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Crisis of the Week: Sports Direct Confronts Unfair Labor Practices Allegations

By
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Mike Ashley, founder of sports clothing retailer Sports Direct, speaks to a U.K. parliamentary select committee on June 7, 2016. Photo: Reuters

This is a weekly commentary by external experts.

U.K.-based Sports Direct is under the crisis spotlight this week, after its chief executive appeared before a panel of U.K. lawmakers to explain the company's operations following reports workers were [being paid below the U.K. minimum wage](#). Other claims are that [workers are afraid to speak out](#) about their working conditions for fear of losing their jobs, and reports workers can get fired after accumulating six "strikes" for offenses including excessive bathroom breaks, talking too much, repeatedly calling in sick and using their mobile phone while on the warehouse floor.

The company's CEO, Mike Ashley, [appeared before a U.K. Parliament committee](#) earlier this month—after initially resisting efforts to go before the lawmakers—and admitted some workers were paid below the minimum wage. He attributed the issue to security check bottlenecks but said the problem has been corrected.

Prior to his appearance before Parliament, Sports Direct issued [several statements](#) related to the treatment of its workers, saying in one that the allegations were creating an "[unfair portrayal](#)" of the company. In another, it pledged its workers would be [paid above the national minimum wage](#) beginning in January 2016.

Using only the comments made by Mr. Ashley, crisis-communications experts break down how well the company is handling its crisis. What is it doing well in terms of messaging and delivery of that message? How could the company improve its messaging? What should it do next?

Aaron Kwittken, chief executive, Kwittken: "Overall, Mike Ashley was open and honest with his responses and did not attempt to skate around any questions. Given the circumstances, he really had nowhere to hide, so it was best for him to face the music and be as transparent as possible, which to his credit, he was. However, Mr. Ashley did miss a major opportunity to change the narrative.

"This was his opportunity to present his plan to fix a work environment that is out of control and out of bounds in terms of legal and ethical labor practices. He should have been prepared to present to Parliament and the broader public how he plans to fix these problems in the future, even if it was as simple as a plan to launch a third-party investigation into the company's labor practices.

"Several articles stated Mr. Ashley lost control of Sports Direct because of its rapid growth. As the CEO and founder of a company, growth and success are not an excuse for negligence. Frankly, these allegations are not growth-related; a majority of them are, at their core, moral judgments that ultimately fall back on Mr. Ashley as the company's founder and top executive.

"I would have liked to have seen Mr. Ashley address Parliament alone. By bringing a public relations practitioner to the hearing, it gives the perception that Mr. Ashley either does not have all the answers or is being overly selective in what he chooses to say. It's pure theatre but a solo appearance would have gone a long way."

Ira Kalb, assistant professor of clinical marketing at the USC Marshall School of Business: "With his company accused of violating minimum wage laws and creating an oppressive culture of fear and Victorian working conditions, Sports Direct Chief Executive Mike Ashley appeared before Parliament to defend his, and his company's, reputation. During his appearance and in subsequent statements to the media, Mr. Ashley did a good job of solidifying his image as a self-made billionaire that is candid, tough and straightforward.

"As many testified about the culture of fear at Sports Direct, Mr. Ashley admitted that mistakes had been made. Rather than take responsibility for them, he repeated a litany of excuses: The company had grown too big, too fast;

his managers had not made him aware of these problems; and the internet had made it impossible to employ only full-time workers, resulting in a staff mix of 80% part-time employees and 20% full-time.

“What Sports Authority should do next is listen to the recommendations of the Parliament committee and admit the problems, put them in the context of its rapid, successful growth and outline a solution with a timeline as to when they will be solved.”

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