Shoe Dog
Book by Phil Knight

This summary by Allen Cheng

Shoe Dog is the story of how Nike was founded, written by Nike’s founder, Phil Knight. Nike is now a global brand – go pretty much anywhere in the world, and you’ll see someone wearing Nikes.

But Shoe Dog starts you over 50 years ago in 1962, when Phil Knight is 24 years old, has just earned an MBA from Stanford, and doesn’t know what to do with his life. You travel the next 18 years with Phil Knight, through continuous adversity, self-doubt, and never-ending financial uncertainty.

Shoe Dog is a refreshingly candid entrepreneurial account. Phil is clear about his shortcomings and about how tough it was to keep Nike running year after year. Shoe Dog is also well-written, with poetic phrasings and philosophical musings. It’s unlike the straightforward clip of most business biographies.

The Shoe Dog summary below doesn’t do the book justice. The book is a fast read, filled with anecdotes celebrating little triumphs and quirky memories. Read the Shoe Dog summary below for the main history of Nike and Phil Knight, but read the real book for a visceral account of how one of the world’s biggest companies got started.
Takeaways

- Like many entrepreneurs, Phil Knight started by solving his own problem – running shoes. A former runner himself, Phil knew what his customers wanted, how they thought, and what would get them onboard.

- Phil started in the 1960s, well before venture capital was an established industry and before high-growth high-risk companies were the norm. This led to constant financial frictions with his banks. Thus he pushed the finances to the limit, living on float and barely being able to pay back creditors. This wasn’t out of needless risk, but because he recognized the fundamental demand for Nike was strong.

- Phil Knight started his career selling imported Japanese shoes, not by manufacturing his own. In fact, it was only frictions with the Japanese company that forced him to found Nike. If they’d kept their partnership amiable, Phil might have been working with Onitsuka for decades, and Nike might never have happened.

- Phil surrounded himself with good people and recruited trusted friends and partners. The Nike team is a motley crue, like an overweight accountant and a paralyzed track star. What they have in common is Phil trusts them to perform.

- Phil is refreshingly generous about giving credit – other people came up with the name Nike, designed the famous swoosh logo, and designed the first shoes. Some of his ideas were pretty terrible (like calling his company “Dimension Six”).

- He’s also frank about his shortcomings. Phil Knight admits that he rarely gave positive feedback for great achievements and would often be insecure about his decisions.
• Nike wasn’t an overnight billion dollar company. They started with just $8,000 in sales in their first year, but saw regular growth doubling year over year. Nike survived with tenacity and endurance.

• Nike kept growing with the reputation of a good product (innovative, stylish shoes) and celebrity endorsements.

• Nike ran into continuous problems as it grew – lawsuits with Onitsuka, constant problems with manufacturing and finances, failed new shoes, a $25 million fine from US Customs. But the perseverance of the team, and the undercurrent of high demand for Nikes, persisted and drove the company past its problems.

Key quotes

• “Don’t tell people how to do things, tell them what to do and let them surprise you with their results.”

• “Shoe dogs were people who devoted themselves wholly to the making, selling, buying, or designing of shoes. Lifers used the phrase cheerfully to describe other lifers...they thought and talked about nothing else. The average person takes seventy-five hundred steps a day, 247 million steps over the course of a long life – shoe dogs simply wanted to be part of that journey. Shoes were their way of connecting with humanity. What better way of connecting, shoe dogs thought, than by refining the hinge that joins each person to the world’s surface?”

• “No matter the sport – no matter the human endeavor, really – total effort will win people’s hearts.”

• “Like books, sports give people a sense of having lived other lives, of taking part in other people’s victories. And defeats. When sports are at their best, the spirit of the fan merges with the spirit of the athlete, and in that convergence, in that transference, is the oneness that the mystics talk about.”

• “How many multimillion-dollar companies can you yell out, ‘Hey Buttface,’ and the entire management team turns around?”

• “It seems wrong to call it ‘business.’ It seems wrong to throw all those hectic days and sleepless nights, all those magnificent triumphs and desperate struggles, under that bland, generic banner: business. What we were doing felt so much more...When you add some new thing or service to the lives of strangers, making them happier, or healthier, or safer, or better...you’re participating more fully in the whole grand human drama. More than simply alive, you’re helping others to live more fully.”

• “Somebody may beat me – but they’re going to have to bleed to do it.” – runner Steve Prefontaine
1962

Phil Knight has graduated from University of Oregon and earned an MBA from Stanford, and he doesn’t know what to do. He is 24.

His best lead is a final paper he wrote on shoes. Being a runner and having been a decent – but just decent – runner on the U of Oregon track team, he’s obsessed with shoes. His paper’s thesis – Japanese companies are poised to burst into the shoe market, just as they had for cameras and displacing the German incumbents. This is his Crazy Idea. His way of making a mark on the world.

It seems obvious to him. He now has to travel to Japan, find a shoe company, and pitch them his Crazy Idea. Along the way, he wants to see and feel the world – for how can you change the world without seeing it? His traveling ambitions have a spiritual air, longing to understand how the Chinese and Buddhists and Greeks and Christians have thought about life for millennia.

There’s one barrier. He needs money. And his father is his best shot. Phil describes his father as obsessed with respectability and grounding in traditional values, and wandering the earth seemed the antithesis of this. Phil’s quite sure his father will demur from funding his wanderlust. But to his surprise, the elder Knight approves, bemoaning his own lack of travel experience in younger days. Phil later realizes a major motivation for his global journey might be to define himself in opposition to his father – to be one who’s not obsessed with respectability.

With his Stanford friend Carter, they fly directly to Hawaii as their first stop. They are smitten by life on the island. Frolicking in the waves and surrounded by beautiful women, Phil decides his plan can wait.

So they get jobs as encyclopedia salesmen. Phil is a terrible encyclopedia salesman. He switches jobs to sell securities, which essentially means cold-calling customers to sell funds. He isn’t a smooth talker, but he knows his product, and he speaks the truth, and his customers like that. He quickly earns enough to cover rent and plenty of surfing time.

Eventually, though, his journey calls to him again. He has been on Hawaii for two months. It’s time to move on. His traveling companion Carter is now tied to Hawaii – he’s met a girl. Phil hesitates to travel alone, but soldiers forth. Soon, he’s in Tokyo.

Phil travels around Tokyo, learning about Zen and observing the rubble remaining from World War 2. His father has two friends in Tokyo, and they dispense business advice – the Japanese are soft negotiators, not fans of the aggressive American style. They’re hard to read.

Phil feels like now is the time to act. He likes a shoe manufacturer Onitsuka and their shoe line Tiger, and he believes this is where he’ll make his start. He makes an appointment to meet executives and travels south to Kobe, Japan.
At the meeting, the Onitsuka staff ask him what company he’s with. He thinks back to his childhood wall, decorated with blue ribbons from track. “Blue Ribbon Sports of Portland, Oregon,” he says. He launches into his presentation of his paper from Stanford business school, describing the size of the market and the vast opportunity there would be for a Japanese shoe manufacturer to enter America. They could undercut Adidas, the dominant brand at the time.

The executives are excited. They’ve been thinking about entering America for a long time, they say. They show him models of Tiger shoes that have promise. Finally, they ask Phil whether Blue Ribbon would be interested in representing Onitsuka in America. Phil accepts. He asks them to send samples to his address in Oregon.

He’s eager to return to Oregon and begin this new opportunity, but wanderlust gets the best of him. He routes through Hong Kong, Manila, Bangkok, Vietnam, and India, noting the poverty throughout the region. He wanders through Egypt, Jerusalem, and Rome, admiring the remains of the past. He finishes his trip through Paris, Berlin, Vienna, and London, a clear refined contrast to the poverty in Southeast Asia.

Of all his travels, he considers Greece his highlight—in particular, the Temple of Athena, the goddess thought to bring victory, or “nike.” While in stupor by the grandness of the place, he notices a carving of Athena—bending down to adjust her shoe.

1963

Six months after he first left for Hawaii, Phil returns home to Oregon. He greets his family warmly, but he’s concerned about one thing—have the shoes from Onitsuka arrived?

They haven’t.

He sends a letter to Onitsuka, and they reply promising the shoes will come in a couple of days. In the meantime, he needs a job. His father’s friend, CEO of a publicly traded company, advises him to get a CPA. If Phil changes jobs, a CPA and MBA would surely prevent his salary from dropping.
Phil takes accounting classes, earns his CPA, then joins an accounting firm. It’s small – with just 4 employees, they work 70-hour weeks. While he waits for shoes to arrive, he yearns to travel, and wonders whether his journey was the peak of his life. Accounting is not his thing.

1964

The shoes arrive! Phil thinks they’re beautiful. After all, they are the embodiment of his future. Immediately, he sends two pairs to his old track coach at U of Oregon, Bill Bowerman.

Phil considers Bill part father figure, part army general. A gruff, tough-love descendant of Oregon trail pioneers, Bill Bowerman was revered by the track team. Obsessed with performance, Bowerman constantly experimented with shoes to improve his runners’ performance, particularly to make shoes lighter. As Phil recollects, Bowerman stressed that an extra ounce on a shoe added 55 pounds of lifting over one mile. As a mediocre runner, Phil was Bowerman’s favorite guinea pig (he wouldn’t dare jeopardize the top runners with experimental shoes).

Bill Bowerman, famous track coach

Bowerman was the most famous track coach in America, training local champions and many sub-4 minute milers. So Phil was shocked when Bowerman said not only did he like the shoes, he wanted in. They work out a deal – Blue Ribbon would order 300 pairs of shoes, costing $1,000. They’d each put in half the money, and they’d split the company 51-49 – Phil with the 51. Once again, Phil got his $500 from his father, who had reservations about his MBA son leaving his respectable accounting job to become a wandering shoe salesman.

They order 300 shoes, and Phil fills their basement with the shoes. Even better, they come with an announcement: Blue Ribbon Shoes is now the exclusive distributor for Onitsuka in the West.

Phil’s sells shoes the best way he knew how – going to track meets and showing the shoes to runners, coaches, and fans. His pitch: Japanese manufacturing made high-quality shoes for extremely low prices. Word
spread fast—sales were so good, strangers showed up at their house to buy Onitsukas. Just a few months later, they sell out of their shoes and order a bigger shipment of 300 shoes.

But suddenly, turmoil strikes in the form of a letter. A high school wrestling coach on the East coast claims that he had met with Onitsuka’s head honchos and had been made exclusive American distributor. Blue Ribbon was infringing on his rights. Perplexed, Phil writes to Onitsuka. No response.

After months of waiting, and with no shoes to sell, Phil decides to make a last-ditch trip to Japan to resolve the dispute, one way or another. He flies to Japan and books a meeting. He’s tremulous, knowing that his future could be decided here.

In a preliminary first meeting, Phil launches into an impassioned plea saying the 13 West states were his, his company’s growth sat strong, and that Onitsuka was honor-bound to continue their agreement. His counterparty stoically says he’ll be in touch.

The next day, he’s scheduled for a meeting with the founder of the company, Mr. Onitsuka himself. The founder says he sees himself in the young Phil Knight. After a pause, he grants sales of track shoes in the Western states to Phil, while the wrestling coach can sell his wrestling shoes nationwide.

Phil is ecstatic. Before heading home, he decides to climb Mt. Fuji. Along the way, he charms a British girl, Sarah, an heiress to a chocolate company. Despite her wealth, she seems like a free spirit. They spend two joyful days in Japan, and he invites her to visit in Oregon. Weeks later, she visits, and they spend several more weeks as she charms his family.

But this comes to an end. Her (wealthy) parents disapprove of him, and their relationship fizzles through an exchange of increasingly distant letters. Phil wonders whether she saw him mainly as a chance to rebel, not as a pure relationship.

The new shoes arrive from Japan, but Phil spends weeks in a distraught stupor over his breakup. His sister Jeanne consoles him. Thankful, Phil offers Jeanne the position of first employee at Blue Ribbon. She accepts.

1965

There are a few things to remember about this time. First, running isn’t really considered a sport or a hobby. It’s hard to believe, but at this time jogging to get exercise is something only maniacs would do. To be fair, everyone still smokes like a fiend, and heart disease hasn’t been figured out yet (it takes the Framingham Heart Study to make a breakthrough). So Blue Ribbon is still selling the Onitsuka shoes primarily to student athletes—popular as they were, they appeal to just a small niche of the population.

Second, venture capital the way we understand it doesn’t really exist. Small businesses get their startup cash from banks, but banks have very different priorities from today’s venture capital firms. For one, banks didn’t want companies to grow too quickly. They want new companies to get profitable quickly and to never let sales exceed their cash balance.
Blue Ribbon is constantly running into issues with their cash balance. Even though their sales are doubling regularly, this cash is quickly turned around to order the next, larger shipment of shoes. Thus Blue Ribbon constantly skates on thin ice with their bank.

Compounding this problem, Onitsuka is painfully unresponsive with Phil and Blue Ribbon. Their shoe shipments often arrive late, which gives Blue Ribbon less time to sell shoes, which then makes each loan repayment period tougher.

Fearing the worst from all these problems, Phil decides to hedge his bets by returning to accounting at Price Waterhouse. He doesn’t love the work, but it pays the bills.

Despite all this bad news, there are two positive developments. First, Phil hires his first full-time employee, a fellow Stanford runner named Jeff Johnson who will sell shoes in Los Angeles. Johnson has a messianic view on running – believing running done right is akin to enlightenment – and Phil hasn’t met anyone with his passion for running.

Secondly, Coach Bowerman continues to be a huge asset. His large reputation keeps growing – two of his runners medal in the 1964 Olympics. And he keeps tinkering with shoes. He learns that Japanese and American bodies are simply different, and thus the shoes need to be different, like more arch support. To have a great chance in the US, he believes Onitsuka needs to customize their shoes for Americans.

He draws up countless designs and sends them to Japan, only to receive no response. Occasionally they relent and make a few prototypes, and indeed they’re far better. Undeterred by Onitsuka’s hesitance, Bowerman
even experiments with producing homemade rubber to make new soles. You might be able to see where this is going.

1966

Blue Ribbon’s first salesman, Johnson has a personality quirk – he sends Phil mountains of letters, detailing his every development, every sale and notable customer. (Just take a minute to remember that business used to be done entirely through phone and letters, not email). He sends advertising ideas (Phil doesn’t believe in advertising), shoe designs (Phil already has enough to deal with with Bowerman), and his insistence on opening a retail shop in Los Angeles.

Phil feels smothered and rarely replies to Johnson’s letters. From studying war heroes and generals, he holds a virtue: “Don’t tell people how to do things, tell them what to do and let them surprise you with their results.”

And Johnson delivers results. His customers love him, depending on Johnson to solve their problems in both running and life. Even when he gets in a car crash and breaks his skull, he’s continuing to sell shoes. Phil even issues him a challenge – sell 3,250 pairs of shoes in a few months, and Johnson could open his retail space in LA. And sell he does – now Blue Ribbon has an official runner mecca in Los Angeles.

At one point, Johnson sends one letter that Phil can’t ignore. One of Johnson’s customers says that he can start getting Tiger running shoes from another seller – a wrestling coach somewhere in the East Coast. The same wrestling coach from 1964 who was supposed to stick to wrestling shoes.
This simply can’t do. The wrestling coach is stepping on Blue Ribbon’s turf, capitalizing on all the hard work they’ve done building brand recognition for Onitsuka.

Phil flies to Japan to meet with Onitsuka. (This is no small feat – he doesn’t have the money, so he puts the charge on his credit card.) He has a new contact – a slick looking man named Kitami. They settle into a large conference room with other executives.

Phil lays out his case. They’d been doubling their sales each year and projecting $84,000 in sales in 1967. He’d like to become Onitsuka’s exclusive US distributor for track and field. Kitami rebuffs him. They wants someone bigger, more established, with nationwide offices. Phil counters that they not only do they have a new retail shop in Los Angeles, they have offices on both coasts.

(He was lying – they didn’t have an East Coast office).

After some deliberation, Onitsuka delivers good news – Blue Ribbon will be the exclusive distributor of Tiger track and field shoes in the United States. Onitsuka would send shoes immediately to Blue Ribbon’s East Coast office. Take that, wrestling coach.

Phil is both ecstatic and anxious. Anxious because he has to open an East Coast office before the shoes arrive. He also needs someone to run the office.

There’s only one person crazy and passionate enough to do this at a moment’s notice – Johnson.

A Blue Ribbon ad, with their 3 stores in the bottom left
1967

Johnson does leave for the East Coast, but not without a fight. His father, a salesman himself, pushes Johnson to ask for more – a partnership in Blue Ribbon, $600 in monthly salary, and a third of all profits after 6,000 pairs sold.

Neither Phil nor Bowerman, the only owners of Blue Ribbon, want to give up their equity. So Phil flies to Johnson and his father to negotiate. Despite the arguments of Johnson’s father, Phil holds steady – he would give Johnson a $50 raise, and that was it. Phil didn’t want to sell equity since it would mean losing majority control of Blue Ribbon. Johnson looked torn, but he didn’t want to quit. He needed Blue Ribbon, and despite Phil’s refusal to answer his letters, Johnson felt like he blossomed.

Blue Ribbon is hiring rapidly, and Bowerman has a lead for Phil. Bob Woodell was famous. He was a standout runner at Oregon, but an accident left him paralyzed from the waist down and now in a wheelchair. Phil meets with him and they’re mutually smitten. Phil offers him a job opening Blue Ribbon’s second retail store in Eugene, OR.

Bowerman is doing other things, as always. He designs a new training shoe with a more solid sole. Onitsuka actually listens and creates a prototype, and they name it the “Aztec,” in recognition of the 1968 Olympics in Mexico City.
Then Adidas sues – they have a shoe called the “Azteca Gold.” In response, they rename their shoe after the conqueror of the Aztecs – Cortez.

Bowerman has also written a book called *Jogging*. Remember what I said above about running being a nonsense activity? This book changes that. *Jogging* sells a million copies, sparking a movement and a whole new generation of runners.

![Jogging book cover](image)

Blue Ribbon moves out of Phil’s apartment and into its first real office. It’s a fixer-upper, with tissue thin walls and broken windows. Johnson has settled on the location of their first East Coast office – Wellesley, MA, a place where runners seemed to abound and the Boston Marathon ran through.

**1968**

Blue Ribbon sales are set to double yet again, for its fifth straight year, nearing $160,000. But *they’re still skating on such thin ice that Phil can’t afford to draw a salary.*

His accounting job at Price Waterhouse takes up 6 days a week, and Phil wants more time for Blue Ribbon than just weekends and late nights. He quits and takes up a teaching position at Portland State University, paying $700 a month.

He teaches Accounting 101, where a striking young woman with blond hair and blue eyes sits in the front row. She reminds him of Cleopatra and Julie Christie. During roll call, he learns her name – Penelope Parks. She’s
Shy but is a star student, scoring at the top of her class, and she asks Phil to be her adviser. Phil has a better idea – to join Blue Ribbon.

Penny readily completes miscellaneous operational tasks for Blue Ribbon – bookkeeping, typing, scheduling – with an enthusiasm that lightens the air in their small worn-down office. Phil is bewitched, and they exchange long meaningful glances.

Phil finally asks her out on a date. She shares her background – with four siblings, money was always an issue in her house. She wanted security. That’s why she likes accounting – it’s a solid, dependable job.

They keep dating and eventually meet each other’s parents. Penny’s mom, Dot, is a spirited character, seeming like an eternal teenager and more like Penny’s sister than mother. They go out drinking together and Dot seems to approve of Phil.

The relationship moves quickly. Phil wants to elevate their relationship beyond just teacher-student dating (which Portland State doesn’t approve of). They get engaged, just like that, after a few months of dating.

The next day Phil leaves for Japan to develop Blue Ribbon’s partnership with Onitsuka. Newly engaged, he feels like never before that Penny is his partner in life.

“The single easiest way to find out how you feel about someone. Say goodbye.”

In Japan, Kitami (the slick executive from before) greets him warmly. Blue Ribbon’s sales doublings are impressive, and the East Coast office under Johnson gives Kitami confidence. Phil shares new shoe designs like the Boston, featuring a new midsole cushion. They meet often over several weeks and starts to get a brotherly vibe from Kitami.
Kitami invites Phil to his department’s annual picnic, where typically straight-laced businessmen loosen their ties and go a little nuts. They feast on ample food and have potato sack races. Where Japan once felt just a few years ago like a foreign land with unusual customs, Phil now feels at home.

At the picnic he meets a middle-aged man, Fujimoto, who shares that he lost his home a few months ago in a typhoon. He’d started over since then, but he hadn’t been able to replace his bicycle. When Phil returns home, he immediately sends $50 to Fujimoto for a new bicycle. This act of friendship cements their relationship, which will come clearly into play later.

In September, Penny and Phil marry in Portland. It’s a good year for Phil.

1969

Once again, sales are poised to double for Blue Ribbon, at $300,000 this year. Phil feels it’s finally safe to pay himself a salary ($18,000 a year), and he quits Portland State to go full time at Blue Ribbon.

In his last days on campus, he meets an artist, Carolyn Davidson, who complains about not being able to find work. With Blue Ribbon growing and getting press, they could use help with their marketing – print ads, charts, and maybe a logo. He doesn’t know the significance of this meeting until far later.

No momentous business events happen this year, though there are some rumblings of problems to come. Most importantly, Phil starts to doubt Kitami’s sincerity from recent wires and letters. Maybe Onitsuka was getting ready to raise prices. Maybe they were dealing with new distributors once again. Phil just senses there’s something off.

So he has a backup plan – an inside man at Onitsuka who can keep tabs on Kitami. In a memo to his company, Phil announces that he’s “hired a spy.” He stresses that this is completely accepted in Japanese business culture. The spy is Fujimoto, the man whose bicycle he replaced.

Blue Ribbon finds a new office in Tigard. Woodell, the former runner in a wheelchair, is promoted to operations manager at Blue Ribbon. Despite his injury, he’s ecstatic at Blue Ribbon – the mission fills his spirits and he always gets the job done.

Now married, Phil and Penny learn to live together. Phil is absentminded and messy, but Penny adapts to him. She adapts to everything, including his meager salary. She learns to stretch the budget each week in groceries.

Penny gets pregnant, and they move into a house in Beaverton, OR. It’s a boy.

1970

The contract with Onitsuka to supply Blue Ribbon with shoes is running out. Phil flies to Japan and asks for a 5 year contract with Onitsuka – after all, most of the US success was due to him and a survey shows 70% of American runners own Tigers. Onitsuka is adamant to keep the deal for only 3 years. Why are they so adamant? Kitami, the shady executive, is also promoted to operations manager.
Onitsuka keeps hampering Blue Ribbon with late shipments and the wrong shoes in each shipment. The Cortez is selling like crazy, but they ship more Bostons in the wrong sizes. Onitsuka promises they’re improving factories and reliability, but it never really improves. Blue Ribbon decides that Onitsuka can’t really be that incompetent – instead what they’re doing is satisfying the Japanese customers first with a limited supply, then exporting what remains to the US.

As always, the bank has problems with Blue Ribbon’s perennially low cash reserves. Bigger sales has meant bigger loans, which would be harder to pay off and higher risk if the company collapsed. As always, Phil is frustrated that they don’t see the bigger picture – a company doubling every year!

With $600,000 in sales this year (doubling yet again), Phil asks for a $1.2 million loan. This sounds crazy to the bank. Stretched to the limit, they give him a final ultimatum – his credit is maxed. Blue Ribbon can have no more money until they put more cash in their account. They’re also now imposing sales quotas – miss one deadline and they’ll break the relationship.

So money’s now a problem. First, they need $20k for a shipment from Onitsuka. They don’t have it. Blue Ribbon tries a public offering, hoping to get some interest from investors by selling 30% at 300k. Almost no one bites – they raise just $300.

He eventually scraps together the $20k from receivables, but they need more cash to operate. He has to do what he vowed never to do – ask everyone he knows for money. Former teammates, family, friends. Woodell’s family comes to the rescue. They’re not well off, but they give him their entire life savings – $8,000.

Phil reads about Japanese trading companies that are rising in international prominence and seem to do just about everything – import, export, and extend easy credit to all kinds of companies. He goes to the Bank of Tokyo branch in Potland and asks for help. They direct him to Nissho Iwai, Japan’s 6th largest trading company with $100 billion in sales. After just a short conversation, Nissho Iwai offers him a deal on the spot.

Before he takes the loan, he wires Onitsuka for permission. He doesn’t hear anything for days, weeks.

All of a sudden he gets a call from a shoe distributor on the East Coast. Onitsuka has approached him about becoming its new US distributor.

Phil freezes. What was going on? They’d signed a 3 year renewal just a few months earlier. Were they breaking the contract?

He contacts Fujimoto, his spy on the inside. Indeed, Kitami and Onitsuka is considering a break with Blue Ribbon. There isn’t a firm plan yet, but Kitami is scouting candidates.

Phil still holds hope – no firm plan means he still has a chance. He invites Kitami to the US to show him what Blue Ribbon is really about.
1971

A groundbreaking year for Phil Knight.

Kitami visits in March, and Phil wants to wow him, make him fall in love with Oregon and Blue Ribbon. They drive him around the Pacific Northwest, feeding them salmon and wine.

But Kitami causes trouble. At First National Bank, he demands that they give Blue Ribbon more money, to everyone else’s chagrin. Then, at Blue Ribbon, he insults the company by saying sales could be tripling every year, not just doubling. He shoots down Phil’s Japanese trading company idea, fearing that these companies make investments only to research companies, learn their trade secrets, and compete directly with them.

While Kitami’s in the bathroom, Phil steals a folder from Kitami’s briefcase. Their suspicions are confirmed – it lists 18 athletic shoe distributors in the US, and appointments with half of them. Phil feels betrayed – they’d revolutionized Onitsuka, shown them how to make a better shoe and transforming the industry, and now Onitsuka was planning to cut them out.

Kitami leaves Portland to travel around the US, but doesn’t reveal his intentions. When he returns, he has a new solution – sell Onitsuka 51% of Blue Ribbon. It’s an ultimatum – accept the deal, or Onitsuka will set up distributors. Phil is shocked, and tries to stall by saying he needs to talk with Bowerman.

In a moment of clarity, Phil realizes a few things:

- Onitsuka and Kitami cannot be trusted
- Blue Ribbon and Onitsuka are going to break up
- They need to stay together as long as it takes to develop other supply sources
- Step 1: scare off other distributors Onitsuka is meeting with by sending threats to sue
- Step 2: find a replacement for Onitsuka

He remembers a shoe factory in Guadalajara, Mexico, where Adidas had manufactured shoes. Phil visits and, impressed, places an order for 3,000 pairs of leather football shoes. Technically, he knows this isn’t a violation, since his Onitsuka contract only concerns running shoes. But he felt Onitsuka had already broken the spirit of their deal.

For the shoes manufactured in Mexico, he needs a logo and a company name. Carolyn Davidson, the college designer who helps periodically with marketing materials, comes up with the swoosh idea after multiple rounds of trials. They pay her $35. Blue Ribbon agrees it looks new, fresh, and timeless, but Phil doesn’t love it.
Then they need to come up with a name. **Phil proposes Dimension Six, which everyone hates.** Others propose animal names, like Bengal or Falcon. Johnson has a flash of inspiration and proposes Nike. It has good properties – iconic brands are usually short and often have a strong sound, like Clorox, Kleenex. And Nike is the goddess of victory. So they move forward with their new name and logo.

[To Phil’s credit, he’s honest in the book about not being the originator of these ideas, nor falling in love with them at first sight. It’s common for business titans to be megalomaniacal about how their company grew, which is why this book is refreshing.]

Unfortunately, the shoe is disappointing. In cold weather, the sole split and cracked.

To compound problems, First National has reached the end of its line. They will issue no more letters of credit. When they pay off the remaining bills, Blue Ribbon’s account will be terminated. After getting rejected a few times, Phil gets a small line of credit from Bank of California.

But he needs more money, from a partner that understands growth. Sales is now $1.3 million (literally doubling each year) and he’s still having trouble keeping his company afloat. Nissho, the Japanese trading company, comes to the rescue through its representative Tom Sumeragi. He says that Nissho is willing to make loans to Blue Ribbon. Nissho itself had gone to Onitsuka to convince them to allow the deal, but Onitsuka had refused. Nissho was embarrassed by the rejection, a $100 billion company being rejected by a $25 million company, and that spurred their help.

They seal a 4% revenue share agreement and Nissho introduces Blue Ribbon to shoe manufacturers and genuine “shoe dogs,” people who “devoted themselves wholly to the making, designing, buying, and selling of
Shoes.” Sound crazy to care so much about shoes? Shoe dogs see crafting shoes as connecting to humanity, being the connection between a person and the earth.

Phil Knight and Sumeragi meet with factories in Japan. They visit a factory called Nippon Rubber, part of Bridgestone Tire. Knight shows them the Cortez in the morning, and after lunch there’s sitting a brand-new Cortez, Nike stripe and all. Confident, Phil describes shoes for a range of sports, including tennis, basketball, and running shoes. Within a few days, he gets samples – they’re not perfect, but they were very good.

In a late-night creative session, Phil decides to name the shoes – the tennis shoe was Wimbledon. The basketball shoes were Blazer and Bruin. Running shoes were Cortez, Marathon, Obori, Boston, Finland, and Wet-flyte. Finally he feels proud and free, a bona fide creator.

He’d been in Japan for 3 weeks, and he needs some more time to visit Onitsuka, who might get suspicious if they knew he had been in Japan for this long. Penny flies over and has a panic attack from the turbulent flight, chaos and crowdedness of Japan.

He visits Onitsuka in Kobe and meets with Kitami, Fujimoto (his ally) and Mr. Onitsuka. They take tours of Kobe and have dinner together. But the offer for Onitsuka to buy out Blue Ribbon is still on the table, so Phil feels a mild tension in the air.

He returns to Portland and meets with Bowerman. They comment that the outer sole of the training shoe hadn’t changed in 50 years – still waves or grooves across bottom. Bowerman thinks about how he created a new track surface out of polyurethane, just like in the Olympics, where he was on track to be head coach of track.

Bowerman, inspired, sees his wife’s waffle iron and thinks about the gridded pattern. He takes urethane and melts it, and it seals shut. He’d forgotten releasing agents. He keeps trying and eventually succeeds with the help of a rubber company. He sews the insoles to the bottom of running shoes, and it’s a breakthrough.

The original Bowerman waffle iron
1972

This is the year they announce Nike at National Sporting Goods Association Show in Chicago. Right before this, Onitsuka publicly announces they’d acquired Blue Ribbon. This is a bluff to pressure them to sell.

For their debut, Phil wants to package shoes in bright orange boxes to stand out. When they receive the shoes, the boxes look great, but the shoes inside are terrible – they look cheap and shiny, logos were crooked.
They think they’re doomed, but people crowd around, asking questions and actually buying shoes. What’s going on? The salesmen have been doing business with Blue Ribbon for years, and they know Blue Ribbon doesn’t bullshit. Their reputation precedes them.

Word travels to Japan, and Kitami from Onitsuka shows up two weeks later. What’s Nike, he asks? Phil responds that it’s a backup in case Onitsuka cuts ties with Blue Ribbon. He lies that Nike isn’t currently yet in stores. Kitami travels to Blue Ribbon’s Los Angeles store to inspect. The store manager Bork is instructed by Phil Knight to deceive Kitami, but he finds hundreds of Nike boxes in the storage room. The gig is up. And Bork quits Blue Ribbon from the discomfort of being commanded to deceive. [See how disrespect for subordinates is a sign of taking behavior]

A bit later, Kitami shows up with a lawyer. He formally voids Blue Ribbon’s contract with Onitsuka, citing the Nike play as a breach. Kitami has the gall to request Bowerman’s services as a consultant, which of course they refuse.

The next day, Phil addresses his team. He shares that Onitsuka has terminated their contract, and they may have to face lawsuits for breach of contract. And they’ve got an uphill battle – Nike shoes have quality problems, and they have little margin for error. Everyone looks dejected, especially as they’re in a recession. But Phil says, “we’ve got them right where we want them. This is the moment we’ve been waiting for. Our moment. No more selling someone else’s brand. Onitsuka has been holding us down for years. If we’re going to succeed, or fail, we should do so on our own terms.”

This inspires the crew. Phil successfully rallies his troops, and they begin the fight for survival.

In preparation for the 1972 Olympics, the US track-and-field trials are held in Eugene, OR. The central event is Steve Prefontaine, qualifying for the 5000m event. Phil reflects on why Pre is a running celebrity like the country had never seen, and he attributes it to Pre’s passion. Pre always pushed himself to the limit. “No matter the sport – no matter the human endeavor – total effort will win people’s hearts.”

Pre’s world-record setting performance at the trials pushes Phil to fight for Nike’s life. “Sports gives people a sense of having lived other lives, of taking part in other people’s victories. And defeats.”

Bowerman is the head coach of the US Olympics track team that year. But the 1972 Munich Olympics lead to a terrorist event and the deaths of Israeli athletes. Bowerman retires from coaching soon after.
But 1972 ends with victories for Nike. Knowing that athlete endorsements are important, Nike signs tennis player Ilie Nastase, who is already wearing Nike Match Points. And the year ends with the University of Oregon Ducks, all clad in Nike waffle shoes, against their rival Oregon State Beavers. Phil feels an immense pride from having made the players’ shoes leading to their win.

1973

Pre is in a funk from getting 4th in the 1972 Olympics. But he eventually gets his fire back, and he’s wearing Nikes while winning. Because US Olympic athletes at the time couldn’t collect endorsement money, Pre is also destitute. So Nike signs him as a “National Director of Public Affairs,” or a celebrity endorser, paying $5000 a year. Everywhere Pre goes, Nike goes. People flock to see him, and Pre urges them to give Nike a try.

Phil strongly requests two employees, Woodell and Johnson, to trade roles and locations, transferring between Boston and Oregon. Interestingly, he writes, “in keeping with my personality, and Blue Ribbon tradition, I expressed no gratitude. I spoke not a word of thanks or praise.”

Sales are higher than ever – $4.8 million – but this year they lost money – $57,000. Their investors, the debenture holders, are shocked, even though Nike is gaining national traction. Phil placates them by giving them a fixed conversion rate on stock for five years, and he thinks he’ll never want to go public and have to deal with thousands of shareholders.
As expected, Onitsuka files a suit for breach of contract in Japan. They file quickly against them in the United States. Phil is deposed, and some facts don’t look great, like his memo about hiring a spy in Onitsuka, and stealing Kitami’s folder from his briefcase to find he was courting distributors. Despite this, Phil has a legal team he trusts and who insist they’re going to win, just as though they were rooting for a sports team.

Another problem is creating enough supply to meet the massive demand for their shoes. Their factories are churning out shoes reliably, unlike with Onitsuka, but it’s hard to ramp up supply without taking on inventory risk. Nike is already walking a fine line of profitability, and any missed shipment would delay payment to Nissho, which would cut down their ability to borrow, which would in turn delay their next factory order.

So Phil has an idea – what if they go to retailers and ask for large upfront orders 6 months in advance with big discounts, up to 7%? At first the retailers are hesitant, but they turn around when Nike unveils a few flashy new shoes, like an updated Bruin and new Cortezes. Soon even the stragglers desperately sign up to avoid being locked out.

In September, Phil and Penny have their second child, Travis.

![Nike Bruins from the early 70s](image)

**1974**

The trial with Onitsuka begins in April in Portland on the matter of breach of contract and ownership of trademarks. Over several days, members of Blue Ribbon and Onitsuka are interviewed as witnesses. The stance of Onitsuka is that Blue Ribbon had always engineered a con, employing spies and deception to string them along until they could cut Onitsuka out.

Blue Ribbon has a rocky path to winning. Phil Knight gives questionable testimony about stealing from Kitami’s briefcase and nurturing a spy within Onitsuka (Fujimoto). A former store manager, Bork, has turned traitor and
joined Kitami’s team, and he feeds them surgical questions to expose Blue Ribbon’s operations. Bowerman, out of contempt, hasn’t prepared and fumbles through his testimony. And Kitami lies about his movements, claiming he was only exploring distributors for market research, and the idea for Onitsuka to buy Blue Ribbon came from Phil Knight.

But there are silver linings. Iwano, Kitami’s young assistant, testifies honestly that there was a fixed plan to break Blue Ribbon’s contract, and Kitami had discussed it many times. And Kitami suspiciously requests a translator despite his fluent English, and even corrects the translator in English a few times.

Weeks later, the judge has a ruling. He will rule only on the trademarks and not on the contract breach, for reasons not explained. He says ultimately Blue Ribbon’s testimony seems more truthful – Iwano seemed honest, whereas Kitami seemed to practice active deception, especially with the translation. The judge rules that Blue Ribbon keeps all rights to the shoe names Boston and Cortez, and Blue Ribbon is due damages. He will decide damages over a few days.

Phil and the Blue Ribbon legal team are ecstatic. They weren’t expecting a win. A week after the ruling, Onitsuka pre-empts the judge’s damages by offering a settlement of $400,000. Blue Ribbon takes the deal. They sign the papers with Kitami present, and as they leave they take the same elevator down. “Surely Washington and Cornwallis weren’t forced to ride the same horse away from Yorktown,” Phil muses.

The lead attorney on the case, Strasser, impresses Phil so much that they recruit him to be in-house counsel for Blue Ribbon.

![Strasser](https://via.placeholder.com/150)

The major issue of the year is manufacturing – by working with Japanese factories, Blue Ribbon was subject to currency and labor cost fluctuations. They needed new factories in new countries. Taiwan seemed obvious, but they were still ramping up their quality. Puerto Rico was their second option, and despite the poorer quality they plan to take raw materials in Puerto Rico and assemble shoes in New England.
Johnson, having just moved to Oregon at Phil’s behest, is now tasked with managing the New England factory. He complains but knows that he can trust no one else to do the job, so he moves back cross-country.

This year, Nike is on path to $8 million in sales. Beating Adidas seems like a possibility at this point. They open more stores and make more deals. They sign more endorsements, but Pre is still their top endorser. “We’ll always have Pre,” Phil says.

1975: Part One

Financially, Phil Knight constantly pushes the pedal to the metal. He knows there is huge demand for Nike shoes, and he can’t sell them quickly enough. So why limit factory orders to go in the black, when you know the demand is out there? He doesn’t see this as reckless – the demand is there.

This means Blue Ribbon lives check to check, barely making their monthly payments to the Bank of California and Nissho. Just one late payment to Blue Ribbon, and the whole tower might crumble.

And one day, that one check from a retailer is late. They’re $75,000 short, out of a total $1 million, to pay Nissho. To make it work, they deplete the bank accounts of all their retail stores and factories.

Then the factory workers’ paychecks bounce. And their creditors’ checks bounce.

Then Bank of California tells them they no longer want Blue Ribbon’s business, they’re freezing their funds, and they’ve contacted the FBI, since it looks like fraud to them.

Phil Knight takes all this to Nissho. They’re sympathetic, knowing that businesses run on float, but they insist on looking at Blue Ribbon’s books. Sumeragi and Ito, a senior manager, park in Blue Ribbon’s office to audit their finances.

Through all of this, Phil Knight finds it hard to sleep, thinking about his life and questioning his decisions up to that point. “If only I’d been better at selling encyclopedias, everything would be different.”

Near the end of the audit, Sumeragi admits the situation is even worse than it appears. He’d delayed sending invoices to Blue Ribbon until he knew they could pay them back. In reality, Blue Ribbon was never paying Nissho on time. Ito questions Sumeragi on why he would do this, and Sumeragi replies that he thinks Blue Ribbon could be a great success. He likes Phil and the Blue Ribbon folks.

Having completed the accounting, Ito is satisfied. “There are worse things than ambition,” he says. Ito travels with Phil Knight and Hayes to Bank of California. There Ito lays down the law: they will pay off Blue Ribbon’s debt in full. And wasn’t Bank of California trying to win Nissho’s business? Consider that over. “I do not like stupidity. People pay too much attention to numbers,” Ito says. Phil is eternally grateful for this support.
1975: Part Two

Pre dies in a car accident. Phil had seen him just the day before, in a race and a celebration party afterward. [Pre is found to have a BAC of 0.16, even though people claim he was sober leaving.]

In his eulogy, Bowerman commemorates Pre as a symbol of runner freedom, smashing rules holding back amateur athletes and keeping them poor.

Phil is distraught. But one legacy Pre leaves is a quote: “Somebody may beat me – but they’re going to have to bleed to do it.” Phil commits to this for Blue Ribbon.

1976

This year is relatively crisis-free, and Phil Knight and team spend their time thinking about the future. Now that Nike is becoming a national, household brand, they officially incorporate as Nike, Inc.

When introspecting about what the ultimate goal of Nike is, Phil comes up with a single word: “winning.” Phil feels personally affronted when runners are wearing shoes other than Nikes. At the 1976 Olympic Trials, multiple qualifying runners are wearing Nike as they qualify to represent the US, and Nike is the talk of the athletic town. But in the actual Olympics, a runner who had previously worn Nikes at the Trials was now wearing Onitsuka Tigers – he wasn’t confident Nikes would last a whole marathon. Phil is crushed. Every rejection of Nike is a rejection of himself.

Luckily, the Nike waffle trainers are more popular than ever. They’re breaking out of athletic uses and becoming an everyday lifestyle shoe, something competitors found hard to do. Sales double again to $14 million.

Nike waffle trainers
With this popularity, Nike needs to find new manufacturers who can handle scale, and they finally turn to Taiwan. After scouring dozens of dirty, crowded factories, they find a few shoe dogs they can trust and sign deals. Phil and his mentee drink heavily, prompted by the Taiwanese businessmen. Importantly, given the frictions between Taiwan and China, Phil sets up a subcompany called Athena. He wants to preserve the potential to enter China, with a “shoe dog’s idea of heaven: a country with two billion feet.”

Despite their massive sales, finances are continuously an issue, and they continuously ponder whether to go public. It would raise a boatload of cash to fuel growth, but they feel it would sell their soul and control. So they keep punting it to later, raising loans from new banks.

One loan requires Phil and Bowerman to personally guarantee the loan, which Bowerman doesn’t want to risk anymore. Bowerman wants to sell 2/3 of his stake in Blue Ribbon, which Phil reluctantly accepts. But Bowerman starts feeling idle in retirement and disrespected by Nike, even though they’re giving him the experimental equipment and tools he needs. Phil wants to keep Bowerman happy.

There are countless more difficulties to resolve—a larger warehouse on the East Coast, a larger scale advertising agency, new endorsements for more sports. But Phil gets through it with his motley crew team of Woodell, Johnson, Strasser, and Hayes. They call each other and the team Buttface. The joke is, “How many multimillion-dollar companies can you yell out, ‘Hey, Buttface,’ and the entire management team turns around?”

Why does he love his team so? They’re clearly effective at their work, but they’re also cut from the same cloth. They came from Oregon, and they all had their personal chips on their shoulders to validate themselves to the world (Woodell lost his athletic dreams in an accident and was now confined to a wheelchair; Hayes couldn’t become partner at his accounting firm because he was too fat; Phil was cut from the baseball team and had his heart broken). They had thick skin, and they took each other down a notch. It was them against the world.
Phil feels guilty about his home life. He’s less often at home than he’d like, and his family misses them. Matthew holds a grudge, insisting he’ll never wear a Nike shoe. Travis always understands.

Phil continuously questions himself and what he’s doing. Is he a good manager? Is he a good father?

1977

Nike continues its inexorable climb upward. They continue catching national attention. They sign dozens of college sports teams and legendary coaches. There’s a funny story about how in a press release they misspelled Iona as Iowa. Iowa’s head coach calls, angry, but then asks to sign too.

In tennis, they don’t get Nastase, who asks for $100,000/year, which Phil thinks is irresponsible. But at Wimbledon, they find a young hothead named John McEnroe, and Phil falls in love with him. They have Nikes showing up in Hollywood, with Farrah Fawcett wearing Seniorita Cortezes in Charlie’s Angels.

Farrah Fawcett, in Seniorita Cortezes

Phil’s father even mentions how prominently Nikes are featured in a basketball game, and Phil feels that he’s finally earning his father’s respect and pride (a possible longstanding chip on Phil’s shoulder)
They continue their track record of shoe innovation. Bowerman designs the LD 1000, a shoe with a flared heel meant to reduce pressure on the knee. But it’s finicky and requires an exacting stride to avoid injury. Nike recalls and braces for backlash, but instead they receive plaudits — they were the major innovator in shoes, and their customers were grateful for experiments, failed or not.

And there is one major innovation on the horizon – air in the soles. An aerospace engineer approaches Nike and tells them he can inject air into running soles. Phil is skeptical of this pale lanky man with a “severe vitamin D deficiency,” but he tries a hastily assembled prototype of air soles in his running shoes. He thinks there might be something there.

Rising demand is always a manufacturing problem, but they continue building partnerships with factories in Taiwan, Korea, and Puerto Rico. Funnily, a Korean factory Nike doesn’t partner with sends him a perfect replica of a shoe. Phil writes back with an angry cease and desist and also an offer to partner. They start working together.

Nike launches memorable ad campaigns, centered around a slogan: “There is no finish line.” Accompanying copy read, “Beating the competition is relatively easy. Beating yourself is a never-ending commitment.” Phil
continued being skeptical about advertising – the product should speak for itself. And where’s the proof that the ads are increasing sales?

Sales reach $70 million. A trusted business adviser laughs at how precarious their float situation is, and he insists going public is mandatory to solve their cash flow problem. Otherwise, Phil might lose his company.

And then a bomb drops. US Customs wants $25 million for retroactive duties on shoes. This is based on an esoteric rule, the “American Selling Price.” In essence, the ASP required import duties on nylon shoes to be 20% of the manufacturing cost, unless there’s a similar shoe on the marketplace – then it’s 20% of the selling price of the competitor’s shoe. A few American competitors like Converse and Keds declared their shoes similar and lobbied hard for this duty. They want to stifle Nike.

They have no ability to pay this fine, nor could they stomach hugely increased duties on a continuous basis. If they did, the company would go bankrupt. While contemplating this, Phil throws tantrums, destroying phones after disappointing phone calls. The phone repairman chastises him as “immature,” and Phil resolves to seek equanimity.

But worst of all, his sons aren’t interested in sports. Matthew was a constant contrarian, unable to obey authority, and stifling under sports rules. He’d go for other players’ shins on the soccer field and cause mayhem. This spread to Travis, who was a gifted athlete but was turned off by Matthew. “Of all the
negotiations in my life, those with my sons have been the most difficult.” Phil’s life is about sports, his bond with his father was about sports, and both his sons don’t care about sports. This leaves a hole in Phil Knight.

1978

**Sales double again – on track for $140 million in 1979.** Nike keeps growing. They change headquarters to a 40,000 square foot building in Beaverton, where his office is bigger than their entire first headquarters. They have factories in Taiwan, Korea, England, and Ireland. Industry analysts say that Nike is unstoppable.

Nike launches an apparel business, since this is where Adidas gets most of their sales, and it’s a way to offer more attractive endorsement deals to athletes. Phil starts by appointing a totally unstylish accountant who produces abhorrent clothing. Phil justifies the appointment of so many accountants and lawyers to his team with the idea that by qualifying for their trade, most “had demonstrated basic competence” – that when you hired an accountant, you at least knew she could count. (He later replaces this person with Woodell, who launches a great first clothing line).

This makes him start noticing that people around him dress terribly when they need to impress bankers and investors. Phil institutes a dress code, a move that contradicts the freewheeling Nike culture. His lieutenants rebel, flouting his dress code and requiring Phil to dock their pay for each dress code violation. [Again, to his credit, Phil continues being open about his management failures and doesn’t paint himself as a Napoleon with diehard unquestioning followers.]

Nike continues innovation. They release a shoe called the Tailwind, the first shoe with the mad scientist’s air soles. Nike hypes this shoe with splashy ads, and they fly off the shelves. But then customers start complaining that the shoe is falling apart. They find that tiny bits of metal in the silver paint are rubbing against the upper, slicing it apart. They learn not to put too many product innovations in a single shoe.

Nike Tailwind, with the internal air sole
Phil starts feeling burnout. After a decade of fighting fires, he starts to see only problems, and he’s not thinking as sharply.

1979
Nike continues its fight against US Customs. Phil meets with the bureaucrat in the Treasury Department who wants Nike’s money. The man is unsympathetic to Phil’s claim that paying the $25 million fine would put Nike out of business, that bullying his “little” company is un-American.

They meet with Senator Hatfield from Oregon, who gladly helps defend one of Oregon’s own. He sends messages to the US Customs bureaucrat who, to Phil’s delight, is frustrated by being impeded by beings more powerful than he.

Nike has once again grown. They open a 3,500 square foot retail space in Portland, which is swarmed with customers. They move to yet even bigger offices in a 46,000 square foot building to house 300 employees. But Phil is aware that all of it could be gone at any point.

1980
This is the final year detailed in Shoe Dog, the year when Nike finally goes public through their IPO.

Tired of the plodding pace with US Customs, Nike goes on the offense. First, Nike launches its own low-cost nylon shoe, called the One Line. The import duties use a comparable shoe as the pricing benchmark, giving rise to the $25 million price. By using their own shoe as the comparable, they might reduce the claim.

Next, they produced a TV ad that told the story of the little Oregon company fighting the government. Being forced to do this was un-American, it said.

Finally, Nike file a $25 million antitrust suit against their competitors and rubber companies, who had conspired to cripple them.

With so much heat, US Customs decide they wanted to move on. They initiated settlement talks, starting at $20 million, then $15 million. Phil didn’t want to pay anything, even though they needed to resolve this to go public, and they needed to go public to survive. Eventually they settle on a final number – $9 million. Phil doesn’t like it, but he agrees. When writing the check, he muses that Nike has come a long way since he wrote his $1 million check in 1975 to pay Nissho, $1 million that he didn’t have.

Now they can go public, but Phil is still terrified of losing control of Nike, that thousands of shareholders will ruin the Nike culture. Their solution is to issue two classes of stock – ordinary class B shares with one vote, and prefered class A shares for the current team that would let them name ¾ of the board.

Nike makes its first inroads into China. Two billion feet is their target prize. Phil wants Nike to be first, knowing it’ll be a huge advantage.
They recruit a China expert called David Chang, who gets them through the bureaucratic nightmare to get a tour in China, hosted by the Chinese government. They see landmarks like the Great Wall and visit old, decrepit factories that produce defective shoes. The Chinese find it common practice to wear mismatched shoes on the right and left. Phil is appalled, but he sees children in canvas shoes, which gives him hope.

Before leaving China, Nike signs endorsement deals with China’s track-and-field federation, which is run by the government. Four years later, the Chinese team appears at the LA Olympics wearing Nike shoes and clothes.

Nike also signs with two Chinese factories, officially becoming the first American shoemaker in 25 years to do business in China.

When they return from China, the IPO process is in full swing. In September, they file to create 20 million shares of class A stock and 30 million of class B. 30 million shares would be held in reserve, and 2 million class Bs sold to the public, somewhere between $18 and $22 per share. 56% of the class A shares would be held by the early team – Bowerman, their earliest investors, the Buttfaces, and Phil, who would personally own 46%. They agreed that Nike needed to be run by one person, with one steady vision.

They go on their IPO roadshow, convincing investors of the value of Nike. Phil tells stories to bankers about the company’s history, their dogged diligence, Bowerman’s experiments with his waffle iron. He wanted the New York bankers to know that these Oregonians weren’t messing around.

This is a perfect time to be reflective and nostalgic. Phil remembers all the struggles they endured, not being able to pay Nissho, their paychecks bouncing, Johnson’s endless letters asking for encouragement. Phil’s mom remembers the first time she bought Phil’s Onitsuka shoes.

Phil wants no less than $22 per share. He believes they’re worth that much. A company called Apple is also going public that week, and he believes Nike is worth no less than they are. The bankers initially disagree, but Phil stands his ground, and they relent.

They finally go public. Instantly, the team is made. Bowerman is worth $9 million; Woodell, Johnson, Hayes and Strasser each about $6 million; Phil $178 million.

Phil muses on becoming a businessman, a word he dislikes. To him, business isn’t about money or deals or fixing problems. It’s about the mission of contributing to other humans. “When you add some new thing or service to the lives of strangers, making them happier, or healthier, or safer, or better, and when you do it all crisply and efficiently, smartly, the way everything should be done but so seldom is – you’re participating more fully in the whole grand human drama.”

He recalls all the sports matches he’s seen where a team had a big lead in the final quarter, relaxed, and lost the game. Even though he’s now wealthier than he had ever imagined, nothing had really changed. So he goes back to work.

Night

This is Shoe Dog’s afterword, where Phil Knight talks about Nike’s current state and his life reflections.
In 2006, Phil steps down as Nike CEO. Sales are $16 billion that year (to Adidas’s $10 billion). Nike has 5,000 stores and 10,000 employees worldwide. China is their largest producer of shoes.

Their world headquarters in Beaverton houses 5,000 employees in buildings named after people who helped create the company above a brand – Tiger Woods, Mia Hamma, Steve Prefontaine. The two main streets are named after Bowerman and Hayes. Phil is grateful, and he can’t help feeling the universe has been guiding him, nudging him through success. [This is a feeling called pronoia, where you’re suspicious that somehow mysterious forces are conspiring to make you successful.]

The spirit of Nike seems to continue with their newest employees. They come in interested in history and have an informal discussion group called the Spirit of 72. [Undoubtedly Shoe Dog will help perpetuate this spirit.]

Superstar athletes are grateful to Nike and to Phil too. Lebron gives Phil a Rolex from 1972, engraved with “Thanks for taking a chance on me.” Michael Jordan reserves a front row seat for Phil at his father’s funeral. He considers them family.

In 2000, Phil’s son Matthew dies in a diving accident. Phil and Penny are devastated. Every Nike athlete contacts them, but Tiger is the first one, calling in at 7:30AM. Phil will never forget this.

There are other losses along the way. Bowerman dies in 1999 in his hometown. Phil recalls crying so much that he gave up on Kleenex and just draped a towel over his shoulder.

Strasser (the lawyer who guided them through the Onitsuka trial and takes on active roles in signing endorsements) dies in 1993. But before this, they have a falling out. Strasser was instrumental in signing Jordan and creating the Air Jordan brand. This success got to Strasser’s head, and he didn’t want to take orders from anyone. After clashes, he quit and went to Adidas, an intolerable betrayal that Phil never forgave. (They did, however, hire his daughter, Avery Strasser.)

Phil feels the same sense of betrayal when Nike comes under attack for the sweatshop controversy. Reporters never ask how much worse a factory was before Nike went in, made them better, safer, cleaner. They never see that Nike was just a renter of the factory, not the owner. And they ignore the immense job creation and helping poor countries modernize. Phil reacts angrily to this controversy, which doesn’t help the reaction.

But this spurs them to do better, and now they’re proud of their working conditions. They invent a water-based bonding agent that releases 97% fewer carcinogens in the air and released it for competitors to use. They try to push wages as high as they can, despite controls by foreign governments (one time, an official said it’d be disruptive for shoe workers to make more than doctors).

The other core members of the founding team are still around. Hayes lives on a farm in Tualatin Valley, with an array of bulldozers and construction equipment to play with. Woodell (the man in the wheelchair) became head of Port of Portland, a licensed pilot, and shareholder of a microbrewery. Johnson, employee #1, lives in New Hampshire, reading thousands of books he’s collected.

Phil watches the film The Bucket List and muses on what he has left to do. He and Penny are giving away $100 million each year. They’ve created the new Matthew Knight basketball arena at U of Oregon, with Matt’s name in the center logo. He’s visited all the places he can think of.
Phil settles on wanting to tell the story of Nike. He wants to share the experience, all ups and downs, so that young entrepreneurs can press on, comforted that even a great titan of a company as Nike started somewhere. “It’s all the same drive. The same dream.” He wants to tell people to think hard about how to spend their next forty years, to follow a calling and not to settle for a job. “If you’re following your calling, the fatigue will be easier to bear, the disappointments will be fuel, the highest will be like nothing you’ve ever felt.”

So Phil starts writing.