

# **CSR from Beijing 2008 to London 2012**

## **Challenges for Corporate Engagement at the Olympics**

Thesis for the Certificate Course "Advanced Studies in Corporate Social Responsibility" at the University of Geneva (Switzerland)

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## Abstract

In times of ever easier access to information and of rising awareness for sustainability issues, companies that use major sporting events to present themselves or their brands to a worldwide audience face new challenges with regard to the credibility of their commitment. This applies in particular to a commitment in a less developed country.

In a combination of literature and case study research, the paper highlights the aspects that are relevant for Corporate Social Responsibility (CSR) management when getting engaged in a global sporting event in an emerging market. The specific social – including environmental – issues that become relevant for Adidas's commitment to the Olympic Games in Beijing 2008 illustrate the importance of the particular setting of an event for the success of corporate engagement in sport. Possible CSR strategies are identified and evaluated. Particular attention is paid to how the credibility of the corporate (social responsibility) commitment can successfully be ensured. To deal with CSR-relevant public issues that exceed a sponsor's sphere of influence an approach of active neutrality is suggested.

Finally, the Adidas case is contrasted with an outlook to BT's engagement at the Olympic Games in London in 2012. Thereby, the hypothesis is discussed whether or not in a globalised world challenges posed by events in emerging markets and those linked to events in developed countries might more and more converge. An increased demand is seen for sport sponsorships which are managed in a way that integrates them into the CSR strategy of corporate sponsors.

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## 1 Introduction

In times of ever easier access to information and of rising awareness for sustainability issues, companies that use major sporting events to present themselves or their brands to a worldwide audience face new challenges with regard to the credibility of their commitment. This applies in particular to a commitment in a less developed country.

The paper will highlight the aspects that are relevant for Corporate Social Responsibility (CSR) management when getting engaged in a global sporting event in an emerging market. By way of method, literature research is combined with an exploratory case study<sup>1</sup>: The specific social issues that become salient for Adidas's commitment to the Olympic Games in Beijing 2008 illustrate the importance of the particular setting of an event for the success of corporate engagement in sport. Possible CSR strategies are identified and evaluated. Particular attention is paid to how the credibility of the corporate (social responsibility) commitment can successfully be ensured. Finally, the Adidas case is contrasted with an outlook to BT's engagement at the Olympics in London in 2012. Thereby, the hypothesis is discussed whether or not in a globalised world challenges posed by events in emerging markets and those linked to events in developed countries might more and more converge.

Initially, key terms used in the paper shall be clarified briefly: "*Sustainability*" is referring to the three-dimensional concept of an equally environmental, social, and economic development based on inter- as well as intragenerational justice as set forth in the Brundtland report<sup>2</sup>. With regard to *CSR*, the author follows an understanding of social, including environmental, activities of a company that are embedded in corporate strategy and thus help secure profitability as well as strive towards maximising social benefit, related to the needs of the stakeholders<sup>3</sup>.

The term "*corporate engagement*" describes the whole range of a company's commitment to a specific market or a specific event, i.e. it includes financial engagement as a sponsor as well as CSR activities or market development.

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<sup>1</sup> The understanding of case study research follows Yin (1994) and Mayring (2002).

<sup>2</sup> World Commission on Environment and Development (1987).

<sup>3</sup> Cf. the definition of Hopkins (2007), p. 15f.

## 2 Theoretical Implications

### 2.1 The Olympic Games and Corporate Engagement

The Olympic Games have been supported by corporate partners ever since their modern revival: In Athens in 1896, companies provided revenue through advertising. The first international marketing programme for the Olympics was launched in 1952 in Helsinki. Eight years later, at the Games in Rome, for the first time an extensive sponsor/supplier programme provided athletes with corporate goods and services. The Games in Los Angeles in 1984 saw again a further development of Olympic sponsorship: Different sponsorship categories were introduced granting designated rights and product category exclusivity<sup>4</sup>.

In the last quadrennium, from Torino 2005 to Beijing 2008, the International Olympic Committee reports to have raised US\$ 866 million by its sponsorship programme – compared to twenty years earlier when partner revenues had added up to no more than US\$ 96 million<sup>5</sup>.

In general, sport sponsorship is the most important field within corporate sponsorships: While across Europe overall sponsorship expenditures totalled 7.785 billion Euro, 6.695 billion Euro were allotted to sport<sup>6</sup>, i.e. a share of 86%. Sport sponsorship is seen as a communication platform to support corporate as well as brand communications to both external and internal audiences<sup>7</sup>. Together with a deeper understanding of sponsorships as credible corporate engagement, the interest emerges to present the company as reputable and responsible rather than to merely showcase its brand(s) at the sporting event<sup>8</sup>.

In this light, it is not surprising that "social responsibility" and "good citizenship" continue to gain relevance as sponsorship objectives: In 2006, in the German-wide survey "Sponsor Visions" only 21% of the respondents – sponsorship experts from German companies and agencies<sup>9</sup> – ranked "social responsibility" and "good

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<sup>4</sup> IOC, 2008, p. 19f.

<sup>5</sup> IOC, 2008, p. 10.

<sup>6</sup> Rines, 2007.

<sup>7</sup> Adjouri & Stastny, 2006, p. 9.

<sup>8</sup> See chapter 2.4.

<sup>9</sup> n=222.

citizenship" as one of the top nine sponsorship objectives. Two years later, in the 2008 edition of the survey, the share had shot up to 62%<sup>10</sup>.

## 2.2 CSR-relevant Conditions for Corporate Engagement in Emerging Markets

If the Olympic Games take place in a less developed country, the context for corporate engagement differs from the conditions known in developed countries<sup>11</sup>. This chapter explores CSR-relevant aspects that shape the frame for transnational companies (TNCs) who are based in a developed country and commit to a major sporting event like the Olympic Games in an emerging market. Since Olympic sponsors usually have an interest in the market beyond the singular sporting event, the following sub-chapters shed light on the conditions of corporate engagement in emerging countries in general.

When operating in emerging markets, three of the main CSR-related challenges that TNCs face are:

- considering *relevant stakeholder groups* both in the company's country of origin as well as in the target market whose interests and positions, however, might differ considerably,
- identifying and factoring in the *specific CSR-relevant issues* that are important in the less developed country,
- bearing *diverse frames of reference* in mind – both formal (such as legal) as well as informal (such as moral) ones – against which corporate activities are evaluated and whose identification help to predict the risk of disrepute (scandalisation) that might come along with certain economic decisions and a particular business conduct.

### 2.2.1 Stakeholder Identification for Transnational Operations

Referring to the interaction with stakeholder groups, firstly, a TNC operating in an emerging market has to cope with another cultural context. Groups might be

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<sup>10</sup> n=218. Pilot, 2006; Pilot, 2008.

<sup>11</sup> For the benefit of conciseness, general aspects of sport sponsorships like the "fit" between the sport or athlete and the company or brand as well as the sponsee's suitability as a role model, including the issue of athletic cheating, will not be covered here.

difficult to identify as stakeholders, especially when another economic and political system is in place – like communism in China – or when the concept of “stakeholder” is unknown in the foreign cultural context. Again this holds for China where the term “stakeholder” is relatively new and only known within the scientific community<sup>12</sup>.

Secondly, in addition to the stakeholders in the less developed country, a TNC is always being watched by stakeholder groups from its country of origin. Since Olympic Games attract worldwide attention and thus give high profile to companies involved as sponsors, also stakeholder groups from other than the home and the host country may become relevant.

The moral evaluation of real or attributed intentions for operations in an emerging market might lead to a loss of credibility and a higher risk of disrepute for the corporation: Since an emerging market – as expressed by its name – is characterised by a high potential for future growth, TNCs are easily confronted with stakeholder criticism pointing to a merely profit-driven interest whilst accepting conditions for activities in the less developed country that are considered to be insufficient.

### **2.2.2 Roadmap for CSR-relevant Issues in Emerging Markets**

To provide a roadmap for issues which become significant when operating in emerging markets, the following listing might serve as a first orientation.

Due to ethical but also economic considerations, *labour conditions* in production sites and in the supply chain in general are key. Among labour issues, child labour gains particular relevance with respect to its moral impact, i.e. TNCs are seen responsible to guarantee a minimum age for employment. Additionally, based on the ILO, Hopkins names the following four sub-sets of labour conditions to which TNCs should pay attention<sup>13</sup>:

- Freedom of association
- Right for collective bargaining
- Prohibition of forced labour

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<sup>12</sup> Macbean, 2003, cited in Hopkins, 2007, p. 182.

<sup>13</sup> Hopkins, 2003, p. 38.

- Others, such as maximum number of weekly hours, fair pay, workplace safety, health standards, elimination of discrimination

Besides labour conditions, further issues for TNCs in less developed countries include<sup>14</sup>:

- *Environmental protection*
- *Positive relationships* (including the avoidance of corruption) with
  - the local government
  - the local communities
  - non-governmental organisations
- *Corporate governance*

This roadmap, however, always needs to be refined and completed, using stakeholder relationships and a constant monitoring of issues, so to match the situation in the particular country at the particular time. For instance, as the Adidas case study shows, for TNCs in China, *human rights* in general came on top of the agenda for a CSR-based corporate engagement in the 2008 Olympic Games<sup>15</sup>.

### 2.2.3 Responding to Differing Frames of Reference

With regard to the frames of reference that are to be taken into account first of all the legal situation both in the home country and in the emerging market is of relevance. However, even if the less developed country has established comparable labour or environmental standards as national law, legislation is often found to be poorly enforced<sup>16</sup>. This leaves a gap that TNCs have to fill by streamlining their supply chain according to specified CSR standards.

International standards for supply chains might be a good orientation in this case, such as SA8000 or AA1000<sup>17</sup>. In this context, also the question has to be clarified how far down the supply chain a company goes to ensure compliance with external and/or internal standards<sup>18</sup>.

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<sup>14</sup> Hopkins, 2003, p. 194.

<sup>15</sup> See chapter 3.1.2. For a further discussion of the broad issue of human rights and corporate responsibility see e.g. OECD (2000) and Ruggie (2008).

<sup>16</sup> See the example of China in Macbean, 2003, cited in Hopkins, 2007, p. 180.

<sup>17</sup> SAI, 2001; AccountAbility, 1999.

<sup>18</sup> To discuss this question in depth would go beyond the scope of this paper. For further details see e.g. Hopkins, 2007, p. 147f.



Besides formal frames of reference, informal ones are of importance, including moral evaluation of business conduct, as shown in chapter 2.2.1. Since such informal frames of reference are often implicit they are likely to be more difficult to explore than formal ones. Thus, in a very subtle way they can bear a considerable risk of disrepute for the TNC. In saying this, their importance for the design and communication of any CSR activities in an emerging market is underpinned.

### **2.3 Image Aspects of Emerging Markets and their Impact for Sponsors**

Typically, emerging markets are characterised by an atmosphere of change and innovation. At the same time, infrastructure often has problems keeping pace with the rapid development. Furthermore, the population's participation in the economic upswing in many cases is unequally distributed or even extremely biased. These diverse characteristics of emerging markets are reflected in an ambivalent image of the very country as conveyed by media<sup>19</sup>. Coverage might range, for instance, from economic success stories to reports on suppressive structures or severe environmental pollution as in the case of China.

This image not only influences public opinion on the situation in the country and, eventually, stakeholder activities. It also creates a specific risk for companies that are involved in a sporting event in such a less developed country: It is unpredictable which side will prevail in the context of the sponsorship – the positive or the negative aspects. As a consequence, the sponsorship is not necessarily or exclusively linked to a (positive) sporting event; the name of the sponsor might also appear in the context of critical coverage on the conditions in the emerging market.

### **2.4 A Concept for Successful Sponsorships**

Crucial to the success of sport sponsorships is their credibility. In a survey among sponsorship experts, four out of five respondents (80.6%) saw this element as most prominent success factor<sup>20</sup>. Hence, in the context of critical labour or environmental conditions in an emerging market, a merely brand-driven sponsorship cannot be the choice. In order to show corporate responsibility and gain credibility, the broader

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<sup>19</sup> Taubken, 2008, p.8.

<sup>20</sup> Bob Bomlitz Group, 2004.

societal background has to be taken into account. As well, a longer-term perspective is required, going beyond a one-time engagement for the event<sup>21</sup>.

To find a possible answer to this challenging setting, Taubken has coined the term "Responsible Sponsorship". It refers to a synthesis of event-related sponsorship and enduring CSR engagement. The author advocates at least temporary corporate citizenship activities in the emerging market; these are then to be linked to sponsoring the sporting event in the country<sup>22</sup>. Concrete activities recommended by Taubken range from smaller projects at one or several of the company's operating sites in the country via supporting (sport-related) CSR projects of local partners to the development of an own CSR project on the ground (see table).

**Table: Three Ways for Responsible Sponsorship**

	Minimum	Standard	Customised
<b>Approach</b>	Site-related project	Sport-related CSR project of partner	Own project in the emerging market
<b>Example</b>	e.g. health education for staff	e.g. social sports centres	Customised (derived from own CSR strategy)
<b>Rating</b>	Direct cost-benefit relation	Midsized investment, no differentiation	High investment, optimal effect

Source: On the basis of Taubken, 2008, p. 17

While the term "Responsible Sponsorship" might be new in this context, the basic idea is not. Sponsorship and CSR have overlaps in various respects: In collaboration research, sponsorships are often seen as a first step towards CSR-related partnerships, thus comprising the ideas of a credible reasoning for the activity<sup>23</sup> and a longer-term commitment which Taubken has included in his concept<sup>24</sup>.

Furthermore, in marketing, sponsorship is one of the tools of communications management and as such necessarily intertwined with the company's overall management strategy. Hence, if CSR is embedded in corporate strategy – which the author of this paper sees as "conditio sine qua non" for a successful CSR

<sup>21</sup> Taubken, 2008, p. 7.

<sup>22</sup> Taubken, 2008, p. 12.

<sup>23</sup> For instance with regard to the objectives and the focus of the sponsorship.

<sup>24</sup> Pfeiffer, 2004, p. 127.

approach<sup>25</sup> – sponsorships as part of the community-oriented commitment also need to be integrated into the corporation's CSR strategy.

More and more companies take such an integrative approach towards sponsorship. In a survey conducted in the biggest sponsorship market in Europe, in Germany<sup>26</sup>, almost half of the responding sponsors (49.1%) integrated single or all of their sponsorship activities into their CSR commitment<sup>27</sup>. However, this was not the case for all forms of sponsorships: While 56.1% of all environmental sponsorships and 49.4% of all socio-sponsorships were already linked to CSR projects, for sport sponsorships the share was not higher than 25.7%.

### 3 Practical Implications

The following chapter is dedicated to the Adidas case study. The comparison to BT's engagement in London 2012 is restricted to a contrastive, but nevertheless significant outlook<sup>28</sup>. This procedure was inevitable due to the early stage of the preparations of the 2012 Games<sup>29</sup>.

#### 3.1 Case Study: Adidas and Beijing 2008

From August 8 to August 24, 2008, Beijing hosts the Summer Olympics. It is for the first time that the Games take place in the most populous country of the world, the People's Republic of China. Responsible for their organisation is the Beijing Organizing Committee for the Games of the XXIX Olympiad, BOCOG.

In January 2005, BOCOG announced that Adidas had been selected as the Official Sportswear Partner for Beijing 2008. As part of this agreement, Adidas Group supplies more than 2.5 million products to 70,000 volunteers, security staff and technical officials of the Beijing Olympic and Paralympic Games. The German

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<sup>25</sup> See chapter 1.

<sup>26</sup> On the size of the different spender (sponsorship) markets in Europe see Rines (2007).

<sup>27</sup> Hermanns, 2008. For the study, the research team at the University of the Federal Armed Forces in Munich has conducted a survey among the 2.500 top-selling companies in Germany.

<sup>28</sup> For details on the material basis on Adidas and on BT please see Table A in the Appendix.

<sup>29</sup> LOCOG is expected to confirm the concrete activation plans for BT's Sustainability Partner status not until the end of the Beijing Games (Christopher, 2008).

sportswear manufacturer also outfits the Chinese athletes for the Olympics<sup>30</sup>, and sponsors 16 national teams with more than 3,000 athletes<sup>31</sup>. All in all, the company was reported to have paid 70 million Euro to BOCOG for the sponsorship<sup>32</sup>.

Adidas, worldwide number 2 in the sporting goods industry behind its American competitor Nike<sup>33</sup>, has always been strongly involved in the Olympics along the company's history. Already in 1928, the manufacturer based in Herzogenaurach in Bavaria became an Olympic trademark when providing the first athlete with its products for participation in the Games<sup>34</sup>.

Besides such a historical commitment to the Olympic movement, as a matter of course, the involvement in Beijing follows economic considerations: China has realised an economic growth of 11.1% in 2007 compared to 2006<sup>35</sup>. As for many industries also for the sporting goods industry, China with a population of 1.31 billion people is expected to become the most important sales market in the near future<sup>36</sup>. Consumer spending is forecast to increase five-fold in the next two decades<sup>37</sup>. Accordingly, Adidas plans to enlarge retail capacity from 4,000 shops in China by the end of 2007 to 6,300 shops by the end of 2010<sup>38</sup>.

Already today, China is the most important sourcing market for Adidas: 49% of the shoes with the three characteristic stripes are manufactured in one of 264 production sites in China as well as 32% of all apparel and 65% of Adidas hardware. To steer market penetration, in 1997 the subsidiary "adidas Sports (China) Ltd." was founded with headquarters in Shanghai and today about 1,320 employees<sup>39</sup>.

In China, Adidas is currently in a neck and neck race with Nike, with the Chinese brand Li Ning close on the two Western manufacturers' heels<sup>40</sup>. However, with the

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<sup>30</sup> BOCOG, 2005.

<sup>31</sup> Putz, 2008b.

<sup>32</sup> Spiegel, 2008.

<sup>33</sup> In 2007 Adidas realised turnover of 10.3 billion Euro, Nike of 10.5 billion Euro (Hofer, 2008a).

<sup>34</sup> Putz, 2008b; Putz, 2008c.

<sup>35</sup> Weilguny & Rehm, 2008.

<sup>36</sup> Putz, 2008c.

<sup>37</sup> Adidas Group, 2008c, p. 13.

<sup>38</sup> Adidas Group, n.d., a.

<sup>39</sup> Putz, 2008b; Adidas Group, n.d., a.

<sup>40</sup> Hofer, 2008b, p. 11. As of December 2006, the NGO Play Fair 2008 (see chapter 3.1.2) reports sportswear market shares in mainland China to be 15% for Nike, 12% for Adidas and 10% for Li Ning (Play Fair 2008, 2008a, p. 10).

high profile during the Olympics as Official Sportswear Partner, Adidas aims at assuming market leadership in the People's Republic by the end of the year, as the representative stated in the interview for the case study<sup>41</sup>. Revenue for the brand "Adidas" in China is expected to reach the 1-billion-Euro mark by 2010<sup>42</sup>.

The high acceptance Chinese consumers show for products of sport sponsors give reason for the assumption that these ambitious objectives can be achieved. According to a survey, 77% of the Chinese would prefer a sponsor product to non-advertised products of the same value; in Germany no more than 35% of the consumers show such an affinity<sup>43</sup>. Furthermore, in China participation and interest in sport is very high and remarkably evenly distributed throughout different age, income and gender groups<sup>44</sup>. These facts make sport sponsorship highly attractive: It is likely to gain attention and affect buying behaviour in very diverse consumer groups.

### 3.1.1 Overview of Adidas's general CSR Approach

Adidas's CSR approach is centred on the concept of a "sustainable business". In line with the Brundtland understanding<sup>45</sup>, the company defines sustainability as "[t]he ability to create economic, social and environmental value in the long term"<sup>46</sup>.

The three dimensions also form the basis for the group's understanding of Corporate (Social) Responsibility as "[m]anaging a company's business processes in a way that creates economic value while also respecting people and communities and minimising environmental impact."<sup>47</sup> This CSR definition shows a clear goal for the environmental impact ("minimising"). In contrast, for the social impact and stakeholder relations no objective is set beyond a rather vague characterisation as "respecting".

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<sup>41</sup> Putz, 2008c.

<sup>42</sup> Adidas Group, n.d., a.

<sup>43</sup> Weilguny & Rehm, 2008. Survey conducted by Institut Sport+Markt, more detailed information not given.

<sup>44</sup> Nelson, 2008.

<sup>45</sup> See chapter 1.

<sup>46</sup> Adidas Group, 2008f.

<sup>47</sup> Adidas Group, 2008f.

Structurally, within Adidas the so-called Social and Environmental Affairs Team (SEA), established ten years ago, is in charge of the group's sustainability activities with a primary focus on improving and controlling compliance to standards within the group<sup>48</sup>. The SEA team with its 63 members is organised according to three regions, one of which is Asia with a regional team based in China<sup>49</sup>.

As key stakeholders, Adidas has identified six groups: employees, authorisers (such as government, trade associations, shareholders, and Board of Directors), business partners (such as unions, suppliers, and service providers), workers in factories of Adidas's suppliers, opinion groups (such as journalists, community members, special interest groups), and customers (such as professional sports people, distributors, retailers, and consumers)<sup>50</sup>.

The company's CSR reporting follows a cross-media concept of (concise) print and (more detailed) online communications. In line with suppliers' workers being identified as an own stakeholder group, in CSR communications Adidas emphasises workplace conditions as a major issue, followed by environmental aspects. In this context, the company clearly states its responsibility for the supply chain:

"Outsourcing our production in no way absolves us of moral responsibility for the way our products are manufactured and the conditions they are produced under."<sup>51</sup>

To address this responsibility, Adidas has defined a specific supply chain code of conduct, the group's "Workplace Standards"<sup>52</sup>. In brief, it consists of:

- a general principle demanding compliance to legal requirements,
- employment standards, mainly based on the ILO set described in chapter 2.2.2,
- a general paragraph on "Health and Safety" and
- on "Environmental Requirements".

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<sup>48</sup> Adidas Group, n.d., b.

<sup>49</sup> See Figure A in the Appendix.

<sup>50</sup> Adidas Group, 2008f.

<sup>51</sup> Adidas Group, 2008f.

<sup>52</sup> Adidas Group, 2006, p. 10f.

Performance is measured by an internal Key Performance Indicator (KPI) system that was established in 2006<sup>53</sup>. In terms of internationally approved standards, Adidas draws on the Occupational Health and Safety Assessment Series (OHSAS) and the International Organisation for Standardisation (ISO): All Chinese main suppliers for footwear were certified according to OHSAS 18001 with regard to labour security standards, and according to ISO 14001 with regard to environmental management systems<sup>54</sup>.

Compliance is monitored by the SEA team and third party experts. To a far lesser degree, external monitoring plays a role: The group reports that, as part of its membership in the Fair Labor Association (FLA), FLA accredited monitors conducted 43 external verification visits in 2006 and 15 in 2007. As a comparison: In 2007, the internal SEA team held an audit in 728 cases in 350 factories (audit coverage of 33%)<sup>55</sup>. This reflects Adidas's general attitude towards its suppliers as stated in the interview:

"The company does not intend to establish a system of control from outside. We rather want to encourage each production site to take action for efficient self-control and self-governance."<sup>56</sup>

Monitoring is accompanied by enforcement guidelines that allow various measures, from remediation plans to warning letters and finally termination of business relationships in case of severe non-compliance<sup>57</sup>. In 2007, three out of four termination cases reported worldwide in Adidas Group were located in China<sup>58</sup>.

Also for the CSR report, no external assurance has been applied. Adidas explains this approach by the lack of standardised ways for verifying data, in particular on labour conditions<sup>59</sup>. Instead, the company went for following the Global Reporting Initiative (GRI)'s latest G3 standards using the lowest, i.e. C,

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<sup>53</sup> Adidas Group, 2008e, p. 35.

<sup>54</sup> Adidas Group, n.d., b.

<sup>55</sup> Adidas Group, 2008e, p. 65.

<sup>56</sup> Putz, 2008c.

<sup>57</sup> Adidas Group, 2008f.

<sup>58</sup> Adidas Group, 2008e, p. 66.

<sup>59</sup> Adidas Group, 2008f.

application level. Besides this mandatory self-declaration, no (optional) check by a third party or by GRI had been requested<sup>60</sup>.

### 3.1.2 Challenges for a Corporate Engagement in Beijing 2008

The picture of China as conveyed by Western media is ambivalent, as described in chapter 2.3. In the run-up to the Olympic Games, critical stakeholder groups, especially several non-governmental organisations (NGOs), made use of the increasing public attention for China-related issues and launched their campaigns accordingly.

This added to a shift in the topics covered by media: Whilst in the past especially environmental problems had been spotlighted, it was in 2007 and 2008 that in particular human rights violations came to the fore. Issues raised in this context included:

- Disruption of pro-Tibetan protests
- The Chinese government's involvement in the crisis in Darfur, Sudan
- Relocation of hundreds of thousands of Beijing residents for the Olympic Games<sup>61</sup>
- Limited press freedom, e.g. hindrance to journalists' work and censorship
- Veto of sanctions against Zimbabwe at UN

Several of the critical movements such as the "International Campaign for Tibet" or the "Olympic Dream for Darfur" involved celebrities like Richard Gere, Mia Farrow or Steven Spielberg and gained high visibility. In particular, the Olympic torch relay formed a platform that secured worldwide attention for NGO protest. As a response, also pro-Chinese demonstrations were held. The conflict culminated in chaotic conditions during the torch relay that forced authorities, for instance in Paris, to a partial cancellation. This, in turn, provoked counter-protests with flag burning outside the French supermarket Carrefour in the East-Chinese city of Qingdao<sup>62</sup>.

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<sup>60</sup> Adidas Group, 2008e, p. 75.

<sup>61</sup> The number of persons concerned varied from 40,000 per year (Beijing construction committee as cited in Mulvenney, 2007) to 1.25 million (COHRE, 2007, p. 154).

<sup>62</sup> CNN, 2008; Reuters, 2008.



The sustained pressure also led to a number of calls for boycott either of the whole Olympic Games in Beijing or at least of prominent events like the opening ceremony.

Some of the protests were also directly attacking Olympic sponsors, including Adidas and its activities in China: In April 2008, the Play Fair 2008 Campaign released a report on wages and working conditions in the global sportswear industry<sup>63</sup>. The alliance – formed by the Clean Clothes Campaign (CCC), the International Trade Union Confederation (ITUC), and the International Textile, Garment and Leather Worker's Federation (ITGLWF) – is an example of a stakeholder group from the company's own cultural area<sup>64</sup>. In contrast, groups from the host country – apart from pro-Chinese protesters – did not gain public attention in Western countries. However, their position was spread through the research interviews documented in the report of the Play Fair 2008 campaigners, which thus made themselves a mouthpiece for other stakeholders.

In the publication, some achievements were positively noted, like the disclosure of Adidas's factory list, the improvement of complaint mechanisms within production sites or efforts on rehiring workers after suppliers' factory closures. However, the demand for overtime, the fixing of production quota and the payment situation were criticised as unacceptable. Since the alliance was drawing on commonly acknowledged standards, a frequent overlap can be found with the issues for emerging markets as described above<sup>65</sup>.

Throughout the report, the economic situation of sportswear companies was highlighted as profitable and estimations on the extent of corporate Olympic investments in Beijing 2008, Vancouver 2010 and London 2012 were given. The Fair Play 2008 Campaign exemplarily contrasted these statements with the workers' situation, e.g. the number of months they would have to work to afford a pair of Adidas running shoes or a ticket for the opening ceremony at Beijing<sup>66</sup>. This illustrates the stakeholder group's frame of reference, underlying the evaluation of Adidas's business conduct in China and in other sourcing countries.

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<sup>63</sup> Play Fair 2008, 2008a. The campaign works towards eliminating the exploitation and abuse of workers in the global sporting goods industry (Play Fair 2008, 2008b).

<sup>64</sup> Cf. chapter 2.2.1.

<sup>65</sup> Cf. chapter 2.2.2.

<sup>66</sup> Play Fair 2008, 2008a, p. 10+30.

The report gained public attention with its key criticism being highlighted by, among others, the German Press Agency (dpa) on April 21, 2008. Also national bodies of the campaigner organisations issued press releases, such as the Confederation of German Trade Unions, DGB<sup>67</sup>. This forced Adidas to officially comment on the NGO's statements, as will be shown in the next chapter.

As well as such anticipated critique from stakeholders already known to Adidas, a number of unexpected incidents added pressure on the company in its position as Olympic partner. In particular, the Tibet crisis and the vehemence of the conflict arising around the Chinese government's role in it, hit Adidas and other major sponsors of the Beijing Olympic Games. "We were not prepared for the Tibet issue to be spotlighted in this context – it was really a surprise", the Adidas representative acknowledged in the interview to this case study<sup>68</sup>.

In the course of the debate, Adidas also became visibly linked to the way in which China countered the protests: Pictures of paramilitary security officers overriding pro-Tibetan demonstrators while wearing Adidas tracksuits and shoes went around the world<sup>69</sup>. Calls for boycotting not only the Games, but also the Olympic sponsors circulated in online communities. Journalists started to speculate about damage to Adidas's image<sup>70</sup>.

Despite this disturbance, the (self-reported) number of queries addressed to Adidas directly remained moderate: 34 from mid-March to mid-April<sup>71</sup>. The reach of some of these enquiries, however, was considerable: On April 10, 2008, the head of Germany's green party, Claudia Roth, publicly criticised the German Beijing sponsors and explicitly asked: "Why don't we hear anything from Adidas?"<sup>72</sup>. In mid-April, an NGO initiative formulated a joint appeal to Adidas and other major Olympic sponsors. It demanded corporate social responsibility be taken seriously and actions to improve the human rights climate in China be more forthright<sup>73</sup>. The fact that Adidas had remained silent was critically seen as being rooted in its

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<sup>67</sup> FR, 2008b.

<sup>68</sup> Putz, 2008c.

<sup>69</sup> Spiegel, 2008.

<sup>70</sup> Kamp & Steinkirchner, 2008.

<sup>71</sup> Putz, 2008b.

<sup>72</sup> Tagesschau, 2008.

<sup>73</sup> Human Rights Watch, 2008; FR, 2008a.

economic interest in the Chinese market: "Competition is enormous; the fear to lose influence in China is equally big", assumed the "Welt", one of Germany's leading daily newspapers<sup>74</sup>.

Again, an official statement by Adidas was in demand.

### 3.1.3 CSR Strategy chosen

#### 3.1.3.1 Internal CSR Measures in the Context of Beijing 2008

At the forefront of the Summer Olympics in Beijing, Adidas accentuated its CSR activities in China, namely by improving conditions in the supply chain, by intensifying monitoring in China, and by stakeholder dialogues.

*To improve conditions in the supply chain*, human resources management systems were introduced in four key manufacturing sites in China, and the "safety officer" training and registration programme, started in Vietnam in 2006, was expanded to main suppliers in China. Furthermore, energy efficiency workshops had been scheduled in the context of the preparation for Beijing 2008, and were attended by more than 100 suppliers from Vietnam and China<sup>75</sup>. Concerning health-related improvements in the production process, the use of VOC-emitting solvents was cut by 85% between 2000 and 2007<sup>76</sup>. Also the number of weekly hours of work was reduced when streamlining manufacturing processes. At the same time, wage levels were raised<sup>77</sup>. In addition, workers were trained on their rights. The latter included cooperation with the NGO "China Institute for Contemporary Observations"<sup>78</sup>.

*Compliance monitoring was intensified* as well, particularly of suppliers of products for the Olympics – a step that was motivated by anticipated stakeholder criticism:

"As we had expected critical voices in the run-up to Beijing 2008, and as we try to take positive influence wherever we can, we

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<sup>74</sup> Grabitz, 2008 (translation by the author of this paper).

<sup>75</sup> Putz, 2008b.

<sup>76</sup> Adidas Group, 2008e, p. 44. VOC = volatile organic compounds.

<sup>77</sup> Adidas declares to pay 1,250 Renmimbi (RMB, Chinese currency) on average per month, including bonuses, to workers at main suppliers compared to the (legal) minimum wage of 770 RMB (Adidas Group, n.d., b).

<sup>78</sup> Adidas Group, n.d., b.

decided to have an even closer look at our most important factories in China."<sup>79</sup>

With regards to *stakeholder dialogues*, Adidas China had continuous exchanges with BOCOG<sup>80</sup>. Also, a one-day CSR workshop with key vendors from the region was held in Hong Kong on October 30, 2007. The session, facilitated by CSR Asia, aimed at obtaining stakeholder feedback from suppliers and logistics partners. A major issue was the new labour law in China on which participants wanted to see a clear statement from Adidas<sup>81</sup>.

In conclusion, all internal measures were focussed on the supply chain. This approach has its counterpart in stakeholder expectations and "watchdog" activities:

"We know that most attention from external stakeholders is paid to our supply chain. If you want to find something critical you will find it there."<sup>82</sup>

In terms of the "Responsible Sponsorship" concept, presented in chapter 2.4, Adidas can be seen as having followed a "minimum" approach for Beijing 2008 by concentrating on site-related projects. Adidas, by its CSR measures within the China supply chain, wants to contribute to an evolutionary change in the People's Republic<sup>83</sup>. Against the background of the challenges described above, the question, however, is whether or not stakeholders accepted that as sufficient in terms of corporate responsibility.

### 3.1.3.2 CSR Communications in the Run-up to Beijing 2008

The whole range of internal CSR measures related to China was accompanied by intensifying *communications* on Adidas's activities in the region. For example, in the printed CSR review 2007 the article "Analysing the detail – Made in China"

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<sup>79</sup> Putz, 2008c.

<sup>80</sup> The company agreed with BOCOG to keep any details in confidence (Putz, 2008a), so no further information on the scope or the content of the talks were available for the case study.

<sup>81</sup> Adidas Group, 2008d, p. 3+10. The Contract Labour Law, which went into effect in January 2008, sets standards for labour contracts, use of temporary workers, and severance pay.

<sup>82</sup> Putz, 2008c.

<sup>83</sup> Spiegel, 2008; Putz, 2008c.

was one of the cover stories<sup>84</sup>. It threw a glance at the new labour law in China – as recommended in the Hong Kong stakeholder dialogue – and reported both on the pilot projects for human resources management and on the energy-efficiency training sessions in the China supply chain, which had been mentioned above. Thus, all of the major CSR-related issues expounded in chapter 2.2.2 were covered.

In this context, the company also displayed economic data from China and expressed its commercial interest in an open way by "recognis[ing] that China's economy benefits the adidas Group".<sup>85</sup>

That is, communications were directed towards building trust by being transparent on investment motives and by conveying the picture of a long-term, responsible approach towards labour and environmental issues in the China supply chain.

With regard to the critical stakeholder group of the Play Fair 2008 Campaign, Adidas declared to have regular meetings but does not reveal details on frequency or content<sup>86</sup>. The campaign's report, however, was publicly commented upon, contesting several of the NGOs' assertions<sup>87</sup>. All in all, the tone of both parties signals a confrontational rather than collaborative approach.

Although Adidas had covered all the issues relevant in emerging markets in general, an important communicative gap came into existence: In relation to the (unexpected) issue of the Tibet crisis and of human rights violations the company initially remained silent, an approach which several active stakeholders criticised in public, as has been shown above.

When pressure increased to eventually show a reaction, Adidas released a statement underlining the importance of the protection of human rights and highlighting this commitment in its production sites<sup>88</sup>. However, the communication of this – in terms of Taubken – "minimum" approach did not satisfy stakeholder expectations: They were waiting for Adidas to take a political stance on China.

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<sup>84</sup> Adidas Group, 2008c.

<sup>85</sup> Adidas Group, 2008c, p. 11.

<sup>86</sup> Putz, 2008a.

<sup>87</sup> Adidas Group, 2008b.

<sup>88</sup> Holton, 2008.

Finally, Adidas arranged an interview with the weekly news magazine "Spiegel" published on May 5, 2008. The "Spiegel" is Germany's most important media opinion leader, with 1,119 quotations in other media in the first six months in 2008<sup>89</sup>. It thus offered an ideal platform for presenting the company's viewpoints.

### 3.1.3.3 Ethics of Power: The underestimated Demand for Active Neutrality

In the interview in the "Spiegel", CEO Herbert Hainer clearly disclaimed any political responsibility that stakeholders saw arising from Adidas's 70-million-Euro sponsorship for Beijing 2008:

"You can't exactly expect us to resolve these sovereignty issues [between Tibet and China]. Our job is to support sports and the athletes [...]. Our commitment to the Olympics is not a political commitment. It's not a commitment to any particular social system or cultural idea. [...] It [NGOs' demand for a political statement from Adidas] is an attempt to drag us into politics, and we won't allow it."<sup>90</sup>

Pointing out the importance of the Chinese market for an exporting nation like Germany, Hainer called for not "rush[ing] to judge" and for "be[ing] careful about constantly imposing our values on others"<sup>91</sup>.

In political science and dispute resolution, this attitude is referred to as *passive neutrality*<sup>92</sup>: Adidas wanted to remain apolitical, confining its responsibility to the scope of its operations within the supply chain<sup>93</sup>.

Critical stakeholders, however, drew on an ethical obligation that they saw as given by the extent of Adidas's monetary engagement in China and the position of power that, in their view, was arising from that. In particular in the case of the Tibet

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<sup>89</sup> kress, 2008. As a comparison: Next in the ranking is the tabloid "Bild" with 850 quotations, followed by the newspapers "Handelsblatt" and "Süddeutsche Zeitung" with ca. 600 quotations each.

<sup>90</sup> Spiegel, 2008.

<sup>91</sup> Spiegel, 2008.

<sup>92</sup> Cf. Osswald, 2005, p. 26: "While passive neutrality means to stay out of international politics with the hope to be also left in peace by the outside world, the active version means to become involved in international politics but without taking part in any alliance."

<sup>93</sup> Spiegel, 2008. See also previous chapter.

conflict, Adidas repeatedly rejected any moral accountability, as again Hainer expressed in his keynote speech at the Annual General Meeting on May 8, 2008:

"We will not be held morally responsible for a situation which we did not create and for which we are not answerable."<sup>94</sup>

In contrast, Adidas assumed a more active role with regards to the Darfur conflict: On March 3, 2008, Frank Henke, Global Director of the Adidas SEA team, sent a letter to Louise Arbour, UN High Commissioner for Human Rights in Geneva. While he still emphasised the limits to the role of the private sector, he also highlighted the pressure of stakeholder groups on Adidas as an Olympic sponsor, namely the "Olympic Dream for Darfur". In his letter, Henke explicitly expressed the company's concern about the delay in implementing the UN resolution in Darfur, concluding with an appeal to the UN to push for a solution of the conflict<sup>95</sup>.

This clear statement on a political issue can be seen as taking a position of *active neutrality*: Adidas, in this case, accepted the ethical implications of its power and took responsibility beyond the scope of its own operations by acting as a mediator or moderator.

### 3.2 Contrastive Outlook: BT and London 2012

From July 27 to August 12, 2012, the British capital London will host the Olympic Games for the third time. Like Adidas in Beijing 2008, BT (British Telecommunications) is involved in the event as a top sponsor or so-called Tier One partner: The London Organising Committee of the Olympic and Paralympic Games (LOCOG) has announced BT both as the Official Communications Services Partner and as a Sustainability Partner<sup>96</sup>.

The company, headquartered in London, is a provider of communications solutions and services operating in Europe, the Americas and Asia Pacific<sup>97</sup>. Nonetheless, 83% (£17,186 million) of BT Group's total revenue in the financial year 2007/2008

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<sup>94</sup> Adidas Group, 2008a, p. 13.

<sup>95</sup> Henke, 2008.

<sup>96</sup> LOCOG, 2008a; BT Group, 2008c.

<sup>97</sup> BT Group, 2008b; BT Group, 2008a.

was generated in the UK<sup>98</sup>. Hence, with its engagement in the Olympics and Paralympics 2012, BT has decided for a commitment to its dominant, domestic market. In contrast, Adidas's sponsorship of Beijing 2008 meant a commitment to a foreign market on grounds of market development intentions.

Still, just like for Adidas, for BT the economic relevance of an involvement in the Olympics is significant: As a services partner, the company provides all communications services required to stage the Games as well as those needed by operational workforce and at venues during the Olympics<sup>99</sup>. For both sponsors, image reasons related to their products are an important driver, as the following statement of the interviewed BT representative shows:

"The partnership is a major commercial opportunity. Research shows that 83% of consumers agreed that Olympic sponsors were leaders in their industries; 30% said it would raise their opinion of a company if they knew it was an Olympic sponsor and 25% said they would be more likely to try an Olympic sponsor's product for the first time."<sup>100</sup>

Concerning its Sustainability Partner role, however, BT's major motive was that the partnership "provides a national and international showcase to demonstrate who we are and what we believe in"<sup>101</sup>. While Adidas accompanied its marketing-related sponsoring activities in Beijing with CSR measures, with regard to the sustainability part of the agreement with LOGOC, BT can be seen to have designed the commitment to the Olympics around its CSR programme: The sponsorship is integrated in the CSR management<sup>102</sup>. The partnership thus does not induce the need for CSR communications, it itself becomes a tool for communicating CSR, both externally and internally<sup>103</sup>.

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<sup>98</sup> BT Group, 2008a, p. 12.

<sup>99</sup> Sportbusiness, 2008.

<sup>100</sup> Garner, 2008.

<sup>101</sup> Garner, 2008.

<sup>102</sup> Cf, chapter 2.4.

<sup>103</sup> Garner (2008): "It [the partnership] also provides great opportunities to help mobilise and motivate our people [...]."



Concerning the major CSR- and sustainability-relevant issues expected for the London Games, BT listed<sup>104</sup>:

- Procurement processes throughout the preparation period
- Climate change and energy usage issues
- Legacy – lasting regeneration of local areas
- Waste management
- Biodiversity – protecting local habitats where necessary
- Transportation
- Inclusion – equality of access for everyone before, during and after the events
- Actual measurement of the carbon footprint of the whole event

Comparing this list with the issues raised in the run-up to the Beijing Games, it becomes evident that in the UK far more environmental questions are expected to play a role. This is in line with a current general trend in CSR to mainly focus on climate change issues. The unfamiliar and "foreign" setting in China, instead, had triggered more enquiries on the social and human rights situation.

However, the listing naturally reflects merely the range of topics that is anticipated. It is clearly derived from the organisers' sustainability concept that had been part of London's bid for the 2012 Games<sup>105</sup>. Like for Beijing 2008, during the course of the preparations unexpected issues may come into play, which might also turn out to be relevant for the CSR management of sponsoring companies like BT. As well, priorities for a Sustainability Partner might change along with the life-cycle of topics in public debate. For John Ruggie, UN Secretary General's Special Representative on Business & Human Rights, "[h]uman rights pressures today are where climate change was a decade ago", suggesting that this issue might become the "next climate change"<sup>106</sup>.

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<sup>104</sup> Garner, 2008.

<sup>105</sup> LOCOG, 2008b.

<sup>106</sup> Critical Resource Strategy & Analysis, 2008.

#### 4 Conclusion

The paper has outlined the challenges that companies face when getting involved in a major sporting event in an emerging market. The example of Adidas's sponsorship of the 2008 Games in Beijing illustrated the importance of a CSR approach that takes into account the degree of visibility of a company, the frames of reference of its stakeholders, and the scope of the issues at stake: Adidas's minimum approach to its sponsorship was viewed as insufficient against the background of the corporation's financial involvement. This was especially true as soon as the Tibet crisis moved to the top of the agenda, an issue which exceeded the company's sphere of influence and made – in the perspective of opinion leading stakeholders – corporate action beyond the supply chain inevitable. Hence, the stakeholders did not accept the apolitical position Adidas tried to maintain. In such a case, active neutrality is in demand, like Adidas showed towards the genocide in Darfur, in order to preserve the credibility of the sport sponsorship and to protect the reputation of the company as a whole.

Although Adidas did not report any image damage – at least, no sales loss was observed<sup>107</sup> – the Tibet debate had pushed the company into a situation where it had to release counter-statements and arrange interviews to reposition itself. Such a reactive position is naturally not desirable in terms of corporate communications.

To take the lessons learned forward to the Olympics at London in 2012, firstly, the rising demand for active rather than passive neutrality is to be emphasised. Secondly, it must be acknowledged that today the Tier One partners of the Olympic Games are visible worldwide as is the economic interdependence of their activities. This has amplified the attention that stakeholder groups from different backgrounds and countries pay to how these companies conduct their business, in fact, in any part of the world. With regard to BT's role in the London Games, it should be taken into account that stakeholders might be especially watchful if a company is entitled "Olympic Sustainability Partner" and takes responsibility to make the Games "the greenest ever". So, not only the potential effect of corporate engagement in sport has been enlarged; also the evaluation of a sport sponsor has been globalised.

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<sup>107</sup> Putz, 2008c; Spiegel, 2008.

This may more and more lead to an assimilation of the issues that play a role for the success of an Olympic sponsorship, notwithstanding whether the city that hosts the Games is in a developed or a less developed country. For companies getting engaged in major sporting events like the Olympic Games this development clearly involves an increased demand for sport sponsorships which are managed in a way that integrates them into their CSR strategy.

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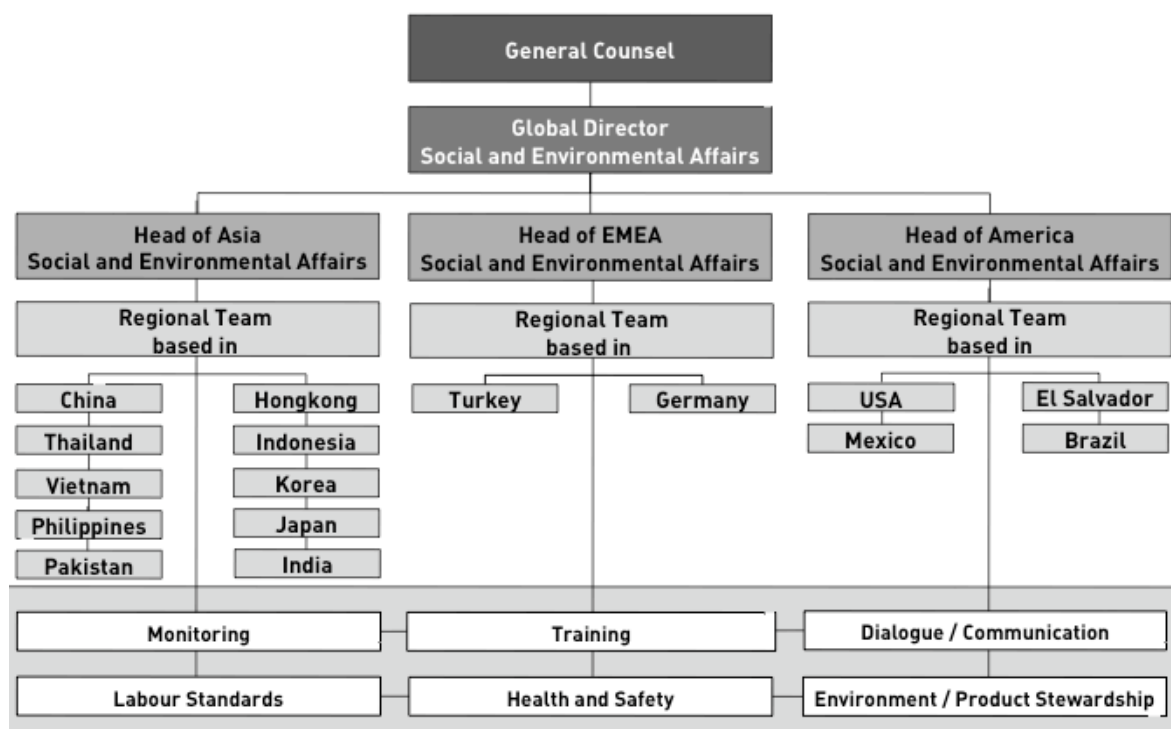
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## 6 Appendix

**Figure A: Organisational Chart of Adidas's SEA Team** (source: Adidas Group, 2008f)



**Table A: Material Basis on Adidas Case and on BT Outlook** (source: own)

Adidas	BT
Email exchange with Adidas's Head of Corporate PR, Anne Putz	Email exchange with four BT representatives, namely: <ul style="list-style-type: none"> <li>• Head of Global CSR, Janet Blake</li> <li>• Head of Communications for London 2012, Suzanne Christopher</li> <li>• Senior PR Manager, Stacy Rowland</li> <li>• Group CSR Communications Manager, Alison Garner</li> </ul>
1 interview with Anne Putz on June 12, 2008, at the Adidas Group headquarters in Herzogenaurach, Germany	1 (written) interview with Alison Garner, answers received on July 21, 2008
27 documents, both from Adidas and others	7 documents, both from BT and others