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1) Introduction

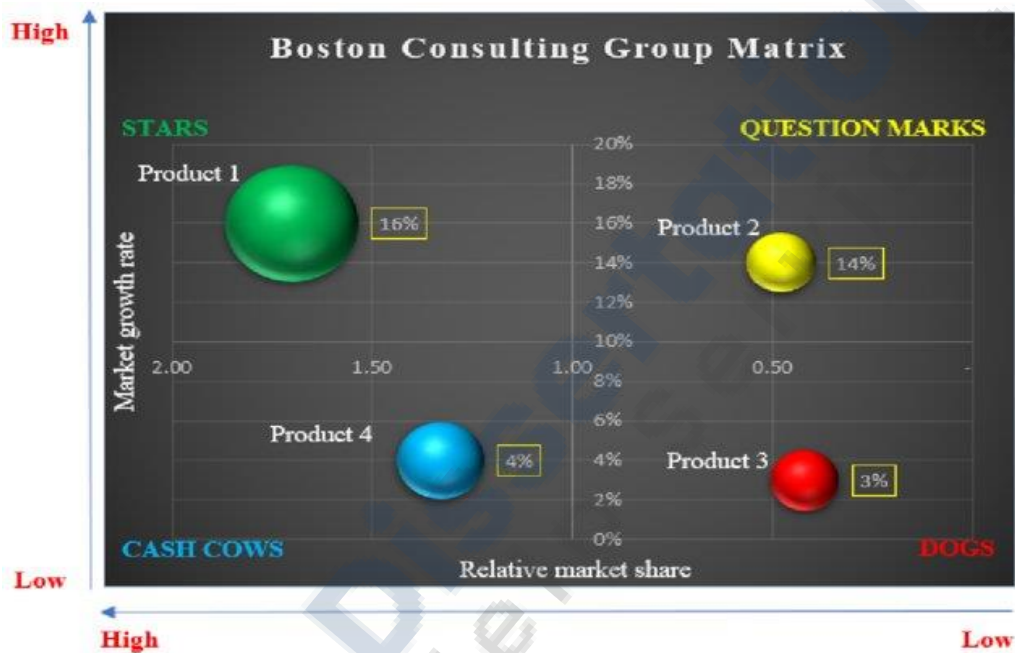
Since its inception in 1964, Beaverton, Oregon-based Nike, Inc. Has grown to become its most recognizable sportswear company. One example of Nike's dominance in a highly competitive and fragmented business is its 62% share of the worldwide sportswear market. According to Nike's estimates, the company will make \$42.3 billion in revenue in 2021, a significant rise over the \$34.8 billion it expects to make this year (Campbell, 2007). The company's supply chain has been affected by the outbreak and worldwide lockdowns, but this is not the first time this has happened. According to S&P Global Market Intelligence, Nike may run out of Vietnamese-made sneakers on July 19, 2021, as COVID-19 advances.

2) Discuss the major uncertainties the company faces which would have a significant impact on its purchasing and supply management activities? (25 marks)

Production shutdown issues

Workers at Nike's Vietnamese supplier are locked in a labor dispute, which has forced the company's Vietnamese suppliers to stop production for two to four months. A total of more than 160 million pairs of shoes will be thrown away due to production issues and inadequate quality control. Nike's supply-chain issues reveal just how critical it is to increase quality and agility to deal with uncertainty, as demonstrated by its signature "Swoosh." Advanced data analysis illustrates the importance of continually increasing quality in light of Nike's present supply chain difficulties (Brandenburg, 2014). A Call for More Flexible and Intelligent Supply

Chains in the Wake of Nike's Production Outage in Vietnam. More than 900 million finished Nike items will be transported through Nike's global supply chain by 2020, encompassing more than 700 factories in 42 countries. *BCG Matrix for Nike's Portfolio*



Impact of pandemic

Vietnam adopted a strict quarantine and a digital track-and-trace mechanism when the pandemic surfaced in 2020. Restricted government actions began to show effects in months, restoring investor confidence and attracting new investment. Compared to China, Vietnam's political complexity is perceived to be lesser, making the country an attractive manufacturing location (Bhandari, 2014).

Nike imports over half of its stock for the United States and other major markets from Vietnam via seaborne exports. Given the current manufacturing limits across the country, Nike and

many other global companies must rethink their supply networks. This year, Nike may not be able to create more than 160 million pairs of shoes due to issues in Vietnamese manufacturing (Abir, 2020).

Improve Supplier Quality with a Quality Management Solution

It is crucial to have better supply chain awareness, and cutting-edge real-time data analysis technologies are essential here. With leading quality indicators, organizations may overcome supply chain issues by making better decisions faster to establish the resilience needed to win a quickly changing manufacturing and logistics market (Brandenburg, 2014). There has never been a time as critical as right now to strive toward more adaptable building organizations. For improving supplier quality, NXG is the world's most advanced business quality management solution. Nike has relaunched as a sustainability leader and enhanced industry standards after a supply chain crisis (Brandenburg, 2014). Legally, the company was not required to provide the names of its factories or vendors.

Make Supply Chain More Sustainable

David Doorey (York University) conducted a case study of this transition by interviewing company executives, industry professionals, union leaders, and non-governmental organizations (NGOs) involved in the push for factory disclosure. As early as the 1990s, Nike's executives began to see news about bad working conditions in their supplier factories as a potential threat to their brand image. Nike's top executives realized they were amidst a supply chain crisis. As its suppliers' performance deteriorated, they needed a new strategy. For example, Nike has created a new department to monitor risk sources related to suppliers'

regulations on labor practices, starting with the construction of this new department. These changes were made:

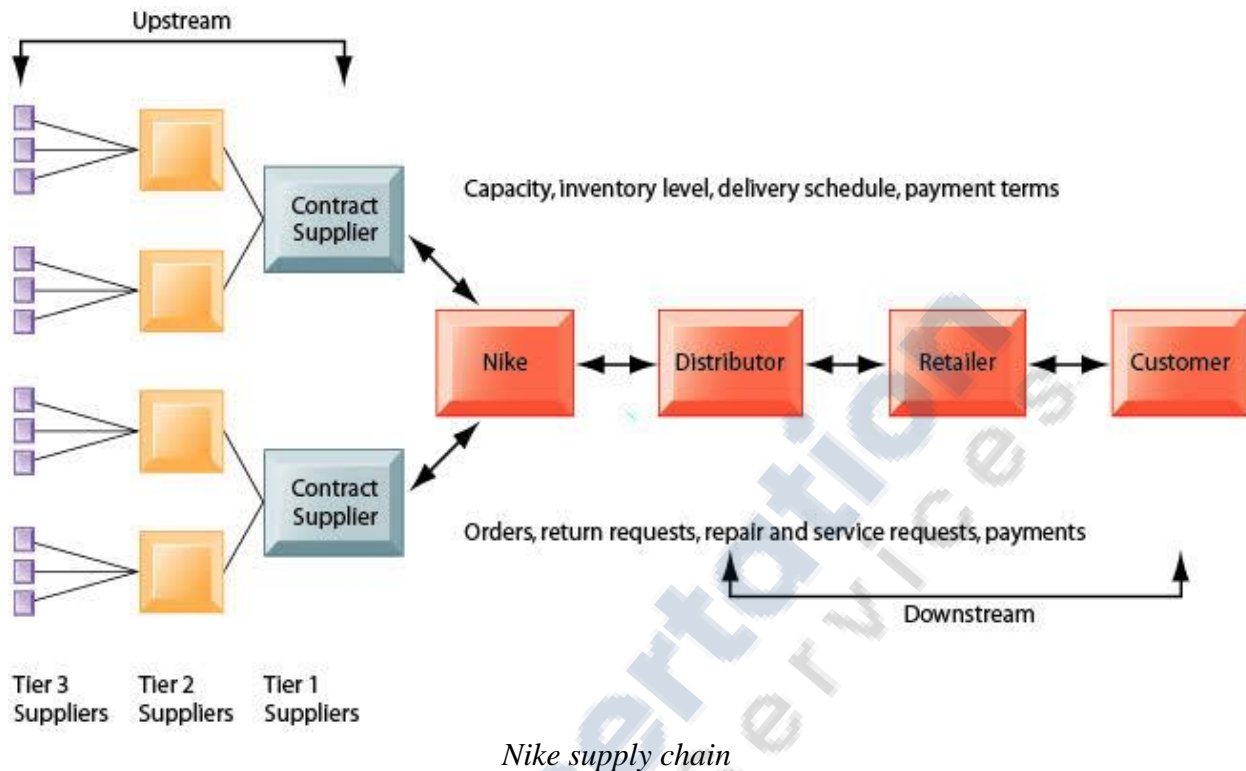
Nike set up the shape internal monitoring system to determine whether or not a new factory would even come close to adhering to the company's code of conduct. In addition, "M-audits" would be carried out in factories with high risk (Kaur, 2020).

Senior management has created a new division to deal with corporate responsibility and compliance issues.

Regional field managers were given authority to oversee Nike's operations in their respective regions. Daily, they were responsible for monitoring labor regulations and the Nike code (Johnson, 2010).

Corporate headquarters built a sophisticated database to maintain track of the global supply chain and have access to field audits.





Sustainable Leadership to Supply Chain Problems

The list was made public in 2005 due to these internal controls and enforcement efforts. Nike's supply chain crisis was a marketing opportunity that outweighed the risks of divulging the location of its plants (Hashemi, 2015). It pushed for greater transparency to demonstrate its commitment to raising labor standards. This was a badge of honor when it came to the apparel industry.

- 3) Make a recommendation on how the might company manages the impact of these uncertainties on its purchasing and supply management activities. (25 marks)**

Overcoming Challenges of Global Optimization

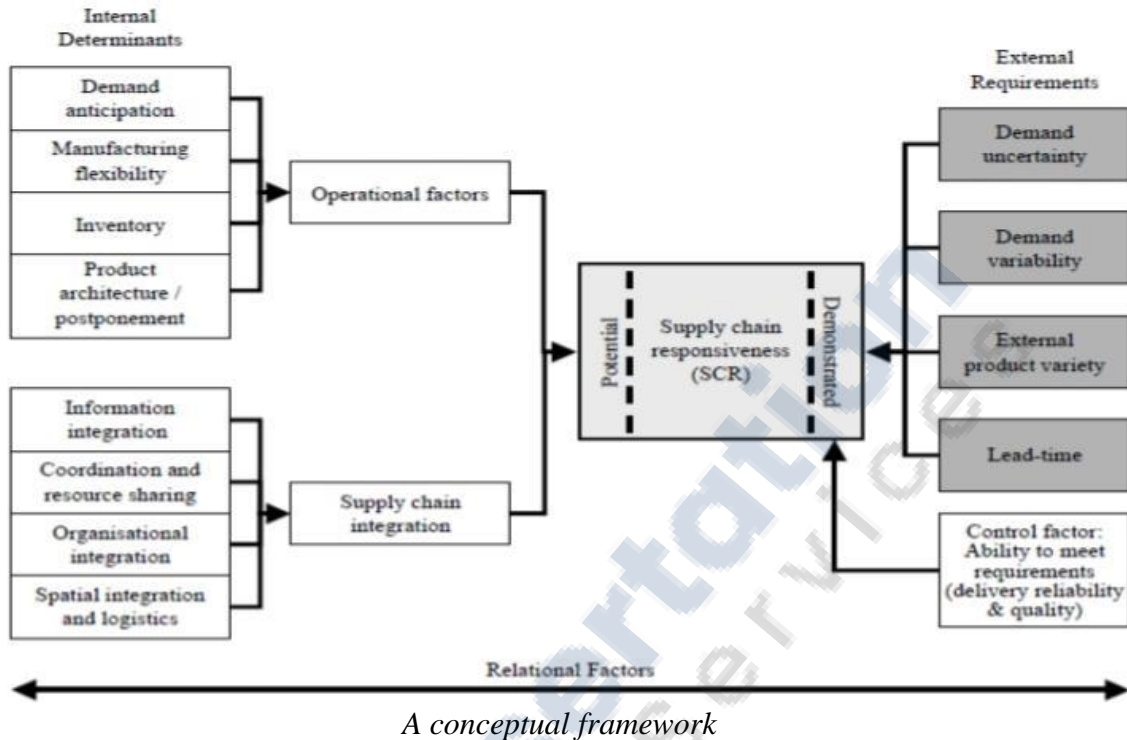
Nike can minimize the risk of losing technology to subcontractors by employing this strategy. Nike came up with this concept to spread output equitably among five different countries. If political instability or trade restrictions in an area pose a problem for Nike, they could easily shift production to another country (Grant, 2013).

Product Design

Since its inception in 1971, Nike has created all its products entirely in-house. Nike's Beaverton, Oregon, headquarters employs 400 employees who create and develop the company's footwear, apparel, and sporting goods products. Because of globalization, Nike has realized that different countries have distinct performance goals. Traditional Nike running shoes are popular in Japan since they are lightweight and less noticeable. Because of this, Nike has decided to open an R&D unit in Japan.

Performance

Creating aesthetically pleasing and functionally useful items has been a cornerstone of Nike's success. Athletes and the general public require shoes that can perform at the highest level. Many design considerations include weight reduction, responsiveness, fit and support, injury protection, and cushioning (Kaur, 2020). There are several products aimed at helping athletes like Michael Jordan perform better on the court. A great design for all of Nike's shoes can only be developed by meeting with Jordan regularly, so the company's designers meet with him several times a year (Hashemi, 2015).



Concept to Prototype

Several tests and evaluations are required before the design can be completed. "Concept Review" is an opportunity for managers from various departments to comment on the shoe's qualities while being designed. It is necessary to consider marketing expectations, competitive pricing, profitability, performance, suitable technology, and whether or not it competes with other things in the same price range. After the design has been accepted, a three-dimensional model is made (Johnson, 2010). As a result, when the shoe's upper and lower sections are put together, they create a three-dimensional representation of the drawing.

Manufacturing

The production plant must approve final samples built from genuine materials before being shipped back to the company's headquarters. All seasonal product lines, redesigns, and prices are

considered while approving samples. Products are scaled up, and mass production procedures are designed when a product is approved for mass production and is ready to be mass-produced.

Organizing/Inventing Thoughts

Long-term forecasts are used by Nike while managing orders and inventory. Nike has devised an ingenious "futures" plan to reward retailers that pre-order Nike products six months ahead of time. Nike uses these orders as a yardstick for their worldwide sales.

Effectiveness of strategy

There are problems with Nike's current ordering and inventory management system. Nike's order/inventory policies have contributed to the company's failure to manage demand successfully. Nike orders its materials four months in advance from its vendors. Due to a lack of inventory, Nike also requires pre-orders to be submitted four months in advance (Kaur, 2020). Nike purposely keeps a low inventory of their most expensive shoes to attract buyers to buy newer models. Long lead times, shaky forecasts, and unmet demand plague Nike's supply chain (Bhandari, 2014).

Title	May 31, 2021	Feb 28, 2021	Nov 30, 2020	Aug 31, 2020
Total Assets	37,740	36,185	34,836	33,258
Total Liabilities	24,973	24,254	24,196	24,034
Total Equity	12,767	11,931	10,640	9,224

Research Report

A New Approach to Ordering and Keeping Stocks

To counteract this ineffective strategy, all retail stores could be outfitted with a point-of-sale (POS) system. Because of this, Nike will be able to deliver more accurate and timely short-term

demand projections to manufacturers (Bhandari, 2014). This means Nike must establish a distribution network to keep up with demand.

Information Systems Recommendation

To support Nike's new strategic orientation, it would be beneficial to develop an ERP system.

This endeavor necessitates the integration of multiple independent producers into its ERP system. The integration of Nike's supply chain and manufacturing processes has various benefits. This information management is critical to Nike's capacity to efficiently manage the supply chain from the producer to the merchant (Campbell, 2007).

4) Discuss the procurement and supply management practices that would help this company manage its suppliers effectively?

Supply management practices

Stakeholders refer to parties that have a direct or indirect interest in the working or operations of a business (Derakhshan, Turner, and Mancini, 2019). Primary stakeholders include owners, managers, and employees, while secondary can include customers, suppliers, or government. Nike's corporate decisions are taken from stakeholder groups; by analyzing their reactions and actions before the decisions are made. Nike's primary motive is to align supplier selection with the aims of Corporate Social Responsibility (CSR) which refers to considering social and environmental concerns in business operations to increase accountability and commitment toward communal well-being. The concept of Environmental, Social, and Governance (ESG) is closely linked to CSR as it draws attention to the inclusion of non-financial criteria for business evaluation.

Normative Stakeholder Theory

Nike's selection of first-tier and second-tier suppliers is affected by the stakeholder pressures on environmental and social concerns as governments, customers, and society (community) is its main stakeholders. The latter prefer ethical sourcing and procurement procedures. This contrasts with the Normative Stakeholder Theory, which states that stakeholders' demands and concerns must be included when taking firm-related actions (Richter & Dow, 2017). It is a moral imperative or righteous responsibility of the business. Nike's supplier selection should mainly incorporate customer, government, and community perspectives because these three stakeholder groups are most influential and can affect Nike financially and reputation-wise if their expectations are not met.

Unethical procurement and supply chain activities

However, Nike's unsustainable/unethical procurement and supply chain activities give evidence of its ignorance of stakeholders' expectations and inclusion of just financial measures (when choosing suppliers). For example, Nike's supplier factories in Taiwan and Korea utilize child labor to pay them low wages and save final costs on sports apparel (LeBaron, 2014). Nike is also accused of transiting its manufacturing and supplier contracting toward South Asian countries like Bangladesh, India, and Pakistan, where labor laws are less rigid or nonexistent (Lund-Thomsen & Nadvi, 2010) and labor is cheaply available rates. Nike's selection of such suppliers and sourcing locations may be due to the strong influence of the shareholder group, which possesses high power because of their financial investments in the company and their expectations for high profits in return. Therefore, Nike engages in low-quality and low-cost suppliers to maximize profits.

Institutional impact on supplier selection

The institutional impact on supplier selection is significant for Nike; institutions refer to the formal and informal organizations guided/governed by individuals knowing either cultural values and norms or laws and regulations (Kennedy, 2017). Institutions have strong links with sustainable business practices due to the isomorphic pressures leading to industry groupings; isomorphism refers to the "degree of conformity of organization to norms and practices that have been established in given organizational fields, leading to the homogeneity of organizations" (Krajnovic, 2018). According to DiMaggio & Powell (1983), isomorphism can be of three types: coercive, mimetic, and normative, while Campbell (2007) has aligned the concept of sustainability with isomorphism to explain the likelihood of firms engaging in CSR activities.



<p>Strengths:</p> <ol style="list-style-type: none"> 1. Popular brand 2. Experience in the industry 3. Effective workforce 4. Efficient use of technology 5. Huge financial base 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Slow in adopting technology 2. Slow in penetrating the emerging markets
<p>Opportunities:</p> <ol style="list-style-type: none"> 1. The emerging middle class in China and Africa 2. Increasing popularity of sports 3. Advanced technology enhancing transport and communication 4. Opening up of global markets, especially in the Middle East 	<p>Threats:</p> <ol style="list-style-type: none"> 1. Stiff competition from rivals 2. Emergence of substitutes 3. Copyright abuses in some regions 4. Cyber-terrorism

SWOT analysis

5) Evaluate the supplier evaluation and selection process of the company, taking into consideration the industry context, the strategic priorities of the company, the supply market, and the characteristics of its supply network? What suggestions would you make to improve it? (25 marks)

Supplier evaluation and selection process evaluation

Supplier assessment is a formal evaluation and process of measuring a supplier's potentiality and performance against various set criteria (Karsak & Dursun, 2014). The supplier evaluation factors and criteria are immense and vary according to procurement needs and the firm's structure. According to Tavana, there are 10 Cs of supplier evaluation formulated by Dr. Ray Carter, which help assess supplier suitability; these include consistency, culture, competency, capacity, control, communication, clean, cash, commitment, and cost. However, Winter and Lasch (2016) postulate that were applying sustainability and environmental criterion are necessary for the supplier evaluation process as legal demands and regulations have changed, and corporate reputation depends on social and environmental compliance.

Qualitative and quantitative social metrics

The qualitative and quantitative social metrics for supplier evaluation include health and safety practices being followed, number of safety incidents, investment in community outreach, the extent of economic welfare and growth being undertaken, involvement in worker's health and safety, firm's community development incidents, community impact rate, and involvement in social welfare (Brandenburg et al., 2014); (Ahi & Searcy, 2015).

Strategic priorities

Nike is a multinational company with the title of largest athletic apparel and footwear seller, and to retain its title, it should evaluate its present and future suppliers on several criteria checklist; firstly, Nike needs to evaluate whether the supplier offers affordable prices for its raw materials of apparels and footwear. Nike is already facing cost hikes due to supply chain disruptions. Its cost of sales has increased to 12% due to high supplier brand bids (Kohan, 2021), so it should

choose suppliers with effective cost management systems and can manufacture apparel at the lowest cost possible. Jiang (2019) posits that Nike already checks the potentiality of suppliers against their future cost requirements, total cost, and cost reduction strategies which have given it a competitive advantage over Adidas and Puma, especially in the sports shoe segment.

6) Conclusion

The environmental criteria are the most important for Nike's supplier's evaluation process. It has a sustainability vision of protecting the future of sports by moving toward a zero-carbon and zero waste journey. However, Nike lacks a clear approach toward ethical and sustainable sourcing with poor cotton sourcing policies and the use of harmful hazardous chemicals (Hemphill & White, 2016), which does not make its supply chain cleaner. Teixeira et al. (2016) posit that green supply chains protect against reputation damage by reducing environmental impact. Therefore, Nike must check whether its apparel manufacturing firms are engaged in consuming renewable energy resources and utilize eco-friendly material with protocols employed during material handling. Hence, in the future, if Nike selects socially responsible suppliers, then its negative community impact will be lessened, and workers' health and safety will be improved. Other important metrics Nike should use for supplier evaluation include production capacity and continuous improvement capabilities, which will help meet abrupt demand changes and long-term growth. Nike's utilization of these metrics in supplier selection will aid in avoiding risks in the supply chain and procurement phase.

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Appendix

Interview questions:

OPENING QUESTIONS

- 1- Is Nike's responsive supply chain model beneficial to customers? What are some of the questions you will be asked?
- 2- Is there a story behind Nike's responsive SC model?
- 3- Do you think Nike's Responsive SC model has any particular strengths?

External drivers

4. What forces outside of Nike influenced Nike's Responsive SC model?

- Demand is volatile and uncertain.
- Shortening the amount of time it will take you to finish a project.
- Products of all kinds are offered.
- Various categories
- A wide variety of products

5. In your opinion, how would you describe the external drivers of the SC model?

According to your answers to the previous question, what are the most crucial factors in a responsive SC? If you had to rank the external drivers from most important to least, which ones would you put first?

Internal Enablers:

6. The operational features of Nike's SC model (focus on a single supply chain node) are significant as facilitators for responsiveness.
 - Assumption of a Supply Need
 - The ability to change manufacturing processes.
 - Values are broken down into several categories.
7. Do you know what internal factors are necessary for supply chain integration?
 - Informational integration

- Resource sharing and cooperation
- The company's integration.

Challenges

8. What do you see as the most pressing issues with the responsive supply chain strategy paradigm?
9. In light of the current difficulties, where do you see Nike's responsive supply chain in the future?

