The context of sport

This section sets the context for the book. Given the main focus of the book – that of private sport businesses – the section charts a path to the start of sport in the twenty-first century. The section nevertheless acknowledges that sports businesses must still adhere to certain morally acceptable practices, and that the State still has a big role to play in influencing sport.

The purpose of the section is to examine the development of sport from amateurism to professionalism to commercialism. As a counterpoint to the model of private, profit-oriented sport businesses which this book implies, the section also considers the role of the State in sport and details the importance of ethics and governance for sport businesses. As such, the section establishes an agenda within which the rest of the book is written.

This section contains the following chapters:
- The commercialisation of sport
- Governance in sport
- Ethics in sport
- The role of the State in sport
- The economics of competitive balance in sport
- The impacts of sport
Introduction: the commercialisation of sport

John Beech, Coventry Business School
Simon Chadwick, Coventry Business School

I can remember the day when, as a goalkeeper playing for Reading against Millwall in a reserve match at the Den in 1951, I collected nine pence in old pennies which had bounced off my skull. We needed the money in those days.

(Edward Bird in a letter to the Daily Telegraph, 31 January 2002)

Learning outcomes

Upon completion of this chapter the reader will be able to:
● outline the various processes which take place as a sport moves from a pure sport activity to a sport business;
● identify the scope of the business of sport and of sport businesses;
● identify the main business factors which are relevant to the management of sports organisations;
● explain the facets of sport which make it different from conventional businesses;
● identify the main contents of this book.
Introduction: the commercialisation of sport

Overview

This introductory chapter sets out the three basic elements of the book:

- **The main focus of this book**
  
  This is a perspective driven by management theory but recognising the uniqueness of the sport industry. This perspective is implicit in the various chapters, written by a variety of authors from a variety of educational institutions in the UK, continental Europe and Australia.

- **The development of professional sports and their subsequent commercialisation**
  
  A two-part case study which looks at the split between Rugby Union and Rugby League is used as an example of this, and explores the continuing paradox of these two sports which split over the issue of payments to players but are now both amateur and professional. This leads to an exploration of basic themes – professional and amateur sport, professional and amateur players, the processes of professionalisation and commercialisation in sport, sport as competitive event-based activity and the limits of the book in terms of what is within and what is outside the limits of ‘sport business’.

- **Its content on a chapter-by-chapter basis**
  
  The contents of the book are introduced in terms of business functions applied to sport and management issues specific to sports businesses.

  The two-part case study is presented with discussion questions, as are more general discussion questions offered at the end of the chapter, a method used throughout the book.

- **The main focus of the book**
  
  The concept of sport and the ideals it encompasses are often seen as emerging from amateur and altruistic principles in a historical perspective. This approach to sport as one of activity exemplifying ‘muscular Christianity’ – a nineteenth century public school approach to sport – has been a popular one, and a rich source of research by sports sociologists. Similarly, sports scientists have brought their academic expertise to bear on the analysis of sport activity, considerably expanding our understanding of sport in general and of particular sports.

  It is only in recent years that sport management has begun to emerge as a study with its own particular characteristics. This is perhaps surprising as the notion of sport as inherently amateur and altruistic is misguided even in its origins, athletes at the original Olympic Games being known to have received payment. A moment’s reflection makes clear that it is difficult to generalise in this respect, some sports more clearly being identifiable with an Olympian ideal, while others have no historical connection with that ethos, or indeed with the Games themselves.
Although professional sport has been with us in the United Kingdom for over a century, it has generally attracted little academic interest other than from social historians. This has changed very noticeably as professional sport has moved from a long-standing and fairly steady state of ‘professional’ to a rapidly evolving process of large-scale ‘commercialisation’, a distinction which is discussed below. In general, commercialisation has happened to sports that had already reached the ‘professional’ stage in their development. Some sports, however, have progressed directly from ‘amateur’ to ‘commercial’ and, in this respect, this book generally restricts itself to sports which have moved beyond ‘amateur’.

The development of a sport as a business

Sports vary considerably in the extent to which they have become ‘big business’. Those that have have generally followed a similar sequence (summarised in Figure 1.1). This sequence is best understood by distinguishing between evolutionary phases, where change is slow and incremental, and revolutionary phases, where change is rapid and the phase is characterised by high levels of uncertainty.

The three revolutionary phases (codification, professionalisation and commercialisation) are necessarily relatively short. In the case of codification and professionalisation a specific date for the ‘revolution’ can be identified, although, of course, the implications of the revolutionary changes will rarely be instantaneous. The commercialisation revolution can also often be associated with a particular event, but generally it will be a series of events, making the commercialisation peak of high uncertainty and high rate of change take place over a longer time period than the two preceding revolutions.

The evolutionary phases between the revolutionary peaks can be of quite differing lengths of time. For example, in the cases of English and Scottish football there was an

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**Figure 1.1** Framework: the development of a sport as business

*Note: Curved arrows indicate periods of time the length of which will vary from sport to sport. In some cases the period may be very short, in others as long as a century.*

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1 ‘Amateur’ sports are not excluded from consideration as amateur clubs still need to be managed, to promote themselves in a marketing sense, to control their finances etc.
Introduction: the commercialisation of sport

evolutionary phase between professionalisation and commercialisation of roughly a century, whereas in the case of rugby union commercialisation rapidly followed professionalisation.

It should be noted that the model is a model of the mainstream activity in the particular sport. When applying it to athletics, for example, it takes no account of the pocket of sprinting for prize money which has been taking place in Scotland for well over a century, but which cannot be considered as part of the mainstream development of athletics. The model also makes no attempt to accommodate anomalous occurrences such as the one-off awarding of prize money in sports that were otherwise essentially amateur.

The phases are:

**Foundation** (Evolutionary) The sport emerges through ancient folk tradition (e.g. soccer).

**Codification** (Revolutionary) Codification may take place as a formalisation of practice (e.g. cricket), as the outcome of an organisational breakaway (e.g. rugby league) or through the need to define the game at the time of invention (e.g. snooker). In cases like rugby league, the sport may in fact see its foundation as coincident with codification; in cases like snooker, they are coincident.

**Stratification** (Evolutionary) As a sport grows, the body responsible for codification sets up or administers through merger a variety of leagues, typically with an element of promotion and relegation, and normally characterised by a regional dimension, especially at lower levels. In this phase, the sport remains amateur. The changes in the governance of the game may be considered revolutionary, but the effects of these changes have relatively little impact on the overall stability of the game, and growth is slow but steady.

**Professionalisation** (Revolutionary) As a sport gains popular appeal, the willingness of spectators to pay to watch, and the willingness of investors to support clubs, for altruistic reasons as well as commercial ones, allows the payment of players. Initial payment is in terms of expenses. This may extend to payment for loss of earnings. At this point the distinction between amateur and professional status may become blurred. Where full-blown professionalisation occurs, the elite players are able to play sport as a full-time job.

**Post-professionalisation** (Evolutionary) During this phase, a senior game which is professionalised typically sits alongside an amateur junior game.

**Commercialisation** (Revolutionary) As the sport develops an overtly business context, external organisations see the opportunity of using the sport for their own purposes, typically marketing in the forms of sponsorship – involving governing bodies, leagues and clubs – and endorsement – involving players. If the sport organisations, leagues and clubs are inept in their management of the greatly increased financial revenues which become available, they will come under pressure to the extent that some professional clubs in particular may be forced out of existence.

**Post-commercialisation** (Evolutionary/Revolutionary) Outside the ‘Big Four’ North American sports, few major sports can claim to have reached this phase. European soccer is entering this phase, and certainly F1 motor racing and cycling have been in this phase for a number of years. The phase may often appear to be evolutionary – a period of stability and growth following the commercialisation phase – but, because major revenues derive from outside the sport, sudden dramatic change (i.e. revolutionary change) may be thrust upon the sport since it has a reduced level of control over the steadiness and predictability of its income.
The development of a sport as a business

A review of sports that have reached post-commercialisation suggest that, unlike other phases in the model, there is a lack of consistency in that, in particular, some have reverted to a relatively stable state of low uncertainty and slow rate of further change, wrestling for example (indicated by path A in Figure 1.1), whereas others such as soccer have maintained high levels of uncertainty and rates of change (indicated by path C). Yet others, such as Rugby Union, have shown a slow return towards a fairly stable evolutionary phase (path B). In the bigger historical picture, our experience of post-commercialised sport is relatively short, and it will take many more years before the post-commercialised phase can be definitively analysed.

Table 1.1 is an application of the framework to English soccer which shows the timescale of the phases. It should be noted that the evolutionary stratification phase in fact lasted for a shorter time than the revolutionary commercialisation phase. The table also includes examples of the iterative nature of the process – the creation of the Premiership and the ongoing review of the structure of leagues at lower levels in the pyramid. This highlights a further important dimension to the model – the level within the sport. In sports which are large enough to support a ‘tall’ structure of leagues, development through the various phases is more rapid at higher (professionalised) levels, with lower levels remaining at the earlier stratification (amateur) level.

The progression from each phase to the next is not necessarily a process which has been completed by every sport. Sports which have not progressed beyond phase 2 are generally outside the scope of this book. The significance of phase 2 is that it defines the governing body of the sport, and the role of the governing body in the management of the sport becomes clear as the sport progresses to higher phases.

Those at phase 3 are certainly within its scope, as the sport as ‘organisation’ has emerged, and there will be financial, marketing and human resource dimensions to the operation of the business. Although the sport will have no professional players, it may well have employed administrators on a full-time or part-time basis. Section 2 of this book will be relevant, although section 3 will probably not.

When a sport reaches phase 4 the business dimension covered in Section 2 of the book is of great significance. This is because people are employed in the sport at the level of clubs in particular. The club now has revenues and expenditures – it must at least balance its books, it needs to promote its activities, and as an employer it has to consider the needs of its staff.

The business dimension is to the fore in sports which have reached phase 6. Now the clubs and the leagues have strong business relations with sponsors and with broadcasters. These organisations need to consider how they will manage risk, what legal liabilities they may incur, and how they might maximise the revenues generated by their main physical asset – their stadium or ground.

The further the organisation progresses through the phases, the greater the tendency for iteration – the revisiting of previous steps. The best examples of this lie in English and Scottish soccer. Clubs at the phase of Commercialisation revisited Stratification in the sense that their developing relationship with sports broadcasters influenced the way in which the games were structured – the English Premiership and the Scottish Premier League emerged in the process of strengthening the sports links with broadcasters.
**Table 1.1 An example of the application of the framework: English soccer**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation</td>
<td>The game emerged from various forms of two teams kicking a ball around with a view to scoring by reaching a goal.</td>
</tr>
<tr>
<td>Codification</td>
<td>Codification by the [English] Football Association (FA) in 1863 – the first codification of ‘football’, and the basis of the English claim to have ‘invented’ the game – standardised the game as one between two teams of 11 players and defined the characteristics of the ‘goals’.</td>
</tr>
<tr>
<td>Stratification</td>
<td>The game grew rapidly and a range of leagues, national and local, became affiliated to the Football Association.</td>
</tr>
<tr>
<td>Professionalisation</td>
<td>By the mid-1870s, some clubs had begun to employ semi-professional and even professional players, and in 1885 such practices were authorised by the FA.</td>
</tr>
<tr>
<td>Post-professionalisation</td>
<td>The game entered a steady state, with a structure of leagues surmounted by three national leagues, ultimately developed into four national leagues. The players in these top leagues were professionals.</td>
</tr>
<tr>
<td>Commercialisation</td>
<td>A commercial dimension began to enter the game in the late 1960s. Early examples are the sponsorship of cups by Texaco (an oil company) and Watneys (a brewery), and the emergence of shirt sponsorship, a practice initially banned by the FA but which Jimmy Hill’s Coventry FC attempted to circumvent. The major event in this phase was the formation of a new Premiership (league), driven by the clubs in the existing ‘top flight’ who sought to gain a larger share of the new available funding from broadcasting rights. By the end of the 1990s commercialisation had become firmly embedded across the whole of the top four leagues as well as the FA, with sponsorship of a range of events and facilities, including individual stadia, common practice. Club websites had become integrated with betting companies, mobile phone companies and other external organisations, typically offering directly soccer-related services. Weaker (in terms of financial success) clubs have faced major pressures such as being forced into administration.</td>
</tr>
<tr>
<td>Post-commercialisation</td>
<td>As we move beyond the first decade of the twentieth century, a clear case can be made that English soccer has reached this phase. The involvement with external bodies seems to have reached a natural limit, with further expansion by sponsors generally being limited to becoming involved with the lower levels of the game. However, it is still perhaps too early to judge, and further restructuring may yet happen – in particular, the relationship between soccer and sports broadcasters can be seen as still potentially ‘revolutionary’. With the move towards the UEFA-imposed Financial Fair Play protocol, still in outline at the time of writing, a high level of uncertainty remains.</td>
</tr>
</tbody>
</table>

Clearly there are implications for players and stakeholders which derive from the steady-state phase that the sport has reached. These are set out in Table 1.2.

Great attention has been paid by academics to the business of soccer in the past ten years, no doubt because it is in this sport that the largest sums of money have been invested. This coverage has frequently shown a censorial tone, implicitly protesting at the loss of control of the game to the external paymasters – sponsors and broadcasters – (but less often protesting at the loss of control to the particular sport’s highly paid elite participants) and frequently has lacked analysis using management theory. This book has been written to provide a source which:
The development of a sport as a business

sets the management of sport businesses in theoretical frameworks from a range of management disciplines;

reflects the growing range of sports that have clear commercial dimensions.

The book focuses on sports which are familiar in the UK and Europe, and hence there is relatively little coverage of North American sports, although they are not ignored.

How significant is the scale to which many sports have become commercialised? Exhibit 1.1 gives some indications for a range of stakeholders.

Exhibit 1.1 How significant is the commercialisation of sport?

When it comes to who is involved in the commercialisation of sport, what is spent and who benefits, there are too many examples to mention. However, here is a brief selection of recent events that help to illustrate just how commercial the world of sport has become:

The performer
‘Musicians, sports stars and actors are rapidly overhauling established business tycoons as some of America’s wealthiest young people.’

The gambler
‘Merrill Lynch has revealed that the online gambling industry in total will be worth an estimated £123bn by 2015, while online sports betting will be valued at £100bn.’

The spectator
‘Since it began 14 years ago, the sport [World Super Bikes] has become ever more popular with over 1m spectators in 2001, double that of 1996.’

The club
‘A report published by Deloitte & Touche and Sport-Business Group has revealed that Manchester United heads football’s rich list with turnover of £117m. It is based upon turnover for the season 1999–2000. In 2nd place is Real Madrid with turnover of £103.7m.’

(continued)
Introduction: the commercialisation of sport

The consumer

‘The Sport Industry Research Centre at Sheffield Hallam University, in a report entitled “Sport Market Forecasts 2001–2005”, revealed that UK spending on sport in 2000 was £15.2 billion. This ensures that sport accounts for approximately 3% of consumer spending. In the 1990s this market has grown by more than 70%, an estimated 64% of which is spent on sports services, while 20% goes on clothing and footwear.’

The corporation

‘Over the past 4 years the corporate hospitality industry has experienced huge growth. The sector is now worth more than £100m a year. A major investment and service-driven approach adopted by many sporting venues has not only served the hospitality industry, it has also opened the floodgates for conference opportunities.’

The sponsor

‘Kellogg has signed its biggest ever UK sports sponsorship deal. It is linking its Nutri-Grain brand with the Rugby League’s Challenge Cup. Kellogg will invest more than £1 million into the sponsorship.’

The governing body

‘World Snooker, the governing body of professional snooker, is to invest £100m to promote the sport. World Snooker is expected to unveil details of a five-year plan to spark greater interest in the game next month.’

The merchandiser

‘Hays and Robertson is planning a two-way split, by floating International Brands Licensing, the Admiral and Mountain Equipment brand business on Aim in June 2002, in an attempt to raise its market value to £11.5m. Hays and Robertson will then join with Sky in a deal to sell England kits and other football kits later on in the year and focus on purchasing licenses for other brands for UK distribution.’

The venue

‘According to Wembley, the events company, a good performance from its 6 greyhound tracks in the UK helped to boost interim profits 12.5% to £16.2m.’

The rights owner

‘Formula One Administration (FOA), the company which owns the rights to Formula One motor racing, posted an 8% increase in profits in 2001. FOA’s pre-tax profits rose to $180m, up from $165m in the previous year. Turnover jumped to $594m, up from $538m in 2000.’

The development of professional sport and professional players

There are sports in which it is clear when an individual ‘turns professional’. This act may have two distinct aspects, although the two aspects may be irrevocably entwined:

- the decision to seek to make a living by earning money from participating in the sport;
- the changing of status with respect to membership of sport governing bodies.

These two aspects lie at the core of the Development of Rugby Case Study (A). The sport of rugby has been chosen because of its interesting extra dimension – the emergence of two varieties of the sport, arising out of the differing views held at the time on whether professionalisation was an appropriate way forward for the then single sport, and the similar ways the two varieties faced up to commercialisation at a much later date, albeit from different starting points.

Case 1.1a The development of rugby (a)

The Rugby Football Union was founded in 1871 on a strictly amateur basis. In 1893 the Union received reports that a Yorkshire Club had made a financial offer to induce a player to leave another club and join them. Payment to cover ‘broken time’ – pay that was lost through being absent from work in order to play rugby – was not unknown.

The Union was warned that the chief clubs in Lancashire and Yorkshire would react by breaking away, no insignificant threat as many of the national team came from these clubs. The particular club was suspended. In August 1895, 22 clubs made the threatened break and formed the splinter Northern Union. Within two years a total of 80 clubs were members of the Northern Union. In 1922 the Northern Union changed its name to the Rugby Football League.

As an entity quite separate from the Rugby Football Union, the Northern Union was responsible for the laws of the game its members played. In the early days a number of changes were made, including the reduction in the number of players in a team from 15 to 13.

Thus began a clear divide between the amateur Union and the professional League.

As the League game quickly became distinct from Union, it required an amateur base from which to draw its professional players. However, control of Rugby League remained completely in the hands of the professional clubs. In 1973 the amateur League clubs, fed up with lack of democracy, formed the British Amateur Rugby League Association, a move that initially was contested vigorously but unsuccessfully by the League. Within a few years the League relented, giving the amateur League Association its blessing.

Discussion questions

1. Why do you think the Northern clubs were willing to force their case through?
2. Why do you think the League introduced new rules of play?
Introduction: the commercialisation of sport

In the case of rugby, differences over payment led to the emergence of two distinct sports – Rugby Union and Rugby League. In other sports, such as boxing, two sports, one amateur and one professional, coexist with essentially the same rules, any differences being relatively minor and insufficient for the two sports to be seen as ‘different sports’.

Some sports have sought to allow the two statuses, ‘amateur’ and ‘professional’, to co-exist. Cricket maintained the two categories of ‘Gentleman’ and ‘Player’ (amateur and professional respectively) until 1963. This distinction had by the end of its life become both blurred and absurd. It was not uncommon for County Cricket clubs to find patrons who would offer token jobs to a cricketer to ensure that he could retain his amateur status, or even to employ them as club officials. This allowed the club to continue with the myth that the team captain was a ‘Gentleman’ and not a ‘Player’. The absurdity of the distinction is best illustrated by the story Fred Titmus tells of the announcement over the PA system at Lords which sought to clarify that he was a professional rather than an amateur: ‘We apologise for the error on your scorecards – “F.J. Titmus” should read “Titmus, F.J.”’. Clearly the earning status of the sportsman was of vital importance, and had to be reflected in the way his name was on the scorecards!

Whatever the attitude that the governing body of a particular sport had taken to the issue of ‘professionalism’, by the end of the twentieth century it might well, depending on the sport, have found itself under pressure to accept money from broadcasters and sponsors. The former sought a ready-made and familiar product to sell to its customers; the latter sought to align their particular brands with the lifestyle surrounding the sport, and hence to gain an enhanced public perception of their products. While normally working well in terms of synergy, the matching of team and sponsor can seem incongruous – the sponsorship of the England soccer team by a Danish lager manufacturer, for example, arguably working rather better for the sponsor than for the sponsee. Not infrequently some sponsors have sought marketing outlets that were needed to replace ones that were blocked through restrictive legislation, cigarette and spirits manufacturers being good examples of this.

Rugby is, of course, untypical in that the early conflict between ‘amateurism’ and ‘professionalism’ led to the divergence of a splinter group to found a new and distinct sport. This schism was not however to remain as clear-cut as the steady state of the first half of the century was to suggest.

Case 1.1b The development of rugby (b)

Throughout the twentieth century, there had continued to be a total schism between the Union and the League, the Union debarring for life anyone who dared to cross to League. The climate within Union began to change in the late 1980s amid isolated reports of Union players compromising their totally amateur status by accepting unreasonably high expenses which amounted to appearance money. In 1987 two-way movement of players between Union and amateur League was allowed by both parties. In the early 1990s, for the first time since the original rift, a significant number of senior players ‘defected’ from Union to League.

(continued)
The development of professional sport and professional players

The Union game, as far as the vast majority of its participants was concerned, remained thoroughly amateur. The world of sport was changing fast nevertheless, and in 1987 the Union negotiated a £1.6m sponsorship deal with the brewers Courage. 1995 saw the International Board announce that the Union game would be opened up to the payment of players. In a move prompting comparisons with the formation of soccer’s Premiership in 1992 as well as with the events of almost 100 years previously, in 1997 the top two Union leagues in England (a total of 24 clubs) received a £7.5m sponsorship package over three years from Allied Dunbar, the financial services organisation. The attraction to Allied Dunbar was the televising of these clubs by Sky Sports, a deal worth £87.5m, negotiated jointly through the auspices of English Professional Rugby Union Clubs, subsequently replaced by the English First Division Rugby body.

Discussion questions

3 Given the context of history, is it an absurdity that there is a British Amateur Rugby League Association and, recently, there has been a body called English Professional Rugby Union Clubs?

4 As a Rugby Union club manager in the early 1990s (i.e. before the permitting of payment to players), how might you have addressed the problem of stopping players moving to the paid world of Rugby League?

5 Compare the distribution of wealth between particular clubs and players in the two games, noting where the balance has changed over time.

6 Why do you think there was a rapprochement between the two amateur ‘wings’ but not between the two games as a whole?

This two-part case study together with some significant dates, from a business perspective, in the development of sport, as given in Table 1.3, provides a basis from which we can identify the features of this book:

- key themes that underpin the book’s contents and which are implicit throughout the chapters;
- key topics that consist of business functions which are applied to the particular context of sport businesses;
- key issues that are specific to ‘sport’ as ‘business’ and which determine the uniqueness of applying management theory to sport businesses.

Table 1.3 Some significant dates in the development of sport as business

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1806</td>
<td>First ‘Gentleman’ v. ‘Players’ match organised by the MCC.</td>
</tr>
<tr>
<td>1863</td>
<td>Foundation of the [English] Football Association [FA] (and the myth that the English invented soccer) on an amateur basis.</td>
</tr>
<tr>
<td>1880s</td>
<td>Widespread rumours of illegal cash payments to soccer players, succeeded by clubs openly admitting it. Leads to . . .</td>
</tr>
<tr>
<td>1885</td>
<td>FA approval of professionalism.</td>
</tr>
<tr>
<td>1888</td>
<td>Foundation of [English] Football League and league match system.</td>
</tr>
</tbody>
</table>

(continued)
**Introduction: the commercialisation of sport**

Table 1.3 *(continued)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1890</td>
<td>(English) Football League imposes transfer restraints on players changing clubs.</td>
</tr>
<tr>
<td>1900</td>
<td>Introduction of Maximum Wage Rule for soccer players (£4 per week).</td>
</tr>
<tr>
<td>1901</td>
<td>Professional Golfers Association founded; first sponsored tournament follows in 1903.</td>
</tr>
<tr>
<td>1906</td>
<td>Alf Common becomes the first footballer to be valued at £1,000 when he transfers from Sunderland to Middlesbrough.</td>
</tr>
<tr>
<td>1907</td>
<td>Foundation of soccer Players’ Union.</td>
</tr>
<tr>
<td>1909</td>
<td>Soccer players’ strike. Advances prove more psychological than tangible.</td>
</tr>
<tr>
<td>1922</td>
<td>Syd Puddefoot is sold by West Ham to Falkirk for a record fee of £5,000.</td>
</tr>
<tr>
<td>1928</td>
<td>David Jack becomes the first £10,000 footballer when transferring from Bolton Wanderers to Arsenal.</td>
</tr>
<tr>
<td>1936</td>
<td>First television broadcasts of an Olympic Games, restricted to a small number of viewers in Berlin.</td>
</tr>
<tr>
<td>1937</td>
<td>First sports broadcast by BBC – 25 minutes of tennis from Wimbledon.</td>
</tr>
<tr>
<td>1948</td>
<td>Foundation of Pegasus Football Club to champion the ideal of amateur soccer and sport in general.</td>
</tr>
<tr>
<td>1955</td>
<td>Kent Walton first introduced wrestling to a wider British public on ITV’s ‘World of Sport’.</td>
</tr>
<tr>
<td>1961</td>
<td>Professional Footballers Association achieves the abolition of the maximum wage.</td>
</tr>
<tr>
<td>1963</td>
<td>Abolition of distinction between ‘Gentlemen’ and ‘Players’ in Cricket. Transfer restrictions in amateur soccer introduced to curtail the unauthorised transfer market.</td>
</tr>
<tr>
<td>1968</td>
<td>Lawn Tennis Association accepts professionals and prize money at Wimbledon.</td>
</tr>
<tr>
<td>1969</td>
<td>‘Pot Black’ begins a 17-year run of snooker programmes on BBC television.</td>
</tr>
<tr>
<td>1975</td>
<td>Giuseppe Salvoldi becomes the first £1,000,000 football player when transferring from Bologna to Naples.</td>
</tr>
<tr>
<td>1977</td>
<td>Kerry Packer establishes the short-lived breakaway World Series Cricket, introducing night matches and one-day games.</td>
</tr>
<tr>
<td>1979</td>
<td>First PGA National Pro-Am Championship, sponsored by State Express, a brand of cigarettes.</td>
</tr>
<tr>
<td>1992</td>
<td>Senior English soccer clubs form breakaway Premier League, BSkyB acquires the broadcasting rights. Aldershot and Maidstone United, both then in the fourth tier, fold.</td>
</tr>
<tr>
<td>1995</td>
<td>The International Rugby Board removes the ban on payments to players. Rupert Murdoch’s News Corporation begins multinational negotiations for the rights to broadcast Rugby Union.</td>
</tr>
<tr>
<td>1996</td>
<td>The Atlanta Olympic Games hit a new high in commercialisation. IOC President Juan Antonio Samaranch broke with precedent by describing them as ‘most exceptional’ rather than the traditional ‘best Games ever’. Rugby League introduces ‘video referees’.</td>
</tr>
<tr>
<td>1998</td>
<td>First women’s boxing bout sanctioned in the UK. BSkyB introduces UK’s first digital broadcasting allowing interactive programming.</td>
</tr>
<tr>
<td>2001</td>
<td>EU Directive bans sponsorship by tobacco companies.</td>
</tr>
<tr>
<td>2002</td>
<td>Collapse of ITV Digital. British Horseracing Board sells major bookmakers rights for use of data in betting shops and Internet betting operations.</td>
</tr>
<tr>
<td>2007</td>
<td>Wimbledon adopt equal prize money for men and women for the first time.</td>
</tr>
<tr>
<td>2009</td>
<td>Roman Abramovic converts an interest-free loan to Chelsea of £340m into equity to make the club ‘virtually debt free’. Cristiano Ronaldo transfers from Manchester United to Real Madrid for £80,000,000.</td>
</tr>
<tr>
<td>2010</td>
<td>Tiger Woods continues to lose endorsement contracts following his car crashing incident.</td>
</tr>
</tbody>
</table>
Key themes

‘Professional sport’ and ‘amateur sport’

This book is not about the difference between ‘professional sport’ and ‘amateur sport’. It is about ‘professional sport’ and ‘sport businesses’. This distinction has clear implications for which sports are covered and what aspects of sport are covered.

‘Professional sport’ is taken broadly to mean sport which derives income from non-participants and which is dependent on that income to survive in the form that it currently has. Such income may come from one or more of a variety of sources which the sport organisations – governing bodies, clubs, events organisers – have control over. These might include gate revenue, broadcasting rights, branding and merchandising.

It will be helpful if you start to see any particular sport as part professional and part amateur. It is not difficult, for example, to see that the world of Sunday morning soccer in the local park is a very different world from that of Manchester United. The causes of the emergence of the former from the latter is the domain of sport sociologists and sport historians, and is an important area of academia. It is not the domain of this book, although it provides an interesting background to it. This book is about the management of the Celtics, the Ferrari Teams and the Wigan Warriors of sport.

‘Professional players’ and ‘amateur players’

The distinction between amateurs and professionals has been the subject of more soul-searching and debate by the governing bodies of all the major sports than any other issue. The distinction received particular attention in two eras. In the last 20 years of the nineteenth century, the governing bodies of many sports, dominated as they were by Oxbridge ‘gentlemen’, resisted the realities of payment to players by clubs that were run by local businessmen seeking to make a profit as well as to promote local sporting pride. How they handled this perceived issue varied from sport to sport. We have seen how rugby was split into two sports; soccer accommodated professionals, and within 20 years only clubs that employed professionals made any significant contribution at the highest level of the sport; athletics ignored the problem in reality, although maintaining a total opposition to commercial athletic activity as practised, for example, in parts of Scotland.

Whatever the matters of ‘ideal’ were, it became clear in every sport that the only chance of achieving excellence was by a total time commitment to sport. The ‘amateur’ road could not lead to such excellence as the norm. The distinction matters less and less, and in this book we will be looking at the David Beckhams, the Tim Henmans, the Colin Montgomeries and the Lennox Lewises of sport, and their less well known professional colleagues.

Professionalisation and commercialisation

The professionalisation of a sport – the appearance of money-earning players – became, as noted above, an issue in many sports in the late Victorian era. The existence of professional players became, in many but not all sports, an acceptable modus operandi, a means to a healthy and vibrant set of sporting competitors who offered a clear focus to Saturday
afternoon leisure activity. ‘Professionalisation’ was thus a practical measure, and a sacrifice most sports were prepared to make.

In the last decade of the twentieth century, however, a different process took place in the major sports: the emergence of satellite broadcasting and the opportunities for sports, and hence the top players, to earn previously unimagined sums. With the potential to earn much larger sums, players began to make use of professional agents. When, in 1961, the Professional Footballers Association (PFA) managed to get the maximum wage for professional soccer players abolished, that maximum wage stood at £20 per week.\(^2\) In 2002, David Beckham was rumoured to be seeking a wage of £100,000 per week from Manchester United, on the grounds that he would be paid that by other clubs eager to sign him up. In 2009, Cristiano Ronaldo, then aged 24, negotiated a contract with Real Madrid which would, over a six-year period, offer him, as salary and image rights, a staggering £106,000,000. His salary increases year by year, but, if he sees the contract out, he will have earned an average £340,000 per week.

The previous 20 or so years have seen the injection of vast sums of money into the game through television rights and sponsorship deals. Typically these sums have gone straight through ‘the game’ and to the players and, to a much lesser extent, their agents. This process is the ‘commercialisation’ of sport and has attracted much academic interest, especially with respect to soccer. It should be noted that for some sports – Rugby Union, for example – ‘professionalisation’ has been driven through alongside ‘commercialisation’, the latter not making the former irresistible any more.

Written in the current era, it follows that this book is interested in both professionalisation and commercialisation.

**Sport as competitive event-based activity**

In applying management principles to sport businesses it is inevitable that the unique nature of sport makes for interesting problems. Unlike other businesses, sport businesses have the following particular characteristics:

- Each organisation has no meaningful existence without direct competitors with which it must literally compete. On the other hand, competition cannot take place without co-ordination, and collaboration with those competitors.
- The organisation of competition is controlled by governing bodies which operate like a cartel, in a way that would that might be considered illegal in other more conventional businesses where their trade associations wield far less power.
- The focus of this activity is an event, sometimes held on the organisation’s own premises, sometimes on its immediate competitor’s premises, or, rarely, on neutral ground. An event carries with it the factors of fixed place, fixed time and fixed duration.
- The set of competitors is defined in terms of ‘leagues’, and changes annually as a result of performance in the sport during the year. These changes impact on income but not on costs. (It’s costly being relegated, in other words!)

\(^2\) In very broad terms, this wage equated roughly to the earnings achievable by someone newly graduated from university, or to a manual worker. In today’s world, allowing for the inflation which has taken place since 1961, a comparable figure would be a salary of roughly £30,000 per year. The fact that a comparison is made between a footballer’s wages in the 1960s and a footballer’s salary today reflects a change in the way that society sees their job, as, of course, does the marked difference in level between payment over 40-plus years.
● Direct income from such competition is usually seasonal.

● The essence of sport is thus competitive, seasonal, event-based activity, and, as a direct result, organisations seek indirect and more regular income streams through activities such as merchandising. With more and more commercialisation, direct revenue forms less and less as a percentage of total revenue.

● The uncertainty of outcome in matches forms the basis of a sport’s attractiveness.

Rogan Taylor, the sports sociologist, has famously remarked about the passion and commitment of soccer fans, in comparison with brand loyalty to supermarkets, that ‘nobody ever wanted to get married in their local supermarket’, unlike the albeit limited, but nonetheless real appeal of home football grounds for this purpose, and this contrast helps when looking at the business aspect of sport. Supermarkets can seek sites where they have local monopolies, they do not operate other than in their own premises, they compete in a relatively free market, uncontrolled in any formal sense by their fellow supermarket chains, they are never ‘promoted’ or ‘relegated’, and they don’t get serious income from television sponsorship. Their customers don’t buy branded shirts to wear provocatively when visiting their competitors. The business of sport is different from most business, but in practical operational aspects, not just in emotive, sociological ways. In this book, having explored the context of sport business, we explore first the similarities with which business functions can be applied to sport businesses, in Chapters 7 to 14, and then the distinctive characteristics, the management issues that are specific to sport businesses, in Chapters 15 to 24.

The broader sport industry

Sport businesses are not confined to professionalised sports clubs and players. The following are all participants in the sport industry:

Players
Clubs and their teams
Leagues
Governing bodies
Players’ associations
Players’ agents
Stadia owners and operators
Tournament and event organisers
Sports equipment manufacturers
Sponsors of players, clubs, leagues, events etc.

Beyond these organisations, it becomes less clear where the boundary lies. Certainly organisations such as MUTV, the television subsidiary of Manchester United, are within the industry, but few would include the manufacturers of the branded merchandise that all major organisations sell to maintain revenue streams. This indicates the general boundaries adopted by this book. The main criterion for inclusion is that the organisation is essentially based in or around sport – Sky Sports therefore qualifies, but the parent Sky Television does not.

Sponsors generally fall into one of two categories:

● those that qualify by virtue of their core business – Nike qualifies as a manufacturer of sports footwear, for example, irrespective of its sponsorship activity;

● those that qualify with respect to their sponsorship role – the sponsorship activities of Benson & Hedges, for example, are within the sport industry, whereas their core business clearly is not.
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See Case Study 1.2 on The changing Olympics for an idea of the role of sponsorship in a sports tournament.

Case 1.2 The changing Olympics

The summer Olympics take place every four years and last 16 days. The right to host the event is always fiercely contested. In the past this was an issue of city and/or national pride rather than any commercial aspect. Until the 1984 Games in Los Angeles, the outcome was a considerable financial deficit – the citizens of Montreal were paying for the 1976 Games until November 2006, when the last payment to clear the debt was finally paid.

The trend for a more commercialised Olympics is epitomised by the centennial Games, held in Atlanta in 1996. Only 26 per cent of the income for these games came from direct sales of tickets. The largest income stream was from television rights (34 per cent), followed closely by corporate sponsorship (32 per cent). A further 8 per cent derived from retailing and product licensing. NBC, the Games’ host broadcaster, supplied 3,000 hours of broadcasting, which compares with the 100 hours provided by the previous soccer World Cup. They guaranteed to earn the International Olympic Committee $500m through selling the broadcasts, and still expected to make $70m from the deal.

Since 1986 the International Olympic Committee has offered sponsors the opportunity to be a member of the Olympic Programme (TOP), restricted to ten members and costing the member $40–$50m. For the Atlanta Games the TOP sponsors were Bausch & Lomb (manufacturers of Ray-Ban sunglasses), Coca-Cola, John Hancock (US insurance group), Kodak, IBM, Panasonic, Rank Xerox, Sports Illustrated (US magazine), UPS (parcel delivery service) and Visa. As well as exposing their logos in an Olympic context, sponsors expose the Olympic logo in their own advertisements. Sponsors also sponsor individual athletes, and their success offers another opportunity to advertise.

During the Atlanta Games Nike ran a series of advertisements which included the Games-oriented strap lines ‘You don’t win silver. You lose gold’ and ‘If you are not here to win, you’re a tourist’.

Success in the Olympics leads to individual sponsorship deals, and those successful in high-profile sports can negotiate very favourable deals. The self-sustaining nature of personal promotion by sports individuals is well illustrated by the Xerox presence at the Atlanta Games. They recruited a team of 100 ex-sports stars to promote Xerox, led by Mark Spitz, the winner of a record-breaking seven gold medals at the 1972 Munich Olympics.

Sources include The Independent, Independent on Sunday and The Sunday Business.

Discussion questions
7 To what extent is it possible to view the Atlanta Games as representing an Olympian ideal?
8 How do individuals in team sports rise above their team-mates in securing sponsorship deals?
9 Review the ways in which Olympic sponsorship enhances the brands of each of the ten TOP sponsors.
At the heart of any understanding of sport management is a common core of management theory. It is in the application of this theory that there is a need for a book such as this one. We have already seen that the various sectors of sport have distinctivenesses which prompt characteristic behaviour. This phenomenon is by no means confined to sport – it is certainly not being argued that sport is unique in being different, only that sport is uniquely different. John Spender (1989) argued:

Having worked in several different industries before I began my research work, I already suspected that managers often deal with the problems that uncertainty creates in ways that are characteristic of that industry.

The industry recipe is the business-specific world-view of a definable ‘tribe’ of industry experts, and is often visibly articulated into its rituals, rites of professional passage, local jargon and dress.

Practising managers and industry analysts, could use [the industry recipe], for instance, to diagnose corporate performance, measure the fitness of the firm for its industry, guide strategic thinking and evaluate the appropriateness of mergers.

I see the industry recipe as part of a particular firm’s response to the varying competitive conditions, work practices, technologies, public policies, legislation, and so forth prevailing at the time.

The Treaty of Lisbon, finally enacted on 1 December 2009, will lead to a more formalised approach within the European Union to this notion that sport is uniquely different. Over two years previously, the European Commission had published its White Paper on Sport (Commission of the European Union, 2007). A far-ranging report, it includes sections on the economic dimension of sport and the organisation of sport. The latter includes the following statement:

Sport has certain specific characteristics, which are often referred to as the ‘specificity of sport’. The specificity of European sport can be approached through two prisms:

● The specificity of sporting activities and of sporting rules, such as separate competitions for men and women, limitations on the number of participants in competitions, or the need to ensure uncertainty concerning outcomes and to preserve a competitive balance between clubs taking part in the same competitions;

● The specificity of the sport structure, including notably the autonomy and diversity of sport organisations, a pyramid structure of competitions from grassroots to elite level and organised solidarity mechanisms between the different levels and operators, the organisation of sport on a national basis, and the principle of a single federation per sport.

Just how this will impact on sports business is as yet unclear, but it may well have direct impacts on areas such as employment law and contract law, and the assignment and negotiation of broadcasting rights.

It is with these notions of ‘industry recipe’ and ‘specificity of sport’ that we are concerned, and on which the following chapters focus.

The remaining chapters in this first section continue to develop an understanding of the context of sport business. Chapter 2 considers the Governance of sports, and how the
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playing of a sport is organised. Issues raised include who controls sport, who should control sport and whether there is any place for ‘fan power’. Chapter 3 explores the Ethics of sport, covering topics such as doping and the dominant values of elite competitive sport. Next, Chapter 4, the role of the State is considered, with particular reference to the United Kingdom. A new Chapter 5 explores leagues and competitions, looking at how their structure influences uncertainty of outcome and competitive balance, and it is followed by another new chapter on the Impacts of sport.

The second section, on business functions, opens with Chapter 7, which is on organisational behaviour, the study of how people behave individually and collectively within organisations, how they communicate, how they are motivated and how they exercise and react to different forms of leadership. The issues which concern us are the ‘off the pitch’ commercial and professional dimensions, rather than those on the pitch, which would be appropriate in a textbook on sports coaching rather than sport management.

A closely related field is that of human resource management, the subject of Chapter 8. This explores further the notions of motivation, and looks at the problematic area of reward systems, systems which in professional sport have shot off at a tangent from the reward systems of conventional businesses. The disparity between the top players and the lowest professional players has become extreme in the last ten years. The employment of professional sportsmen and sportswomen has been contentious and confrontational in many areas – soccer, rugby, tennis and golf, for example – and has attracted more than its fair share of case law, such as soccer’s Bosman Ruling. Law and its particular application to sport are the subject of Chapter 15.

After its players, a club’s greatest tangible asset is usually its stadium, and by the nature of sport it is often a greatly under-utilised asset. Events and facility management form the subject of Chapter 16, which includes a look at the phenomenon of fans travelling to away matches – sport tourism and its impact.

As the product of a sport business is essentially different from conventional businesses (see above: Sport as competitive event-based activity), it follows that their marketing will have essentially different characteristics. Chapter 9 outlines basic marketing principles as applied to the world of sport. It looks at the segmentation of fans in particular – who are sports fans in business rather than sociological terms. The specialist areas so important to the marketing of sport businesses – sponsorship and endorsement are covered in Chapter 17, while Chapter 21 looks at retailing and merchandising.

Since money is the fundamental issue that separates professional from amateur sport, it comes as no surprise that finance merits a chapter of its own, Chapter 10. Here, the distinctive characteristics of sport accounting are considered. For example, the greatest assets of any team are its players, yet they do not appear in the financial accounts. In terms of managerial accounting, the most obvious aspects of most professional sports organisations are that (a) they are not financially viable in terms of direct revenue and (b) they are vulnerable to changing fortunes arising from poor team performance or players’ injury. Risk management is investigated in Chapter 19, and a significant industry in its own right, the sports betting industry, is explained in Chapter 20.

Such problems are obviously not unique to the big names of sport, and even the smallest amateur club has to worry about risk, about finance, about marketing and so on. The particular issues of managing small and not-for-profit sports organisations are analysed in Chapter 11. Similarly, all clubs have to worry about the business environment they operate
Discussion questions

10 ‘As businesses go, the sport industry is like the music industry.’ Explore this statement by comparing and contrasting the two industries.

11 ‘Sport management and the sociology of sport are irrevocably interconnected’. Discuss.
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In the 1880s, Preston North End regularly fielded teams with up to nine ‘imported’ Scottish players. How, if at all, is this different from today’s Chelsea fielding a team of 11 overseas non-home nationals?

Keywords
Business; commercialisation; management; organisation; professional; specificity.

Guided reading
For further information on professionalism in the original Olympic Games, see Slack (1998).

The early professionalisation of soccer in England is well covered by Tischler (1981). Hill (1998) provides some interesting personal insight into the final fight for the abolition of the maximum wage for soccer players, and also into the commercial development of a soccer club. See also Douglas (1973) for an insight into English soccer as it began to progress from the post-professionalisation phase to the commercialisation phase.

Smith and Porter (2000) gives excellent coverage of the recent amateur/professional issue in soccer, cricket, golf, athletics, horse racing and rugby union, and is highly recommended.

Quirk and Fort (1992) provides a good example of the commercialisation of sport in North America. For the commercialisation of English soccer, see, for example, Conn (1997) or Hamil, Michie and Oughton (1999). There are many texts on the commercialisation of soccer but very little on the professionalisation or commercialisation of other sports in the UK.

The impact of broadcasting on professional soccer is comprehensively covered by Hamil et al. (2000), but the contributions to this collection need to be read selectively. Lee (1999) is particularly relevant, giving a clear picture of how modern professional sport is developing from a management perspective.

As a basis for Chapters 7 to 14, students will find it useful to have access to standard texts in organisational behaviour, human resource management, finance, marketing and corporate strategy. Suitable texts are recommended in the appropriate sections of these chapters. For someone with no prior knowledge of business studies, Lynch (1997) is recommended.

Recommended websites
Websites which are relevant to the case studies include the following:
Rugby Union www.irfb.com/index.html
Rugby League www.rfl.uk.com/default.asp
Forbes Magazine www.forbes.com
Olympic Games www.olympic.org

References