Commercial Implications of Corruption in Sport

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In response to corruption in international sport, several sponsors have chosen to take remedial action in order to mitigate against the threat posed to their brand from negative image spillover (Votolato & Unnava, 2006). Dutch bank ING terminated its sponsorship of the Renault F1 team as a result of the Crashgate scandal and sportswear brand Puma cancelled their association with the South African national soccer team due to match fixing allegations.

Maennig (2005) identified two forms of corruption – ‘competition corruption’ and ‘management corruption’. Management corruption involves those decisions made by sporting officials away from the sporting arena (e.g. the awarding of host city status). Competition corruption, defined by Gorse (2014) as “any illegal, immoral or unethical activity that attempts to deliberately distort the outcome of a sporting contest (or an element within the contest) for the personal material gain of one or more parties involved in the activity”, includes activities such as doping, tanking, match fixing and spot fixing. It is this form of corruption in international sport that provides a focus and context for this study and, therefore, the aim of this paper is to identify and analyse how sponsors respond to the threat of corruption in sport. There is existing literature examining how sponsors can respond in challenging situations, for example Wilson et al (2008) and Westberg et al (2011). Thus far, no other studies have been undertaken to specifically address how sponsors respond to the threat of corruption in sport. Yet corruption in sport can have significant impact upon the companies and brands that are associated with it. This damage may include negative consumer brand perceptions of and associations with the sponsor, and adverse image transfer from the corrupting property to the sponsor.

In order to identify how sponsors respond both to the threat of being associated with a property that might become associated with corrupt activity, and to analyse instances of actual corruption, a four-stage research methodology has been employed for this study. An extensive database was created, currently containing in excess of 15,000 cases of corruption in international sport; a series of preliminary interviews were conducted with professionals in and around the sponsorship industry to highlight the potential implications of corruption for sponsors; and a number of case studies were developed, recognising the key stakeholders in sponsorship management. A series of in-depth semi-structured interviews were then conducted with multiple stakeholders in the sport industry - sponsors, legal professionals with expertise in sponsorship and commercial managers in governing bodies of sport. Interviews were recorded, transcribed and then analysed using grounded theory coding techniques, allowing for key themes to emerge and responses to corruption in sport discussed.

Analysis indicates that sponsors adopt a ‘wait-and-see’ approach when dealing with the potential impact of corruption, relying on a number of factors to decide upon remedial courses of action. These factors include the severity of the transgression, the extent of the media coverage that transgression attracts, the level at which the transgression occurs (i.e. Olympics or World Cup as opposed to regional or national championships) and how a sport’s governing and/or legislative body deal with the scandal. It is also apparent that, while morality and/or behaviour causes are included in sponsorship agreements between sponsor and rights holder, they are by no means specific to the type or severity of the transgression or indeed the potential course of action. Withdrawing from sponsorship agreements can cost sponsors both financially and in terms of brand equity – any action they take must be carefully considered. This paper will introduce the Sponsor Response to Sporting Transgression (SRST) model as a means of pictorially representing this decision making process.

The findings of this study suggest that sponsors need to be more aware of the threat of corruption in sport and the potential consequences of being associated with an athlete or team that cheats. This type of behaviour can have detrimental impact on a brand and, as such, sponsors should ensure that corruption does not inflict any undue
damage upon their commercial activities and need to be fully aware of the remedial options available to them.
Indeed, sponsors may view contract termination and litigation as the ultimate outcome of corruption in sport.
Further research is needed to understand how seriously sponsors see the threat of corruption as being, and to clarify in detail what procedures are in place among sport sponsors to respond to corruption. Underpinning such an observation is an additional need for further research examining decision-making processes among sponsors confronting instances of corruption in sport.

References


