

Day Six

Introduction To Sport Management

Yunnan Normal University. June 2015

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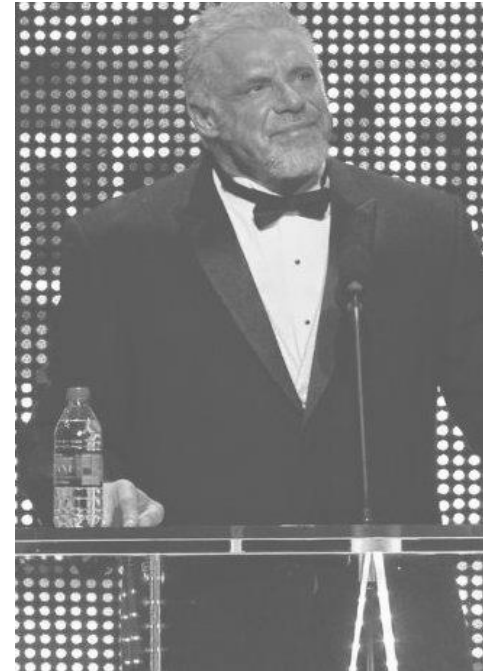
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The Undergrad Project www.undergradproject.com
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The Value of Sport Reviewed

“No WWE talent becomes a legend on their own. Every man’s heart one day beats its final beat, his lungs breathe their final breath, and if what that man did in his life makes the blood pulse through the body of others and makes them believe deeper in something larger than life, then his essence, his spirit will be immortalized

James Brian Hellwig, April 7th 2014



Source: Anonymous. 2014. WWE wrestling icon The Ultimate Warrior, born James Brian Hellwig, dead at 54, just days after epic WrestleMania speech. news.com.au April 09, 2014. <http://www.news.com.au/sport/more-sports/wwe-wrestling-icon-the-ultimate-warrior-born-james-brian-hellwig-dead-at-54-just-days-after-epic-wrestlemania-speech/story-fndukor0-1226879049273>

Note: Two days after James Brian Hellwig delivered this speech he was dead from cardiac arrest.

Strategy and Uncertainty

‘The need for management of the strategy process is not always considered necessary in the sports industry

This is surprising. The perception **contradicts the principles of strategic management**, which emphasises the importance of actively shaping the future of one’s sport organisation rather than **waiting for circumstances to prompt action**

Proactivity drives good strategy as it helps reduce uncertainty

And uncertainty, chaos, and rapid change are all major components of the sporting landscape

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy and Uncertainty

“Whoever is first in the field and awaits the coming of the enemy, will be fresh for the fight; whoever is second in the field and has to hasten to battle will arrive exhausted

“He will win who, prepared himself, waits to take the enemy unprepared



Source: Tzu, S. (2013). *The art of war*. Orange Publishing

Note: First translated into the French language in 1772 by French Jesuit Jean Joseph Marie Amiot and a partial translation into English was attempted by British officer Everard Ferguson Calthrop in 1905. The first annotated English language translation was completed and published by Lionel Giles in 1910.

Sun Tzu was born around 544 B.C.E. Almost nothing is known about his life except that he was a Chinese military general who helped the King Ho-lu capture the city of Ying, bringing about the fall of the Ch'u state in 506 B.C.E. From this, Sun Tzu became known throughout the country as a wise and respected leader.

Strategy - Principles

‘Strategy is the match or interface between an **organisation** and the **external environment** in which it operates

At the heart of strategy is the assumption that these two things are equally important

It is complex, multi-faceted, often troublesome, and has several important features:

- Strategy **affects the direction and scope** of an organisation’s activities
- Strategy involves **matching** an organisation’s activities with the **environment**
- Strategy requires the **matching** of an organisation’s activities with **resource capabilities**
- Strategy is **influenced by** the views and expectations of key **stakeholders**
- Strategic decisions **influence** the **long term direction** of the organisation

Source: Hoyer, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy - Principles

Something is missing though ...

The central purpose is to **become different from the competition**

The match between an organisation and its environment **should result in a clear competitive advantage** that no other organisation can easily copy

Strategy should explain why one football club is different from the next and why a customer should choose to use a recreation facility over another in the same area

However, **identifying new opportunities that have not already been leveraged by competition rarely proves easy** and requires thorough analysis and innovative thinking

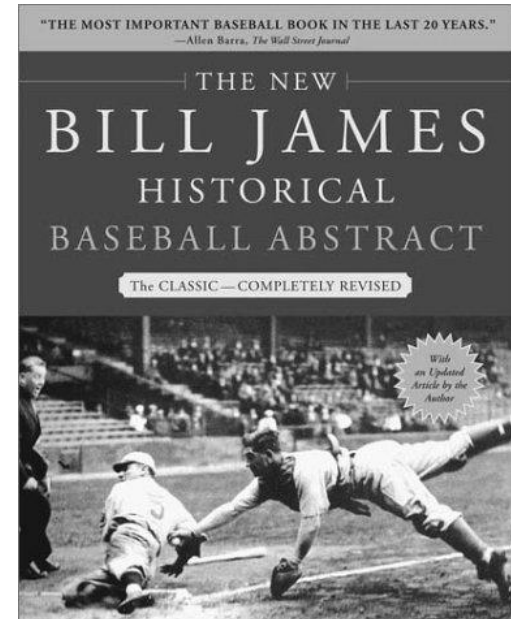
Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy – Bill James

Bill James – Baseball - Sabermetrics - Moneyball

George William "Bill" James (born 5 October 1949) is an American baseball writer, historian, and statistician whose work has been widely influential. Since 1977, James has written more than two dozen books devoted to baseball history and statistics

His approach, termed 'sabermetrics' scientifically analyzes and studies baseball, often through the use of statistical data, in an attempt to determine why teams win and lose



His *Baseball Abstract* books in the 1980s are the modern predecessor to websites using sabermetrics such as [Baseball Prospectus](#) and Baseball Primer (now [Baseball Think Factory](#)).

Source: Wikipedia rules

Strategy – Bill James

Bill James – Baseball - Sabermetrics - Moneyball

Bill's approach became a crucial component of the Oakland A's' performance strategy

The A's front office took advantage of more analytical gauges of player performance to field a team that could compete successfully against richer competitors in Major League Baseball (MLB)

By re-evaluating the strategies that produce wins on the field, the 2002 Oakland A's, with approximately US\$41 million in salary, were competitive with larger market teams such as the New York Yankees, who spent over US\$125 million in payroll that same season

Because of the team's smaller revenues, Oakland was forced to find players undervalued by the market. This approach brought the A's to the playoffs in 2002 and 2003

Note: Baseball has since been revolutionised by Moneyball insights (specifically the importance of on-base percentage and other advanced statistical measures in evaluating players)

Source: Wikipedia rules

Strategy - Distinctions

Strategy and planning are not the same

Strategy can be defined as:

‘the process of determining the **direction and scope** of activities of a sport organisation in light of its capabilities and the environment in which it operates

Planning can be defined as:

‘the process of **documenting these decisions** in a step-by-step manner **indicating what has to be done, by whom, with what resources, and when**

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy - Distinctions

Strategy reflects a combination of **analysis and innovation**; of **science and craft**

Planning identifies in a **systematic and deductive manner** the steps and activities that need to be taken toward the implementation of a strategy

Strategy management marries strategy and planning into a process

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy - Distinctions

The term strategy can be used to legitimately explain three levels of decision making:

1. establishing clarity on the **core business activity**
2. identifying how the organisation will **compete against others**
3. identifies activities and resources at the **operational level**

Source: Hoyer, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy - Issues

One of the **biggest challenges** in sport strategy is finding the **balance between two or more divergent obligations**

- Elite sport success and improving sport participation levels (compatible?)
- Winning performances whilst generating increased revenue (read the Arsenal example)
- Investing in capability development while retaining volunteers (potential issues?)

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy - Process

Strategic management is a process designed to find the **intersection of preparation and opportunity**

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy - Process

Strategy Analysis

Assess the battle conditions. *Study the **capacities and deficiencies** of your own organisation, competing organisations, stakeholder groups and the business environment*

Strategy Direction

Making decisions about the future. Typically written as a **mission statement** recording the purpose of the organisation, a **vision statement** of the organisation's long term ambitions, and a **set of objectives** with measures to identify the essential achievements along the way to the vision

Strategy Development

How will the direction be realised. You get to be creative here. Identify the best methods or strategies for the organisation. **Match the unique circumstances of the organisation to its unique environment**. Do this right and you will find the **opportunities** you are looking for

Strategy Implementation

The **deployment of a strategy**. Align products, services, and activities the organisation engages with, and the systems that support them, with the overarching strategy previously developed

Evaluation

Performance measurement. **Reviewing, modifying**, and improving where needed

Strategy analysis	Internal analysis <i>(capabilities, deficiencies and stakeholders)</i>	Strengths Weaknesses
	External analysis <i>(environment, competitors and customers)</i>	Opportunities Threats
Strategy direction	Mission Vision Objectives	Performance measures
Strategy formulation	Strategic options	Generic strategies <i>Cost leadership</i> <i>Differentiation</i> <i>Focus</i>
Strategy Implementation	Deployment of strategy	Products Services Systems Structure Culture
Strategy evaluation	Performance measurement	Corrective action

Strategy – Process

Stage One - Strategy Analysis

SWOT analysis

There are two parts to this

- The first represents an internal analysis of an organisation (**strengths and weaknesses**). You have control over these
- The second is concerned with external factors (**opportunities and threats**) of which you often have no control over

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy – Process

Stage One - Strategy Analysis

Stakeholder and customer needs analysis

Who are your stakeholders and what do they want?

- Stakeholders are all the people and groups that have an interest in an organisation (employers, players, members, league or affiliated governing body, government, community, facility owners, sponsors, broadcasters and fans)

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy – Process

Stage One - Strategy Analysis

Stakeholder and customer needs analysis

Discussions with stakeholders associated with specific practice communities will always yield varying responses to change initiatives, whether technological or not (Welty Peachey & Bruening, 2011) ... Decision makers often perceive stakeholder resistance negatively and an act of disobedience (Watson, 1982 and it is something that researchers, for a long time in the practical literature about managing change processes, have been advising practitioners to guard against (Piderit, 2000). Resistance and ambivalence to change can and should, however, be viewed in a more positive light. Resistance can often be an intentional effort by a practice community's stakeholders to articulate potentially valid concerns about proposed change initiatives and in such cases, higher-level decision makers 'might find that their listening ability is more important than their ability to communicate their own perspectives' when attempting to garner support for the change (Piderit, 2000) or develop forward planning strategies to manage it.

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy – Process

Stage One - Strategy Analysis

Competitor analysis

What are they up to and where may they be vulnerable?

<i>Dimension</i>	<i>Description</i>
Geographic scope	Location and overlap
Vision and intent	Ranges from survival to attempts at dominance
Objective	Short- to medium-term intentions
Market share and position	From small player to virtual monopolist
Strategy	Methods of gaining a competitive advantage
Resources	Volume and availability
Target market	To whom the products and services are directed
Marketing approach	The products and services, and the promotions, pricing and distribution behind them

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy – Process

Stage One - Strategy Analysis

Five forces analysis

A commonly used tool for describing the competitive environment

- The threat of **new entrants**
- The bargaining **power of buyers**
- The bargaining **power of suppliers**
- The **intensity or rivalry** among competitors in an industry

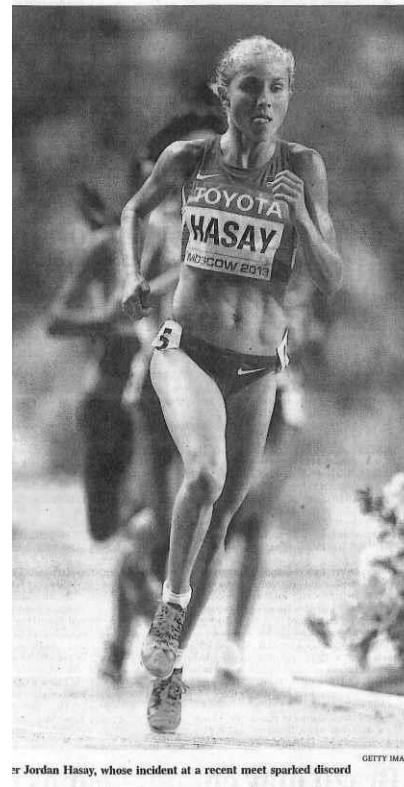
Source: Hoyer, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy – Process

The bargaining power of suppliers in action ...

Source: Germano, S. (2014). US track and field stars may go on strike. *The Australian*. April 4.

track and field stars may go on strike



SARA GERMANO

THE US sporting world got a jolt last week from the prospect that college football players might unionise. Now another surprise is afoot: track stars are considering a strike.

Top professional track and field athletes are preparing for collective action against the sport's governing body that could lead some athletes to boycott the US national track and field championships in June.

Discontent has been building among athletes ever how USA Track & Field runs its meets. Anger peaked after a pair of controversial decisions at the indoor national track and field championships in February, including the disqualification of a runner at the insistence of a coach with USATF principal sponsor Nike.

A group representing elite runners, shot putters and pole-vaulters is seeking a greater role in monitoring such issues.

The athletes' demands are entangling sponsors such as Nike and Brooks Running, which use the affiliations to drive sales of shoes and other running gear. The \$US7 billion (\$7.6bn) running-shoe industry is the main source of income for athletes as well as the USATF.

The organisation relies on sponsorships for about half its \$US19 million budget.

Wolverine World Wide's Saucony brand, Berkshire Hathaway's Brooks and small women's apparel maker Onelle Running have pledged to continue supporting athletes in the event of any collective action.

Nike is on the other side of the feud, as the largest sponsor of the USATF.

The company hasn't made its position clear and didn't respond to requests for comment.

Athletes in the four major US sporting leagues — basketball, baseball, football and hockey — have strong unions.

But track and field athletes are different. They aren't employees, but independent contractors. The bulk of their incomes come

from sponsorship contracts with shoe and apparel companies, which pay elite athletes for world-class meets. The situation offers minimal opportunity for the athletes to organise as a traditional union.

"We're moving towards a situation in which the athletes truly can collectively speak. And I can say that this is certainly the first time in my generation," said Adam Nelson, president of the Track & Field Athletes Association. The non-profit group represents 139 athletes, including more than a dozen Olympic medalists.

Mr Nelson, a 2004 Olympic champion in shot put, said the group has yet to reach consensus on, for example, whether to strike or form an alternative competitive circuit. "Nothing is off the table," he said.

But the athletes are restricted by endorsement contracts that limit options for multiple sponsorships and cut income if the athletes perform poorly. Contracts often stipulate where and how often athletes are expected to compete. Many top track and field stars earn less than \$US15,000 a year and have pushed for greater flexibility in displaying multiple logos to get more income sources.

The discord follows two disqualifications at indoor nationals in February. Both cases involved runners coached by Nike coach Alberto Salazar, which prompted opposing coaches, athletes and competing sponsors to question Nike's influence with the USATF and how the body applies its rules. USATF denies anyone receives special treatment.

In one of the cases, as Brooks-sponsored Gabriele Grunewald sprinted to victory in the final leg of a 3000m race, she clipped the heel of Nike runner Jordan Hasay, who finished fourth.

Salazar protested the result on the grounds that the contact impeded Hasay. Grunewald was disqualified, though some said the process deviated from USATF rules. Hasay later withdrew the protest and Grunewald was reinstated as the winner.

Jordan Hasay, whose incident at a recent meet sparked discord

Strategy – Process

Stage Two - Strategy Direction

There are **four conventional tools** used to clarify and document this direction:

- Mission statement
- Vision statement
- Organizational objectives
- Performance measures

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy – Process

Stage Two - Strategy Direction

Mission Statement

- A mission statement identifies the **purpose of an organisation**. It should define why an organisation was set up, what services and products it provides, and for whom it provides them

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy – Process

Stage Two - Strategy Direction

Vision Statement

- A vision statement **declares the medium to long term ambitions of an organisation**, an expression of what the organisation wants to achieve within a period of three to five years

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy – Process

Stage Two - Strategy Direction

Organisational objectives

- Organisational objectives **designate the achievements that must be made** in order to realize the vision. They serve as markers on the way to the final visionary destination

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy – Process

Stage Two - Strategy Direction

Performance Measures

- Key Performance Indicators (KPI's) are used in combination with organisational objectives in order to **establish success or failure**. They are inseparable from objectives and should be created at the same time. *Note: Think specific, measurable, achievable, realistic, and timely (SMART) criteria*

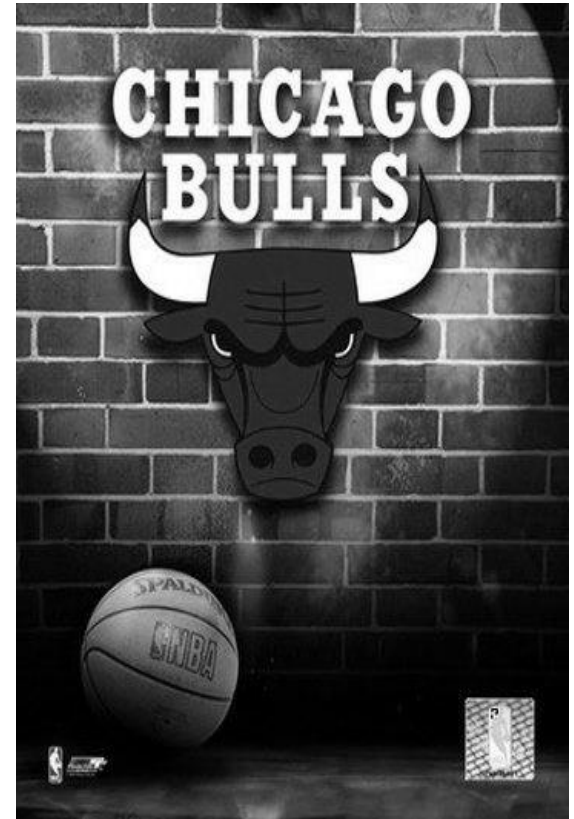
Source: Hoyer, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Mission Statements

*“The Chicago Bulls organization is a **sports entertainment company** dedicated to **winning NBA Championships**, growing **new basketball fans**, and providing **superior entertainment**, value and service*

(Chicago Bulls Mission Statement,
http://www.nba.com/bulls/news/mission_statement.html)

- Mutual respect for each other, and a commitment to excellence, innovation, integrity and quality in everything we do.
- By providing our guests with superior entertainment value in a clean, secure, and comfortable environment—win or lose—regardless of their interest level in basketball.
- By helping our sponsors build their brands and grow their business.
- By treating our respective constituencies with respect, appreciation, and as we ourselves would want to be treated and serviced. In other words, by putting our fans and sponsors first every single day—and meaning it.
- By making our community a better place to live through our support of worthy social causes.
- By involving our guests in the game as active participants—not merely spectators.
- By knowing who and where our fans are, and reaching out to them.
- By working hard to make NBA basketball the most popular sport in our community and by selling and humanizing our players to everyone we meet.
- By being proactive and accountable in carrying out our mission.



Mission Statements

“To bring people together and enrich their lives

(National Rugby League Mission Statement,
http://www.nrl.com/portals/nrl/RadEditor/Documents/The_Game_Plan.pdf)

“Rugby League - The greatest game of all. The most entertaining, most engaging, and most respected sport

(National Rugby League Vision Statement,
http://www.nrl.com/portals/nrl/RadEditor/Documents/The_Game_Plan.pdf)



Strategy – Process

Stage Three - Strategy Formulation

A consideration of the implications of each potential strategic approach. There are **a finite number of strategies available here (generic competitive strategies)**

Cost leadership

To become a cost leader by supplying products and services at the lowest possible cost to as many customers as possible

Differentiation

To provide a differentiated set of products and services that is difficult for competitors to replicate

Focus

To provide a set of products and services to a niche in the market with the intention of dominating market share

Source: Hoyer, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy As Practice

‘Organisation does not follow strategy. Instead, **organisation is the strategy**. And **both have to adjust** to shifts in competitive and market forces

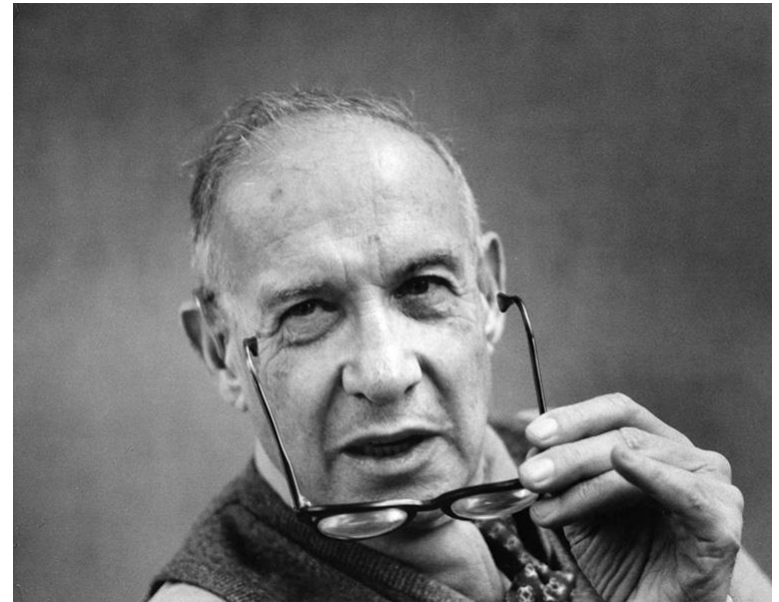
Source: Hoyer, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Strategy – Peter Drucker

*“Because it is its purpose to create a customer, any **business enterprise has two, and only these two, basic functions: marketing and innovation**”*

Peter Drucker, <http://www.druckerinstitute.com/>

Note: Peter Ferdinand Drucker (1909 – 2005) was an Austrian-born American management consultant, educator, and author, whose writings contributed to the philosophical and practical foundations of the modern business corporation



Source: Byrne, J. Gerdes, L. 2005. The Man Who Invented Management. Bloomberg Businessweek Magazine.
<http://www.businessweek.com/stories/2005-11-27/the-man-who-invented-management>

Strategy - Remarkability

Quality (of the product and service) is important ...

However, the **success** of products and services is **not always about what the actual product** is like, the service is like, the patent is like, or what the factory is like – it is often about **how well you can get your idea to spread**, or not (Seth Godin, 2003)

*“The people **who can spread ideas, regardless of what those ideas are, win** (Seth Godin, 2003)*

Source: How to get your ideas to spread. Seth Godin. TED Talk, February 2003. http://www.ted.com/talks/seth_godin_on_sliced_bread.html

Strategy - Remarkability

The issue here is that consumers today ...

“ ... have way more choice than they used to, and way less time. And in a world where [consumers] have too many choices and too little time, the obvious thing to do is ignore stuff (Seth Godin, 2003)

So you need to keep something in mind here ...

Strategy - Remarkability

“The thing that is going to decide what gets talked about, what gets done, what gets changed, what gets purchased, what gets built, is ...

... is it remarkable (Seth Godin, 2003)

Source: How to get your ideas to spread. Seth Godin. TED Talk, February 2003. http://www.ted.com/talks/seth_godin_on_sliced_bread.html

Strategy - Otaku

If I asked you to **describe what the Japanese word 'Otaku' means** and what relevance it has to business and the sports industry could you give me a decent answer?

おたく / オタク