported receiving unwelcome sexual comments, and 3.3% reported being physically abused. In addition, sexual trade practices in recruitment and promotion were reported by at least two workers in each of two different factories, although a subsequent investigation was unable to confirm this. 73.4% of workers are satisfied with their relationship with direct line supervisors, 67.8% are satisfied with management.

Far and away, the main concerns expressed by workers relate to their physical working environment.

A further report has been produced relating to a site in Mexico, which has experienced serious problems leading to labour disputes.

In both cases, Nike responded to the audit reports with a detailed remediation plan.

There were reports released in mid 1990s that unearthed the sweatshop labor activities. Soon the media and many human rights groups formed alliances to protest against the inhuman conditions of its employees in their factories overseas.

Nike had been accused of having workers that were under aged and working under hazardous conditions for poor wages. Nike was also accused of ignoring of health and safety standards for its workers and practicing forced labour. Nike's wealth, according to their detractors claim has been on the backs of the world's poor (D ofP readings).

It was hypocritical for Nike to claim to be an ethical company when it ignored its unethical practices in countries overseas.

According to Gordon (2000), Nike was still responsible for its workers even if their goods were manufactured by subcontracted companies overseas. Nike still had a liability to make sure that the manufacturing sites ran with integrity. The negative press and court proceedings proved that Nike was guilty of operating sweat shops and was an unethical company. In the report published by John Smith, Nike's plant manager in Indonesia was reported to have forced 60 female workers to work long hours without any breaks under sweltering conditions which lead to 12 women being hospitalized.

4. 0 What do the critics say?

Naomi Klein, accuses Nike of abandoning countries as they developed better pay and employment rights in favour of countries like China, where these are less of a cost. She points to a photo published in 1996 showing children in Pakistan stitching Nike footballs as an example of the use of child labour. Other critics have suggested that Nike should publicise all of its factories, and allow independent inspection to verify conditions there. Any auditing carried out by Nike should be made public. A lot of focus is given to wage rates paid by the company's suppliers. By and large, audits have found that wage rates are above the national legal minimum, but critics contend that this does not actually constitute a fair living wage.

5. 0 What does Nike say?

Nike accuses Naomi Klein of peddling inaccurate and old information. They point out that they have not abandoned countries as she claims, and remain in Taiwan and Korea despite the higher wages and labour rights. They admit that the 1996 photo documented what they describe as a "large mistake" when they began to order soccer balls for the first time from a supplier in Pakistan. They now operate stitching centres where the non-use of child labour can be verified.

Nike believe that the sharing with factory locations with independent third parties on a confidential basis enables them to monitor their supply chain properly. They state that disclosure of the factory names, plus details of audits of those factories, would be used by the NGOs simply to make further attacks rather than as part of a dialogue to help the company to address and resolve those problems which exist. As for wage rates, Nike feels that

establishing what constitutes a “ fair” wage is by no means as easy as its critics would have the public believe – and disparages the constant quoting of wage rates in US dollar equivalents, when these are meaningless given the different cost of living in the countries concerned.

Nike are also visibly dismayed at how they have attained the status of lead focus in this area. They request that people look towards their competitors and see how many of them have taken the kind of measures the company has over the last few years.

6. 0 What did Nike do to overcome its unethical issues?

The huge criticism from the public and the media forced Nike to rethink their global position. It began to have an effect from an ethical point of view and on its financial status as public started to disown Nike goods. In late 1990's Nike launched a campaign to address its unethical issues and public dissatisfaction with managing their overseas workers (Duke Law: Nike Inc v Kasky). Nike launched a campaign to address the allegations against them by including advertisements in newspapers, writing letters to editors and distributing pamphlets to public to express them that Nike is a company that deserves their continued trust and loyalty. Nike also implemented of a code of social responsibility throughout its supply chain that would make an improvement in the working conditions of 800, 000 workers at 700 factories in 52 countries. Nike launched an annual ethical audit that would check to see if its ethical principles are being pursued. It also assisted them in establishing actions plan if they were not.

According to John (1999), the biggest challenge Nike faced in resolving its ethical issues were in improving labor condition in factories overseas. Nike had to maintain its low costs in production while still retaining the brand equity they are known for. Nike managed to address this challenge by having fewer suppliers and more strategic relationships with their existing suppliers. Nike also addressed its issue of high worker turnover rate by introducing better human resource management practices. It also ensured better communication channels were created between the factories and management.

People already associate Nike with quality retail products.

7. 0 How far has Nike progressed since the claims?

Nike made systematic changes across all factories to overcome its unethical practices (Gail Dutton). There was an issue with the suppliers as they not ready to accept any changes as they were no direct benefits for them. Nike lead by example and education to develop a supplier code of conduct and established an internal team to enforce the codes of conduct. It also setup policies and had regular contact with their stakeholders to eliminate the challenges they faced. Nike eliminated excessive overtime for factory workers and introduced human resource management system and educational training for subcontracted facilities. Nike School Innovation Fund (NSIF) worth \$9-million was setup in January 2006 which was a five-year commitment to help public education in Portland, Beaverton and Hillsboro school districts. NSIF was established to support the community's major

school districts in their pursuit to improve the education of their kids. (Nike Biz: Nike Responsibility).

Nike was voted the “ coolest brand” in South Africa in 2004. Nike used its brand power to setup campaign for AIDS awareness (Nike Biz: Nike Responsibility).

Spokesman at Nike says that after nearly a decade, the company is well and truly on the path of being an ethical company.

8. 0 Nike's corporate social responsibilities.

Ever since Nike's unethical issues came to light; its corporate responsibility has also been affected. Nike is keen on using its brand power and its passion for its people in scaling its business to create meaningful changes. Nike focuses its efforts on improving conditions in contract factories, designing for a better world, achieving climate neutrality and unleashing potential through sport. Information on Nike's approach, performance and targets are all available online at [www. nikeresponsibility. com/#](http://www.nikeresponsibility.com/#). Nike Australia's brand marketing director Carl Grebert says the focus is on the triple bottom line—people, the planet and profit.

According to the 2001 Taylor Nelson Sofres Social and Environmental Study, Nike had topped the list of companies doing a poor job of fulfilling their corporate responsibilities.

To overcome this challenge Carl Gerbert advises in his online report that Nike has business plans, goals, action plans, timelines and metrics to meet its social responsibilities. Carl Gerbert stress that Nike's main challenge was, <https://assignbuster.com/nike-became-a-global-company-marketing-essay/>

and continues to be, addressing the triple bottom line-people, planet, profit- and ensuring that Nike not only demonstrates its social responsibilities but also achieves them.

Nike has learned from its past mistakes and has set age standards at 16 years for apparel and 18 years in footwear factories. These standards are higher than those set by the International Labour Organisation.

In many overseas countries it has been a challenge for Nike to verify the correct age of its potential employees. Nike continues to work with its factory partners in further developing methods to ensure that they do not hire any underage workers that submit false documentation to gain employment. To further commit to its social responsibilities, Nike has improved its manufacturing plant which helps them in eliminating waste and hazardous substances from the manufacturing process. They have also replaced resources that cannot be readily recycled or reabsorbed back into nature.

To address its labour practices, Nike's partnership with the Global Alliance for Workers and Communities (GA) has provided valuable insight into the lives and aspirations of workers around the world. This has further assisted them in establishing programs to address the issues of its workers.

Nike also works with International Youth Foundation, the Fair Labour Association and Opportunity International to establish its status as an ethical company.

Nike has also endorsed the United Nations' Global Compact, which promotes companies to operate around the world in a manner defined by principles drawn from the Universal Declaration on Human Rights.

Michael (2003) illustrates an example of Nike's innovative approach where they have designed a t-shirt for long-distance runners that use a new fabric design to keep them cool on warm days. It's also environmentally friendly as it uses 75% recycled soda bottles, and requires 43% less energy to produce than standard fabrics.

Carl also stresses that Nike has come a long way in improving its conditions overseas to be considered the fairest and safest working environments.

9. 0 Nike not all at fault?

Nike has a responsibility to be compliance regardless of where it operates from. There is also a responsibility of the host government to protect its citizens who work in their country. Proper labour laws should be enforced so that their workers are protected. According to the article written by Bao Doan, trying to the government, in an attempt to improve poverty and unemployment can sometime give rise to labor abuses.

He further mentions that international human rights groups have urged foreign invested factories to improve conditions in which the employees work. Laborers seldom have any power to boycott against their treatment in such sweatshops. The government has the responsibility to ensure that foreign investors abide by its labour laws. If the foreign companies ignore

these labour laws then the government needs to ensure that they force the company to operate in an ethical manner or force the company out.

John Smith explains that the condition of Nike factory workers in Vietnam was not something new to the government officials. They were aware that cheap labor and low production costs is a major draw for international investors. He argues that government enforcement of labour law has been relaxed. Not even a single foreign company has been forced out for violating the law (Aaron Glantz, Ngoc Nguyen, 2006). Hence along with Nike there are the government officials and host country laws that affects the way a company trades.

The strategic and operational challenges' facing global managers especially in the case of Nike is to continue to try and try to better its business performance and relationships with its foreign investments.

10. 0 Nike can be used as a standard for ethical company?

Nike has seen the highs and lows ever since it globalised. They have had to face a lot of public wrath in the 1990's about their unethical behavior in their production factories overseas. It has taken Nike around a decade to turn around their challenges and emerge as an ethical company.

As discussed above Nike has established several foundation to provide better education to kids, restructured their policies to ensure the safety and health of their workers overseas are looked after. They have also

It would be even better to feel good about buying their product and not feel as if people are being exploited every time they purchase a Nike product.

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11. 0 Conclusion

Nike faced legal and ethical challenges. Nike has been one of the countries that have been heavily criticized for turning a blind eye over its unethical issues in their factories overseas. Nike have done very well to overcome its challenges. Nike believe in fair wages for the work that is being done in the manufacturing factories that produce shoes and apparel. Criticizm from the public has forced Nike to ensure good conditions exists for its workers and that it stays on the path of being an ethical company. Several issues arise when the discussion about sweat shops come up in companies like Nike make the decision to go abroad. In the eye of the reader Nike had become a figure of the evils of globalization. In other words, a wealthy Western corporation exploiting the world's poor to provide pricey shoes and apparel to the fortunate customers of the developed world.

Nike continues to maintain its standard by regularly updating its supplier code of conduct that extends its corporation's values to its suppliers. Nike also prides on retaining a good corporate social responsibility, which can have an influence on their suppliers. Nike continues in its auditing practices, best practices in education, rewarding compliance and ensuring that variances from the standard are not ignored.

Auditing companies according to Auret van Heerden, president and CEO of the Fair Labor Association, states placing monitors in these factories may be another option to curve the disadvantages these manufacturing sites may have. Monitors however must be monitored, if monitors are from outside the

country they may overlook certain discrepancies or may not be aware of exactly what to look for.

Once it has fixed these problems, their reputation will be more positive and they can gain back customers lost due to negative publicity.