**CASE FOR ANALYSIS Nike Learns How to Change**

Nike, headquartered in Beaverton, Oregon, is the biggest sports shoemaker in the world. Throughout the 1990s it seemed that its founder and CEO, Phil Knight, and his teams of shoe designers could do no wrong; all their innovative design decisions led to the global acceptance of Nike’s shoes and record sales and profits for the company. As time went by, however, and its fortune soared, some strange dynamics occurred. The company’s managers and designers became convinced they “knew best” what customers wanted, and that their decisions about how to change and improve Nike’s future shoes would be enthusiastically received by customers.

But things were changing in the sport-shoe environment. New competitors had entered the market and they began to offer alternative kinds of sports shoes—shoes targeted at specific market segments like skateboarders, soccer players, or power walkers. Nike had no shoes in these market segments. Moreover, Nike also failed to notice that sports shoes were evolving into performance shoes for more everyday uses such as walking or backpacking. It also failed to take note of consumers’ increasing preferences for dark blue and black shoes that wore well in cities and that could double as work and walking shoes.

In the 2000s Nike’s sales and profits fell sharply as many of its new lines of sports shoes were not well received by customers, and CEO Phil Knight knew he had to find a way to turn his company around. Realizing that his designers were starting to make poor decisions, he brought in managers from outside the company to change the way decisions were made. An executive who was brought in to lead the outdoor products division advised Knight to take over and purchase small specialized companies, such as North Face, to quickly widen Nike’s product line. But Nike’s other managers and designers resisted this idea, believing that they could still make the best decisions. With sales still slumping, it became obvious that Nike would have to take over specialist shoe companies to grow successfully. One of the first of its acquisitions was Cole Haan, the luxury shoemaker, and Nike’s designers proceeded to revitalize its line of shoes by using their skills to make them more comfortable. Then, realizing it had to get into small markets, in the 2000s, Nike bought other small companies such as Hurley, the skate and surfboard apparel maker.

To try to overcome its past errors in its decision making, however, Knight decided on a new way to design shoes for specialized niche markets, like the skateboarding, golf, and soccer markets. Henceforth, rather than having Nike’s designers all grouped together in one large design department, they would be split up into different teams. Each team would focus on developing unique products to match the needs of customers in its assigned market segment. The skate team, for example, was set up as a separate and independent unit, and its designers and marketing experts were charged to develop a unique line of shoes for the sport. Similarly, because of poor sales, Nike separated golf products from the rest of the company and created an independent unit to develop new golf shoes, clubs, and other golfing products.

Nike was attempting to demolish the old company-wide mindset that had resulted in its past decision-making errors that led to the wrong kinds of changes. With many different teams, each working on different lines of shoes and other products, Nike was hoping to build diversity into its decision making and create teams of experts who were attuned to changing customer needs in their segments of the sports product market. Nike’s new approach to decision making worked; most of its new shoes are now leaders in their market segments and its sales and profits have soared in the 2010s as a result of the way it has changed the way it makes decisions. Nike learned from its mistakes and Knight continues to promote organizational learning—the process of helping the members of an organization to “think outside the box” and be willing to experiment, take risks, and make change possible