

# Example of nike: managing ethical missteps sweatshops to leadership in employment...

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



## **Introduction**

The company Nike, which was initially founded as Blue Ribbon Sports by Phil Knight and a colleague from college, is an idea born as a result of Knight's paper while undertaking his MBA program at Stanford, which was to import athletic shoes to the US market from Japan. This market was dominated by Puma and Adidas. The company's initial development was as a distributor for a Japanese athletic shoe company known as Onitsuka Tiger. In 1971, the relationship ended and the following year Nike was formed.

The publicity of Nike was by the use of celebrity athletes sponsors. The company developed a strong brand and later in the 1980s it went public after which an ironic turn took place as issues of labor allegations and human rights violations in less developed nations. The company as a worldwide provider of athletic goods having an approximate 40, 000 global employees and has an extensive presence in more than 160 nations worldwide.

## **Nike's failure to address Corporate Social Responsibility earlier on**

These responsibilities have been evolving since the early 1990s. The approach to corporate social responsibility could be as well described as that which lacks any true form of implementation and regulation throughout the chain of global supply they have. The company Nike failed to address corporate social responsibility earlier on because their initial response to criticism was reputation control this being an alternative to practice overhaul. The company hadn't evolved to the managerial stage of corporate social responsibility that it is currently. The initial response to the criticism of

Nike involved reputation management instead of wide range of alterations in its practices.

In 2013, Nike was criticized for an advertisement it released online that featured Tiger Woods that bore the slogan “winning takes care of everything.” This brought with it criticism as Tiger Woods had a controversy surrounding him hence rendering the ad inappropriate. On the other hand, Nike has changed its factory oversight and appears committed to its corporate social responsibility. The third corporate social responsibility report by Nike revealed the company’s intent to use the CSR as an opportunity for innovation and development rather than its initial purpose it served as a management tool.

### **Nike’s response to the manufacturing concerns**

The public protests that followed were in the form of picketing Nike stores and boycotts whereas Universities cancelled deals for the sole production of branded athletic goods. Thereafter, in 1998, the revenues for the company dropped by 50%, and this led to the layoff of 1600 workers. The company’s launch of a public relations campaign was to address the damaging allegations leveled against it.

The company has taken considerable time to focus on standards of labor improvement in these factories. There must be a consideration on the expense of labor in the countries where product manufacturing is favorable and available. There is the difficulty of regulation of the work environment since it is the local subcontractors who are given the factory jobs. Additional measure is required to ensure that any illegal activities such as excessive

workhouse, child labor, inappropriate payments, and hostile work environments.

The shifting of production houses to low labor cost areas of the world has brought the companies to a more competitive level. In addition, the assembly of shoes as well as footwear, low cost apparel, TVs, radios, consumer electronics, and sporting goods equipment started to be shifted to offshore markets in the 1960s. This initially started in Japan, and then followed by Korea, then to Taiwan afterwards followed by Southern China. It was of influence since by mid-1980s Korea, and Taiwan supplied 45% of the world's footwear exported and the shifting of production to low cost manufacturing states.

### **Nike's future challenges**

The company's efforts elevated its reputation and image to the point of being featured in the Fortune magazine 2013 list of the most admired Company in the world. However, the company faced the threat of contract cancellations by universities as labor concerns arose and the following year two Nike's subcontractors closed shop without notice laying off 1800 workers from the workforce.

The company continued to face the allegations of workers' abuse while making converse shoes in its Indonesia plant. This prompted an internal audit by the company confirming the allegations and the failure by 168 factories making converse-branded clothing as having failed the internal standards that are applicable to contract manufacturers. The company faces stability operations in countries it operates and this will be a challenge as it

aims at international development vital for continued profitability. Therefore, the company has to approach the challenges it faces with caution as flaws in the manufacturing and supply chains of the organization might hinder the pursuit of enhanced growth.

## **Conclusion**

The company knows the importance of the CSR to its image and a basis for elevation in an increasingly competitive industry. The broad target audience as perceived to attract and retain the new market requires a CSR initiative that is effective and development of viable products. These innovative products produced by the company improve consumers' healthy lifestyle such as sensors in a wearers shoe connected to an I-pod for the purpose of calorie tracking.

## **References**

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