

# Leadership and Change Management within Adidas

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**Abstract:** To explore the impact of leadership change management on global organisations, firstly, the state of the multinational Adidas is presented, with an analysis of the company's resources and capabilities based on the PESTEL model focusing on the structural level. Secondly, the McKinsey 7S model points out the company's aspects that must be considered comprehensively in the development process. Finally, the paper concludes that competition is the driver of external change and that a healthy company climate and incentives are key to reducing internal resistance.

**Keywords:** Leadership change management, Adidas, McKinsey 7S model, PESTEL model, organisational culture, resistance to change

## 1. Introduction

Change management is always key to operating a global organization, as the global situation is changeable, and every organization has to encounter both opportunities and threats during this process. A qualified organization should have the ability to perceive driving forces and overcome potential resistance. Additionally, leadership is another key factor in change management. This essay will analyze the leadership and change management within Adidas, a famous sportswear manufacturer, by using the PESTEL model and McKinsey 7s model, and discuss how to overcome resistance.

## 2. Pestel Model

**Political:** The political crisis in Germany is a threat for Adidas. In recent years, Germany encountered political crisis, and German politics are melting down because of the migration issue [1]. Political uncertainty will damage the investment climates, which is followed by business policy uncertainty, and there is a negative influence on Adidas's cross-board business. Fortunately, China is the biggest market for Adidas and whose stable political situation benefits the growth of Adidas market expansion, so Adidas is focusing on China market and looking for cooperation with Chinese government to develop the physical education in China [2].

**Economical:** Parent country's strong economic environment is an opportunity for Adidas. According to the Nordea data [3], Germany is the world's fourth economic power. In addition, the growth of economy in China brought some threats to Adidas. Adidas outsources its manufacturing, so there were lots of factories in China having cooperation with Adidas, but the labour cost was increasingly high than before. According to Agence France-Presse [4], Adidas decided to bring their production back to Europe, and Adidas would open a "Speed Factory" which was robotic. The robot-operated factories would be used to manufacture new technology sneakers [5]. Preservation is an factor during change process, including tangible and intangible assets, so those original factories were not replaced by new factories, because original factories are closer to main markets.

**Social:** According to Statista [6], sport plays a key role in people's life in Europe. Sport benefits not only people's health, but also the growth of economy in Europe. The market value of health and fitness was still increasing. There were massive amount of sports club in Europe, and the number of sports club in Germany was 8,332 in 2015, which ranked the top position in Europe. Health gets a wide attention nowadays, which is a huge potential market for sports equipment companies. On the other hand, the popularity of sports in China should be mentioned. According to National Bureau of Statistic [7], the total transaction volume of sports equipment experienced a dramatic rise from 1.20 million in 2012 to 1.70 million in 2016, which is a huge opportunity for Adidas.

**Technological:** As one of the world's leading sports equipment company, Adidas is good at

designing professional sneakers, but material science is not the strength for adidas. On the contrary, Nike's air cushion technology, which means an air cushion is under sneakers to buffer the pressure during running, is increasingly popular, which was an external driving factor, so Adidas decided to cooperate with BASF, the world's leading chemical company, to fight against Nike [8]. BASF created a material called 'Boost' for Adidas, which can provide energy during sports. Adidas won the Red Dot Award because of its Boost Running shoes [9]. Boosts material makes Adidas's products more comfortable than before, which could improve customers' wearing experience and bring adidas a remarkable reputation.

**Environmental:** With the growth of economy, the environmental problem becomes increasingly serious, especially the ocean plastic. According to Greenpeace [10] research, there are 12.7 million tons of plastic which are estimated into ocean annually. As a sports equipment company, Adidas aims to decrease pollution which is created during manufacturing process. Adidas decided to make sneakers by using ocean plastic litter to appeal for environmental protection [11]. Additionally, Adidas promises that they will use only recycled plastic by 2024, and 40 tons of plastic will be reused by Adidas annually [12]. This change made by Adidas truly improved its sustainability and show a positive corporate image to the society.

**Legal:** Most products of Adidas are made in the third countries due to the weak labour laws and low cost. Adidas was hit by child labor scandal. Those children were forced to work 15 hours per day, and they could get only 60 pounds per month, which was below International Labour Organisation's demand for a living wage [13]. Actually, it is difficult for Adidas to control those situations, because those workers who are working in Adidas outsourced factories are usually forced to lie and Adidas cannot know what really is going on. Adidas would like to find problems during audits process, but it was ineffective and useless, because those factories had already prepared for audits, consequently, nothing could be solved. So Adidas decides to set up supervision teams to make sure everything is on the right way.

### **3. McKinsey 7S Model**

**System:** Adidas has an efficient system about both supply chain and human resources. The distribution system of Adidas should be mentioned. Adidas decided to set up massive amount of distribution centers to face the challenges from globalization, and this automatic system can deal with thousands of orders at the same time [14]. Furthermore, A fair promotion system can decrease employees' sense of unfairness, which is related to the success of change. According to the sustainability report [15] of Adidas, Adidas will identify those employees who are in different status and have potential, which is prepared for the unforeseen changes in the future. Adidas is good at avoiding alienation of valued people during change tactics. "Corporate Anorexia" could be avoided by preserving tacit knowledge.

**Style:** Adidas's transformational leaders play a key role in change management. Kasper Rorsted, the Adidas's new CEO, is good at making strategic change to manage Adidas's threats and opportunities. The fear of uncertainty is an resistance during a strategic change process, so an qualified organization should provide enough information to let people know the current situation. Adidas focus on sharing information and learning system, which requires leaders to involve this process in order to interact with their employees. This process is flexible and relaxing [16]. Kasper Rorsted prefers doing research on his own to listening to employees' reports in his office room, although the employees of Adidas are all over the world. He has to know them by himself, as the communication between leaders and subordinates can decrease employees' sense of insecurity, thus overcoming the resistance to change [17].

**Staff:** The staffs in Adidas are provided with a positive work environment. Staffs are treated like athletes and everyone has a coach who can improve their strengths, avoid their weakness, and focus on their technique. Adidas tries to retain their best staffs and opportunities will be given to those staffs who have potential [18]. According to the Statista [15] research, the amount of Adidas's employees experienced a smooth growth, which means that as the business expands, adidas's staff is becoming a crucial stakeholder in global business. According to the Contribution of Resource Dependence Theory, leaders always focus on stakeholders who are crucial to the company's survival, so Adidas's staffs get more attention [19].

**Skills:** Adidas always treat training as their prior mission. According to the Path- Goal Theory [20], an excellent leadership's purpose is to provide an effective path for their subordinates to achieve goals.

Adidas's on-the-job training provides ample chances to help new employees to know how to work in Adidas. This training process is unique and memorable, which can improve organizational readiness and employee's involvement. There is a digital learning platform in Adidas training system, which provides different learning modules to different staffs; PDFs, quizzes and other useful sources are available on this platform, which is flexible and less time-consuming. All of those trainings aim to make those staffs have an overall vision of Adidas, so they can contribute themselves to a strategic change in the future [16].

**Strategy:** There are three directions of Adidas's main strategy, which includes responsiveness, adjustment and resources sharing. Initially, Adidas wants to response the market rapidly, so adidas devotes to provide an efficient order process and a fast delivery to show a convenient shopping experience to their customers. Furthermore, Adidas plans to shape different fashion trend and customers' perception in different cities all over the world, which depends on various culture background for their adjusting strategy. Additionally, Adidas is seeking for various collaboration with both athletes and customers, which means athletes and customers have chances to participate in the process of designing an Adidas sports equipment [2].

**Structure:** A hierarchical structure is key to ensuring that everything in an organization is done in the right way. A strict hierarchical structure does not mean bureaucratism. There are many interactions between leaders and employees, which could create a relaxed work environment and build trust between leaders and employees [16]. According to Ohio State University research, the trust within an organization can decrease internal resistance [21]. In addition, Adidas's structure is an ecosystem, because every department is not independent, and they work together. For example, the marketing department will get the feedback from customers, then they will negotiate with design department to improve their products. One of the factors of the change resistance is the conflict of different goals among different departments, so internal collaboration and relationship are significant. Adidas's employees do not have a designated work place, and they are free to choose a place, which can improve the "spread" of change process. Jocelyn Robiot, the Senior Vice President Brand Management, said an relaxed work atmosphere could stimulate inspiration, so Adidas encourages different departments to interact and communicate [22].

**Shared Values:** Adidas has a strong sports culture which makes employees have a unique shared value and unified objective of change. Self-interest is one of factors about resistance. People resist to change because of personal loss, so a culturally driven organization should combine personal interest with group interest together by setting up unique shared values. Adidas divides its business culture into three aspects, which are confidence, collaboration and creativity. Firstly, every employee should be confident like an athlete when they face adventures, and they should have enough confidence in the outcome of change. Secondly, employees should collaborate with each other and support their colleagues, which is just like an successful athlete always depends on his supporting team. Thirdly, there was not a successful athlete who used other athletes' training plan, so creativity is always the key to success [23].

There is a case to evaluate Adidas's change management by using Kurt Lewin's 3 step model of change [24]. For Derrick Rose (a MVP basketball player), an Adidas spokesperson, the driving force was that his injury caused a bad influence on Adidas's marketing. Meanwhile, Nike designer mocked that adidas sneakers caused Rose's injury [25]. ①Unfreeze: Adidas's early success depended on Rose's talent in basketball, so the resistance was that customers and employees did not want to admit that Rose is no longer a MVP, so Adidas had to change customer's perception. ②Transition: Adidas decided to make a strategic change. Initially, the advertising of Rose did not only focus on his success, which was more like a documentary about Rose's rehabilitation process, and all of those advertising provided a chance for fans to know more about this superstar. ③Freeze: All of Adidas's advertising is about a unyielding basketball player and create a positive impact on the sales amount of Adidas shoes [26]. Adidas had transferred this threat into a commercial opportunity.

#### 4. Conclusion

In conclusion, the effectiveness of change is related to the maintenance between external and internal alignment [19]. According to adidas's success, Adidas has responsiveness to identify external driving forces, and its internal effectiveness of change includes a positive employee's relationship and fairness can reduce internal resistance, and is a readiness for the changes in the future. Furthermore, leaders' focus on information sharing and resources providing can build up trust with their subordinates

and eliminate the sense of insecurity, in order to decrease resistance. Additionally, a flexible structure can improve internal collaboration and eliminate resistance between different departments. Finally, strong shared values and unified objectives of change can combine individual with organization together and reduce individual resistance.

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