

IB DP BUSINESS MANAGEMENT HL

INTERNAL ASSESSMENT

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To what extent did the allegations of unethical labour practices in Fifa's 2022 Qatar World Cup impact shareholder equity and brand reputation?

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Declaration of authenticity:

I confirm that the material presented in this document is all my own work, and that this document is my final and complete version of the written commentary. I have acknowledged and referenced all material taken from all primary and secondary sources. All supporting documents are contained within the appendices, with contemporary documents being those no more than three years old at the time of submission. All parts of these documents which are relevant directly to this commentary have been highlighted for ease of access. Any material referred to from elsewhere have all been mentioned and accredited properly in the bibliography.

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1 Introduction

The FIFA World Cup, held every four years, is a symbol of global sportsmanship, featuring 32 nations competing for the ultimate prize. However, allegations of unethical labor practices before the 2022 Qatar World Cup have cast a shadow over this prestigious event. This research aims to assess the impact of these allegations on Shareholder Equity and the reputation of the FIFA World Cup.

FIFA, the *Fédération Internationale de Football Association*, emerged on May 21, 1904, in response to the desire for unified promotion of Association Football by seven national associations¹. Expanding to include 211 official national associates, FIFA oversees global football development, guided by its mission to "Develop the Game, Touch the World, Build a Better Future."². This mission is actualized through initiatives such as organizing international competitions, promoting grassroots football, and implementing programs for football's positive social impact globally.

FIFA's global fame, fueled by massive viewership and vibrant fandom, attracts top brands eager for association. This enviable reputation not only bolsters FIFA's position but also translates into hefty shareholder equity stakes. Hence protecting a business brand reputation is paramount for both FIFA and its partner brands, as any negative impact on the integrity of the sport or the organization could potentially tarnish the carefully cultivated image that has contributed to their success.

"**Ethics**" involves applying moral principles like fairness and transparency to business decisions³. This means analyzing **ethical** implications of business scenarios. **Ethical** awareness isn't just theoretical, it's practical – informing sustainable business strategies and guiding responsible management. With the following key concept and conceptual lens, this study will explore how the lack of ethical considerations impacted the organizations shareholder equity and brand reputation.

¹U.S. Soccer Federation. "FIFA." U.S. Soccer Federation, <https://www.ussoccer.com/history/organizational-structure/fifa>. Accessed 1 March 2024.

²Larkin, Brigid. "The Structure and Policies of FIFA." WCWP, Duke University, 2015, <https://sites.duke.edu/wcwp/tournament-guides/world-cup-2014/fifa-institutional-politics/the-structure-and-policies-of-fifa/>.

³Hoang, Paul. "DP Business Management: Concepts." ThinkIB, <https://www.thinkib.net/businessmanagement/page/42758/concepts>. Updated February 29, 2024. Accessed 1 March 2024.

1.1 Research Question

This essay would be addressing the following research question: “**To what extent did the allegations of unethical labour practices in Fifa’s 2022 Qatar World Cup impact shareholder equity and brand reputation?**”

1.2 Methodology

In tackling this research question, the report adopts a unidirectional methodology, relying on secondary resources. Within the secondary sources, including academic articles, industry reports, and company websites, a comprehensive review was conducted, yielding crucial information about their impact on shareholder equity and brand reputation.

This study used a diverse toolkit, drawing on Business Management Theories (BMTs) from different disciplines. To understand how poor working conditions affected employees, we examined Maslow’s Hierarchy of Needs (focusing on safety needs) within Human Resource Management. Crisis Management, meanwhile, became our lens for analyzing how the company handled the crisis and its impact on brand reputation. Finally, Financial Statements from Finance & Accounts helped uncover the financial repercussions of these **ethical** lapses. By weaving these BMTs together (Crisis Management, Financial Statements, Maslow’s Safety Theory), we gained a rich understanding of the **ethical** issues, company responses, and their impact on the organization.

Utilizing secondary sources in this study enhances efficiency, broadens information scope, and supports a comprehensive analysis of motivational theories, branding, and financial statements. However, potential biases, outdated data, and the absence of firsthand insights are acknowledged limitations. Despite these constraints, relying on secondary sources is essential for establishing a solid theoretical foundation and gaining valuable insights into the specific business management theories applied in the context of crisis management, financial analysis, and employee motivation.

2 Main Results and Findings

2.1 Crisis Management

Transparency	Limited Transparency: FIFA initially downplayed the allegations and denied wrongdoing, which fueled criticism and damaged trust.(They later released reports on labor reforms, but critics argued these lacked detail and accountability.)
Communications	Reactive Communication: FIFA's communication was slow, inconsistent, and often defensive.(They used jargon and avoided admitting responsibility, further isolating stakeholders.)
Control	Loss of Control: The narrative was shaped by external sources due to FIFA's lack of control. (They struggled to counter negative press and public perception.)
Speed	Delayed Response: FIFA's response was slow and reactive, allowing the crisis to escalate and damage their reputation.

Table 1: *Analysis Of Crisis Management Factors*

2.2 Marlow's Laws and Safety

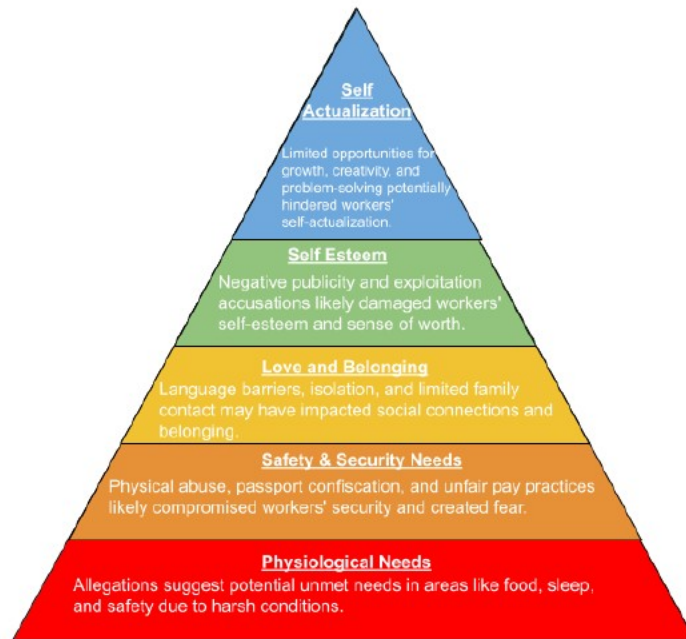


Figure 1: *Maslows's Level's of Hierarchy*

2.3 Financial Statements

Assets		In TUSD
	31 Dec 2022	31 Dec 2018
Current assets	5,286,340	3,196,596
Non-current assets	1,509,202	1,192,066
Total assets	6,795,542	4,388,662

Liabilities and reserves		In TUSD
	31 Dec 2022	31 Dec 2018
Current liabilities	2,305,665	1,166,780
Non-current liabilities	518,618	477,160
Total liabilities	2,824,283	1,643,940
Total reserves	3,971,259	2,744,722
Total liabilities and reserves	6,795,542	4,388,662

Figure 2: 2018 vs 2022 Financial Statements

3 Analysis and Discussions

3.1 Brand Reputation Impact

Transparency

The negative impact of downplaying allegations and denying wrongdoing has fueled widespread criticism, painting FIFA as dismissive and untrustworthy. This approach has further exacerbated the damage, as the lack of detail and accountability in reform reports has eroded public confidence and raised doubts about the organization's genuine commitment to change. It represents a missed opportunity, as embracing transparency could have fostered trust and facilitated open dialogue.

Communications

Instead of relying on slow, inconsistent, and defensive communication, a proactive, clear, and sincere approach would have fostered trust and understanding with stakeholders. Unfortunately, the current strategy has created the opposite effect, alienating stakeholders and leaving an impression of evasiveness and a lack of empathy. Jargon and avoidance of responsibility in interviews further widened the communication gap, hindering both comprehension and trust-building. This missed opportunity to adopt a transparent and open communication style could have mitigated negative perceptions.

Control

When FIFA ceded control of the narrative, outside voices filled the void, shaping public perception and leaving FIFA scrambling to react. This inability to counter negative press solidified a damaging image, weakening their authority and making them appear ineffective and out of touch. The resulting lack of control left them vulnerable to attacks. This experience underscores the crucial role of proactively managing external narratives to build and maintain a positive brand image.

Speed

The crisis spiraled out of control due to a slow response, triggering an avalanche of negative publicity and public uproar. This delay not only worsened the situation but also painted the organization

as indifferent and inactive, further eroding trust and brand reputation. A missed opportunity for a swift and decisive response could have showcased leadership, minimized damage, and demonstrated a commitment to addressing the issues head-on.

Downplaying accusations, unclear communication, losing control of the narrative, and slow response fueled the FIFA crisis, eroding public trust and brand image. Therefore transparency, open communication, proactive control, and a swift response could have saved the situation.

3.2 Marlow's Hierarchy of Needs Evaluation

Physiological Needs

Referencing "*amnesty.org*" (supporting document 1), considering the allegations of harsh working conditions mainly for women, inadequate food, and unsafe housing, it's safe to say these fundamental needs might not have been fully met for some workers.

Safety and Security

Allegations of physical and verbal abuse, passport confiscation, and unfair pay practices suggest safety and security needs might have been compromised for some workers. The fear of retaliation and limited access to legal recourse likely amplified feelings of insecurity.

Love and Belonging

The migrant worker community likely faced challenges forming social connections due to language barriers, isolation in labor camps, and limited opportunities for interaction with families. This could have impacted their sense of belonging and emotional well-being.

Esteem

The negative publicity surrounding the World Cup and accusations of exploitation likely damaged the self-esteem of workers and potentially their communities back home. Additionally, limited opportunities for career advancement and recognition could have further impacted their sense of worth.

Self-Actualization

Opportunities for personal growth, creativity, and problem-solving might have been limited due to the nature of the work and potential restrictions on movement and communication. The overall experience could have hindered workers' ability to reach their full potential.

3.3 Shareholder Equity Analysis

"Equity" refers to the ownership stake held by shareholders in a company. Measured as the difference between assets and liabilities, it represents the residual value that would accrue to shareholders after settling all debts.

$$Equity = Total Assets - Total Liabilities \quad (1)$$

To evaluate the crisis's impact on shareholder equity, we would analyze the comparison between their equity in 2018 and that in 2022. Using the formula in Equation 1 for the year 2018 the value for equity is:

$$\$4388662 - \$1643940 = \$2744722 \quad (2)$$

Equation 2: *Equity Value for Year 2018*

Where as for the Year 2022:

$$\$6795542 - \$2824283 = \$3971259 \quad (3)$$

Equation 3: *Equity Value for Year 2022*

As denoted in **Equation 2** and **Equation 3**, a surprising revelation emerged, noting that the equity value in 2022 exceeded expectations, surpassing the value recorded in 2018. Despite the absence of effective crisis management in response to the allegations of unethical labor practices related to the 2022 Qatar World Cup, FIFA sustained investor confidence. This resilience can be attributed to their high customer loyalty and robust market positioning. The consistent income from guaranteed broadcasting rights, ticket sales, merchandise, and sponsorship deals played a crucial role in maintaining financial stability.

The reliable revenue streams, especially from broadcasting rights, underscored FIFA’s enduring global appeal despite controversies. While the lack of proactive crisis management is a notable factor, FIFA’s financial resilience prompts further exploration into the intricate dynamics of revenue generation, highlighting the interplay between financial performance, market position, and customer loyalty during challenging circumstances.

4 Conclusion

The analysis of FIFA’s brand reputation impact, Marlow’s Hierarchy of Needs, and shareholder equity provides a comprehensive understanding of the multifaceted dynamics surrounding the 2022 Qatar World Cup allegations. Despite the negative repercussions of downplaying accusations, unclear communication, and losing control of the narrative, FIFA surprisingly exhibited a higher equity value in 2022 compared to 2018. This unexpected resilience can be attributed to the organization’s high customer loyalty and robust market positioning.

The consistent income from guaranteed broadcasting rights, ticket sales, merchandise, and sponsorship deals played a pivotal role in maintaining financial stability, underscoring FIFA’s enduring global appeal. While the absence of proactive crisis management is a notable factor, the unexpected equity growth prompts further exploration into the intricate dynamics of revenue generation, emphasizing the interplay between financial performance, market position, and customer loyalty. This unexpected financial outcome challenges conventional crisis management expectations and highlights the critical role of diverse revenue streams in mitigating reputational harm and sustaining investor confidence amid challenging circumstances.

In response to the research question, ”*To what extent did the allegations of unethical labor practices in FIFA’s 2022 Qatar World Cup impact shareholder equity and brand reputation?*”, the results demonstrate a surprising strength in shareholder equity, linked to loyal consumers and versatile incomes. FIFA’s financial sustainability surpasses standard conjecture notwithstanding a harmed brand reputation because of incompetent crisis handling, accentuating the imperative of versatile salary streams in restricting reputational impairment.

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