The teaching note is intended to be used by faculty for class room purposes only.

Sports Good Foundation of India (SGFI): A collective response to CSR issues (A, B, C)

Teaching Note

1.0 Case Synopsis

The SGFI case deals with the collective response of the Jalandhar inflatable ball manufacturers and exporters to the issue of child labour used in the production of inflatable balls. During the 1998 football World Cup, media coverage of the child labour usage in football manufacture led to a boycott of the inflatable balls exported from India and Pakistan. In response, Pakistan signed the Atlanta Agreement, under which different stakeholders came together to set up a monitoring mechanism. On similar lines, the manufacturers of Jalandhar established the Sports Good Foundation of India (SGFI). SGFI was funded by FIFA from 1999 to 2003 on the explicit understanding that the external monitoring would be done by an internationally reputed agency like SGS. SGFI hired SGS to do the monitoring of the production of inflatable balls for export in Jalandhar. In 2004, UNIDO stepped in to launch its cluster development programme through SGFI. Under this programme, SGFI expanded its activities and enhanced its role to enter other CSR areas. When UNIDO intervention and funding came to an end in 2008, the SGFI members decided to contribute a proportion of their export revenues towards SGFI activities. While SGFI is critical to monitoring the production process and investigating and countering child labour accusations, it is not clear if the expanded activities of SGFI are directly relevant to the business interests of its members.

2.0 Research Methods

- Data – Data was obtained from both primary and secondary sources. Primary data was collected through interviews with various employees of SGFI, visits to two families that were involved in stitching, and visits to two stitching centres and two manufacturers in Jalandhar. Secondary sources were internal documents obtained from SGFI, related to the various activities they were engaged in. An internet search was done to identify material related to child labour issues in the inflatable ball manufacturing industry. We also collected published and freely available material from various websites that have been referenced. Data related to exports was procured from the Sports Goods Export Promotion Council of India.
- Period of data collection – Data was collected in the months of December 2009 and January 2010.

The authors are not related or associated with the organisation in any way.

3.0 Courses and levels for which the case is intended

- This case can be used in an MBA programme and with participants in middle to senior level executive education programmes.

- It can be an introductory case in a session on CSR to explain the stakeholder framework. It can also be used to illustrate the changing landscapes in international trade with fragmentation of work and movement of jobs to low wage economies. The case offers an opportunity to explore the role of social issues in low wage contexts and the implications of this in the manufacture of handmade goods and in labour-intensive production processes. It is expected that participants will be able to relate this case to other similar industries, like the garment industry, where the same principles apply.

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4.0 Teaching objectives

1. To demonstrate the complex relationships between stakeholders in global supply chains and the impact of social issues on trade.
2. To highlight how local actors in the value chain might react collectively to CSR issues and how a collaborative collective response for the common good can emerge among those who are traditionally seen to be engaged in competition.
3. To raise awareness on the manner in which the emergent initiatives shape how such organisations engage with the environment.

5.0 Suggested teaching approaches (Time schedule for teaching the case)

The suggested teaching approach for a 90 minute post-graduate class on "Changing landscapes or stakeholder framework" is outlined below.

- Introduction (5 minutes)
- Part A – Question 1 (45 minutes)
    - Identification of the key issues in the case (25 minutes)
    - Understanding the actors and the impact on each of them (10 minutes)
    - Understanding the global supply chain for footballs (10 minutes)
- Part B – Question 2 (30 minutes)
    - SWOT analysis of SGFI (15 minutes)
    - Examining the UNIDO project – implications, challenges and opportunities (15 minutes)
- Part C – Summary and update (10 minutes)

6.0 Theoretical framework/Required readings

The main theoretical frameworks used in the analysis of the case are available in the book and article below.

Archie Carroll: The Pyramid of CSR: Towards the moral management of organisational stakeholders. *Business Horizons*, July-August 1991, pp 39-48 (http://www.cba.ua.edu/~aturner/MGT341/MGT341%20Readings/Pyramid.pdf).

David Vogel: Is There a Market for Virtue? The business case for corporate social responsibility. *California Management Review*, Summer 2005, Vol. 47, Issue 4, pp 19-45, p 27.

7.0 Case analysis

Introduction:

Question 1: We would begin the class by asking the students, "If you were a football manufacturer in Jalandhar in 1997-98 when this incident occurred, what would have been your thoughts, feelings, ideas, and challenges? Who were the key players/actors in this incident? What would their responses/reactions to this event have been?"

The key issues would be concerned with the brand and the damage to the reputation and credibility of the buyer, namely Adidas; the financial loss resulting from the cancellation of orders; the stoppage of future orders given the negative publicity; the impact of this adverse publicity on the psyche of the consumers; and the vulnerability of the future course of action on trade relationships. A deeper level of discussion would focus on the other key actors – at the firm level, the regional level, the national level, and the international level

As the football manufacturer, the focus was on Adidas and its response. The significant impact for Adidas was on the brand, reputation, and credibility of the company along with related impact on current and future customers. FIFA, the sporting body, was another key actor. A football is not just a product; it is a symbol of sportsmanship. A large number of the sport's followers are children and during the World Cup season, a number of footballs are bought. Therefore, such media coverage would have a negative impact on the game and the organisers. Since child labour is an international issue, the UN and the ILO became stakeholders. Since the Indian Government has ratified many of the international conventions on child labour, this issue also has political ramifications. With little time left for the World Cup and the manufacture of footballs being a time-consuming process, the financial risks for Adidas and FIFA were quite high.

Introduce the stakeholder framework.

The stakeholder theory argues that every company affects individuals or groups in the pursuit of its goals. These groups, therefore, have a legitimate interest in the corporation. Depending on how the company impacts them, they had more or less power and influence. This power or influence translates to a "stake" and, therefore, it is in the interest of the corporation to manage its stakeholders. Traditionally, the stakeholders of a company were employees, competitors, suppliers, shareholders, governments, activist groups, communities and customers. Other stakeholders, such as the environment, have also been subsequently included in this discussion. The stakeholder theory was also used as a managerial tool for analysing the relevance and criticality of the various stakeholders of the firm.

Question 2:

Could any single manufacturer confidently guarantee to Adidas and FIFA that the balls had been manufactured without the hand of a child involved? Identify the different elements of the supply chain in the manufacture of footballs. Go beyond child labour and identify the key CSR issues.

No single manufacturer could guarantee that no child had touched the football for the purpose of manufacture. The reason for this is the multiple channels through which procurement happens as a part of the supply chain – stitchers supplied to middlemen, multiple stitchers worked for multiple middlemen, and the middlemen also supplied to different manufacturers. Some manufacturers also had their own production centres.

It was also necessary to distinguish between child work and child labour. In a number of families, since women stitch at home, it was not uncommon for a child of about 11-14 years to pick up the trade. (Refer: Appendix 5)

Question 3:

How did SGFI go become a success? What were the factors that contributed to the effectiveness of SGFI?

The proactive orientation of the manufacturers/exporters to counter the negative image created was one of the main factors for the success of SGFI. Since FIFA, WFSGI, and buyers from other countries also suffered great damage to their reputations and severe financial losses, a collaborative effort was possible. With FIFA funding the effort, and getting SGS as an external internationally reputed monitoring agency, SGFI was given legitimacy. It was in the interest of all the stakeholders to make SGFI succeed. The involvement of the UN gave the required institutional legitimacy to the prevention and progressive elimination of child labour.

The learning reinforcement for Part A of the case:

a. Global supply chains created vulnerabilities for multiple parties. Therefore, CSR issues in the supply chain had to be carefully analysed and understood.

b. As the nature and complexity of stakeholders increased, there was a need for joint collaborative institutional structures to be put in place. While there were attempts to arrive at codes and standards, there was a need for organisations like SGFI, which could ensure that such standards are enforced effectively, not from a compliance perspective but from an enabling perspective

c. The financial aspects, reputation, brand, and customers were managed well through SGFI.

Part B

Question 1:

Explore the growth and evolution of SGFI. What purpose did each of the initiatives launched by SGFI serve? Should SGFI have gone ahead with the UNIDO project? Do a SWOT analysis of SGFI. What are the limits to CSR for organisations? Is SGFI sustainable?

Strengths Strong membership base Strong institutional linkages Credibility (both nationally and internationally) Competent staff Strong relationships with stitching community Awareness creation on child labour	Weaknesses Dependent on funding from other agencies A range of initiatives floated Core capability of the organisation–dispersed
Opportunities Become an unique institution to eradicate child labour Influence the domestic football market to look at child labour-free balls	Threats Manufacturers do not see adequate value with their own processes strengthened Identity dilution of SGFI

The key learnings in this section were:

a. The manufacturers saw value in their membership of SGFI. Their commitment to continued investment in SGFI was an indicator of its success.

b. In developing countries like India, where the roles of various institutions like the Government, civil society, and corporations are in transition, the SGFI has had to fill in these gaps. To strengthen child labour-free production, there was a need for SGFI to create or to collaborate with various actors in the ecosystem on a number of issues.

Part C

Question 1

a. How far and how much can SGFI impact the use of child labor? Can it eliminate child labour or was all the effort made more concerned with treating the symptoms of a social problem? How far can SGFI and the members go towards fixing the issues related to child labour? Are there limits to CSR for companies?

b. If the domestic market is 10 times the size of the international market and one of the fastest growing markets for sports goods, is there a role in it for SGFI?

c. What should be the funding structure for organisations like SGFI to make them viable, sustainable, and independent (not subject to external pressures) in the long term?

There is an attempt by SGFI to institutionalise the current monitoring efforts at the organisational level by getting the manufacturers certified as ISO complaint. The periodic audits would be a part of the governance structure of the manufacturing companies. The role of SGFI involves doing third party audits. This is likely to result in building the capacity of the local manufacturers for monitoring.

The argument is that the social standards, when adhered to, offer a business case for organisations to position them distinctively in the market place. The business case arguments proposed by the World Economic Forum include:
1. Brand enhancement and reputation
2. License to operate
3. Reduction and mitigation of business risks
4. Employee productivity and motivation
5. Efficiency gains
6. Development of new business opportunities
7. Access to capital from socially minded investors

We would therefore expect that the standards enforced for the export market be used strategically to develop new business opportunities or enhance the reputation and brand of the existing manufacturers.