

Masters of Scale: Rapid Response Transcript – John Donahoe

“Wartime leadership, w/Nike's John Donahoe”

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JOHN DONAHOE: We want to emerge stronger through this period of adversity than even going into it. We have a responsibility to innovate and serve our consumers, and keep that strong connection with them – head and heart.

We feel a responsibility to be very engaged in the issues around racial and social justice, so we've committed \$140 million to promoting racial and social justice all across the world. We've committed \$1.75 million in seven different cities; we're partnering with some very exciting organizations, like Black Girl Ventures.

We feel an enormous sense of responsibility both to live out our purpose of providing hope and inspiration and connection to consumers all over the world.

During periods of adversity, the “why” question comes up: Why am I doing this? This is really hard. Why should I care? That's where purpose matters. I think purpose matters more today than any point I've seen in my career.

BOB SAFIAN: That's John Donahoe, CEO of Nike. John took over at the storied company in early 2020, just before the pandemic upended everything. He quickly found himself shifting his approach to the job.

I'm Bob Safian, former editor of Fast Company, founder of the Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to John because he has a decisive perspective on the leadership stance required right now – that top-down stewardship matters more than ever. That doesn't mean John isn't leaning into the brand's legacy and his team's strengths.

On the contrary, John stresses how much more he's come to appreciate the passion around Nike – for consumers and employees.

But pointing the way forward, he says, is also more important than ever. Being realistic about the changes underway includes emphasizing that the old normal will never return. And that's not necessarily a bad thing.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with John Donahoe, CEO of Nike. John is coming to us from Nike headquarters outside of Portland as I ask my questions from my home in Brooklyn, New York. John, thanks for joining us.

DONAHOE: It's great to be here, Bob. Good to see you after so many years.

SAFIAN: Yeah. The last time we saw each other, you were CEO of a different enterprise. I think we first met when you were CEO at eBay. You've been CEO at ServiceNow. You were on the board at Nike for a while, and then last year you moved from the board to joining the company. How did that decision and that change come about?

DONAHOE: Well, Bob, it was actually the last thing in my mind, as I was a board member and enjoyed supporting Mark Parker, Nike's fabulous CEO, and helping serve Phil Knight and the rest of the board.

One day Mark came to me and, and Phil soon thereafter, and said, "Would you ever consider becoming CEO and being my successor?" It caused me to reflect a little bit, and I'm at the stage of life where most of my decisions come from a place of purpose. And I thought about where I was in my life and where things are in society in this day and age.

The world is more polarized than any time in my adult life. As I reflected on it, sport is one of the few things that still brings people together. Sports brings people together across nations. No matter how much you may hate your rival or your opponent, you play with a civil set of rules. At the end of the game, you shake hands and congratulate your opponent. I feel like the world needs sport today more than any time in history, and Nike is at the very epicenter of sport.

Once I locked into that kind of sense of purpose, then obviously it was a huge honor to have Mark and Phil and the board ask me to come into this role. It was actually a relatively easy decision.

SAFIAN: Now, I'm sure when you started this job, having been a CEO before and having been on the board, you had a pretty good sense of the job you were moving into and how you were going to make good on that mission, that purpose. And then of course, 2020 disrupts everybody's plans. When did you realize this was going to be different, and how did your plans shift as the year unfolded?

DONAHOE: Well, it's interesting, Bob, because I was in this very room about a month before I started. Mark and I did an all-hands webcast. I said, "I have one and only one priority in my first 100 days is, I want to do a lot of listening and a lot of learning."

I started off, consistent with that initial plan. I spent my first week in China. Because the best way to learn about a company is through the eyes of the consumer. I was in China,

in Japan. I was out a lot in the market getting to know Nike's brand, getting to know Nike's people.

Then about oh, I'd say 45 days in, I was in an operating review. Our fabulous leader of China, Angela Dong talked about China, which at that point was in lockdown with COVID and how people are now working from their homes, how our China team was adjusting, and what it was like in China. At that point, I think the conventional wisdom was this was an issue in China, but not everywhere else.

But then our head of Europe got up and began to talk about, "We're seeing some early signs." Our head of North America got up, "Seeing early signs." Our head of the rest of Asia Pacific and Latin America. It became clear this was not going to be an isolated incident. This was something that was going to impact us globally.

At the end of that day, I said, "You know, I think we need to shift our mindset, and we need to go from what is a peacetime mentality to a wartime mentality." In a peacetime world, what leadership's about is you try lots of different things, you experiment, you try to make as many decisions as close to the customer out in the field possible. And you kind of let a thousand flowers bloom and see what grows best.

Wartime is different. Because wartime is characterized by enormous uncertainty. And so what leadership in wartime means is you've got to be clear about what your plan is. You've got to be clear about how you're going to deal with the uncertainty. You have to have contingency plans and scenarios because you can't predict the future. You have to over-communicate. It is, by its very nature, a more top-down leadership style that's necessary.

Literally in that room that day, and it was the 40 top leaders at Nike, we said, "You know what, we need to assume the worst or plan for the worst and prepare for it and then embrace our future together as a team." I will tell you, I was so proud in that next month about how that team responded. China was kind of the playbook. And then we just rolled that playbook out in the U.S., Europe, and through the rest of the world. And we're still using that today.

In China, they're back in the office. In China, all of retail's open. In fact, retail traffic and retail sales are up in addition to e-commerce. Over the last year, we've just been trying to stay consistent with our values, but just embrace the reality and uncertainty that we face.

SAFIAN: Has China been the model all the way through? Or does it vary more globally than that?

DONAHOE: It's worked out to be a pretty good analogy. Immediately the Chinese government closed down retail. We have over 6,000 retail stores in China. People had to

work from home. One of our core purposes is: “make sport a daily habit.” Over the last couple of years, we've been talking about how the definition of sport is expanding from more classic traditional sports, like basketball and global football and you name it, tennis, golf, so many sports, to yoga, fitness, wellness. But what happened when China shut down is people started practicing sport in their living rooms, in their bedrooms, in their dining rooms. All of a sudden, that broader definition of sport was being illustrated through our very eyes.

People were using pieces of fruit as weights. People were doing pushups with their kids on their back. One of my favorites was seeing a grandfather, an elderly grandfather, standing at his kitchen sink, pouring dish soap on the kitchen floor and then making it act like a treadmill. His shoes were sliding on the soap. We began to see that people were bringing sport into their lives while confined to their homes, and that started happening in China. By the way, that has played its way out all around the world.

SAFIAN: This idea of the kind of recovery that we're going to have, people talk about this V-shaped recovery, is that what you've seen in China? And it gives you some impression about how the recovery is going to unfold once health isn't in the way of us going back to normal, going back to what we used to do?

DONAHOE: Well, I think there's a definition of a new normal. Here's what's not going to change, which is consumer behavior. Consumers now start their shopping experiences on their mobile device. Sometimes it's an e-commerce transaction that they buy it, and it gets shipped home to them. Sometimes they reserve it online and pick it up in store after they try it on. Sometimes they're in a store, and they say, "You know what, just ship this to me at home. I don't want to carry it home." So the seamless consumer experience, it's digitally grounded. I think that's here to stay even when physical retail opens back up, and that's what we're seeing in China, and that's what we've seen elsewhere. And that's why we're accelerating what we call our consumer direct offense.

What I think is happening in China that will happen in other places in the world is, as our teams come back together into the office, that human connection becomes really, really important. And certainly it's essential if you're an innovative company like Nike. Nike's foundation is innovation. And to innovate, you need to engage with each other. The role of serendipity and human interaction around innovation, and idea creation, and the execution of that is very hard to do via Zoom.

Our team's done a great job over the last year of using Zoom to maintain our momentum. But what we saw in China was just that our teammates, we call them our athletes – that's what we call our employees – our athletes are engaging with one another and the momentum and creativity, and engagement's as high as it's ever been.

SAFIAN: You have a very deep background in digital commerce. As you say, e-commerce has become dramatically accelerated. How prepared was Nike for this shift. And what adjustments has it led to in the business?

DONAHOE: Well, Bob, the great news is through the very hard work of all the teams over the past several years, Nike was well positioned coming in. Our digital assets, nike.com, our Nike mobile app, our SNKRS mobile app. For sneaker-heads out there, every sneaker-head will know what the SNKRS app is.

The volume just went through the roof. Our digital growth rate was 80% throughout the last year, just phenomenal in the kind of volumes that that implies, the growth and that engagement with consumers. Similarly, the Nike Training Club and the Nike Run Club, which are activity apps. The number of new users and members and engagement with those activity apps just skyrocketed.

So we were well positioned to respond to the consumer, but what happens behind the scenes that the consumer doesn't see, there was phenomenal change going on. Our supply-chain team took a supply chain that was in essence geared to get product from factories all over the world into retail, physical retail environments, often shipping in a full container. That's what the core system was set up to do. And yet now it was completely a direct-to-consumer transaction, and we needed to get our product to consumers in two, three, four days. And so the way they were able to, on a dime, change and get that product to consumers in a direct way with service levels that were very, very impressive.

We had some unsung heroes in our distribution channel and our supply channel, and then our store athletes. We have roughly 50,000, we call them store athletes, people that work in our retail stores all over the world. And at the beginning of the COVID, when retail was closed, we guaranteed their pay. We had pay continuity for over three months because we knew they were a strategic asset for our company.

And then as retail began to open back up, again these are people that had to come to work. We looked out for their safety and the safety of our consumers. And they helped bring Nike to life on the front lines with consumers day-in and day-out through our retail environment all over the world, and in an environment where sometimes retail open and then closed, open and then closed. They have shown amazing flexibility and amazing resiliency.

I think we had some fundamental strengths in momentum coming in. One of the things that I've learned through my career, it's actually: Periods of adversity are periods where the strongest companies and the strongest brands can get stronger. So we've said we're going to operate with the long term in mind. And our goal is to emerge stronger coming out of this period of adversity than when we go in.

SAFIAN: Yeah. How is your strategy different than it was a year ago because of things you learned during this time?

DONAHOE: Well, it's interesting. And I feel incredibly fortunate because Nike's strategy a year ago was called consumer direct offense, CDO. And the thesis was that e-commerce or digital was becoming a larger and larger share of Nike's business because consumer behavior was changing. And so I think it was in 2017 or 2018, we estimated that by 2023, 30% of our business was going to be digital. And that seemed like a bold, big goal back then or prediction or forecast. And it wasn't Nike driving it. Consumer behavior was driving that.

Well, what happened is we hit 30% last year. And so we now think that over half our business will be digital within a reasonable period of time. I'm no dummy. What was working was working. So instead of calling it consumer direct offense, we now call it consumer direct acceleration, because we now think that what would have taken five years in change of consumer behavior will now happen in two or three.

And therefore what would have taken us five years to do to respond to that change in consumer behavior, we now need to do in two or three years. And so there's just a renewed sense of urgency in every element of how we operate. We have evolved our orientation to where we were primarily engaging with consumers we call it by category or by sport. And what we're finding is that actually consumers say, "Well, actually I played basketball, and I run, and I do yoga. And I want you to know that those are all part of me." And so we've evolved our organization to be more oriented around the holistic view of the customer.

We then are providing that end-to-end digital experience. And when I say digital experience, there's physical components of that digital experience. We say consumers want to get what they want, when they want, how they want it. So we reoriented digital experiences, our direct retail experiences, and wholesale partners around the world. And then the heart and soul of Nike remains the same, which is product innovation and in the storytelling that goes with it. And throughout this entire virus, entire COVID year, we have continued to launch new product almost on an every-two-week basis.

[AD BREAK]

SAFIAN: Your brand and your business is built around the ubiquity of sport, this idea that if you have a body, you're an athlete. But you're quite prominent in the pro sports environment, which has had its own convulsions and adjustments during this period. Did you get involved with any of that, with leagues, with athletes, with universities, the Olympics? All of that impacts your business and your brand in different ways.

DONAHOE: Well obviously, our teams interact on a very regular basis with elite athletes and professional teams and leagues and organizations. So yes. And we're very

prominent at the Olympics. We're very prominent. Almost anywhere sport happens, Nike's there.

I remember conversations with Adam Silver as the NBA, Adam and his team were thinking around the bubble, how to make the bubble work, how to make a safe season happen with COVID. And we talked about how we can support that, how we can work together.

So I give enormous credit to literally the leagues, the athletes who've had courage to embrace it and deal with the start-stop nature at times. We serve everyday athletes, as you described, but we also serve elite athletes. They're our heroes. They're the people that inspire us. The Serena Williams and Naomi Osaka tennis match at the Australian Open two nights ago was just... That's why we exist, to see two incredible athletes out there competing at the highest levels in a way that inspires millions and millions of people around the world. So yeah, we work closely with them, and that's a large part of what gets us out of bed every morning.

SAFIAN: I want to ask about leadership challenges in this moment. CEOs have been put in new positions over the past year, pressed to take positions on social issues and political issues even. What do you think the role of a CEO should be in matters that are beyond dollars and operating your enterprise?

DONAHOE: Well, I think there's no doubt that in today's world, companies are playing a growing role in society, far beyond just our products and services, as employers, as contributors to the community.

What we've tried to do is be really clear about what are the issues that are core to our purpose. And we're comfortable speaking out on those issues. And then other issues we may care about, but they aren't core to our purpose. So for instance, in our case, there's three pillars of our purpose: equity and equality, racial justice, social justice. Nike has a long history of engaging on this topic. Our elite athletes care about it. Our consumers care about it. Our employees care about it. So whether it was the Colin Kaepernick campaign from a few years ago, whether it was last year, we did Just Don't Do It. We're quite comfortable speaking out on those issues because we believe in them deeply, and they're core to our purpose.

Sustainability is another theme in our purpose, right. We believe, we absolutely believe, that we have a responsibility to be the most sustainable footwear and apparel maker in the world and to invest heavily in innovation around that. We're willing to set bold goals and we're willing to hold ourselves accountable.

Last year, we released the Space Hippiie, which was the most sustainable shoe we'd ever done, almost 100% reprocessed materials. When the Olympics do happen, and I'm

hoping they're going to happen this summer, you will see some incredibly sustainable apparel that leading athletes will be wearing on the medal stands and in competition.

Then lastly youth sport. This is Make Sport A Daily Habit. Just the importance of movement and activity, particularly with youth. In this day and age, as you know, youth are becoming less and less active, and we just think it's so important at early ages, and so we have a deep and heavy and sustained investment in cultivating youth sport, whether it is refurbishing playgrounds, and courts, and playing fields. And by the way, we're concerned about youth sport coming out of COVID because it's been dormant and now it needs to be reactivated back up.

I'll never forget being in an all-hands with our China team, and almost half the all-hands was around what Nike is doing to promote youth sport in China. There was a wonderful video about, in a rural village in China, Nike has partnered with a woman that was the gym teacher, the PE teacher. She was the only teacher in the school, but it was so important to help her be able to give the kids a chance to be outside. The only resources they had were used tires, and Nike helped facilitate the use of those used tires to give those kids in this rural village an hour of movement, sport, every day.

Those are the topics and themes that we're willing to help ... We view it as our responsibility to help take the lead on, and be engaged, and be in the dialog externally. Then there are a lot of other topics that we may care about but they aren't ones that are core to our purpose, and so we stay focused on what is core to our purpose.

SAFIAN: I mean, Portland, where your offices are, has seen more than its share of social and political unrest, and wildfires, and weather challenges. Has that injected any complications or issues for you personally as a leader?

DONAHOE: I think, Bob, for those of us that live in the Portland area, it just makes it very real, and it just highlights the importance of dialog. Certainly the inside of our company, while we're a leader on racial and social justice issues externally, internally we realized we have a lot of work to do to continue to promote really active dialog among our teammates because we want to be the most diverse and inclusive team in the world, and we aren't there today. So a lot of last year was: How do we promote that kind of mutual understanding, that listening ability, that empathy, that sense of what it takes to build a really strong team, where each member of that team can bring their very best self, their very best authentic self, to work?

We want to be a high-performance team. High-performance teams hold themselves to very high standards, and they work really hard at it. They celebrate differences and diversity, and make that be a source of strength. That's what we're committed to doing all across Nike, and we've still got to work to do, and I'm not afraid to say that.

SAFIAN: I've always sensed that along with being a high-performance, demanding place, Nike's a fun place to work. I can imagine that that might have been a little harder to keep that spirit in the environment of this year. Was that harder? Was it a hard year?

DONAHOE: Early on, one of the things that I think we've done and we've continued to do is try to bring a sense of hope and inspiration to people all over the world. If you look at almost all of our storytelling and amazing brand work we've done over the past year, You Can't Stop Sport, Never Too Far Down, the most viewed YouTube ad of last year. Just one after another, a way of trying to give a sense of hope and inspiration.

Inside, for our team, people have really come together in amazing ways. We've done a nice job of trying to support each other, but fatigue is real everywhere.

Obviously, it's been a year of enormous racial and social issues, we have political, a presidential election, a very consequential presidential election in the United States. We had fires in California and Oregon last fall, this last weekend we had the largest ice storm in Oregon history, but also all across the country, people are grappling with weather. I think we're going to look back on this year as a year that's called all of us to have a sense of resilience, have a sense of ... You have to have hope, yeah, it's been challenging.

The only thing harder than going through this would be going through this alone, so I personally feel deeply grateful to be part of Nike and to be going through this period as part of this great team and this great organization. I think most people at Nike feel the same way.

SAFIAN: What's at stake in this moment for Nike?

DONAHOE: I think, here's the responsibility we feel. We want to emerge stronger through this period of adversity than even going into it, and what's that mean? Well, we have a responsibility to innovate and serve our consumers, and keep that strong connection with them. Frankly, we feel a strong sense of responsibility to provide a source of hope and inspiration to people through the power of sport, through our storytelling and our brand work, and have that have an element of both head and heart.

We feel a responsibility to lead on the issues you and I just talked about a few minutes ago, to be very engaged in the issues around racial and social justice, so we've committed \$140 million to promoting racial and social justice all across the world, across our three brands: Nike, Jordan, and Converse. Just in the last couple of weeks, we've committed \$1.75 million in seven different cities. We're partnering with some very exciting organizations, like Black Girl Ventures, that promotes economic empowerment and opportunity. On issues of racial and social justice, we want to lead and be engaged, and that's going to be a multiyear commitment.

Sustainability. We feel a huge responsibility of making sure that we are innovating and making dramatic progress. And then youth sport is going to be very, very important. We feel an enormous sense of responsibility both to grow our business, but also to live out our purpose of providing hope and inspiration and connection to consumers all over the world.

During a period of adversity, the “why” question comes up. It's: why am I doing this? This is really hard. Why should I care? That's where purpose matters. I think purpose matters more today than any point I've seen in my career.

SAFIAN: You were very close to the small business market at eBay, and a lot of smaller retail enterprises have struggled over the past year, local shops, while bigger players have been able to weather the storm. Is that good or bad? How do we deal with that split, in some ways, in the marketplace?

DONAHOE: Unequivocally, small business is an incredibly important part of our society. I think that's true in the United States, I actually think it's true in many, if not most, markets around the world. Small business is the largest job creator, small business is some of the most important wealth creators, small business allows creative entrepreneurial people to thrive regardless of their educational background.

And it's been brutal. If you're a restaurant owner, or a small business on main streets all across the world, frankly, it's been very, very challenging. So I think we have a huge responsibility that as society opens back up, to ensure that we're paying attention to small business. It's not small versus large. There are certain areas and functions, larger entities can be successful, but our society can't be healthy if we don't have a vibrant small business opportunity and environment.

Now for us at Nike, we have a neighborhood initiative where some of our most loyal and most excited consumers are in urban cities around the world, and that's where retail has really been hit. So we are partnering with entrepreneurs to help them grow, retail, physical retail, in these neighborhoods. So while yes, a lot of retail is consolidating, we also want to re-ensure that we're investing, whether it's investing digitally through our sneakers app, or investing physically through these neighborhood initiatives, helping to promote small business, particularly in urban markets all over the world.

SAFIAN: You know, as we talk about all this, it's so tricky with so many different things moving around, and I'm mindful of the analogy you made, the story you told right at the beginning about moving from a peacetime managing approach to a wartime strategy. At what point do you know that it's time that you can move back to peacetime, where you can start to let a thousand flowers bloom again, and it doesn't all have to come from the top? How do you know when you're nearing those places, that next inflection point?

DONAHOE: Well, that's a great question. I think it always takes longer than you guess, and longer than you estimate, and so I think we will be in a period of very high and fundamental change.

In many ways, as you keep looking forward, and understand, don't assume it's going to go back to the way it was. That's death – because then you're always comparing it to the way it was. Say, you know what? We're in a period of rapid change, some change that feels exciting, and some change that feels very challenging. I think we're going to be shaping that new normal for not just months to come, years to come.

And at what point does it get to be enough positive momentum and the quote-unquote peace time circumstances come? I don't know. I think you got to assume it's like a playoff run, a sports team in a playoff run. It ain't over till it's over. It ain't over till you've won the championship.

SAFIAN: Well, John, thank you so much for making the time for us. I really appreciate it.

DONAHOE: Bob, thank you. It's been great to connect.