
Background And Management Of Nike Company

Nike may be the Greek goddess of victory, but to most people nowadays it is the most recognizable activewear brand in America, and one of the biggest apparel brands in the world. Since I was a kid I've seen my favorite athletes, LeBron James, Michael Jordan, Tiger Woods, wearing Nike shoes and other apparel. I knew the company was cool, and I knew it was stylish, but until I did more research I had no idea just how iconic Nike and its "swoosh" are. But what made the company so great? The company was a catalyst in the fitness revolution that changed athletics from just activities that symbolized the upper social classes to something that was both fun and cool for the general public. But what inspired its founders to break the boundaries that the rest of the apparel community were comfortable remaining within? What I hope to accomplish with this paper is to both further my own understanding of one of the company's that has been most influential on my life, and to convey to all those who read this paper my awe for this company, its founders, and pass some of my own enthusiasm on to them.

Blue Ribbon Sports was founded in 1962 by Phil Knight, Stanford Business School student and former University of Portland undergraduate athlete, to sell Japanese athletic shoes made by Onitsuka, an athletic-wear manufacturer, based on his gut feeling that the shoes would be major competitors to the German shoes that then dominated the American market. At the end of 1963, Knight's vision came to fruition as he sold 200 pairs of "Tiger" athletic shoes, which he peddled at track and field events in the Portland area. The following year Knight was joined in business by his former coach Bill Bowerman who chipped in \$36,500 to equal Knight's investment. BRS had over \$20,000 in sales in 1965 and it was forced to bring on another full time employee. In 1966 BRS opened its first retail outlet in Santa Monica, and thanks to its first store's success it was able to open a second location in Massachusetts in 1967. Throughout these years Bowerman was influential in the design of Blue Ribbon's innovative running shoes. His first design that became a big hit was the "Cortez" in 1968, and he quickly followed that by incorporating nylon into the upper part of the shoes, and by adding the first cushioned midsole throughout an athletic shoe.

The 70's were a decade of big expansion, as the company started its own line of shoes for the first time. At this time the company began using swoosh logo and introduced its new name, "Nike," after the Greek goddess of victory. A year later Nike broke with its original Japanese supplier and began promoting the 1972 Olympics, the first of its endorsement deals attempting to attach its name to the careers of the world's biggest athletes.

In their first year of distribution, Nike's shoes grossed almost two million dollars, and the company's staff swelled to 45, while the company also expanded its operations to Canada and Australia. Bowerman's next innovation was his moon shoe which he created using a waffle iron. The design helped increased the shoe's traction without adding to its weight. Nike's brand name continued to grow throughout the 70's as more and more athletes began adopting its products. By the end of the decade, the company had expanded distributions into Asia, and Europe, and its shoes were so popular that Nike sold almost half the running shoes in the entire United States.

By the 1980's Nike had grown to surpass Adidas, formerly the largest shoe company, in U.S.

sales. In December 1980, Nike went public with an offering of two million shares of its stock. The 80's also marked Nike's shift to overseas manufacturing instead of producing its shoes in the U.S. As the jogging craze in the U.S. began to wane, Nike expanded its international operations with more intense marketing strategies to break into the European soccer shoe market which was dominated by Adidas and Puma. Another bi-product of the waning jogging craze was Nike's expansion into industries besides running apparel, like women's casual clothing, as well as gear and apparel for other sports. Nike branched out from athletics with its purchase of Cole Haan, a maker of casual and dress shoes, in 1987. In 1988 Nike launched its first "Just Do It," campaign featuring athletes Michael Jordan, Bo Jackson, and director Spike Lee and a year later it launched its 'Air Jordan' brand.

Nike was the dominant force in athletic footwear in the early to mid-1990s. The company held about 30 percent of the U.S. market by 1995, far outdistancing the 20 percent of its nearest rival, Reebok. Overseas revenues continued their steady rise, reaching nearly \$2 billion by 1995, about 40 percent of the overall total. Nike also acquired a hockey equipment company in 1994, making it the leading maker of hockey equipment in the world, and the company became part of Nike's growing equipment division. Nike's superstar of the 90's was golf phenom Tiger Woods, who it signed to a 20 year \$40 million endorsement contract which he paid off by winning more than 18 majors, breaking the all time record. The late 1990s were difficult times for Nike as it became the subject of scrutiny for its treatment of overseas workers, and the general backlash against multinational companies, and its struggles continued until it was finally able to turn the corner in 2002. Nike's turnaround was thanks in large part to its acquisitions of diverse apparel brands like extreme sports brand Hurley, the stalwart brand Converse, and Starter which brought with it several of its portfolio companies and athletes it had been endorsing, most notably Shaquille O'Neal. Nike's biggest endorsement contract of the 2000s was its signing of high school star LeBron James to a \$90 million contract. Nike's biggest challenge of the 20th century was by far Adidas's purchase of Reebok, combining Nike's two biggest competitors and giving them 30% of the worldwide athletic shoe market compared to Nike's 37%. However, Nike has shown its ability to overcome obstacles before and there is no doubt it will continue to dominate the market and overcome this new challenge as well.

Nike has been the subject of a few controversies, with the criticisms focusing on the production of its apparel and shoes. Nike has been criticized for its use of "sweatshops" in China, Vietnam, Indonesia, and Mexico. Human rights groups have documented that Nike's factories have violated minimum wage and overtime laws dating back more than 30 years, though Nike claims that these practices have been stopped. However, as of 2011 Nike has stated that most of its factories in China still do not meet its standards for worker treatment. There have reports from multiple sources that consistently state that Nike has failed to improve its working conditions for factory employees in many countries besides China.

Nike also faced criticism for its employment of child laborers in Cambodia and Pakistan. Despite its acknowledgement of this practice, Nike has also failed to curb the practice as it continues to provide contracts to companies in countries that are known to not regulate child labor forces. In 2001, a BBC documentary delved deeper into this issue and discovered child labor and poor working conditions in a sweatshop in Cambodia. It chronicled the lives of six girls who worked seven days a week for 16 hours a day in the factory.

In addition to the poor working conditions, Nike also faced a boycott in 2014 from workers in a factory that produced its shoes. The workers claimed that the factory was severely underpaying

them and it was discovered that the practice had been going on for over 20 years before it was uncovered.

Nike's main competitors are Adidas, Puma, and New Balance. Though Nike has dominated the athleticwear game since the 80's, one thing that Adidas has recently beaten Nike at is their venture into the world of high fashion. Adidas has succeeded in partnering with famous designers to create apparel that is both sporty and fashionable, but Nike is fast on its heels. Nike recently unveiled a collaboration with Olivier Rousteing, a designer for the luxury brand Balmain, in an attempt to combat Adidas's dominance in this business.

Mark G. Parker has been Chief Executive Officer and President of Nike since January 2006. He has worked at Nike since 1979 when he joined the company in the research, design and development department, and since then has been employed in various leadership positions throughout the company. In 2001 Parker was promoted to President of the Nike Brand, a post which he served at until 2006 when he became CEO. In addition to serving on Nike's board, he also serves on the Disney's Board of Directors. Mr. Parker graduated from Penn State in 1979 with a degree in Political Science. In 2015 Mr. Parker was paid \$16.8 million and he has a net worth of \$250 million. As CEO Mr. Parker is responsible for growing Nike's global brands and businesses including Converse, Cole Haan and the Nike brand.

The company's Board of Directors is comprised of 13 members. Three of the 13 directors are women, and three of the directors are minorities. Some of the more notable directors include Phil Knight, Nike's founder, Travis Knight, his son, Mark Parker, the current CEO of Nike, and Timothy Cook, CEO of Apple. Other directors include the Chairman of PayPal, the former head coach of Georgetown University's men's basketball team, and the Vice Chairman of General Electric.

Nike focuses its business in four segments: footwear, apparel, equipment and global brands. The footwear division handles the production and design of all of Nike and Nike subsidiary shoe brands which manufacture sneakers and cleats for all sports as well as leisure shoes. The apparel segment handles all of Nike's clothing production for all sports and is casual brands as well. Nike's equipment division makes just about every piece of equipment imaginable and necessary for every sport as well as manufacturing cases for digital devices. The global brands segments is responsible for overseeing the development of all of Nike's subsidiary brands including Jordan, Hurley and Converse. Much of Nike's business success has come from its ability to attract top talent to endorse its apparel and sneakers. Some of its most famous athletes include Michael Jordan, Kobe Bryant and LeBron James. Recently, Nike signed LeBron James to a lifetime endorsement deal valued at over \$1 billion dollars which is just a sign of how profitable LeBron is for the company.

Nike's CFO and Executive Vice President is Andy Campion, a veteran of the company since joining in 2007 as Vice President of Global Planning and Development. He was made CFO of the Nike brand in 2010, responsible for leading long-range financial and strategic planning, and from that position he rose to become Senior VP of Strategy, Finance, and Investor Relations for Nike in 2014, before ascending to his current position in late 2015. Prior to working at Nike Campion held leadership positions in the finance department of the Walt Disney Company. His current responsibilities include leading all aspects of financial management for the global powerhouse. Though he hasn't been CFO for a full year yet, and as such no records for his compensation have been made public, his predecessor was paid \$2.5 million in 2015 which

serves as a pretty strong indicator of what his pay will be like in 2016. Nike's stock price as of its last close is \$56.19. Nike's net income for fiscal year 2015 was \$3.27 billion, and it paid a tax of \$4.21 billion on its gross profit of over \$14 billion.

So much of Nike's success has hinged on its brand image and the responsibility for crafting that image falls on one man: John Slusher. Slusher serves as Nike's Executive Vice President of Global Sports Marketing, a position he has held since November 2007. Slusher has been responsible for managing all dealings with U.S. pro leagues and has led negotiation teams for many of Nike's sports marketing agreements, including those for Jordan Brand and Converse. He led development and implementation of sports marketing strategies in both the Asia Pacific and Americas regions, including relationships with U.S. professional sports leagues in the regions and endorsement, sponsorship and licensing. One of Slusher's greatest accomplishments has been ousting Adidas as the manufacturer of the jerseys worn by the players in both the NFL and the NBA. Slusher is arguably the most important executive at Nike because of the influence he has on developing the company's image worldwide. Slusher joined Nike in 1998 and served in a variety of roles in the global sports marketing group, including Manager of Business Affairs and Associate Director, before becoming Vice President of Global Sports Marketing. Prior to joining Nike Slusher worked as an attorney at the law firm O'Melveny & Myers. He attended Dartmouth College before earning his law degree from the University of Southern California.

Nike's COO is Eric Sprunk, a company man since 1993 when he joined Nike from the accounting firm PriceWaterhouse Coopers where he managed the Nike account. Sprunk previously served as Executive Vice President of Product & Merchandising where he was responsible for all Nike Brand product across the company's footwear, equipment and apparel engines. Sprunk led product creation from innovation to design to sourcing to manufacturing to merchandising, giving him the insight needed to serve as the company's COO, because nobody had better knowledge of the entire production process than him. As COO, Sprunk is responsible for maintaining Nike's entire supply chain which spans manufacturing, sourcing, IT, demand, supply planning and procurement. Sprunk focuses Nike's internal operations, making sure that its infrastructure is strong enough to maintain the continued growth necessary to support its global brand. Sprunk's compensation for 2015 was almost \$5 million, which was comprised of equity, cash bonus, and other forms of compensation. As COO, Sprunk is responsible for overseeing Nike's 62,600 employees worldwide.

To me, Nike's success is beyond doubt. No other company is as universally adopted in day to day life. Everywhere I go I see Nike shoes, shirts, shorts, gear, or even if it's not Nike it's one of its subsidiary brands that people are wearing. Becoming the official gear supplier of the NFL and NBA will be Nike's most successful endorsement deal, and it has barely reaped the rewards of that sponsorship yet. And as new countries grow and become economically viable, Nike will expand there and find new markets in which to sell all of its products. While retailers have been struggling recently, names like Nike will never go away. The company's ability to adapt to trends of the day and rise above its competitors in anything that it attempts has set it above its competitors like Adidas. Its global reach and appeal will only continue to expand, and the company will continue to dominate worldwide.

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