

Nike, its objectives and responsibilities



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Overview

When Nike co-founder Bill Bowerman made this observation many years ago, he was defining how he viewed the endless possibilities for human potential in sports. He set the tone and direction for a young company called Nike, and today those same words inspire a new generation of Nike employees.

Nike goal is to carry on his legacy of innovative thinking, whether to develop products that help athletes of every level of ability reach their potential, or to create business opportunities that set Nike apart from the competition and provide value for our shareholders.

It started with a handshake between two visionary Oregonians - Bowerman and his University of Oregon runner Phil Knight. They and the people they hired evolved and grew the company that became Nike from a US-based footwear distributor to a global marketer of athletic footwear, apparel and equipment that is unrivaled in the world.

Along the way, Nike has established a strong Brand Portfolio with several wholly-owned subsidiaries including Cole Haan, Converse Inc., Hurley International LLC, NIKE Golf, and Umbro Ltd.

Nike world headquarters is located near Beaverton, Oregon, a suburb of Portland. Today the company operates in more than 160 countries around the globe. Through its suppliers, shippers, retailers and other service providers, Nike directly or indirectly employ nearly one million people.

That includes more than 30, 000 Nike employees across six continents, each of whom make their own contribution to fulfill our mission statement: to bring inspiration and innovation to every athlete* in the world.

NIKE OBJECTIVES / RESPONSIBILITY:

Nike believe in the power of sport to unleash potential. That's why Nike will invest a minimum of \$315 million in grants, product donations and in-kind support through 2011 to give excluded youth greater access to sport.

This year, we'll help bring sport to a Somalian girl growing up as a refugee in Kenya, to a young homeless man from Scotland with a passion for football, and to kids in New Orleans who are rebuilding their communities. We'll provide Nike product, resurface old playing fields, fund community-based programs and help young people create their own communities.

These impacts come as we've evolved how we frame, define and approach corporate responsibility. We see corporate responsibility as an integral part of how we can use the power of our brand, the energy and passion of our people, and the scale of our business to create meaningful change. So we've set aggressive business targets that embed our corporate responsibility goals into the company's long-term growth and innovation strategies because the company believe there's no better way to achieve them than to tie them directly to our business.

Overview: NIKE, Inc.'s Brand Portfolio

NIKE, Inc.'s wholly-owned subsidiaries - Cole Han, Converse Inc., Hurley International LLC, NIKE Golf, and Umbra Ltd. - play a significant role in our plan to grow to \$23 billion in revenue by the end of fiscal 2011. At the end of <https://assignbuster.com/nike-its-objectives-and-responsibilities/>

fiscal 2008, NIKE, Inc.'s subsidiaries contributed approximately \$2.6 billion of the company's \$18.6 billion in revenue, a 16 percent improvement over fiscal 2007. As part of our growth strategy, NIKE, Inc. continues to optimize its portfolio, ensuring that we invest in opportunities that will generate the highest possible returns. Adhering to this strategy, several important changes took place over the past year:

April 17, 2008 - NIKE, Inc. completed the sale of NIKE Bauer Hockey to Kohlberg & Company and Canadian businessman W. Graeme Roust for \$200 million.

March 3, 2008 - NIKE completed the acquisition of Umbro Ltd. which Umbro shareholders accepted on January 31, 2008 for approximately \$565 million.

November 15, 2007 - NIKE announced it reached a definitive agreement to sell its Starter brand, the main business of the Exeter Brands Group, to Iconic Brand Group, Inc. for \$60 million in cash. The transaction was completed in December 2007.

Awards & Recognition

Aiming to lead, in every way.

Featured Award

http://www.nikebiz.com/company_overview/images/100Best_awardspage_001.jpg

Nike Named to FORTUNE's 2008 "100 Best Companies To Work For" List

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Nike has been recognized three times (2006, 2007, 2008) by FORTUNE magazine on its “ 100 Best Companies To Work For” list.

Ethics:

Nike Named One of the “ World’s Most Ethical Companies”

The Ethisphere Institute named Nike to its second-annual “ World’s Most Ethical Companies” list at the Forbes, Ethisphere joint-conference.

Ethisphere analysts reviewed codes of ethics, investments in innovative and sustainable practices, and activities to improve corporate citizenship. Read more.

http://www.nikebiz.com/company_overview/images/ethical_155_82_000.jpg

Nike Named No. 3 on 100 Best Corporate Citizens List for 2nd Year Running

Nike was ranked number three in Corporate Responsibility Officers 100 Best Corporate Citizens 2008 list, the ninth annual ranking of top corporate citizens among U. S.-headquartered public companies. Nike earned the same ranking last year and rose from No. 13 in 2006 and No. 31 in 2005. The list is published by CRO Magazine.

Read more.

Nike Named as One of 100 Most Sustainable Corporations in the World

Innovest identified 100 Most Sustainable Companies in the globe and Nike made the list. Companies were evaluated based on how effectively they

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manage environmental, social and governance risks and opportunities, relative to their industry peer. Read more.

http://www.nikebiz.com/company_overview/images/sb20.jpg

Nike Named One of the World's Top Sustainable Stocks

Nike claimed the only spot in our industry for the 2007 Sustainable Business list of the World's Top Sustainable Stocks.

In their release from July 18th, Sustainable Business and KLD called out Nike's leadership in the consumer products area, saying: "It's not easy to 'just do it' when your manufacturing is outsourced to subcontractors, but Nike is showing it's possible. Its very impressive sustainability report drills down to the finest details of the company's operations and products. It is transforming its products by using green design principles, rooting out waste and toxics, and planning for carbon neutrality by 2015." Read more.

Business

Nike Named for Apparel & Innovation on Fortune's 2008 Most Admired Companies

For the third consecutive year, Nike was ranked as the Most Admired Company in America in the Apparel industry, according to Fortune Magazine. Nike was second behind Apple in Innovation in the overall rankings of more than 300 companies.

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In addition to placing first in innovation in Apparel, Nike also topped the industry in social responsibility - up from third a year ago - as well as financial soundness and long-term investment. Read more.

Nike Named to Fast Company's "Fast 50" Most Innovative Companies List

Nike was called out 6th on the list for its innovative consumer experiences like Run Americas, the Nike Women's Marathon, Nike+ Supersonic, House of Hoops and NikeiD Studios. The magazine said Nike's "latest masterstroke is social networking. From events to the Web to unique retail hubs, Nike is blurring the line between brand and experience." Read more.

I. D. Magazine 2007 Best Of Consumer Products - 2007 Three Nike products have been recognized by I. D. magazine in its 2007 Best Of Consumer Product category. Nike's Revolutionary Support Sports Bra (described by the magazine as "a piece of apparel worthy of the Title 9 generation"), the Considered 2K5 shoe ("Green doesn't have to be ugly") and Nike+ Air Zoom Moire ("as a reflection of an active digital lifestyle, this has no equal") were selected. Read more.

Employer

Business Week - 2007 Nike placed #55 on Business Week's 2007 Top 100 Places to Launch A Career list. Students gave us even higher marks ranking us #14 based on a survey of 44,000 undergraduates. All 100 companies are featured online.

http://www.nikebiz.com/company_overview/images/100Best_awardspage_002.jpg

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FORTUNE Magazine - 2006, 2007 & 2008

Nike has been recognized three times by FORTUNE magazine on its "100 Best Companies To Work For" list for employee benefits like paid sabbaticals, on-site childcare, and a 50 percent discount on company products, as well as for corporate responsibility efforts in addressing conditions in overseas contract factories.

Oregon Business Magazine - 2005

Nike ranked 21st on the annual list of 100 Best Companies to Work for in Oregon; among all employers, Nike ranked #1 for employee benefits in Oregon.

Corporate social Responsibility

Nike Recognized for its Leadership in Climate Change Solutions by World Wildlife Fund- 2007 As a founding partner of the Climate Savers Program, Nike attained its company-wide target, achieving annual CO2 emissions reductions 13 percent below 1998 levels by the end of 2005. WWF noted our efforts to reduce greenhouse gas emissions by pursuing energy conservation projects, purchasing clean power from renewable sources, investing in community energy efficiency projects, extending reduction activities to suppliers and subcontractors, and eliminating SF6 from footwear, and demonstrating that climate protection is good business. Learn more

http://www.nikebiz.com/company_overview/images/commuters.jpg

Best Workplaces for Commuters- 2004, 2005, 2006

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Recognized for commuter benefits program and its significance on reducing traffic and air pollution

United Nations Association of Australia World Environment Day Awards - 2004

Finalist for Business Enterprise Award for Nike Australia Reuse-A-Shoe

Sustainable Industries Journal - 2003

Nike ranked #1 in the "Companies in a Class all their Own" list for use of organic cotton and Reuse-A-Shoe campaign

Diversity

http://www.nikebiz.com/company_overview/images/glbt_07.gif

Nike a 2007 best place to work for GLBT equality - 2007

Nike was one of 142 American companies cited as a 2007 best place to work for gay, lesbian, bisexual and transgender (GLBT) employees by the Human Rights Campaign Foundation. Read their press release.

Human Rights Campaign - 2002, 2003, 2004

Nike scored 100% on HRC's Corporate Equality Index for workplace practices

National Congress of American Indians Leadership Awards - 2002

Community

http://www.nikebiz.com/company_overview/images/NT5K_Logo.jpg

Nike 5K for Kids Recognized As Youth Program of the Year

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On February 12, 2008, Running USA and YouthRunner. com named the Nike 5K for Kids Series the Youth Program Contributor of the Year. Learn More

USATF Names Nike Women's Marathon Charitable Race of the Year for 2006

Hong Kong Caring Company Award - 2003, 2004

Awarded by The Hong Kong Council of Social Services for Nike's Slam Dunk Basketball Challenge supporting Save the Children

Portland Trailblazers' Heart of the Community Award - 2004

National Head Start Association Award - April 2004

Honored for commitment to Head Start and support of early childhood education

Spirit of Portland Award - December 2003

Oregon Commission for the Blind's Private Sector Employer of the Year - December 2003

Australian Prime Minister's Community Business Partnership - 2003

Awarded " Judges Encouragement Award" for Nike's ARMTour Partnership

Oregon Food Bank - 2003

Received " Stone Soup" Award for volunteer matching program, food donations and support of Arnie Gardner, who serves on the OFB board

ORGANIZATIONAL STRUCTURE:

The formal arrangement of jobs within an organization.

ORGANIZATIONAL DESIGN:

When Managers develop or change the organizational structure, they are engaged in organizational design. A process involving decisions about six key elements:

WORK SPECIALIZATION

DEPARTMENTALIZATION

CHAIN OF COMMAND

SPAN OF CONTROL

CENTRALIZATION & DECENTRALIZATION

FORMALIZATION

Organizations are formed when a group of individuals unite to accomplish a specific goal. They are responsible for creating a work environment that best utilizes resources such as people, tasks and technology. But, in order to meet this objective, they will need to create an organizational structure or design. In our website, we will explore this concept further by describing the elements of organizational structure and design which include work specialization, departmentalization, chain of command, span of control, centralization and decentralization and common organizational designs.

1. WORK SPECIALIZATION:

“ Organizations and society would gain from the division of labor, from the breakdown of jobs into narrow and repetitive task.”

Work specialization is best described as the degree to which tasks in an organization are divided into separate jobs. Another term for this would be division of labor, where division of labor equals part of an activity. For example, NIKE's production of one pair of shoes equals 34 operations, with approximate 170 workers involved. Work Specialization can be traced back to the writings of Adam Smith in 1776, in his classical economics doctrine, The Wealth of Nations, in which he claimed organizations and society would gain from the division of labor, from the breakdown of jobs into narrow and repetitive tasks. Smith concluded that division of labor increased productivity by increasing each worker's skills, saving time lost in changing tasks, and by creating labor-saving inventions and machinery. Later in the twentieth century Henry Ford reinforced this idea by using this concept in an assembly line, where Ford workers were assigned a specific, repetitive task. Ford was able to produce cars at the rate of one per every 10 seconds.

Today work specialization is still seen as a way to make the most efficient use of workers' skills, since workers are placed in jobs according to their skills, and they are paid accordingly. Other advantages are for example: the improvement of employee's skills at performing tasks, less costly, easier, and more efficient employee training (like the train-the-trainer model), and invention for innovative equipment for mass production. Work specialization is up to a certain point a source of unlimited productivity. Disadvantages include: boredom. Fatigue, stress, lowered productivity, poor quality of work, <https://assignbuster.com/nike-its-objectives-and-responsibilities/>

increased absenteeism, and higher job turnover. The diagram on the following page illustrates a generic structure of this element

Note that specialization leads to departmentalization. NIKE's work specialization structure design is as follows:

- Footwear.
- Apparel.
- Equipment.
- Marketing/ sales.

SUB CONTRACTING:

For example, looking at the athletic footwear industry, a market where production of shoes remains inherently labor-intensive, and success means innovation and rapid turn-around of design and production. NIKE has succeeded by remaining flexible in a volatile market by using subcontracting relationships overseas in low labor-cost countries. Today, subcontractors, or "production partners" make 100% of NIKE's production. According to NIKE, 2001 Annual Report all footwear production was done outside U. S. As follows:

- 40% china.
- 31% Indonesia.
- 13% Vietnam.

- 13% Thailand.

- Apparel production: only 5% in the U. S., and 28% in other countries.*See following chart.

NIKE has three types of subcontracting relationships:

- Developed partners: These production partnerships were first in Japan, but are now in Taiwan and South Korea. These partners produce the “ upper echelon” of shoes, or expensive “ statement” shoes, typically in smaller batches (10-25K pairs a day).

- Volume partners: These are large factories producing large batches of standardized, lower-priced footwear (70-85K pairs a day). Production is routinized and serves multiple (often more than 10) companies, other than NIKE (e. g., Reebok), relationships between NIKE and these companies are less loyal.

- Developing partners: These factories are located mostly in Thailand, Indonesia, and China. These locations offer NIKE very low labor costs and a “ hedge” against rising labor costs in other factories or exchange rate risk. These factories are more loyal to NIKE.

The average NIKE shoe features 34 parts with approximately 170 workers involved in the making of a single pair of NIKE shoes. But that doesn't end the complexity of the entire process of bringing a NIKE shoe to the market. Category Product Teams, consisting of NIKE designers, developers, and marketing specialists with expertise in a specific sport category, share the responsibility for everything from initial market research to material

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selection and marketing of an individual NIKE shoe, a process that typically takes between 16 and 18 months. Once work tasks have been defined, they must be grouped together in some way through a process called Departmentalization. In other words Work specialization leads to departmentalization.

2. DEPARTMENTALIZATION:

The goal of departmentalization is to group different offices and jobs that were divided up through work specialization so that common tasks can be coordinated. This can be accomplished by using the five following departmentalization. This could become difficult for the Nike corporation because its huge company size and because of the fact that it has international offices. The advantages and disadvantages should be weighed before they are applied.

Functional Departmentalization groups jobs by the functions that they perform. All types of organizations can use this approach although functions may change to reflect the organization's objectives. One advantage improved efficiencies from putting together similar specialties and people with common skills, and orientations. Another advantage is that there is a lot of coordination within functional areas. The final advantage is in-dept specialization allows for more precise working of facilities.

Functional Departmentalization also has disadvantages. One disadvantage is that there is poor communication across functional areas because the engineering manager may not understand accounting, and the accounting

manager may not understand manufacturing. Another disadvantage is a limited view of organizational goals.

A good example of this type of division is a Plant Manager overseeing the functions of the Manager of Engineering, the Manager of Accounting, and the Manager of Manufacturing.

Product Departmentalization jobs are grouped by product line in which each major product area is placed under the authority of a manager whom is responsible for all aspects of the product line.

One advantage is that it allows specialization in particular products and services. This is particularly important to Nike because athletes expect their sport shoes to perform differently than shoes of other sports. Another advantage is that managers can become experts in their industry. The company also comes closer to customers and their desires.

Two disadvantages are duplication of functions and limited view of organizational goals.

An example of this division would be the Athletic Shoes Departments overseeing the functions of the Basketball Shoes division, the Baseball Shoes division, the Running Shoes, and the Cross Training Shoes division.

Geographical Departmentalization groups jobs on the basis of territory or geography. This is a total necessity for Nike because it is a global multinational company.

The advantages are that Nike can be more effective and efficient in handling of specific regional issues that arise and can better serve the needs of unique geographic markets. One disadvantage is duplication of functions is unavoidable because all the managers do the same job but in different areas. Another disadvantage is that these managers may feel isolated from other organizational areas because their expertise is needed most at their current area and do not leave their area much.

It would be structured with the Vice President for Nike Co. Sales overseeing each Sales Director for the United States of America, Asia, Europe, etc.

Process Departmentalization groups jobs on the basis of product or customer flow where work activities follow a natural processing flow of products or even customers.

An advantage is a result of more efficient flow or work activities. A disadvantage is that it can only be used with certain types of products depending on its scale size.

The Plant Superintendent would work in conjunction with the managers of the Materials Department, Assembling Department, Finishing Department and the Inspection Department.

Customer Departmentalization groups jobs on the basis of common customers who have common needs or problems that can best be met by having specialists for each. This is very important to Nike because they want to be the leader in innovation to get to the customer needs first.

An advantage is that customer' needs and problems can be met by specialists.

A disadvantage is that there is duplication of functions because all managers perform similar tasks but for different account types. There is also a limited view of organizational goals because managers are customer focused.

The Director of Sales would work with the managers of Retail Accounts, Wholesale Accounts, and Teams Accounts.

The final grouping is that of Cross-functional Teams. It is a current trend that groups individuals who are experts in various specialties and who work together to come up with new products or improve on existing ones. It groups the top notch individuals from separate departments of a company to cover every aspect of particular products sales from defining the target market, to defining the product, to working with manufacturing on a feasible design.

Cross Functional Team of New Products groups sports specialist, shoe designers, shoe engineers, athletes, Sales Manager and Marketing Managers

3. CHAIN OF COMMAND:

1. Definition: Chain of command is the continuous line of authority that extends from the upper organizational levels to the lowest levels and clarifies who reports to whom.

2. Factors to consider:

a. Authority: Who has the authority to make decisions and who is expected to supervise which subordinates?

(1). Advisory authority (Line Authority): the expectation that line managers will consult with staff managers before making decisions.

(2). Functional authority (Staff Authority): staff managers' authority to make decisions and issues directives within their area of expertise

b. Responsibility: The obligation to perform any assigned duties.

- Typical principle: You can delegate authority, but you can never delegate responsibility.

- Authority should always equal responsibility.

c. Unity of command: The management principle that each person should report to only one manager.

- A decision can be traced back from the subordinates who carry it out to the manager who made it.

3. Chain of Command in common business:

a. Traditional organizational chart indicates the authority and responsibility at each management level under a vertical organizational structure.

b. Early management believed that the authority and rights inherent in one's formal position were the sole source of influence; so, managers were all powerful. However, the contemporary view of authority and responsibility differ from the historical view. The current organizations are more complex

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than ever. Staff are becoming more important And management's dependence on technical specialists is escalate alarmingly. Traditional chain of command becomes the constraints of company's growth.

c. Nike learned to adjust its chain of command in a hard way. During its expanding, Nike found a niche in high athletic shoes, applying European designs made in less-expensive factories. The company grew rapidly, but it became impossible for executives to play the same role. Despite healthy profits, the company became blind to changes in the market. Nike responded by decentralizing authority and varying its product line.

d. New trend in contemporary organizational structure design makes chain of command lose its importance. Nike's network structure enables direct communication across unit and firm boundaries, which ignores the chain of command.

4. SPAN OF CONTROL:

One of the most important management functions is control. The span of control in management includes all the activities the manager undertakes in attempting to ensure that actual results confirm to planned results.

Managerial control is effective when standards can be established forth variables that are to be controlled, when information is available to measure the establish standards, and when managers can take corrective action whenever the variable deviates from the desired standard. Standards are targets. To be effective, standards must be stated clearly and related logically to objectives. Standards are the criteria against which future,

current, or past actions are compared and thus provide the basis for identification of what type information needs

To be collected in order to make valid comparisons. The span of control as an organizational management function can be best illustrated by using Nike Corporation's recent introduction of a new computer-assisted interviewing process to change the span of control of the hiring process by management.

Nike's management understands that the control function involves implementing methods that provide answers to three basic questions: (1) what are the planned and expected results? (2) By what means can the actual results be compared to planned results? (3) What correction action is appropriate from which authorized person? Nike executives considered the need to improve the effectiveness of the interviewing process by implementing a new computer-assisted interviewing process.

The computer-assisted interviewing by Nike was found to have advantages and disadvantages. One advantage is a cost advantage. Another advantage is shortening the hire cycle. A third advantage is reducing employee turnover through hiring the right people for these jobs. A fourth advantage has been cited as allowing the company to capture data that can be used in later hiring waves or in the employee development processes. The main issue for Nike's executives after using this new method was - Does computer-assisted interviewing improve employee selection or hinder it?

Selection is the process of choosing individuals who have relevant qualifications to fill existing or projected job openings. The overall selection program is the formal responsibility of the HR department. It is important for <https://assignbuster.com/nike-its-objectives-and-responsibilities/>

all managers to understand the objectives, policies, and practices used for selection. Those responsible for making selection decisions should have accurate information upon which to base their decisions. Nike, like any large organization, is going to be engaged in selection as a continuous process because turnover in the retail industry. Vacancies are continuously happening and being filled by applicants from inside and outside the organization. The steps of the selection process are clearly affected by the computer-assisted interviewing technology employed by Nike.

For example, Nike recently opened store in Las Vegas, 6, 000 people responded to ads for workers needed to fill 250 customer service representative positions. Nike used interactive voice response (IVR) technology to make the first cut. Applicants had to answer eight questions over the telephone. Over 3, 500 applicants were screened out in this phase of selection. The most common reason for this screening was that they were not available when needed or didn't have any retail experience. The remaining 2, 500 were given computer-assisted interviews at the store followed by a personal interview.

Were this computer-assisted interviewing process eliminating potential very talented people Nike could use as employees through faulty criteria? Just because an applicant doesn't have retail experience may not translate into a poor applicant for a customer service representative position at a Nike retail store. These individual applicants may be very talented, skilled, and perfect for these retail positions but were cut off the list by the computer-assisted interview responses. In contrast, when a human manager is screening

through these applications, the other strengths of this applicant's resume may be distinguished, such as awards or special skills noted in the written Resume. Of course, this takes more time and more paperwork to screen in this traditional manner compared to the computer-assisted interviewing process but this human manager can distinguish more factors and qualities of each applicant through her human consciousness compared to the computer technology. The faulty question in my analysis is the one concerning retail experience because many, perhaps hundreds, of potential highly-qualified, skilled individuals were cut from the applicant list. This is called an opportunity cost. Someone who would have been very successful at these new Nike job positions didn't get a chance because they didn't have retail experience. The goal of selection is to maximize "hits" which are accurate predictions in selecting people who are successful on the job. Misses are inaccurate predictions such as those made when cutting 3, 500 applicants in the computer-assisted interviewing process by asking about the person's retail experience. Another type of hit is when cutting people correctly who would not have been successful on the job. Another type of miss is when selecting a person who fails on the job. The computer-assisted interviewing process used by Nike doesn't even know how many 'missed opportunities' because of the fact that no human was involved in screening the 3, 500 applicants. The eight questions via phone were the basis for automatic screening which included 'no' responses to experience in retailing or availability when needed. The automatic screening process in the computer-assisted interviewing framework used by Nike has this important and significant drawback, especially if used for more important job positions,

such as store manager or any management position. If the questions used for the screening of the initial wave of applicants are not framed in a way to gain accurate data on the applicants' overall qualifications, then the entire screening process is flawed and many missed opportunities for highly-skilled potential employees can be lost.

The inherent disadvantage of the computer-assisted interviewing process is the initial encounter of a potential talented, highly-qualified applicant for any company is calling up the toll-free number and being asked a series of questions by the IVR technology and if the right answers are provided, then this individual is referred to the arrangement of a face-to-face interview. The 'human' element is completely missing in this initial interview process. A highly qualified, talented pool of applicants may be 'turned off' by this machine-like approach to finding applicants by the company even if he or she does answer the questions correctly.