

KARMA UNITED:

HOW THE DANISH SPORTS BRAND HUMMEL WANTS TO “CHANGE THE WORLD THROUGH SPORT”



This case was written by Professor Kai Hockerts, Department of Intercultural Communication and Management at Copenhagen Business School and Kamoliddin Saliev. We thank hummel for their support. The case is targeted first semester student and intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

THE CASE IS DEVELOPED WITH SUPPORT BY CBS OFFICE OF RESPONSIBLE MANAGEMENT EDUCATION AND IS A PART OF THE FREE CBS CASE SERIES EXAMINING A BROAD PERSPECTIVE OF ISSUES RELATED TO RESPONSIBLE MANAGEMENT.

© COPENHAGEN BUSINESS SCHOOL ALL RIGHTS RESERVED 2013

CBS IS A SIGNATORY OF
PRME

THIS WORK IS LICENSED UNDER THE CREATIVE COMMONS ATTRIBUTION-NONCOMMERCIAL-NODERIVS 3.0 UNPORTED LICENSE. TO VIEW A COPY OF THIS LICENSE, VISIT [HTTP://CREATIVECOMMONS.ORG/LICENSES/BY-NC-ND/3.0/](http://creativecommons.org/licenses/by-nc-nd/3.0/) OR SEND A LETTER TO CREATIVE COMMONS, 444 CASTRO STREET, SUITE 900, MOUNTAIN VIEW, CALIFORNIA, 94041, USA.



Distributed by The Case Centre
www.thecasecentre.org
 All rights reserved

North America
 t +1 781 239 5884
 f +1 781 239 5885
 e info.usa@thecasecentre.org

Rest of the world
 t +44 (0)1234 750903
 f +44 (0)1234 751125
 e info@thecasecentre.org

This case has been made available as part of the CBS free case collection www.thecasecentre.org/cbsfreecases

WHAT? YOU HAVE NEVER HEARD OF THAT JOB TITLE?

Whatever career path Dan Bjerg had in mind while studying at the university, he definitely did not imagine becoming a “Karma Developer”.

Don’t worry; you are not going to find it in any textbooks on human resource management. The position was dreamed up by the Danish business celebrity Christian Stadil, the highly charismatic and innovative owner of hummel International (hummel), who hired Dan in 2010.

Working as a Karma Developer at hummel had been an exhilarating experience for the young and energetic Dan. During his two and a half years at the Danish sports brand, he had worked closely with Christian and hummel’s Chief Marketing Officer, Henning Nielsen, and Dan had come to cherish what he thought might well be one of the most unusual work places in Denmark.

As Karma Developer, Dan was responsible for developing hummel’s ground-breaking philanthropic activities supporting sports in developing countries and also for strengthening hummel’s supply chain management. As he was preparing for his next meeting with Christian and hummel CEO, Søren Schriver, Dan was considering how he should prioritise and reconcile these two activities in the following years and which specific actions he should suggest.



Dan Bjerg and UN Secretary General Ban Ki-Moon at Diplo-Match – a football match for diplomats arranged by hummel and Play31 to generate support and awareness for Sierra Leone – in New York, April 2012.

HUMMEL INTERNATIONAL

Since its foundation in 1923, hummel had grown into a multinational company with activities in more than 40 countries. During the 70s and 80s, hummel achieved iconic status in Denmark peaking when the national football team won the European Championship in 1992, wearing a hummel football outfit. However, hummel grew too big, too fast, resulting in zero profits. Just as it was on the verge of bankruptcy, Thor Stadil, a Danish investor, took over hummel.

The present CEO, Søren Schriver, was hired in 1993 and immediately initiated a plan to pull the company back from the brink bankruptcy. Søren scaled hummel's wide range of sponsorships and apparel back, which had spread the company too thin, and diluted its brand image. Over the next few years, Søren worked diligently to return hummel to being profitable. He revitalised hummel's range, and narrowed its focus to just a handful of sports with football remaining the company's most active sports line.

In 1999 Thor became sole owner and he brought in his son Christian (then 28 years old). The young Stadil quickly noticed an interesting trend; people were scouring the local thrift shops for old hummel fashions from the 1970s and 1980s. He recognised similar trends in other markets, with retro fashions making a comeback in Paris and London. hummel then used a selection of the company's older designs as the basis for the launch of the company's first fashion-oriented clothing collection. From the get go, hummel sought to maintain the collection's exclusive aura, shunning advertising and restricting sales to a selected range of boutiques. Word-of-mouth provided the fashion line with sufficient momentum. By the early 2000s, hummel was growing by around 20% per year and by the end of 2012, hummel's sales soared to over US\$ 170 million.



Father and son. Thor and Christian Stadil in THORNICO's headquarter in Copenhagen

KARMA UNITED – CHANGE THE WORLD THROUGH SPORT

Buoyed by his success, Christian turned his attention to a management issue that was particularly close to his heart: a new leadership style which he termed Company Karma, inspired by a Buddhist belief that all acts of individuals would eventually fall back on them. Selfless behaviour would eventually benefit the giver, selfish behaviour would hurt those responsible for it. With Company Karma, hummel challenged managers to adopt this philosophy in businesses, convinced that responsible management would eventually benefit the firms that engaged in it.

“If you light a lamp for somebody,
it will also brighten your path”

Buddhist proverb

Christian was convinced that doing good and doing well were two sides of the same coin. He openly stated that companies needed profits the same way a body needed blood, but he added: “Where it really gets interesting is when the company first makes profits – what does it choose to do with itself?”

The idea was not new; for the past two decades, Corporate Social Responsibility (CSR) had emerged as a new management philosophy requiring firms to accept greater responsibility for their actions and to ensure a positive impact on society at large. In effect, it was voluntary self-regulation asking businesses to do more than just comply with laws and regulations.



hummel kicked off the Karma campaign with a decision to sponsor the first Tibetan national football team in 2001, after it had been previously turned down by Nike, Adidas, and Reebok. The move embroiled hummel in a controversial political debate about the rights of the Tibetan people. However, it also benefited the brand as a number of celebrities, including Richard Gere and U2's Bono, began wearing the Tibetan team's t-shirt in a gesture of solidarity.

Ever since this first PR endeavour, hummel supported what Christian called political “projects with an edge”. hummel’s conviction was that sports sponsorship did not just have to be about advertising, but could also have a deeper meaning. With this approach, hummel’s marketing team developed the brand promise: “*Change the World through Sport*”.

A COMPLEX GAME

Having taken a very public stance in favour of CSR, Christian was for a long time showered with praise by Danish and international media. Nevertheless, he came in the crosshairs of Danish tabloid wrath, when hummel decided somewhat abruptly to end sponsorship of the Tibetan team in 2008, after seven years of cooperation.

Referring to the Tibetan sponsorship case, Christian asserted that the decision was in part due to the fact that sports sponsorships change: “Seven years is a long time in sports sponsorship. We were looking for new social causes to support such as, for example, women’s football in Afghanistan and children’s football camps in Sierra Leone”. Christian however also openly admitted that there had been tension stemming from support of the Tibetan team and hummel’s production in China: “It is clear that it is tough to do business in China, when you support Tibet.”



Consequently, hummel became the sponsor of the first female Afghan football team, making a powerful statement for gender equality in a country where female sports are highly frowned upon. The move earned hummel the “Best Athletic Women Award” from Sportswear International, underlining hummel’s belief in the power of sport to help developing countries change. In 2010, a friendly match was held between international troops in Kabul and the Afghan women’s national football team. The match was deemed a resounding victory for football, Afghanistan, and oppressed women. It was also a terrific success for hummel: news of the match garnered 250 million contacts worldwide, from many of whom had never heard of hummel before.

In 2008, hummel also began sponsoring Sierra Leone’s national team and initiated a project to build children’s football schools there. In cooperation with the Danish organisation Play31, community tournaments were organised in five provinces in Sierra Leone. During tournaments, staff of Play31 talked with victims and former rebel soldiers, in an attempt to try and heal wounds brought on by the civil war – memories of which are still vivid in the minds of many – and taught them about human rights and other issues. The tournaments reached about 80,000 people each year.

In February 2012 hummel launched the Karma Dashboard; a new website (<http://www.hummel.net/en-DK/karma>), to allow its business partners to join the Karma campaign and where hummel's business partners in various countries could sponsor their own sports causes and share their experiences online. There was also a global map to better track and make visible the changes made by all participants in the Karma movement. Plans for the future included social media campaigns, which would allow customers to comment on their favourite campaigns and thus spread the word about Karma United.

THE CHALLENGE OF SUPPLY CHAIN MANAGEMENT

hummel knew that by taking a high profile position on sports and human rights, they would also need to make sure their production would live up to certain ethical considerations when it came to the factory workers actually producing the hummel products. Driven by an increasingly globalised market place, the challenge of supply chain management had grown considerably over the past two decades. Businesses worldwide relied on a large number of suppliers and in their ability to produce and distribute their own products and services.

This reliance, however, came at a price; the company ended up participating in processes beyond its immediate control. This could create significant risks as Nike, Inc. discovered in the 1990s, when anti-sweatshop activist groups attacked the sports apparel and shoe-maker for contracting suppliers who used child labour in their manufacturing. The ensuing critical coverage by the media, vilified Nike and the whole sports apparel industry in the eyes of the general public.



Over the past three decades, hummel had built a complex supply chain of 40 suppliers in a large number of countries including China, Vietnam, India, Turkey, and Portugal. 10-12 of these suppliers handled approximately 80% of the orders, with quite a few specialising in

certain areas. Nevertheless, when building a supply chain and sourcing new partners, hummel paid great attention to social certifications such as BSCI, WRAP, SA8000, furthermore, considering whether their factories supplied to other brands, with strict codes of conduct (COC); indicating that their supplier's factories had to take COC and relevant regulations seriously.

Over the years, hummel had also developed its own team of inspectors. It employed about 20 dedicated staff to conduct audits of its suppliers, some of which lived and worked locally, close to factory sites. However, these inspectors could only audit direct suppliers, not suppliers of suppliers. Furthermore, hummel did not allow factories to use subcontractors without first notifying hummel. Suppliers were trained and educated in to understanding that rule breaking was not a solution, and that it would affect their business relationship with hummel in the long-term if they did not abide by the rules. But while control was important, it was also important to build a personal and trusting relationship with production partners, and establishing a dialogue was essential in securing the best conditions for all people involved. As a consequence, Søren personally visited many production facilities in China and India. Per Kragh, hummel's Chief Purchasing Officer, also stressed that dialogue with the factories was essential: "We have to train and educate our suppliers that rule breaking is not a solution, and that it will affect their business relationship with hummel in the long-term if they don't stick to the rules".

In the recent years several organisations offering to help companies manage their supply chain issues had surfaced. One of these was the Fair Factories Clearinghouse (FFC), a non-profit organisation offering a database (www.fairfactories.org), where companies monitoring the same factories could share information about workplace conditions on labour, health and safety, ethical, environmental and security standards, industry trends, and best practices. The FFC was founded by a group of former Reebok employees that wanted to enable collaboration among its clients and to enhance compliance with local labour laws, industry standards, and their respective codes of conduct.

FCC hoped that its solution would help companies lower their auditing costs as well as improve leverage with suppliers. Eventually the tool would make it easier to select factories with good human rights records. However, some firms hesitated in joining the FFC since it would require sharing data about who their suppliers were and possibly even about specific orders. Many firms had qualms about making such sensitive information available to their competitors.

ASSIGNMENT

As Karma Developer, Dan was in charge of hummel's development and proactivity. Considering the recent media criticism, it was however clear that in order to stay on track and continue hummel's work of doing good while doing well, Dan needed to reconsider the company's strategy for philanthropic activities while at the same time ensuring responsible supply chain management. At tomorrow's meeting with Christian and the Søren, Dan was expected to present and clearly argue for his suggestions. He had to look at all aspects of the situation – how would the strategy affect external stakeholders such as customers and suppliers, and how should potential changes be managed internally in order to obtain support and engagement from hummel's employees?

EXHIBITS

EXHIBIT 1: THE 5 VALUES OF HUMMEL INTERNATIONAL

HERITAGE

As one of the oldest team sport brands in the world originating from 1923, our unique heritage is deeply rooted in every single fabric of our soul. It is a cornerstone in our design philosophy and is evident in both our team sport and fashion collections.

CHARACTER

Character saturates the way all our products are made. Each product expresses its own story and character and the same goes for every team and individual player we sponsor. To paraphrase the Danish philosopher Soeren Kierkegaard, it's our ambition to give people a platform where they can step into character.

DANISH

Being one of the only Danish owned sports brands in the world we honour and believe in values such as freedom of speech, human respect and equality for all. With roots in the famous Danish design tradition, we are proud to associate ourselves and our products with these strong values.

SPORTS

hummel begins and ends with sport. From concept development and product design to company culture, sports are the most essential part of our DNA. The energy, dedication and team spirit that defines sport, is the strong fundament hummel's history and growth are based on.

COMPANY KARMA

Every action has a consequence. With our core philosophy of Company Karma we strive to combine our actions as a business with doing good. Armed with our long heritage in sport, we believe we can step into character and do good by using sport as a tool for positive change.

EXHIBIT 2: WEBSITE LINKS

<http://www.cnbc.com/story/everyone-as-a-winner/1330/1/>

<http://qn.som.yale.edu/content/can-international-attention-improve-factory-conditions>