

When Scandal Breaks: The IAF Economic Advisory Board



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This case has been written solely for classroom discussion and is not intended to illustrate effective or ineffective handling of a management situation. The events described in the case are inspired by actual events, but all mentioned organizations and individuals are entirely fictional.

Michael Keele was furious. And he was disappointed. In Stephen Krieger—and in himself. Had it been a mistake to join the Economic Advisory Board of the International Athletic Federation? What should he do now?

Several months prior, Keele had met Krieger at a charity event. Keele, as the CEO of construction firm Amalgamated Builders Inc., was a frequent guest at such events. Krieger was the Chairman of the International Athletic Federation (IAF), an international non-profit organization dedicated to organizing global competitions in various disciplines and advancing sports in general, and, in this capacity, had seen an even greater number of such occasions. The two men were introduced, exchanged friendly small talk, and quickly found a shared interest in topics related to the construction of sports arenas and related infrastructure. Amalgamated Builders had a division with considerable experience in the field, and the IAF organized large sporting events around the world, which frequently required new infrastructure to be built. While Keele found Krieger a little brash and vain, the men got along well and agreed to stay in contact.

A few weeks after the meeting, Krieger contacted Keele and invited him to join the IAF's Economic Advisory Board. He would be one of ten CEOs of firms from various industries that would provide expertise directly to Krieger, the IAF's chairman. The Economic Advisory Board itself would be chaired by Harold Lumpman, a respected CEO of a large financial services firm.

Since decisions at IAF were not made by the chairman alone, but by the entire IAF executive committee, there were no regulations in place to prevent a member of the advisory board from also engaging in business with IAF. Regarding sports infrastructure in particular, conflicts of interest were limited even further as IAF would not put out requests for proposals for such projects; the municipalities themselves would most often be the construction firm's business partners. Keele thus decided that it might be a good idea to join the board. At worst, he and his firm would be associated with a very reputable sports organization and he would have a "seat at the table," and at best, he might be able to better understand or even shape the influence IAF would have on municipalities when it came to building new sports infrastructure.

What made the decision to join even easier was that Nicholas E. Stark was a member of the board, too. Stark and Keele had gone to business school together, knew each other well, and shared similar values. Stark, the CEO of a consumer goods company, had been on the advisory board for a while. Although he noted that Krieger could at times be an unpleasant person if he was angry with someone, Stark explained to Keele that the advisory board was a great opportunity to network with the other CEOs on the board. "I have done some good deals this way! It really helps you establish a direct communication channel to IAF, but also to a few other important people," he added.

Shortly after Keele joined the advisory board, scandal broke. Krieger was caught making racist comments. At a track and field event, he had spoken into a live microphone that he thought was turned off. The recordings were leaked to the press and his comments were all over the news. What made matters even worse was that he did not apologize for the comments, but instead took the next interview he gave as an opportunity to provide crude explanations and attempt to justify his comments. The comments were off-putting and Keele was disgusted. He was also concerned about his reputation, given that he was officially affiliated with Krieger.

Most other organizational leaders would have likely been replaced immediately, but Krieger had such a firm standing at IAF that it seemed unlikely he would have to give up his position. He had been the Chairman of IAF for a long time, shaped the organization to his needs, and had strong allies within the organization who supported him for political reasons.

Keele thought about leaving the advisory board immediately, but he knew that Krieger had publicly and privately gone after organizations and individuals that had crossed him. An open confrontation might have adverse consequences for Amalgamated Builders and possibly Keele himself. But so did staying on the advisory board. He knew it was only a matter of time until the first reporter would call and ask for a statement. He was unsure about what to do.