

# Jim Keady and Nike, Inc.

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## What Does Nike Pay Its People?

Nike Spokesman  
**Tiger Woods**



**\$55,555** per day  
477.773.000 Rp

Indonesian Shoe  
**Factory Worker**



**\$1.25** per day  
10,750 Rp

Nike CEO  
**Phil Knight**



**\$5.8 Billion**  
net worth  
49,880,000,000,000 Rp

Jim Keady was incredulous at the ultimatum handed to him. It would be one thing if this were just any university, but this was St. John's University. A Christian school. A Catholic school. A school whose namesake is the evangelist of love. But what could be more unloving than St. John's attitude toward indigent shoe workers in Southeast Asia – and toward Jim, for that matter, who had taken up their cause?

Rewind the tape several months. The Nike Corporation, the 800-pound gorilla of the athletic shoe industry, made an offer that few cash-strapped universities can refuse. In exchange for St. John's exclusive use of Nike apparel for its sports teams, Nike would provide that apparel free of charge and make annual payments of \$3.5 million to the university.

From a business perspective, this may sound quite reasonable. It's a real win-win. The problem, as Jim saw it, was that Nike practiced the most unethical of business practices by mistreating its workers, the vast majority of whom were employed in China, Vietnam, Thailand, and Indonesia. As a graduate theology student, Jim saw a blatant inconsistency with Catholic Social Teaching and Biblical doctrine. As a graduate assistant to the soccer coach – one who's footwear choices would now be constrained by St. John's marriage to Nike – Jim was doubly incensed.

This shoe company was seducing St. John's to sell its soul in exchange for Nike soles (and millions of silver pieces). Nike might be able to get a foot in the door with other schools, Jim thought, but never a Catholic university, an institution steeped in the traditions of service to and justice for the poor. But in June of 1998, Nike did just that, consummating the multi-million dollar contract.

From Jim's diary, 8/7/00: "To see this child, to hold her, and to know that there are thousands more like her who are suffering because of Nike wants to keep its labor costs down makes me so angry!"



Jim publicly opposed the deal in the St. John's student newspaper, refused to wear Nike apparel, and pleaded his case with the administration. He vociferously and passionately disclosed Nike's mistreatment of its powerless workforce. 99 percent of Nike's 99 million shoes were manufactured in factories that paid less than a living wage, even in countries like Indonesia where the cost of living is less than \$1000 per year. This was exploitation in its most ribald form and now, by partnering with Nike, Jim claimed that St. John's was an accomplice to the abuse.

The University administration appeared unreceptive to Jim's protests. In fact, in a civil rights case that Jim later brought in Federal court, Jim claimed that he was chastised by the men's soccer coach and "threatened with retaliation by university officials if he continued to refuse to wear Nike logo equipment and if he continued to speak out concerning the contract between [St. John's] and [Nike]." After ultimately being told to "wear Nike and drop the issue, or resign," Jim chose the latter. In his resignation letter, he cited the reasons as "a troubling matter of conscience," the fact that St. John's was "seriously compromising its mission statement and is in direct violation of Catholic social teaching," and Nike's failure to address the issue of a "living wage" for its workers.

For its part, St. John's publicly claimed that it "remains committed to improving labor conditions for factory workers worldwide" and has attempted to persuade Nike to make improvements in its labor conditions. Moreover, prompted by Jim Keady's efforts to make an issue of the school's relationship with Nike, the University undertook its own two-year study of Nike's labor practices in Southeast Asia. A synopsis of the findings is included below (excerpted from the St. John's website)

### Factory Monitoring Report

November 29, 2000

For the last two years, St. John's University has been actively engaged in a process to ensure the apparel its athletes wear is produced under fair labor

conditions. To that end, St. John's has entered into partnerships with several worldwide organizations, including the Global Alliance for Workers and Communities, committed to improving labor conditions in factories which produce athletic apparel. St. John's has also made it a part of our contract with the Nike Corporation that they must meet certain fair labor requirements in these factories if they are to be assured of our continued business.

This fall I personally visited several factories throughout Southeast Asia which produce athletic apparel for Nike. I also had the chance to meet and speak with workers, their supervisors, and managers for Nike. What I found is detailed in the pages that follow. What I found makes me believe St. John's efforts are having a positive effect on factory workers' lives. Once again, St. John's can be proud of having taken a stand that is producing tangible, positive results.

Sincerely,  
 Rev. James J Maher, C.M.  
 Vice President University Ministry  
 St. John's University

Nike's public defense regarding its wages is as follows (from Nike's website):

People around the world working in Nike contract factories are paid a fair wage, which often combines cash with allowances for meals, housing, transportation, health care and even bonuses. Nike sets the cash wage for entry level workers using the standards set by local governments or trade unions in each country. In most cases, though, Nike's entry level contract workers make at least 25 percent more in cash and allowances than the local governments in each region require. The majority of people working in Nike contract factories earn more than the entry level cash wage and are provided with extra benefits such as allowances and bonuses.

According to Jim Keady, this completely sidesteps the issue of whether its workers can actually live in reasonable and frugal comfort while earning market wages. This is a point that he made repeatedly while at St. John's and continues to make. Jim undertook his own investigation, going to Asia and living among the Nike labor force. According to Jim, Nike's workers:

- Labor 10-15 hour days and still don't earn enough to eat properly
- Are screamed at and humiliated when they do not meet their production quota
- Are compelled to work overtime
- Are threatened verbally and sometimes physically when they try to form unions
- Have healthcare plans that do not meet their basic medical needs
- Are compelled to work 48-hour shifts during peak seasons to meet demand during the American holidays
- Have their water supply polluted by factory waste



Photo taken by Jim Keady during his 13 months he recently spent in Indonesia visiting families employed by Nike. This is Susanti, whose parents do not have enough money to take her to the doctor or buy the medicine she needs for her chronic cough and skin rashes.

Nike's claims that factory workers are treated well and most of them like their jobs. Additionally, on the issue of a living wage, Nike reports:

People working in Nike contract factories earn a fair wage. Nike is constantly evaluating compensation packages to ensure workers are being paid fairly. In fact, as a member of President Clinton's Apparel Industry Partnership (AIP), Nike will be reviewing a wage survey conducted by the Department of Labor, undertaken at the request of the members of the AIP.

There is no common, agreed-upon definition of the living wage. Definitions range from complex mathematical formulas to vague philosophical notions. Using a whole range of studies and inputs, Nike will endeavor to ensure that factory workers making Nike products earn a fair compensation package, mindful always of the need to balance creation of jobs and fair compensation.

### **Suggested Questions for Discussion**

1. What would you have done if you were in Jim Keady's shoes? What is the appropriate course of actions when your values conflict with the organization's values?
2. Is Nike doing anything wrong regarding the compensation of manufacturing workers in developing nations? What is your basis for saying yes or no? In your opinion, how much responsibility should a corporation bear for its employees and other stakeholders?
3. Did St. John's, an overtly Christian organization, do the right thing by contracting with Nike? Stated differently, has St. John's sold its soul for Nike soles?

## **Appendices to the Nike Case**

Nike is the largest seller of athletic footwear and athletic apparel in the world. The Company sells its products to approximately 19,000 retail accounts in the United States and through a mix of independent distributors, licensees and subsidiaries in approximately 140 countries around the world. Virtually all of its products are manufactured by independent contractors.

### **Nike's Mission**

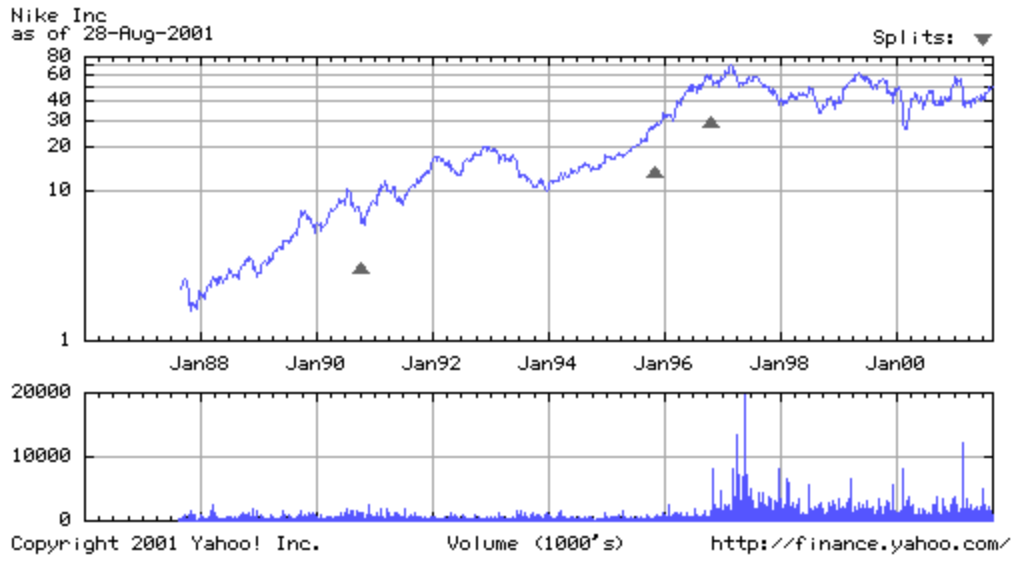
Through the adoption of sustainable business practices Nike is committed to securing intergenerational quality of life, restoring the environment and increasing value for our customers, shareholders and business partners.

#### **Nike will endeavor to:**

- Integrate principles of sustainability into all major business decisions.
- Scrutinize our environmental impacts in our day-to-day operations and throughout every stage of the product life cycle.
- Design and develop product, materials and technologies according to the fundamental principles of sustainability.
- Promote our practices throughout the supply chain and seek business partnerships with suppliers who operate in a manner consistent with our values.
- Educate our employees, customers, and business partners to support our goal of achieving sustainability.
- Turn awareness into action by integrating environmental responsibility into job responsibility.
- Partner with experts and organizations that contribute to our knowledge about sustainability and stewardship of our outdoor playground.
- Contribute to quality of life in the communities in which we operate.
- Monitor, measure and report progress.
- Strive for continuous improvement in everything we do.
- Comply with all applicable and relevant regulations wherever in the world we do business.

RECENT FINANCIAL HISTORY  
(in millions)

	2000	1999	1998	1997
<b>Year Ended May 31,</b>				
Revenues	\$8,995.1	\$ 8,776.9	\$9,553.1	\$ 9,186.5
Gross Margin	3,591.3	3,283.4	3,487.6	3,683.5
Gross Margin %	39.9%	37.4%	36.5%	40.1%
Restructuring Charge, net	(2.5)	45.1	129.9	-
Net Income	579.1	451.4	399.6	795.8
Earnings Per Share	2.10	1.59	1.38	2.76
Cash Flow from Operations	759.9	961.0	517.5	323.1
Cash and Equivalents	\$ 254.3	\$ 198.1	\$ 108.6	\$ 445.4
Inventories	1,446.0	1,170.6	1,396.6	1,338.6
Working Capital	1,456.4	1,818.0	1,828.8	1,964.0
Total Assets	5,856.9	5,247.7	5,397.4	5,361.2
Long-term Debt	470.3	386.1	379.4	296.0
Redeemable Preferred Stock	0.3	0.3	0.3	0.3
Shareholders' Equity	3,136.0	3,334.6	3,261.6	3,155.9
<b>Financial Ratios:</b>				
Return on Equity	17.9%	13.7%	12.5%	28.5%
Return on Assets	10.4%	8.5%	7.4%	17.1%
Inventory Turns	4.1	4.3	4.4	4.8
Current Ratio at May 31	1.7	2.3	2.1	2.1
Price/Earnings Ratio	20.7	38.8	34.1	21.5
<b>Geographic Revenues:</b>				
United States	\$5,017.4	\$ 5,042.6	\$5,460.0	\$ 5,538.2
Europe	2,350.9	2,255.8	2,096.1	1,789.8
Asia Pacific	955.1	844.5	1,253.9	1,241.9
Americas (exclusive of U.S.)	671.7	634.0	743.1	616.6



## MISSION STATEMENT

# ST. JOHN'S UNIVERSITY IS CATHOLIC, VINCENTIAN, AND METROPOLITAN

**As a University**, we commit ourselves to academic excellence and the pursuit of wisdom which flows from free inquiry, religious values and human experience. We strive to preserve and enhance an atmosphere in which scholarly research, imaginative methodology, global awareness, and an enthusiastic quest for truth serve as the basis of a vital teaching-learning process and the development of lifelong learning. Our core curriculum in the liberal arts and sciences aims to enrich lives as well as professions and serves to unify the undergraduate experience. Graduate and professional schools express our commitment to research, rigorous standards, and innovative application of knowledge. We aim not only to be excellent professionals with an ability to analyze and articulate clearly what is, but also to develop the ethical and aesthetic values to imagine and help realize what might be.

**St. John's is a Catholic university**, founded in 1870 in response to an invitation of the first Bishop of Brooklyn, John Loughlin, to provide the youth of the city with an intellectual and moral education. We embrace the Judeo-Christian ideals of respect for the rights and dignity of every person and each individual's responsibility for the world in which we live. We commit ourselves to create a climate patterned on the life and teaching of Jesus Christ as embodied in the traditions and practices of the Roman Catholic Church. Our community, which comprises members of many faiths, strives for an openness which is "wholly directed to all that is true, all that deserves respect, all that is honest, pure, admirable, decent, virtuous, or worthy of praise" (Philippians 4:8). Thus, the university is a place where the church reflects upon itself and the world as it engages in dialogue with other religious traditions.

**St. John's is a Vincentian university**, inspired by St. Vincent de Paul's compassion and zeal for service. We strive to provide excellent education for all people, especially those lacking economic, physical, or social advantages. Community service programs combine with reflective learning to enlarge the classroom experience. Wherever possible, we devote our intellectual and physical resources to search out the causes of poverty and social injustice and to encourage solutions which are adaptable, effective, and concrete. In the Vincentian tradition, we seek to foster a world view and to further efforts toward global harmony and development, by creating an atmosphere in which all may imbibe and embody the spirit of compassionate concern for others so characteristic of Vincent.

**St. John's is a metropolitan university**. We benefit from the cultural diversity, the intellectual and artistic resources, and the unique professional educational opportunities offered by New York City, Rome and other international cities. With this richness comes responsibility. We encourage these metropolitan communities to use our resources to serve their needs. On the local, state, national, and international levels, our alumni serve as effective leaders and responsible citizens. We pledge to foster those qualities required for anticipating and responding to the educational, ethical, cultural, social, professional, and religious needs of dynamic cities in a dynamic world.