sport
management

principles and applications

**RUSSELL HOYE, AARON C.T. SMITH,
MATTHEW NICHOLSON & BOB STEWART**

FOURTH EDITION

Sport Management

Now available in a fully revised and updated fourth edition, *Sport Management: Principles and applications* introduces the sport industry and examines the role of the state, non-profit and professional sectors in sport. It focuses on core management principles and their application in a sporting context, highlighting the unique challenges faced in a career in sport management.

Written in an engaging and accessible style, each chapter has a clear structure designed to make key information and concepts simple to find and to utilize. Chapters contain a conceptual overview, references, further reading, links to important websites, study questions and up-to-date case studies from around the world to show how theory works in the real world, and a companion website offers additional activities for students and guidance notes and slides for instructors. The book covers every core functional area of management, including:

- strategic planning
- organizational culture
- organizational structures
- human resource management
- leadership
- governance
- financial management
- marketing
- performance management.

This fourth edition also includes expanded coverage of sport media, change management and other contemporary management issues, providing a comprehensive introduction to the practical application of management principles within sport organizations. It is ideal for first and second year students on sport management-related courses, as well as those studying business-focussed or human movement courses seeking an overview of applied sport management principles.

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Sport Management Series

Series Editor: Russell Hoye, La Trobe University, Australia

This **Sport Management Series** has been providing a range of texts for core subjects in undergraduate sport business and management courses around the world for more than 10 years. These textbooks are considered essential resources for academics, students and managers seeking an international perspective on the management of the complex world of sport.

Many millions of people around the globe are employed in sport organizations in areas as diverse as event management, broadcasting, venue management, marketing, professional sport, community and collegiate sport, and coaching, as well as in allied industries such as sporting equipment manufacturing, sporting footwear and apparel, and retail.

At the elite level, sport has moved from being an amateur pastime to one of the world's most significant industries. The growth and professionalization of sport has driven changes in the consumption and production of sport and in the management of sporting organizations at all levels.

Managing sport organizations at the start of the twenty-first century involves the application of techniques and strategies evident in leading business, government and nonprofit organizations. This series explains these concepts and applies them to the diverse global sport industry.

To support their use by academics, each text is supported by current case studies, targeted study questions, further reading lists, links to relevant web-based resources, and supplementary online materials such as case study questions and classroom presentation aids.

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Sport Management
Principles and applications

FOURTH EDITION

Russell Hoye, Aaron C.T. Smith, Matthew Nicholson and Bob Stewart

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Preface

This fourth edition of *Sport Management: Principles and applications* continues to fill the gap for an introductory text in sport management that provides an appropriate balance between management theory and contextual analysis of the sport industry. The success of the first three editions, as illustrated by its adoption in many educational institutions across Australia, Canada, New Zealand, the United Kingdom and Europe, and being reprinted in five other languages, shows that we have the balance right. As with the original text, our intention with this edition is not to replace the many very good introductory texts on management theory, or to ignore the increasing volume of books that examine the international sport industry. Our aim is to provide a textbook that includes sufficient conceptual detail for students to grasp the essentials of management, while highlighting the unique aspects of sport management across the globe.

The book provides a comprehensive introduction to the principles of management and their practical application to sport organizations operating at the community, state/provincial, national and professional levels. The book is primarily written for first and second year university students studying sport management courses and students who wish to research the nonprofit, government and commercial dimensions of sport. It is especially suitable for students studying sport management within business-focussed courses, as well as students seeking an overview of sport management principles within human movement, sport science or physical education courses.

As with the first three editions, the book is divided into two parts. Part I provides a concise analysis of the evolution of sport, the unique features of sport and sport management, the current drivers of change in the sport industry, and the role of the state, nonprofit and professional sectors of sport. Part II covers core management principles and their application in sport, highlighting the unique features of how sport is managed compared to other industrial sectors with chapters on strategic management, organizational structure, human resource management, leadership, organizational culture, financial management, marketing, sport and the media, governance, and performance management.

To assist lecturers and instructors, all chapters include an overview, a set of objectives, a summary of core principles, a set of review questions, suggestions for further reading, and a list of relevant websites for further information. In addition, Chapters 2 to 14 each contain three or four substantial examples we have dubbed 'In Practice' that help illustrate concepts and accepted practice at the community, state/provincial, national

and international levels of sport. The majority of these have been completely rewritten with new examples, and the remainder extensively revised with up-to-date information.

We have also written thirteen entirely new Case Studies for Chapters 2 to 14, in addition to revising and updating the cases from the third edition, which can be used by lecturers and instructors for classroom discussion or assessment. For those academics who prescribe the book as essential reading for students, a comprehensive website is available that contains:

- an updated set of PowerPoint slides that summarize each chapter;
- teaching notes to accompany each of the case studies to guide instructors in their use for in-class activities or assessment tasks;
- updated tutorial activities to accompany each chapter; and
- a testbank of questions for use in online learning environments.

We would like to thank our colleagues and students for their valuable comments on the first three editions of the book and the valuable anonymous reviews provided on those editions. It would be remiss of us not to mention the great assistance of Simon Whitmore, our editor, and Will Bailey for his patience during the production process. As always we acknowledge and thank our respective partners and families for understanding our need to devote our time and energy to this fourth edition.

Russell Hoye
Aaron Smith
Matthew Nicholson
Bob Stewart

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PART I

The sport management environment

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Sport management

OVERVIEW

This chapter provides a brief review of 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 model that explains the public, nonprofit and professional elements of sport is presented, along with a brief description of the salient aspects of the management context for sport organizations. The chapter also 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; and
- 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. Countries with emerging economies such as Brazil, hosts of the 2014 World Cup for football and the 2016 Olympic Games, increasingly see sport as a vehicle for driving investment in infrastructure, for promoting their country to the world to stimulate trade, tourism and investment, and for stimulating national pride amongst their citizens.

Managing sport organizations at the start of the twenty-first century involves the application of techniques and strategies evident in the majority of modern business, government and nonprofit organizations. Sport managers engage in strategic planning, manage large numbers of paid and voluntary 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 seeking a career as a sport manager 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, nonprofit 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

Smith and Stewart (2010) 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 the wealth of shareholders or owners, whereas in sport, other imperatives such as winning championships, delivering 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 to ensure they have the requisite resources to support their organization's strategic objectives.

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 leagues, clubs and teams need the opposition to remain in business, so they must cooperate to share revenues and playing talent, and regulate themselves to maximize the level of 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 but governments support such actions due to the unique aspects of sport.

The sport product, when it takes the form of a game or contest, is also of variable quality. 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 such as mobile phones, cars or other general household goods.

Sport also enjoys a high degree of product or brand loyalty, with fans unlikely to change the team or club they support or 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 sporting celebrities 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 toting their star recruits or new coach as the path to delivering them on-field success.

Sporting organizations, argue Smith and Stewart (2010), 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.

Collectively, these unique features of sport create some challenges for managers of sport organizations and events. It is important to understand the effects of these features on the management approaches and strategies used by sport managers; the next section explains how these unique features of sport influence the operating environment for sport organizations and their managers.

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 access through mainstream and social media. Aside from actually attending the events live at a stadium or venue, 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 in both print and digital editions; receive progress scores, commentary or vision on their mobile phones or tablets through websites or social media platforms such as Twitter; and sign up for special deals and information through online subscriptions using their email address or preferred social media platform. 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 ways sport is produced, consumed and managed.

Most national governments view sport as a vehicle for nationalism, economic development, or social development. As such, they consider it their role to enact policies and legislation to support, control or regulate the activities of sport organizations. Most national governments support elite training institutes to assist in developing athletes for national and international competition, provide funding to national sporting organizations to deliver high performance and community level programs, 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 government policy, funding and regulation can have on the way sport is produced, consumed and managed.

The management of sport organizations has undergone a relatively rapid period of professionalization since the 1980s. 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, human resource managers, 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 nonprofit 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 nonprofit sport organizations for sport development and elite athlete programs, and in return nonprofit sport organizations provide the general community with sporting opportunities and 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 nonprofit 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 nonprofit 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.

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 nonprofit 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
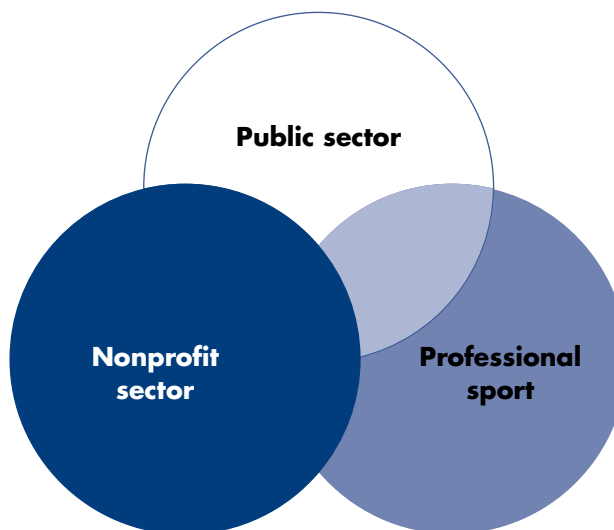

FIGURE 1.1 Three sector model of sport

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.