

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



NBA: Dribbling Through Politics

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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WRITTEN CASE

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MANAGEMENT DECISION CASE

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NBA: Dribbling Through Politics

It was the evening on October 7th 2019 and the city lights of New York skyscrapers shed their dim light into the soon to be filled conference room. Adam Silver, commissioner of the National Basketball Association's (NBA), stood at the window and looked down on the stream of New Yorkers on their way home, knowing that the evening would turn into night before he could go home. A tough responsibility laid on him and the rest of the leadership tonight; what they would decide would not only determine how they continued to handle the current crisis, but it would also affect the future of many of the brands entangled with the organization. He turned his face to his assistant, nodding that it was finally time. As the assistant opened the door like a curtain of a theatre, the show's main actors and actresses began to fill the large room. Silver stood by his chair, watching their puzzled faces as his thoughts drifted back to the morning a few days ago when he and the executive team's closest took a deep breath, nervously waiting for the giants awakening only a platform away. They were waiting for one tweet to set off a geopolitical firestorm. Now it was wide awake on the other side of the Pacific - the calm before the storm was over. It was now time for the NBA leadership executives and Silver to stop playing in the all too familiar basketball arena and start playing amid politics.

Background & History

Silver thought back quickly on the association's history and heritage. For more than 70 years, the NBA had 'competed with intensity, led with integrity and inspired play' - a mission that Silver was proud to take part in. The Basketball Association of America, which later became the NBA, was originally founded in 1946 based on the innovative idea that basketball games could be hosted during the night when major ice hockey arenas were vacant. The association took the name of the NBA in 1949 as it merged with the National Basketball League, then consisting of a total of 17 franchise teams. In the 1980s, the league had grown to 23 teams, and interest in the sport had increased significantly as Michael Jordan came along in 1984. At the present moment, the NBA consisted of a staggering 30 teams. Some of these teams were the best globally, featuring well-known basketball icons, cementing the association's position as the top men's basketball league in the world.

With their long history in the US, the NBA had played a significant role in American sport and culture. Silver smiled as he thought about how a dream came true, although a considerable responsibility, to lead this historical institution into the future. Their American heritage could be seen in their core values – integrity, teamwork, respect, and innovation – and their strong ties to the country was even visible in their iconic logo, decorated in red, white, and blue – the colors of the American flag. This role and the interest in basketball had grown further throughout the years thanks to their close integration with local communities and success stories like Michael Jordan, showing that all members of society could pursue the American dream through basketball. The International Basketball Federation had even acknowledged the NBA's important role in U.S. society.

Although important for their identity, the logo's establishment, featuring the player Jerry West, in 1969 had not been without criticism. At the time, NBA officials had stressed that they do not want to be led by individual influencers, pointing to the importance of neutrality in the relationships with their players and teams. From another perspective, this neutrality was central to the NBA brand. Known for emphasizing the importance of freedom of speech and having a neutral stance in political issues, players and other organizational members had said all sorts of controversial things over the years; and the association had been praised for letting them do so. When NFL athlete Colin Kaepernick was punished for kneeling during the national anthem before a game, some said that that would never have happened in the NBA. Although, when reflecting upon the around 600 players representing their own agendas, Silver could not help himself questioning if this was really for the best for the NBA's corporate brand and reputation.

Although it had a robust American foundation, the NBA could today be viewed as an international organization. NBA teams recruited players from many different nationalities, and the teams played games all over the world. The NBA's internationalization journey had begun in the 1970s, with its first exhibition game in Israel in 1978, followed by an overall international expansion in the 1980s as their teams played in Germany, Israel, Russia, China, and Italy. Nevertheless, Silver knew that expanding into a new market was not the same as spurring and facilitating the interest in basketball. Overall, the international expansion and growing global interest in basketball were essential for capturing lucrative market opportunities. The most notable development in later years was related to basketball's increased interest in China since the 2000s.

Since presenting the worldwide Chinese celebrity player Yao Ming in the Houston Rockets in 2002, the NBA had spurred interest in the country. While basketball had been popular in the country since before the NBA entered, the first Chinese playing field being established in 1896, the passion for the sport had now become widespread. Silver especially remembered the comment from Men Wang, an analyst at China's largest internet portal, saying that "Basketball [was] a part of the

Chinese culture".¹ If that was true, then he knew that NBA's million-dollar investments in the Chinese market over the last two decades had not gone to waste. These investments had resulted in several basketball academies, broadcasting rights, numerous courts, and sending their teams there to play games. Besides, NBA had in 2019 more than eleven big partners facilitating their operations in China, among them the tech giant Alibaba. The importance of the stakeholder relationship with these partnering corporations should not be underestimated, Silver thought to himself. Nevertheless, although the NBA had tapped into lucrative opportunities in China, this source of revenue was far from drained. In 2019, the Chinese market represented 10%² of the NBA's total revenue and he remembered his colleague Derek Chang, Chief Executive Officer of NBA in China saying that the market had astonishing growth potential as well as its neighboring markets. Silver thought about all possibilities while thinking about the currently around 600 million Chinese viewers, with live streaming of games being an essential component of both revenue and distribution, which was the second-largest market after the United States and showed no signs of saturation.³

Today, the NBA has hosted basketball games during the seasons of October to April for more than 70 years. As the most popular basketball league worldwide⁴, it may not be surprising that they also have the most well-paid players in any league globally. In total, the organization had a revenue of 7,92 billion U.S. dollar in 2019/2020⁵ and was working with worldwide brands like Nike, Louis Vuitton, and Microsoft. Heightening the interest for basketball has been the main reason for the NBA's internationalization journey, Silver thought as he looked at the plan for entering India. However, he found it troublesome that reports over the previous three years showed a decline in viewership⁶ in their home market, the U.S especially problematic since NBA received a lot of its revenue from its viewership. There has been much speculation regarding the sources of this loss. Some take the stand that this is due to the political stances seen in many sports disciplines and political polarization. At the same time, others blame an uneven talent distribution and too many unmeaning-full games played during shorter periods, making younger people less interested in the sport. Nevertheless, the NBA still has many loyal fans and being a part of an NBA team continues to be the dream and passion for American kids as well as kids worldwide.

The incident

The dim light of the New York skyscrapers made Silver shiver as he thought about the course of events during the past couple of days. He couldn't help to imagine the Houston Rockets General Manager Daryl Morey on October 4th 2019, sitting

¹ Blinebury, F. (2016). National Basketball Associations, Basketball has become 'part of the Chinese culture', 8 October

² Roberts, D. (2019). Why the NBA really needs China, Yahoo! finance, 1 November

³ Zhou, L., Wang, J.J., Chen, X., Lei, C., Zhang, J.J., & Meng, X. (2015). The development of NBA in China: a glocalization perspective

⁴ Fraschilla, F. (2017). *ESPN.com*, World's Best Basketball Leagues Outside of the NBA, 7 December

⁵ Statista (2021). National Basketball Association total league revenue from 2001/02 to 2019/20

⁶ Statista (2021). Average TV viewership of NBA Finals games in the United States from 2002 to 2020

comfortably in his hotel lobby and nibbling his thumbs over the screen of his phone. Maybe Morey got inspired by the insights given by the pre-season tour there in Tokyo, the city that blends the old with the new. Or maybe the magnificence of the skyscrapers and temples got the best of him, giving him an urge for expressing his opinion into the void of the digital world. In pressing publish, however, he unknowingly unleashed what might have been the most troublesome tweet in corporate America 2019.⁷ Silver once again shivered. The words "*Fight for freedom, stand with Hong Kong*" joined many others' statements about the ongoing controversy in Hong Kong where police and protesters had clashed in conflict due to proposed legislation by the Chinese state.

However, the crowds picked up the tweet, and hours later had the Houston Rockets owner Tilman Fertitta responded with an explicit statement that the NBA's Tokyo visit had nothing to do with politics; importantly, the NBA had nothing to do with politics. Although Morey deleted the tweet later that day, which Silver had hoped would prevent any critical damage, it was not enough to prevent those crucial stakeholders reacting how everyone feared they would.

On October 6th, the message had found its way from the Twitter platform, at that time blocked in China, and reached Chinese Basketball Association, a part of the government agency in China. The message from this stakeholder was clear as they quickly suspended all collaborations with the Houston Rockets. The fan favorite suddenly became under pressure to instantly "*clarify and immediately correct the mistakes*"⁸. Moreover, the Chinese sports channel CCT5 televising NBA and the streaming provider Tencent, which both facilitated the streaming of NBA games to around 600 million Chinese viewers, suspended the Houston team in the same manner. Silver could not help to feel sorry for the Chinese fans that were passionate about the team. Still, strong Chinese reactions to political statements such as these were nothing new for western organizations, most of them having to give in to Chinese pressure.

Silver remembered some other Western companies that had recently clashed with China due to similar situations. For example, Apple had recently removed Taiwanese flag emojis from Hong Kong iPhone due to pressures from the Chinese state, Audi apologized for excluding south Tibet from a map of China, and Mercedes-Benz apologized in 2018 for using a Dalai Lama quote in a social media post. China generally meant business when it came to these situations, and Silver thought to himself about what they could do to minimize damage. Could it be a sound approach for the NBA to evolve to match Chinese expectations like other Western companies? China was, after all, the most important market for the association's globalization journey. If the NBA has a neutrality and tolerance policy, could it be reasonable to make exceptions for serious situations such as this one? He was not really sure about either alternative at the moment. Although, Silver repeatedly reflected upon the many hours his predecessor David Stern spent on establishing relationships with the Chinese corporations and the Chinese government.

⁷ Valinsky, J. (2019). How one tweet snowballed into the NBA's worst nightmare, CNN Business, 11 October

⁸ Ibid., paragraph 9

On the 7th, both the NBA and Morey had waved with a somewhat white flag towards the Chinese state. Morey apologized and pointed that the statement never intended to harm, while the NBA distanced itself from him, saying the situation was nothing but regrettable. Point guard and Houston Rockets star player James Harden also gave his view on the issue, sincerely apologized and emphasized how much the Rockets loved their Chinese fans. Harden's comments had been no surprise for Silver as international markets are not only important for the league but also its star players who often have their own deals with sports brands. Increasingly signing deals with Chinese companies and not only American brands. At the moment, Silver had been wondering if there would be any spillover effect to the other NBA brands what they could do to minimize the damage. Could this statement be enough to prevent it? The NBA then stated explicitly that *"we have great respect for China's history and culture and hope that sport and the NBA can be used as a unifying force to bridge cultural divides and bring people together"*⁹. The parties involved thought this somewhat white flag might wipe away the sweat on their backs, maybe even more as Alibaba joined the discussion and supported their statements, although emphasizing that the protestors were a separatist movement. However, NBA's attention had soon turned closer to home, where stakeholders in the United claimed that the NBA had forgotten the other colors of its logo and the values behind them.

The 7th seemed like a long day for the commissioner as the conversation continued back home, where both republican and democratic senators expressed that the NBA was more concerned with money than human rights. Notable was the allegations that the NBA did not support freedom of speech, a fundamental human right. Silver reflected upon the many negative reactions in the U.S, from both political sides. Among them republican U.S. Senator Ben Sasse of Nebraska's statement *"The NBA wants money, and the Communist Party of China is asking them to deny the most basic of human rights. In response, the NBA issued a statement saying money is the most important thing."*¹⁰. Or the comment from Democratic U.S. Representative Tom Malinowski of New Jersey *"And the #NBA, which (correctly) has no problem with players/employees criticizing our gov't, is now apologizing for criticizing the Chinese gov't. This is shameful and cannot stand."*¹¹. The NBA suddenly found itself in a firestorm that stretched over the pacific and a situation that Silver had never experienced before.

Silver had now started to understand that their international expansion, financial growth, and the valuable brand had all along been a tweet away from ruin from either one of the players, the team themselves, or someone within the NBA organization. *"Who should really be allowed to make political statements? Should we make any? Players, teams, and the NBA overall, who should make them in that case?"* he thought to himself. He also thought about larger trends such as the ongoing polarization, de-globalization, and how digitalization increasingly empowered multiple stakeholders.

⁹ Staff, R. (2019). Reuters, Factbox: Fans, U.S. Politicians, Others React to NBA's China Controversy, 9 October

¹⁰ Ibid., paragraph 6

¹¹ Ibid., paragraph 7

The toll of the clock that he had been so glad to hear many times before now became the worst enemy as he needed to navigate amid politics and play. Silver gave the clock on the wall in front of him one last glance knowing that he had only a few hours left until the rest of the leadership expected a proposal, and he asked himself:

How should the NBA work with political statements from now and moving forward? Consider players, teams, and the corporate entity.

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