

Introduction

This briefing examines some business ethics issues affecting the sports sector. The sector is a multi-billion pound global industry that comprises a variety of professional sports practice and sports businesses such as merchandise retailers, suppliers of kit and equipment, gambling, professional sports clubs and governing bodies for sports.

The forthcoming 2012 Olympic Games make it timely for the sector as a whole to consider its ethical standards in the context of the Olympic values set out in the 1930s by Baron Pierre de Coubertin, founder of the modern Olympic games: namely *Friendship, Respect and Excellence* (see Box 1).

Why it matters

The sports sector is an unusual combination of often highly profitable businesses, celebrity 'staff' (the sportsmen and women) and passionate 'customers' (fans and spectators). The stakes are high, both financially and professionally; and the pressure to cross ethical lines is also high.

The more commercial sport becomes, the more reliant it becomes on sponsors and other investors. These stakeholders are unlikely to want association with brands, organisations or competitors that display low ethical standards and therefore pose a reputation risk. Similarly, the high profile of sports professionals, which often act as role models to young people creates an obligation for them to behave responsibly.

Box 1: The Olympic values set out by Pierre de Coubertin, founder of the modern Olympic Games

Friendship

To build a peaceful and better world thanks to sport, through solidarity, team spirit, joy and optimism. To consider sport as a tool for mutual understanding among individuals and people from all over the world, despite the differences.

Respect

To respect oneself, one's body, to respect others, as well as rules and regulations, to respect the environment. In relation to sport, respect stands for fair play and for the fight against doping or any other unethical behaviour.

Excellence

To give one's best, on the field of play or in life. It is not only about winning, but also about participating, making progress against personal goals, striving to be and to do our best in our daily lives.

Source: The Olympic Museum – the Olympic Symbols (2007): http://multimedia.olympic.org/pdf/en_report_1303.pdf

This and other Business Ethics Briefings are available to download free of charge from the IBE website: <http://www.ibe.org.uk/index.asp?upid=51&msid=8>

Issues

The ethical issues can be reviewed in terms of who experiences the pressure to behave unethically (players, managers) or who suffer the consequences (communities, fans, players, shareholders, workers). A selection of the current business ethics issues most pertinent to the sports sector are:

Supply chain

The supply chain for sports kit and equipment has raised issues around human rights and conditions for workers in factories manufacturing the product in developing countries. By insisting on high standards from its suppliers, the sports sector can, because of its buying power, make a difference to the working conditions of millions of workers around the world.

The London Organising Committee of the Olympic Games and Paralympic Games (LOCOG) have engaged with Oxfam on their 'Playfair' campaign in the lead up to the 2012 games. This campaign aims to promote ethical working standards in the Olympic supply chain. LOCOG has produced a Sustainable Sourcing Code to create a framework for the procurement of products and services. Through the application of the code, LOCOG is challenging suppliers and licensees (including caterers and food service suppliers) to adopt, or further develop, practices that are environmentally sound, socially responsible and ethical.

In the past decade, many sporting goods manufacturers have insisted on high ethical standards of their suppliers. For example, Nike responded to

allegations of child labour in its supply chain in 1996 by developing what are now industry-leading factory auditing systems. As Nike learnt, the potential reputation loss can be more costly than doing business ethically.

Bribery and corruption

Sports generally, and gambling associated with it, is a multi-million pound industry that is particularly susceptible to corruption and organised crime. There has been a spate of cases of corruption within the sports sector reported in the media in 2010/11: e.g. members of the Pakistani cricket team were found guilty of accepting bribes around the bowling of 'no balls'; members of the Fédération Internationale de Football Association (FIFA) executive committee have been accused of 'selling votes' for countries to host the World Cup; and Germany's largest telecoms company is being investigated for illegally trying to win contracts worth millions of Euros from Volkswagen by offering to prolong a sponsorship deal with one of the country's top football clubs who are owned by Volkswagen. More examples of bribery and corruption in the sports sector reported in the media are given in Box 2.

Box 2: Recent headlines of business ethics in the sports industry

Pakistan cricketers to be charged over 'spot fixing' (February, 2011)

<http://www.ft.com/cms/s/0/532ab61a-3077-11e0-8d80-00144feabdc0.html#axzz1HV9Z4JmZ>

John Higgins – Match fixing in Snooker (September, 2010)

http://news.bbc.co.uk/sport/1/hi/other_sports/snooker/8973869.stm

Harlequins rugby team Bloodgate Scandal (Various, 2009-2011)

<http://www.guardian.co.uk/sport/bloodgate>

FIFA bans two executives in World Cup probe (November, 2010)

<http://www.ft.com/cms/s/0/3cad995c-f305-11df-9514-00144feab49a.html#axzz1EE2ki3Hj>

Sale of Formula 1 to CVC (February, 2011)

<http://uk.eurosport.yahoo.com/16022011/23/cvc-launches-legal-investigation-bribery-scandal.html>

With the increase in corruption scandals coming to light and the introduction of the UK 2010 Bribery Act (from which professional sports clubs are not exempt), the sector is coming under increased scrutiny from the fans and public in general. In response, some governing sporting bodies have introduced initiatives to combat corruption in the sector. For example, in 2010 World Snooker launched an 'integrity unit' to prevent, investigate and educate snooker players on corruption. In January 2011 the world football governing body, FIFA, announced plans to form an anti-corruption committee comprised of both sporting and non-sporting people. A further example is the International Olympic Committee's extension of the scope of its 'betting monitors' to include the danger to the integrity of the Olympic movement posed by betting-related corruption.

Pay differentials

The professional sports industry, particularly football, pays what are perceived as exceptionally high salaries to many of its players. The 'Annual Review of Football Finance' published by Deloitte Sports Business Group in 2010 found that overall, the Premier League are spending 67% of revenues on players wages, a figure which the report suggests is unsustainable¹. Yet despite this affluence, the 'National Minimum Wage: Low Pay Commission Report 2010' identifies the sports industry as a 'low paying sector'. A low paying sector is defined as one in which a large number of minimum wage workers or those in which a high proportion of jobs are paid at the minimum wage².

Reflecting this, the Fair Pay Network and the Institute for Public Policy Research set up the Fair Play campaign to abolish poverty pay in the Barclays

Premier League, the most lucrative football league in the world. The Fair Play campaign calls on all Premiership football clubs to pledge themselves to the 'Hatrick Gold Standard' of ethical employment terms. The Standard encourages a fair wage, the right to paid holiday and equal treatment of all staff³.

Just as there has been a recommendation for greater transparency and governance in public sector pay⁴, a similar approach by clubs to communicate their policies on pay and performance for players and support staff would seem sensible. This would help to reassure not only their shareholders but also their supporters.

Sponsorship and marketing

Sponsorship of sporting events and teams can raise ethical concerns for the sport in question in cases of a corporate scandal, but also for the sponsoring company if there is a sports scandal. For example, Lord Coe, chairman of the London 2012 Olympics organising committee, recently had to defend sponsorship support from BP following the 2010 Gulf of Mexico oil spill. Companies such as Gillette, Accenture and Tag Heuer, decided to sever their sponsorship deals with Tiger Woods in the wake of the news about his personal problems.⁵

For companies such as McDonalds and Coco Cola, long running sponsors of the Olympic Games, their link with the event is the ultimate expression of their corporate spirit and enables them to connect directly with people of all ages and cultures.

However, some have questioned the appropriateness of companies, whose products have been linked to contributing to obesity, sponsoring an event which promotes a healthy and fit lifestyle⁶. The tobacco

¹ See BBC News article 'Warning over Premier League wages', June 2010: <http://www.bbc.co.uk/news/10249101>

² The Low Pay Commission was established as an independent body as a result of the National Minimum Wage Act 1998 in the UK to advise the Government about the National Minimum Wage. The Low Pay Commission Report 2010 is available from: <http://www.lowpay.gov.uk/lowpay/lowpay2010/chapter3.shtml>

³ Fair Pay Network, http://www.fairpaynetwork.org/football/?page=Hatrick_Gold_Standard

⁴ See Hutton Fair Pay Review 2010, http://www.hm-treasury.gov.uk/indreview_willhutton_fairpay.htm

⁵ 'Sponsorship: How sex and scandal can ruin a reputation', 8th November 2010: <http://www.ft.com/cms/s/0/6ee6fbf0-eace-11df-b28d-00144feab49a.html>

industry has already been banned by the European Union from marketing at sporting events in Europe, such as Formula 1, in light of health related concerns.

Corporate sponsors can use their influence to promote high standards and the social responsibilities of the sports sector. One example is that of Rabobank's sponsorship of a cycling team. The riders' contracts have a clause that allows them to be dropped if there is suspicion about doping⁷. Other examples are the sustainability initiatives associated with the recent World Cup held in South Africa. Corporate sponsors such as Coca-Cola helped to provide safe drinking water to schools in the country while Nike sponsored several teams with jerseys made out of recycled plastic bottles.

Health and wellbeing of players

Sports professionals face ever-increasing pressures to win 'at all costs'. This pressure to deliver results may come from coaches, sponsors, fellow team members, or the players themselves and has the potential to undermine the health and wellbeing of sports players in the short and long-term. In some cases, it has led to malpractices. For instance, the abuse of performance enhancement substances by players, professionals playing when injured, and players 'bulking up' to sizes that may be detrimental to their health simply for sporting 'kudos'.

Just as companies are responsible for protecting the health and safety of employees, so too do coaches and professional sports team managers have a duty of care for the health and wellbeing of their players. There is evidence to suggest that this issue is being addressed in the sporting industry, for example the National Coaching Foundation's Code of Ethics and Conduct for Sports Coaches (1996), asserts that: 'Coaches must place the well-being and safety of the performer above the development of performance'⁸.

Social impact

Large sporting events such as the Olympics and World Cup tournaments have been challenged around their legacy. There is a need to address the tension between the oft-cited benefits of these events in bringing sport and facilities to local communities with their negative impact, such as the noise and disturbance from large construction projects and the cost to tax payers.

The 2010 FIFA World Cup, hosted by South Africa, was heralded as an opportunity to stimulate the local economy, enabling South Africans to take advantage of social mobility provided by the event. However, critics questioned why a government should allocate considerable resources to host one of the most popular sporting events in the world when over 40% of its population lives below the poverty line and little of the profit from it remains in the host country.

It is now good practice for sustainable and socially responsible practices to be embedded in the planning and implementation of events such as these. The 2012 Olympic Games aspire to be 'the most sustainable Games ever' with for example, an aim of zero waste to landfill and a highly efficient power station to produce heat, cooling and electricity. London Assembly Members on the Economic Development, Culture, Sport and Tourism Committee are also looking into how organisers plan to deliver on a target of employing 15 to 20 percent of the total Olympics workforce from people living in host London boroughs and between 7 and 12 percent of people who were previously unemployed.

As an example of good practice, the Olympic Park Legacy Company is responsible for planning, developing and managing the Park after the 2012 Games. The Company aims to use the Olympic Park to regenerate East London, building affordable housing, family homes, and providing jobs, sport and leisure activities for the local community.

⁶ Food and Non-Alcoholic Beverage Sponsorship of Sporting Events: The Link to the Obesity Issue, Sport Marketing Quarterly, 2009 (18) pp.69-80.

⁷ Sponsorship - how sex and scandal can ruin a reputation, (8 Nov 2010) FT.com <http://www.ft.com/cms/s/0/6ee6fbf0-eace-11df-b28d-00144feab49a.s01=1.html>

⁸ The Responsible Sports Coach, The National Coaching Foundation http://www.abcc.co.uk/pdf_files/Code%20of%20Ethics.pdf

Discrimination

There have been various incidences of racism, prejudice and sexism in the sports sector. Recent examples include racist taunting of the British Formula 1 driver, Lewis Hamilton, by Spanish spectators and derogatory comments by Sky sports presenters directed at a female linesman.

Steps are being taken to stamp out such discrimination in sport. The Fédération Internationale de l'Automobile warned Spain that it could be stripped of its competition license to hold Formula 1 Grand Prix as a result of racist incidents and the Football Association publically condemned the behaviour of the two male sports presenters and Sky Sports took disciplinary action against them.

In 1997 the football community established 'Kick It Out'. Kick It Out is the brand name for the campaign, 'Let's Kick Racism Out of Football'. The organisations works throughout the football, educational and community sectors to challenge discrimination, encourage inclusive practices and work for positive change. Internationally Kick It Out plays a leading role in the Football Against Racism in Europe (FARE) network and has been cited as an example of good practice by the European governing body UEFA, the world governing body FIFA, the Council of Europe, the European Commission, European parliamentarians and the British Council.

Towards Good Practice

Pierre de Coubertin saw sport as an opportunity for friendship, excellence and respect. Given the issues outlined above, it is interesting to consider how the sports sector can work to promote and maintain these values and set high ethical standards. Other business sectors have similarly grappled with issues of bribery, corruption, discrimination and unethical behaviour which cause irreparable reputation damage, and good practice can be taken from their experiences.

Using 'codes of ethics' to support and guide staff and players can help to embed ethical principles in the sector. Most sports governing bodies do have codes of ethics, but these tend to focus on the responsibilities of the players and coaches, and the safeguarding of children and young people rather than the running of the business or the conduct of senior figures. It would be helpful if codes of ethics offered practical guidance on relevant issues and ethical business conduct, while drawing lessons from other business sectors. A good example is Barcelona Football Club who have recently introduced a Code of Ethics following revelations regarding the former president's extravagant expenditure⁹.

The Olympic values are applicable to all aspects of sport, including its business activity, by achieving economic excellence in a fair way and respecting the lives of both sport participants and the communities on which the sector impacts.

Further Resources

- International Olympic Committee (IOC) - the official website of the Olympic Movement: <http://www.olympic.org/en/>
- International Pierre de Coubertin Committee: <http://www.coubertin.ch/e/cipc001.htm>
- Sport Industry Group: <http://www.sportindustry.biz/news/filtered.php?PageLength=&Tag=Olympics&CurrentPage=1>
- Ethical Consumer Guide to Premiership Football Clubs: <http://www.ethicalconsumer.org/FreeBuyersGuides/miscellaneous/premiershipfootballclubs.aspx>
- Commission for a Sustainable London 2012: <http://www.cslondon.org/>
- Business In Sport and Leisure: <http://www.bisl.org/>

⁹ Barcelona Football Club Code of Ethics, <http://www.fcbarcelona.com/web/english/noticies/club/temporada10-11/09/07/n100907112774.html>

THE INSTITUTE OF BUSINESS ETHICS

The **IBE** was established in 1986 by business to encourage high standards of business behaviour based on ethical values.

Today it leads the dissemination of knowledge and good practice in business ethics globally.

We raise public awareness of the importance of doing business ethically, and collaborate with other UK and international organisations with interests and expertise in business ethics.

We help organisations to strengthen their ethics culture to encourage high standards of business behaviour based on ethical values. We assist in the development, implementation and embedding of effective and relevant ethics and corporate responsibility policies and programmes. We help organisations to provide guidance to staff and build relationships of trust with their principal stakeholders.

We facilitate the sharing of good practice in business ethics.

We achieve this by:

- Offering practical and confidential advice on ethical issues, policy, implementation, support systems and codes of ethics;
- Delivering training in business ethics for board members, staff and employees;
- Undertaking research and surveys into good practice and ethical business conduct;
- Publishing practical reports to help identify solutions to business dilemmas;
- Providing a neutral forum for debating current issues and meetings to facilitate the sharing of good practice;
- Supporting business education in the delivery of business ethics in the curriculum;
- Offering the media and others informed opinion on current issues and good practice.

Please contact us if you would like assistance.

Our team apply their practical business experience of the issues that organisations face to fulfil the Institute's vision and mission.

The IBE is a registered charity, supported by subscriptions from businesses and other organisations, as well as individuals.

Through their donations, IBE subscribers help to promote ethical business practice. They also contribute to the work of the IBE by sharing good practice and experiences of ethical issues.

"The ethics resources which the IBE offers to businesses is quite unique in Europe. At L'ORÉAL, we have been working with the IBE for many years. We have always found their advice pragmatic and practical as well as, in many instances, inspiring. They help us and challenge us at the same time."

Emmanuel Lulin, Group Director of Ethics, L'ORÉAL

Our Activities

Advice

Training

Research & Projects

Business Ethics News

Events

Education

Advocacy