

STANFORD

M A G A Z I N E

The Force Behind the Nike Empire

by Jackie Krentzman

Phil Knight built a successful business by selling shoes. He became a billionaire by selling dreams.



KNIGHT WATCH: The CEO surveys his Beaverton, Ore., "campus."

Robbie McLaren

Tour.

As 20-year-old Stanford golfer Tiger Woods fought his way to an unprecedented third U.S. Amateur title last summer, Nike founder Phil Knight shadowed him from hole to hole, appraising the young phenom's every smile the way a golf coach would his swing. "I hope we sign him," Knight said at the time. "If not, I hope he goes to medical school." Three days later, Woods called a news conference, stepped before the TV cameras and announced that he was quitting college to join the Professional Golf Association

"Well," he said with a big grin, "I guess it's 'Hello, world,' huh?"

An adoring sports media lapped up the young man's winning soundbite. Then, just 24 hours later, the other shoe dropped. In a barrage of new TV spots and full-page newspaper ads, Nike unveiled its latest pitchman: pro golfer Tiger Woods. The Nike-crafted tag line on the ads? "Hello, World."

Woods may be the company's current star, but its controversial CEO and founder is the real story. Nike signed Woods to a five-year endorsement deal, reportedly worth more than \$40 million,



WAFFLE TRAINER, 1973

and has thrown its considerable weight behind him. The company is packaging the young golfer--who is part African American, part Chinese, part American Indian, part Thai and part white--as the Jackie Robinson of golf, breaking down barriers each time he steps on a course. The press savaged the ads for posing Woods as a racial trailblazer, a path long since pioneered by black golfers such as Charlie Sifford and Lee Elder.

But the world's largest athletic shoe and apparel company had triumphed again, creating a buzz for its masterful orchestration of Woods's coming-out party and raising hackles with its questionable use of race to promote him. It was pure Philip Humpson Knight: innovative, controversial and very, very successful.



Of course, you'd expect nothing less from the man who turned a tiny company called Blue Ribbon Sports into [Nike Corp.](#), a multibillion-dollar enterprise and a household name. A former middle-distance runner at the University of Oregon (he ran a respectable 4:10 mile), Knight, MBA '62, has been on a 30-year endorphin rush. He has made more money from athletics than anyone, ever. With a net worth of \$5.3 billion, Knight ranks sixth on Forbes's latest list of the richest Americans. Blue Ribbon Sports cleared \$3,240 in its first year, 1964. In fiscal year 1996, Nike's revenue hit a stratospheric \$6.5 billion (with \$550 million in income). "In a very short period of time, Phil Knight created one of the greatest American commerce stories of the 20th century," says sports agent David Falk, who has frequently butted heads with Knight over the marketing and representation of athletes.

If one of those athletes weren't Michael Jordan, consumers worldwide might still be pronouncing Nike like Mike. In large part because of that one employee with the thousand-watt smile and springboard legs, there is no greater status symbol among youths than Nike products.

But make no mistake: As athletically awesome and charismatic as Michael Jordan is, he alone did not make Nike as recognizable worldwide as Coke and McDonalds. Nor did he make "Just Do It" the slogan that best encapsulates the 1990s. Nike is a cultural icon because Knight understood and captured the zeitgeist of American pop culture and married it to sports. He found a way to harness



AIR ELITE HUARACHE, 1992

society's worship of heroes, obsession with status symbols and predilection for singular, often rebellious figures. Nike's seductive marketing focuses squarely on a charismatic athlete or image, rarely even mentioning or showing the shoes. The Nike swoosh is so ubiquitous that the name Nike is often omitted altogether.

"Phil understands the symbolic power and attractiveness of sports," says A. Michael Spence, dean of the Stanford Graduate School of Business and a Nike board member. "And he helped build that connection in our culture."

Knight also understood that this lust for heroes and appreciation for in-your-face attitude is not limited to American youth. He correctly predicted that American culture was a marketable commodity--that teenagers from Paris to Shanghai would be just as taken with Charles Barkley's ample attitude as teenagers in Trenton and San Diego.



No company has put as much creative energy and resources into marketing celebrities as Nike. If, as Marshall McLuhan famously said, advertising is the greatest art form of the 20th century, then Nike is its Picasso, imaginatively expanding the parameters of the medium's use of the athlete-endorser. "We didn't invent it," Knight acknowledges in an interview, "but we ratcheted it up several notches."

Nike engineered shoes for the top echelon of athletes to compete and train in. At the same time, the company's mass marketing made the shoes so attractive and desirable that they became a de rigueur accessory to the American wardrobe and dream--even if increasingly sedentary teens only wore them to watch TV. Thirty years ago, American teenagers owned either a pair of Converse All-Stars or Keds. Today, the average American boy owns 10 pairs of sneakers.

Understanding how Phil Knight made Nike a household name is easy. Understanding Phil Knight is not. For someone whose empire rests on visceral consumer reactions, Knight is remarkably self-contained.

Once dubbed the "most powerful man in sports" by the Sporting News, Knight presents himself as affable, albeit slightly stiff and a



tad shy. He unobtrusively enters the Wimbledon conference room on the fourth floor of the John McEnroe Building on the Nike World Campus in Beaverton, Ore. (a good hour's jog from Portland), clears his throat, introduces himself and apologizes for being 10 minutes late. "Where should I sit?" he asks. Knight isn't wearing his ever-present Oakley sunglasses (he's rarely photographed without them), which is a bonus, as his pale blue eyes open wide and sparkle when a topic engages him.

Like many of the 2,700 employees on the campus, Knight instinctively glances down at his visitor's shoes before taking a seat at the far end of the conference table, his back to the picture window that offers a view of the campus and the 10-acre lake anchoring it. I nervously appraise my black leather, conservative flats and kick myself for making such a boring choice for a meeting with the man who made footwear an art form. It's like picking up John DeLorean in a Yugo.

Knight, 58, still has the lean, almost gaunt build of a runner. Known for his decidedly dressed-down and wrinkled wardrobe, he looks surprisingly natty. A black linen suit drapes loosely over his slender frame. His black, collarless shirt buttons up to his Adam's apple. With his trim beard, collar-length, wavy red-blond hair shrouding most of the gray, he suggests a record executive who looks and sounds remarkably like actor Donald Sutherland.

Knight has been portrayed as mysterious, inscrutable, eccentric, unpredictable, enigmatic, idiosyncratic, shy, aloof, reclusive, competitive and a genius. But the world may never know which adjective suits him best. Knight, who with his wife of 28 years, Penny, has two grown sons, shuns publicity and self-explication the way Howard Stern courts it.

"Genius" is the one attribute on the list that Knight questions. "Other than that, I'm all of those things--most of those adjectives are right some of the time," he says. That's as far as he'll go. When asked a potentially revealing question ("Have you deliberately cultivated an image for yourself, the way Nike has for its clients?") he toys with a can of Diet Pepsi or fiddles with the watch he took off at the start of the interview. He signals that a question is not to his liking by deftly shifting the focus to Nike, lapsing into corporate-speak or even abruptly cutting himself off in mid-sentence and waiting--in stony silence--for the next question.



Knight was raised in Portland, the son of a lawyer turned newspaper publisher. He was a middle-distance runner for the University of Oregon track team, which at the time had one of the best programs in the country. Known as "Buck," Knight had more enthusiasm than talent, which made him the ideal human guinea pig for legendary track coach Bill Bowerman's endless tinkering with running shoes. "I was very aware of shoes when I was running track," Knight says. "The American shoes were offshoots of tire companies. Shoes cost \$5, and you would come back from a five-mile run with your feet bleeding. Then the German companies came in with \$30 shoes, which were more comfortable. But Bowerman still wasn't satisfied. He believed that shaving an ounce off a pair of shoes for a guy running a mile could make a big difference. So Bowerman began making shoes himself, and since I wasn't the best guy on the team, I was the logical one to test the shoes."

An indifferent student, Knight graduated from Oregon with a degree in journalism in 1959. He enlisted in the army for a year (and served in the reserves for seven), then enrolled at the Graduate School of Business at Stanford.

Stanford changed Knight's life. Finally, school wasn't drudgery. For the first time, he was excited to read about something other than sports. And it was in Frank Shallenberger's small-business class that Knight conceived Nike.

Shallenberger gave his class the following assignment: Invent a new business, describe its purpose and create a marketing plan. In his paper, "Can Japanese Sports Shoes Do to German Sports Shoes What Japanese Cameras Did to German Cameras?" Knight developed a blueprint for superior athletic shoes, produced inexpensively in Japan, where labor was cheaper. "That class was an 'aha!' moment," Knight says. "First, Shallenberger defined the type of person who was an entrepreneur--and I realized he was talking to me. I remember after writing that paper, saying to myself: 'This is really what I would like to do.'"

After graduating from Stanford, Knight acquiesced to his father's wishes and secured a "real" job with a Portland accounting firm. But first, he traveled to Japan, where he became enamored of Japanese culture and business practices. To this day, visitors to his office must remove their shoes--even their \$180 Air Pamirs--

before entering. And Knight took leave of our interview by forming a steeple with his hands and bowing.

Much has been made of Knight's meditative, almost dreamy mien and his affinity for all things Asian, especially Japanese. Knight refined both his philosophy of life and business while in Japan. He studied Asian culture and religion and climbed Mount Fuji, which the Japanese consider a sort of pilgrimage. He also visited the Onitsuka shoe factory in Kobe, which was producing Adidas knock-offs, called Tigers. Knight was so impressed with both the quality and low production costs that he made a deal with Onitsuka to distribute Tigers in the United States.

After returning from Japan in 1964, the 26-year-old Knight began peddling Onitsuka running shoes from the back of his green Plymouth Valiant at track meets across the Pacific Northwest. Adidas was hardly quaking in its cleats, and Knight kept his day job as an accountant. But he persevered, convinced that his inexpensive, high-performance shoes could beat the top "sneakers"--Adidas, Converse All-Stars and Keds--in the market. By 1969, at the fortuitous dawn of the jogging boom, Knight sold a million bucks worth of Onitsuka shoes bearing his Blue Ribbon Sports label.

In 1971, Knight decided he could retire his accountant's wing tips. It was also time to give his fledgling company a new name and logo. Knight favored "Dimension Six," but his 45 employees thankfully laughed that one down. Then Jeff Johnson, '63, a fellow running geek, proposed a name that came to him in a dream: Nike, for the Greek winged goddess of victory. The company paid \$35 to commission a new logo--a fat checkmark dubbed a "swoosh"--and the new shoe debuted at the 1972 Olympic trials in Eugene, Ore.

Nike sold \$3.2 million worth of shoes in 1972, and its profits doubled each of the next 10 years. Nike passed Adidas to become the industry leader in the United States in 1980, the year it went public. The company made a quantum leap in 1984 when it signed the 21-year old Jordan to endorse a basketball sneaker. Within a year, it seemed that every boy in America was strutting about in the clunky, siren-red Air Jordan high-tops. "It wasn't planning," Knight says. "We could see that he was a charismatic guy who jumps over the moon and is very competitive, but nobody could have predicted what he would become to our culture."





Now it seems formulaic--sign a gifted athlete to a lucrative endorsement contract, give him his own television commercial and shoe, blow him up larger than life and count the money. But in 1984, it was unprecedented. By signing, promoting and eventually turning Jordan into a legend, Nike played a pivotal role in revving up the cult of personality that now pervades sports. (Knight still gets a kick out of telling this story: "A few years ago there was a poll in China to name the greatest man ever. The winner was Mao, but there was a tie for second between [revolutionary hero] Zhou Enlai and Michael Jordan of the Chicago Red Oxen!").

Ironically, the chairman of the company that has set the standard with its groundbreaking, creative advertising campaigns (It's Gotta Be the Shoes, Bo Knows, Just Do It, Griffey for President) had to be talked into advertising at all. "I used to believe that a good product sold itself," says Knight, who like many of his employees sports a Nike "swoosh" tattoo, his on his left calf. "When I first went to meet with Wieden and Kennedy [Nike's Portland-based ad agency], I told them: 'I don't like advertising.' And I'm still uneasy with it."

Others are just uneasy with Nike's particular brand of advertising. Even though the company's commercials have been hailed as pop art, Nike has been denounced for turning sports stars into cartoonish überathletes and creating a market of young consumers blinded by idolatry. And for those with underdeveloped public personas, Nike has not hesitated to fill in the blanks. Nothing wrong with that, Knight believes. Sports isn't about truth and accuracy. It's the central, unifying culture of the United States and the stuff of romance and dreams. "Sports is like rock 'n' roll," he says. "Both are dominant cultural forces, both speak an international language, and both are all about emotions."

Some consider Nike--with its swoosh popping up on uniforms, on the lapels of college basketball coaches, even as bus-size renderings on walls of stadiums--responsible for the over-commercialization of sports. Nike is certainly not the first or only corporation to wield considerable influence in the sports world, but it is the most brazen and visible. "Nike is the prime representative of the way we overmarket and overadvertise and overdo everything these days," says Todd Boyd, a professor of critical studies in the USC school of cinema and television. "The market is saturated to the point where it can be sickening. The problem is, we now have people going gaga over a commercial, as



TATTOO YOU: FOLLOWING A COMPANY TRADITION, KNIGHT GETS A SWOOSH TATTOO ON HIS ANKLE.

much or more so than they do the sport itself. Enough already."

For a time, Nike became a lightning rod for all sorts of criticism. The company came under fire in the early 1990s when there was a spate of shootings and knifings in American inner cities by teenagers coveting Nikes, which were just then pushing the \$100 mark. Newspaper

columnists decried "Just Do It" as a nihilistic slogan that justified or even begat these crimes. Nike was accused of focusing its ad campaigns on children in the ghettos, although, ironically, athletic shoes are the most cross-cultural of commodities.

Then, in the 1992 Olympics, the company hit its public relations nadir when the Nike endorsers on the Olympic basketball "Dream Team" refused to wear the official Olympic warm-up jerseys on the medal stand because they bore the logo of archrival Reebok. Nike was perceived as demanding that its athletes put shoe company before country. The incident became a symbol for those concerned with the inexorable and rapidly advancing influence of money in the world of athletics, obscuring or even warping the purity of the Games themselves.

Also in 1992, a group named Made in America called for a boycott of Nike products because Nike shoes (like most athletic footwear) are made overseas, mainly in Asia where labor is cheap. Nike has been criticized for its low pay and abusive treatment of some workers. Using independent subcontractors, Nike makes many of its products in Indonesia, a world pariah for its well-documented human-rights abuses. New York Times columnist Bob Herbert has launched his own crusade against Nike. He accuses the company of exploiting Indonesians while quietly encouraging the Suharto government to crack down on dissent.



Over the years, Nike has also rattled cages with its penchant for signing athletes with rebellious, even dicey, reputations, such as the outspoken Barkley and the untethered Chicago Bull, Dennis Rodman. Not that Reebok endorser Sean Kemp or Converse man Larry Johnson (both guilty of taunting lesser opponents while representing the United States in the 1994 World Games) are paragons of virtue, but Nike pioneered the trend of signing

athletes who project attitude as well as excellence.

An impenitent Knight shrugs when asked about these issues. "Our business practices are no different than those of our competitors," he says. "But we are bigger, and thus more visible, so we get more flack."

But it's more than that. Nike courts controversy. For instance, Nike donated \$25,000 to Tonya Harding's defense fund in 1994, in part to tweak Reebok, the sponsors of Nancy Kerrigan. Nike's analog isn't the conservative team owner, but the cocky superstar who sets the agenda and is so wildly popular he knows he can get away with just about anything. "Nike is at times feisty, or counterestablishment, deliberately," says Spence, the business school dean. "That's partly Phil and partly the athletic culture Nike is modeled after."

As Nike ran away with the athletic-shoe market in the '80s, these criticisms were merely annoying pebbles wedged in its shoes. But then the company made a fatal mistake, one of great hubris. It forgot about the women. When the aerobic fad hit in the mid-'80s, Nike ignored it. But fledgling Boston-based Reebok high-stepped right in, creating a somewhat flimsy, but attractive shoe that women bought like tickets to a Meryl Streep movie. Reebok's sales surpassed Nike's in 1987. That struck a nerve, as it flouted, even mocked, Knight's bedrock belief that, above all, authenticity and function sell shoes. To this day, Knight scorns Reebok and its chairman, Paul Fireman, for its emphasis on fashion. "We're not in the fashion business, as the Wall Street Journal wrote the other day," says Knight, clearly still peeved. "We're in the sports business, and there's a big difference."

Reebok's blindside tackle gave Knight pause. Until then, Nike prided itself on being something of a counterculture corporation. Irreverence and risk-taking were prized; the athletic establishment and corporate wisdom were disdained. In keeping with Nike's collegiate, fraternal atmosphere, the company's sprawling complex was officially dubbed the Campus. Employees reported to work in sneakers and shorts, partied hard and made decisions on the run. "We had no master plan," Knight acknowledges. "It was totally seat-of-the-pants." As if to underscore the fact that he wasn't a typical CEO, Knight once showed up at a company event in drag.

But when Nike was dislodged from the top, he realized that his fly-by-Knight approach would no longer work. Knight streamlined the company (laying off 600 of the company's 2,000 employees)

and reorganized Nike along more conventional, corporate lines. Where Knight was once famous for governing by instinct, today Nike studies reams of statistics and convenes a focus group before designing a new shoelace. The marketing budget grew, and so did the emphasis on design, Nike's euphemism for fashion.



Nike is back on top because it grew up, but Knight clearly misses his company's adolescent days. "At first, we couldn't be establishment, because we didn't have any money," Knight says. "We were guerrilla marketers, and we still are, a little bit. But, as we became No. 1 in our industry, we've had to modify our culture and become a bit more planned."

Realigned, Nike replaced Reebok at the top of the charts in 1989 and has remained there ever since. Nike outdistanced its competitors by moving beyond basketball, tennis and track to control the women's and outdoor markets. (Nike also owns Cole-Haan, the dress-shoe manufacturer, and Canstar Sports Inc., the world's largest hockey equipment company.) Nike still takes risks and challenges the sports establishment, but much of the criticism leveled against the company has quieted. Nike has become a major player in promoting women's sports as well as funneling money into inner-city sports programs.

Now, 10 years after Nike's upheaval, Phil Knight has become a sort of professor emeritus. He has handed over the daily running of the company to Thomas Clarke, who was appointed president in 1994. Knight, who describes his own management style as "selectively hands-on," is still an everyday, hovering presence and very much the man in charge. But these days he is more interested in being an artist than a businessman. "At this stage in my life, the creative process is of great interest to me," he says.

For Knight, that means finding new markets to dominate and new products to peddle. Nike has enjoyed great growth in the women's, apparel and outdoors markets. Nike is also opening up more Nike Town stores, which are as much museum as retail outlet. (Chicago's store is one of the city's top tourist attractions.) These towering shrines look about as much like a typical shoe store as Dennis Rodman looks like a typical human. But the biggest push will be overseas. Nike already owns 25 percent of the world market, dwarfing its competitors. That still leaves billions of un-Niked feet out there.

Knight's overriding goal is to ensure Nike's legacy. "Phil is always thinking ahead," says Nelson Farris, Nike's director of corporate education and a Knight confidante for 23 years. "He once said in a speech that the worst thing he could envision was to sit his grandkids on his knee and have them ask him, 'What's a Nike?' "

Knight is not one for reflection. Time spent basking in the glow of success or recounting past triumphs is time wasted. Just as a baseball player is only as good as his last at-bat, Knight figures Nike is only as good as its last quarterly report. Plato may have thought the unexamined life was not worth living, but what did he know? All he wore was a pair of sandals.

Occasionally, though, Knight does indulge himself. Late at night, he leans back in his office chair and gazes out the window. Lights reflect off the lake and illuminate the four miles of running trails that crisscross and surround the campus. "Sometimes I look out there and I get goosebumps," says Knight, almost dreamily. A small smile flits across his face, but he quickly checks it. His voice hardens.

"But you better not spend much time doing that, because every six months is a new lifetime, and you've got to worry about what's coming up to stay ahead of the curve," he says. "If you want to spend time saying this is cool, you're going to get your ass kicked."

Knight laughs uncomfortably and reaches for his watch as if embarrassed to have committed two personal transgressions: He reflected out loud, and he exposed a small corner of his heart. He straightens out of a slouch, steadies his gaze and, like a shortstop, waits to field the next question. The message is clear: introspection over. It's time once again to just do it.

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