



Global Business Environment Assessment 1

Assignment on Global Environmental assessment of Nike

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Introduction

An organization's decision-making criteria are significantly influenced by the global business environment. The macro and local environment must remain a prime consideration for firms of today. Overcoming hurdles in business is difficult in today's world. It is still possible to develop competitive advantages and turn weaknesses into strengths in a favourable global environment. A United Kingdom-based company, Nike, has been selected to conduct the study because of its considerable presence in developing countries such as Vietnam and China. The advantages and disadvantages of this method are discussed in great detail. Nike's challenges and opportunities, trade constraints, and how the organization may operate successfully in a developing country will be discussed as well as a PESTLE analysis, a five-force model, and a description of Nike's challenges and possibilities.

Overview of the country

Nike makes footwear, clothes, and equipment for the sports goods market which makes the brand the most recognized in the world. As the company's name indicates, it has been affiliated with the Greek goddess of triumph since its founding, Nike, in 1971. One of the most valuable brands in the sports goods industry is Nike, a company that employs more than 76,000 people worldwide. Besides selling clothing under the Jordan Brand and Converse labels, the company also promotes and sells clothing under other brands. LeBron James, Serena Williams, Rafael Nadal, and Alex Morgan, all world-class athletes, are sponsored by the company (Nike, 2019). To decrease the amount of waste generated by customers and to combat climate change, the corporation intends to refurbish previously owned pairs of shoes in 2021 to sell them at a discount.

Theories of business environment

A variety of workplace issues are addressed by giving leaders ideas and strategies. In order to solve challenges, leaders are trained to think quickly and efficiently, which leads

to better decisions. In order to evaluate whether the environment influences behaviour, we will explore the following ideas and their implementations (Stubbs, 2000).

PESTEL analysis

Political Factors

Businesses are placed on a nation's border based on their political standing. Companies must be provided with an appropriate working environment by maintaining a stable political climate in China. Commercial ties between China and other major nations may be affected by the following political elements: a confrontation with the United States and other South China nations. As a result, investors will not be able to work in an optimal environment. Furthermore, its lower labour costs may make this region attractive to investors. The Nike brand is not only headquartered in the United Kingdom but has offices in many other countries. A firm needs to monitor the changes in political environments in every country in which it works. The importance of maintaining political stability cannot be overstated. A trade spat between the United States and China has also affected Nike. China dislikes American products because of the trade conflict between the two countries. The result has been that organisations have had difficulty developing a stable sales base. Tax policies of its suppliers may change, which may result in a decline in profitability for the company (Nike, 2021).

Economic Factors

A country's economy's state directly affects the pace of economic expansion. China's economy has made considerable progress over the past several decades. The location, therefore, represents an excellent investment opportunity for commercial enterprises. Many of the most respected corporations in the world now employ Chinese workers due to the relatively cheap cost of labour in China. The cost of hiring talented individuals here is far lower than in other countries, which makes it possible for companies to hire them at a cheaper rate. Nike may use government figures and inflation rates, as well as retail spending growth rates, to conduct its research (Beresin, 2021).

Social Factors

Business and economy are indirectly affected by a country's sociocultural traits. China does not receive special treatment. The country's large population, of which 90 per cent are literate, will serve as an example of the impact social concerns may have on national progress. In this way, the organization can provide professional employees and specialized labour at a lower cost. Due to its large population, the country has low labour costs. These criteria have been taken into consideration when designing Nike stores. Society is affected by and has an impact on numerous products that its various audiences seek. There is also a possibility that cultural factors may influence a person's preferences. Nike must analyse these shifts and offer adequate variety to its clients as the next generation undergoes cultural shifts. By changing its strategy for promoting organic products, Nike has been successful in attracting its target market. Several nations have employed Nike employees because they believe hiring locally is beneficial (Lapatin, 2018).

Technological Factors

Innovation in technology has progressed throughout the nation. Manufacturing and distribution processes have been altered as a result of new technology. Business owners may benefit from collaborating with global IT giants such as Baidu and Alibaba in order to develop sales strategies. Nike has experimented with various components of retailing, and some have been successful. All these technologies contribute to influencing consumers, whether it is via internet shopping, social media marketing, or other means. Consumers who purchase products online from the company are delivered to their homes 43 per cent of the time. As a result of Nike's collaboration with Square to develop cashier-free billing systems, shopping experiences will be improved at retail stores. This improved billing procedure will allow for faster service and prevent long queues for customers (Kreng & Wang, 2021).

Legal Factors

A company's operations are immediately affected by changes in government policy. Norms at both the local and international levels must be followed to ensure an effective operation. Regulations and standards established by the Food Retailing Commission apply to all players in the retail sector. Age and gender discrimination are common

workplace problems, according to a Nike employee survey. There have been allegations that the corporation discriminates against women employees. Regulators must be carefully analysed and followed in order to maintain the organization's reputation. Regaining a company's former reputation is extremely challenging once it has lost its reputation (Dcosta, 2020).

Environmental Factors

Several company rules have been implemented by the government. It strives to protect the environment in order to ensure that manufacturing meets environmental requirements. Earnings may decline as a result of rising production costs. The Nike Corporation engages in a number of programs designed to achieve a more sustainable society and a better environment. As part of Nike's Reuse, Reduce, and Recycle initiative, a second phase has been launched. The company has taken several steps to reduce the amount of non-recyclable plastic and find new uses for the remaining plastic. Closed loop systems lead to reduced landfill waste, as well as a reduction in the quantity of waste sent to landfills. Four thousand tonnes of difficult-to-recycle plastic waste were reduced by deleting 800 goods over the past decade. All marine products at Nike are sourced and verified responsibly, which is an essential component of working in a retail chain (Arafat, 2016).

Porter's five forces analysis of Nike

Bargaining power of the buyers/customers of Nike

It is unlikely that British customers can benefit from Nike's online or in-store services, as they serve millions of customers every week. In this industry, Nike has a great deal of interest. Some experts believe supermarket customers have considerable negotiation leverage because of the abundance of rival companies in the United Kingdom. Nike's profit margins decline because it maintains low costs.

Bargaining power of the suppliers of Nike

Over ten thousand suppliers supply Nike across the globe, including 2,500 in the United Kingdom. As a result of their abundance, they can't have much of an impact on Nike. The Company aggressively bargains with suppliers in order to increase its margins. Despite claims that Nike bullies' suppliers, the company has not yet been able to negotiate price reductions. Aside from the techniques it employs to squeeze suppliers, it has been compared to the mafia (Adeleke, 2020).

Threat of new entrants affecting Nike

Since new rivals would require a substantial investment, it is unlikely that they will join the United Kingdom supermarket industry. Nike's economies of scale and core competencies prevent it from being threatened by new competitors. If prospective competitors do not have access to money, distribution networks, and employees, it is likely they will not be able to enter the UK fashion industry.

Threat of substitute products/services affecting Nike

Nike supplies its stores with a wide range of products as one of its most important services. There are also a variety of other options available for these goods. Despite Nike's vast selection of shoes, sportswear, and clothing, Adidas and other competitors pose the biggest threat (Palacios & Tafur, 2021).

Rivalry amongst Nike's existing competitors

A wide range of tough competitors competes inside the United Kingdom for Nike's business. Advertising and other marketing methods are widely used by these competitors. Nike faces stiff competition from its closest rivals, despite holding the biggest share of the market. Although the company has had a dismal performance, it continues to postpone larger projects, reduce the number of jobs it offers, and open fewer locations than planned (Arshed & Pancholi, 2016).

Reviewing possibilities and obstacles critically in light of corporate governance, cultural sensitivity, and commercial strategy

The growth and potential enhancement of a business depend on finding new opportunities. Businesses can use it to help them reach their goals by making choices that will help them achieve those goals. Nike faces both opportunities and challenges in the future.

Corporate Governance

A corporation's board of directors manages and oversees its operations by following corporate governance rules, regulations, and procedures. A corporate governance system should be transparent, accountable, and safe. The Nike Board of Directors has a responsibility to maintain the company's corporate governance standards. It is essential that we implement the right processes and structures so that our Group can make intelligent business decisions and manage effectively. Due to the fact that they guarantee excellence, it offers a wide range of opportunities. Regional markets are created in developing nations by implementing this strategy. The best way to achieve economies of scale and reduce operating risks is to expand into nations like India, Malaysia, and Thailand (Passin, 2021).

Business strategies of Nike

Business plans are used by corporations to gain customers, compete successfully, and perform well. Fashion in the UK has benefited from Nike's commercial strategy, which includes innovation.

Stakeholders' and consumers' trust in Nike is Nike's short-term goal. Based on upper management's directions, the following activities will be implemented to achieve this objective:

- The importance of availability, service, and cost when it is absolutely necessary
- A comprehensive budgetary reorganization and austerity agenda needs to be implemented

- The company is launching a revitalization campaign to rebuild customer trust across all brand-related areas.

Cultural Sensitivity

The focus here is on being open to cultural differences, rather than attaching moral judgments to them. The workplace is more productive when employees are culturally sensitive, communication barriers are lowered, and employee involvement is increased. With social media and consumer data at their disposal, Nike utilizes all communication channels at their disposal to meet the workforce's needs. Providing a courteous and trustworthy working environment is the responsibility of Nike's workers in order to support the company's success. The dominance of Nike in the United Kingdom's retail sector is also threatened by Adidas, a direct rival. A recession or high unemployment rates may result in fewer consumers having money to spend due to diminished purchasing power. There is a possibility that Nike's sales will be affected by this (Burns & Farn, 2017).

Different Trade barriers of Nike

Barriers to entry

It is likely that Nike has been hindered from effectively entering the Chinese market by a number of potential roadblocks. Several factors have contributed to this problem, most of which can be attributed to his lack of familiarity with Chinese purchasing customs, his late entry into the Chinese market, and the fierce competition that exists in the market.

Market Structure

As a consumables company, Nike competes primarily in the footwear market. The Nike brand has managed to secure a significant percentage of the market in spite of a lot of competition in this industry. It is imperative that Nike continues to grow and experiment with new ideas in order to maintain its market dominance. In developing economies, such as China or Hong Kong, the corporation faces a number of challenges.

Threats of substitutes

The presence of alternative food retail outlets in the food sector does need to be made known to customers, despite these outlets already existing. Fortunately, consumers now have a greater variety of options on the market thanks to the growth in supermarkets and convenience stores due to the increase in their popularity.

Buyer power

It is sometimes the closest relationship between a retailer and their clients that make the biggest difference. It is quite inexpensive to switch, thanks to the substantial purchasing power(Dignam & Lowry, 2016)..

Supplier power

Retailers outnumber customers in terms of a number of sales, but the number of customers making the biggest purchases is quite low. This results in relatively little impact from suppliers.

Rivalry

The highly competitive market in the industry results in high levels of competition. New entrants will need a large number of financial resources to succeed in this high-capital business. Taking market share from your competitors is crucial if you hope to boost sales in another mature industry.

Import barriers

International or economic interests can sometimes manipulate markets. States can contact commercial blocs or two commercial blocs can contact each other. Policies that discriminate against certain groups and use tariffs as manipulative methods are examples. Market manipulation may lead to punitive actions by those who are aware of it, such as seized property, boats being interdicted, or commerce regulation.

Export barriers

The recent shortages may result in Chinese and Vietnamese limiting exports. Consequently, prices would rise around the globe as a result of a decrease in supply. Nike will be unable to conduct commercial operations as a result.

Trade barriers

Trade barriers are very high in some nations around the world. As Nike moves forward, it should continue to focus primarily on removing trade barriers. Political situations can be modelled using both the PESTLE and five forces models. Besides focusing on the global environment, Nike must also consider the other factors outlined in the report in order to succeed (Murfree et al., 2020).

Recommendation and Conclusion

There are a number of problems associated with the global environment. It is sometimes necessary to let things go. Global growth requires protecting the environment as a top priority if a company wishes to expand globally. An organization can be affected by a number of different factors. Due to its majority production in less developed countries, Nike was selected for this research. For them to continue doing business in an emerging country, they need to pay attention to the following points. It is evident that developing nations have a much lower wage standard than developed countries, including a productive and efficient labour force. Using efficient, effective, and efficient labour is crucial for Nike to maintain its high-quality standards.

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