

# Swooshed!

## What Activists are Teaching Nike

by  
Elizabeth Howard

**N**IKE-BASHING IS OLD news. Pundits, journalists and activists, of one sort or another, salivated at the opportunity to kick the bad boy of sneakerdom when the company took a nasty fall and gave signals early in the first quarter that their earnings would be disappointing. CEO Phil Knight also announced restructuring charges in the millions, job cuts worldwide, and a reduction of spending on endorsements and advertising.

Nike confronted the issues that other companies are going to face in the next few years: competition, labor and overproduction. There were inventory problems, particularly in Asia; a trend away from sneakers to what is being called the "brown shoe craze," with people turning to hiking boots and rugged styles; and internal management problems.

Who missed the trend shift? Who missed the oversupply problem? Who misjudged the pricing issue? Who took their eyes off the global marketplace?

In the weeks following the announcement of the earnings downturn, Nike was slammed. Suddenly it was the newsstand that was emblazoned with the Nike logo, with headline after headline speculating on

**Greek legend suggests that Nike was the goddess of "victory." And victory, too, has become a watchword for Nike CEO Phil Knight.**

**Nike's corporate success and swaggering Swoosh rarely have been countered. But as New York counselor Elizabeth Howard chronicles, that could all be changing.**

**Nike, in fact, has been hit by a series of body blows, from faltering sales and earnings to child-labor accusations to social responsibility failures. Nike's most formidable opponents, according to Ms. Howard, may be a committed band of worldwide community activists, who resent Nike's practices and are prepared to meet the company, toe-to-toe.**

what had gone wrong. Why the anti-Nike movement? After all, while we may not have the Swoosh tattooed on our bodies like Nike employees, we cannot deny that winning is a part of our American heritage.

Because of its position as number one and its in-your-face-attitude, Nike had become a target — for the media and particularly activists.

Labor and human rights groups had been hounding Nike for years over its labor practices and the condition of its factories in Asia, and the media had been trailing close behind.

### **"SPINNING" PERCEPTION**

Every "public relations" attempt Nike made to convince the public that its working conditions in Indonesia and Vietnam were satisfactory was dismissed as "whitewash." Former Ambassador Andrew Young was retained to undertake an "independent" assessment of Nike's Code of Conduct in Vietnam, Indonesia and China. Mr. Young's report was soft on Nike with comments like, "The factories that we visited which produce Nike goods were clean, organized, adequately ventilated and well lit" and "I found no evidence or pattern of widespread or systematic abuse or mistreatment of workers."

In the final comments Mr. Young wrote, "It is my sincere belief that Nike is doing a good job in the application of its Code of Conduct. But Nike can and should do better." The report was widely criticized.

In October 1997, Nike asked a group of MBA students at Dartmouth College's Tuck School of Business to undertake a study that was described

as an investigation into whether wages paid by Nike contractors in Indonesia and Vietnam matched the workers' cost of living. The study, which found that Nike wages provided not only for basic needs but even for a significant amount of discretionary income, was severely criticized as being methodologically and analytically flawed, and too much under the direction of Nike. It was as embarrassing to the Tuck School as it was to Nike.

Last November, a front-page article in *The New York Times* reported that Ernst & Young had published an inspection report for Nike, which found "workers at the factory near Ho Chi Minh City were exposed to carcinogens... and that 77 percent of the employees suffered from respiratory problems." This report provided more fodder for Nike critics.

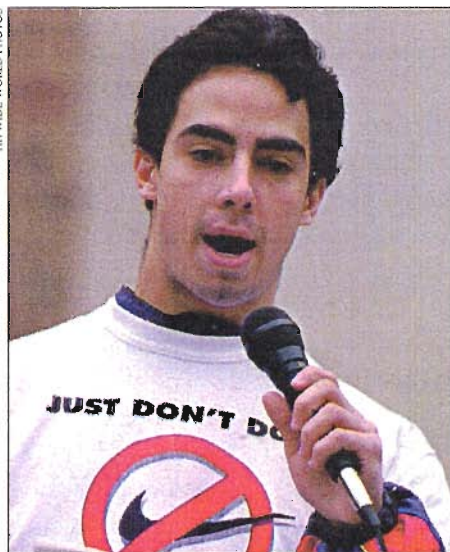
Who are the activists? What drives them? I interviewed Michael Gitelson, a social worker at the Edenwald Gunhill Neighborhood Center in the Bronx and one of the main organizers of a settlement-house protest and demonstrations against Nike Town in New York.

## CONFESSIONS OF AN ACTIVIST

Mr. Gitelson reported the following: "At first we were just annoyed that a lot of kids in our program were wearing these Nike sneakers that we knew they and their families couldn't afford. It really bothered us that people were either going without or somebody was stealing to get these sneakers.



Nike CEO Phil Knight



Nike Awareness Committee member T. Pugatch

So when we found out what was going on in Indonesia, Vietnam, and China — that bothered us even more. Nike was taking huge amounts of money from our kids and then exploiting even poorer people to an extreme."

This drove Mr. Gitelson to action. "At first our kids wrote letters to Nike suggesting that the company treat its workers better. After awhile we started the Great Rebate Campaign. We asked the kids what would be a fair price for a pair of Nikes, taking into account that Nike has to make a profit and workers' pay should increase.

"They determined \$40 is the most they should have to pay. We sent 100 letters. In July 1997, we got a form letter from Nike that addressed basic issues but didn't really address any of our concerns. This got us mad."

The form letter was the catalyst for organizing a demonstration to give sneakers back. The United Neighborhood Houses signed onto the project, eventually leading to the participation of 11 settlement houses.

## ROLE OF TECHNOLOGY

"I started working the Internet and got responses from all over the nation, including the United Auto Workers. However, we didn't want

Nike to think this was a front for the unions. We wanted to maintain a grass-roots campaign against Nike."

## POWER THROUGH VOICE, NOT SNEAKERS

The campaign organized by Gitelson had three demands:

A living wage for Nike workers abroad, with independent monitoring.

No sneaker should cost more than \$40 in America.

Serious investment into inner cities across America should be provided, with no one in the coalition taking any money from Nike.

According to Mr. Gitelson, "Besides wanting to take on Nike, we also wanted to teach our kids. We were trying to teach kids how to gain power in a more traditional manner, through collective voice, rather than the wearing of expensive clothes."

Why didn't Nike pay more attention to what was happening on the street? Why not listen to the young idealistic community workers? These demonstrations weren't affecting Nike's bottom line, but they were becoming an annoyance. And when earnings took a hit, they made good copy and damaging photo opportunities. Somehow, the Swoosh didn't

seem quite as hip anymore. Nike should have learned a valuable lesson. When a multinational company achieves staggering heights of brand recognition and becomes an icon, it comes under increased scrutiny. There is no rule of law in the global playground. Small activist groups can mount international





Settlement Houses protest outside Nike Town in New York City.

campaigns with the tap of a finger on a computer; campaigns, mounted without traditional press releases or public relations support and sparked with a limited budget, can wreak havoc abroad. Royal Dutch Shell learned this after the execution of Ken Saro-Wiwa in Nigeria and McDonald's learned this when accusations by two activists caused the company to go through the longest libel trial in British history.

### NIKE'S FOUR ERRORS

Nike had made four errors:

1. It didn't listen for change.

With the mantle of leadership comes the necessity to set higher standards. Nike did not listen closely and respond constructively to external criticism.

2. It hasn't profited from 15 minutes of fame. Front-runners naturally attract media attention, yet Phil Knight had been surprisingly reticent with the media. Nor did his company have solid relationships in place when they fell back. And by then, it was too late for spin and damage control.

3. It failed to heed the magic of technology. The Internet has opened new opportunities for groups to exchange information and coordinate campaigns. Global networks can now

monitor operations around the planet and create havoc with their passion. 4. Parochialism is akin to myopia. Americans are still perceived as callous colonizers. High-profile companies, like Nike, cannot take the risk of being so absorbed in the consumer/technology culture without taking the time to learn about others.

It is tricky business tinkering with a brand image. With its Swoosh as the most recognizable logo in the global marketplace, what is the public relations strategy that is required to



Students and faculty protest Nike CEO Phil Knight's visit to Stanford University.

soften the rebel image, while maintaining the hubris it takes to position a champion?

As a first step, Phil Knight announced at a spring press conference that Nike would raise the minimum hiring age for workers at shoe factories to 18 and at their other plants to 16. He also promised that Nike would require its overseas manufacturers to meet strict U.S. health and safety standards and allow outside labor and human rights groups to join independent auditors who inspect factories.

Accordingly, Nike is beginning to assume a more diplomatic attitude in dealing with others. It's hard to think of Nike as being "nice," but that's what Nike seems to be doing. In marketing soccer, Nike has changed its in-your-face attitude, to one that includes "sensitivity training." Reportedly, Nike will provide approximately \$120 million over the next eight years to sponsor the U.S. Soccer Federation.

Despite this apparent change in course, activist Michael Gitelson, for one, isn't convinced.

"It's bogus," he says of Nike's new approach. "Just a public relations ploy. They didn't really meet our demands."

And the two sides aren't talking. According to Gitelson, another New York campaign that will be even bigger than the previous two is being planned this fall. As for Nike, it would rather its programs speak for themselves.

Many of the new issues that companies face cannot be handled through traditional public relations campaigns. Our new role as communicators is to listen to and explain what is happening on the street and to teach people how to turn a situation inside-out and upside-down, considered from all possible angles.

A new emphasis should be placed on the importance of team-building, comprised of lawyers, corporate planners, policy experts and corporate communicators working together to solve problems. The most important information today is that that flows into a company. That's where the most important threats and opportunities reside. ♦



Elizabeth Howard is the principal of Elizabeth Howard & Company, an international corporate communications and marketing consulting firm. For eight years, she was director of corporate communications for National Distillers and Chemical Corporation.