

Nuzman case IOC

Introduction:

This report will examine the crisis of the International Olympic Committee (IOC) involving the misbehaviours of Carlos Nuzman, the president of the Brazilian Olympic Committee (COB). It will identify the type of crisis, then analyse how the IOC and the stakeholders reacted to this crisis in terms of image repair strategies, as proposed by Benoit (1997) and Coombs (2007). It will also explore the relationship the IOC had with the media before, during and after the crisis.

Facts

CRISIS TIMELINE

Prodromal stage
*Initial symptoms; cues that
potential crisis may emerge*

5TH SEPTEMBER 2017



The Brazilian police raided the home of Nuzman. During this raid, the equivalent of £155,000 in cash was seized after being found in a closet

Acute stage
*Crisis breakout
Triggering event
with resulting damage*

5TH OCTOBER 2017

Nuzman was arrested by the Brazilian Federal Police, on suspicion of corruption, money laundering and participating in a criminal operation. Investigators found he tried to obstruct the investigation by regularizing assets likely gained with illicit money. Nuzman amended his tax declaration to add about \$600,000 in income.

Brazilian prosecutors alleged his estate increased in value by **457%** between 2006 and 2011.

6TH OCTOBER 2017



From jail, Nuzman sent a resignation letter to the COB, where he denied any wrongdoing and declared he had been “unjustly implicated”.

20TH OCTOBER 2017

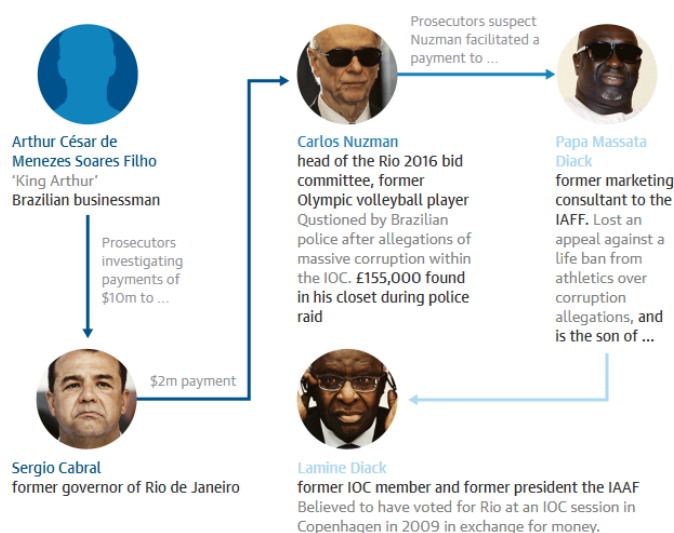
Nuzman left prison as Brazil's Superior Tribunal of Justice ordered his release but held his passport so he could not leave the country. He was also barred from contact with the IOC, the Brazilian Olympic Committee, and the local organizing committee.

Nuzman is to stand trial for corruption, money laundering, tax evasion and running a criminal organization.



On the 5th of September 2017, the Brazilian police raided the home of Brazilian Olympic Committee (COB) President Carlos Nuzman, as he was allegedly a central player in an international corruption scheme aimed at buying votes for the awarding of the 2016 Olympics to Rio (Prengaman and Wade 2017). During this raid, the equivalent of £155,000 in cash was seized after being found in a closet (Kelner 2017a). As part of the “Operation Unfair Play”, the Brazilian federal police found that Nuzman brought together and facilitated payments between Soares Filho and Lamine Diack, who at the time was an IOC voting member. Soares Filho’s company, Matlock Capital Group, allegedly paid Diack \$2 million through an account of Diack’s son, Papa Massata Diack, so that we would vote for Rio in the 2009 Olympic bid. This investigation also resulted in 11 detention warrants issued for people in both Brazil and France. At that point, the crisis was at what Fink (1986) calls the “prodromal stage”, where cues that a crisis may occur emerge.

How Carlos Nuzman is suspected to have facilitated a \$2m payment to Papa Massata Diack



Guardian graphic

Figure: Kelner 2017c

A month later, on October the 5th, Nuzman was arrested by the Brazilian Federal Police, which was the triggering event of the crisis as it entered an acute stage (Fink 1986). Investigators found he tried to obstruct the investigation by regularizing assets likely gained with illicit money, two weeks after being held for questioning, Nuzman amended his tax declaration to add about \$600,000 in income. Nuzman was thus arrested on suspicion of corruption, money laundering and participating in a criminal operation as Brazilian prosecutors alleged his estate increased in value by 457% between 2006 and 2011 (Kelner 2017b).

On October the 20th, Nuzman left prison as Brazil's Superior Tribunal of Justice ordered his release, but held his passport so he could not leave the country. He was also barred from contact with the IOC, the Brazilian Olympic Committee, and the local organizing committee. Nuzman is to stand trial for corruption, money laundering, tax evasion and running a criminal organization (Wade 2017)

Type of crisis

Following the typology proposed by Coombs and Holladay (2002), this crisis can be considered an organizational misdeed management misconduct as management knowingly violated laws or regulations. According to them, these types of crisis are considered as preventable and as having strong attributions of organizational crisis responsibility (the public firmly blames the organisation for the crisis) and thus require responses such as corrective action and full apologies.

RESPONSE FROM STAKEHOLDERS

IOC

On a first instance, the IOC took a strategy of **defeasibility**, as it stated that the organisation did not know about this circumstance, it learned about these circumstances from the media and was making every effort to get the full information (Prengaman and Wade 2017).

The IOC president made his first statement concerning the crisis, **bolstering** through an emphasis on the integrity of the organisation and on the actions taken already - joining an inquiry as "partie civile" (IOC Media 2017).

When it became clear that Nuzman was going to be jailed, the IOC reacted with two press releases in two days, denoting its intention to take control of the news stream. First, through a press release from spokesperson, the IOC took the strategy of **reminding** stakeholders that these allegations against Nuzman relate to a time before the IOC undertook **corrective actions**: a reform programme where a new good governance system was introduced, so that these actions (vote buying) are avoided in the future (IOC 2017a).

The IOC is **bolstering** as it stresses the laudable traits its Ethics Commission undertaking the investigation - it is composed mostly of independent persons not linked to the organisation. It mentions the resolve of this commission to investigate any complaints or facts that breach the principles of the Olympic Charter (IOC 2017a).

The IOC is also **excusing** itself, as it is claiming an inability to control the events that triggered the crisis. It likens itself to “any other organisation” that is not immune to infringements (IOC 2017a); implying that the organisation is a **victim** of the crisis too.

Secondly, the IOC Executive Board responds to Nuzman jailing suspending him provisionally from all the rights, prerogatives and functions deriving from his quality as an IOC Honorary Member and withdrawing him from the Coordination Commission for the Olympic Games Tokyo 2020 (IOC 2017b) This is a message to the public that the organisation is taking **corrective actions**, and will not allow the next Olympic Games to be tainted.

Given that Nuzman was the President of the Brazilian Olympic Committee (COB), and that the COB was in turn responsible for the candidature of Rio de Janeiro in 2009, the IOC decided to suspend provisionally the COB - subsidies and payments from the IOC to the COB are frozen and the COB is not allowed to exercise its membership rights in NOC associations. As for Brazilian athletes, which can also be considered stakeholders for the IOC, the organisation shields them from any damaging consequences, as it maintains Olympic scholarships to them (IOC 2017b).

Additionally, with these actions, the IOC could be **scapegoating** Nuzman and the COB to some extent, blaming them for the crisis and trying to turn public opinion or attention against them rather than on the mistakes of the IOC - giving him the status of Honorary Member for example.

A few weeks later, the IOC decided to partially lift the ban on the COB - allowing it to exercise its membership rights in NOC associations - considering that the committee had taken the necessary **corrective actions** to address the IOC's concerns: confirm definitive resignation of Nuzman, review and revise the COB statutes and governance, conduct an audit into the accounts of the COB (IOC 2017c).

Finally, in February 2018, lifted the COB suspension as it stated that it was verified that the COB was not involved in any manner in any of the allegations/charges against Nuzman in the framework of the ongoing investigation by the Federal Public Prosecutor in Brazil (IOC 2018). The IOC is thus trying to dissociate the misdeeds of a person (Nuzman) with those of an entire organisation (COB). Subsequently, it could be implying that the Olympic Games as a whole are not tainted; the misbehaviour is just restricted to one person who was at the head of the organisation. This event marks what could be considered the last stages of the crisis: chronic stage and resolution stage (Fink 1986). Indeed, there will be some lingering effects on the image of the IOC as the judicial process advances but the organisation will most likely not respond as it has already taken corrective actions.

IMAGE REPAIR STRATEGIES IOC

DEFEASIBILITY

Evasion of Responsibility
(Benoit 1997)

"The organisation did not know about this circumstance, it learned about these circumstances from the media and was making every effort to get the full information"

BOLSTERING

Stressing good traits (Benoit 1997)
Reminder: Tell stakeholders about the past good works of the organization (Coombs 2007)



- Joining an inquiry as "partie civile"
- Laudable Ethics Commission
- New good governance system introduced

CORRECTIVE ACTIONS

Plan to Solve or
Prevent Problem (Benoit 1997)



- Suspend Nuzman from all the rights, prerogatives and functions deriving from his quality as an IOC Honorary Member
- Provisionally suspend Brazil Olympic Committee

EXCUSE AND VICTIMAGE

Claim inability to control the events that triggered the crisis.
(Coombs 2007)

Remind stakeholders that the organization is a victim of the crisis too.



"Like any other organisation, the IOC will not be immune to infringements"

Carlos Nuzman

Firstly, the spokesperson for Nuzman, his lawyer Sergio Mazillo, told reporters that his client would cooperate but **denied** any wrongdoing. He went on to **shift the blame** to the media: “Unfortunately, this has created a media spectacle” (Kelner 2017a).

When Nuzman was arrested, his lawyer **attacked the accusers** - the Brazilian police - as he declared that he had been unfairly treated and that being detained was “harsh and unusual” (Kelner 2017b).

From jail, Nuzman sent a resignation letter to the Brazilian Olympic Committee where he said he was stepping down as he needed to devote himself to his legal defense. In the letter, he **denied** any wrongdoing and declared he had been “unjustly implicated”. He also stated that he was going to prove his innocence to accusers and alleged his right of defense had been violated (Comitê Olímpico do Brasil 2017).

Media

The relationship between the IOC and the media before the crisis was already poor. The IOC was condemned for their awarding of “corruption-enabling and reputation-laundering” mega-events to places like China and Russia, despite their disregard for democracy and human rights (Hyde 2017a). The IOC was criticized for violating its own ethical principles (Ingle 2017a) and for its acts of corruption, most notably the bribery scandals surrounding the Atlanta Games in 1996 and Salt Lake City in 2002 (Worden 2013). The bidding process was qualified as “irreversibly broken” (Pells 2017).

When the crisis began, the first reaction of the IOC was heavily criticised by the media. The organisation position was described as “selective blindness” and its reaction as “myopic” (Hyde 2017b). Journalists wondered why it seems that the IOC is always reactive rather than proactive (“it is always the last to know”). Thomas Bach (IOC president) was blamed as well for being passive and not being willing to get to the bottom of the scandal (Hyde 2017b). To defend its organisation, Bach resorted to an argument of insufficient evidence or information “in order to take action, you need evidence” (Pells 2017).

The media called into question the IOC’s stance that this was an isolated incident and that it had already taken the appropriate governance measures to safeguard the integrity of the organisation. Indeed, the media associated the corruption to the entire IOC and Olympic Games and was quick to put the spotlight on other issues such as the Tokyo Olympics bid and individuals that are part of the IOC executive committee (Ingle 2017b). Consequently, it can be said that the media did not assent to the IOC position: journalists saw this as a systemic issue and cast a shadow of doubt over the entire organization. It can also be said that this crisis serves as another event that reaffirms the assumptions or suspicions around the IOC in terms of corruption and misbehaviours of management.

Conclusion

The crisis involving Nuzman and the IOC represented another example of how a management misconduct can damage the reputation of an organisation. Even though the accused, Carlos Nuzman, denied any wrongdoing and continues to declare his innocence, the IOC decided to take some corrective actions in order to repair the image of the organisation: strip him from his status of Honorary Member, suspend the Brazilian Olympic Committee until the investigation over its accounts and governance was completed. Other strategies like praising the IOC Ethics Commission were carried out. However, no formal or direct apology to stakeholders or the public was issued, as Coombs and Holladay (2002) recommend for this type of crisis. This report recommends the IOC to take more responsibility using apologies when/if Nuzman is declared guilty and when top management of organising committees of the Olympic Games are under police investigation. The relationship of the IOC and the media was poor already before the crisis and worsened after it, as this was considered another event that exemplifies the culture of corruption inside the organisation.

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