

**1964**  
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MIKE'S SERVICES ARE TRADING  
FOR \$100 MILLION BY 1972

**1972**

**OUTSOURCING**



**CONTROVERSY**

**KEY ISSUE**

**ALTERNATIVE 1**

**ALTERNATIVE 2**

**ALTERNATIVE 3**

**ALTERNATIVE 4**

New Sustainability Study: The 'Embracers' Seize Advantage

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**RECOMMENDATIONS**

**WHERE IS MIKE NOW?**

**THANK YOU**

Questions?

# HITTING THE WALL

New Sustainability Study: The 'Embracers' Seize Advantage

Liz McNeil, Dan Morris, Lars Nordgaard, & Justin Steyer

**New Sustainability Study: The 'Embracers' Seize  
Advantage**

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# 1964

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NIKE WAS FOUNDED AS  
BLUE RIBBON SPORTS  
BY BILL BOWERMAN &  
PHIL KNIGHT

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NIKE 'S REVENUES ARE \$60,000

RISE TO \$49 MILLION BY 1982

\$9 BILLION BY 1995



**1972**

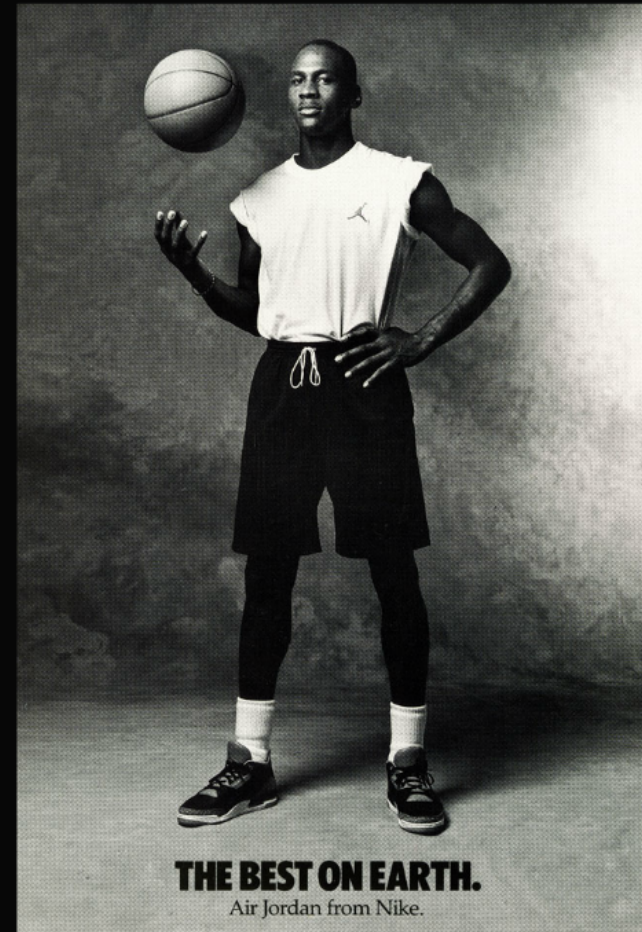
# NIKE'S BUSINESS STRATEGY

## COST CONTROL

- Low labor costs
- Outsourcing all manufacturing
- Independent contractors

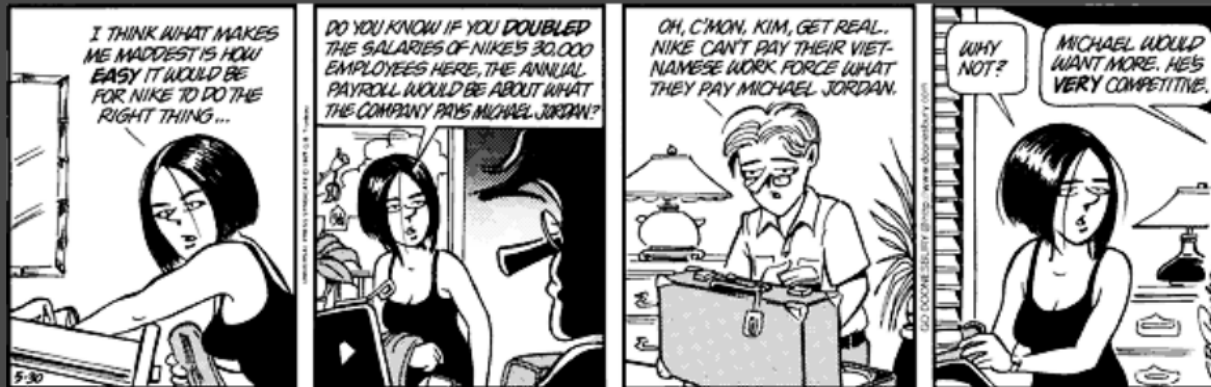
## MARKETING

- Money saved by outsourcing would be spent on marketing
- Celebrity endorsements
- Brand identity



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# THE COVERAGE



## 1992 - 1997

- Harper's Magazine runs an article comparing Michael Jordan's paycheck to that of an Indonesian worker 1992
- CBS debuts an interview with Indonesian workers in 1993
- In 1996 Life magazine runs an article about child labor in Pakistan that features a Nike soccer ball factory
- Comic strip Doonesbury devotes a whole week to Nike's labor issues in 1997

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# BY THE NUMBERS



Labor: \$3.37

Manufacturer's Overhead: \$3.41

Materials: \$14.60

Profit to Factory: \$1.12

Factory Price to Nike: \$22.50

Wholesale Price: \$45

Retail Price: \$90

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# LACK OF RESPONSIVENESS

- Not responsible for labor conditions in contractors' facilities
- Questionable audits
  - Potentially biased
  - Left the wage issue untouched
- Access to Nike facilities denied
- The independent evaluation of the Code of Conduct was full of shortcomings
  - Did not address the wage issue
  - Used biased translators
  - Had an unusual report format
- Denial of leaked report findings
- Consequence/Result: Nike experienced its first loss in 13 years when its earnings fell by 69% in 1998.

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# ALTERNATIVES

- In this case Nike did everything wrong when handling the issue of unfair labor practices.
- Rather than following the principle of admit you were wrong, fix it, and move on, they instead followed the path of ignore it, shift blame, pay off auditors, and just do it.

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