



Master Thesis

STRATEGIC MANAGEMENT: INNOVATION STRATEGIES OF A SELECTED COMPANY

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Master Thesis Assignment Form

STRATEGIC MANAGEMENT: INNOVATION STRATEGIES OF A SELECTED COMPANY

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1. The objective is to examine the innovation strategies utilized by [Adidas] and their correspondence with strategic management methodologies.
2. Assess the impact of innovation on the firm's performance, its competitiveness, and its position in the market.
3. Key Factors Determining the Success of Innovation Strategies' Implementation in this Firm.
4. The study of problems and opportunities which the organization is facing while creating the climate for innovation.
5. To inform suggestions for innovation strategies in light of the company's overall strategy.

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- KONONOVA, Oleksandra, 2016. *THE STUDY OF METHODOLOGY OF FORMATION OF THE COMPLEX MECHANISM OF STRATEGIC MANAGEMENT OF BUILDING ENTERPRISE. online. EUREKA: Social and Humanities.* vol. 5, pp. 18-26. Available from: <https://doi.org/10.21303/2504-5571.2016.00181>.
- NOOH, Mohammad Noorizzuddin, 2022. *Designing a sportswear strategic marketing plan: a data analytics approach. ASEAN Entrepreneurship Journal.* vol. 8, no. 1, pp. 53-70. ISSN 2637-0301.
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Anotace:

Tato práce zkoumá strategické řízení a inovační strategie společnosti Adidas, se zaměřením na to, jak firma integruje inovace do svého celkového obchodního modelu, aby udržela konkurenceschopnost na globálním trhu se sportovním oblečením. Adidas se i nadále profiluje jako lídr na trhu díky svému závazku k udržitelnosti, technologickému pokroku a řešením zaměřeným na spotřebitele. Společnost využívá různé inovační přístupy, včetně ekologického designu produktů, 3D tisku a personalizace založené na datech, přičemž všechny tyto kroky jsou podpořeny zaměřením na spolupráci s externími partnery a zainteresovanými stranami. Tato práce zkoumá roli strategického řízení při vytváření kultury neustálých inovací ve společnosti Adidas, přičemž zdůrazňuje klíčové iniciativy, jako je spolupráce s Parley for the Oceans a posun k cirkulární ekonomice. Analýza se také zabývá výzvami, kterým společnost čelí při globálním škálování svých inovací, přičemž si zachovává nákladovou efektivitu a konzistenci značky. Nakonec tato studie poskytuje cenné poznatky o tom, jak inovační strategie Adidas hrála klíčovou roli v jejím úspěchu a nabízí doporučení pro udržení růstu v rychle se měnícím a vysoce konkurenčním trhu.

Klíčová slova:

Strategické řízení, Inovační strategie, Udržitelnost, Technologické inovace, Konkurenceschopnost

Annotation:

This paper explores the strategic management and innovation strategies of Adidas, focusing on how the company integrates innovation into its overall business model to maintain competitive advantage in the global sportswear market. Adidas has consistently positioned itself as a market leader through its commitment to sustainability, technological advancement, and consumer-driven solutions. The company employs a variety of innovative practices, including eco-friendly product design, 3D printing, and data-driven personalization, all underpinned by a focus on collaboration with external partners and stakeholders. This paper examines the role of strategic management in fostering a culture of continuous innovation at Adidas, highlighting key initiatives such as its collaboration with Parley for the Oceans and its push towards a circular economy. The analysis also addresses the challenges the company faces in scaling its innovations globally while remaining cost-efficient and maintaining brand consistency. Ultimately, this study provides valuable insights into how Adidas' innovation strategy has been central to its success and offers recommendations for sustaining growth in an increasingly competitive and rapidly changing market.

Keywords:

Strategic Management, Innovation Strategy, Sustainability, Technological Innovation, Competitive Advantage.

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List of Abbreviations

AI	Artificial Intelligence
BCG	Boston Consulting Group
CA	Competitive Advantage
COM	Communication
COVID	Coronavirus Disease
EFE	External Factor Evaluation
ES	Environmental Stability
FIFA	Fédération International de Football Association
FS	Financial Strength
IA	Industry Attractiveness
IEF	Internal Evaluation Framework
IFE	Internal Factor Evaluation
IS	Information Systems
JD	Juris Doctor (Law degree)
LLC	Limited Liability Company
LOOP	Learning Organization Operating Procedures
NBA	National Basketball Association
PIMS	Profit Impact of Market Strategy
ROI	Return on Investment
SMART	Specific, Measurable, Achievable, Relevant, Time-bound
SPACE	Strategic Position and Action Evaluation
SWOT	Strengths, Weaknesses, Opportunities, Threats
TS	Threats and Strengths
UEFA	Union of European Football Associations
VRIO	Value, Rarity, Imitability, Organization

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1. Introduction:

In the modern era of business, innovation is no longer just a supplementary activity but has become the cornerstone of sustainable competitive advantage. As industries undergo rapid transformation driven by technological advancements, shifting consumer preferences, and increased global competition, organizations must constantly evolve to survive and thrive. In this context, innovation strategies are essential tools for organizations to stay ahead of the curve. These strategies encompass a range of initiatives, from technological advancements and product development to process improvements and new business models, all aimed at driving growth, enhancing efficiency, and meeting the evolving needs of customers.

The role of innovation in strategic management is particularly crucial, as it allows companies to proactively anticipate market trends, create differentiated value propositions, and maintain their leadership position in an increasingly saturated marketplace. Effective innovation strategies require a clear vision, a culture that supports creativity and risk-taking, and a robust process for turning ideas into tangible outcomes that contribute to long-term organizational success. This is where strategic management plays an indispensable role—guiding the direction of innovation efforts, aligning them with the company's broader goals, and ensuring that innovation is not a one-off initiative but a continuous, integrated process embedded in the organizational fabric.

This study will focus on the innovation strategies of a selected company, aiming to explore how it has integrated innovation into its overall strategic framework to drive growth and maintain a competitive edge in its industry. By analysing key elements such as the company's approach to research and development (R&D), its investment in new technologies, product or service innovation, partnerships and collaborations, and its organizational culture, we can gain valuable insights into the practical application of innovation management. Furthermore, the study will evaluate how the company has navigated challenges and uncertainties in the innovation process, from market entry barriers to managing technological disruptions and responding to shifting consumer demands.

Through this in-depth analysis, the paper aims to uncover the factors that have contributed to the company's success and resilience, while also offering valuable lessons for other organizations seeking to enhance their own innovation capabilities. We will examine how the company's innovation strategy aligns with its corporate vision and overall business goals, and how it positions the company to capitalize on emerging trends, such as digitalization, sustainability, and global expansion. By investigating the intricacies of these innovation strategies, this study will provide a comprehensive understanding of how businesses can leverage innovation as a strategic tool to secure a future-proof, competitive position in an increasingly volatile business environment.

In essence, this paper aims to showcase the crucial intersection between innovation and strategic management, highlighting how the successful implementation of innovation strategies can drive organizational success, foster long-term growth, and create new opportunities in a world where change is the only constant.

1.1. What is strategy?

Strategy is a plan of action designed to achieve a long-term or overall aim, particularly within a business, organization, or competitive environment. It involves setting goals, determining actions to achieve those goals, and mobilizing resources to execute those actions. At its core, strategy helps an organization navigate its environment, achieve its objectives, and sustain a competitive advantage over time (Buzzell and Gale, 1987).

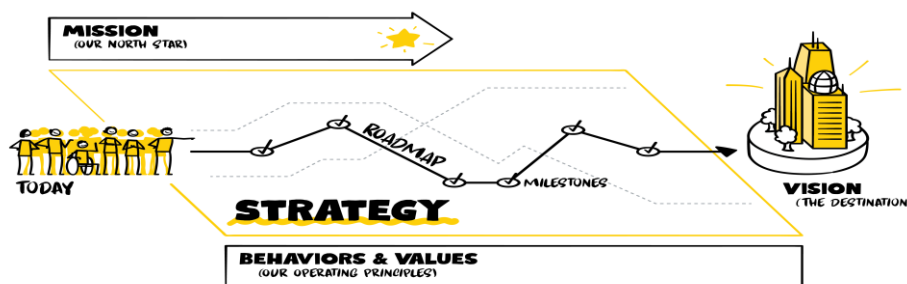


Figure 1 Strategy

Source:(Kapadia, 2019)

1.2 What is strategic management?

underscores the importance of benchmarking new product performance as part of an organization's strategic management process, highlighting the need for ongoing

evaluation of innovation initiatives. In the contemporary market landscape, value co-creation through virtual customer environments, allows companies to engage directly with customers in the development process, influencing strategic decisions related to product design and market demand (Buzzell and Gale, 1987).

A company's global strategy plays a crucial role in the strategic management process. It stresses the importance of understanding the global business environment and making strategic decisions that account for international competition, regional trends, and global integration (Buzzell and Gale, 1987).

1.3 Definition of strategic management:

Strategic management is the process of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives and competitive advantage. It involves identifying the company's goals, analysing the competitive environment, assessing internal capabilities, and making decisions on resource allocation to enhance long-term growth and success (Buzzell and Gale, 1987).

1.4 Strategic management process

Strategic management is the process by which an organization defines its strategy, makes critical decisions, and takes action to ensure sustainable growth and secure a competitive advantage. In today's rapidly changing business environment, it is essential for companies to regularly update their strategies to meet shifting market demands, stay ahead of competitors, and capitalize on emerging opportunities. This process involves a comprehensive analysis of both internal capabilities and external market conditions, followed by the development and execution of strategies, and continuous monitoring to ensure progress toward achieving long-term objectives (Tidd and Bessant, 2014).

For many organizations, strategic management goes beyond traditional growth tactics to include fostering innovation, sustainability, and strong consumer engagement. Leading companies, such as Adidas, focus on designing innovative products, staying ahead of industry trends, and embedding technological advancements and sustainability efforts throughout their operations (Tidd and Bessant, 2014). These companies understand that innovation must be integrated across all facets of the business from product design and manufacturing to marketing and consumer relationships. Furthermore, engaging with external stakeholders such as customers,

partners, and environmental organizations has become a key element of strategic management, creating a collaborative approach that ensures the company's offerings align with both consumer expectations and global trends, thus enhancing its competitive positioning(Wheelen and Hunger, 1998).

Effective strategic management enables organizations to build strong brand identities while continuously innovating and adapting to market changes. By refining strategies based on thorough market analysis, industry insights, and customer feedback, companies can make informed decisions that help them maintain a leadership position in their respective industries. This ability to innovate and stay responsive to evolving consumer needs is crucial to long-term success. The success of strategic management lies in its capacity to help organizations navigate the complexities of competitive markets and emerge stronger in the face of uncertainty (Wheelen and Hunger, 1998).

The strategic management process encompasses multiple stages that contribute to a company's ability to thrive in a highly competitive and dynamic environment(Debruyne and Tackx, 2019). From conducting detailed internal and external analyses to formulating and implementing strategies, this structured approach supports long-term growth and competitive advantage. By continuously evaluating the effectiveness of their strategies and making necessary adjustments, companies can stay aligned with market dynamics and meet the expectations of consumers and other key stakeholders (Debruyne and Tackx, 2019).



Figure 2: Strategic management

Source: (Runtime, 2024)

1.4.1 Environmental scanning

Environmental scanning is the foundational first step in the strategic management process. It involves assessing both the external and internal environments to identify opportunities, threats, strengths, and weaknesses. By understanding these factors, organizations can better align their resources with market conditions and craft strategies that maximize their competitive advantage(Stoffels, 1994).

External Environment Analysis:

- **Market Trends and Consumer Behaviour:** Understanding shifts in consumer preferences is essential for staying competitive. The demand for sustainable, high-performance, and fashionable products is growing, making it vital for companies to monitor trends like eco-consciousness, personalized products, and digitalization (e.g., smart sports gear). These trends can significantly impact market positioning and product development strategies(Stoffels, 1994).
- **Competitive Landscape:** Analysing the competitive environment helps organizations assess their position relative to key competitors. By evaluating competitors' strategies, strengths, and weaknesses, a company can identify gaps in the market and areas for potential differentiation. Competitor analysis includes reviewing market share, innovation strategies, and customer loyalty initiatives(Stoffels, 1994).
- **Technological Developments:** In industries like sportswear, technological innovations are crucial for product differentiation. Companies must track advancements in manufacturing technologies (e.g., 3D printing), materials science (e.g., sustainable fabrics), and wearable tech (e.g., smart clothing) to ensure they remain at the forefront of product development(Tidd and Bessant, 2014).
- **Regulatory and Economic Factors:** Companies also need to scan the regulatory landscape, considering the potential impact of environmental laws, labour regulations, and economic factors such as supply chain disruptions or trade tariffs. These external elements could affect costs, production, or market access(Tidd and Bessant, 2014).

Internal Environment Analysis:

- **Resources and Capabilities:** Internally, companies assess their strengths and weaknesses, including manufacturing capabilities, brand equity, R&D expertise, and supply chain efficiency. Evaluating internal resources helps determine whether the organization is equipped to meet strategic goals(Tidd and Bessant, 2014).
- **Core Competencies:** Identifying core competencies—such as design expertise, technological innovation, and marketing strength—helps firms build strategies that leverage these capabilities. Core competencies are the foundation upon which competitive advantage is built and sustained(Tidd and Bessant, 2014).

1.4.2 Strategy Formulation:

Once the environmental scan is complete, the next step is strategy formulation, where companies determine the most effective actions based on the opportunities and internal capabilities identified during the scanning phase. Successful strategy formulation aligns the company's strengths with external market opportunities(Simerson, 2011).

Strategic Vision and Goals:

- **Vision:** Strategy formulation begins with a clear and compelling vision for the future. A company's vision defines its long-term aspirations and helps align all organizational efforts toward a common objective. For example, the vision might be to become the leader in sustainable and high-performance products within the industry(Wheelen and Hunger, 1998).
- **Goals:** Setting specific, measurable, attainable, relevant, and time-bound (SMART) goals is critical. These could range from increasing market share in a particular product category to achieving sustainability targets, such as reducing carbon emissions or launching a new line of eco-friendly products(Kaplan and Norton, 2001).

Strategic Options:

- **Cost Leadership vs. Differentiation:** One of the key decisions in strategy formulation is whether to pursue a cost leadership strategy (offering competitive prices through efficiency and economies of scale) or a differentiation strategy (offering unique products that stand out due to design, technology, or sustainability)(Johnson et al., 2009).
- **Product Innovation:** Innovation in product development is crucial for staying ahead of competitors. Companies often formulate strategies around continuous product development, incorporating new technologies, materials, and eco-friendly solutions. This can include leveraging advancements like sustainable manufacturing processes or integrating smart technologies into products(Johnson et al., 2009).
- **Market Development:** Companies might explore opportunities for market development, such as entering emerging markets or tapping into new customer segments. For example, expanding into regions like Asia or targeting segments like women's fitness or e-sports athletes can present new growth opportunities(Johnson et al., 2009).

Strategic Tools for Formulation:

- **SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats):** A SWOT analysis helps organizations understand how to capitalize on their strengths (e.g., brand reputation, product innovation) to seize external opportunities (e.g., demand for sustainable products)(Porter, 1998a).
- **Porter's Five Forces:** This framework helps evaluate the competitive dynamics within an industry by assessing factors like the threat of new entrants, bargaining power of suppliers and buyers, threat of substitutes, and industry rivalry(Porter, 1998a).

1.4.3 Strategy Implementation:

Strategy implementation is the phase where companies execute the strategies developed in the formulation stage. This requires alignment across all areas of the organization, effective resource allocation, and a clear structure to support strategic objectives(Thompson et al., 2014).

Key Aspects of Strategy Implementation:

Adidas carefully distributes its people, financial, and technological resources in accordance with its aims, including marketing initiatives to increase brand awareness and engagement and research and development for new ideas(Wright et al., 1998).

- **Organizational Structure and Culture:** Establishing new teams for sustainability or digital marketing, for example, is frequently necessary for the effective implementation of strategies. Employees are empowered to drive innovative solutions in an innovative and collaborative culture(Wright et al., 1998).
- **Technology Integration:** Efficiency and creativity are increased by integrating technology such as automation, 3D printing, and big data analytics. Targeted and customized marketing is made possible by these tools, which also provide deeper insights into consumer behaviour(Thompson et al., 2014).
- **Strategic Alliances and Partnerships:** Working together with suppliers, environmental organizations, and tech startups improves capabilities, lowers expenses, and gives access to outside knowledge that is essential for carrying out a plan successfully(Thompson et al., 2014).

Marketing and Branding Strategies:

- **Brand Positioning:** Effective brand positioning ensures that the company resonates with its target audience. For example, a brand might position itself as a leader in performance, sustainability, or innovation, depending on its strategic objectives(Porter, 1998a).
- **Promotional Campaigns:** Strategic marketing and promotional campaigns help to reinforce brand positioning. These campaigns may include traditional advertising, digital marketing, influencer partnerships, and athlete endorsements(Thompson et al., 2014).

1.4.4 Strategy Evaluation:

The final step in the strategic management process is strategy evaluation, where companies assess whether their strategies are yielding the desired outcomes. This evaluation helps ensure that the organization remains on track to meet its long-term goals(Porter, 1998a).

Performance Metrics:

- **Financial Performance:** Key financial metrics like sales growth, profit margins, and return on investment (ROI) indicate whether the strategy is delivering financial success(Simons, 1994).
- **Market Share and Brand Equity:** Evaluating changes in market share, brand strength, and customer loyalty helps measure the effectiveness of marketing and branding strategies(Simons, 1994).
- **Sustainability Goals:** For companies with a focus on sustainability, evaluating environmental performance (e.g., reductions in carbon emissions, use of recycled materials) is a critical aspect of strategy evaluation.
- **Consumer Feedback and Engagement:** Companies often use customer feedback, surveys, and social media analytics to gauge customer satisfaction and refine their strategies accordingly(Kaplan and Norton, 1996).

Making Adjustments:

If the strategy is not achieving the desired results, companies need to make adjustments. This may involve refining product offerings, altering marketing strategies, shifting focus to new customer segments, or reassessing operational processes. For instance, if a new product line isn't resonating with consumers, a company might tweak the product design, change the marketing approach, or adjust pricing strategies to better meet customer needs(Kaplan and Norton, 1996).

1.5 Formulation of Innovation Strategy

The formulation of an **innovation strategy** involves aligning an organization's strategic goals with its innovation efforts, determining the most effective paths for fostering creativity, and capturing value from technological advances or new business models(Chesbrough, 2006).

1.5.1 Open Innovation: Leveraging External and Internal Ideas

Open Innovation refers to the idea that organizations should use both external and internal sources of innovation. Traditional models of innovation relied heavily on in-house R&D, but Chesbrough argues that firms should integrate external knowledge,

partnerships, and technology to drive innovation. The formulation of an innovation strategy under this approach includes:(Chesbrough, 2006).

- **Incorporating External Knowledge:** Firms need to establish channels for external collaboration, such as partnerships with universities, research institutions, start-ups, and other companies, to gain access to cutting-edge technologies and ideas(Sloane, 2011).
- **Outbound Innovation:** In addition to bringing in external ideas, organizations should also commercialize internal ideas by licensing them or forming joint ventures. This allows organizations to profit from technologies or intellectual property that may not fit within their core business but still have market potential(Sloane, 2011).
- **Business Model Innovation:** Chesbrough emphasizes that innovation isn't just about product or technological breakthroughs; business model innovation is crucial. A company's ability to continuously evolve its business model through open innovation is central to long-term success(Chesbrough, 2006).
- **Integrating Crowdsourcing and Digital Platforms:** Modern open innovation strategies often leverage crowdsourcing, where organizations can tap into the collective intelligence of the public or external communities to generate new ideas or solutions to problems(Sloane, 2011).

Example of Formulation:

A company in the tech industry might set up an open innovation platform, encouraging external developers and researchers to contribute to the company's R&D efforts. It could also establish innovation hubs in collaboration with universities or start-ups to source fresh technological breakthroughs and expedite product development(Chesbrough, 2006).

1.5.2 Strategic Intent and Core Competencies

Hamel and Prahalad emphasize that a company's ability to innovate successfully is rooted in a clear strategic intent and its core competencies. When formulating an innovation strategy, firms must ensure that their efforts are focused on what they do best and that innovation aligns with their long-term competitive objectives(Prahalad et al., 2001).

Key points from their framework include:

- **Strategic Intent:** Formulating an innovation strategy requires defining a compelling vision of the future, something that captures the essence of where the company wants to go. This should go beyond short-term goals and focus on the broader ambitions of the company in the market(Hamel and Prahalad, 2010).
- **Core Competencies:** Innovation must be grounded in an organization's core competencies—those areas of expertise that distinguish the company from competitors. These could include unique technological capabilities, customer knowledge, or manufacturing excellence(Hamel and Prahalad, 2010).
- **Building the Capability to Innovate:** According to Hamel and Prahalad, companies should actively invest in building their innovation capabilities, both in terms of resources and organizational culture. This includes fostering an innovation-friendly culture, developing talent, and ensuring cross-functional collaboration(Hamel and Prahalad, 2010).
- **Focus on Future Markets:** They stress the importance of anticipating future market trends and aligning innovation strategies with these long-term opportunities. Successful innovators don't just respond to current customer needs but also create new markets and categories(Hamel and Prahalad, 2010).

Example of Formulation:

A company in the healthcare sector might identify its core competency in advanced medical technologies and set a strategic intent to lead the market in personalized medicine. Its innovation strategy would then focus on developing new drug delivery systems, partnering with biotech firms, and investing in R&D to create breakthroughs in genetic medicine(Prahalad et al., 2001).

1.5.3 Systematic Innovation and Entrepreneurship

Peter Drucker's approach to innovation is practical and systematic, emphasizing that innovation is not just a sporadic, creative process but something that can be managed and cultivated in a structured way. He focuses on systematic innovation and the integration of entrepreneurship into an organization's culture. His framework for formulating an innovation strategy includes: (Drucker, 2014)

Systematic Innovation: Drucker outlines seven sources of innovation, such as:

- **The unexpected:** Identifying opportunities from unexpected events or results (e.g., a breakthrough technology that was developed for another purpose but has broader application).
- **Incongruities:** Recognizing discrepancies between reality and expectations and using these gaps to drive innovation.
- **Process needs:** Innovations that arise from a need to improve efficiency or streamline operations.
- **Changes in industry structure or market structure:** Leveraging shifts in the business environment to create new products or services.
- **Entrepreneurship as a Discipline:** Drucker emphasizes that innovation is not solely the responsibility of R&D departments but should be embedded in the culture of the organization. He proposes that **entrepreneurial management** principles should be applied throughout the company, fostering a mind-set where employees are encouraged to think creatively and pursue innovation.
- **Managing Innovation:** Drucker outlines practical steps for managing innovation, including defining clear innovation goals, setting up a process for tracking and implementing ideas, and having metrics in place to evaluate the success of innovation efforts (Drucker, 2014).

Example of Formulation:

A manufacturing company might create an innovation task force to systematically identify inefficiencies in its production processes and use these insights to innovate. This could lead to the development of new manufacturing techniques, the use of automation, or the introduction of smart manufacturing technologies (Drucker, 2014).

Key Takeaways for Formulating an Innovation Strategy:

- **Leverage External and Internal Ideas:** Open innovation frameworks allow organizations to integrate external sources of innovation, such as start-ups, universities, or crowdsourcing, alongside their internal R&D efforts.
- **Align Innovation with Strategic Intent and Core Competencies:** Innovation should be closely tied to the company's strategic goals and core competencies, ensuring that efforts are focused on areas that provide sustainable competitive advantage.
- **Systematize Innovation and Encourage Entrepreneurship** (Drucker): Innovation can be managed as a process, identifying sources of opportunity and

creating an entrepreneurial culture throughout the organization that fosters continuous innovation(Drucker, 2014).

In summary, the formulation of an innovation strategy requires a multifaceted approach that integrates external and internal knowledge, builds on core competencies, and manages innovation systematically. By embracing these strategies, companies can not only survive but thrive in today's competitive and rapidly changing business environment(Drucker, 2014).

1.5.4 Implementation of Strategy

The **implementation of strategy** is the phase where theoretical plans and strategic goals are translated into real-world actions and operations. Drawing from the provided references, the implementation of innovation and brand management strategies requires a well-coordinated effort across various facets of an organization, including marketing, brand management, organizational capabilities, and innovation processes(Huber, 2011).

Burmann et al. (2023)discuss how firms in global markets must continuously innovate and adapt their marketing strategies to gain and sustain a competitive advantage. Effective strategy implementation begins with a comprehensive understanding of market conditions, consumer needs, and the competitive landscape. In practice, this involves ensuring that marketing strategies are closely aligned with product innovation. Organizations need to engage in continuous market research to track consumer trends, technological advances, and competitor strategies. Product development teams must then innovate based on these insights, ensuring that offerings meet evolving market demands(Goffin and Mitchell, 2017). This alignment between marketing and innovation fosters a competitive edge, especially in a global context where consumer preferences can vary significantly across regions. Additionally, marketing strategies must be flexible, allowing firms to quickly adapt to changing consumer preferences and technological advances. Resource allocation is critical during this phase, ensuring that sufficient financial, human, and technological resources are dedicated to innovation-driven marketing efforts(Huber, 2011).

focuses on brand management and its centrality in implementing strategy. Brand equity is a key aspect of strategic management, and building strong, differentiated brands requires a consistent, long-term effort. The implementation of a brand strategy starts

with defining a clear, compelling brand positioning that resonates with the target audience. This positioning is then reinforced through all brand communications—advertisements, product packaging, public relations, and digital content ensuring that every touchpoint conveys the same message(Goffin and Mitchell, 2017). As the brand begins to take shape, organizations must ensure that their marketing efforts remain consistent to maintain customer trust and loyalty. Furthermore, Keller emphasizes the importance of customer engagement as part of brand strategy implementation. Companies must actively engage with their customers through loyalty programs, social media interactions, personalized offerings, and regular feedback collection to enhance the customer experience. Monitoring brand equity through key metrics such as awareness, loyalty, and perception is vital, and these insights help adjust strategies in real-time to maintain a competitive advantage Burmann et al.(2023).

(Huber, 2011)highlight the importance of organizational capabilities in implementing strategy, particularly in highly competitive environments. Strategy execution in such environments requires companies to build and leverage core competencies that differentiate them from competitors. For example, an organization may implement an innovation strategy by investing in technological expertise, operational efficiency, and creative talent. This requires nurturing a culture of innovation where employees are empowered to share ideas, experiment, and take risks. Cross-functional collaboration plays a key role in translating innovation into actual marketable products. Organizational structures should be flexible enough to allow teams to collaborate effectively and respond to market shifts. The capability to execute innovation also demands investments in talent development, ensuring employees possess the necessary skills to implement new technologies or processes. In practice, this means creating an environment where innovation is a shared responsibility across departments, and employees are supported through training, mentoring, and access to cutting-edge tools(Goffin and Mitchell, 2017).

The implementation of an innovation strategy requires a framework that guides the organization through the process of identifying, developing, and commercializing new ideas. Successful execution involves aligning the innovation strategy with the company's overall goals and resources. To effectively implement this strategy, companies must create structured processes for idea generation, product development, and commercialization. Moreover, organizations need to balance radical

innovations with incremental improvements, ensuring that they continuously meet current customer needs while also preparing for future demands (Burmann et al., 2023). The role of leadership is crucial here; leaders must champion innovation efforts, allocate resources wisely, and cultivate a culture that encourages experimentation and learning from failure. Finally, measuring innovation success through key performance indicators—such as the number of new products launched, return on innovation investments, and market response—helps guide future strategy adjustments (Huber, 2011).

In summary, strategy implementation involves a multifaceted approach where innovation, brand management, and organizational capabilities all play key roles. Companies must effectively align their marketing efforts with product innovation, manage and grow their brand equity, nurture an organizational culture of innovation, and ensure leadership commitment to a structured and measurable innovation strategy. By doing so, they can turn their strategic goals into competitive advantages and achieve long-term success in dynamic and competitive environments (Goffin and Mitchell, 2017).

1.5.5 Review of Strategy

Innovation strategies play a crucial role in helping companies maintain a competitive edge and adapt to rapidly changing market conditions. In strategic management, innovation is not limited to the introduction of new products or services but encompasses a holistic approach to enhancing organizational processes, technology, and brand positioning. For companies like Adidas, innovation is deeply embedded in both product development and brand identity, fostering a continuous cycle of creative and technological advancements (Masson et al., 2010). This strategic approach ensures that the company remains agile and responsive to consumer demands while maintaining a strong market presence. Importantly, innovation is viewed not as a one-time event but as an ongoing process that requires regular evaluation and adjustment to stay aligned with both internal capabilities and external market dynamics. The goal of such innovation strategies is to drive sustainable growth, strengthen brand equity, and secure long-term leadership in the marketplace. Regular reviews of innovation efforts ensure that these strategies continue to align with the broader corporate vision and market demands (Masson et al., 2010).

The primary objectives of strategy reviews:

1. **Evaluating the company's current strategic position:** Regularly assessing where the company stands in relation to its stated goals, key performance indicators, and its competitive positioning within the market.
2. **Identifying emerging opportunities and threats:** Actively scanning the external environment for new trends, market shifts, technological advancements, and competitive pressures that could create opportunities or pose risks to the company's success.
3. **Ensuring alignment between internal capabilities and external market changes:** Ensuring that the company's internal resources, skills, and operational capabilities are in harmony with the evolving external market conditions, customer expectations, and industry standards.
4. **Assessing the effectiveness of existing strategies:** Reviewing whether the current strategies are delivering the desired outcomes and contributing to the company's competitive advantage, profitability, and market share.
5. **Adapting strategies to address shifts in the competitive landscape:** Modifying or pivoting strategic initiatives in response to changes in the competitive environment, regulatory changes, or disruptions in the industry to ensure continued relevance and growth.
6. **Refining strategic direction for long-term sustainability:** Making adjustments to the overall strategic direction, ensuring it is flexible enough to sustain long-term growth, profitability, and innovation while maintaining a leading position in the market (Joachimsthaler and Aaker, 2009).

Key Elements of a Strategy Review:

1. **Analysis of the company's current strategic position:** This involves assessing where the company stands relative to its competitors, market trends, and its internal resources to understand its strengths, weaknesses, and areas of potential.
2. **Review of strategic objectives and goals:** Ensuring that the company's goals are still relevant, measurable, and aligned with both internal capabilities and external opportunities.

3. **Evaluation of external factors:** Examining changes in the external environment such as market dynamics, customer needs, technological advancements, and competitive pressures that may influence the company's strategy.
4. **Assessment of strategic alternatives:** Considering different options for strategic direction and determining whether adjustments or shifts in the strategy are necessary to improve performance and adapt to market changes.
5. **Alignment of strategy with organizational resources and capabilities:** Ensuring that the company has the necessary resources, skills, and structures in place to execute its strategic plans effectively.
6. **Monitoring and feedback:** Regularly tracking the progress of the strategy implementation, collecting feedback from stakeholders, and making corrections or refinements as necessary to stay on track (Joachimsthaler and Aaker, 2009).

Approaches to Conducting Strategy Reviews:

Approaches to Conducting Strategy Reviews involve a range of practices designed to ensure that a company's strategy remains effective, relevant, and adaptable to changing circumstances. These approaches include: (Joachimsthaler and Aaker, 2009)

1. **Systematic Evaluation of Strategic Goals:** Regularly assessing whether the company's strategic objectives align with its long-term vision, market conditions, and organizational capabilities, ensuring that goals remain realistic and achievable
2. **Continuous Monitoring of External and Internal Environments:** Keeping a close watch on both external factors—such as market trends, competitive pressures, and technological innovations—and internal factors, including resources, capabilities, and organizational culture. This helps identify emerging opportunities and threats that may necessitate strategic adjustments
3. **Incorporating Feedback and Learning:** Actively seeking input from employees, customers, and other stakeholders to gain insights into the effectiveness of the strategy and identify areas for improvement. This feedback loop is crucial for fine-tuning strategies over time
4. **Scenario Planning and Testing Alternatives:** Using scenario analysis and other techniques to evaluate potential strategic options under different future conditions. This allows businesses to anticipate challenges and better prepare for potential shifts in the marketplace).

5. **Iterative Adjustment and Flexibility:** Encouraging a flexible, iterative approach to strategy implementation, where strategies are refined and adjusted based on ongoing performance assessments and environmental changes. This ensures that the strategy evolves in response to both successes and failures(Masson et al., 2010).

Together, these works underscore the importance of innovation, brand management, and business model design as central to strategic success in the sportswear industry. They suggest that companies must continually innovate not only in their products but also in their overall approach to competition, market positioning, and value creation. Strategic management in this context is dynamic and requires constant re-evaluation and adaptation. By responding to emerging challenges, capitalizing on new opportunities, and refining their innovation strategies, companies can maintain their competitive edge and sustain long-term growth in the rapidly evolving sportswear market(Masson et al., 2010).

1.6 Strategy Analysis

The references provided offer a comprehensive view of how innovation and sustainability are strategically integrated into global brands, particularly focusing on Adidas as a case study. The strategic analysis drawn from these works emphasizes the importance of balancing both evolutionary and revolutionary change, fostering a culture of innovation, and addressing the growing demand for sustainability in business practices(Tidd and Bessant, 2013).

Anon.(2013) the study on sustainability and innovation explores how Adidas has successfully positioned itself as a leader in integrating sustainable practices with product innovation. By focusing on eco-friendly materials like recycled ocean plastic in its footwear and reducing carbon emissions throughout its production processes, Adidas addresses the growing consumer demand for sustainable products. This strategy not only aligns with global environmental trends but also enhances the company's brand image as a pioneer in sustainability within the sportswear market. Lau's analysis shows that sustainability is no longer just a corporate responsibility but has become a competitive advantage and a core component of Adidas' overall innovation strategy(Tidd and Bessant, 2013).

The concept of managing both incremental and disruptive innovations, discuss ambidextrous organizations. They argue that companies must be able to balance evolutionary innovations—small, continuous improvements—and revolutionary innovations—radical, game-changing breakthroughs. For Adidas, this is reflected in their ability to enhance existing product lines (evolutionary innovation) while simultaneously pushing the boundaries of the sportswear industry through disruptive technologies like 3D printing and sustainable manufacturing methods (revolutionary innovation). The ability to manage both types of innovation simultaneously enables Adidas to stay competitive while preparing for future challenges(Anon., 2013).

Examine how Adidas' innovation strategy has evolved from a focus on product innovation to a broader emphasis on experience innovation. They highlight how Adidas has shifted from improving only the functionality and design of its products to creating an immersive, personalized customer experience(Tidd and Bessant, 2013). This includes using digital technologies to engage customers, enhancing retail environments, and offering tailored experiences that go beyond product features alone. This shift reflects a broader trend where the overall customer experience has become a critical element of business strategy, complementing product innovation. By incorporating experience innovation, Adidas not only differentiates itself in a competitive market but also strengthens consumer loyalty and engagement(Wheeler, 2012).

Together, these studies provide a detailed analysis of how Adidas integrates sustainability and innovation into its strategic framework, balancing incremental improvements with radical innovations, and expanding its focus to encompass both product and experience innovation. Through these strategies, Adidas is able to maintain a competitive edge in the fast-evolving sportswear market, aligning its actions with changing consumer expectations and market demands(Wheeler, 2012).

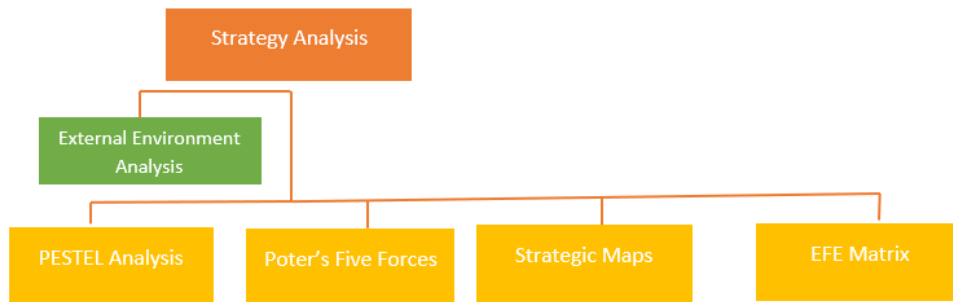


Figure 3: Strategy Analysis

Source: Own Processing

1.6.1 External Environment analysis

External environment analysis is a critical aspect of the strategic management process, involving the detailed evaluation of external factors that can affect an organization's operations, decision-making, and long-term performance. This analysis typically covers several key areas, including market trends, economic conditions, technological advancements, social changes, political and regulatory influences, and competitive forces (Abrantes, 2023). By examining these external elements, organizations can uncover valuable insights into new opportunities, potential threats, and shifts in consumer behaviour or industry standards. For instance, Adidas has strategically incorporated sustainability into its business model to stay ahead of evolving market demands and consumer preferences (Lefebvre, 1997).

A thorough analysis of the external environment enables businesses to identify market gaps, stay ahead of competitors, and adapt their strategies to broader societal and technological changes. For example, rapid technological developments or changes in regulatory frameworks can create new business opportunities, while economic downturns or rising competition might pose significant challenges (Abrantes, 2023). Additionally, shifts in consumer preferences—such as an increased demand for sustainability or digital transformation—may drive companies to reconsider their product offerings, marketing strategies, or business models. The strategic management of global brands, such as Adidas, also highlights how adapting to these shifts is crucial for maintaining competitiveness in a rapidly changing marketplace (Lefebvre, 1997).

By consistently monitoring and analysing these external factors, organizations can proactively adjust their strategies, mitigate risks, and position themselves to take advantage of emerging opportunities. In today's fast-paced and interconnected global

marketplace, conducting a thorough external environment analysis is essential for businesses seeking to maintain a competitive edge, continuously innovate, and achieve long-term sustainability. This process is dynamic and ongoing, requiring companies to remain agile and responsive to external changes in order to stay resilient amidst uncertainty and competitive pressures(Abrantes, 2023).

1.6.2 PESTEL Analysis

PESTEL analysis is a strategic tool used by organizations to understand the external macro-environmental factors that may impact their operations and decision-making. The acronym PESTEL stands for Political, Economic, Social, Technological, Environmental, and Legal factors(Anon., 2015). By examining these areas, businesses can gain a comprehensive understanding of the forces shaping their industry and market environment. This helps them anticipate opportunities and threats, adapt their strategies, and make more informed decisions(Anon., 2015).

1. Political Factors

Political factors refer to the influence of government policies, political stability, and regulations on an organization's operations. These factors include aspects like government stability, taxation policies, trade tariffs, labour laws, and regulations related to environmental standards. Companies need to monitor political conditions because shifts in government policies can affect market access, costs, and even the legal frameworks under which businesses operate. For instance, changes in trade tariffs can impact international supply chains or affect the competitiveness of a business in certain regions.

2. Economic Factors

Economic factors deal with the overall economic environment in which an organization operates. These include economic growth rates, inflation, unemployment rates, exchange rates, and interest rates. Economic conditions influence consumer purchasing power, demand for products, and the cost of doing business. A strong economy can lead to higher consumer spending, while economic downturns might reduce disposable income and increase price sensitivity. For global businesses,

currency fluctuations and interest rates are also critical considerations in managing financial risk and profitability.

1.6.3 Social Factors

Social factors encompass the cultural, demographic, and societal influences on an organization. These include changes in population demographics (age, gender, income levels), lifestyle trends, education, and societal values. Understanding social factors helps businesses adapt to shifting consumer preferences and expectations. For example, as millennials become a dominant consumer group, their preferences for sustainability, technology, and social responsibility can shape marketing strategies, product development, and brand positioning. Social trends also influence recruitment strategies, diversity, and inclusion policies within organizations (Anon., 2015).

1.6.4 Technological Factors

Technological factors refer to innovations, technological advancements, and the overall impact of technology on an organization's industry. Rapid changes in technology can create new opportunities or pose threats. This includes automation, digitalization, research and development in products, and advancements in communication technologies. Organizations need to stay informed about emerging technologies like artificial intelligence, blockchain, or the Internet of Things (IoT) to stay competitive. Technological changes can disrupt traditional business models, so organizations that are slow to adopt new technologies may fall behind their competitors Anon. (2015).

1.6.5 Environmental Factors

Environmental factors address the ecological and environmental aspects that affect industries and businesses. These factors include climate change, sustainability concerns, resource availability, waste management, and environmental regulations. As environmental awareness grows, businesses face increasing pressure to adopt sustainable practices, reduce their carbon footprint, and adhere to environmental regulations. Companies that prioritize environmental responsibility can enhance their brand reputation, attract eco-conscious consumers, and reduce long-term operational risks related to environmental factors (Perera, 2018).

1.6.6 Legal Factors

Legal factors involve the laws and regulations that govern business operations. This includes labour laws, intellectual property rights, health and safety regulations, and product standards. Legal changes can have a direct impact on how businesses operate, such as stricter regulations on data privacy, stricter labour laws, or changes in consumer protection laws. Non-compliance with legal requirements can result in fines, legal disputes, or damage to a company's reputation. Staying updated on legal changes is crucial for mitigating legal risks and ensuring smooth operations across different markets(Perera, 2018).

In summary, PESTEL analysis provides a holistic view of the macro-environment, helping businesses identify key external influences and adjust their strategies accordingly to maintain a competitive edge and ensure long-term success(Perera, 2018).

1.7 Porter's Five Forces

Porter's Five Forces is a framework developed by Michael Porter in 1979 to analyse the competitive forces within an industry. The model helps businesses understand the dynamics of their industry, assess the level of competition, and determine their profitability potential. By examining the five forces, organizations can identify the strength of competition, evaluate market opportunities, and craft strategies that can improve their competitive position(minutes and Com, 2015).

The five forces are:

1.7.1 Threat of New Entrants

The threat of new entrants refers to the likelihood of new companies entering an industry and increasing competition (O'Brien et al., 2019). The easier it is for new businesses to enter the market, the more competitive and less profitable the industry becomes. Barriers to entry can include factors such as capital requirements, economies of scale, brand loyalty, access to distribution channels, and government regulations(minutes and Com, 2015).

- **High Threat of New Entrants:** If barriers to entry are low, new companies can easily enter the market, increasing competition and potentially reducing profitability for existing firms.

- **Low Threat of New Entrants:** If barriers to entry are high, it becomes more difficult for new competitors to enter, which helps established firms maintain their competitive position and profitability.

1.7.2 Bargaining Power of Suppliers

The bargaining power of suppliers measures how much influence suppliers have over the cost of inputs. If there are few suppliers for a critical component or resource, or if the supplier provides a unique or highly differentiated product, they have more power to dictate prices and terms (O'Brien et al., 2019). On the other hand, if there are many suppliers offering similar products, their bargaining power decreases (Porter, 1998b).

- **High Supplier Power:** Suppliers can demand higher prices for their products or reduce the quality of the goods, negatively impacting the profitability of firms in the industry.
- **Low Supplier Power:** If there are many suppliers or substitute resources available, companies can negotiate lower prices or find alternatives, improving their profit margins (O'Brien et al., 2019).

1.7.3 Bargaining Power of Buyers

The bargaining power of buyers refers to the influence customers have over the pricing and terms of a company's products or services. When buyers have high bargaining power, they can demand lower prices, better quality, or more favourable terms. The bargaining power of buyers is high when there are many alternatives available, when products are standardized, or when buyers can easily switch between competitors (minutes and Com, 2015).

- **High Buyer Power:** When buyers have many options and low switching costs, they can demand lower prices, better service, or higher quality, which can reduce industry profitability.
- **Low Buyer Power:** When products or services are unique, and switching costs are high, buyers have less leverage to push for better terms.

1.7.4 Threat of Substitute Products or Services

The threat of substitutes refers to the likelihood of customers finding alternative products or services that can meet their needs. When there are many substitutes available, or when alternative products are more cost-effective or offer superior value, the competitive pressure on firms in the industry increases. A high threat of substitutes limits the ability of companies to raise prices or maintain high margins (minutes and Com, 2015).

- **High Threat of Substitutes:** If alternatives to a company's product or service are readily available and offer comparable or better benefits, customers can easily switch, leading to reduced market share and profitability.
- **Low Threat of Substitutes:** If a product or service is unique or there are few alternatives, companies can maintain customer loyalty and pricing power.

1.7.5 Industry Rivalry (Competitive Rivalry)

Industry rivalry refers to the intensity of competition among existing firms in the industry. High levels of competition can reduce profit margins, as companies often engage in price wars, increased advertising spend, and other strategies to gain market share. Rivalry is influenced by factors such as the number of competitors, industry growth, product differentiation, and the level of fixed costs (Porter, 1998b).

- **High Rivalry:** If there are many competitors, products are undifferentiated, or market growth is slow, companies will aggressively compete for market share, often leading to lower profitability.
- **Low Rivalry:** When there are few competitors, products are highly differentiated, or the industry is growing rapidly, firms can focus on innovation and customer loyalty, improving profitability.

Using Porter's Five Forces

Porter's Five Forces framework helps businesses and strategic managers understand the competitive forces at play in their industry and how these forces impact their profitability and competitive position. By analysing each of the five forces, companies can: (Porter, 1998b)

- **Identify sources of competitive pressure:** Determine where the most significant competitive threats come from (new entrants, suppliers, buyers, substitutes, or rivals).
- **Assess industry attractiveness:** Understand the overall potential for profitability within the industry. If all five forces are strong, the industry may be unattractive to enter or invest in.
- **Develop strategic responses:** Based on the analysis, companies can formulate strategies to mitigate competitive threats, such as differentiating their products, increasing supplier relationships, or securing more loyal customers(O'Brien et al., 2019).

Overall, Porter's Five Forces framework is an essential tool for understanding the dynamics of an industry, assessing competitive pressures, and developing strategies to maintain or enhance a company's competitive advantage(minutes and Com, 2015).

1.8 Strategic Maps

A strategic map is a visual tool used by businesses and organizations to depict the relationships between their key strategic objectives, helping to align resources, efforts, and performance measures toward achieving long-term goals(Kaplan and Norton, 2004). It is often associated with the Balanced Scorecard methodology, which provides a structured framework for translating an organization's strategy into actionable items. Strategic maps are used to clarify complex strategies and communicate them clearly across all levels of the organization(Kaplan and Norton, 2004).

A **strategic map** helps organizations:

- **Visualize Strategy:** It translates abstract strategic concepts into concrete, understandable visual representations.
- **Align Organizational Activities:** By mapping out strategic objectives and showing how they interconnect, strategic maps ensure that different parts of the organization work towards common goals.

- **Track Progress:** The map makes it easier to monitor the execution of strategy by aligning performance indicators and outcomes with strategic objectives (Kaplan and Norton, 2004).

How to Create a Strategic Map

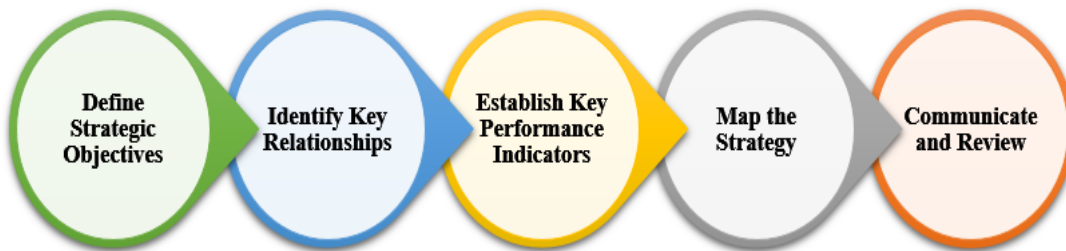


Figure 4: strategic map

Image: How to Create a Strategic Map

Source: Own Processing

- **Define Strategic Objectives:** Start by defining the key strategic objectives that align with the organization's vision, mission, and long-term goals. These objectives should be SMART (Specific, Measurable, Achievable, Relevant, Time-bound).
- **Identify Key Relationships:** Once you have your objectives, determine how they relate to each other. For instance, improving employee skills (learning and growth) can lead to improved operational efficiency (internal processes), which in turn enhances customer satisfaction (customer perspective), ultimately driving financial growth (financial perspective).
- **Establish Key Performance Indicators (KPIs):** For each objective, identify relevant KPIs that will help measure progress and success. KPIs should be quantifiable and provide actionable insights.
- **Map the Strategy:** Draw the strategic map, linking the objectives using cause-and-effect arrows. Group the objectives by perspectives (e.g., financial, customer, internal processes, learning and growth) and ensure the layout is clear and easy to understand.

- **Communicate and Review:** Share the strategic map with key stakeholders across the organization. Ensure that everyone understands how their role fits into the broader strategy. Regularly review the map to track progress and make adjustments as needed(Kaplan and Norton, 2004).

1.8.1 EFE Matrix (External Factor Evaluation Matrix)

The **External Factor Evaluation (EFE) Matrix** is a strategic management tool used to assess and evaluate the external environment of an organization. It helps businesses identify the most significant external opportunities and threats they face in their industry or market. The EFE Matrix is particularly useful in understanding how well an organization is responding to external factors and adjusting its strategy accordingly(David, 2008).

Steps to Develop an EFE Matrix

The External Factor Evaluation (EFE) Matrix is a strategic tool used to evaluate an organization's external environment by identifying and analysing key opportunities and threats(David, 2008).

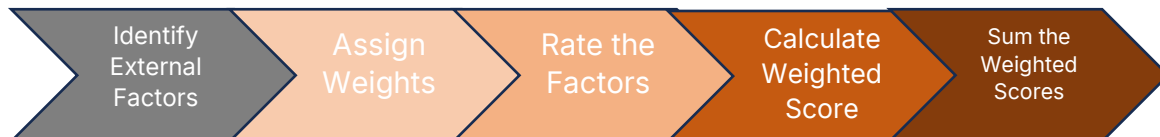


Figure 5: Steps for EFE matrix

Image: Steps to Develop an EFE Matrix

Source: Own Processing

1. Identify External Factors:

- Begin by listing the external opportunities and threats that the company faces. This typically involves conducting an environmental scan, such as a **PESTEL analysis** (Political, Economic, Social, Technological, Environmental, Legal factors), or analysing the competitive landscape and market trends.

- External factors can include customer preferences, competitor actions, regulatory changes, economic shifts, technological advancements, and sociocultural trends.

2. Assign Weights:

- After identifying the relevant external factors, assign a weight to each factor, indicating its relative importance to the organization's success. Weights are usually assigned on a scale from 0 to 1, where:
 - **0** means the factor has no impact on the organization's strategy.
 - **1** means the factor is highly important.
- The total sum of the weights must equal **1** to ensure consistency.

3. Rate the Factors:

- Rate how well the organization is responding to each external factor. The rating scale typically ranges from **1 to 4**, where:
 - **1** indicates a poor response to the external factor (i.e., the company is not effectively addressing the opportunity or threat).
 - **2** indicates a response that is below average.
 - **3** means the company is responding well to the factor.
 - **4** represents an excellent response, indicating the company is effectively capitalizing on the opportunity or mitigating the threat.

4. Calculate the Weighted Score:

- Multiply each factor's **weight** by its **rating** to get a **weighted score**.

5. The formula for each factor is: $\text{Weighted Score} = \text{Weight} \times \text{Rating}$

Sum the Weighted Scores:

- Add up all the weighted scores to get the **total score**. The total score reflects the company's overall ability to respond to external factors.
- The total score is an indicator of how well the company is positioning itself in the external environment:
 - A score close to **4** indicates that the company is effectively responding to external opportunities and threats.
 - A score close to **1** suggests that the company is not effectively managing the external environment (David, 2008).

1.8.2 Internal Environment Analysis

Internal environment analysis is a vital aspect of strategic management, focusing on evaluating an organization's internal factors such as its resources, capabilities, culture,

and operational processes. This type of analysis helps businesses gain a deeper understanding of their strengths and weaknesses, enabling them to make the most of their resources while identifying areas in need of improvement(Grant, 2013). Key areas of internal environment analysis include assessing an organization's financial health,

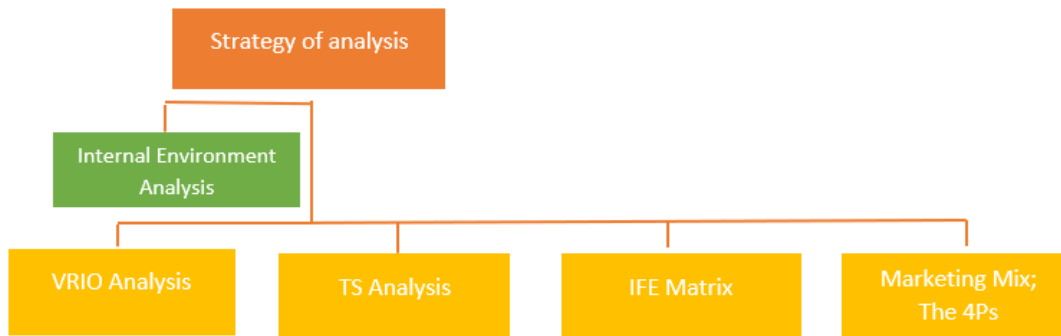


Figure 6: Strategy analysis (Internal environment analysis)

Image: Strategy Analysis (Internal Environment Analysis)

Source: Own Processing

human resources, technological infrastructure, brand equity, operational efficiency, and organizational culture. By thoroughly evaluating these internal factors, companies can align their strategies with their capabilities, optimize performance, and enhance their competitive edge. For example, Adidas's investment in technological advancements in sportswear has been a significant internal strength, helping the company maintain its position as a leader in innovation within the industry (Pearce and Robinson, 2015a)Understanding the internal environment is crucial for organizations to make informed decisions, allocate resources strategically, and develop plans that leverage their core strengths(Grant, 2013).

1.8.3 VRIO Analysis

VRIO Analysis is a strategic tool used to evaluate a company's internal resources and capabilities to determine whether they can provide a sustainable competitive advantage. The framework, developed by Jay Barney, assesses resources across four key dimensions: Value, Rarity, Imitability, and Organization. By analysing these four

aspects, companies can identify which resources and capabilities are key to achieving long-term success and competitive advantage in their industry(Grant, 2013).

Here's a breakdown of each component of VRIO analysis:

1. Value

Resources and capabilities must provide value to the organization by enabling it to exploit opportunities or neutralize threats in the external environment. If a resource or capability helps the company enhance its efficiency, effectiveness, or meet customer demands better than competitors, it is considered valuable. For example, a strong brand reputation, advanced technology, or superior customer service can be considered valuable assets if they help the company achieve its goals more effectively than rivals.

2. Rarity

A resource is rare if it is not widely possessed or easily available to competitors. If a company has access to a resource or capability that is scarce or not easily replicated by competitors, it can have a competitive advantage. Rare resources allow businesses to differentiate themselves in the market and stand out from rivals.

3. Imitability

Resources and capabilities must be difficult or costly for competitors to imitate. If a resource is easy to replicate, it is unlikely to provide a sustainable competitive advantage. Imitability depends on factors like complexity, uniqueness, and time-based advantages (e.g., first-mover advantages). Resources that are socially complex (like a company's culture) or built over time (such as brand equity) are harder for competitors to imitate.

4. Organization

Even if a company has valuable, rare, and hard-to-imitate resources, it must also be organized effectively to exploit them. This includes having the right management structure, systems, processes, and policies in place to maximize the potential of its resources. A company that is organized to exploit its strengths is more likely to achieve a competitive advantage. This factor considers how well resources are coordinated, managed, and leveraged across the business.

How VRIO Analysis Works

By applying the VRIO framework, businesses can analyse each of their resources and capabilities to assess whether they provide a sustained competitive advantage. Resources and capabilities are rated based on whether they are valuable, rare, and hard to imitate, and whether the company is organized to fully exploit them.

- If a resource is valuable but not rare, the company can achieve **competitive parity**.
- If it is valuable and rare but easy to imitate, the company can achieve **temporary competitive advantage**.
- If it is valuable, rare, and hard to imitate, and the company is organized to exploit it, the resource provides a **sustained competitive advantage**.
- If a resource is not valuable, it is considered a **disadvantage** for the company(Pearce and Robinson, 2015b).

1.8.4 Marketing Mix: The 4Ps

The **Marketing Mix** is a foundational concept in marketing that refers to the set of tactical tools and strategies a company uses to promote and sell its products or services to its target market(Pearce and Robinson, 2015b). It was first introduced by E. Jerome McCarthy in 1960 as the "4Ps" of marketing: **Product, Price, Place, and Promotion**. Over time, the concept has evolved, with some variations adding additional elements, but the core 4Ps remain central to the marketing mix(Pearce and Robinson, 2015b).

1. **Product:** The product is the offering that satisfies the needs and desires of the target market. It includes physical products, services, or any combination of both. The product element encompasses various aspects, such as design, features, quality, brand, packaging, and after-sales services. In designing a product, companies must focus on what the customer values and how the product stands out from competitors. This also involves deciding whether to add new product lines, introduce product modifications, or discontinue products based on customer feedback and market demand.
2. **Price:** The price element refers to the amount of money customers must pay to acquire the product or service. Pricing strategies can vary widely depending on the market, competition, and product value. The price should reflect the perceived value of the product, but also account for the costs of production,

distribution, and the company's desired profit margin. Pricing decisions can include offering discounts, payment plans, and competitive pricing strategies to attract or retain customers.

3. **Place:** The place refers to the distribution channels used to deliver the product to customers. It involves deciding where and how the product will be made available, and through what channels (online, retail stores, wholesalers, distributors, etc.). The goal is to make the product available in the right location, at the right time, and in the right quantities. The place element also involves logistics and supply chain management to ensure efficient and cost-effective distribution.
4. **Promotion:** Promotion involves the activities and communication strategies used to inform, persuade, and remind customers about the product and its benefits. This element focuses on how to reach potential customers, raise awareness, and convince them to make a purchase. Promotion includes advertising, sales promotions, public relations, personal selling, and digital marketing campaigns. The promotional mix is designed to communicate the brand's value proposition and create customer engagement(Pearce and Robinson, 2015b).

1.8.5 TS Analysis

TS Analysis typically refers to Threats and Strengths Analysis within the context of strategic management. It is part of a larger framework often used by companies to assess both the internal and external environments in which they operate. This analysis is generally part of a SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats), where the Strengths and Threats are analysed to understand what a company is good at and what external challenges it faces(Grant, 2013).

1. Threats Analysis (T in SWOT)

Threats refer to external challenges or risks that may negatively impact the company's performance, market position, or profitability. These threats can arise from a variety of sources such as competition, economic conditions, regulatory changes, technological disruption, or changes in consumer preferences(Grant, 2013).

Key Areas to Assess for Threats:

- **Competitive Forces:** The presence of strong competitors can erode market share. Analysing competitors' strategies, pricing, and market presence can help assess the competitive threat.
- **Economic Conditions:** Economic downturns, inflation, or rising interest rates can threaten businesses, especially those with high operational costs or low-price elasticities.
- **Technological Changes:** Rapid technological advancements or innovations by competitors can render a company's products or services obsolete.
- **Regulatory and Legal Challenges:** Changes in laws or government policies (e.g., environmental regulations, tariffs, labour laws) can have a negative impact.
- **Shifting Consumer Preferences:** Sudden changes in consumer tastes or preferences can threaten a company's current product lines or business models.

2. Strengths Analysis (S in SWOT)

Strengths represent internal capabilities or resources that give a company a competitive edge over others. These strengths may include brand reputation, technology, unique capabilities, intellectual property, or financial resources (Simerson, 2011).

Key Areas to Assess for Strengths:

- **Brand Reputation:** A strong brand identity or consumer loyalty can significantly enhance a company's ability to charge premium prices and maintain market share.
- **Technology and Innovation:** Companies with cutting-edge technology or innovation capabilities can often maintain a competitive advantage by offering superior products or services.
- **Operational Efficiency:** A highly efficient production process, logistics system, or supply chain can lead to lower costs and higher margins.
- **Financial Resources:** Strong financial health allows companies to invest in growth, R&D, marketing, and strategic acquisitions.
- **Human Resources:** Having a skilled and motivated workforce with the right expertise can create a significant advantage, especially in innovation-driven industries.
- **Customer Relationships:** A strong customer base and well-established relationships with key customers, distributors, or suppliers provide a solid foundation for growth and sustainability (Simerson, 2011).

1.8 IFE (Internal Factor Evaluation) Matrix:

Steps to Create an IFE Matrix:

1. **Identify Key Internal Factors:** The first step in developing an IFE matrix is to list down the major internal factors affecting the company's performance. This includes factors like resources, capabilities, competitive advantages, or internal challenges.
2. **Assign Weights:** Determine the relative importance of each factor on the company's success by assigning a weight to each factor. The weight should reflect how critical the factor is. The total of all weights should add up to **1.0**.
3. **Rate the Company's Performance:** Evaluate how well the company is performing in each of the identified areas and assign a rating between 1 (poor) and 4 (excellent). This rating reflects the company's strength or weakness in each area.
4. **Multiply Weights by Ratings:** For each factor, multiply its weight by its rating to obtain the weighted score.
5. **Calculate the Total Score:** Add up the weighted scores for all factors to obtain the total score. This score helps to gauge the company's overall internal situation (Simerson, 2011).

Interpreting the Results:

- **Scores between 1.0 and 2.49:** This indicates that the company's internal environment has more weaknesses than strengths. The organization needs to focus on improving its internal processes, resources, or capabilities to remain competitive.
- **Scores between 2.5 and 3.49:** This shows a balanced mix of strengths and weaknesses. The company is performing adequately but has room for improvement in certain areas.
- **Scores between 3.5 and 4.0:** This suggests that the company has a solid internal environment with strong capabilities and resources. The company is in a good position to pursue opportunities and should focus on capitalizing on its strengths (Simerson, 2011).

1.9 Summary of analysis

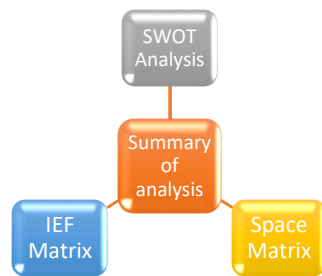


Figure 7: Summary of analysis

Source: Own Processing

Summary of Analysis refers to the process of synthesizing the insights gathered from various strategic tools and frameworks to provide a concise evaluation of a company's internal and external environments. This analysis helps decision-makers identify key factors that influence the organization's performance, competitive position, and growth potential (David, 2008).

By integrating findings from tools like **SWOT**, **IFE Matrix**, **PESTEL Analysis**, **Porter's Five Forces**, and others, the summary offers a clear understanding of the company's strengths, weaknesses, opportunities, and threats. This enables managers to make informed, strategic decisions that align with the company's long-term objectives and adapt to changing market conditions (David, 2008).

1.9.1 SWOT Analysis

The SWOT Analysis is a widely used strategic management tool that helps organizations assess their internal strengths and weaknesses, as well as external opportunities and threats. This analysis provides a clear framework for understanding the factors that affect an organization's success and competitiveness (David, 2008).

Strengths (S): These are internal factors that give the organization an advantage over competitors, such as strong brand reputation, skilled workforce, proprietary technology, financial stability, or unique product offerings. Identifying strengths helps a company build on what it does well.

Weaknesses (W): These are internal factors that put the organization at a disadvantage, such as limited resources, poor brand recognition, outdated technology, or inefficiencies in operations. Acknowledging weaknesses allows a company to address areas that need improvement to remain competitive.

Opportunities (O): These are external factors that the company can exploit to its advantage, such as emerging market trends, technological advancements, changing customer preferences, or regulatory changes. Identifying opportunities helps a company to align its strategies with external growth potential.

Threats (T): These are external factors that could harm the organization, such as intense competition, economic downturns, changing laws and regulations, or shifting consumer behaviour. Recognizing threats helps the company anticipate risks and develop strategies to mitigate them.

Summary of Analysis:

The **SWOT Analysis** offers a holistic view of a company's position by combining both internal and external factors. It provides insights into areas where the company can leverage its strengths, address its weaknesses, capitalize on opportunities, and prepare for potential threats (David, 2008).

A **SWOT Analysis** allows companies to:

- Make informed decisions about strategy formulation.
- Identify critical areas for improvement and investment.
- Align business goals with market trends and competitive pressures.
- Take a proactive approach to risk management.

1.9.2 SPACE Matrix

The **SPACE Matrix** (Strategic Position and Action Evaluation Matrix) is a strategic management tool that helps organizations evaluate their current strategic position and determine the most suitable strategic actions. The matrix considers both **internal** and **external** factors affecting the company's performance (Huber, 2011).

- **Internal Factors:**
 - **Financial Strength (FS):** Measures the company's financial health and ability to fund strategic initiatives.

- **Competitive Advantage (CA):** Assesses the company's competitive position in the industry.
- **External Factors:**
 - **Industry Attractiveness (IA):** Evaluates the external environment's attractiveness, such as market growth, profitability, and competition.
 - **Environmental Stability (ES):** Analyses the stability of the industry or market, considering factors like economic conditions, regulation, and technological changes (Huber, 2011).

Each factor is scored on a scale of -6 to +6, with positive scores indicating favourable conditions and negative scores indicating challenges. The total scores are plotted on a matrix, which classifies the company's strategic position into one of four quadrants: (Huber, 2011)

1. **Aggressive Strategy:** Strong internal position in a favourable external environment, suggesting growth-focused strategies.
2. **Conservative Strategy:** Strong internal position but facing an unstable or unattractive industry, implying caution and sustainable growth.
3. **Defensive Strategy:** Weak internal position and an unfavourable external environment, requiring risk mitigation and cost reduction.
4. **Competitive Strategy:** Weak internal position but an attractive industry, suggesting the need for internal improvements to capitalize on external opportunities. (Huber, 2011)

1.9.3 IFE Matrix

(Daidj, 2014) The **Internal Factor Evaluation (IFE) Matrix** is a strategic management tool used to assess a company's internal strengths and weaknesses. It helps organizations understand their current position by evaluating key internal factors that affect performance. This includes factors like financial resources, operational efficiency, brand reputation, product quality, employee skills, and technology.

The IFE Matrix involves several key steps: identifying the most critical internal factors, assigning weights based on their importance, rating each factor to determine whether it represents a strength or weakness, and calculating the weighted scores (Daidj, 2014). The total score gives a snapshot of the company's internal environment, higher scores

indicating a stronger internal position and lower scores suggesting weaknesses that need addressing(Daidj, 2014).

Typically, a score of 2.5 or higher suggests that the company is capitalizing on its strengths, while a score below **2.5** signals that internal weaknesses may be limiting the company's ability to compete effectively. The IFE Matrix provides valuable insights that can guide strategic decisions, helping companies prioritize areas for improvement, build on their strengths, and address internal challenges(Daidj, 2014).

In summary, the IFE Matrix is a crucial tool for understanding a company's internal capabilities. It offers a clear overview of where the organization stands in terms of internal resources and performance, which is essential for developing strategies to enhance competitiveness and achieve long-term success(Daidj, 2014).

2. Introduction of Adidas

Adidas is a globally recognized leader in the design, manufacturing, and marketing of sportswear, footwear, and accessories, with a rich history rooted in performance, innovation, and style. Founded in 1949 by Adolf "Adi" Dassler in Herzogenaurach, Germany, the company has grown from a small, family-owned business into one of the most iconic brands in the sports industry, with a strong global presence in over 160 countries. Adidas' signature three-stripe logo is instantly recognizable and symbolizes the brand's commitment to excellence, performance, and innovation across a wide range of sports and lifestyle products.



Figure 8: History of adidas logo

Image : History of Adidas Logo
Source :(Anon., [s.a.]

The company's primary focus has always been on helping athletes achieve peak performance. Through continuous innovation, Adidas has introduced ground breaking technologies in footwear and apparel, including Boost cushioning, Prime knit fabric, and Future craft designs. These innovations have set new standards in comfort, performance, and sustainability, ensuring that Adidas remains at the forefront of the sportswear industry. Adidas has also made significant strides in sustainability, with

initiatives like Parley for the Oceans, which repurposes ocean plastic into footwear and apparel, and its ongoing commitment to reducing its carbon footprint and achieving circular design.

Adidas operates across several segments, including adidas Performance, focused on high-performance sports gear for athletes; Adidas Originals, which blends sports and street culture with its iconic, fashion-forward designs; and Y-3, a collaboration with designer Yohji Yamamoto that combines fashion and sportswear in a unique, high-end collection. These brands, along with the Reebok line (which Adidas previously owned until 2021), allow the company to reach a wide range of consumers, from elite athletes to casual fashion enthusiasts.

Adidas places a significant emphasis on partnerships and sponsorships. The company has long-standing relationships with world-class athletes, teams, and events, such as its partnerships with football legend Lionel Messi, NBA stars like James Harden, and major sports organizations, including the FIFA World Cup and the Olympics. These collaborations enhance Adidas' brand visibility and align the company with elite sports performance.

Adidas has also embraced the digital age with a strong online presence, utilizing e-commerce platforms and social media to engage with customers directly. The company's commitment to digital innovation is evident in its development of platforms like Adidas Training, Adidas Running, and adidas.com, which offer personalized experiences and insights for fitness enthusiasts and athletes worldwide.

Through its combination of product innovation, sustainability, digital transformation, and strong brand partnerships, Adidas continues to be a major player in the global sportswear market. The company's mission to create the best products for athletes and its vision of being a leader in sustainability and performance set a clear direction for its future. Whether on the field, in the gym, or on the streets, Adidas remains committed to helping people of all abilities achieve their goals while making a positive impact on the world.

Table 1: Adidas net sales

Year	Net Sales (€ millions)	Year	Net Sales (€ millions)
2013	14,203	2018	21,915
2014	14,534	2019	23,640
2015	16,915	2020	18,435
2016	18,483	2021	21,234
2017	21,218	2022	22,511

Source: Own Processing from Adidas Website

Graph 1: Adidas Net Sales Data of 10 years

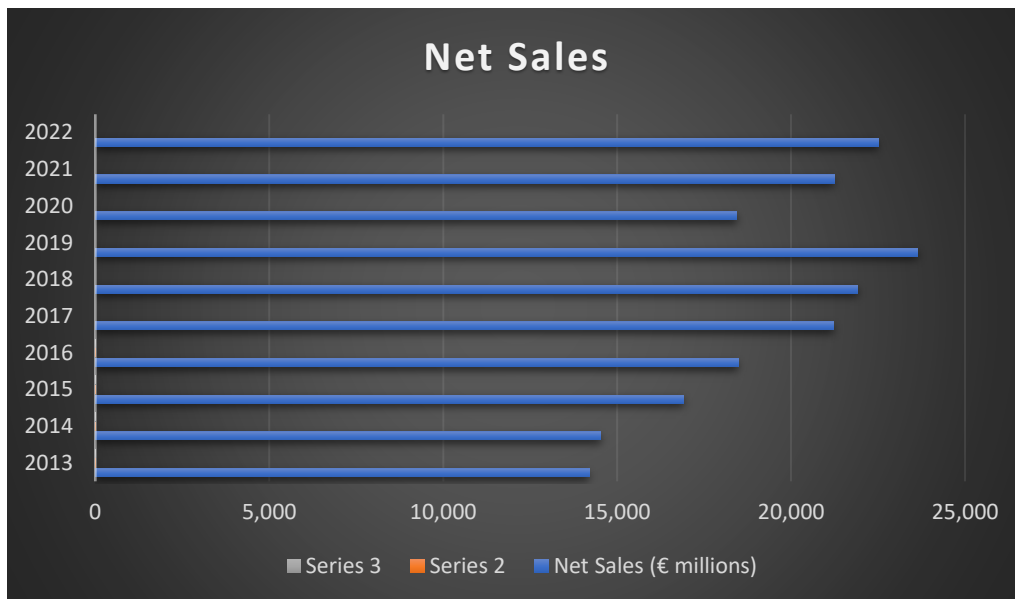


Figure 9: Net sales of adidas

Source: Own Processing

The net sales data for Adidas from 2013 to 2022 shows a clear trajectory of growth, disruption, and recovery. Between 2013 and 2019, Adidas experienced consistent growth, with net sales rising from €14,203 million to €23,640 million. This growth was driven by successful product innovation, including lines like Ultra boost and Yeezy, strong branding, and strategic global marketing efforts. The company capitalized on emerging markets and leveraged e-commerce to expand its customer base.

However, the COVID-19 pandemic in 2020 led to a significant decline in net sales, which dropped to €18,435 million. The pandemic disrupted global operations due to lockdowns, supply chain challenges, and reduced consumer spending on discretionary products. Despite these challenges, Adidas demonstrated resilience by adapting its strategies, focusing on digital channels, and emphasizing sustainable product lines.

By 2021, the company began recovering, with net sales increasing to €21,234 million, and further reaching €22,511 million in 2022, approaching pre-pandemic levels. This recovery reflects Adidas' ability to meet renewed consumer demand, adapt to post-pandemic market trends, and maintain its position as a global leader in the sportswear industry.

Table 2: Gross profit of adidas

Year	Gross Profit (€ millions)	Year	Gross Profit (€ millions)
2013	7,001	2018	11,363
2014	6,924	2019	12,293
2015	8,168	2020	9,222
2016	9,100	2021	10,765
2017	10,703	2022	10,644

Graph 2: Gross Profit of Adidas

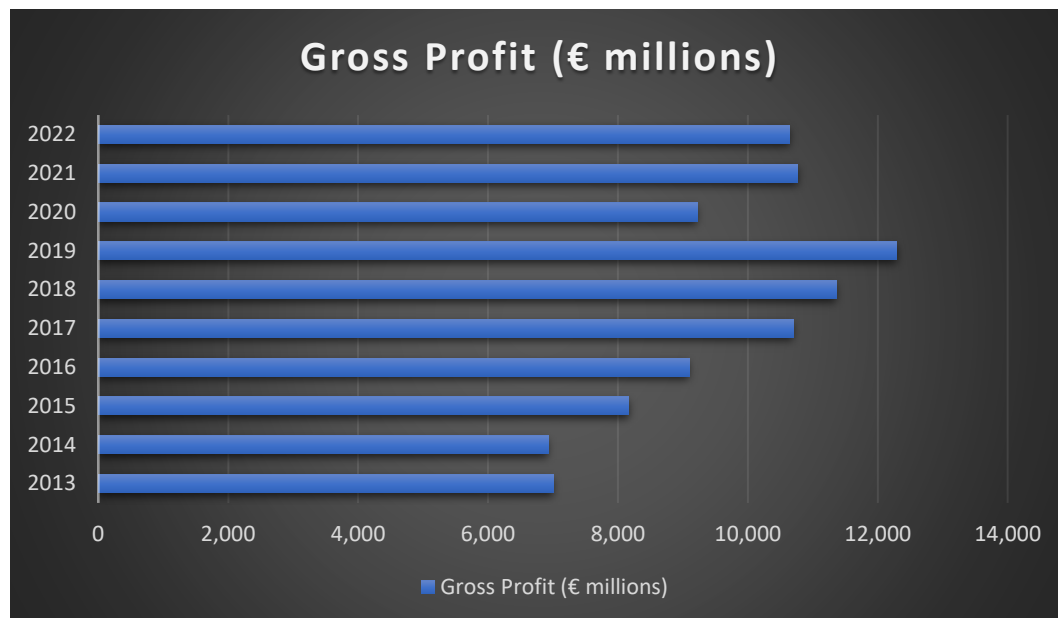


Figure 10: Gross profit of Adidas

Source: Own Processing

Adidas' gross profit data from 2013 to 2022 reflects a journey of consistent growth, pandemic-induced challenges, and eventual recovery. From 2013 to 2019, gross profit steadily increased from €7,001 million to €12,293 million. This growth was driven by the company's focus on innovation, premium product offerings, and strategic marketing initiatives, including successful collaborations and global expansion. The rise in gross profit also highlights Adidas' ability to manage costs effectively while leveraging its brand equity to command premium pricing.

However, in 2020, gross profit dropped significantly to €9,222 million due to the COVID-19 pandemic, which disrupted global operations, reduced consumer spending, and affected supply chains. Despite these challenges, Adidas demonstrated resilience by quickly adapting to the changing market conditions, emphasizing digital sales channels, and focusing on high-demand product lines.

The recovery phase began in 2021, with gross profit rising to €10,765 million, followed by a slight decline to €10,644 million in 2022. This slight drop can be attributed to ongoing economic uncertainties and rising operational costs. Nevertheless, the recovery reflects Adidas' ability to navigate challenges through innovation, sustainability initiatives, and its strong digital presence, reaffirming its position as a global leader in the sportswear industry.

2.1 External Environment Analysis

By using innovation and sustainability to address external market concerns, Adidas has strategically positioned itself as a leader in the global sportswear sector. Adidas's sustainability initiatives, as detailed in the 2019 Adidas Sustainability Report, demonstrate the company's dedication to satisfying both consumer demand for eco-friendly products and legal requirements. Adidas uses recycled materials, such as Parley Ocean Plastic, in their products in order to meet global sustainability trends and reach carbon neutrality by 2050. This emphasis boosts the company's reputation and attracts eco-aware customers, giving it a competitive advantage in a market where sustainability is becoming a crucial requirement (Adidas, 2019).

Adidas' strategy still heavily relies on innovation, which helps the business handle fierce rivalry from rivals like Puma and Nike. By providing better performance and comfort, technologies like Prime knit fabric and Boost cushioning set its products apart. Adidas further solidifies its position as a pioneer in the business by incorporating sustainability into its innovation processes, such as the creation of environmentally friendly footwear. Adidas maintains its competitive edge by embracing innovative technologies like digital integration and smart footwear, which meet the growing need for connected and personalized products (Chakraborty et al., 2021).

By improving e-commerce platforms and individualized customer experiences, the company's digital transformation initiatives further solidify its position in the market.

With this strategy, Adidas can respond to changing customer demands while tackling more significant macroeconomic and legal issues. All things considered, Adidas' external strategy demonstrates its capacity to incorporate innovation and sustainability into its core business operations, guaranteeing resilience and steady growth in a global market that is changing quickly (Peters et al., 2022).

2.2 PESTEL Analysis for Adidas

PESTEL analysis is a tool used to assess the external macro-environmental factors that could impact a company's strategy and decision-making. For Adidas, the PESTEL factors would include:



Figure 11: PESTLE analysis

Source: (Anon., [s.a.])

Political: Adidas operates in numerous countries, and its operations are influenced by the political stability, trade policies, and labour regulations of these regions. Political factors, such as tariffs, trade agreements, and labour laws, particularly in emerging markets like China and India, impact Adidas' global supply chain and market strategies. Additionally, the brand is affected by the varying regulatory policies regarding sustainability and environmental practices across different countries.

1. **Economic:** Economic factors like consumer purchasing power, exchange rates, inflation, and global economic trends affect Adidas' pricing strategies and profit margins. For instance, Adidas must adapt to economic fluctuations and changing consumer spending habits, especially during periods of economic downturn. The company's performance in emerging markets such as China, India, and Brazil is influenced by local economic growth, whereas the purchasing behaviour in developed markets like Europe and the US can be driven by trends in disposable income.

2. **Social:** The growing interest in health and fitness, as well as increasing awareness of sustainability issues, has helped Adidas position itself in the market. As consumers become more eco-conscious, Adidas has responded with sustainable product lines, such as shoes made from ocean plastic in partnership with Parley for the Oceans. Social factors also include demographic shifts, such as the rise in athleisure wear and growing interest in sports among younger generations, which supports Adidas' market growth.
3. **Technological:** Innovation is at the heart of Adidas' business strategy, and technological advancements in manufacturing, design, and consumer engagement are central to the brand's success. From 3D printing to smart shoes and wearable technology, Adidas is constantly at the forefront of new technology to improve product performance and offer unique consumer experiences. The use of big data, artificial intelligence, and digital platforms has enabled Adidas to engage with customers directly, offering personalized products and services through online channels and mobile apps.
4. **Environmental:** As the global focus on sustainability increases, Adidas has committed to reducing its carbon footprint and improving sustainability across its operations. Environmental pressures from both consumers and regulatory bodies have prompted the company to adopt circular economy principles, such as recycling and reducing waste. Adidas is increasingly incorporating recycled materials like ocean plastic into its products and striving for carbon neutrality by 2050, aligning with global sustainability goals.
5. **Legal:** Legal factors impacting Adidas include intellectual property laws, employment laws, and product safety regulations. Adidas must ensure compliance with various national and international laws that govern labour standards, fair trade, and advertising practices. The company also faces legal challenges related to patent protection and the safeguarding of its designs, as well as the evolving regulations on environmental standards for production.

Table 3: Five force model

Category	Summary
Political	Influenced by political stability, trade policies, and labour laws in emerging markets. Sustainability regulations impact operations.

Economic	Affected by consumer purchasing power, inflation, exchange rates, and economic growth in emerging and developed markets.
Social	Driven by health and fitness trends, eco-conscious consumers, athleisure demand, and younger generations' sports interest.
Technological	Innovation-focused with advancements in 3D printing, AI, wearable tech, and digital engagement for personalized experiences.
Environmental	Commitment to carbon neutrality, recycling, waste reduction, and use of ocean plastics in products aligns with sustainability goals.
Legal	Compliance with labour laws, intellectual property protection, product safety, and evolving environmental regulations is critical.

2.2.1 Porter's Five Forces for Adidas

Porter's Five Forces analysis assesses the competitive forces that shape an industry and its profitability. For Adidas, the five forces would include:



Figure 12: Porter's five analysis

Source: (Anon., 2021)

Table 4: Five force model

Factor	Level	Description
Threat of new entrants	Moderate	Competing with giants like Adidas, Nike, and Puma requires high capital and strong brand recognition. Niche players focusing on sustainability can enter. Adidas's economies of scale, brand equity, and exclusive supply chains make significant competition challenging.
Bargaining Power of Suppliers	Moderate	Adidas relies on a global supplier network, leveraging long-term relationships and purchasing power. Challenges include securing sustainable materials and adhering to labour regulations in outsourcing regions, which can affect costs.
Bargaining Power of Buyers	High	Digital platforms empower consumers to compare brands, increasing price competition and expectations. Adidas must innovate and deliver quality to retain customer loyalty against competitors like Nike and Puma.
Threat of Substitutes	Moderate	Alternatives like lifestyle brands and cheaper non-branded products pose a risk. Adidas counters this with performance-focused designs and strong brand reputation but faces competition from the growing athleisure market.
Industry Rivalry	Intense	Competitors like Nike, Puma, and Under Armour drive fierce competition in price, innovation, and brand loyalty. Adidas differentiates through innovation, sustainability, and partnerships, maintaining its edge in a highly competitive market.

Source: Own Processing

2.2.2 Strategic Maps for Adidas

Strategic maps are visual tools that help companies understand the relationships between different aspects of their strategy and how they contribute to achieving the organization's goals. For Adidas, a strategic map would focus on key areas such as:

Innovation: Innovation is crucial to Adidas, whether in the form of products such as the Boost cushioning or Prime knit fabrics, which improve performance and comfort. It already made the perfect outfit for athletes, combining the latest technical advancements with style. Ongoing investment in R&D keeps Adidas competitive and strengthens his position in the sportswear market.

Sustainability: Sustainability remains a core mission, including working with Parley for the Oceans to create recycled ocean plastic products, and other supply chain practices to reduce emissions. Adidas uses sustainable practices throughout its entire business, using the same lens as consumers when they buy, but also doing its part towards protecting the environment. That makes Adidas look like a responsible, forward-thinking brand building trust and resiliency for the long haul.

Brand positioning: Adidas appeals to both athletes and lifestyle buyers by fusing cutting-edge fashion with high-performance sportswear. Authenticity and relevance are increased by strategic partnerships with athletes, influencers, and cultural icons. This combined emphasis on leisure and sports enhances market leadership, customer loyalty, and brand identity.

Digital Transformation: Through mobile apps, e-commerce platforms, and customized services, Adidas uses digital resources to improve client experiences. Loyalty is fostered by data-driven insights that support personalized suggestions and special offers. Social media and digital marketing increase brand awareness, ensuring Adidas stays competitive and customer-focused in a connected world.

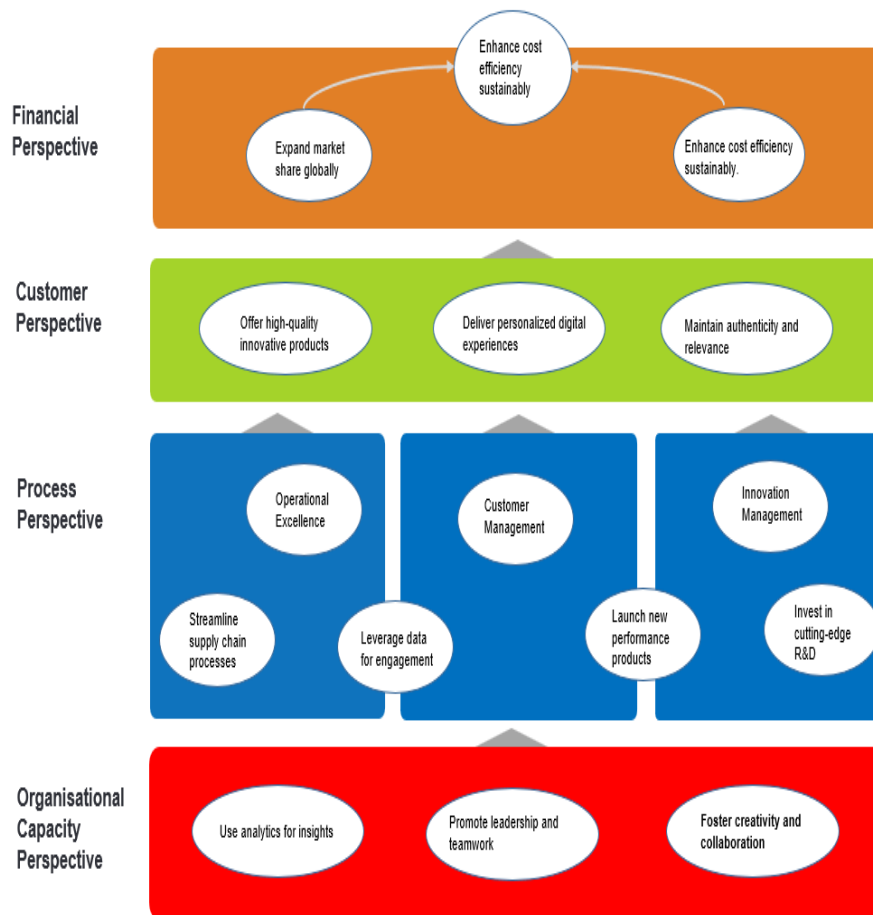


Figure 13: Strategic maps

Source: Own Processing

2.2.3 EFE Matrix (External Factor Evaluation Matrix) for Adidas

The External Factor Evaluation (EFE) matrix is a tool for assessing the external environment and identifying key opportunities and threats. It involves listing the most significant external factors affecting a company and assigning weights to them based on their importance. For Adidas, the EFE matrix could include the following factors:

1. Opportunities:

- **Growing demand for sustainable products:** Adidas' commitment to eco-friendly materials and circular economy principles positions it well to capitalize on consumer interest in sustainability.
- **Expansion into emerging markets:** Adidas has opportunities to grow its presence in emerging markets like China, India, and Africa, where sports culture is expanding rapidly.

- **Technological innovations:** Advancements in manufacturing, smart wearables, and e-commerce platforms provide Adidas with opportunities for differentiation.

2. Threats:

- **Intense competition:** Adidas faces strong competition from Nike, Puma, and other global sportswear brands, which continually innovate and expand their market share.
- **Economic fluctuations:** Economic downturns, inflation, and changes in consumer spending behaviour can affect Adidas' sales in certain markets.
- **Supply chain disruptions:** Global disruptions, such as trade conflicts or environmental disasters, could impact Adidas' manufacturing capabilities and raw material sourcing.

Each factor in the EFE matrix is assigned a weight reflecting its relative importance, and a rating is assigned based on how well Adidas is responding to each factor. The total score helps Adidas understand how effectively it is capitalizing on external opportunities and mitigating threats.

2.3 Internal Environment Analysis

The internal environment of Adidas, which is based on creativity, robust brand equity, and an energetic corporate culture, is a major factor in the company's worldwide success. The company's substantial R&D expenditures have produced ground-breaking innovations that enhance performance and style, including as Prime knit textiles and Boost cushioning. Adidas stays ahead of industry trends thanks to these innovations, which also satisfy the changing needs of a wide range of customers. Its reputation for quality, performance, and cultural relevance is cemented by smart relationships with athletes and cultural icons, which bolster its decades-long brand equity.

Adidas' strategy is firmly rooted in sustainability, as evidenced by programs like their partnership with Parley for the Oceans and their use of recovered ocean plastic. This pledge highlights Adidas' proactive approach to tackling global environmental issues and also satisfies consumer demand for eco-friendly products. The company's organizational culture encourages innovation, teamwork, and flexibility, which helps it react swiftly to shifts in the market. Adidas guarantees alignment with its goal and values by prioritizing inclusivity and innovation among its employees, thereby establishing a

robust framework that facilitates cooperation across departments and geographical locations.

Overall, innovation, sustainability, and brand development are the three main pillars of Adidas' internal environment. These advantages, along with an emphasis on quality and flexibility, make Adidas a leader and trendsetter in the cutthroat sportswear sector, able to handle the challenges of a global marketplace while upholding its reputation for excellence and innovation.

2.4 SWOT Analysis of Adidas

SWOT Analysis is a strategic planning tool that helps assess an organization's internal strengths and weaknesses, as well as external opportunities and threats. For Adidas, this framework highlights key areas that shape its strategic direction in the competitive sportswear industry.

1. **Strengths:** Adidas is a well-known worldwide brand that leads the industry in performance technology and new product development. Its collaborations with athletes and celebrities increase awareness and patronage. With programs like Parley for the Oceans, which sells goods manufactured from ocean plastic, Adidas is a leader in sustainability. Speed factory and 3D printing are examples of advanced production technologies that further increase productivity and personalization.
2. **Weaknesses:** Because innovation and sustainability are expensive, Adidas struggles with profit margins. Compared to Nike, it has less market dominance in the expanding athleisure sector and is still susceptible to changes in customer preferences. Adidas is also subject to supply chain concerns as a result of its reliance on outside merchants.
3. **Opportunities:** With rising demand for high-quality sportswear, emerging economies like China, India, and Africa present growth prospects. Innovation opportunities are presented by wearable technology breakthroughs and sustainability trends. Furthermore, there is room for targeted goods and marketing techniques in the women's fitness industry.

4. **Risks:** Market share is at risk due to fierce competition from brands like Puma and Nike. Financial risks include supply chain interruptions, economic downturns, and changes in the price of raw materials. Adidas' intellectual property protection is still under threat from counterfeit items and internet piracy.

Table 5: SWOT analysis

Strength	Weakness
<ul style="list-style-type: none"> • Adidas is a well-known worldwide brand that leads the industry in performance technology and new product development. • Collaborations with athletes and celebrities increase awareness and patronage. • Leader in sustainability with programs like Parley for the Oceans. • Advanced production technologies like Speed factory and 3D printing enhance productivity and personalization 	<ul style="list-style-type: none"> • High costs associated with innovation and sustainability impact profit margins. • Less market dominance in the athleisure sector compared to Nike • Susceptible to changes in customer • Supply chain concerns due to reliance on outside merchants.
Opportunities	Threats
<ul style="list-style-type: none"> • Growth prospects in emerging economies like China, India, and Africa. • Innovation opportunities from wearable technology breakthroughs and sustainability • Targeted goods and marketing techniques in the women's fitness industry 	<ul style="list-style-type: none"> • Fierce competition from brands like Puma and Nike • Supply chain interruptions, economic downturns, and changes in raw material prices. • Counterfeit items and internet piracy threaten intellectual property protection.

Source: Own Processing

2.5 SPACE Matrix for Adidas

The **SPACE (Strategic Position and Action Evaluation) Matrix** is a management tool used to determine the strategic position of a company based on four key factors: financial strength (FS), competitive advantage (CA), industry strength (IS), and environmental stability (ES). It helps identify whether the company should pursue an aggressive, defensive, competitive, or conservative strategy.

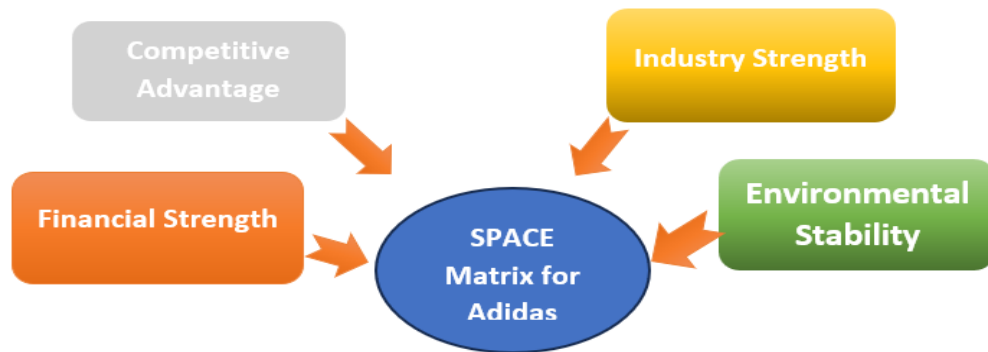


Figure 14: SPACE matrix for adidas

Source: Own Processing

Financial Strength (FS): With consistent revenue growth, profitability, and a robust cash flow, Adidas keeps a strong financial base. Although they raise short-term expenses, investments in sustainability and innovation improve operational efficiency. Its financial situation is still strong overall.

Competitive Advantage (CA): Adidas has a major competitive advantage thanks to its innovative products, strong brand, and commitment to sustainability. Although fierce competition from brands like Nike, Puma, and others threatens its edge in some sectors, partnerships with athletes and technology developments further solidify its position.

Industry Strength (IS): Adidas has potential in the expanding sportswear market, which is being pushed by sustainability and fitness trends. However, the industry's intensity is highlighted by intense competition from big competitors like Nike.

Environmental Stability (ES): Although there are risks associated with supply chain interruptions, legislative changes, and economic volatility, Adidas' sustainability

initiatives are supported by an increasing number of environmentally conscientious customers.

In conclusion, Adidas is in a solid position to compete, but it still has to contend with rivals and shifting market conditions. It is advised to use a competitive or aggressive approach that emphasizes innovation, market expansion, and utilizing sustainability trends.

2.6 IFE Matrix for Adidas

The IFE (Internal Factor Evaluation) Matrix is a tool used to evaluate an organization's internal strengths and weaknesses. The matrix helps determine how well a company is doing relative to its internal capabilities and identifies areas for improvement.

1. **Internal Strengths:** Adidas' brand strength is one of its most significant internal assets. Its focus on innovation, such as sustainable product offerings (e.g., shoes made from ocean plastic) and technological advancements like Prime knit fabric and Boost cushioning, strengthens its market position. Adidas also has a well-established global supply chain and is increasingly integrating sustainability into its core operations. Its investment in digital transformation and e-commerce provides a strong platform for growth.
2. **Internal Weaknesses:** While Adidas has a strong financial position, its reliance on third-party retail partnerships can expose it to risks in distribution and market disruptions. Additionally, Adidas has faced challenges in capitalizing on the athleisure market to the same extent as its competitors, such as Nike. The company also continues to deal with the complexities of balancing innovation with cost control, especially as sustainability-driven initiatives can increase production costs.

IFE Matrix Conclusion: Adidas' overall internal strength is high due to its strong brand, innovation capacity, and commitment to sustainability. However, weaknesses in market diversification and challenges in the athleisure segment could require strategic adjustments. The company can capitalize on its core competencies in technology, brand value, and sustainability to improve its internal performance and build a competitive advantage.

The IFE Matrix suggests that Adidas is well-positioned but needs to continually refine its internal strategies to address weaknesses, especially in expanding its presence in key market segments like athleisure and managing supply chain vulnerabilities.

2.7 Marketing Mix 4P

Marketing Mix 4P is an essential framework for businesses to effectively promote and sell their products or services. In this section we will delve deep into Adidas's Marketing Mix 4P.

Product Strategy

Adidas is a global leader in the sportswear industry, offering a wide range of products, including footwear, apparel, and accessories. The brand's product strategy is centred on innovation, performance, and style, catering to athletes, casual wear enthusiasts, and fashion-conscious individuals. The key elements of Adidas' product strategy include:

- **Core Products:** Adidas' core offerings include sports shoes, apparel, and equipment designed for various sports like running, football, basketball, and tennis. Examples include the Ultra boost and Predator shoe series.
- **Expected Products:** Adidas incorporates features like high-quality materials, comfort, and functionality that customers expect from a leading brand. Technologies like Prime knit fabric, Boost cushioning, and Climacool ventilation enhance performance.
- **Augmented Products:** Beyond functionality, Adidas integrates advanced features like 3D-printed midsoles, smart fitness trackers (e.g., Adidas Smart Run), and collaborations with designers like Kanye West (Yeezy) and Stella McCartney.
- **Potential Products:** Adidas explores future innovations like sustainable products (e.g., Parley for the Oceans partnership) and fully recyclable shoes, showcasing its commitment to eco-friendly practices.
- **Product Hierarchy:**
 - **Product Families:** Includes footwear, clothing, and accessories.
 - **Product Classes:** Categories like performance wear, casual wear, and athleisure.

- **Product Lines:** Variations in each class, such as running shoes, lifestyle sneakers, or football kits.
- **Brands:** Adidas' main brand, Originals, and sub-brands like Reebok.
- **Product Mix:** Adidas offers a diverse product portfolio with various categories catering to different segments, including kids, women, and professional athletes.

Pricing Strategy

Adidas uses a combination of pricing strategies to maintain its competitive edge and appeal to diverse customer segments:

- **Premium Pricing:** High-end products like the Ultra boost series, Yeezy sneakers, and Stella McCartney collaborations are priced at a premium due to their exclusivity, innovative features, and branding.
- **Competitive Pricing:** Adidas ensures its prices align with competitors like Nike and Puma for standard sportswear products, offering value for money while maintaining brand prestige.
- **Value-Based Pricing:** Pricing is based on the perceived value of the product, considering factors like design, technology, and customer demand. For example, limited-edition shoes are often priced higher due to their exclusivity.
- **Discounts and Promotions:** Seasonal sales, online discounts, and outlet store pricing cater to price-sensitive customers. For example, Adidas frequently offers deals during Black Friday and holiday sales.
- **Segmented Pricing:** Adidas tailors its pricing to different markets. For instance, products in developing markets may be priced lower to increase accessibility, while in developed markets, premium collections are emphasized.

Place Strategy

Adidas has a robust and diversified distribution strategy to ensure global reach and accessibility:

- **Retail Stores:** Adidas operates flagship stores, concept stores, and outlets in major cities worldwide, offering a premium shopping experience.

- **Online Stores:** Adidas' official website and mobile app enable customers to browse, customize, and purchase products from anywhere. Features like personalized shopping and virtual try-ons enhance the online experience.
- **Third-Party Retailers:** Adidas partners with large retailers like Foot Locker, JD Sports, and Amazon, as well as smaller sports stores, to expand its reach.
- **Global Presence:** Adidas has a strong presence in over 160 countries, leveraging regional warehouses and logistics networks for efficient distribution.
- **After-Sales Services:** Adidas ensures customer satisfaction through accessible return policies, warranties, and repair services.
- **Franchise Stores:** In regions with high demand, Adidas also collaborates with franchise partners to expand its retail footprint.

Promotion Strategy

Adidas employs a diverse promotional strategy to build brand awareness and maintain its market position:

- **Advertising:** Adidas leverages digital platforms, television, print media, and billboards for advertising campaigns. Iconic campaigns like "Impossible is Nothing" have reinforced its brand image.
- **Social media and Influencer Marketing:** Adidas collaborates with celebrities, athletes, and influencers like Lionel Messi, Beyoncé, and Pharrell Williams to promote its products on platforms like Instagram and TikTok.
- **Sponsorships:** Adidas sponsors major sports teams, leagues, and events, including FIFA World Cup, UEFA Champions League, and various national football teams.
- **Collaborations:** Adidas partners with designers and brands to create limited-edition collections, such as Yeezy, Ivy Park, and Prada, appealing to fashion-conscious audiences.
- **Sales Promotions:** Discounts, cashback offers, and loyalty programs like "Creators Club" reward customers and encourage repeat purchases.
- **Sustainability Campaigns:** Adidas actively promotes its eco-friendly initiatives, such as using recycled materials in its products and aiming for carbon neutrality, which resonates with environmentally conscious consumers.

This comprehensive marketing mix has positioned Adidas as a top global sportswear brand, blending innovation, style, and sustainability to cater to its diverse customer base.

2.8 BCG Matrix



Figure 15: BCG matrix

Source: Own processing of ChatGPT Image

High Performers:

These products dominate their market segments and drive significant growth and revenue for Adidas.

- **Ultra boost:** A flagship running shoe known for innovation and premium performance, appealing to athletes and casual users.
- **Yeezy Line:** Collaborations like Yeezy are immensely popular, selling out consistently and commanding a strong resale market.
- **Adidas Originals:** Iconic lifestyle-focused models like Superstar and Stan Smith thrive in the expanding athleisure market.

Core Revenue Generators:

These mature products consistently bring in reliable revenue in stable market conditions.

- **Adidas Football Boots (e.g., Predator and Copa Series):** A staple in the football footwear category with strong sales globally.
- **Adidas Sportswear Basics:** Standard sports shoes, apparel, and accessories cater to mass-market consumers and provide steady profits.

Emerging Opportunities:

These products show potential but require investment and strategic focus to realize their full growth potential.

- **Sustainable Product Lines (e.g., Adidas x Parley):** Growing consumer interest in eco-friendly products positions this line for future success.
- **Adidas Smart wear:** Wearable technology like mi Coach and fitness trackers align with the digital fitness trend but need broader adoption.

Underperformers:

These products face challenges in both market share and growth, requiring reassessment for improvement or discontinuation.

- **Adidas Outdoor (e.g., Terrex line):** Respected among niche audiences but struggles to compete with specialized brands like Patagonia.
- **Adidas Basketball Shoes:** Despite efforts, this line underperforms in the U.S. market compared to Nike's dominance in basketball footwear.

2.9 7S Framework Strategy

Adidas pursues a multifaceted strategy to strengthen its position as a global leader in sportswear while focusing on innovation, sustainability, and customer-centricity. Key objectives include:

- **Product Innovation:** Adidas continuously invests in research and development to create cutting-edge products. Technologies like Boost cushioning, Prime knit fabric, and 3D-printed midsoles highlight their commitment to performance and style.
- **Sustainability:** Adidas prioritizes eco-friendly initiatives such as using recycled materials (e.g., Adidas x Parley), reducing carbon emissions, and introducing fully recyclable products like the FUTURECRAFT.LOOP.

- **Digital Transformation:** Emphasis on direct-to-consumer channels through e-commerce, mobile apps, and personalized experiences. Digital technologies like virtual try-ons and AI-driven recommendations enhance customer engagement.
- **Market Expansion:** Adidas focuses on growing its presence in key markets like Asia, North America, and Europe, while leveraging partnerships and sponsorships with sports teams and influencers to enhance brand visibility.
- **Customer-Centric Design:** Products cater to a wide range of consumers, from elite athletes to casual wear enthusiasts, with a focus on blending performance and fashion.

Structure

Adidas employs a global matrix structure that aligns regional operations with functional expertise. The structure consists of:

The organizational structure of Adidas is intended to improve responsiveness to market demands, agility, and innovation. Geographical divisions like North America, Europe, and Asia-Pacific are included to enable more focused customer service and regional strategy. Specialization and ongoing innovation are ensured by dedicated teams for important product categories such as clothing, accessories, and footwear. Adidas is able to efficiently adapt to a variety of markets while preserving a consistent brand identity because to centralized global services including marketing, R&D, and sustainability that offer consistency and strategic alignment across regions.

Systems

Adidas integrates advanced systems to enhance operations, product innovation, and customer engagement:

- **Digital Product Creation:** Using tools like 3D design software and virtual prototyping to speed up product development and reduce waste.
- **Sustainability Systems:** Monitoring and reducing environmental impact through supply chain optimization, renewable energy use, and advanced recycling technologies.

- **Customer Experience Platforms:** E-commerce and mobile app platforms provide personalized shopping experiences, virtual try-ons, and customization options.
- **Performance Testing:** State-of-the-art labs evaluate products for durability, performance, and sustainability, ensuring they meet the highest standards for athletes and consumers.

Staff

Adidas employs over 62,000 people worldwide, with a focus on fostering an inclusive and innovative workforce. Key initiatives include:

- **Diversity and Inclusion:** Programs aimed at increasing gender diversity, including women in leadership positions, and fostering a culture of equity and respect.
- **Employee Well-Being:** Benefits like flexible working arrangements, health coverage, and wellness programs support employees' physical and mental health.
- **Training and Development:** Continuous learning opportunities through leadership programs, internal mobility initiatives, and digital skill-building courses.

Adidas values its employees as critical drivers of innovation and performance, ensuring they have the tools and support to thrive.

Skills

Adidas prioritizes building a skilled and future-ready workforce through:

- **Leadership Development:** Programs like the "Future Leaders Program" and partnerships with top universities to groom talent for strategic roles.
- **Technological Expertise:** Employees are trained in areas such as digital marketing, e-commerce, and sustainable manufacturing practices.
- **Sports Science and Innovation:** Teams dedicated to studying biomechanics and athlete performance drive product innovation.

- **Cultural Competence:** Training programs focus on understanding diverse markets and adapting strategies to local preferences.

This approach ensures that Adidas remains competitive and adaptive in a rapidly changing industry.

Style

Adidas fosters a collaborative and innovation-driven culture characterized by:

- **Empowerment:** Encouraging employees to take ownership and bring bold ideas to life.
- **Sustainability Commitment:** Sustainability is embedded in Adidas' culture, influencing decisions across product design, marketing, and supply chain management.
- **Work-Life Balance:** Flexible work options and a focus on employee well-being contribute to a positive work environment.
- **Inclusivity:** Adidas champions a diverse workforce and actively promotes equality in hiring, development, and leadership opportunities.

This culture not only attracts top talent but also strengthens the brand's appeal to customers and stakeholders.

Shared Values

Adidas' core values reflect its commitment to sustainability, innovation, and community impact:

Adidas' approach, which is based on innovation, sustainability, and community service, is in line with its goal of becoming the greatest sportswear company in the world. By 2025, the "Own the Game" approach aims to significantly reduce carbon emissions and employ 90% sustainable materials, emphasizing environmental stewardship. Through sports and education, community involvement programs like "Breaking Barriers" empower young people, and partnerships with athletes, influencers, and organizations improve relationships with customers. Adidas ensures that its values drive development and global impact by fusing performance-driven products with its aim to promote active lives.

3. Summary of analysis

The strategic analysis of Adidas provides valuable insights into the company's competitive position, both internally and externally. By utilizing frameworks such as **SWOT**, **SPACE Matrix**, and **IFE Matrix**, we gain a comprehensive understanding of Adidas' strengths, weaknesses, opportunities, and threats, as well as its strategic options. The analysis highlights the company's strong brand, innovation capabilities, and commitment to sustainability, all of which contribute to its leadership in the global sportswear market. However, challenges such as intense competition, supply chain risks, and the need to expand further into growing market segments like athleisure remain critical areas for improvement. Ultimately, Adidas' strategic position is strong, but ongoing adaptation to market trends and internal optimization will be key to sustaining its competitive advantage in the future.

3.1 SWOT Analysis

Adidas demonstrates several notable strengths, starting with its robust global brand recognition and customer loyalty, which are sustained through consistent innovation and a focus on sustainability (Harvard Business Review, 2016). The company's product innovations, such as Boost technology and the use of eco-friendly materials like Parley Ocean Plastic, have helped distinguish it in a competitive market (Strategic Management Journal, 2018). Furthermore, strategic partnerships with athletes, sports teams, and environmental organizations enhance Adidas' brand equity and customer engagement. Its adoption of advanced technologies, such as 3D printing and artificial intelligence, further solidifies its position as an innovation leader in the sportswear industry (Technology Innovation Management Review, 2021; Journal of Business Research, 2020).

However, Adidas also faces certain weaknesses. The company's reliance on third-party retailers limits its control over distribution channels and customer interactions. While Adidas has a strong foothold in established markets, its penetration in emerging regions remains an area for growth. Additionally, intense competition from brands like Nike and Puma continues to challenge Adidas' market share, necessitating more aggressive strategies to maintain its competitive position.

Opportunities abound for Adidas, particularly in the expanding athleisure market and the growing consumer demand for sustainable products (Strategic Management Journal, 2018). The increasing focus on fitness and wellness trends presents additional growth avenues, as does the potential for further expansion into emerging markets, particularly in Asia and Africa, where consumer spending on sportswear is rising. Continued investments in advanced technologies like AI-driven customization and 3D printing offer significant potential for differentiation (Journal of Business Research, 2020; Technology Innovation Management Review, 2021).

Despite these opportunities, Adidas is not without threats. Macroeconomic factors, such as fluctuating exchange rates, trade tensions, and potential tariff hikes, could adversely impact operations. Global supply chain disruptions, including raw material shortages and production delays, pose ongoing risks. The proliferation of counterfeit goods in international markets and aggressive competition from rivals add to the challenges that Adidas must navigate to sustain its growth trajectory.

3.2 SPACE MATRIX

Moving to the **SPACE Matrix**, Adidas' strategic position is evaluated in terms of its internal capabilities and external factors. The matrix indicates that Adidas enjoys a strong competitive advantage in the sportswear market, with high levels of innovation and financial performance. However, external forces, including intense industry competition, economic instability, and the increasing pressure for sustainability, require Adidas to adopt an aggressive or competitive strategy. This suggests that the company should focus on expanding its market share, increasing product differentiation through innovation, and enhancing its commitment to sustainability. Adidas' financial strength and its capability to invest in innovation place it in a strong position to pursue such strategies, especially in markets where consumer preferences are increasingly shifting towards eco-conscious brands.

Table 6: Space Matrix

Financial Strength (FS)	Rating	Environmental Stability (ES)	Rating_2
Return on Investment	5	Rate of inflation	-3
Cash flow	4	Barriers to enter into market	-3
Liquidity	3	Competitive Pressure	-5
Price earning ratio	6	Technological Changes	-3
Average of FS	4.5	Average of ES	-3.5
Competitive Advantage (CA)	Rating_3	Industry Attractiveness (IA)	Rating_4
Market share	-4	Growth potential	5
Product quality	-3	Profit potential	3

Source: Own Processing

3.3 IEF Matrix

The **IFE Matrix** assesses Adidas' internal environment by evaluating its strengths and weaknesses. Internally, Adidas' strengths include its established brand equity, robust product innovation capabilities, and increasing focus on digital transformation. Its research and development efforts continue to lead in areas like footwear technology and sustainable materials. The company's global supply chain and logistical capabilities

further support its operations and market reach. However, Adidas must address weaknesses related to its vulnerability to fluctuating raw material prices, supply chain inefficiencies, and challenges in responding to changing consumer preferences in a timely manner. The company also faces challenges in fully capitalizing on the athleisure trend, as competitors like Nike have been quicker to tap into this growing market segment. Overall, the IFE Matrix suggests that Adidas is in a favourable position internally but must continue to refine its operational efficiencies, enhance its product portfolio, and leverage digital platforms to stay ahead of the competition.

Table 7: IEF Matrix

Key Factors	Weight	Rating	Weighted Score
Strengths			
Strong brand recognition	0.20	4.5	0.90
Innovative product lines	0.15	4.0	0.60
Weaknesses			
Dependency on third-party suppliers	0.10	2.5	0.25
Higher pricing compared to competitors	0.10	3.0	0.30
Opportunities			
Growth of e-commerce	0.25	4.5	1.125
Rising demand for sustainable products	0.10	4.8	0.48
Threats			
Intense competition	0.10	3.5	0.35
Counterfeit products	0.10	2.8	0.28
Total	1.00		4.285

Source: Own Processing

In conclusion, the strategic analysis using the **SWOT**, **SPACE Matrix**, and **IFE Matrix** presents a clear picture of Adidas' current standing. The company is well-positioned in terms of brand equity, innovation, and sustainability, but it must navigate external threats like intense competition, supply chain disruptions, and economic challenges. Internally, while Adidas has strong capabilities, it must continue to address weaknesses

related to market penetration and operational efficiencies. The company's future strategy should focus on aggressively expanding its market share, particularly in emerging markets, and further enhancing its product offerings and sustainability efforts. By capitalizing on its strengths, addressing weaknesses, and seizing emerging opportunities, Adidas can continue to lead in the global sportswear market while mitigating risks and adapting to an ever-changing business environment.

4. Formulation of Innovation Strategy

Table 8: Innovation strategy

Key Element	Details
Strategic Alignment	Align innovation efforts with Adidas' broader goals of leadership in performance, sustainability, and consumer engagement.
Focus Areas	Sustainable innovations, technological advancements in product design, and enhanced customer experiences.
Sustainability Goals	Develop products that are both functional and environmentally friendly to meet growing consumer demand for sustainability.
Example Initiatives	Products like the Parley for the Oceans collection, created using recycled ocean plastics.
Market Demand	Address the increasing consumer preference for sustainable and innovative products.
Innovation Vision	Support Adidas' commitment to leadership in sustainability, technological excellence, and market differentiation.

Source: Own Processing

Formulating an innovation strategy is critical for companies looking to maintain their competitive edge and foster long-term growth, especially in dynamic industries like sportswear. For a company like Adidas, the formulation of an innovation strategy is driven by several key principles that align with both market needs and organizational

goals. Below is an overview of how Adidas could formulate its innovation strategy based on insights from key management theories and industry best practices.

4.1 Vision and Strategic Objectives

The first step in formulating an innovation strategy for Adidas is aligning the innovation efforts with the company's broader strategic goals. Adidas' overarching vision revolves around being a leader in the sportswear industry, not only in performance but also in sustainability and consumer engagement. The innovation strategy should reflect these goals by focusing on sustainable innovations, technological advancements in product design, and enhanced customer experiences. By creating products that are not only functional but also environmentally friendly, Adidas can tap into the growing market demand for sustainability.

4.2 Leveraging Open Innovation

One key aspect of Adidas' innovation strategy could involve open innovation, a concept championed by scholars like Henry Chesbrough (2003). Open innovation involves collaborating with external partners, such as universities, research institutions, other brands, or even customers, to foster creativity and bring new ideas to market faster. Adidas has already begun to integrate open innovation in its approach, such as through partnerships with Parley for the Oceans to develop sustainable footwear or collaborations with athletes for product co-creation. By expanding these partnerships, Adidas can access cutting-edge technologies and new markets while also boosting its reputation as an innovator.

4.3 Technology and Product Innovation

Table 9: Adidas' Technology-Driven Innovation Investment: Current and Future Focus

Category	Current Investment (%)	Proposed Future Investment (%)
Footwear Technology (e.g., Boost)	35	30
Advanced Manufacturing	25	20

(e.g., 3D Printing, Speed factory)		
Wearable Sports Technology	10	20
Biometrics and Smart Apparel	5	15
Digital Platforms & AI Integration	15	25
Sustainability Enhancements	10	10

Source: Own Processing

Adidas needs to continually invest in technology-driven product innovation. The company is already a leader in footwear technology, particularly with innovations like Boost cushioning, Prime knit fabrics, and Speed factory, which involves advanced manufacturing technologies like 3D printing to produce shoes on demand. Continuing to invest in new technologies such as wearable sports technology, biometrics, and smart apparel can help Adidas stay ahead of competitors. Adidas could also explore integrating digital platforms to enhance the customer experience, such as incorporating AI-driven customization features or improving product tracking and sustainability data for consumers.

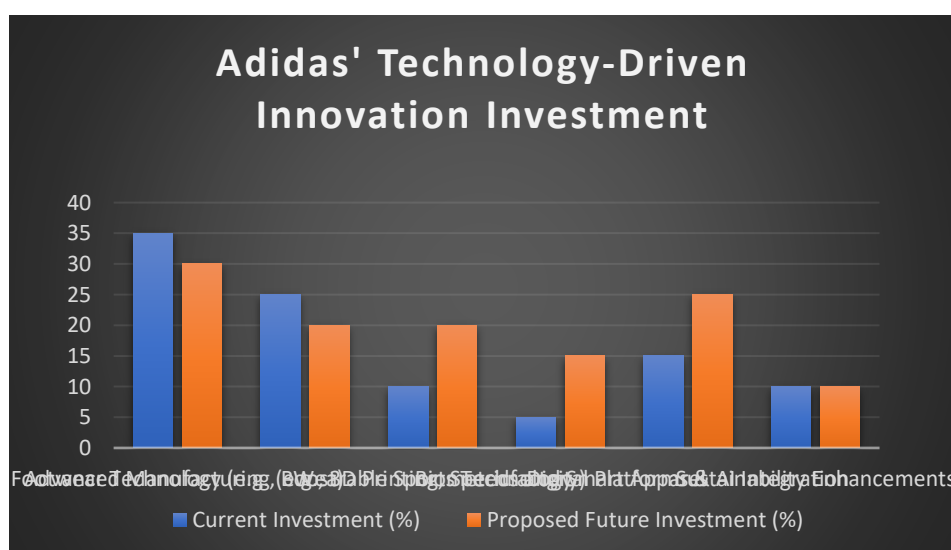


Figure 16: Adidas tech-driven innovation investment

Graph 3: Adidas' Technology-Driven Innovation Investment

Interpretation of the Data:

1. Shift in Focus from Established Technologies:

- Footwear Technology investment is expected to decrease slightly from 35% to 30%. This reflects Adidas's confidence in its established leadership in this area and the desire to allocate resources to emerging innovation opportunities.
- Investment in Advanced Manufacturing technologies, such as 3D printing and Speed factory, is projected to decline from 25% to 20%. This could indicate a shift from initial R&D and infrastructure setup toward operational optimization.

2. Increased Emphasis on Emerging Technologies:

- Wearable Sports Technology will see a significant increase in investment, doubling from 10% to 20%. This demonstrates Adidas's commitment to integrating technology into its product line, catering to the growing consumer interest in health monitoring and performance tracking.
- Investment in Biometrics and Smart Apparel is set to triple, from 5% to 15%. This signals a strategic move towards creating intelligent, data-driven apparel to enhance consumer experience and differentiation in the market.

3. Digital Transformation:

- Digital Platforms and AI Integration will receive the highest increase in investment, rising from 15% to 25%. This reflects Adidas's acknowledgment of the importance of personalization, enhanced customer interaction, and digital product features in driving customer loyalty and market competitiveness.

4. Sustainability Commitment Remains Steady:

- Investment in Sustainability Enhancements remains consistent at 10%, indicating a sustained commitment to eco-friendly practices. Adidas likely considers sustainability as a baseline requirement rather than an area for exponential growth.

Overall Trends:

- Adidas is recalibrating its innovation investments to balance its strong foundation in footwear and manufacturing with a strategic push towards cutting-edge, technology-driven solutions like wearables, smart apparel, and digital platforms. This approach aligns with market trends and consumer expectations for both personalized and sustainable products.

4.4. Sustainability as a Core Driver

Sustainability should be a cornerstone of Adidas' innovation strategy, especially as consumers increasingly demand environmentally responsible products. The company has already made strides in this area with initiatives like creating shoes made from recycled ocean plastic and aiming for carbon neutrality across its global operations. However, a robust innovation strategy must continue to focus on eco-friendly materials and sustainable manufacturing processes. Adidas could also explore the development of circular economy models, where products are designed for longevity, easy recycling, or reuse. This could not only drive innovation but also align Adidas with global trends toward environmental responsibility.

4.5 Customer-Centric Innovation

An effective innovation strategy should always place the consumer at its core. Customer co-creation is a powerful tool in developing products that resonate with market demands. Adidas has used this approach by collaborating with athletes and influencers to understand their needs and refine product designs accordingly. Moreover, with the rise of digital transformation and e-commerce, Adidas can further leverage data analytics to understand customer preferences and drive personalized product offerings. Additionally, Adidas can use social media and online platforms to engage consumers in real-time, obtaining direct feedback and involving them in the design process. By enhancing its customer experience through innovation, Adidas can create stronger emotional connections and build brand loyalty.

4.6. Competitive Advantage through Differentiation

The innovation strategy must also focus on maintaining a clear **differentiation** strategy in a highly competitive market. Adidas must continue to deliver unique value propositions that set it apart from competitors like Nike, Puma, and Under Armour. This could involve a dual approach: one that emphasizes cutting-edge technology (e.g.,

improved shoe performance or digitally integrated apparel) and another that stresses sustainability and ethics (e.g., eco-friendly production, transparent supply chains). Through this strategy, Adidas could position itself as not only a performance leader but also as a brand that champions social and environmental responsibility.

Table 10: Strategy: Differentiation through Technology and Sustainability

Focus Area	Strategy	Examples	Outcome
Technology-Driven Differentiation	Leverage cutting-edge technology to enhance product performance and customer experience.	Improved shoe performance (e.g., Boost), digitally integrated apparel, wearable tech.	Strengthened position as a performance leader and tech innovator in the sportswear industry.
Sustainability & Ethics	Prioritize eco-friendly production and ethical practices to appeal to socially conscious consumers.	Eco-friendly materials (e.g., Parley for the Oceans), transparent supply chains.	Enhanced brand reputation as a socially and environmentally responsible company.
Dual Value Proposition	Combine technological innovation with sustainability to deliver unique offerings.	Smart apparel made from sustainable materials, AI-driven customization with eco-friendly focus.	Differentiation from competitors like Nike and Puma, appealing to both performance and ethical markets.
Market Positioning	Emphasize Adidas as both a performance leader and a sustainability champion in the sportswear industry.	Integrated marketing campaigns showcasing both performance and ethical initiatives.	Stronger brand loyalty and increased market share across diverse consumer segments.

Source: Own Processing

4.7. Resource Allocation and Organizational Support

Finally, to execute its innovation strategy successfully, Adidas must align its resource allocation with innovation goals. This includes investing heavily in R&D, allocating funds to partnerships and collaborations, and ensuring that its innovation labs and manufacturing facilities are equipped with the latest technology. Furthermore, the company must create an organizational culture that promotes creativity and

experimentation. Encouraging cross-functional teams, involving different stakeholders in product development, and fostering a culture of continuous learning and agility will be critical for driving innovation forward.

Adidas' innovation strategy should be multi-faceted and aligned with the company's long-term vision of leadership in performance, sustainability, and customer experience. By continuing to embrace open innovation, leveraging cutting-edge technologies, driving sustainability, and focusing on customer-centric design, Adidas can maintain its competitive edge and continue to be a market leader in the sportswear industry. Through these efforts, Adidas can ensure that innovation remains at the heart of its business strategy, helping the brand adapt to changing market conditions and consumer expectations.

5. Implementation of Innovation Strategy

Implementing an innovation strategy requires a comprehensive approach that integrates organizational capabilities, technology, resources, and culture. For a company like Adidas, known for its commitment to innovation in sportswear and sustainability, the successful implementation of an innovation strategy involves translating high-level strategic goals into actionable initiatives that foster growth and differentiation in the market. Here is a detailed overview of how Adidas can implement its innovation strategy.

5.1 Resource Allocation

The first step in implementing an innovation strategy is ensuring that resources—both financial and human—are properly allocated to support innovative initiatives. Adidas must make strategic investments in research and development (R&D) to drive product innovation. This could include funding advanced technologies like 3D printing, wearable tech, and sustainable materials that are critical for differentiating Adidas' products in the highly competitive sportswear market. Additionally, investing in innovation labs and state-of-the-art manufacturing facilities will be crucial for scaling up new technologies and bringing them to market efficiently. For example, Adidas' Speed factory concept, which uses advanced automation and customization, would benefit from continued investment in high-tech manufacturing processes.

Alongside financial resources, Adidas should also allocate human resources effectively. This means hiring top talent in areas such as engineering, data science, and sustainability. Cross-functional teams should be established to encourage collaboration between R&D, marketing, and design teams, fostering an environment where creativity and innovation can thrive.

5.2 Technology Integration

One of the critical aspects of Adidas' innovation strategy is leveraging technology to not only create superior products but also enhance the overall customer experience. Adidas must integrate digital technologies into its innovation efforts, focusing on areas such as AI, big data analytics, and IoT. These technologies can be used to better

understand customer preferences, optimize product design, and offer personalized experiences through digital platforms and mobile apps.

Adidas can implement AI-driven customization tools that allow customers to design their own footwear and apparel. It can also use data analytics to gather insights into consumer behaviour, helping the company predict trends and adapt its product offerings in real-time. Furthermore, the integration of wearable technology could provide consumers with real-time performance data, creating a seamless connection between product innovation and customer engagement.

5.3. Sustainability and Circular Economy

For Adidas, sustainability is a core component of its innovation strategy. To successfully implement this aspect, the company must ensure that its entire supply chain aligns with its sustainability goals. Adidas has already made strides in this area with its Parley for the Oceans collaboration, where shoes and apparel are made from recycled ocean plastics. However, to push the innovation strategy further, Adidas can invest in circular economy models. This could involve designing products with end-of-life in mind, ensuring that materials can be easily recycled, reused, or repurposed.

To implement sustainability-driven innovation, Adidas must continue collaborating with external partners and materials suppliers to develop new sustainable fabrics, dyes, and manufacturing processes. The company can also introduce take-back programs where consumers can return used products for recycling, thus reducing waste and encouraging customers to participate in the brand's sustainability efforts.

5.4 Organizational Culture and Collaboration

The successful implementation of an innovation strategy relies heavily on the organization's culture. Adidas must cultivate a culture of **creativity**, agility, and collaboration within its workforce. To achieve this, Adidas could introduce internal innovation programs that reward employees for new ideas, foster inter-departmental collaboration, and ensure that all levels of the organization understand and support the company's innovation objectives.

Additionally, Adidas should continue to leverage external partnerships as part of its open innovation model. Collaborations with startups, universities, technology

companies, and even its athletes and consumers will be crucial in driving product and process innovation. For instance, partnerships with sustainable material innovators or tech companies will allow Adidas to stay ahead of the curve in terms of technological advancements.

5.5 Customer-Centric Innovation

Another key component in implementing the innovation strategy is ensuring that it is customer-driven. Adidas must create systems that continuously collect and analyse customer feedback to inform product development. Through channels like social media, online surveys, and direct engagement with customers, Adidas can better understand consumer needs and tailor its innovations accordingly.

For instance, Adidas could implement real-time customer feedback loops to help refine product features during the development phase. This approach ensures that the company is not only meeting but exceeding consumer expectations, which in turn drives brand loyalty and customer satisfaction. Additionally, as part of its personalization strategy, Adidas could utilize data analytics to offer more customized products and services, such as personalized footwear or apparel based on individual measurements and preferences.

5.6 Marketing and Branding

Once innovative products and solutions are developed, effective marketing and branding strategies are needed to promote them. Adidas must ensure that its marketing campaigns clearly communicate the innovation behind its products and highlight the benefits to consumers. Whether it's the launch of a new product line made from recycled materials or the introduction of a cutting-edge performance technology, Adidas' marketing teams must be equipped with the right tools to deliver compelling messages to the target audience.

Leveraging influencers, athletes, and brand ambassadors to showcase new innovations can help Adidas reach a wider audience and build stronger connections with consumers. The company's collaboration with high-profile athletes like Lionel Messi, Kanye West, and Pharrell Williams provides an opportunity to amplify the impact of innovation by aligning it with the influence of trusted figures in the sports and fashion industries.

5.7 Performance Metrics and Feedback Mechanisms

To measure the success of its innovation strategy, Adidas must implement a set of clear performance metrics. These metrics should track the impact of innovation on various aspects of the business, including financial performance, market share, consumer satisfaction, and sustainability goals. Key performance indicators (KPIs) may include revenue growth from new products, the rate of innovation adoption among customers, or the reduction in the environmental footprint of manufacturing processes.

Regular performance reviews and feedback mechanisms will allow Adidas to continuously improve its innovation processes. This might include periodic assessments of product lines, customer feedback surveys, and sustainability audits to gauge the environmental impact of their innovations.

6. Review of Innovation Strategy

Adidas has long been regarded as a global leader in the sportswear industry, and its innovation strategy has played a pivotal role in maintaining its competitive edge. The company's approach to innovation is multifaceted, targeting not only product development but also customer engagement, sustainability, and technological advancements. By fostering a culture of innovation, Adidas has been able to continuously create new solutions that align with shifting consumer demands, evolving market trends, and the company's commitment to sustainability.

One of the standout features of Adidas' innovation strategy is its commitment to sustainability. The company has set ambitious goals to reduce its environmental footprint, positioning itself as a leader in eco-conscious innovation. Adidas' collaboration with Parley for the Oceans to create footwear and apparel made from ocean plastic is a prime example of its sustainability-driven innovation. This initiative not only addresses growing concerns about environmental impact but also appeals to a growing base of eco-conscious consumers. In addition, Adidas is making strides in circular economy models, such as designing shoes that can be recycled, signalling its forward-thinking approach to long-term sustainability. However, while these initiatives are commendable, the challenge will be ensuring that Adidas can scale these efforts effectively and consistently meet its sustainability targets as it grows.

Another critical component of Adidas' innovation strategy is its focus on technology integration. The company has embraced digital transformation with initiatives like customized shoe design through 3D printing, as well as the development of smart footwear with integrated sensors. These innovations not only offer performance enhancements but also cater to the growing demand for personalized, tech-driven products. Adidas has also invested in advanced manufacturing technologies, such as automated production systems and its Speed factory, which allows for rapid production and customization. These technologies help Adidas differentiate itself in a highly competitive market and streamline its production processes, which can lead to cost savings and faster time-to-market for new products.

The company's use of data analytics and consumer feedback loops has allowed it to refine its innovation processes and stay in tune with customer preferences. Adidas has increasingly used big data and AI-driven tools to predict trends and personalize product

offerings. By continuously collecting consumer insights, the brand ensures that its innovations are not only cutting-edge but also closely aligned with market needs. Adidas' ability to incorporate consumer preferences into product design and marketing also helps enhance customer loyalty and engagement, reinforcing the brand's competitive position.

Adidas' open innovation model, where the company actively seeks partnerships with external organizations, startups, and even consumers, is another pillar of its innovation strategy. Collaborations with tech companies, designers, and environmental organizations help Adidas stay at the forefront of innovation. The company's partnerships with Google to incorporate wearable technology into its products and Sustainable Apparel Coalition for developing sustainable solutions exemplify the advantages of open innovation in driving breakthroughs in technology and materials.

Despite these strengths, there are some challenges in Adidas' innovation strategy. Scaling innovation is one such challenge. While Adidas has pioneered numerous initiatives in sustainability and technology, the next step will be ensuring that these innovations are consistently implemented across its global supply chain and product lines. Moreover, maintaining the balance between creativity and operational efficiency will be crucial. As Adidas continues to push the boundaries of product innovation, it will need to manage the complexity of integrating new technologies without compromising on cost or quality.

Adidas faces intense competition from rivals like Nike, Under Armour, and Puma, all of which are also innovating at a rapid pace. To maintain its competitive edge, Adidas will need to ensure that its innovations not only meet current consumer needs but also anticipate future trends. This includes focusing on new areas of growth, such as athleisure, e-sports, and direct-to-consumer digital channels, all of which represent untapped opportunities for growth.

Overall, Adidas' innovation strategy is highly effective in driving its market leadership. The company's focus on sustainability, technology, and customer-centric solutions sets it apart in the crowded sportswear market. However, the challenge moving forward will be in scaling its innovations globally, managing the operational complexities of its advanced technologies, and ensuring it remains agile in responding to rapidly changing consumer preferences and market dynamics. If Adidas can successfully navigate these

challenges, its innovation strategy will continue to solidify its position as a global leader in sportswear and lifestyle products.

7. Summary of Innovation Strategy

Adidas' innovation strategy is a key driver behind its leadership in the global sportswear market. The company focuses on three primary pillars: sustainability, technology integration, and customer engagement. Adidas has made significant strides in environmental innovation, particularly through its collaborations with Parley for the Oceans to produce products made from recycled ocean plastics, which aligns with the growing consumer demand for eco-conscious products. The company is also advancing in the circular economy, with initiatives like designing fully recyclable shoes.

In terms of technology, Adidas has embraced digital transformation with innovations like 3D printing, smart footwear with integrated sensors, and advanced manufacturing technologies such as its Speed factory, allowing for faster, more customized production. The company is also leveraging data analytics to personalize offerings and improve product designs based on consumer insights, ensuring that its innovations resonate with market demands.

Adidas employs an open innovation model, collaborating with external partners, tech companies, and startups to stay ahead of competitors. Its partnerships with organizations like Google for wearable tech and the Sustainable Apparel Coalition for eco-friendly solutions further highlight its commitment to pioneering new technologies and materials.

Despite these successes, Adidas faces challenges in scaling its innovations globally and ensuring consistency in product quality and cost-efficiency. The company must also stay vigilant in maintaining its competitive edge in a crowded market, where rivals like Nike and Puma are also innovating rapidly.

In summary, Adidas' innovation strategy is robust and forward-thinking, driving its success in the sportswear industry. The company's focus on sustainability, technology, and consumer-driven design positions it as a leader, but the next phase of growth will depend on scaling innovations efficiently and staying ahead of market trends.

Conclusion

This research provides a comprehensive exploration of Adidas' strategic landscape, focusing on its strengths, weaknesses, opportunities, and challenges. By utilizing a range of analytical tools, including PESTEL, Porter's Five Forces, VRIO analysis, 4Ps Marketing Mix, BCG Matrix, and SPACE Matrix, the study has offered deep insights into the internal and external factors shaping Adidas' current position in the sportswear industry. The findings are not just theoretical; they form the basis for actionable strategies that can guide Adidas toward sustained success.

Adidas is a global leader in sportswear, recognized for its strong brand equity, innovative product lines, and commitment to sustainability. Its success is built on a foundation of customer-centricity, strategic collaborations, and technological advancements. However, like any global organization, Adidas faces challenges, including fierce competition, economic volatility, and the ever-evolving preferences of a diverse consumer base. These challenges necessitate a proactive approach to strategy formulation and implementation, ensuring the company not only adapts but also thrives in an increasingly competitive market.

One of Adidas' key strengths lies in its ability to combine performance and style, making its products appealing to both professional athletes and casual wearers. This dual focus has allowed Adidas to remain relevant in a fast-paced market. However, the analysis also highlights areas where improvement is essential. For example, Adidas needs to strengthen its presence in the North American market and mitigate its dependency on third-party suppliers to ensure smoother operations. Additionally, as sustainability becomes a priority for consumers, Adidas must continue to lead in this area by integrating eco-friendly practices across its entire value chain.

Adidas has tremendous opportunities to capitalize on emerging trends such as the growth of e-commerce, the rising demand for sustainable products, and the increasing popularity of athleisure. Expanding its digital footprint and leveraging technology to create personalized shopping experiences can significantly enhance customer engagement. Moreover, expanding into emerging markets with region-specific strategies and products will enable Adidas to tap into new consumer bases and strengthen its global market share.

The company's focus on sustainability, digital transformation, and market expansion are critical to its future success. By further embedding sustainable practices into its business model, Adidas can solidify its position as a leader in responsible corporate behaviour. Similarly, investments in digital innovation will not only improve customer experiences but also drive operational efficiency. The expansion into emerging markets and diversification of its product portfolio will allow Adidas to adapt to changing consumer preferences and economic conditions, ensuring long-term growth.

In conclusion, Adidas' ability to balance its legacy of innovation with a forward-looking approach to sustainability, technology, and market responsiveness will define its future. The insights from this analysis provide a strategic roadmap for Adidas to navigate challenges and seize opportunities effectively. By staying true to its core values and consistently adapting to the dynamic global landscape, Adidas is well-positioned to maintain its status as a global leader in the sportswear industry and continue to deliver value to its customers, stakeholders, and communities worldwide.

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