Social Performance of Organizations; A Case Study of Nike Inc.

Name of Student:

Institution Affiliated:

Date:

Social Performance of Organizations; A Case Study of Nike Inc.

Corporate organizations are integral to the economic development of countries and regions; they are an essential source of employment for millions of people worldwide. Profit-making is the major end-goal for any business firm. The sole purpose of any business organization is profit-making (Mitchell, 2017). However, the business world's current developments have placed the consumer at the centre stage when it comes to business. Consumer satisfaction is a crucial factor in the success of any company. Consumers, being the final destination for any product, control how businesses run, what they sell, and how they sell it. Companies that meet consumer demands have witnessed tremendous success in their lines of business. Another critical factor in the business environment is Corporate Social Responsibility (CSR). The relationship between companies and the environment is becoming more sophisticated, and as such, businesses have to continually work on ways that give them good standing in society. Nike Inc. is one business organization that has witnessed tremendous success, finding its way among the top 100 in the world’s Fortune 500 companies list; this paper explores the company, considering its relationship with society.

**Nike Inc.**

Nike Inc. is a United States-based international corporate firm that engages in designing, developing, manufacturing, sales and marketing of sportswear, services, and equipment (Nike, 2020). Nike Inc. has emerged as the globe's most prominent manufacture and merchant of sports shoes and attire. The company was established in 1964; it started as “*Blue Ribbon Sports”* before formally becoming Nike Inc. in 1971 (Nike, 2020). The firm obtained the word 'Nike' from the “Greek goddess of victory.” The corporation has its headquarters in Oregon, USA. Nike Inc. mainly markets its merchandises under its brand, Nike. It also uses other brands such as “Nike Pro, Air Jordan, Air max, Air Force 1,” among others (Nike, 2020). Nike Inc. has established an international presence, emerging as a significant player in the sports business.

Nike Inc. has gone on to grow its trade in the sports industry. In 2014 alone, the Nike trademark was prized at nineteen billion US Dollars; it has emerged as the world’s most valued brand in the sporting business (Fortune, 2020). In 2017, the Nike brand was prized at over twenty-nine billion US Dollars. The company has also emerged as one of the world’s largest employers; as of May 2020, Nike Inc. had over seventy-six thousand employees (Fortune, 2020). Nike ranks at position eighty-nine among the fortune 500 companies list (Fortune, 2020).

**Elements in the Peripheral Environment that Affect Nike Inc. Success**

Several external factors affect a business. Most of these factors can best be analyzed through the PESTEL analysis. In the case of Nike Inc., the external issues in the isolated or macro-environment can affect its success; they also indicate a necessity for tactical concentration on the fiscal, sociocultural, and natural concerns. Among the external factors with the potential to affect the success of Nike Inc. are political and economic factors.

**Economic Factors**

Changes in the economy affect a company’s operations. For instance, the current Covid19 pandemic has affected the world's economy, leading to many job losses. Some of the economic factors affect the success of Nike Inc. are the slowing of China’s economy, commercial stability in the developed markets, the speedy improvement of the developing markets, as well as the overall economic effects from the Covid19 pandemic (Higgs & Kocik, 2020). The Covid19 pandemic and the slowing of China’s economy (backed up by the rising tensions between the US and China) pose a threat to Nike Inc (Higgs & Kocik, 2020). On the hand, the stability of the globe’s developed markets and rapid expansion of the developing countries present opportunities for Nike.

**Political Factors**

The sports shoe trade by Nike Inc. is subject to the effects of the civil setting (Mitchell, 2017). Most of the political factors typically pertain to government policies and regulations. The political factors that affect the success of Nike Inc. include the expansion of the free trade policies, stability of the political climate in significant markets, and the improving governmental support for infrastructural development (Mitchell, 2017). All these three factors present opportunities for the continued growth and expansion of Nike Inc.

**Ways that Primary Stakeholders Influence Nike Inc. Financial Performance**

Nike Inc. has several stakeholders who play a vital role in the organization. The stakeholders have varied priority levels based on the beliefs and policies held by the company. One main area that these stakeholders play a crucial role is the company’s Corporate Social Responsibility (CSR) sector. Among the most significant stakeholders at Nike Inc. are the investors, communities, suppliers, consumers, and the company’s employees (Higgs & Kocik, 2020). These stakeholders influence the company’s financial performance in various ways.

**Consumer Tastes and Preferences**

Consumers are among the most significant stakeholders in any business; they are the final destination for products and services. Nike Inc. has prioritized its consumers. Consumers determine a significant portion of a company’s revenue (Higgs & Kocik, 2020); hence the importance placed on customers by Nike Inc. In the example of Nike Inc., the consumers' priorities comprise excellent merchandises, offered at affordable costs; the firm addresses these consumer demands through important R & D investments (Higgs & Kocik, 2020). Nike Inc. manufactures high-quality products using advanced technology. This, in turn, fetches enormous profits for the company.

**Policy Making and Strategy Adoption**

Government policies have a substantial influence on any firm's financial performance. Governments are essential stakeholders in many companies; Nike Inc. is not an exception. The company has to comply with various government policies; one of the policies is tax compliance. The multinational nature of Nike Inc. means that the company pays taxes in many countries. There is no uniformity in tax payments; Nike Inc. pays taxes differently in every country. Such issues as taxes and other government regulations affect the financial performance of Nike Inc. The company manufactures some of its merchandises in countries such as Vietnam and Indonesia, and ships them to other nations; this attracts huge taxes (Higgs & Kocik, 2020).

**Employee Behavior and Commitment**

Employees help companies push their agenda and attain their set goals and strategies (Silva, 2019). They are the face of the organization; they are the stakeholders who come in contact with customers more frequently than others. The success of any business hinges on employee behaviour, dedication, and values. Nike Inc. is among the world's biggest employers, with over seventy-six thousand employees. These employees play a crucial role in the financial performance of Nike Inc., helping the company reach out to consumers. Competent and dedicated employees help companies carry out their tasks and businesses well; the result of such dedicated staff is excellent financial performance. Competent and well-trained employees interact well with customers; they are crucial in enhancing consumer satisfaction (Silva, 2019).

**Financial Support from Investors**

Investors are mainly interested in profit-making. Investors at Nike Inc. are interested in making more profits; to them, these profits mean higher dividends or profits for every share they have purchased. Moreover, investors help in formulating strategies that aim to minimize the operational costs in business organizations; such strategies help the companies make maximum profits. Thus, investors are vital since they help companies such as Nike Inc. make positive financial progress.

**Corporate Social Responsibility and Marketing**

Corporate Social Responsibility (CSR) and the marketing strategies at Nike Inc. also affect the business’s financial performance. The company has adopted numerous and well-researched, proven marketing strategies. Nike Inc. engages in several Corporate Social Responsibilities. Among the CSR activities carried out by Nike Inc. include innovative manufacturing, a commitment to the reduction of the carbon footprint, and a shift to complete reusable energy (Schönauer, 2018). The company has helped more than sixteen million children globally through its program dubbed ‘Made to Play’ (Schönauer, 2018). Moreover, since 2010, Nike Inc. has transformed over six billion bottles into recycled polyester footwear and apparel (Schönauer, 2018). Such activities promote the Nike brand, increasing its business opportunities and consumer base.

**Nike Inc. Controversial CSR**

While Nike Inc. has adopted numerous and practical training and capacity development programs for its over seventy-six thousand employees, there have been controversies surrounding the company's recruitment process. In the mid-1990s, Nike Inc. was accused of practising child labour in developing countries, especially in Pakistan (Fiorellini, 2019). The company admitted that the allegations were true; moreover, the management admitted that the vice went unnoticed for several years. However, the company revised its policies and stopped child labour.

**Conclusion**

The relationship between companies and the environment is becoming more sophisticated. Nike Inc. is one business organization that has witnessed tremendous success, finding its way among the top 100 in the world’s Fortune 500 companies list. It is a United States-based multinational business firm that engages in designing, developing, manufacturing, sales and marketing of sportswear, services, and equipment. The company has also emerged as one of the world’s largest employers; as of May 2020, Nike Inc. had over seventy-six thousand employees. Nike ranks at position eighty-nine among the fortune 500 companies list. Among the external factors with the potential to affect the success of Nike Inc. are political and economic factors. Nike Inc. has several stakeholders who play a vital role in the organization. The stakeholders at Nike Inc. are the investors, communities, suppliers, consumers, and the company’s employees. In the mid-1990s, Nike Inc. was accused of practising child labour in developing countries, especially in Pakistan.

References

Fiorellini Bernardis, A. (2019). Labour issues and workers' rights within the global supply chain. How to manage the work environment. The Nike case (Bachelor's thesis, Università Ca'Foscari Venezia).

Fortune. (2020). Fortune. Nike. Retrieved from <https://fortune.com/company/nike/>

Higgs, H. I., & Kocik, A. M. (2020). How can stakeholders pressure firms to create value through innovation and CSR?: A study on CSR-driven innovations in the clothing industry.

Mitchell, D. W. (2017). The Sneaker Life: A Critical Analysis of Nike and Under Armour Marketing Strategies.

Nike. (2020). About Nike. Retrieved from <https://about.nike.com/>

Silva, D. T. D. M. (2019). Equity research-Nike, Inc (Doctoral dissertation, Instituto Superior de Economia e Gestão).

Schönauer, B. (2018). Globalization's pressure on strategy towards CSR: a Case Study of Nike's CSR Process/submitted by Bianca Schönauer, BSc (Doctoral dissertation, Universität Linz).