

Sport Management

OVERVIEW

This chapter reviews the development of sport into a major sector of economic and social activity and outlines the importance of sport management as a field of study. It discusses the unique nature of sport and the drivers of change that affect how sport is produced and consumed. A three-sector model of public, non-profit and professional sport is presented, along with a brief description of the salient aspects of the management context for sport organizations. The chapter serves as an introduction to the remaining sections of the book, highlighting the importance of each of the topics.

After completing this chapter the reader should be able to:

- Describe the unique features of sport
- Understand the environment in which sport organizations operate
- Describe the three sectors of the sport industry
- Explain how sport management is different to other fields of management study.

WHAT IS SPORT MANAGEMENT?

Sport employs many millions of people around the globe, is played or watched by the majority of the world's population and, at the elite or professional level, has moved from being an amateur pastime to a significant industry. The growth and professionalization of sport has driven changes in the consumption, production and management of sporting events and organizations at all levels of sport.

Managing sport organizations at the start of the 21st century involves the application of techniques and strategies evident in the majority of modern business, government and non-profit organizations. Sport managers engage

in strategic planning, manage large numbers of human resources, deal with broadcasting contracts worth billions of dollars, manage the welfare of elite athletes who sometimes earn 100 times the average working wage and work within highly integrated global networks of international sports federations, national sport organizations, government agencies, media corporations, sponsors and community organizations.

Students of sport management therefore need to develop an understanding of the special features of sport and its allied industries, the environment in which sport organizations operate and the types of sport organizations that operate in the public, non-profit and professional sectors of the sport industry. The remainder of the chapter is devoted to a discussion of these points and highlights the unique aspects of sport organization management.

UNIQUE FEATURES OF SPORT

Stewart and Smith (1999) provide a list of ten unique features of sport which can assist us to understand why the management of sport organizations requires the application of specific management techniques. A unique feature of sport is the phenomenon of people developing irrational passions for sporting teams, competitions or athletes. Sport has a symbolic significance in relation to performance outcomes, success and celebrating achievement that does not occur in other areas of economic and social activity. Sport managers must learn to harness these passions by appealing to people's desire to buy tickets for events, become a member of a club, donate time to help run a voluntary association or purchase sporting merchandise. They must also learn to apply clear business logic and management techniques to the maintenance of traditions and connections to the nostalgic aspects of sport consumption and engagement.

There are also marked differences between sport organizations and other businesses in how they evaluate performance. Private or publicly listed companies exist to make profits and increase wealth of shareholders or owners, whereas in sport, other imperatives such as winning premierships, providing services to stakeholders and members, or meeting community service obligations may take precedence over financial outcomes. Sport managers need to be cognizant of these multiple organizational outcomes while, at the same time, being responsible financial managers.

Competitive balance is also a unique feature of the interdependent nature of relationships between sporting organizations that compete on the field but cooperate off the field to ensure the long-term viability of both clubs and their

league. In most business environments, the aim is to secure the largest market share, defeat all competitors and secure a monopoly. In sport, clubs and teams need the opposition to remain in business, so they must cooperate to share revenues and playing talent and regulate themselves to ensure the uncertainty in the outcome of games between them, so that fans' interest will be maintained. In some ways, such behaviour could be construed as anti-competitive.

The sport product, when it takes the form of a game or contest, is also of variable quality. While game outcomes are generally uncertain, one team might dominate, which will diminish the attractiveness of the game. The perception of those watching the game might be that the quality has also diminished as a result, particularly if it is your team that loses! The variable quality of sport therefore makes it hard to guarantee quality in the marketplace relative to providers of other consumer products.

Sport also enjoys a high degree of product or brand loyalty, with fans unlikely to switch sporting codes because of a poor match result or the standard of officiating. Consumers of household products have a huge range to choose from and will readily switch brands for reasons of price or quality, whereas sporting competitions are hard to substitute. This advantage is also a negative, as sporting codes that wish to expand market share find it difficult to attract new fans from other codes due to their familiarity with the customs and traditions of their existing sport affiliation.

Sport engenders unique behaviours in people, such as emulating their sporting heroes in play, wearing the uniform of their favourite player or purchasing the products that celebrity sports people endorse. This vicarious identification with the skills, abilities and lifestyles of sports people can be used by sport managers and allied industries to influence the purchasing decisions of individuals who follow sport.

Sport fans also exhibit a high degree of optimism, at times insisting that their team, despite a string of bad losses, is only a week, game or lucky break away from winning the next championship. It could also be argued that the owners or managers of sport franchises exhibit a high degree of optimism by touting their star recruits or new coach as the path to delivering them on field success.

Sporting organizations, argue Stewart and Smith (1999), are relatively reluctant to adopt new technologies unless they are related to sports science, where on-field performance improvements are possible. In this regard, sport organizations can be considered conservative and tied to traditions and behaviours more than other organizations.

The final unique aspect of sport is its limited availability. In other industries, organizations can increase production to meet demand but, in sport, clubs are limited by season length and the number of scheduled games. This

constrains their ability to maximize revenue through ticket sales and associated income. The implication for sport managers is that they must understand the nature of their business, the level of demand for their product and services (whatever form that may take) and the appropriate time to deliver them.

SPORT MANAGEMENT ENVIRONMENT

Globalization has been a major force in driving change in the ways sport is produced and consumed. The enhanced integration of the world's economies has enabled communication to occur between producers and consumers at greater speed and variety and sport has been one sector to reap the benefits. Consumers of elite sport events and competitions such as the Olympic Games, World Cups for rugby, cricket and football, English Premier League Football, the National Basketball Association (NBA) and Grand Slam tournaments for tennis and golf enjoy unprecedented coverage. Aside from actually attending the events live at a stadium, fans can view these events through free to air and pay or cable television; listen to them on radio and the Internet; read about game analyses, their favourite players and teams through newspapers and magazines; receive progress scores, commentary or vision on their mobile phones; and sign up for special deals and information through online subscriptions using their e-mail address. The global sport marketplace has become very crowded and sport managers seeking to carve out a niche need to understand the global environment in which they must operate. Thus, one of the themes of this book is the impact of globalization on the way sport is produced, consumed and managed.

Most governments view sport as a vehicle for nationalism, economic development or social development. As such, they see it as within their purview to enact policies and legislation to support, control or regulate the activities of sport organizations. Most governments support elite training institutes to assist in developing athletes for national and international competition, provide funding to national sporting organizations, support sport organizations to bid for major events and facilitate the building of major stadiums. In return for this support, governments can influence sports to recruit more mass participants, provide services to discrete sectors of the community or have sports enact policies on alcohol and drug use, gambling and general health promotion messages. Governments also regulate the activities of sport organizations through legislation or licensing in areas such as industrial relations, anti-discrimination, taxation and corporate governance. A further theme in the book is the impact that governments can have on the way sport is produced, consumed and managed.

The management of sport organizations has undergone a relatively rapid period of professionalization over the last 30 years. The general expansion of the global sports industry and commercialization of sport events and competitions, combined with the introduction of paid staff into voluntary governance structures and the growing number of people who now earn a living managing sport organizations or playing sport, has forced sport organizations and their managers to become more professional. This is reflected in the increased number of university sport management courses, the requirement to have business skills as well as industry specific knowledge or experience to be successful in sport management, the growth of professional and academic associations devoted to sport management and the variety of professionals and specialists that sport managers must deal with in the course of their careers. Sport managers will work with accountants, lawyers, taxation specialists, government policy advisors, project management personnel, architects, market researchers and media specialists, not to mention sports agents, sports scientists, coaches, officials and volunteers. The ensuing chapters of the book will highlight the ongoing professionalization of sport management as an academic discipline and a career.

The final theme of the book is the notion that changes in sport management frequently result from developments in technology. Changes in telecommunications have already been highlighted, but further changes in technology are evident in areas such as performance enhancing drugs, information technology, coaching and high performance techniques, sports venues, sport betting and wagering and sporting equipment. These changes have forced sport managers to develop policies about their use, to protect intellectual property with a marketable value and generally adapt their operations to incorporate their use for achieving organizational objectives. Sport managers need to understand the potential of technological development but also the likely impact on future operations.

THREE SECTORS OF SPORT

In order to make sense of the many organizations that are involved in sport management and how these organizations may form partnerships, influence each others' operations and conduct business, it is useful to see sport as comprising three distinct sectors. The first is the State or public sector, which includes national, state/provincial, regional and local governments and specialist agencies that develop sport policy, provide funding to other sectors and support specialist roles such as elite athlete development or drug control. The second is the non-profit or voluntary sector, made up of

community-based clubs, governing associations and international sport organizations that provide competition and participation opportunities, regulate and manage sporting codes and organize major championship events. The third sector is professional or commercial sport organizations, comprising professional leagues and their member teams, as well as allied organizations such as sporting apparel and equipment manufacturers, media companies, major stadium operators and event managers.

These three sectors do not operate in isolation and, in many cases, there is significant overlap. For example, the State is intimately involved in providing funding to non-profit sport organizations for sport development and elite athlete programmes and, in return, non-profit sport organizations provide the general community with sporting opportunities as well as developing athletes, coaches, officials and administrators to sustain sporting participation. The State is also involved in commercial sport, supporting the building of major stadiums and other sporting venues to provide spaces for professional sport to be played, providing a regulatory and legal framework for professional sport to take place and supporting manufacturing and event organizations to do business. The non-profit sport sector supports professional sport by providing playing talent for leagues, as well as developing the coaches, officials and administrators to facilitate elite competitions. Indeed, in some cases the sport league itself will consist of member teams which are technically non-profit entities, even though they support a pool of professional managers and players. In return, the professional sport sector markets sport for spectators and participants and, in some cases, provides substantial funds from TV broadcast rights revenue. Figure 1.1 illustrates the three sectors and the intersections where these relationships take place.

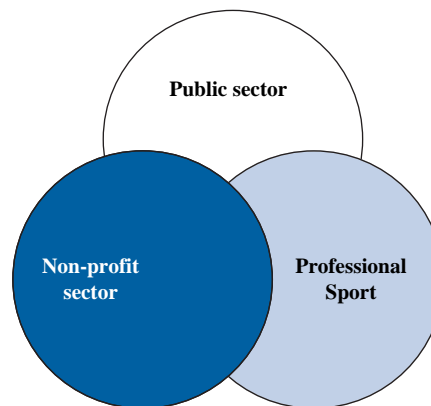


FIGURE 1.1 *Three sector model of sport.*

WHAT IS DIFFERENT ABOUT SPORT MANAGEMENT?

Sport managers utilize management techniques and theories that are similar to managers of other organizations, such as hospitals, government departments, banks, mining companies, car manufacturers and welfare agencies. However, there are some aspects of strategic management, organizational structure, human resource management, leadership, organizational culture, financial management, marketing, governance and performance management that are unique to the management of sport organizations.

Strategic management

Strategic management involves the analysis of an organization's position in the competitive environment, the determination of its direction and goals, the selection of an appropriate strategy and the leveraging of its distinctive assets. The success of any sport organization may largely depend on the quality of their strategic decisions. It could be argued that non-profit sport organizations have been slow to embrace the concepts associated with strategic management because sport is inherently turbulent, with on-field performance and tactics tending to dominate and distract sport managers from the choices they need to make in the office and boardroom. In a competitive market, sport managers must drive their own futures by undertaking meaningful market analyses, establishing a clear direction and crafting strategy that matches opportunities. An understanding of strategic management principles and how these can be applied in the specific industry context of sport are essential for future sport managers.

Organizational structure

An organization's structure is important because it defines where staff and volunteers 'fit in' with each other in terms of work tasks, decision-making procedures, the need for collaboration, levels of responsibility and reporting mechanisms. Finding the right structure for a sport organization involves balancing the need to formalize procedures while fostering innovation and creativity and ensuring adequate control of employee and volunteer activities without unduly affecting people's motivation and attitudes to work. In the complex world of sport, clarifying reporting and communication lines between multiple groups of internal and external stakeholders, while trying to reduce unnecessary and costly layers of management, is also an important aspect of managing an organization's structure. The relatively unique mix of

paid staff and volunteers in the sport industry adds a layer of complexity to managing the structure of many sport organizations.

Human resource management

Human resource management in mainstream business or sport organizations is essentially about ensuring an effective and satisfied workforce. However, the sheer size of some sport organizations, as well as the difficulties in managing a mix of volunteers and paid staff in the sport industry, make human resource management a complex issue for sport managers. Successful sport leagues, clubs, associations, retailers and venues rely on good human resources, both on and off the field. Human resource management cannot be divorced from other key management tools, such as strategic planning or managing organizational culture and structure and is a further element that students of sport management need to understand to be effective practitioners.

Leadership

Managers at the helm of sport organizations need to be able to influence others to follow their visions, empower individuals to feel part of a team working for a common goal and be adept at working with leaders of other sport organizations to forge alliances, deal with conflicts or coordinate common business or development projects. The sport industry thrives on organizations having leaders who are able to collaborate effectively with other organizations to run a professional league, work with governing bodies of sport and coordinate the efforts of government agencies, international and national sport organizations and other groups to deliver large-scale sport events. Sport management students wishing to work in leadership roles need to understand the ways in which leadership skills can be developed and how these principles can be applied.

Organizational culture

Organizational culture consists of the assumptions, norms and values held by individuals and groups within an organization, which impact upon the activities and goals in the workplace and in many ways influences how employees work. Organizational culture is related to organizational performance, excellence, employee commitment, cooperation, efficiency, job performance and decision-making. However, how organizational culture can be defined, diagnosed and changed is subject to much debate in the business and academic world. Due to the strong traditions of sporting endeavour and

behaviour, managers of sport organizations, particularly those such as professional sport franchises or traditional sports, must be cognizant of the power of organizational culture as both an inhibitor and driver of performance. Understanding how to identify, describe, analyse and ultimately influence the culture of a sport organization is an important element in the education of sport managers.

Financial management

Financial management in sport involves the application of accounting and financial decision-making processes to the relatively unique revenue streams and costs associated with sport organizations. It is important for sport managers to understand the financial management principles associated with membership income, ticketing and merchandise sales, sports betting income, sponsorship, broadcast rights fees and government grants and subsidies. Sport managers also need to understand the history of the commercial development of sport and the ways in which sport is likely to be funded and financed in the future, in particular the move to private ownership of sport teams and leagues, sport clubs being listed on the stock exchange, greater reliance on debt finance and public–private partnerships.

Sport marketing

Sport marketing is the application of marketing concepts to sport products and services and the marketing of non-sports products through an association with sport. Like other forms of marketing, sport marketing seeks to fulfil the needs and wants of consumers. It achieves this by providing sport services and sport-related products to consumers. However, sport marketing is unlike conventional marketing in that it also has the ability to encourage the consumption of non-sport products and services by association. It is important to understand that sport marketing means the marketing of sport as well as the use of sport as a tool to market other products and services.

Governance

Organizational governance involves the exercise of decision-making power within organizations and provides the system by which the elements of organizations are controlled and directed. Governance is a particularly important element of managing sport organizations, many of whom are controlled by elected groups of volunteers, as it deals with issues of policy and direction for the enhancement of organizational performance rather than

day-to-day operational management decision-making. Appropriate governance systems help ensure that elected decision-makers and paid staff seek to deliver outcomes for the benefit of the organization and its members and that the means used to attain these outcomes are effectively monitored. As many sport managers work in an environment where they must report to a governing board, it is important that they understand the principles of good governance and how these are applied in sport organizations.

Performance management

Sport organizations over the last 30 years have undergone an evolution to become more professionally structured and managed. Sport organizations have applied business principles to marketing their products, planning their operations, managing their human resource and other aspects of organizational activity. The unique nature of sport organizations and the variation in missions and purposes has led to the development of a variety of criteria with which to assess the performance of sport organizations. Sport management students need to understand the ways in which organizational performance can be conceptualized, analysed and reported and how these principles can be applied in the sport industry.

SUMMARY

Sport has a number of unique features:

- people develop irrational passions
- differences in judging performance
- the interdependent nature of relationships between sporting organizations
- anti-competitive behaviour
- sport product (a game or contest) is of variable quality
- it enjoys a high degree of product or brand loyalty
- it engenders vicarious identification
- sport fans exhibit a high degree of optimism
- sport organizations are relatively reluctant to adopt new technology; and
- sport often has a limited supply.

Several environmental factors influence the way sport organizations operate, namely globalization, government policy, professionalization and technological developments.

The sport industry can be defined as comprising three distinct but inter-related industries: the State or public sector, the non-profit or voluntary sector and the professional or commercial sector. These sectors do not operate in isolation and often engage in a range of collaborative projects, funding arrangements, joint commercial ventures and other business relationships.

There are some aspects of strategic management, organizational structure, human resource management, leadership, organizational culture, financial management, marketing, governance and performance management that are unique to the management of sport organizations. The remainder of the book explores the three sectors of the sport industry and examines each of these core management issues in more detail.

REVIEW QUESTIONS

1. Define sport management.
2. What are the unique features of sport?
3. Describe the main elements of the environment that affect sport organizations.
4. What sort of relationships might develop between sport organizations in the public and non-profit sectors?
5. What sort of relationships might develop between sport organizations in the public and professional sport sectors?
6. What sort of relationships might develop between sport organizations in the professional and non-profit sectors?
7. Explain the major differences between managing a sport organization and a commercial manufacturing firm.
8. Why does the sport industry need specialist managers with tertiary sport management qualifications?
9. Identify one organization from each of the public, non-profit and professional sport sectors. Compare how the environmental factors discussed in this chapter can affect their operation.

10. Discuss whether the special features of sport discussed in this chapter apply to all levels of sport by comparing the operation of professional sports league, an elite government sport institute and a community sport club.

FURTHER READING

- Downard, P. and Dawson, A. (2000). *The economics of professional team sports*. Routledge, London.
- Hoye, R., Nicholson, M. and Smith, A. (2008). Unique aspects of managing sport organizations. In C. Wankel (ed.), *21st Century management: a reference handbook*. Sage, Thousands Oaks, pp. 499–507.
- Jarvie, G. (2006). *Sport culture and society*. Routledge, London.
- Masteralexis, L.P., Barr, C.A. and Hums, M.A. (1998). *Principles and practice of sport management*. Aspen, Maryland.
- Nicholson, M. (2007). *Sport and the media: managing the nexus*. Butterworth-Heinemann, Oxford.
- Parkhouse, B.L. (2005). *The management of sport: its foundation and application*, 4th edn. McGraw-Hill, New York.
- Parks, J.B. and Quarterman, J. (2003). *Contemporary sport management*, 2nd edn. Human Kinetics, Champaign.
- Quirk, J. and Fort, R. (1999). *Hard ball: the abuse of power in pro-team sports*. University Press, Princeton.
- Sandy, R., Sloane, P. and Rosentraub, M. (2004). *Economics of sport: an International Perspective*. Palgrave Macmillan, New York.
- Slack, T. (ed.) (2004). *The commercialization of sport*. Routledge, London.
- Slack, T. and Parent, M. (2006). *Understanding sport organizations: the application of organization theory*, 2nd edn. Human Kinetics, Champaign.

RELEVANT WEBSITES

The following websites are useful starting points for general information on the management of sport:

- European Association for Sport Management at <http://www.easm.net>
- North American Society for Sport Management at <http://www.nassm.com>
- Sport Management Association of Australia and New Zealand at <http://www.smaan.org>