

Ipe case study on nike essay sample

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Nike. The word in Japanese means victory. However in the past two decades it has become synonymous with sweatshops and anti-globalization. Nike's image has grown into one of a sweatshop employer, forcing young women especially to toil long hours in difficult conditions for substandard wages. Le, a 19-year old woman living on the outskirts of Ho Chi Minh City in Vietnam, worked in a factory making Nike shoes. She worked six day weeks for \$1. 84 per day or \$48 per month in 1998, slightly better than Vietnam's minimum wage for the region. With the rise of Multination Corporations or MNC's in the past 50 years several key questions are being debated. Labor activists, nongovernmental organizations (NGOs), women's groups, and human rights activists have long claimed that the footwear and apparel industries have relied upon "sweatshops".

The most common of their concerns have been wages, hours, working conditions, the ability to organize unions, and physical treatment of workers. Laborers in the Less Developed Countries (LDCs) they charge arrive at work and are frequently overseen by supervisors who don't speak the same language, who often use militaristic discipline and corporal punishment, and require long overtime. So what does this boil down to? Is Nike responsible to the factories and workers that make their products, but do not directly employ. And to what extent is Nike responsible to NGOs and consumers as a whole?

Nike has always imported their shoes and other products from foreign soil. This is because of the competitive nature of the industry. In table 1 of the case study, we see the break down of pricing for a 70 dollar pair of shoes. From that pair of shoes about \$2. 75 goes into workers' hands. A common

theme runs throughout the very competitive industry of athletic products, branding. Both the largest barrier to entry and the most valued angle of production is this concept of branding. With fads rampant in the developed world your brand name means that much more. This is why \$9.25 goes to the research and development, the promotion and advertising, and sales, distribution, and administration of the same 70 dollar pair of shoes (table 1). This gap in where the money is flowing upsets many of the human rights and workers rights NGOs. NGOs such as CBS news, Goodworks International, and Global Exchange all began to question Nike's practices in the factories of its suppliers.

The governments of the countries where the factories are located support the positive effects of MNCs moving in. In nations like South Korea and Taiwan the results have been staggering. Per capita earnings were \$110 in South Korea and \$170 in Taiwan in 1962 grew to \$2,690 and \$5,550, respectively, by 1987. These nations however seem to be the exception to the rule. Brazil and Mexico which were recently classified as Newly Industrialized Countries (NICs) have not had as much luck in raising the nation wage average. However the gap between the rich and the poor in these nations has grown vastly. The top 1/5 wealthiest citizens own some thirty three percent more money than the bottom 1/5. So what causes the disparity? The nations of Taiwan and South Korea have

So who does Nike have responsibility to? In reality anyone who cares about anything that the Nike MNC effects. It was easy to see how NGOs could stir up such distaste with Nike. Therefore Nike had to put in place standards on

the factories and their workers or face huge declines in sales as their “image” went sour in the spotlight of global markets. This was the worst thing that could have happened to a company that depends so much on its image to sell its product. Nike is no longer sold in many Colleges because of the action of a few NGOs who wanted to see a change for the better.

In the following chart obtained from The Wall Street Journal, February 22, 2001 shows the break down in nine Nike supplier factories.