*University of Phoenix Material*

Nike Case Study Analysis

# Nike: Spreading Out to Win the Race

Nike is indisputably a giant in the athletics industry. The Portland, Oregon, company is known worldwide for its products, none of which it actually makes. It has thrived by knowing how to stay small, focusing on core competencies, and outsourcing manufacturing.

But if you don’t make anything, what do you actually do? If you outsource everything, what’s left? A lot of brand recognition, as it turns out.

**Behind the Swoosh**

Nike continues to outpace the athletic shoe competition while spreading its brand through an ever-widening universe of sports equipment, apparel, and paraphernalia. The ever-present Swoosh graces everything from bumper stickers to sunglasses to high school sports uniforms. Nike products embody a love of sport, discipline, ambition, practice, and all other desirable traits of athleticism.

The company has cleverly kept its advertising agency nestled close to home, but has relied extensively on outsourcing many non-executive and back office responsibilities to reduce overhead. Nike is structured around its core competency in product design—not manufacturing. It has taken outsourcing to a new level, with sub-contractors producing all of its shoes.

**Whoops**

Although outsourcing production hasn’t hurt product quality, it has challenged Nike’s reputation for social responsibility, especially regarding work conditions and labor practices at some suppliers. In a move designed to turn critics into converts, Nike posts information on its website detailing every one of the hundreds of factories that it uses to make shoes, apparel, and other sporting goods. It released the data in conjunction with a comprehensive corporate responsibility report summarizing the environmental impact and the labor situations of its contract factories.

Nike also encourages designers to develop environmentally sustainable designs like the Nike Free, a lightweight running shoe that boosted sales dramatically. Nike’s Sustainable Business & Innovation Lab funds outside startups focused on alternative energies, more efficient approaches to manufacturing, and the promotion of healthy lifestyles.

**Pesky Competition**

## Nike has so far balanced size and pressure to remain successful by leveraging a decentralized and networked organization structure. Individual business centers—such as research, production, and marketing—are free to focus on their core competencies without worrying about the effects of corporate bloat.

## This company has found continued marketplace success by positioning itself not simply as a sneaker company but as a brand that fulfills the evolving needs of today’s athletes and athletes-at-heart. Will Nike continue to profit from its organization structure, or will it spread itself so thin that its competition has a chance to overtake it?

*Source:* Schermerhorn Jr., J.R., Bachrach, D.G. (2016) Nike: Spreading Out to Win the Race. In *Exploring Management* (Cases for Critical Thinking).

# Case Analysis Questions

**Answer** the following in up to 350 words each.

1. **Describe** the factors that drive Nike’s decision to stick with some form of network organizational structure rather than own its manufacturing operations.

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|  Primarily, by being the outstanding leader in the field of athletic industry, Nike's decision is driven by three significant factors namely, being behind swoosh, whoops and the irritating competition. Nike keeps on outpacing the athletic shoe rivalry while spreading its image through a regularly enlarging universe of games gear, attire, and stuff. The ever-show Swoosh graces everything from guard stickers to shades to secondary school sports outfits. Nike items exemplify adoration for sport, teach, aspiration, practice, and all other alluring qualities of physicality. The organization has keenly kept its publicizing office settled near and dear, yet has depended broadly on outsourcing numerous non-official and back office duties to decrease overhead. Nike is organized around its center competency in item configuration—not producing. It has taken outsourcing to another level, with sub-contractual workers creating the majority of its shoes.Despite the fact that outsourcing generation has not harmed item quality, it has tested Nike's notoriety for social obligation, particularly with respect to work conditions and work rehearses at a few providers. In a move intended to transform faultfinders into changes over, Nike posts data on its site enumerating each one of the several processing plants that it uses to influence shoes, to attire, and other donning products. It discharged the information in conjunction with a far-reaching corporate duty report condensing the natural effect and the work circumstances of its agreement production lines.  Nike has so far adjusted the size and strain to stay fruitful by utilizing a decentralized and arranged association structure. The unique business focuses, for example, research, generation, and promoting—are allowed to center around their center capabilities without stressing over the impacts of corporate swell. |

1. **Assess** why Nike’s choice of a decentralized and networked organization structure worked well for them.

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|  Nike is widely known as the leader and the most untouchable company when it comes to the athletic industry. Nike's success motivated by several factors that influence its decision making. Some of the factors that influence Nike's include the understanding by the company to stay small, keeping a focus on its core competencies and outsourcing manufacturing. These factors as helped Nike keep the lead of outpacing its competitors in the athletic shoe competition as well as it distributes its brand over the dynamic world of sports (Schermerhorn, 2016). The company largely depends on the outsourcing of a variety non-executive and subordinate responsibilities to reduce workload. The company's reputation on social responsibility majorly relied on the working conditions and the practices for labor on different suppliers. The company stands to convert critics to its building strengths |

1. **Summarize** the current state of competition in this industry. **Assess** if Nike continuing to pull away from rivals, or if they are catching up.

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|  Nike’s competitors include Adidas and Reebok. Despite facing the continued competition from other companies, Nike has always remained as the giant in the athletic industry. The organization has keenly kept its publicizing office settled near and dear, yet has depended broadly on outsourcing numerous non-official and back office duties to decrease overhead. Nike is organized around its center competency in item configuration not producing (Schermerhorn, 2016). It has taken outsourcing to another level, with sub-contractual workers creating the majority of its shoes hence remaining at the top of the industry. Nike also asks fashioners to develop biologically viable plans like the *Nike Free, a lightweight running shoe* that helped bargains essentially (Schermerhorn, 2016). Nike will remain the leading in the market as it is continuously finding new positions in the market by placing itself as a brand fulfilling the emerging needs of the modern athletes  |

1. **Assess** whether Nike’s organizational structure is still a major strength that contributes to its success, or if it is creating problems that will call for organizational design changes in the future.

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|  Nike has so far adjusted the size and strain to stay effective by utilizing a decentralized and arranged association structure. The single business focuses, for example, research, generation, and showcasing—are allowed to center around their center abilities without stressing over the impacts of corporate swell.  This organization has discovered preceded with commercial center accomplishment by situating itself not just as a tennis shoe organization but instead as a brand that satisfies the advancing needs of the present competitors and competitors on a fundamental level (Schermerhorn, 2016). Its organizational structure enables it to find new opportunities in the market which then keeps it flourishing. The Organizational structure for Nike remains its vital strength.  |

1. **Determine** whether a matrix structure could improve performance for Nike.

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|  A matrix structure will increase accountability for the workers which then will translate to more productivity in the company. Remember that Nike is performing well despite using traditional approaches to venture into the market. If a matrix structure is employed, the company will be able to identify where the sources of error come from and it will be able to identify its significant strengths. It is therefore encouraged that the company brings onboard new techniques to help it have more improvements and keep market dominance. Matrix structure will also enable the company to increase its range of products that concerns the modern athletes and the emerging issues.  |

**Reference**

Schermerhorn Jr., J.R., Bachrach, D.G. (2016) Nike: Spreading Out to Win the Race. In *Exploring Management* (Cases for Critical Thinking).