



# STANFORD

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## GRADUATE SCHOOL OF BUSINESS

CASE: SM-152

DATE: 04/23/07

### NIKE'S GLOBAL WOMEN'S FITNESS BUSINESS: DRIVING STRATEGIC INTEGRATION

*My goal, in golf terms, was to get the women's business on Nike's leader board. Over the past 15 years, it has come and gone as an initiative. But we've finally gotten it embedded as one of the biggest growth opportunities for the company.*

—Darcy Winslow, General Manager of Nike's Global Women's Fitness Business

In the summer of 2006, Nike announced a major corporate reorganization that would shift the company's focus from a product orientation to a category-driven approach. The six major business categories were running, men's training, basketball, soccer, women's fitness, and sportswear. While these categories did not encompass the entirety of Nike's business (e.g., golf would continue to be run as a separate, standalone business as it had since its inception),<sup>1</sup> these six areas were chosen because they were expected to account for 90 percent of the company's growth. Smaller business categories (e.g., tennis, children's products) ultimately would be incorporated into the new organization structure after it became established in these critical growth areas and was operating effectively.

For years, Nike had organized its business around footwear, apparel, and equipment. Integration between these three business units was inconsistent, and typically driven by special events and initiatives (e.g., the Olympics, World Cup). The goal of the reorganization was to take a more consumer-oriented approach to the market, optimizing the company's activities to give customers a holistic collection of everything they want and need in a particular sports category. This would require the organization to break down its product-oriented silos and collaborate on a more formal, ongoing basis.

The reorganization also represented a change in Nike's traditional business priorities. The elevation of women's fitness to a major focus for the famously testosterone-driven company was

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<sup>1</sup> When Nike's senior management team established its golf business, the leader appointed to run the group negotiated to have it set-up separate from the larger Nike organization, with its own profit-and-loss statement. The golf business has been run this way ever since.

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Lyn Denend prepared this case under the supervision of Professor Robert Burgelman as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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a substantial victory to the team that had been fighting for the increased prominence of this potentially lucrative market segment for the past several years. Darcy Winslow, general manager of Nike's global women's fitness business, and a semi-virtual team of individuals across the company had been working across traditional boundaries within Nike's complex, matrixed organization to achieve the required level of cross-business integration to deliver cohesive collections of footwear, apparel, and equipment to the women's market. While it was not always easy to get disparate product/business units and multiple geographic regions working on the same schedule toward a common goal, they had made it happen, despite organizational barriers, leadership challenges, and the need for extensive manual interventions and workarounds.

As Winslow looked back on her experiences as the leader of the global women's fitness team and prepared to transition her responsibilities to a new executive as the reorganization took effect, she contemplated what recommendations she would make to help the new leader sustain and improve the level of strategic integration that had been achieved. Because her new role would be focused on implementing Nike's new, category-driven organization, she also needed to reflect on the lessons she had learned over the past several years—how to shape a new organization to support the defined business strategy, stimulate cross-business collaboration, and sustain innovation—so that she could capitalize on the most successful strategies and avoid common pitfalls that might hinder Nike's progress in 2007 and beyond.

## ABOUT NIKE

### Company History

Nike was founded by Bill Bowerman and Phil Knight. The two men met when Bowerman was coaching track and field at the University of Oregon and Knight was a middle-distance runner on his team. After earning an MBA from Stanford (GSB 1962), Knight returned to Oregon and approached Bowerman with an idea to bring in low-priced, high-tech athletic shoes from Japan to compete in the U.S. athletic shoe market (which was dominated by German imports at the time).<sup>2</sup> With a handshake and a \$500 investment by both men, Blue Ribbon Sports (BRS) was born in 1964. BRS began importing shoes from Onitsuka Tiger, with Knight making sales at high school track meets and Bowerman relentlessly looking for ways to improve the product designs. Before long, their competitive spirits got the better of them and they branched out on their own, forming a new company in 1972 that would design, produce, and sell its own shoes.

By 2006, that company, called Nike for the Greek goddess of victory, had grown into the one of the world's most well-known brands and a dominant competitor in the global athletic footwear, apparel, and equipment market. Nike's fiscal year 2006 sales reached \$15 billion (up 9 percent from FY 2005), with net income of \$1.4 billion (compared to \$1.2 billion the previous year).<sup>3</sup> The company, headquartered in Beaverton, Oregon, had approximately 26,000 employees worldwide and operations in 120 countries. (See **Exhibit 1** for select Nike financials.)

<sup>2</sup> "Heritage," Nikebiz.com, <http://www.nike.com/nikebiz/nikebiz.jhtml?page=5> (February 7, 2007).

<sup>3</sup> "Nike, Inc. Reports Fiscal 2006 Earnings per Share Growth of 18 Percent," June 27, 2006, <http://www.nike.com/nikebiz/investors/earnings/docs/q406.pdf;bssid=TLLCDPGTWYSGCCQFTC2SF5AKAWMLQIZB> (February 7, 2007).

Nike's corporate mission was "to bring inspiration and innovation to every athlete in the world." In this written statement, there was an asterisk over the word "athlete" with a note that clarified, "If you have a body, you are an athlete." The company's brand was built on inspiring (and even challenging) individuals to get out and realize their physical potential. Nike's products were designed to give them a competitive edge in doing so. Innovation was at the heart of the company's values, and innovative products were at the center of its competitive advantage. As stated on the Nike Web site, "For three decades, we have been committed to giving athletes of every make, model, and body style, who compete and recreate in ways never before imagined, the very best performance products. Products of the pure imagination. Products that move the needle of performance. Products that help us be the athletes we know we are."<sup>4</sup>

### Organization

Given this intense focus on products and product innovation, it was no surprise that Nike had organized its business around a product orientation, with three primary business units focused on footwear, apparel, and equipment. In fiscal 2006, footwear accounted for roughly 66 percent of the business, apparel 28 percent, and equipment 6 percent.<sup>5</sup> In the global branded footwear market, some estimates placed Nike's market share at approximately 38 percent, with Adidas/Reebok (which joined forces when Adidas acquired Reebok in 2006) following at 34 percent.<sup>6</sup> Other footwear competitors, including Puma, Asics, Mizuno, and Umbro, trailed significantly in their market share. Because the apparel and equipment markets were more fragmented than footwear, with many more competitors of all sizes vying for share, Nike owned a smaller piece of the market in these product areas. For example, 2005 estimates indicated that together Nike, Adidas, and Reebok held a total of approximately 15 percent of the sports apparel market in the U.S.<sup>7</sup>

Nike's business units represented the lead dimension of the company's matrixed organization structure, along with a handful of global functions (sales, brand, customer service, operations, logistics, etc.). Its four geographic regions—the United States, Europe, Middle East, and Africa, Asia-Pacific, and the Americas—represented the second dimension.<sup>8</sup> Nike's nine sports categories—which included running, basketball, tennis, soccer, and golf—made up the third aspect of the matrix.

Within this matrixed structure, decision-making and priority-setting was dominated by the business units, in keeping with Nike's desire to optimize innovation and execution around its primary products. Members of the footwear, apparel, and equipment teams collaborated across business unit boundaries to some extent, but this was most commonly done in support of

<sup>4</sup> "Product Technology," Nikebiz.com, <http://www.nike.com/nikebiz/nikebiz.ihtml?page=6> (February 8, 2007).

<sup>5</sup> "Nike, Inc. Reports Fiscal 2006 Earnings per Share Growth of 18 Percent," op. cit.

<sup>6</sup> "Adidas World Cup Shout Out," *BusinessWeek* Online, April 3, 2006, [http://www.businessweek.com/magazine/content/06\\_14/b3978079.htm](http://www.businessweek.com/magazine/content/06_14/b3978079.htm) (February 8, 2007).

<sup>7</sup> "Performance Apparel Markets," MarketResearch.com, October 1, 2005, <http://www.marketresearch.com/product/display.asp?productid=1186623&g=1> (February 8, 2007).

<sup>8</sup> Regionally, the U.S. accounted for approximately 44 percent of Nike's business, EMEA 33 percent, AP 16 percent, and the Americas 7 percent in fiscal 2006.

particular projects. “As a company, Nike is very initiative-driven,” commented Steve Lesnard, global concept director for women’s fitness.<sup>9</sup> (See **Exhibit 2** for biographies of Nike employees.) Product groups would work together, involving the global functions and executing through the regions, to create a collection for a special event, such as the World Cup, U.S. Open, or the Olympics, but then go back to their silos as soon as the common goal was achieved. “Everybody comes together around something like Beijing because we know it’s coming, and we understand the stakes,” said Lesnard. “But it’s different when you’re talking about supporting an ongoing strategy.” Underscoring the disintegrated nature of day-to-day operations, Winslow said, “I use the example that for all the years that I was leading women’s footwear, I never even met the person running women’s apparel. Our businesses ran that separately.”

One of the causes for these barriers arose from the different timelines each business had for bringing its products to market. Winslow explained:

In general, footwear runs on an 18-month product-creation cycle, from a seasonal kickoff to when product actually hits retail. In apparel, product development is decentralized, so they have four different product-creation engines: a global product-creation engine, a U.S. product-creation engine, an EMEA product-creation engine, and an Asia-Pacific product-creation engine. And they’re all on different calendars. Some are 12 months, some are 14, and some are 16. Then, in the equipment business, they have seven different calendars because they have so many different product types—bags, socks, gloves, hand weights, and things like that. So you can see why it’s so difficult to work together.

The challenges of coordinating across these 12 calendars and the different dimensions of the matrix were compounded by the fact that Nike developed products for four seasons a year, which meant that each business was managing multiple seasons at any given time.

Within each business unit (e.g. footwear, apparel, equipment), collaboration was not much easier. Ongoing collaboration was required between a business unit and critical functions at both the global and regional level (e.g. brand, sales). However, functional representatives were not always involved in important business activities on a timely basis. For example, the apparel team for running might not include individuals from brand marketing in the product creation process until designs were nearly finalized, which challenged Nike’s ability to deliver an integrated point of view to the consumer. Furthermore, the global functions within the business units did not always share the same priorities with the regional teams. This meant that global programs were not always executed as planned, if the regions elected to adapt plans based on local issues, opportunities, and needs. (See **Exhibit 3** for an illustrative understanding of which functions were centralized and decentralized within the footwear and apparel businesses.)

Over the years, Nike had considered adding gender to its matrixed organization structure as a fourth dimension. However, each time this change was discussed, the company decided against it. “We felt like it would add too much additional complexity to an already complicated organization structure,” recalled Winslow. As a result, efforts to more effectively address the

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<sup>9</sup> All quotations from Nike employees are from interviews conducted with the authors in late 2006, unless otherwise cited.

women's market within Nike's male-dominated culture had been marked by "lots of fits and starts." According to Mindy Grossman, the company's former vice president of global apparel, "Some of the issue in the past was that there was a faction within the company that felt if we were successful in the women's business, it would erode our men's business and we would lose some of our testosterone. Clearly, that's not the case. If we can communicate through product and messaging to the female consumer, but do it in an appropriate Nike voice, we will enhance the brand, not detract from it." She continued:

To give the company credit, Nike has been a force in women's sports and fitness for a very long time. If you look at the efforts around Title IX<sup>10</sup> and the iconic "If You Let Me Play" ads, we've had a huge impact on the perception of women in sports. But we were not able to translate that success into a major impact on the business of our women's products. Nor were we able to have a broader impact on the consumer relative to her believing that Nike was a brand for her. There was a lot of verbal commitment within the company, but not a lot of true commitment, all the way, to defining what it really meant to be a brand for women.

For example, one of Nike's moves to better address the women's market came in the early to mid-1990s when the company created a women's team within its product marketing group and signed endorsement contracts with female athletes such as Sheryl Swoopes, Lisa Leslie, Gabrielle Reece, and Mia Hamm. "They organized as a women's team, but we didn't change anything else in the system. There was no delineation between men's and women's product development, product design, or innovation. "It was put a pink bow on it, and then call it a day," joked Mary Slayton, director of market intelligence. Winslow concurred, "It was merely a marketing effort: 'How do we create a dialogue with female consumers?'"

Next, in 1997, the footwear business dedicated three resources to bringing a women's perspective to its running category as more and more women were becoming active in that sport. A product line manager, a designer, and a developer were focused on creating running shoes for women (versus 12+ resources dedicated to the men's running market). That small team slowly started building momentum. "We had a designer who really helped influence our small team," recalled Seana Hannah, category footwear leader of women's training, who worked as part of the initial group. "I think because she was new to Nike, she could come in and just say, 'OK. Let's do this.' And she could sketch it out, and then people could start visualizing it and say, 'You know what? That does feel different. It looks really different. And I could see women wanting to wear it.'" Before long, the team had developed a series of feminine yet athletic styles that sold just as well as Nike's traditional models at competitive price points. "But I still got the question every single day from within the organization: 'Why are we doing women's shoes again?'" said Hannah. "It was incredibly frustrating at times, and we had several shoes dropped early on in the process. It wasn't until a few key shoes sold extremely well that the larger team started truly paying attention to the women's opportunity."

After a few other experiments within the company, including strides made in the apparel business, Nike created its global women's footwear division in 2001. "That's when things really

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<sup>10</sup> Title IX of the Educational Amendments of 1972 bans sex discrimination in school, whether it be in academics or athletics.

started to change,” said Winslow. “There was a distinct delineation between our men’s and women’s teams, from innovation, design, marketing, development, product testing, all the way down.” Until this time, many of the women’s shoes had been built using molds for men that were then “taken down” to fit a woman’s foot, despite the fact that for any given foot length women weighed 15 percent to 40 percent less than men (and therefore required different shoe designs and dynamics). But, Winslow explained, “When we started the women’s footwear division, every single shoe was made based on a woman’s biomechanics. They had Shox™ for her and the air bags were engineered with the right pounds per square inch, based on female rather than male weight. This was the point in time when all of this became nonnegotiable in our women’s products.” According to Hannah, who joined Winslow’s women’s footwear team from the running group, “The best part was not having to justify why we were doing women’s shoes anymore. Having a team dedicated to innovation for the women’s market was also a big improvement, so we could take that technology and translate it into fantastic product for the women’s market.”

As Winslow began building the global women’s footwear business, another idea for addressing the women’s market emerged: a retail and marketing project called Nike Goddess, which was intended to help the company rethink the way it sold its products to women.<sup>11</sup> In contrast to the male oriented Niketown stores, Nike Goddess stores were meant to be women’s-only destinations (the name of these stores would later be changed to Nike Women). “We wanted them to be like a Starbuck’s for women, where they would want to go, hang out, and stay. And we wanted to offer one-on-one clienteling instead of the traditional customer service they’d get at another store,” said Jodi Sittig, marketplace development director for global women’s fitness, who was involved in helping develop the concept behind the marketing and customer service approach for the initial Goddess stores. With a modern yet distinctly residential or “homey” feeling, the Goddess stores offered footwear, apparel, and equipment to its customers, loosely unified via Nike’s corporate color palette.

When *FastCompany* wrote an article in mid-2002 that provided publicity for Nike’s Goddess stores beyond the southern California market where they were located, Winslow remembered:

I started getting all these phone calls asking, ‘Where can I find the Goddess clothes?’ And I said, ‘Goddess is a store where you can find Nike apparel and footwear.’ But I started thinking, ‘Why don’t we have a Goddess collection?’ So I pulled together a small team across footwear, apparel, equipment to create these very small, very specialized, higher-priced collections that we would only sell at Nike women’s stores to see if women would respond to them and buy from head to toe. We started planning our first Sport Lux collection in fall 2003, totally under the radar. But when it hit the market on February 14, 2005, it sold out almost immediately. That’s when we knew for sure that we were on the right track.

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<sup>11</sup> Fara Warner, “Finding the Goddess Within,” *Shattered*, September 2006, p. 53.

## CHANGING THE GAME

Concurrent with some of these important grassroots efforts taking place within Nike to better address the women's market, Nike's senior management team initiated a study to identify the next big growth opportunities for the company. For about six months, a cross-functional team analyzed new sports categories and geographic markets, as well as the possibility of moving more aggressively into women's products. From this analysis, the five ideas with the highest potential were chosen to be part of a larger assessment project called "Change the Game." The senior management team wanted to know which of the five high potential opportunities—outdoor, bags, men's training, value footwear, and women—had what it would take to outpace growth in the rest of the business and drive the company's next leap forward. In March 2004, they designated a cross-functional task force for each of the five areas and gave them the mandate to validate the opportunities and present a case for "How we would get after the business,"<sup>12</sup> said Winslow, who was chosen to lead the women's Change the Game initiative with Grossman, Nike's highest ranking female executive, serving as the executive sponsor.

The women's task force was made up of a core team of five or six men and women from different parts of the business who worked on the project as a "second job." Emma Minto, an external consultant brought on to play the role of the strategic lead, was the team's only dedicated resource.

### Phase One

Minto described the first phase of the team's work which occurred over the course of approximately six weeks:

Phase one started with getting a read internally on where we had been with the women's business: What had been our successes? What had been our challenges? I spent a lot of time talking to 40 or 50 people across the company about what the barriers had been to pushing the women's business forward in a bigger way. The second piece of the analysis was to get an external take on what was going on in the market. How do we define the market? How do we size it? We also spent a lot of time trying to understand our competitive position. The third piece was looking at the consumer. Around the globe, a lot of different work had been done against consumers in the women's market, but none of it had been pulled together. So we collected the internal research that we could find, as well as what was available externally.

Internally, the team confirmed that there were great initiatives underway in the businesses, the regions, and in specific categories to address the women's market, "But they were happening in their own pockets," said Winslow. "They weren't integrated, so we weren't leveraging our collective power."

In terms of the market, Winslow recalled, "It was clear that we were missing a huge business opportunity." Nike defined the women's fitness market as encompassing all of the fitness

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<sup>12</sup> To "get after" something is a common Nike expression, meaning that the project will be aggressively pursued.

activities women performed to keep fit in the gym, as well as running and walking outdoors (see **Exhibit 4**). While this definition clarified the scope of the Change the Game proposal, it did not easily correspond to available market data. Apparel data was particularly challenging due to the blurry boundaries between fitness and active wear. For example, “When you look at active wear, you start bringing in The Gap and Old Navy,” said Winslow. “So we had to draw a line around the exact market that we were looking at and define who we felt were our true competitors. In the end, after a lot of triangulation, we estimated that it was about a \$13 billion market, with most of this coming from the U.S., the big-five countries in Europe, and one or two countries in Asia.” Roughly 25 percent of the market opportunity would be in footwear, with 70 percent in apparel, and the remainder coming from equipment. As for growth, the team estimated that the market was expanding at a rate of 5 to 8 percent per year, driven by trends in women’s participation rates in new and established sports, gym memberships, and other related changes (see **Exhibit 5**).

From a competitive perspective, Nike faced off against a handful of traditional but well-respected brands in women’s footwear, with Nike maintaining a leading position in some categories, but not others. For example, Reebok dominated the market in women’s aerobics, but Nike led in women’s running from a market share and revenue perspective. However, “In apparel it’s a much more fragmented business so our market share is much, much lower,” said Winslow. The primary take-away for the team was that no single company, Nike included, had dominant mindshare in the women’s fitness market. For this reason, many of the company’s competitors also appeared to be rethinking their positioning in the space. Adidas had started taking a different approach to the women’s market by bringing on celebrity designer Stella McCartney to create fashionable athletic wear. While some argued that her designs were not practical from a performance perspective, they were successful in “waking up the fashion performance business,” said Winslow. Puma introduced its Olive brand to start breaking into the yoga market. And New Balance launched cause-related marketing to attract women via connections to Race for the Cure<sup>13</sup> right around the same time.

“In addition to the traditional competitors in our industry, there were lots of new and smaller competitors that we also had to consider,” commented Winslow. “Companies like Lulu Lemon, Under Armour, and Danskin were either taking a singular focus by category, such as dance, or had entered the market through one category, but were now expanding into others. The competitive landscape was changing dramatically. And that altered how we needed to develop our competitive attack plan.”

As Nike turned its attention to the female consumer, one of the most compelling statistics dealt with the sheer spending power of women—in the U.S. alone, the team calculated that women spent \$7 trillion a year. The global brand team had recently defined Nike’s target female customer: a 22-year-old, confident, slightly irreverent woman who wanted to work out hard and look good. The company referred to her as the “Sweat Beauty” consumer (see **Exhibit 4**). The women’s Change the Game team did not have to research and redefine this target—it needed to

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<sup>13</sup> The Susan G. Komen “Race for the Cure” (the world’s largest series of 5K runs/fitness walks) raises significant funds and awareness for the fight against breast cancer, celebrates breast cancer survivorship, and honors those who have lost their battle with the disease.



figure out what she wanted, how she shopped, and how the company could connect with her. "We also had to figure out how she approached sports," added Minto.

According to Winslow, one of the things the team learned was that:

Women don't do fitness. They run, they walk, they do cardio machines, they dance, they go to yoga. So that's what led us to a micro-segmentation approach. Previously, most of our women's products were nonspecific, so women's real needs got marginalized. We discovered that we had to get much more specific regarding what's different about dance versus running versus cardio. Because any woman can tell you, for example, that it doesn't work to wear running shorts during yoga.

Minto concurred and summarized some of the other lessons from the team's consumer research:

We realized that the way that we were approaching the market was not in line with the consumer. She wanted to shop at the mall, in catalogs, and at boutiques on 'High Street,' but most of our distribution was through retail sporting goods stores. She wanted to have great athletic products made specifically for each of her sports, but we were offering her products for general 'fitness.' She wanted collections of footwear, apparel, and equipment, and we were cobbling existing products together. She also wanted to hear from us on a consistent basis and for us to really have a relationship with her, and we were still thinking in terms of initiatives (see **Exhibit 6**).

Finally, Nike had to figure out a new way to talk to female consumers. "If you look at the approach that Nike has taken over the years, which has been very successful, it's very, very competitive and uses the male elite athlete, hero-worship model. But that really doesn't work for women, so we had to think about a different way to create a dialogue and an emotional connection with women," said Winslow.

Ultimately, the vision that the Change the Game team presented to the senior management team at the end of phase one (April 2004) was:

To shift the focus of women's fitness from a broad-strokes series of initiatives to a sustainable, profitable brand-enhancing portfolio of sports businesses that in combination make Nike the aspirational brand of choice for her.

"We told them, 'If we continue to run the business the way we have been, we will continue to see incremental growth,'" recalled Winslow. "But if we really want to take a leadership position, we're going to have to do things differently." The team proposed taking a three-tiered approach to the market. Tier one would be focused on dance. While this was nowhere near the largest micro-segment in the market, "We felt it had good revenue potential. It absolutely had energy associated with it. And nobody owned it. So this would become our 'sharp point' in terms of communicating with women," said Winslow. According to Slayton, this decision also carried with it some important internal benefits:

The women's business was going to continue to languish unless they could find a way to fit it into the Nike mold. Dance was young and edgy, and there were celebrity athletes to focus on in the space. So the executives could relate, and see how dance would put something into Nike's brand bank rather than taking something out. Mindy and Darcy found a sharp point that fit the brand, knowing that underneath they would have to build a foundation of slightly less sexy stuff to pay the bills.

Tier two would include the categories where Nike already had some ownership in the market and opportunities existed to expand the business. These core fitness sports included cardio, running, walking. Tier three included other, smaller micro segments where Nike had a presence (swim, cycling, Pilates) or wanted to focus to elevate the category to tier two (yoga) over time (see Exhibit 7).

"This way of organizing the women's business became a very powerful image for us as we started to think about going to market differently," explained Winslow. "Typically, when we went to market with a footwear product, we were on the footwear wall. Apparel was in another department and bags were somewhere else. So as part of our pitch to the senior executives, we talked about merchandizing by sport and have the apparel, the footwear, and the equipment all merchandized in the same area." Grossman referred to this collection-based approach to retail as creating a "store within a store" for Nike's products. "It seemed so simple, but this represented a major change and was sure to be some of our most difficult work because retailers had been locked into their own way of doing business for decades," continued Winslow. It would also be a challenge internally since Nike operated its supply chain "as an item-driven business," said Maithili Shenoy, global director of supply chain strategy and development, and a part-time member of the Change the Game team who represented Nike's global operations group. "Our systems and processes are different across the businesses and are not set up to be able to deliver an integrated collection of products to the same place at the same time," she added.

According to Minto, Nike's senior executives were energized by the team's initial presentation. "They told us, 'Okay, great. We like where you're going with your insight, so start building a plan that will enable you to better line up with the consumer.'" The team was given until July to complete the next phase of business case development.

## Phase Two

During phase two, the team focused on developing an overarching plan for approaching the women's market. "Basically, we had to think through everything we'd do in product, in sales and retail, in marketing, and in the organization to get after the business," Minto summarized. Primary emphasis was placed on the team's sharp point, dance, as well as the three highest potential areas beneath that—cardio, running, and yoga.

One of the most important challenges facing the team was how it would deliver against its vision of presenting integrated collections to female consumers. "One of our big insights was this vision of delivering integrated head-to-toe collections of footwear, apparel, and equipment, but we had to figure out how we were going to do that in an environment with three independent

product engines all working on different timelines. So we had a sub-team that went to work on trying to align the calendars and the processes to get everybody on the same page, with the same vision, the same priorities, for a given a season, against our specific sports,” explained Minto.

As team members started to reach out to other parts of the organization to talk about calendar alignment, it became clear that there were few formal mechanisms in place that would help enable an integrated, cross-business approach to developing and bringing a women's collection to market. On the front-end, as referenced earlier, the product creation engines in footwear, apparel, and equipment did not work together. When the company tried to bring something to market in a coordinated fashion (e.g., driven by a special initiative), “Footwear and equipment would be on the edge of their seats, saying ‘We need to start working together right now because the gun’s about to go off for us to create our line plans, our briefs, and our contracts.’ But apparel would be sitting back saying, ‘Okay, we understand that this is important, but it’s not top of mind for us right now. We’ve got another five months before our line plans are due.’ If we were really going to move forward with integrated collections, we had to get out in front of footwear and equipment,” said Winslow.

On the back-end, Nike's supply planning, sourcing, manufacturing, and delivery mechanisms also were not aligned across the businesses or regions. “Our supply chain was somewhat of a blunt instrument that was able to deal with averages,” said Hans van Alebeek, Nike's executive vice president for operations and technology. “It was not a highly precise instrument that could deliver assortments to exactly the same date. It could do it reasonably well, but not precisely enough for the team looking at opportunities in women's fitness to feel as though they were delivering powerful stories to the retail floor through complete collections.”

Despite these barriers, there were examples within the company where the concept of delivering integrated collections was working. In Europe, under the leadership of Loredana Ranza, the regional women's team had learned how to “manually handhold the process to make sure it delivered the core of a collection to the stores when they wanted it there,” noted van Alebeek. The Change the Game team studied the European process and used it as a basis for developing a similar process that could be leveraged across all regions, which they called the Integrated Calendar Alignment process. “There were lessons learned in Europe that convinced us this was feasible,” said Shenoy, who worked for van Alebeek. The proposed approach took a 21-month view of the product creation and delivery processes across footwear, apparel, and equipment, as well brand marketing. Critical activities and decisions were synchronized through the creation of six joint milestones (see **Exhibit 8**):

1. **Seasonal Kick-Off and Creative Direction** (end of month 2) – Integrated meeting to set seasonal creative direction, confirm seasonal themes, and build key stories.
2. **Design Review** (end of month 9) – Integrated creative meeting to review product design in all fitness sports, across all business units.
3. **Prototype Review** (end of month 10) – Planning and prioritization for the brand, retail, sales, and the regions.
4. **Go-to-Market Strategy** (beginning of month 12) – Presentation of the go-to-market plan by regions, brand, retail, sales, and the regions.

5. **Prelines** (middle of month 13) – Product groups and brand presents an integrated collection to key accounts in multiple regions.
6. **Brand Execution and Post-Season Review** (beginning of month 15) – Brand plans presented and evaluation of seasonal planning and booking results.

The process was designed to culminate six months later with the delivery of the integrated collections to retail, as well as Nike's other distribution channels. Activities between these key milestones would be coordinated through weekly, virtual team meetings in which individuals from each business, region, and function were expected to report on their progress and raise issues that would help sustain alignment.

After working through this process, Winslow (as the head of global women's footwear) and Jamie Shierk (as the head of global women's apparel), made a decision to initiate the development of an integrated collection of footwear, apparel, and equipment in the women's dance category prior to receiving approval from Nike's executive team to formally organize around the women's business. "Nobody was really in charge. But Jamie and I assumed responsibility, with Mindy's sponsorship, because we felt like we had to push it forward," recalled Winslow. Grossman explained: "I felt that there was support for where we were going, so there was limited risk to our decision. Even if we didn't get approval to formally pursue the women's business from an integrated perspective, a dance collection would still provide a better consumer proposition. The only potential downside was that it would require a tremendous amount of additional work from certain members of the organization because we didn't have a syncopated process or structure yet."

Under the radar, the team brought together the right individuals from across the businesses, regions, and functions in July 2004 for a spring 2006 seasonal kick-off. Winslow recalled the excitement: "Everyone sitting around that table came to participate, not because their managers told them to, but because they knew this was the right path forward." Then, with a common vision, they quietly got to work on developing the company's first integrated dance collection.

Concurrently, the Change the Game team made its next presentation to Nike's senior executives. The group presented an overall strategy for approaching the women's market, as well as the detailed plans for executing the strategy. Again, the executives were supportive and told the group to prepare the final aspects of its business case for presentation three months later.

### **Phase Three**

In preparing for the third and final presentation to Nike's executive team, Minto described the team's effort. "Between August and October, we focused on two primary work streams: (1) how we would organize and, (2) how much money we needed. It was one thing for everyone to say in July, 'We love your ideas.' But we were asking for more than just support to organize. We needed the company to make an investment in the women's business," she said.

Minto spent a great deal of time creating models to estimate the amount of additional revenue the women's business could expect to drive through an integrated approach, as well as how much of an incremental investment would be required to support the vision. "Then I went out to the regions again, and talked with representatives from footwear, apparel, and equipment to perform

a sanity check on the numbers,” she recalled. “It was important to do that because, when we were going to ask for money, I needed to make sure that the four regional VPs and the three BU VPs would all say, ‘Yes, I’ve talked to this group and I’m comfortable with the projections that are being made.’”

The other piece of work was designing the organization. Jim Sutton, global HR director for apparel, was brought on to the team to help think through what structure, positions, and people would be required to enable the new group to execute the strategy. “In the past, we might assign a highly respected, key person to take charge of driving a virtual team,” Sutton explained. That model had worked successfully on certain initiatives, but had not been as well received for efforts that were meant to be sustained over a longer period of time. “We relatively quickly determined that the women’s business was too large an opportunity with significant complexity to work on a virtual team basis. We needed a core team of dedicated resources to make it work,” he said. “But that meant we would exist outside the matrix,” recalled Minto, which was a “big deal” because it could significantly limit the team’s formal authority to drive decisions and make things happen. “Ultimately, we proposed what I would call a semi-virtual organization,” said Grossman. Until the women’s team could prove its model (by outpacing growth in the rest of the company), it recognized that creating a dedicated, cross-functional unit that added another dimension to the matrix was out of the question. “There was obviously a part of the organization that would have to work via influence. But there would be a group of people, not just an individual, along with other resources that would help make things easier,” she added (see **Exhibit 9**).

The next challenge was to define the specific positions that would make up the global women’s fitness core team (or “virtual leadership team,” as it was called) and then develop high-level position descriptions outlining the responsibilities of each role (see **Exhibit 10**). The first position created was the role of the general manager to lead the global women’s fitness business, reporting to Grossman who would continue as the acting sponsor for women’s fitness. One of the next positions developed was the role of the strategic planner to manage strategic integration, operations, and finance. To address the issues associated with the collection-based approach, Winslow and the team also proposed a new position, called the global marketplace development director, which would be responsible for developing and executing the new retail and merchandising strategy. They also created an ongoing, part-time role for a member of the operations team to work with global women’s fitness, helping the group get product collections to market. Next, the team recognized the need for creative, innovation, and merchandising representation on the core team. However, in an effort to propose a lean core team, Winslow experimented with the creation of “leveraged positions.” She described the model:

We started looking at how we could leverage existing people to take on a slightly greater amount of responsibility across the business units. For example, there was a creative director for women’s footwear, a creative director for women’s apparel, and several creative directors in equipment. What we didn’t want to do is create an additional creative director role that only would be responsible for organizing the efforts of these individuals, rather than actually designing footwear, apparel, or equipment. So what we decided was to take the strongest person within the

design function and make that job a leveraged director role. We did the same thing in innovation and merchandising.

The people who ultimately filled these leveraged roles would maintain their business unit-specific responsibilities while also coordinating across BUs to ensure that a cohesive design, innovation, and merchandising agenda and story was achieved in each of the women's sports categories. To make the model work, a small percentage of their regular duties would be off-loaded to create bandwidth for the new aspects of the role.

When actually preparing the final presentation for the executive team, said Minto, "The other thing we did was look at all the great work we had already begun for the global launch of an integrated dance collection and we used it to say, 'Guess what? The strategy has already been initiated. We've already got the shared vision and a shared approach to the business. We've identified how we're going to align, and check out what we've already done for spring 2006.' And the reaction was, 'Wow, it's already happening. It's moving. It's possible to do.'" Winslow added, "We had learned a lot from our first integrated kick-off meeting and the work we did together over the next three months before the October presentation. So we had some real anecdotes to share with the executives to support our case."

Then, Grossman made the pitch. According to Minto, "She said 'Here's the investment I'm asking for, and here's why and how it's going to give you a payback.' She went in with the attitude, 'You either say yes or no now. But we're not going to continue to develop the business case. You're either in or you're out, because we want to get going.'" In the end, the team's passion and direct approach paid off. "Out of the five Change the Game opportunities, women's fitness was the only group that got the green light to go forth and organize," said Winslow. "We were given enough money to create 20 new positions [out of the 24 the team requested], not only for the core team, but also for roles within the business units and regions to ensure that we had adequate resources to execute on the business strategy that we had developed and presented." Summarizing the outcome, Grossman said, "This was a truly a Change the Game commitment that would enable us to work toward a dominant position in the women's business and create an incredible emotional attachment to that consumer."

## **MAKING IT HAPPEN**

Following this important approval milestone, one of the first things Grossman did was to hire Winslow in the GM role for global women's fitness, effective January 1, 2005. She explained the choice:

Darcy had tremendous credibility. She'd been at the company for some time. She was respected for her knowledge of the brand, meaning she wouldn't do anything that wouldn't be right for Nike. She had huge technical knowledge, as well as leadership and people skills. She had already been running the women's business in footwear and had achieved success. And she really had a passion for it. Plus, she had been working closely with me on leading the Change the Game project and had presented to the executives. I think if it wasn't Darcy, it would have been a surprise, because of how strong a leader she had been.

Winslow next began building her team. According to Grossman, “Darcy needed a dream team to staff these core positions. She needed people who, like her, had influence in the organization, solid reputations, good communication skills, and a deep passion for the women’s business. It was very important that anyone on that core team be able to get the buy-in across the organization for what they wanted to do.” Using these criteria, Winslow hand-picked Minto to fill the strategic planning role and Sittig to fill the marketplace development position. These two women, along with an administrative assistant, would report directly to Winslow while all other members of the semi-virtual team would have dual reporting relationships, with a secondary responsibility to the women’s team.

Early on, Winslow, Minto, and Sittig created a “people map” to help them navigate Nike’s complex internal organization as they prepared to get to work. “The people map reflected who the major decision-makers were by product type, region, and function that were associated with the women’s business,” Winslow explained. “But one of the challenges was that almost every person on the map had multiple responsibilities. So they weren’t just dedicated to women’s.” While this could make it harder to get their mindshare in supporting the women’s business, the map was useful in helping the team identify those with whom they should be working and all the players within the organization that needed to be better coordinated.

“Having been here for so long, many of us knew a large percentage of the community,” said Winslow. “For example, the fact that I started in the sport research lab doing testing and research on athletes and then moved into product-testing, gave me a real in-depth knowledge of how those two areas function. I also had some good old buddies down there—I still do—who could help us drive important changes.” She continued, “But there were still important players in the company that none of us had ever met. We found that it was more challenging to engage these people, particularly in a way that was not threatening or controlling, but more engaging and collaborative.” One strategy used by the team was to spend more time listening than talking or trying to influence them in some of the early meetings. “You can’t just jump in and start influencing people,” said Sittig. “You have to prove yourself and earn their trust by really listening and helping them by adding value. For the first six months, we spent a lot of time understanding other peoples’ needs and building these types of relationships.”

Even among the core team’s known allies, however, some individuals wanted to proceed cautiously regarding the women’s fitness business. Winslow offered as an example the reaction she got from her boss, the executive in charge of global footwear, when she made the move to global women’s fitness:

Footwear had a lot at stake. It’s the biggest part of Nike’s business. And none of us really knew if the changes in our women’s fitness strategy potentially would put other parts of the business at risk or negatively affect day-to-day operations. I mean, if our goal was just to grow the women’s fitness business, we could cannibalize the women’s running business to make this happen. We could trade off between our own businesses instead of taking market share from our competitors. So that’s why my boss told me I had 51 percent of his support. This was a symbolic way of saying ‘I’m with you, but I’ve got some reservations.’

The challenge to the women's fitness team was to make "believers" out of these kinds of supporters and skeptics alike.

To help accomplish this, Winslow recognized the need for an integrated strategy for the global women's fitness team. However, because each of the areas represented in Nike's matrix created their own strategies somewhat in isolation of the others, this would be no easy feat to accomplish. Typically, Nike developed a three-year corporate strategy that was then used by the regions and businesses to develop their own strategies that supported the overall corporate plan. Winslow described it as a "trickle-down process." She went on to explain the approach she took to crafting a complementary strategy for women's fitness: "What I had to do was take the footwear, apparel, and equipment business strategies and the regional ones as they applied to the women's business and then start to cut across to build our own strategy that supported the corporate strategy. We did not go off-track, for example, from what footwear's plan was. But we did make it more specific and enhanced it relative to the women's fitness market."

Simultaneously, the team worked to define metrics and incentives to help motivate, drive, and track desired performance related to global women's fitness. "We developed a scorecard around the women's business," said Grossman, "that captured market share, financial goals, commitment to marketing, and growth." Winslow was held accountable for meeting these numbers, "even though, ultimately, I have very little direct control," she commented. "My job is to drive the organizations to come together in an integrated fashion to have an overall impact on the business. So, in some ways, I'm being measured against the process." Minto and Sittig were similarly measured on the results of the overall women's fitness business, although accessing the required data proved to be difficult. "Our systems weren't set up to be able to capture integrated results. It turned out to be relatively time-intensive and manually-intensive to figure out what kind of an impact we were having on the business," noted Winslow.

Most of the other members of the global fitness women's team continued to be measured first and foremost on the results they achieved that supported their primary reporting relationships. "For those people on the team who reported into footwear and apparel, even though they knew the importance of the integrated women's collection, their number one goal was to sell shoes or clothes. Their number one goal was *not* to integrate," offered Barbara Sumner, creative director for integrated footwear, apparel, and equipment, as an example. That said, Winslow provided input into their performance reviews and had a voice in recognizing outstanding performance, as well as raising issues.

As for incentives, "There were added responsibilities for some roles, but there were not a lot of added incentives," said Sittig. "As a group, Darcy, Emma, and I opted to reward and thank people who went above and beyond the call of duty in their second role as a part of the global women's fitness team, but this was not part of the regular bonus structure. We were able to give cash bonuses to some people, but they didn't know at the beginning of the year that they would be getting them." Shierk concurred, "There was not a lot of attention paid to additional motivation, if you will. Large scale change management is not necessarily one of Nike's strengths—it's something we're still learning." However, as she pointed out, "The women's team was so passionate that there wasn't a pervasive need to motivate. The motivation was



already there. And, if anything, the fact that the company was now directly investing in this market made it even more motivating.”

Operationally, the integrated product development process was already in motion with the spring 2006 dance collection. However, it required constant attention to keep the effort aligned considering the vast, inherent differences in how the groups were used to working. Using an analogy, Slayton explained, “You go to a chiropractor and you get adjusted. But it’s not over. You have to go back the next week and get readjusted because your body will naturally go back to the way it’s accustomed to aligning. You have to keep going back. Our organization is the same way. Unless we keep getting adjusted, we always go back to being footwear-focused and male-focused because that is our core skeleton.” Sumner provided another specific example: “One time I saw a piece of footwear that was supposed to be part of the collection but I didn’t even recognize it. It had completely changed through the footwear process and the information was not shared with the rest of the group.” Weekly or bi-weekly meetings (depending on the needs of each sub-team) were meant to help prevent such disconnects, but things still slipped through the cracks and people juggled heavy meeting schedules and competing priorities.

This problem intensified as the global women’s fitness team sought to expand beyond the spring 2006 season to additional categories and multiple seasons. “We had started with one season but, after we got approval, we had to start adding multiple seasons. So it very quickly got more complex, and it took a lot more energy to keep everything lined up,” said Minto. Shierk added, “People underestimated the impact that it was going to have to people’s travel schedules and their meeting schedules, which are already crazy at Nike because we are a matrixed organization and we work in these teams that have to influence each other in the absence of direct reporting structures. So it had a broader impact on people’s physical time in their job than we initially accounted for.”

Another challenge for the women’s fitness business was that it was no longer about providing generic “training” products to female consumers. “We were about cardio, running, yoga, and dance. And we needed to start treating these categories like four discrete businesses,” said Minto. “To drive this mentality, we set up virtual fitness sport teams and named captains from the various product groups to lead the focus in these areas through integrated teams.” Winslow elaborated:

To move from a product-based organization to a consumer-based organization, we needed these team captains to step up and run the categories across the business units, regions, and functions. And so it was another example of asking somebody to take on additional duties, and to work across the organization. For example, when it was time for a seasonal kickoff, the captain for the category would pull together the right people and craft a three-year business plan for that particular sport. This helped us make sure that the right people came together at the right time and went out into the market to gather trend data, inspiration, and ensure that they kicked the season off holding hands. It’s a tough proposition for someone to manage, but we looked at it as a developmental opportunity to learn how to affect change in a business through influence and relationship-building.

This additional layer of structure added even more meetings and demands on everyone's time. However, as Winslow and Grossman promoted the global women's fitness concept, through a presentation "road show" across the company, enthusiasm and commitment remained high. "People wanted it to be successful. And so they came to meetings. They showed up and they brought the people that we needed from their teams, too," said Minto. Sittig added:

But what happened about six to nine months into the project was that everyone stopped talking about it. The road show was over and senior management stopped talking about it purposely, so that we could actually do the work. And I think that spooked people a little bit. It gave the team the feeling that this was not a primary focus for the company anymore and maybe helping us wasn't a priority, which was exactly the opposite of what was intended. We had to say, 'We're still a focus—they're just letting us do our work and giving us a break from doing internal presentations!'

This issue was compounded by changes within the semi-virtual team. "As different people came in and out of the business, it was challenging to replicate the same level of passion and involvement that we had with the original team," said Minto. "How do you keep a new player aligned with the strategy when they want to rethink their individual piece of the business? How do you keep the same level of momentum and goodwill when they haven't been involved since the beginning?" she added. This challenge was particularly pronounced at the higher levels of the organization. "When you start getting disengagement from the senior team, that's when you create a lot of unnecessary work and tension by virtue of the lack of organizational accountability or support," noted Lesnard.

Commenting on the overall reaction the global women's fitness team received from the Nike organization, Grossman felt that it was generally positive and supportive. The problem, she said was just that, "There are so many competing priorities. It's a very complex organization with so many different businesses in a hundred different countries. Every day we have to compete for resources. So any pushback we got was really more about capacity—organizational capacity, resource capacity, and how many things people can be expected to do at any one time."

### **Delivering the Integrated Dance Collection for Spring 2006**

When the Change the Game team decided to develop dance as a category within global women's fitness and initiate the development of the first integrated collection, the team was building on successes that had been realized in the EMEA region. Not only had EMEA started developing and delivering integrated collections, but it had already entered the dance market. "In the three years that we have gone after this plan, we've taken dance from almost nothing to roughly 42 percent of our women's fitness sports business," said Pat Zeedick, general manager of equipment for EMEA and the virtual general manager for the region's women's business. Importantly, EMEA was the only region that had designated a general manager role focused on driving the women's business at the regional level.

According to Zeedick, "When we looked at our consumer in Europe, she wasn't driven by 'I want a perfect body. I want to compete. I'm an athlete.' Her position was, 'Hey, exercise should be social, it should be fun. And, for me that means dance. So talk to me about something

that I have a passion for and love to do, but at the same time is a blast and I can do with my friends and then go out afterwards.” Targeting this consumer with footwear, apparel, and equipment designed especially for dancers’ needs and high-energy TV commercials geared to three different segments of consumers (an elite athlete, a group of women seeking exercise as well as a social connection, and an “everywoman”), Europe started to see the market take off.

The global women’s fitness team latched on to this positioning as it started to design its first integrated dance collection. “This was a great way for us to make the point that sportswear could be fashionable and trendy, because dancers would rather suffer in order to look good than just get the right product,” said Lesnard. Through the “superhuman” efforts of the semi-virtual team, the integrated product development effort moved forward, producing a holistic, innovative collection that exceeded even the team’s own expectations. However, creating the products was only one part of the challenge. Grossman explained:

The biggest issue in my mind was being able to create at the point of the consumer touchpoint the experience that we wanted the consumer to have. We can develop great products that fit into an integrated collection, but it will be meaningless unless it gets executed effectively at retail so that the customer experiences it as intended. We had our own Nike women’s stores where we were able to execute as planned, but that was a limited number. Certainly on the Web we could tell an integrated story. But it was much harder to change the way we communicate to the consumer in a traditional retail store setting.

Not only was there resistance from retailers who were reluctant to change their traditional merchandising practices or allocate more floor space to Nike (at the expense of other suppliers), but also the problems within Nike’s supply chain made delivery of the collections difficult. “We tended to work with month-long delivery windows, which meant that our customers could be sitting for three weeks with shoes and shorts but no tops to complement them as intended in the collection,” described van Alebeek. “The retailers don’t really want to put products out on the floor until they have the complete assortment. So what we found was that a lot of micromanagement of our existing processes was needed to make sure that we delivered more complete assortments to customers across product types.”

“So the process had to be manually overridden to ensure that our dance products hit the stores at the same time, in 6,000 doors,” said Winslow. “We did it, but the process was not sustainable. There was no way they could manually handle that for each sport for each season, season after season after season. So that has sparked a lot of investment in our supply chain operations to figure out how to better integrate our supply chain processes across divisions.” Van Alebeek added, “We were able to do it in places where we put experienced people on the project. But it wasn’t scaleable. Our next challenge is to scale up our ability to do this for multiple businesses at larger volumes as we move from an items business to a collections business.”

Going forward, a greater level of prioritization also would be required. For example, “If you actually do a bit of analysis, you realize that with 20 percent of the styles, you get 95 percent of the business. If you can deliver those on time and as a collection, you’ve basically taken care of 95 percent of your business. And that means as you start working with factories and prioritizing

what needs to be done and what may need to be air-freighted in, you're actually not talking about the whole collection, you're talking about a piece of it which makes it more manageable," said van Alebeek. Shenoy offered another example, "We've got so many doors to deliver to, that it's not necessarily practical to think that we can do this for everyone. We have to figure out which doors are most important to total sales and give them priority when it comes to delivering a collection. Otherwise, if everything is a priority, then nothing is a priority."

Despite these barriers, the first integrated dance collection was considered a success on multiple levels, including its contribution to Nike's brand in the women's fitness market, the products themselves, and as catalyst for driving the new, integrated approach to the women's fitness market. Furthermore, as improved integration took root, new opportunities were being discovered for gaining increased leverage. For example, in the EMEA region, the team experimented with an integrated sales approach for two of the company's biggest accounts in the U.K. Winslow explained: "Historically, it's always been that footwear, apparel, and equipment did their sales pitch separately, to different buyers within a company. But this time they got together to tell the whole story and pitch the whole line. When the bag buyers saw the dance bag and could see how it went with the apparel and footwear, they bought 200 percent more than normal because they understood the power of the collection." Shortly thereafter, all EMEA countries (except one) had adopted the integrated new sell-in approach and it was being considered in other regions.

## LOOKING FORWARD

Reflecting on the experiences of the global women's fitness team, as well as the larger women's effort at Nike over the years, Grossman said, "The biggest issue for me was that the change was slow. Sometimes it felt like we took three steps forward and two steps backwards, because we really had." While also bothered by the pace of change at times, Hannah offered this perspective: "I think that earlier efforts were required to plant the seed. Then we had to do it in running and other parts of the business so that the organization was ready when Darcy and Mindy really stepped up and fought to get the resources. So, as frustrating as it was, I see now how it almost had to be an incremental change to affect the behavior and attitude of the greater organization." "It wasn't just about changing the products," Grossman added. "It was about changing the company's culture, perceptions, and commitment." (See **Exhibit 11** for sample print ads from one of the global women's fitness team's 2006 campaigns.)

As Winslow prepared to transition out of her role as the general manager for global women's fitness as part of Nike's shift to a category-driven organization, she noted, "It's been a challenging two years. But we have learned so much that will be valuable to Nike as we move forward." In fact, the achievements of the global women's fitness team, as well as other groups such as football (soccer) and golf, had served as a model and an important input into the company's decision regarding how to restructure. As Charlie Denson, president of Nike Brand and one of the company's top executives put it, "We are operating in a very, very complex multi-dimensional business environment, and one of the things that we feel very strongly about and have come to the conclusion is that we can do a much better job continuing to grow the business by breaking it down into smaller pieces and getting more focused and deeper involvement and

connectivity with key groups of consumers. We've looked at it many different ways, and we feel that the category approach is the best way to get after this thing.”<sup>14</sup>

Having lived through this transition in advance of the rest of the organization, one question facing Winslow was what specific advice and recommendations she could make to help Nike orchestrate the change more quickly, and on a larger scale. Another question was what new challenges, barriers, or trade-offs would be uncovered, for global women's fitness as well as the other businesses, as the company abandoned its product-driven mentality in favor of a more consumer-oriented approach. For example, while the women's market would now be formalized as an important part of Nike's corporate strategy, women's running (which had previously been an important and sizable part of Winslow's global women's fitness team) would now be managed by the running category. Nike had to consider how these types of issues would affect the company's efforts in the women's market from both an internal and external perspective.

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<sup>14</sup> “Nike F1Q07 Earnings Call Transcript,” Seeking Alpha.com, September 21, 2006, <http://retail.seekingalpha.com/article/17351> (February 7, 2007).

**Exhibit 1**  
**Fiscal Year 2006 Consolidated Financial Statements**  
**(period ending May 31, 2006)**

INCOME STATEMENT	QUARTER ENDING			YEAR ENDING		
	05/31/2006	05/31/2005	% Chg	05/31/2006	05/31/2005	% Chg
Revenues	\$4,085.4	\$3,721.4	8%	\$14,954.9	\$13,739.7	9%
Cost of sales	2,252.0	2,038.7	10%	8,367.9	7,624.3	10%
Gross margin	1,753.4 43.8%	1,682.7 45.2%	4%	6,587.0 44.0%	6,115.4 44.5%	8%
Selling and administrative expense	1,232.1 30.8%	1,139.2 30.6%	8%	4,477.8 29.9%	4,221.7 30.7%	6%
Interest (income) expense, net	(16.3)	(3.6)	-	(36.3)	4.8	-
Other expense, net	26.4	9.2	-	4.4	29.1	-
Income before income taxes	511.2	537.9	-5%	2,141.6	1,859.8	15%
Income taxes	178.4 34.9%	188.4 35.0%	-5%	749.6 35.0%	648.2 34.9%	16%
Net income	3332.8	\$349.5	-5%	\$1,392.0	\$1,211.6	15%
Diluted EPS	\$1.27	\$1.30	-2%	\$5.28	\$4.48	18%
Basic EPS	\$1.29	\$1.34	-4%	\$5.37	\$4.61	16%
<b>Weighted Average Common Shares Outstanding:</b>						
Diluted	261.4	268.5		263.8	270.3	
Basic	257.2	261.1		259.0	262.6	
Dividends declared	\$0.31	\$0.25		\$1.18	\$0.95	

**Note:** All figures in millions, except per share data.

Source: "Nike, Inc. Reports Fiscal 2006 Earnings per Share Growth of 18 Percent," June 27, 2006, <http://www.nike.com/nikebiz/investors/earnings/docs/q406.pdf;bsessionid=TLLCDPGTWYSGCCOFTC2SF5AKAWMLQIZB> (February 7, 2007).

## **Exhibit 2**

### **Biographies of Nike Employees Interviewed for the Case Study**

#### **Mindy Grossman, Vice President of Apparel**

A 30-year veteran of the retail and apparel industries, Mindy Grossman was appointed chief executive officer of IAC Retailing in April 2006. In this capacity, Grossman oversees operations which, in aggregate, represent more than \$3 billion in revenues annually and comprise HSN, Cornerstone Brands, Shoebuy and IAC's international retailing business. Grossman joined IAC from Nike, Inc., where she served as vice president and head of the company's \$4 billion global apparel business. Among her numerous accomplishments during her tenure at Nike, was the development and growth of Nike's women's business. Previously, Grossman was president and CEO at Polo Jeans Company. She also worked as vice president of new business at Polo Ralph Lauren Corporation, as president of the Chaps Ralph Lauren division of Warnaco's menswear division, and as vice president of sales and merchandising at Tommy Hilfiger. Grossman attended Manhattanville College and George Washington University.

#### **Seana Hannah, Category Footwear Leader Women's Training**

Seana Hannah is responsible for leading the global team of marketers, designers and developers who create exciting products for women in the gym and girls training for sport. Over her 16-year tenure at Nike, she has held several positions, including retail associate, EKIN (Nike spelled backwards! —the role is a footwear technical rep who knows the shoes frontward and backward), product line manager in kids and running, and product director of women's running. Hannah received her BS in Sociology from Amherst College.

#### **Steve Lesnard, Global Concepts Director for Global Women's Fitness**

Steve Lesnard worked as marketing director for a women's luxury apparel brand before joining Nike in 1997. He worked first with the company's global footwear division and then with the EMEA regional footwear team. Next, Lesnard joined the EMEA brand team as the apparel and women's regional marketing manager, followed by a position as the U.S. senior brand manager for apparel, women's, tennis and kids. More recently, he moved into the role of global concept director for women's fitness.

#### **Emma Minto, Director of Strategic Planning for Nike Brand's U.S. Apparel Division**

A specialist in business strategy, new business development and marketing, Emma Minto is the director of strategic planning for Nike Brand's U.S. apparel division. Minto joined Nike, Inc. as director of strategic planning for its global women's fitness division where she helped to build and establish the organization to drive the global women's fitness sports businesses. Before joining Nike, Minto helped to build TeamOn Systems, a messaging technology start-up, as VP marketing and professional services and was a management consultant at Corporate Decisions Inc. and Mercer Management Consulting. Minto began her career as a product marketer at Colgate Palmolive. She holds an MBA from Harvard Business School and a Bachelor of Commerce from Queen's University in Ontario, Canada.

**Maithili Shenoy, Global Director of Supply Chain Strategy and Development**

With Nike since 2002, Maithili Shenoy is primarily responsible for strategy development, process redesign, performance management, and education for the supply chain area. Prior to Nike, she spent over 10 years in management consulting at Deloitte Consulting and Accenture, specializing in supply chain strategy consulting and business process reengineering for Fortune 500 clients in the consumer products and retail industries. Shenoy received her BS in operations research from Columbia University and a Masters in international business from Sophia University in Tokyo.

**Jodi Sittig, Marketplace Development Director, Global Women's Fitness**

In her 14 years with Nike, Jodi Sittig has been instrumental in delivering and implementing brand, retail, and event strategies. In her role as marketplace development director for global women's fitness, she aligned retail and sales strategies around the globe for the women's fitness business. Prior to that role, as the women's brand manager for the U.S., Sittig led the alignment of the United States women's business. She started in Nike's retail group as director of marketing and events, moving within two years to retail director of marketing where she led teams in the creation and execution of national strategic plans for NIKETOWN and the factory store markets. Sittig also played a role in the creation and implementation of the marketing strategy for the first Nike Goddess (now Nike Women) store. Sittig earned her BS in Fashion Merchandising from Kent State University.

**Mary Slayton, Director of Market Intelligence**

In her role as director of market intelligence, Mary Slayton oversees market, consumer, and competitive information and analysis for Nike on a global basis. Over her 12-year tenure with Nike, she has held many positions, including general manager of the accessories business, marketing director for the Jordan brand, director of strategic planning for the U.S region, director of strategic planning for subsidiaries, and director of consumer insights. Slayton received her BS in Economics from Colorado College and her MBA from Northwestern's Kellogg School of Business. Prior to Nike, she worked at Pillsbury, McKinsey & Company and Wilson Sporting Goods.

**Barbara Sumner, Creative Director for Integrated Footwear, Apparel, and Equipment**

Barbara Sumner leads design in men's and women's styles across all sport categories and Nike's sport culture business. Prior to this, her roles included creative director for the U.S women's business, creative director for global apparel, and creative director for integrated footwear, apparel, and equipment. She attended the University of Oregon and the Fashion Institute of Technology in New York.

**Jim Sutton, Senior Director of Global Organization and Leadership Development**

Jim Sutton leads Nike's talent management processes for leadership development, assessment, executive coaching, succession management, performance management, and learning/training. Prior to this role, he was the HR director for Nike's global apparel and equipment business units. Sutton worked at San Francisco-based Levi Strauss & Company for 25 years where he held senior HR generalist leadership roles. He was HR director for Levi's USA prior to joining Nike in 1997. Sutton has a Bachelors of Business Administration from Texas A&M University and holds a coaching certification from the Hudson Institute of Santa Barbara.



**Hans van Alebeek, Vice President, Global Operations & Technology**

Hans van Alebeek joined Nike as director of operations of Europe in 1999, and was appointed vice president, operations & administration in EMEA in 2001; vice president, global operations in 2003; vice president, global operations & technology in 2004; and corporate vice president in November 2005. Prior to joining Nike, he worked for McKinsey & Company as a management consultant, and at N.V. Indivers in business development.

**Darcy Winslow, Global General Manager for Women's Footwear, Apparel and Equipment**

As Nike's global general manager for women's footwear, apparel, and equipment, Darcy Winslow oversees all aspects of the value creation chain in women's fitness, from innovation, product creation, marketing, supply chain, retail and sales. She has worked at Nike for 18 years and has held many positions within the business, including biomechanical research assistant, director of footwear and apparel product testing, product development manager, core team member of Nike's business reengineering initiative, director of advanced research and development, global director for footwear research, design and development, general manager of sustainable business strategies, and global women's footwear director. Winslow received her BS in exercise science and an MS in exercise physiology and biomechanics. She is also a 2003 graduate of the Stanford Executive Program.

**Pat Zeedick, General Manager of Equipment and Women's for the EMEA Region**

Pat Zeedick has held several different positions over the past 19 years of her career with Nike. As of late 2006, she was the general manager of equipment and women's for the Europe, Middle East and Africa region. Prior to that, she was the general manager of Nike Canada, director of sales for the Americas region, global director of sales training and development, national development sales director for the United States, western regional apparel sales manager, and territory sales manager in the Nike Rocky Mountains region. She started her career with the company as an apparel rep. Prior to Nike, Zeedick worked in retail as a buyer and general manager at Joslins department store in Colorado. She grew up in Pennsylvania and completed her education at Indiana University of Pennsylvania.

Source: Information provided by Nike.

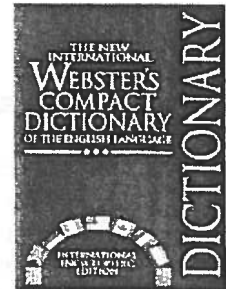
**Exhibit 3**  
**Illustrative Representation of Centralized and Decentralized**  
**Functions Within Nike's Footwear and Apparel Businesses**

	<b>Product Design</b>	<b>Product Development</b>	<b>Demand Planning</b>	<b>Manufacturing</b>	<b>Distribution</b>	<b>Sales</b>	<b>Customer Service</b>
<b>Footwear</b>	C	C	D	C	D	D	D
<b>Apparel</b>	D	D	D	C	D	D	D

C = Centralized  
D = Decentralized

Source: Compiled by authors based on information provided by Nike.

## Exhibit 4 Definitions for Nike's Women's Business



**women's fit-ness** (woo men s) + (fit nes) *n.*

1. Encompasses all the fitness-sports women may choose to do for general fitness – in the gym plus outdoor running and walking.

**fit-ness-sport** (fit nes) + (spôrt, sp rt) *n.*

1. One of possibly several fitness activities performed by women to keep fit. Her equivalent of a man's "sports". Activities she cares about.

**port-fo-li-o** (pôrt-fô l – ee o ) *n.*

1. A group of related yet independent businesses. For example, fitness-sports.

**sweat beau-ty** (swet) (byoo te ) *n.*

1. Nike's women's fitness target consumer. She's 22... SUPER CONFIDENT, no shit, active, full-on, sassy, try anything, someone you'd go drinking with, sexy adventurous, dynamic, youthful, fun... and she works out 3 – 5 times/week.

**fit-ness dance** (f it nes) + (dans) *n.*

1. A fusion of dance styles and music blended with traditional cardio workout techniques
2. An outlet for creativity and expression beyond traditional fitness-sports

**sex-y** (sek see ) adj. **sex-i-er**, **sex-i-est**

1. Slang. Highly appealing or interesting; attractive: "The clothes make me feel sexy"

**full a-lign-ment** (fool) + (e-l n ment) *n.*

1. Arrangement of people, process and technology to successfully deliver an integrated collection of FW, AP and EQP to our consumer

Source: Information provided by Nike.

## Exhibit 5 Market Data – Women's Fitness

### The market that makes up women's fitness is growing geometrically

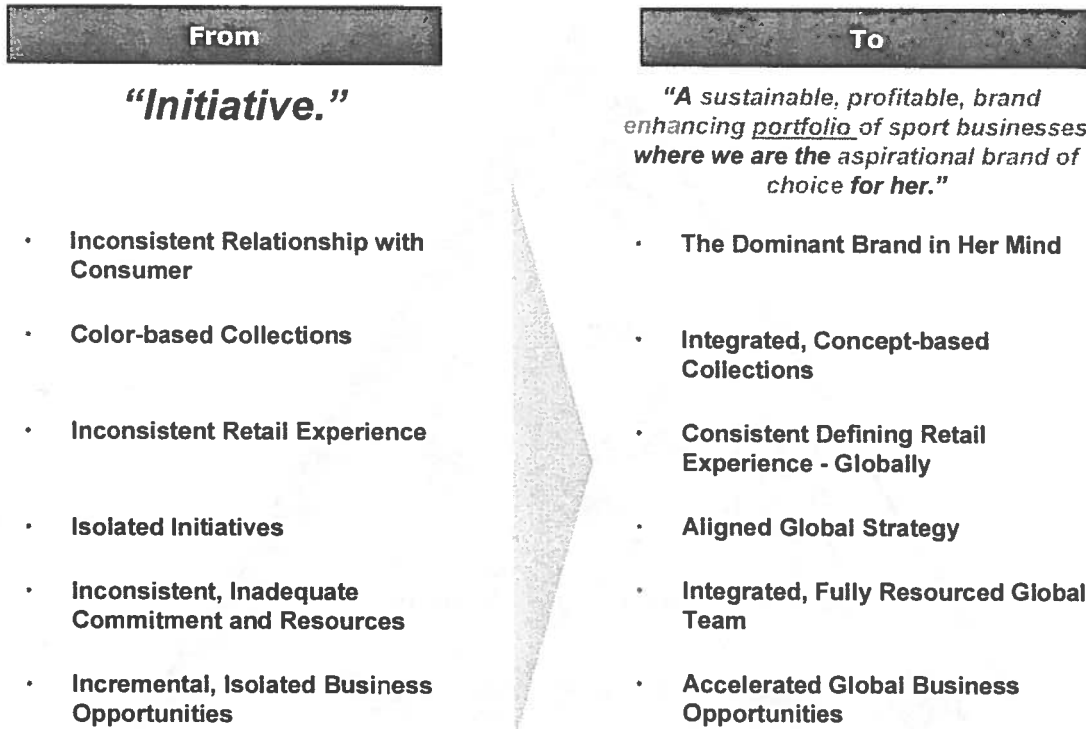
- Expanded consumer base
  - 12 of the top 30 sport/activity participation categories are fitness related.
  - Participation grew in every "fitness" sport activity between '01 and '02.
  - 53% of the 36.3M members at US gyms are women. Membership doubled in 15 years.
  - 40%+ of all people in the US 16+ work out 2-3 times/week
  
- Expanded locations
  - The number of US gyms grew 20% between '02 and '03 to 22K . The majority of new facilities are targeted at women or are yoga/dance studios.
  - A new *Curves* women's gym franchise opens every 4 hours – it is the fastest growing franchise in the world. There is 1 *Curves* gym for every 1½ McDonald's in the U.S. ¼ of all gyms in the US are *Curves*.
  - Conservatively, there are 63K gyms worldwide.
  - The number of gyms in China tripled in 2 years to 350 in '03. Imagine the growth by the '08 Olympics.
  
- Expanded activity and demands
  - Pilates and Yoga represent 2 of 3 top growth fitness activities - '98-02 participation growth was 169% for Pilates training and 95% for Yoga/TaiChi. 13.4M people participated in Yoga in '03, 83% were women.
  - The number of gyms offering Funk/Hip Hop dance classes increased 150% from '01-'03, to 33%
  - Dance/Aerobic Exercise is second only to cardio equipment in area expansion at US gyms in '02. Cardio, Strength, and Dance are priorities for area expansion in 03/04.
  - The number of personal trainers in the US increased 20% to 80K in '02. 91% of gyms offered personal training in '03 vs. 87% in '02.
  
- Fitness has a significant halo on the total \$13B Women's Active Sports Market.
  - The global Women's Fitness Sport Market\* is \$6.1B.

Source: IHRSA, Idea Fit, SGMA, Yankleovich Group, Time, June 2003, CBS on August 19, 2003

Source: Information provided by Nike.

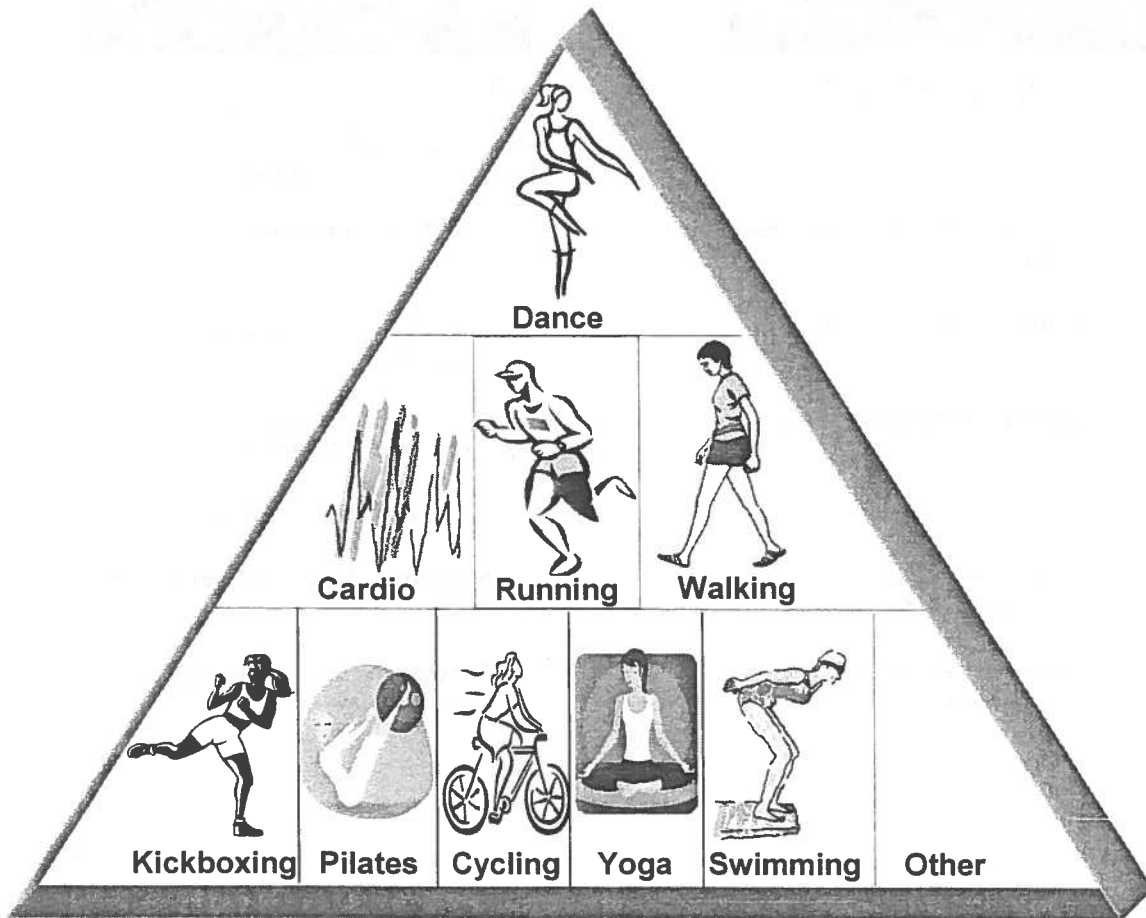
**Exhibit 6**  
**Nike's Vision for Changing the Game in the Women's Market**

**Accelerating Women's Fitness to Women's Sports**



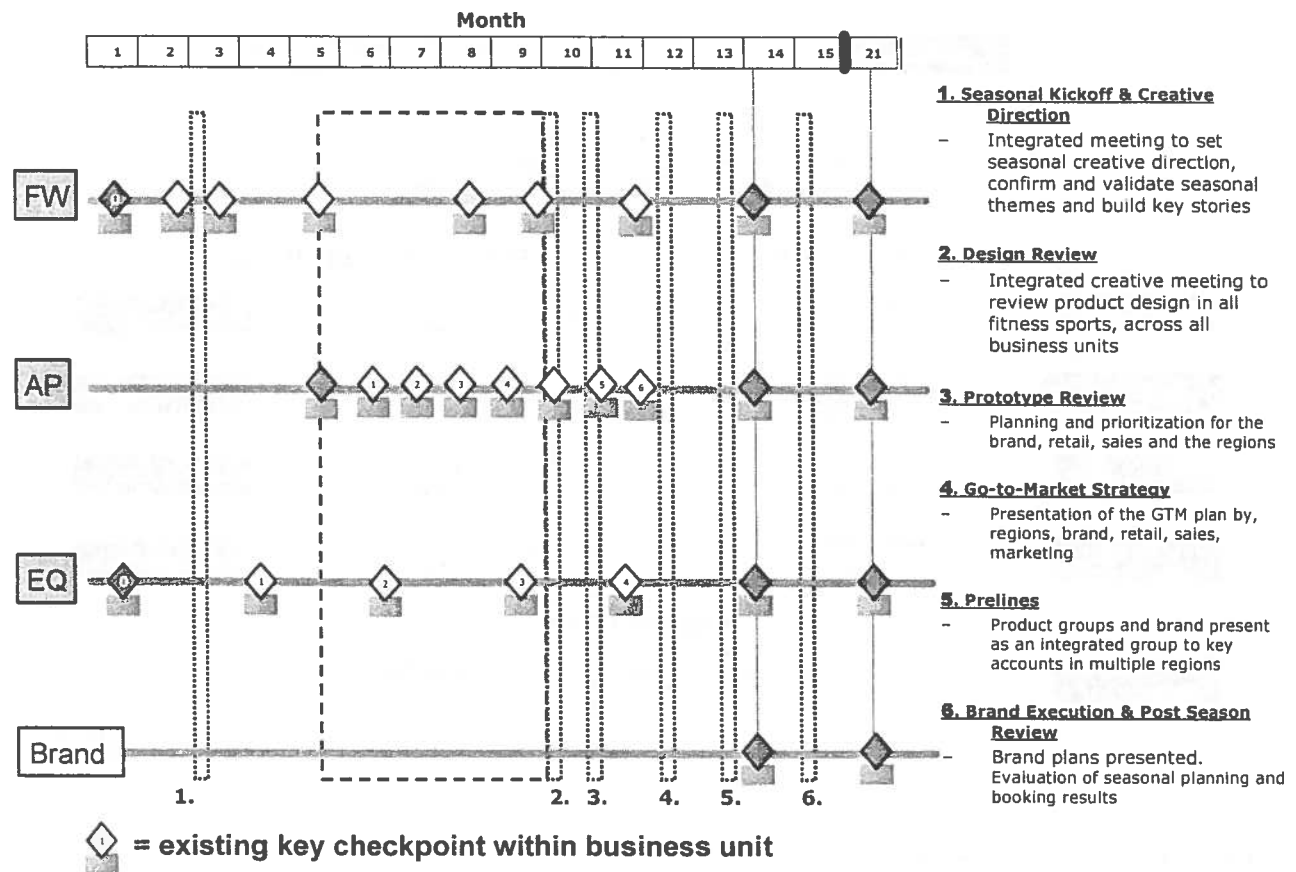
Source: Information provided by Nike.

**Exhibit 7**  
**Nike's Proposed Approach to the Women's Fitness Market**



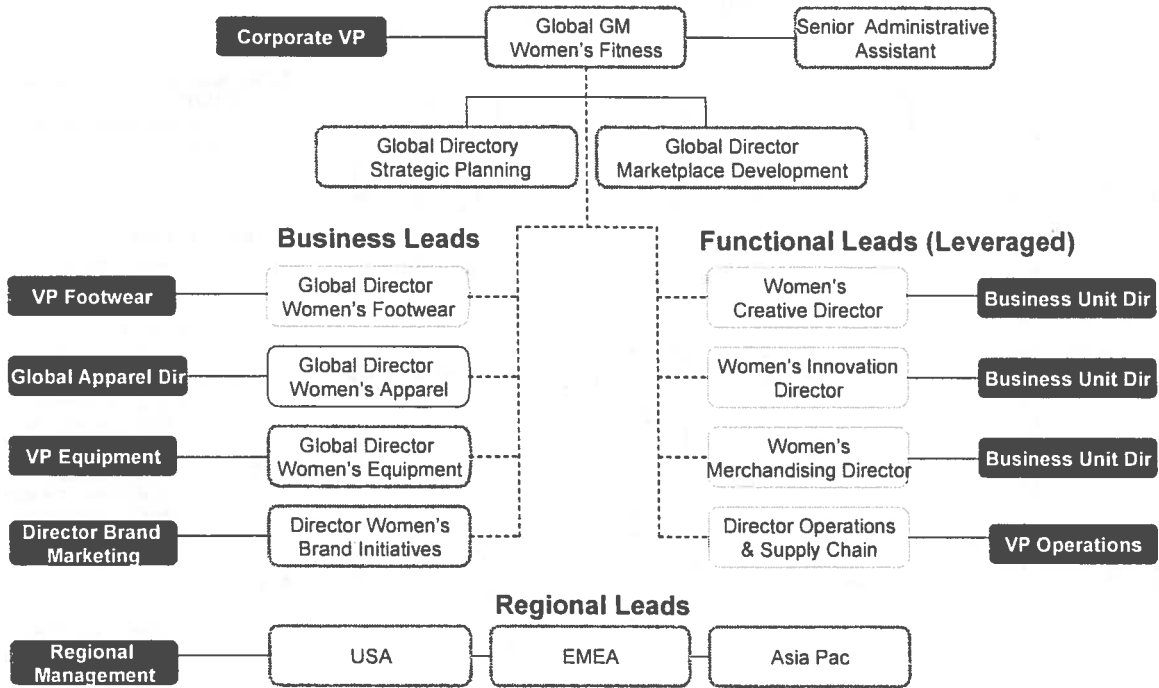
Source: Compiled by authors based on information provided by Nike.

### Exhibit 8 Global Women's Fitness – Integrated Calendar Alignment Process



Source: Information provided by Nike.

### Exhibit 9 Global Women's Fitness – Proposed Organization



Source: Information provided by Nike.



## Exhibit 10 Global Women's Fitness – Proposed Core Team Position Descriptions

### Corporate Women's Fitness Sponsor

- Champion of Women's Fitness business at corporate level
- Direct manager of Women's Fitness GM
- Communication to PHK & BOD, Co-Pres and VP's
- Provides strategic direction
- Facilitates buy-in at CSR
- "Down Field Blocking"
- Owns \$ and integration with Supply Chain and Retail

### Women's Fitness GM

- Creates and drives execution of the Women's Fitness strategy
- Owns portfolio of fitness-sport businesses
- Owns alignment process across business units and regions
- Drives global vision for retail presentation and rollout for Women's Fitness
- Leads efforts globally to identify and drive new channels of distribution
- Manages Women's Fitness leadership team (direct & indirect reports)
  - Contributes to HRP/Org Development
- Ambassador for Nike's Women's Fitness Sport businesses, internally and externally

### Director Market Place Development

- Develops and drives vision for retail presentation in market
- Creates and manages global showrooms
- Identifies and helps to develop priority markets for Women's Fitness
- Leads efforts, globally, to identify and drive new distribution channels for Women's Fitness
- Leads integration of Sales into Global Women's Fitness

### Director Strategic Planning

- Partners with Wms Fitness GM to develop overarching and portfolio global business plans
- Owns financial planning and reporting for Women's Fitness
- Drives strategic analysis (competitive/consumer/channel/ mkt size, etc.)
- Drives business development – integration with existing businesses and new business
- Works with global operations strat planning to drive Supply Chain and Demand Planning with regions

Note: The directors of market place development and strategic planning reported directly to the GM of women's fitness.

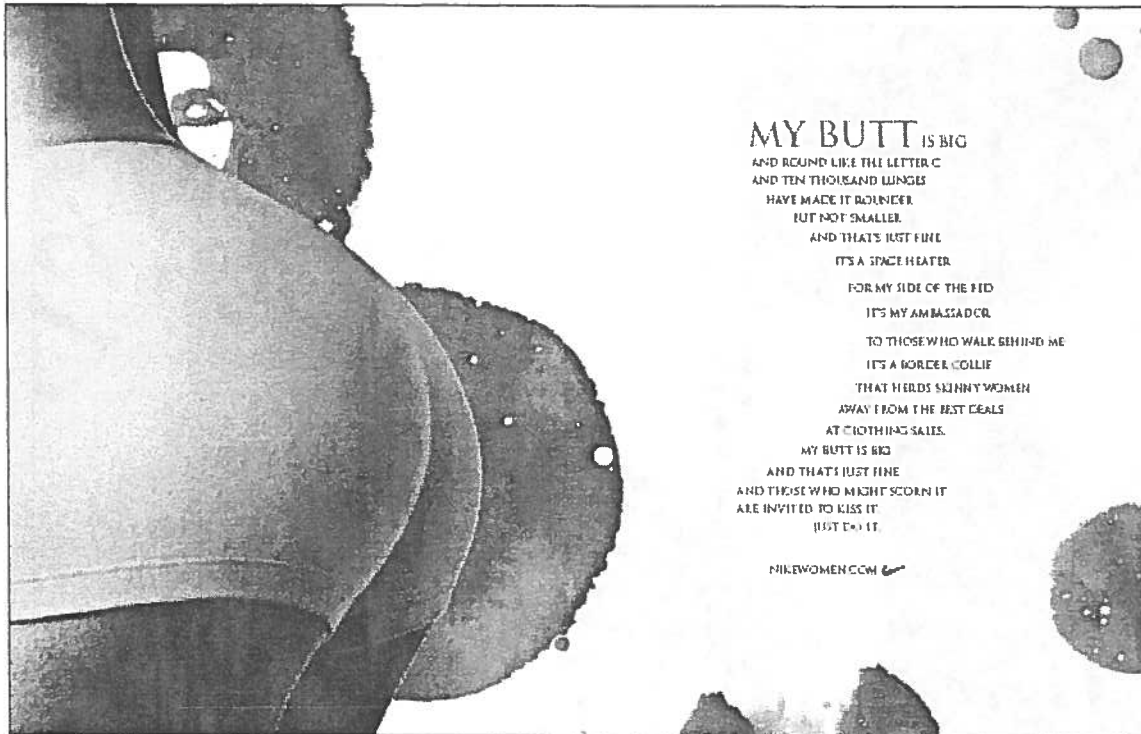
**Exhibit 10 (continued)  
Global Women's Fitness – Proposed Core Team Position Descriptions**

<b>Innovation Director</b>	<b>Creative Director</b>	<b>Merchandizing Director</b>	<b>Operations Director</b>
<ul style="list-style-type: none"> <li>• Functional lead for Women's Fitness GM for Innovation</li> <li>• Leads the thinking around creative problem solving for Women's Fitness Sports consumer</li> <li>• Organizes the logistics to work successfully across FW, AP, &amp; EQP</li> <li>• Demonstrates the ability to see, understand and drive toward the vision of the new retail reality for the targeted consumer</li> <li>• Owns integrated innovation map (3 – 5 years) for women's fitness sports</li> </ul>	<ul style="list-style-type: none"> <li>• Functional lead for Women's Fitness GM for Creative Design Direction</li> <li>• Leads the thinking around creative problem solving for Women's Fitness Sports consumer</li> <li>• Organizes the logistics to work successfully across FW, AP, &amp; EQP</li> <li>• Demonstrates the ability to see, understand and drive toward the vision of the new retail reality for the targeted consumer</li> <li>• Owns seasonal creative direction across FW, AP, &amp; EQP</li> </ul>	<ul style="list-style-type: none"> <li>• Functional lead for Women's Fitness GM for Merchandising</li> <li>• Leads the thinking around creative problem solving for Women's Fitness Sports consumer</li> <li>• Organizes the logistics to work successfully across FW, AP, &amp; EQP</li> <li>• Demonstrates the ability to see, understand and drive toward the vision of the new retail reality for the targeted consumer</li> <li>• Primary communicator for FW, AP, &amp; EQP</li> <li>• Aligns flow, delivery, color across FW, AP, &amp; EQP</li> <li>• Aligns consumer profiles across FW, AP, &amp; EQP</li> </ul>	<ul style="list-style-type: none"> <li>• Functional lead for Women's Fitness GM for Operations</li> <li>• Coordinates communication and shared learning across global product engines, regional product engines, and regional operations</li> <li>• Leads creation of a formalized process for collection delivery (vs current ad hoc systems)</li> </ul>


Note: These positions reported directly to their business unit or global function leaders, with a secondary reporting relationship to the GM of women's fitness.

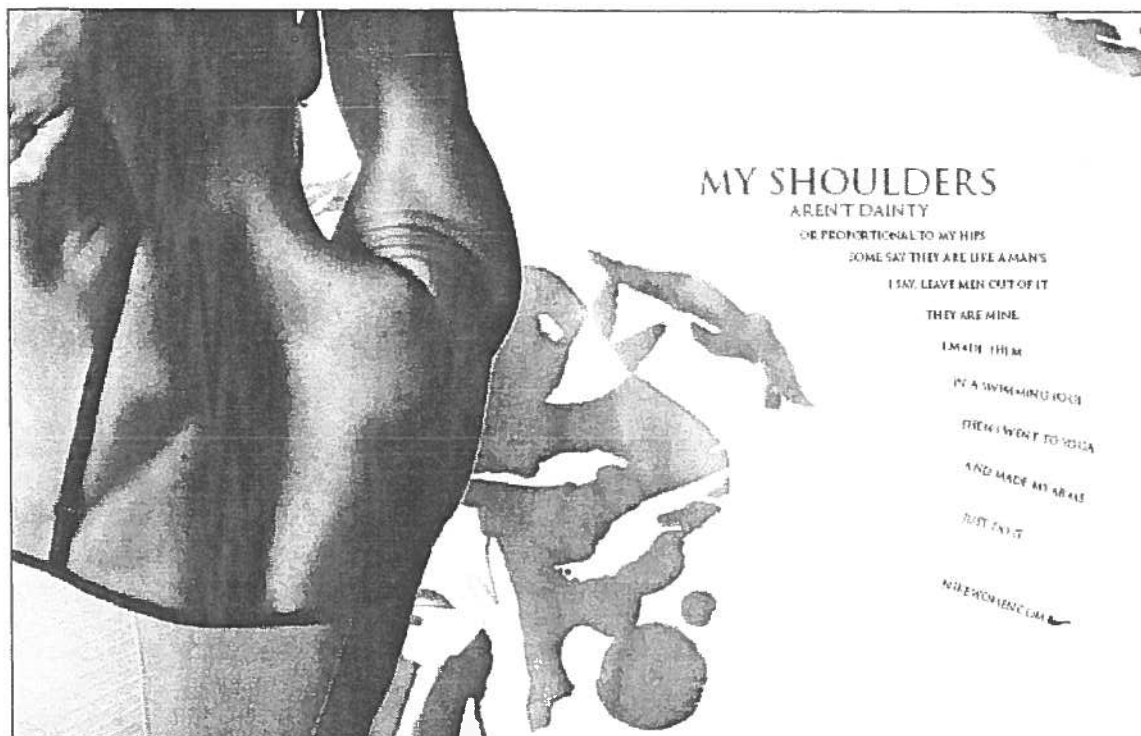
Source: Information provided by Nike.

**Exhibit 11**  
**Global Women's Fitness – Samples from 2006 Print Ad Campaign**




**MY BUTT** IS BIG  
AND ROUND LIKE THE LETTER C  
AND TEN THOUSAND WINGS  
HAVE MADE IT ROUNDER  
BUT NOT SMALLER.  
AND THAT'S JUST FINE  
IT'S A SPACE HEATER  
FOR MY SIDE OF THE BED  
IT'S MY AMBASSADOR  
TO THOSE WHO WALK BEHIND ME  
IT'S A BORDER COLLIE  
THAT HERDS SKINNY WOMEN  
AWAY FROM THE BEST DEALS  
AT CLOTHING SALES.  
MY BUTT IS BIG  
AND THAT'S JUST FINE  
AND THOSE WHO MIGHT SCORN IT  
ARE INVITED TO KISS IT  
(JUST TRY IT.)

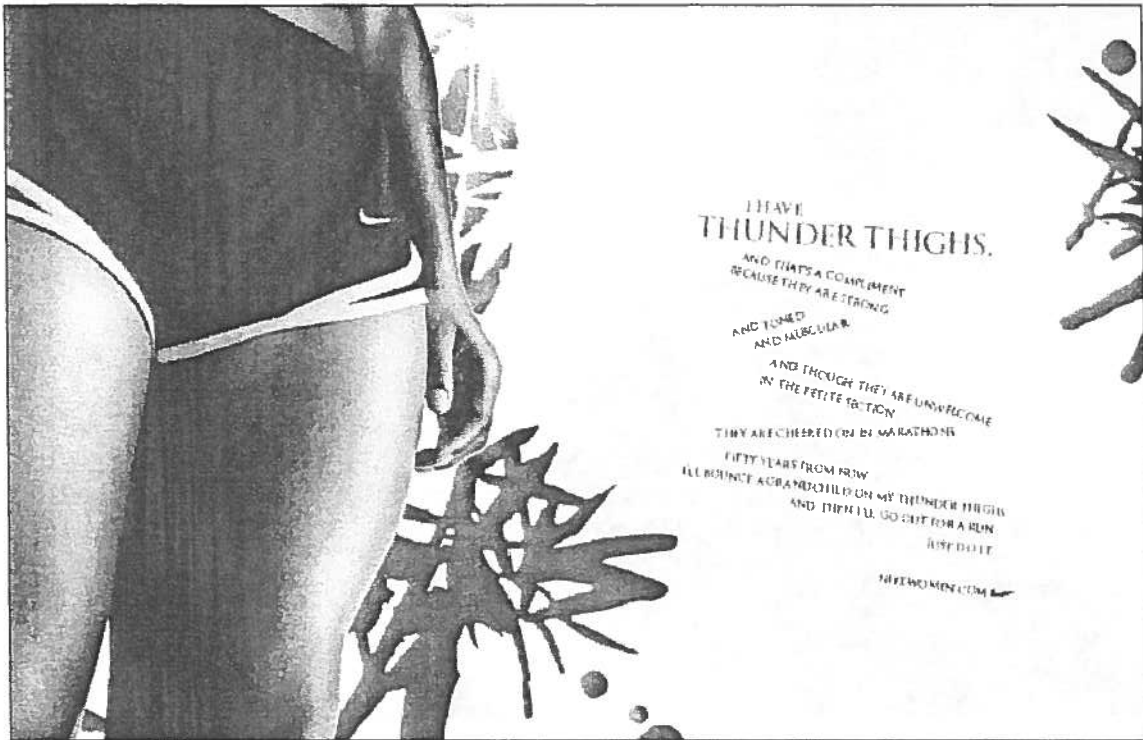
NIKEWOMEN.COM 



**MY SHOULDERS**  
AREN'T DAINTY  
OR PROPORTIONAL TO MY HIPS  
SOME SAY THEY ARE LIKE A MAN'S  
I SAY, LEAVE MEN OUT OF IT  
THEY ARE MINE  
I MAKE THEM  
BY A SWIMMING POOL  
THEY WENT TO MOSA  
AND MADE AN ABAS  
JUST TRY IT

NIKEWOMEN.COM 

**Exhibit 11 (continued)**  
**Global Women's Fitness – Samples from 2006 Print Ad Campaign**



Source: Information provided by Nike.