

Nike: organizational analysis of company

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



NIKE Part 1: Organizational Analysis 2/6/2013 NIKE Part 1: Organizational Analysis Table of Contents Executive Summary3 Overview and History4 Organizational Strategies and Innovation5 Organizational Design and Effectiveness6 Competitors7 Organizational Structure7 Board of Directors: 8 External Environment9 Opportunities9 Threats9 Internal Environment10 Strengths10 Weaknesses11 Competitors11 Nike Products and Services12 InformationTechnologyand Control Systems12 Competition13 Organization Size, Life Cycle, and Possible Decline13

Organizational Culture15 Competitor15 Ethical Values16 Decision Making Processes16 Nike Power conflicts and politics17 Conflict17 Power17 Politics17 Summary of Key Findings18 Bibliography19 Appendix22 Executive Summary The following report is about Nike. Nike was established in 1968 and went public in 1980. Nike is an athletics wear producer that develops, designs their own products for many different sports. Some of the sports that they produce products for include gold, hockey, skateboarding, baseball, bicycling, tennis and many others.

Their main sales are in shoes which they had managed a 50% market share in the United States just 8 years after the formation of the company. They have grown into a huge company with product lines for many different sports, including golf, hockey, skateboarding, baseball, bicycling, tennis and many others. Currently, they are located globally with the majority of their stores being located in the U. S. Among Nike stores, Nike also has purchased the bands Converse, Hurley, and Cole Haans and has multiple stores for these brands located mainly in the U. S.

Looking at Nike's financials we have determined that they are financially strong and have a strong cash flow. We also should note that the majority of their revenues are from shoe sales which we have determined as a possible threat if they are unable to predict future customer needs in this area. Nike has established a good organizational environment where they support innovation from within (their employee), and establish good working teams that promote collaboration and a strong work ethic. Nike prides them in being able to hire strong staff members that are able to exceed in the task at hand.

Throughout the report we compare Nike to some of its main competitors in comparing how well they are competing in the market. The key benchmarking competitor that we use is the Adidas Group since they are one of the most comparable companies to Nike in today's market. Please see the table of contents for a detailed layout of the report and the items that it will include. Overview and History As the world's leading athletic footwear, apparel and equipment company, Nike is dedicated to inspiring every athlete to reach peak performance. They are the largest seller of athletic footwear and apparel in the world.

Nike was incorporated in 1968 and went public in 1980. Nike is still based out of Beaverton, Oregon, where the company was started by a University of Oregon track coach and one of his track and field athletes. They currently employ over 38,000 people world-wide and recorded revenues of \$24.1 billion in 2012. Their seven product focuses are running, basketball, football, athletic training, women's training, action sports and sportswear. Their

largest competitors are Reebok, Adidas and New Balance. Nike began as a distributor of Japanese track and field shoes.

Nike started manufacturing their own line of running shoes in 1972 and gained notoriety with their innovative “ waffle” design. By the time they went public in 1980, just 8 years after they started manufacturing their own shoes, they had a 50% market share in the United States. They have grown into a huge company with product lines for many different sports, including golf, hockey, skateboarding, baseball, bicycling, tennis and many others. Nike’s main focus is growing the Nike brand. Nike’s trademark ‘ swoosh’ logo is recognizable world-wide and can be seen advertised at a wide variety of sporting events.

Nike focuses on promoting their brand through advertising and athlete endorsements, including popular athletes like Rory McIlroy and LeBron James. Nike’s other focus is on product development and innovation. They pursue growth through an ever expanding product line. This not only includes the in-house development of new products, but also the purchase of subsidiary companies. Nike hires out the production of their goods to independent contractors for the majority of their inventory. The majority of their manufacturers are located outside the US.

China, Vietnam, Indonesia and Thailand are the largest producers of Nike goods. Nike sells to retail accounts in 170 different countries. They also have a chain of retail stores that sell Nike products direct to consumers. In addition to their core business, Nike has a number of wholly-owned subsidiaries, including Jordan, Converse, and Hurley. Previous subsidiaries have also included Umbro and Cole Haan. Nike recently announced that they

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have reorganized the company into six geographic regions to better serve the different needs of the various regions.

The new breakdown of Nike is North America, Western Europe, Eastern Europe, China, Japan and Emerging Markets. The changes were made to address Nike's changing customer base. China has grown to Nike's second largest market and they have also seen huge growth in Eastern Europe. Their new geographic layout allows them to focus their efforts on specific regions. Nike continues to grow revenues by a clear strategy of brand recognition through marketing in existing markets, innovation of new products and a focus on emerging world markets.

Their dedication to growth looks to keep them on top of their industry for the foreseeable future. Organizational Strategies and Innovation When it comes to classifying Nike using Miles and Snow's model it can be said that Nike is a prospector organization in that it thrives in an ever changing business environment that has an element of unpredictability and they have succeeded by constantly examining the market in a quest for new opportunities (Heil n. d.). This is further indicated by their broad product lines and not being reliant on any one technology.

They prioritize new product developments and innovation to meet new and changing customer needs. If we look at how they would be viewed in Porter's Five Forces model it is clear that they have been able to manage all the forces in a way that there is no negative impact on their business. The threat of new competition has been minimized by the fact that they barriers to entry are quite high. This is due in part to the number of patents held by

Nike and their existing competitors and also the capital requirements to enter the market are just too large for there to be any immediate threat.

As with any company in this industry there is the threat of substitute products but Nike have been good at ensuring that their products are of a much higher quality than the ' knock-offs" that they have been able to maintain a solid, loyal customer base. They have not had too many problems with the bargaining power of suppliers due to the fact that they are such a large corporation and have been able to have their product made offshore in places where labour is much cheaper and less regulated.

They also buy in such large quantities that they have been able to secure the best deals using the economies of scale principles. The bargaining power of their customers is one area in which they have to be very diligent in that there are other established brands that the customers could choose. They have to make sure to price and market their product correctly. They also need to rely on the uniqueness of their innovations and patents to help reinforce to the customer that their product is the superior one. Nike has had to work very hard to deal with the ompetitive rivalry within the industry and they have tackled this issue by making sure they are constantly innovating and coming out with new product. They also have a large advertising budget and sponsor many of the world's most famous athletes. Nike is a growth company and this is therefore their primary objective. In 2010 Nike unveiled its strategy and primary initiatives to achieve sustainable, long-term growth across its global portfolio of brands and businesses. By the end of 2015 they hope to achieve a revenue target of \$27 billion.

They also believe that they can generate over \$12 billion of cumulative free cash flow from operations (Wire 2010). At the heart of this growth strategy is innovation and Nike has made this a top objective within the company. They believe that innovation can take on many forms, whether it is innovation to serve the customer, innovation to grow the company or innovation to inspire the world (I. Nike n. d.). At Nike, innovation is not just coming up with new products but also innovating the way that they do business.

From the raw materials they use, the way they interact with consumers, to the way they design and sell their products When it comes to this growth-through-innovation strategy that Nike has chosen to focus their efforts on, they have also realized that they need to use the size of their company to help make the world a better place. Today they have a greater awareness of their corporateresponsibilityand realize the need to have innovation that is sustainable, by which they mean that it brings people, planet and profits into balance for lasting success (Strategy Overview n. .). In order to meet their sustainabilitygoalsthey have chosen to improve their environmental and social impacts across their value chain, while minimizing costs by reducing the waste, energy and water expenditures. In addition to these strategies they have also created new business units called Sustainable Business & Innovation, as well as Sustainable Manufacturing and Sourcing. One example of how they have been able to make a greater impact using their sustainability initiatives is in the jerseys they supplied for the 2010 FIFA World Cup.

The fabric was sourced from discarded plastic bottles in Japanese and Taiwanese landfill sites and then melted down to produce the yarn that was

converted to fabric for the jerseys. This process reduced their energy consumption by up to 30 percent compared to the methods they had been using in the past (Daryl 2010). In order to be able to say whether or not Nike has been effective in implementing and managing these strategies for the betterment of the business, and if they will still be on target to meet their goals we should need to look at the financial reporting of the company.

In 2010 when they set out their strategy and initiatives they had revenues of \$19 billion. With 2012 revenues of \$24 billion they are strongly positioned to meet their growth goal of \$27 billion by the end of 2015. Organizational Design and Effectiveness The goal that Nike is pursuing is to be the most innovative active ware supplier in the world. They are always looking at innovative ways to better serve athletes (the customers), to grow the company and to inspire the world. (Business Overview 2012). This strong innovative strategy that Nike has introduced has provided them with an advantage over competitors.

It has allowed them to be one step ahead in developing new products and introducing them to the market. Providing these levels of innovation through their products has also allowed Nike to create a sustainable competitive advantage. This is because their strategy has offered the buyers a lasting reason to prefer their products, by keeping interest through new innovative products. In doing so, Nike differentiating themselves from rivals by outcompeting on the basis of differentiating feature, such as higher quality, wider product selection, added performance, value added services, and more attractive styling (Thompson, et al. 2012).

Nike has developed their company's design and operational procedures in an organic fashion, to increase teamwork and collaboration. By having a more organic structure Nike has increased employee involvement through decentralization. Nike feels that this high involvement helps to improve product development, and company growth by encouraging employees to get involved in the innovation process (People & Culture 2012). Between the year 2004 and 2009 Nike conducted three global employee surveys so that they could receive insights from their employees to determine if their organizational structure was producing the results that were wanted.

In all the surveys it was consistently reported that Nike employees, globally, are highly engaged in the workplace (People & Culture 2012). This showed Nike that they were on track with their company design in decentralization and organic structure. The goods (footwear, apparel and equipment) that Nike produce are from supply chains that are located around the world such as America, European countries; but the large majority of their products come from factories located in Brazil, Mexico, Indonesia, China, Sri Lanka and Vietnam (Labour 2012).

Doing so, has allowed Nike to receive a larger profit on their goods due to the cheaper production costs in these countries. This organizational design has been effective in increasing Nike's competitive advantage on price; allowing them to make higher quality products for less. However, this design has negatively impacted the company, which they have now realized that full transparency and good public relations are just as important to stakeholders. To reduce this negative impact Nike has now looked into changing their

supply chain design slightly by trying to improve work place environments in these factories.

Over the last 15 years, they have looked to improving working condition for these factory workers by reducing all of the top issues of labor noncompliance that have been witnessed in these supply chains (Labour 2012). Competitors In regards to Nike's competitors, Adidas and Reebok (which is owned by the Adidas group), Nike offers many more products for many different markets in compared to them. Nike has been able to penetrate these markets by staying innovative and continuing to come out with new and improved products to sustain a competitive advantage over its competitors.

This, along with staying close to the customers and employees has allowed them to continually develop products that competes aggressively and in many cases outperforms the competitors. Organizational Structure Nike is organized in a matrix organizational structure also known as a flat structure. The matrix structure is divided into two categories by functional area and by product. It consists of supervisors who oversee the employees in such areas as engineering, marketing, as well as projects (Guzman 2013).

Nike has adopted this structure which includes CEO Mark Parker and a Board of Directors chaired by Phil Knight with the division of departments such as Human Resources, Marketing and Sales, Accounting, Production, Design and Development. Within each department employees report to the department manager as well as the product manager who are able to make decisions independently. This structure allows Nike to adapt to market place changes

and meet demand and supply much quicker as managers are readily available in the production line (Chestnut n. d.)

The Matrix structure is currently working for Nike as it allows it to keep up with demands and adapt to changes in the business environment. This structure has proven to be reliable for companies in a fast pace industry which is why it is beneficial for companies who face competition in different markets of the world. Nike may also choose to use this structure due to several other advantages. The structure distributes employees in areas in which they can specialize and focus on a particular field but also provides opportunities for growth by allowing them to venture off into other areas and develop more skills.

Nike's organization allows their department managers to focus on achieving goals in their specific departments and allows employees to focus on specific tasks. Such ability allows members of a department to enhance their specific skills. (International Business Blog n. d.) Board of Directors: <http://www.theofficialboard.com/org-chart/nike> External Environment Opportunities Looking at Nike's external environment we can see areas for opportunities. Nike's current market is very well developed due to the length of establishment and their great marketing over the years.

However, when looking at the number of Adidas stores which is approximately 2, 400 (Together We Win (Adidas Annual Report) 2011) this is more than twice the stores that Nike currently has, approx 800 (Nike Form 10-K 2011). This allows us to witness the opportunity for Nike to expand its market through pushing new stores into new demographics that they are currently tapped. This especially goes for Nike's brands Hurley and Converse <https://assignbuster.com/nike-organizational-analysis-of-company/>

which have no stores outside of the U. S. Another recently increasing opportunity for Nike is a greater health conscious society in most of Nike's markets.

This has increased their opportunity to develop new product and/or new product lines to sell in order to meet these customers' needs. It has also increase their market base as more people become increasingly health conscious the more people there will be in the market for athletic wear; Nike's largest product sector. In the most recent years Nike has also began to show greater social responsibility by increasing working standards for employees in the factories that they use to make their products (Labour 2012).

This has opened up the opportunity to have better relationships with factories in these countries which greatly benefits Nike since this is where most of their products are assembled. This also helps to build better public relations with Nike stakeholders. Most stakeholders know of Nike's past, where child labour has been used in some of their factories. By trying to increase standards in these factories society may view Nike as more ethical, and may forgive them for some of their past mistakes.

Stakeholder will be more proud to own the product and be part of the Nike organization if they know that the products where being made in a more ethical manner Threats One external threat that Nike needs to consider is that most of their products are produced by contracted factories in third world countries. This means that if any of the following change: * currencies prices * import duties * quotas * safeguard measures * trade restrictions *

political instability *terrorism They risk running into problems that could greatly harm the profitability of the company.

These are some of the major issues that companies have to consider when doing business abroad. Another current threat is the U. S. market instability. This affects Nike more than some of its competitors because approximately half of Nikes stores are located in the U. S. (Nike Form 10-K 2011). Whereas, Adidas group has many more stores globally than Nike. That's not saying that this would not be a threat to Adidas too as a lot of their sales are U. S. driven. Another possible threat to Nike is its competitor's strategies. These strategies are a constant threat since Nike never knows what their competitors move may be (ie. copy or get one step ahead of you). There is also always the growing threat of reverse engineering, where another company takes your product apart and determines how to make it themselves. This is a threat because Nike's products are sold in many different countries and patent laws aren't always properly enforced. They also always have the threat that they are unable to anticipate consumer preferences when developing new products. This means that they may not be able to maintain their market share and profits. Nike's competitors have these same threats. Internal Environment Strengths

Nike as some distinct competencies that they exploit to help gain a competitive advantage over competitors and to add value for the customers. One of these competitive advantages is Nike's ability to be innovative in the creation of athletic products and clothing. With the use of their extensive research and development they are able to stay ahead of the competition. Example of this innovation is the new Nike Free's (picture located in

appendix); they are running shoes that enable to let your feet move more freely and naturally, which helps to build muscles in your feet (Nike Store n. d.).

These are a good example of a successful innovative idea, so successful that many other companies that sell athletic shoes have introduced a similar shoe to now compete. They have also in recent year introduced technology into their products which has added to their competitive advantage. Another distinct competency is that Nike has been able to differentiate their product between their competitors through the use of their brand logo the classic Nike Swoosh. Nike has developed the brand so greatly through the use of marketing, that most people worldwide know the symbol as Nike (see appendix for brand logo).

On all Nike gear the Swoosh (check mark) is located in an easy to see location and sometimes in multiple areas. Nike has also introduced products with a distinct look that make them easier to differentiate. An example of this is the Nike Shox (picture of product located in appendix). These are runners that they make every year and never change the style. This also helps to keep returning customers, since these customers have become dependent on these runners. New colors are introduced and slight modification to keep interest but in general they look the same. As talked about in class it is easier to sell to current customer then to sell to one that is not. Nike does superior work in acquiring, managing and developing their team members. They offer the tools that are needed to help develop their team member skills and reward the properly along the way (People & Culture 2012). Nike performs what they call “ Talent Reviews” where managers

review the team member's current performance and look for areas that they can help them improve in (People & Culture 2012). Getting employees involved in the innovation process also helps to create better teams and increase employee compassion for the workplace.

Making them believe that they make a difference is important. Another strength of Nike's is their large increasing profits of the past years (see appendix for the consolidated statements). This financial strength means that they can obtain capital for proposed projects. This means that they are generally more able to perform projects that need a large capital outlay. This is a great benefit to a company because some expensive projects may produce a large return on investment. And since Nike has strong financials they would be able to get the needed capital to act on these investments.

Also, most of the time the capital will come at a reduced cost if the company is more financially strong since the bank would not require a high return because they are less risky. Another benefit that can be seen from the consolidated statements is that Nike has a large cash and cash equivalents on hand. This is a benefit because if there is a bad year they will still be able to pay for their expenses. It also benefits them in being able to invest their own capital in proposed projects versus issuing shares or bank debt to get the needed funds.

This could reduce costs for the capital needed increasing the return on investment. Weaknesses Some of the weaknesses in Nike's internal environment are the bad public relations that they have received in relations to their factory conditions. An example of this is in 1996 it was exposed that Nike had been using child labor in their Pakistan factories (Watts 2009). Even <https://assignbuster.com/nike-organizational-analysis-of-company/>

though in recent years they are trying to improve condition in these factories to create better public relations. It will be a long time coming before the public sees Nike's factory conditions as fair practices due to their past exposures.

Another weakness is that Nike is very dependent on their shoe sales. Nike's shoe sales currently account for a large majority of their sales. This can be seen when looking at their revenues by product line (appendix) (Nike Form 10-K 2011). High shoe sales create a weakness for Nike because they are highly dependent on their sales in this department. If there was a decline in this department it would greatly affect their revenues. Another weakness is that Nike is an expensive brand. If price adverse customers come to market, due to hard economic times this could greatly reduce their sales.

This could hurt their revenues and further hurt their profits. Competitors Nike's competitors such as the Adidas Group seem to be on the same page as Nike with their strengths in the internal company. With the Adidas Group, in the case of their innovation strategy they also get all employees evolved in the process. Looking at their strategies in place to get these employees involved they are even stronger than Nike's. In the Adidas Group each section of employees has to submit an idea every couple of years (Together We Win (Adidas Annual Report) 2011). As for weaknesses Adidas's has many of the same.

The weakness of price adverse customers not purchasing their product, would also affect Adidas. This is because Adidas has competitive pricing that is very similar to Nike's. The weakness that Nike has above involving their dependency on their footwear department for the majority of their sales is

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not the case for Adidas. Looking at Adidas financial statement it can be seen that their apparel department and their footwear department have very close sales (Annual Report 2011). This means that Adidas is not as dependant on their footwear sales and would have a better chance of survival if sales in this industry declined.

Nike Products and Services Nike Inc. first started off with selling track running shoes. Today they produce and sell an assortment of sports equipment throughout the world including footwear designed for specific athletic use, apparel, accessories and services. Nike has seven main categories to which it offers products: running, basketball, football (soccer), men's training, women's training, Nike sportswear, and action sports. Products are offered in retail stores and internet sales in approximately 190 countries in the world. Nike also provides products designed for kids only and recreational uses.

These include; baseball, cricket, golf, lacrosse, outdoor activities, American football, tennis, volleyball, walking and wrestling. Nike has introduced a product feature called NikeiD now available in the United States, Europe, Japan and China. This allows customers to customize their Nike apparel, footwear or gear. Personalizing features include: different colors, materials personalized iD (PiD) and independent sizing on select shoe styles (Nike. Inc 2011). In December 2012 Nike sold the Umbro brand and related assets to Iconix Brand Group Inc.

This company sells under the Nike brand name, a line of performance equipment, including bags, socks, sports balls, eyewear, timepieces, electronic devices, bats, gloves, protective equipment, golf clubs and other

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equipment related to sports activities. Furthermore, Nike wholly owns five brands. Cole Haan offers high quality men's and women's dress and casual footwear appeal and accessories. It is one of America's leading luxury brands operating in more than 180 retail locations throughout the United States, Canada, Middle East and Asia with a 2011 fiscal year ending sales of \$518 million.

Nike also owns Converse Inc. which was established in 1908 which today is known to have a reputation as " America's Original Sports Company. " Converse provides for a premium lifestyle for men's and women's footwear and apparel associated with Chuck Taylor, All Star, One Star, Star Chevron and Jack Purcell. Converse is sold globally by retailers in over 160 countries and through over 50 company owned retail locations with reported revenue in year 2011 of \$1. 1 billion.

Hurley International LLC, is a line of action sports apparel for surfing, skateboarding and youth lifestyle apparel and footwear under the Hurley brand name. In 2011 Hurley had \$252 million in reported revenue. Jordan Brand is built on the legacy and direct involvement of Michael Jordan. Making its debut in 1997 is now not only a lifestyle of performance, but a collector's item. Lastly, Nike Golf which provides golf equipment, apparel, balls, footwear, bags, and accessories worldwide. Nike Golf had \$623 million in reported revenue in year 2011 (Nike.

Inc 2011). Information Technology and Control Systems Nike uses various software programs within its company. Nike adapted SAP which stands for systems, applications, and products 1999 to help them understand their customers better and the ability to respond to market changes and trends.

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SAP is multinational software that that helps manage business operations and customer relations. It is suitable for larger companies like Nike as it manages tasks from pay roll, sales, and customer relations to warehouse management and product life cycles (Codjia n. .). Nike also worked with Siemens IT Solutions and Services to provide out sourcing services. This includes global program management and service desk, desk side support services and asset management as well as others specialized for Nike. The main purpose for this IT service was to enhance their product availability (Inc 2008) Another IT service Nike adapted is Affiliated Computer Services (ACS) which provides accounting, financing, and IT outsourcing such as human resource services and customer care (Inc 2008).

Nike's strategy was to provide users with the newest most exciting products and strengthening relations with customers. This IT service allowed Nike to organize support for their business worldwide, lower long term costs, and strengthen connections to their customers (Inc 2008). Nike had some difficulties in managing their inventory levels in the early 2000's. They faced a loss of around \$100 million in sales. This led them to create their own inventory management software which allowed them to appropriately forecast outcomes.

Nike's goal was to change the software, remove the bugs, and perfect how the software predicted demand for inventory (Jagath 2012). In 2005 Nike hired Roland Pannaker who holds the position of VP Lean Business Solution/CIO with a background of 25 years of experience in IT and Business Management (13Ja). Ronald is in charge of the overall Information Systems of Nike Inc. worldwide. He believes that the SAP System, Siemens IT, and

Affiliated Computer Services have an important value to Nike in reaching its goals based in information and control systems. Competition

Adidas is one of Nike's major competitors. Having supply chain issues and with the need to improve web-enablement, and application modernization, Adidas went with the technology of Magic Software Enterprises. Magic helped Adidas build strong integration capabilities and customer support, and most importantly instantly increased ROI now and in the long term (adidas-Salomon Canada 2005). Organization Size, Life Cycle, and Possible Decline Nike currently employees approximately 38, 000 employees worldwide; this includes retail and part-time staff members (Nike.

Inc 2011). The organization is much larger if you include all of its supply chains and factories that produce their goods. There are approximately 930 factories that employ 1, 079, 137 employees that are producing goods for Nike (Labour 2012). Adidas currently has around 46, 824 employees worldwide working in retail (Together We Win (Adidas Annual Report) 2011). Below is a detailed table which includes information about the number of retail stores that Nike and Adidas currently operate globally. Nike | | Adidas | U. S. Retail Stores | Number of stores | Non-U. S.

Retail Stores	Nike	Factory Stores	150	243	Nike stores	16	50	Niketowns	9	3	Nike employee-only stores	3	13	Cole Haan stores	107	83	Converse stores	58	N/A	Hurley stores	20	1	Total	363	393				
World wide			756	2, 401																									

(Nike Form 10-K 2011) (Together We Win (Adidas Annual Report) 2011) Looking at Nike, we believe that they are in the Growth to Maturity stage in the organizational life cycle. This is because Nike has a

well establish customer base that is worldwide meaning that they are tapping into a lot markets globally.

The reason why we say that they are still in the growth is because they are still a very innovative company that is constantly growing through new product lines and tapping in to new markets as new consumer trends emerge. Nike also has other areas for possible growth through their other companies such as Cole Haan, Converse, and Hurley store's; which have very little market penetration globally in comparison to the number of stores located in the U. S. Even though they are a global company they do provide more products to the U. S. which means that there is also future possible growth in these areas. An example of this is NIKE I. D.. NIKE I. D. is not currently offered in all of the countries that Nike sells to. This is an example of a product line that still has potential for growth. As for Adidas, we believe that they are in the mature stage because they have a greater market penetration due to they have almost twice as many stores globally as Nike. This means that they that there is less room for growth and Adidas should focus on staying strong in the mature stage and avoiding the downfall for as long as possible.

The only real concern that we saw for a possible decline is political difficulties (affecting trade agreement). If there were changes affecting trade agreement or currency fluctuation, Nike may have a problem getting their goods from the factories to the stores and at a good price. This could result in a decreased profit margin which could threaten Nike's sustainability in its worst case. Other than the above reason we don't note any other real

possibilities for decline other than for extreme condition such war, marketdepression, or natural disasters.

Organizational Culture The culture that Nike tries to produce is an “ open and creative environment that harnesses diversity and inclusion to inspire ideas and ignite innovation” (People & Culture 2012). To help create this culture Nike has implement a three stage progress. The first stage is that they focus on the fundamentals. For this stage Nike offers a resource center with different tools and exercises to help teams discover how diversity and inclusion drive creativity and innovation. For the next stage they seek to empower inclusive cultures.

An example of this is their “ Culture as Offense” program where they invited a panel of young employees to share their own perspectives and experiences with seniorleadership. The last stage that Nike uses to promote this culture is that they inspire to ignite innovation. They do this by designing new and creative models of engagement, that quip leaders and teams with the necessary tools to create a culture of openness and innovation, “ where new perspectives and ideas are invited, heard and considered” (People & Culture 2012).

Nike addresses that there are many other factors that go into making a successful culture. Some of these items including team composition, manager excellence, education, and awareness programs. Nike also shows the importance of a strong culture by introducing a position called the Vice President of Diversity and Inclusion who reports directly to the CEO. The Vice President of Diversity and Inclusion helps coach the employees and looks for

areas to develop the internal diversity assessment and measurements (People & Culture 2012).

This is an important step that Nike has taken getting top management involved with the processes of developing and coaching because the tone at the top has shown to greatly impact the implementation process. When top managers are on board and show interest, the implementation usually is improved. To help promote the culture, to further enhance a strong culture, successful employees receive a good rewards and benefits plan that provide employees with the opportunity to stay fit, and to ensure the wellness of their families, which will further help to create a positive working environment (People & Culture 2012).

Nike also invests in their leaders, by providing learning and development opportunities that teach managers how to amplify their employees' talent, energy and capabilities (People & Culture 2012). This education has allowed for more knowledgeable staff which has sanctioned for enhanced direction in their culture. Looking at the strategies that Nike's has developed in order to promote their culture, it looks like they are implementing a strong culture pointed in the right direction. Looking at a close competitor to Nike, Adidas, it can be seen that they have a similar culture that they are trying to implement.

They promote innovation through the company, even so much so that everyone in the Adidas Group is responsible for driving innovation, requiring all areas of the Group to generate at least one new meaningful innovative improvement per year (Strategy 2012). From this it can be seen that Adidas is taking the innovation strategy one step further than Nike, not only

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encouraging team members to be innovated but actually requiring them to be. We see this as an improved strategy over Nike's as this will help to get more employees involved and will help to build a more robust team.

Adidas corporate culture is surrounded by " performance, passion, integrity and diversity by creating a work environment that stimulates innovation, team spirit , and achievement based on strong leadership and employee engagement" (Strategy 2012). Adidas culture is very similar to Nike's; this would make it seem that Nike's culture alone wouldn't be able to create a competitive advantage over Adidas, at its current stature. Ethical Values In the past Nike's ethical values have been called into question by the decision to use " sweatshop labour" in third world countries used to manufacture their products.

When Nike began working with suppliers in Asia they were driven by a desire to find the lowest cost and they believed that as long as they were providing jobs to people that they were doing enough to be socially responsible. However, this all changed in the late 1990's when the western world began to learn of the conditions by which the workers for forced to operate in. Nike was operating in countries where workers' basic rights were being denied and human rights violations were common place. Nike took no responsibility for the actions of their sub-contractors and claimed that the suppliers' actions were none of their concern.

After some serious campaigning around the globe led to a direct hit to their bottom line and profits dropped by as much as 40% (McGraw-Hill n. d.), they knew that that they would have to make some sweeping changes in order to rebuild the brand and recapture the trust of their consumers. They now
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operate with an openness and transparency that would be unheard of 20 years ago. Today Nike has a code of ethics for all of its employees called ' Inside the Lines. ' This code sets out the standards that employees are expected to follow and includes a range of topics on employee activity, ethical behaviour, product safety and legal compliance.

They also have a Code of Conduct which addresses contractors that manufacture Nike branded products. It directs them to respect the rights of their employees and to provide them with a safe and healthy workplace (I. Nike n. d.). After the international uproar over the way Nike and other companies were operating, some of Nike's competitors took strides to also improve conditions both internally and externally within their own forms. Adidas, one of Nike's main competitors, implemented a code of conduct in 2006 which has been applicable in all regions and business areas that they operate.

Compliance with the law and legal system is the most important principle outlined in the code, and they also set out policies which aim to protect the human rights of all individuals. Decision Making Processes An organizations decision making abilities will determine their performance. The companies that can make better decisions and translate them into action faster will nearly always do better than their competitors. For a long time Nike relied heavily on their matrix structure; one in which they had footwear, apparel and equipment on one dimension, and geographic areas on the other.

However, in 2007 Nike added a holistic focus onto their seven core product focuses. Many people at Nike welcomed this change as they knew it would bring them closer to their customers but they also were unsure as to who

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would be making the key decisions now and who would be responsible for implementing them. To help answer these questions Nike used an approach where team members were involved and employees were empowered to come up with solutions to this problem. The team members identified 10 major decision areas, such as category selection, budgeting and targeting, and channel and sales strategy.

They then came up with 33 key decisions under the ten headings. Team members used surveys to get broad input into all 33 critical decisions, followed by detailed interviews to gain more insight into a few. Once these had been done the managers at Nike formed workshops where they clarified how specific decisions should be made in the new matrix. One of the changes they came up with was to co-locate teams, making it easier for them to collaborate and to respond to opportunities that arise (Marcia Blenko 2011).

It is clear that for an organization such as Nike to be competitive and stay ahead of the game they have chosen to take on a structure where the team managers and players are given the authority to make key decisions that will allow them to quickly respond to the ever changing landscape in which they operate. Under the guidance of the CEO, the team members in each of the categories use their specific knowledge and skill to contribute the overall betterment of the company. Nike Power conflicts and politics Conflict

Nike has faced a major controversy related to poor working conditions for centuries in third world countries such as China, Vietnam, South Korea, Taiwan and even in the United States. These accusations lead to a drop in sales and portrayed Nikes reputation as a company who exploits their

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workers and does not provide basic wages in order to increase their own profits. In order to improve conditions laws were put in place for all factories worldwide to adhere to (Wilsey n. d.). The first change they made was getting rid of a toxic adhesive called which was causing harmful effects to the health of the workers due to poisonous fumes it was releasing. Nike replaced this adhesive with a water based one which causes no side effects. Nike increased the minimum age to work for footwear factories to 18 and the apparel and equipment factory age to 16. Education programs were being offered in the factories including middle and high school equivalency for all workers. These classes would be offered while workers had time off and the factories would then increase the wages of the workers if the programs are completed (Wilsey n. d.). Power

The top three executives of Nike are the CEO Mark Parker, Chairman of the Board of Directors Philip Knight and President of the Nike Brand Charlie Denson. Mark Parker is responsible for product research design and development, marketing and brand management. Philip Knight is responsible for combining his ideas with others and has the power to implement such ideas in the best interest of the company and the shareholders. Charlie Denson has expertise of the athletic consumer products which has allowed him to help develop Nike become one of the world's largest brand.

The top three executives have a lot of power and a major influence on the company. Since the company is set up in a matrix structure power has been divided to the different departments. Department managers have the power to make decisions with the independence of the CEO (Nike. Inc 2011). Politics Nike has set up a political action committee which supports the

Central American - Dominican Republic Free Trade Agreement. Nike believes that this agreement will boost the economies in which they operate. This is done by eliminating tariffs, and loosening trade restrictions with Central American countries (Nike n. .).

Summary of Key Findings There are a number of key organization variables that Nike utilizes to position itself to succeed going forward. The primary variable will be their ability to grow using innovation. In the past Nike has shown that by using their superior innovative techniques and ideas it positions them with a forefront of their industry. Nike has begun to focus on sustainability as a key variable as their innovation portfolio. They are an industry leader in defining new ways to source materials, and using environmental friendly practices in an efficient manner.

Nike currently holds a large market share which has allowed them to secure a strong financial portfolio. This portfolio will only help with their future growth, whether it is through acquisitions or product innovation. Conversely, they need to focus on some of their weaknesses. In the past Nike has had issues with public relations in particular "Sweat-Shop" labor. Although they have taken great strides since the late 1990s such practices are still a common place in countries in which it operates. They need to be diligent and stay clear of suppliers using unethical practices.

Nike currently has a solid financial state but they still need to be cognizant of the current economic environment surrounding them. They need to make smart business decisions in order to maintain and expand their current market position. In summary, Nike appears to be very well positioned company for years to come. Utilizing their organizational design and their

specialized teams that they have been established with their staff members we do not foresee any difficulties which Nike could not face, head on.

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