

NBA: Dribbling Through Politics

MANAGEMENT DECISION

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

Short-term decisions

New statement

Recognizing the ambiguity of their previous statements and facing pressure from the public, the NBA decided to release another statement clarifying the association's position on Tuesday October 8th. This time, NBA Commissioner Adam Silver, chief executive for the association, spoke for the association. Partially contradictory to their earlier statement, Silver said that: "[T]he NBA will not put itself in a position of regulating what players, employees and team owners say or will not say on these issues. We simply could not operate that way."¹

Building up to the position, Silver highlights the association's values and American foundation:

But for those who question our motivation, this is about far more than growing our business.

Values of equality, respect and freedom of expression have long defined the NBA – and will continue to do so. As an American-based basketball league operating globally, among our greatest contributions are these values of the game.

In fact, one of the enduring strengths of the NBA is our diversity – of views, backgrounds, ethnicities, genders, and religions. Twenty-five percent of NBA players were born outside of the United States and our colleagues work in league offices around the world, including in Beijing, Hong Kong, Shanghai, and Taipei.

With that diversity comes the belief that whatever our differences, we respect and value each other; and, what we have in common, including a belief in the power of sports to make a difference, remains our bedrock principle.

It is inevitable that people around the world – including from America and China – will have different viewpoints over different issues. It is not the role of the NBA to adjudicate those differences.²

While distancing themselves marginally from China and their Chinese audience, Silver expressed a positive attitude to the people of China and emphasized basketball's role as a uniting force that transcending national boundaries:

¹ National Basketball Association (2019). Adam Silver's statement on NBA and China, paragraph 10

² Ibid.

Over the last three decades, the NBA has developed a great affinity for the people of China. We have seen how basketball can be an important form of people-to-people exchange that deepens ties between the United States and China. ...

Basketball runs deep in the hearts and minds of our two peoples. At a time when divides between nations grow deeper and wider, we believe sports can be a unifying force that focuses on what we have in common as human beings rather than our differences.³

In a press conference after the release of the statement, Silver further clarified NBA's position, connecting back to their statement from October 6th:

I regret, again, having communicated directly with many of our friends in China, that so many people are upset, including millions and millions of our fans. I mean, at the end of the day, you know, we come with basketball as an opportunity to sell dreams, sell hopes, to, you know, increasingly focus on physical fitness, mental health, and to the extent that we are causing disruption in people's lives, and that we are causing disharmony, that is something I regret.⁴

To summarize, the position that Silver expressed on behalf of the NBA on October 8th had three main points. Firstly, recognizing members' rights to exercise freedom of expression and establishing no guidelines or restrictions for political statements from members. Secondly, emphasizing the neutrality of the association and taking no official stance to the Hong Kong question. Thirdly, expressing regret for having upset so many Chinese fans.

The next three days

In the days that followed, partners did not react well to Silver's statement in China, and in the US, the NBA received criticism for efforts contradictory to Silver's main statement.

October 8th

Following the statement, Chinese broadcasters announced that they would stop broadcasting games from the NBA. China Central Television (CCTV), the largest broadcasting network in mainland China, put an immediate stop to NBA broadcasts and responded that:

We express our strong dissatisfaction and opposition to Silver's stated support of Morey's right to free speech. We believe any remarks that

³ Ibid., paragraph 3 & 11

⁴ Silver, A. (2019). NBA chief: Not going to apologize for Rockets GM's tweet, CNN Business, [video online]

challenge national sovereignty and social stability do not belong to the category of free speech. [...] We will also immediately examine all other cooperation and exchanges with the NBA.⁵

Tencent Sports, another major broadcaster, also announced they would, at least temporarily, stop showing NBA preseason games.

In the US, NBA's commitment to Silver's statement was questioned as some fans were escorted out from an NBA game after supporting the Hong Kong protests and holding up signs during the game.⁶ The staff had, however, received disturbance complaints and the fans had been given warnings.

October 9th

By October 9th, all the NBA's 11 Chinese official partners suspended ties with the association, and Chinese companies that had sponsored NBA activities in the past distanced themselves from the association and started severing ties. The negative response was mostly based on the NBA's neutral position on the Hong Kong issue, interpreting their 'indifference' as not recognizing and respecting Chinese borders and sovereignty. For example, the sportswear company Anta said that it "firmly opposes and resists all acts that harm the interests of the motherland."⁷ And smartphone maker Vivo said that "Vivo has always insisted on the principle that the national interest is above all else and firmly opposes any remark and behavior that constitutes a challenge to national sovereignty and territorial integrity."⁸ Some partners based their response solely on Morey's statements. For example, the home appliance group Changhong Electric said that it felt "strong indignation to Morey's indifferent attitude and refusal to apologize."⁹ Many Chinese social media users also started calling for boycotts of NBA events.

In the US, the NBA was once again criticized as fans supporting the Hong Kong protests during an NBA game got their signs confiscated.¹⁰

October 10th

The NBA's efforts to avoid further damage to their relationship with China continued on the 10th as a CNN correspondent was shut down during a media event when she asked NBA players about how they felt about voicing their thoughts in light of the controversy. A team representative responded that "we're taking

⁵ Valinsky, J. (2019). How one tweet snowballed into the NBA's worst nightmare, CNN Business, 11 October

⁶ Perper, R. (2019). China and the NBA are coming to blows over a pro-Hong Kong tweet. Here's why., Business Insider, 23 October

⁷ Valinsky (2019)

⁸ Ibid.

⁹ Ibid.

¹⁰ Perper (2019)

basketball questions only.”¹¹ While technically not taking an official stance in the Hong Kong protests and staying true to their neutral position, these actions then went indirectly against the freedom of expression by organizational members that had been emphasized by Silver. Consequently, the NBA managed the current crisis as somewhat of an exception to their official policy.

Meanwhile in China, Nike, a major western partner to the NBA, decided to remove Houston Rockets merchandise from their store assortments.

Long-term actions and consequences

While the political discussion was heated during the first months after the fallout things eventually calmed down. Though the relationship between the NBA and China remained strained, signs started to show as early as the beginning of 2020 that the conflict was settling as the president of the Chinese Basketball Association and ex-NBA player Yao Ming, attended former NBA commissioner David Stern’s funeral. When basketball icon Kobe Bryant, one of Chinese basketball fans biggest idol, died in a helicopter crash Chinese state-owned media acknowledged his contribution to the cultural exchange between China and the US. Media outlets found this as a sign of progress between the parties of the conflict.

Further initiatives toward improving relations were made by the NBA during spring of 2020. When the covid-19 pandemic started to spread in China they quickly expressed support for the region of Wuhan where the first cases were discovered and announced that they together with WHO were discussing how the NBA could help. They have also staged safe viewing events in Shanghai to a selected number of fans. While only a limited number of games have been available for the Chinese audience, NBA have increased their production of non-game related content featuring Chinese talent, distributing it through Chinese social media.

NBA’s efforts have been recognized by the Chinese state sports channel and a year after they stopped airing American basketball some games started to make its return.¹² Chinese fans did, however, still have limited access to a selection of league games through digital streaming service Tencent throughout this period. Houston Rockets, which had previously been one of the fan favorites, was just recently reintroduced for Chinese viewers. This after the general manager Darryl Morey – the initiator of the crisis – moved from the team to the NBA team Philadelphia 76ers, which in turn made that team banned on Chinese TV.

Being well-known for letting players and teams speak freely about social issues, things now seem to be changing at the NBA. While launching an initiative where NBA players may choose a message to express support of social justice movements on their match jerseys, the options are limited to a pre-approved list that the NBA has worked out together with the players union, where no message

¹¹ Ibid.

¹² Cohen, B., & Areddy, J.T. (2020). One Year After China Banned the NBA, Basketball Returns to Chinese TV, *The Wall Street Journal*, 9 October

regarding social injustice in China can be found. Politicians in Washington see the initiative to contradict the statement made by Adam Silver on October 8th where he emphasized the neutrality of the organization and members' rights to freedom of speech.

Reputational impact

The reputational consequences of the different statements made from the NBA and Morey does not seem to have had a negative impact on the interest from Chinese sports fans. Even though most games have been unavailable the following of NBA teams' Chinese social media accounts have seen an exploding increase in following. When the league restarted after being paused by the covid-19 pandemic, the hashtag #NBAreturns on Chinese social media Weibo generated over 1 billion reads and 314,000 discussions.¹³ Former Chinese partners to the NBA have recognized the interest and are once again teaming up with NBA teams, creating communication that is targeting NBA fans.

However, on home turf the NBA and its ties to China continues to be in the spotlight, and the NBA and its players have faced criticism for their friendliness towards china. Megastar LeBron James deemed Morey's tweet as misinformed and uneducated, which made him targeted by protesters in Hong Kong, with footage of protesters setting jerseys with LeBron's name on fire as a result.¹⁴ He was also heavily criticised by American press as well as American basketball fans. Furthermore, as relations between NBA and China started to defrost, additional criticism was raised from members of the Senate towards commissioner Silver and company for not taking a clear enough stance for the Chinese regime's handling of minorities in the Xinjiang province, where one of three NBA basketball training centers previously had been established.¹⁵ The NBA has since silently withdrawn from the region without condemning these social issues, which has sparked more criticism from U.S. politicians.

Media and politicians are not the only ones painting an unfavorable image of the NBA. A poll made in 2020 showed that 39% of American sports fans watch fewer basketball games and the main reason for doing this was because the league was perceived as too political.¹⁶ The decrease in viewership has continued with only 7.5 million watching the NBA final games compared to 15.14 million the year before, and 20.4 just three years earlier.¹⁷ Satirical TV Show South Park, who had one of their episodes banned in China a couple of days after the NBAs press conference also

¹³ Clark, G. (2020). Opinion | What the return of the NBA means in China, SportsPro, 4 August

¹⁴ Perper (2019)

¹⁵ Dellenger, R. (2021). U.S. Senator Wants Answers From Adam Silver About NBA's Relationship With China, Sports Illustrated, 30 June

¹⁶ Badenhausen, K. (2020). NBA Playoff Ratings Slip As Fans Grumble That League Has Become 'Too Political', Forbes, 2 September

¹⁷ Statista (2020). Average TV viewership of NBA Finals games in the United States from 2002 to 2020

made a statement referring to that just like the NBA, they “welcome the Chinese censors into our homes and into our hearts.”¹⁸

Financial impact

As one of the most important and profitable markets for the NBA, the financial impact of the tainted relation to China was severe. According to commissioner Silver, the losses have been around 400 million USD.¹⁹ These losses are sourced from both income from advertising in connection to games as well as terminated partnerships between NBA and Chinese companies. The franchise most affected by the fallout between China and the NBA was the Houston Rockets who have suffered losses of 20 million USD.²⁰ Nevertheless, sponsorship revenue in total for the NBA grew from 1,298 million USD in the 18/19 season to 1,390 million USD in the 19/20 season when the fallout took place.²¹

¹⁸ Brezeski, P., & Parker, R. (2019). 'South Park' Scrubbed From Chinese Internet After Critical Episode, *The Hollywood Reporter*, 7 October 2019

¹⁹ Dellenger, R. (2020). NBA Responds to U.S. Senator's Letter About League's Relationship With China, *Sports Illustrated*, 21 July

²⁰ Dixon, E. (2019). Report: Houston Rockets lose US\$20m in sponsorship over Morey tweet, *SportsPro*, 13 November

²¹ Statista (2021). National Basketball Association sponsorship revenue from 2010 to 2020

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