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Lance Armstrong *and the* Business of Cheating

By Michael Roney

“I like to win, but more than anything I can’t stand losing, because to me that equals death.” The words flow simply from Lance Armstrong’s taut face as it looms against blackness in Alex Gibney’s acclaimed documentary, *The Armstrong Lie*. Armstrong’s piercing eyes stare directly into the camera, as if he’s daring you to disagree.

In 2009 Gibney set out to document Armstrong’s attempted comeback as a Tour de France champion, following a seven-year winning streak that had concluded with his retirement in 2005. The comeback went nowhere and Gibney’s unreleased project, originally titled *The Road Back*, suddenly became dated when Armstrong was banned from competitive cycling for life by the United States Anti-Doping Agency (USADA) in October 2012. That’s when the director scored a final interview with the racer and the film became something much different: a chilling window into Armstrong’s ability to lie and intimidate anyone who would try to call his bluff – all in the service of his ego and business empire.

“This is not a story about doping, but about power, and hanging onto that power,” Gibney has said. Indeed, power and the willingness to lie, to deceive, seems to have been essential to not only to Armstrong’s

racing, but to the entire business empire he had painstakingly put together over the past 20 years.

How to Build a Lying Machine

Of course, lying and cheating to achieve career and business advantage is nothing new. In fact, it’s all too common. Consider Alex Rodriguez’s constant and litigious denials of doping, or on a more criminal level, Ken Lay’s accounting fraud at Enron or Bernie Madoff’s massive Ponzi scheme, which cheated investors out of \$65 billion.

Why do they do it?

“The vast majority of these offenders are pushed by the desire to capitalize financially (and otherwise) on their fame, and their need to be ever-better performers to grow that fame,” says Jeff Krawitz, Adjunct Professor of Marketing at the Stern School of Business, New York University. “Obviously, these two are interconnected and, over time, become totally intertwined. I

seriously doubt that, at the start of their rises to fame, Alex or Lance thought, “I think I’ll cheat so I can make lots of money.” More likely, it was, “I have to win so I will.....” And with the winning came fame and fortune, which drives the need to perform even better, and off they go.”

With so much big money sloshing around in professional sports today, competitors face an irresistible temptation to do what it takes – *whatever the risk* – to assure victory, especially when there are millions of dollars in future endorsement business riding on one’s ability to swat a fastball, kick a goal or power a bicycle high into the Alps faster than any other human alive. As Reed Albergotti and Vanessa O’Connell, authors of the book *Wheelman* write, “Lance is the product of our celebrity-worshipping culture and the whole money-mad world of sports gone amok.”

Powering Up the Money Mountain

To Armstrong’s credit he had quite a juggernaut going for a while, surpassing everyone in the field. And we’re not talking only about bicycling, but about the global business empire he built on the deceptions of his racing success.

The cash really began to flow when Armstrong returned to competitive cycling in 1998 after his inspirational recovery from testicular cancer. Entrepreneur Thomas Weisel, who helped bankroll the U.S. Postal Service Pro Cycling Team, gave Armstrong a minimal salary, but with incentives that ultimately allowed him to rake in an estimated \$1 million that year and roughly \$4 million by 2004 – all in addition to his winnings. By the time Armstrong mounted his Tour de France comeback in 2009, team sponsor RadioShack as reportedly paying him \$3 million for that one race alone, enhanced by millions more that he collected for just showing up for events in Australia and elsewhere.

Still, the racing and personal appearance income was just a small portion of the overall picture, as Armstrong leveraged his fame and personal story to ink rich endorsement deals with Nike, Subaru and 24 Hour Fitness, later to be followed by Anheuser-Busch, Oakley, Trek Bicycle Corp., Sports drink FRS, energy food maker Honey Stinger, the biking helmet manufacturer Giro, RadioShack and others. At the height of his career in 2005, *Forbes* estimated that Armstrong earned \$28 million from salary and performance-related bonuses as well as from an array of sponsorships, speaking engagements and book royalties.

The Wheels Come Off

The global Armstrong empire ran off the road when on October 10, 2012 the USADA released a 202-page document saying his cycling career was “fueled from start to finish by doping.” Armstrong subsequently was banned for life by the agency and stripped of all results since 1998, including seven Tour de France titles by the International Cycling Union. Almost immediately things started falling apart for Armstrong, led by his October 17 dismissal by Nike (known for its stubborn loyalty to its athlete endorsers), which cited “seemingly insurmountable evidence” that he had misled the company for more than a decade.

The very next day Armstrong stepped down as chairman of his phenomenally successful cancer foundation, Livestrong. Separations from Anheuser-Busch, Trek, FRS, Honey Stinger, Giro, RadioShack, 24 Hour Fitness and Oakley followed like tumbling dominos, though both Nike and Trek said they would still support Livestrong. This was the infamous “\$75 million day” to which Armstrong alluded when publically confessing his sins to Oprah Winfrey in January, 2013.

A reader's poll taken by the magazine *Ad Age* around that time found that 68 percent believed that Armstrong's name had been damaged beyond repair. "Whether from nature or nurture, they enter this perform-or-die arena with the willingness and ability to cheat, then lie about it to the very people who pay them, and ultimately stealing from their throngs of admirers," says Krawitz. "Even when caught, their internal moral compass – or lack thereof – prevents them from admitting their failures. We can test for drugs, search for evidence of cheating, but I don't know how to screen out this embedded moral condition."

Assessing the Damage

Armstrong's former business partners may be singing "Your Cheatin' Heart," but in most cases these jilted lovers have recovered, stronger in some ways than before. Nike ultimately cut ties with Livestrong in May 2013, short-circuiting a partnership that had generated more than \$100 million of the roughly \$500 million raised by the charity since it was founded in 1997. Still, who might be better equipped for this kind of thing than an organization dedicated to surviving a mortal threat?

"I'm not sure that the team has fully processed it," Livestrong President Doug Ullman told *Wired*, noting that the organization is still growing. "The one silver lining is that more people know who we are and what we do, and we're serving more people today than we were six months ago." He calls their brand "still very strong."

Although sunglasses maker Oakley also had dropped Armstrong, it has still continued to offer Livestrong-related products, while RadioShack and Giro still work with the organization as well. 24 Hour Fitness Sport, Subaru, Nissan and RadioShack have gone their own ways, and Trek, in a somewhat ironic twist, announced last June 26 that it will take over the RadioShack Tour de France team in 2014.

"Armstrong's partners completely trusted him; they were his most loyal allies," says Jeff Ullman, Founder and CEO of the relationship website twoology.com. "They defended him and put their reputation and integrity behind him because they thought 'he will never lie to me.' There's trust by omission and truth by commission, and what Armstrong did is violate both. This goes beyond his endorsement partners. There were thousands of bicycle enthusiasts, not to mention cancer survivors and their support organizations, who believed him and would defend him in their own circles. So what went down was not just the money loss to those people, but also their own integrity."

By July 2013 FRS had moved on from the Armstrong scandal, raising \$20 million, according to a regulatory filing, and buying a similarly sized company, Nutravale, which makes chewable medications and supplements. However, last March Armstrong and FRS were sued in Los Angeles federal court by consumers claiming that they were victims of false advertising because Armstrong had claimed in advertisements that FRS's energy and health supplements were his "secret weapon" from 2007 to 2012.

What should companies do when their spokesperson falls from grace? "Not much, after the fact," says Krawitz. "Developing what amounts to a 'prenup' is a better solution. At the start of an endorsement contract, no one really worries that it might fall apart over time, but why not insert a clause that says (in effect) that if you are found guilty of certain offenses by an appropriate measure, you have to return all the money paid to you plus interest. This could be a way to screen out those embedded amoral behaviors."

Armstrong's New Financial Reality

Even after the dissolution of his empire, *The Wall Street Journal* estimated Armstrong's net worth as exceeding \$100 million,

although public records indicate that in late 2012 he took out a \$1.85 million line of credit, secured by his home in central Austin, perhaps as a hedge against declining funds and a long list of lawsuits from deceived partners asking for at least some of their money back. In an interview with *Bicycling* magazine, Armstrong stated that he now flies commercial – a far cry from the plush Gulfstream jet shown in Gibney’s film.

Observers note that in the foreseeable future Armstrong probably is going to have to pay back approximately \$12.5 million in bonuses and prize money, not to mention that estimated \$75 million in lost endorsement dollars. The United States Department of Justice (DOJ) is suing him for fraud on behalf of the Postal Service, and could collect about \$100 million in damages. DOJ also has joined a whistleblower suit brought by former teammate Floyd Landis, which claims that Armstrong defrauded the Postal Service by ignoring contract prohibitions against performance-enhancing drugs. "I don't have \$100 million," Armstrong told *Bicycling*, wishing aloud that he hopes to be able to come up with some sort of "global settlement" for all of his angry exes – perhaps an arrangement, he suggests, that could credit him for helping to teach young athletes about the dangers of doping.

Lying and the Long Road Ahead

Business schools – factories that turn out the people who want to build and capitalize on any behavior that can turn a profit – appear to have reacted mildly to the deceptions of Armstrong and others. “Virtually all MBA programs require at least one course in business ethics, but that’s *one* course out of more than 20, many of which tell you how to manipulate things for personal gain. Clearly, they need to do more,” Krawitz notes.

“In my classes on sales I talk about two kinds of deceit. One is the sin of *commission*, in which offenders actively did something wrong to get the results they wanted. However, there is the far more common and subtle sin of *omission*: not telling the whole story. Deliberately leaving out “bad” information that is materially important to the customer or partner. It’s wrong ... and common. Will a car salesman offer that this used car was in an accident or flood? Does your financial advisor tell you about the better performing fund that carries a smaller commission? Of course not. Yet deliberately hiding valuable and pertinent information for person gain is a lie.”

As Armstrong told French newspaper *LeMonde*, “I didn't invent doping. And it didn't stop when I stopped. I simply participated in a system. I am a human being. Doping has existed since antiquity and will always carry on.” Still, he is paying the price on a conscious decision based on his world-class ability to perform – and deceive.

“I’ve never met a better liar. And I’ve met a bunch,” Gibney, who also has made acclaimed documentaries about the Roman Catholic Church, Enron, Eliot Spitzer and Julian Assange, told *The Telegraph*. “He’s good. He’s real good. The best.”