

Financial issues in sports management research paper examples

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Sports have always historically provided physical competitive activity as well as impressive entertainment to participants and their supporting fans. However professional spectator sports have also been the result of the economic nature of developing sports. Although each country has their preferred sport, the volume of favorite sports and how they are maintained vary around the world. A sport popular in one country may not be as popular in another country or may not exist. This paper discusses the financial issues revolving around sports, how sports facilities and franchises obtain public support through financing and marketing, and the managerial steps taken to acclaim for sports recognition. Examples provided also include the promises and pitfalls of how and why politics affect the integrity of sports franchises and where management fails to keep the true concepts of sports causing strikes and loss of fan support, with critical statements and their sources about formulating a qualified team franchise is the most extensive. For the most part, this paper centers around the sources of North America's most popular professional sports, the arguments and mostly, agreements presented by myself (a sports fan) in funding sport franchises and facilities, and the enticement of spectator support.

Keywords: sports financing, sports management, sports franchising, teams, stadium, sponsorship

1. 0 Introduction

Even for laypeople who have no interest in watching sports, nobody can fully ignore the wonderful, wide world of sports, while millions of viewers are waiting for a goal, touchdown, basket, or homerun to occur. But what is the driving force behind fan devotion and sports maintenance? Granted managing professional teams must allow for team finances, television media, staff, ticket and merchandise sales, product licensing, sponsorship, and programming operations. Depending on which generation one grew up in, the diehard sports fan can trace all transformations of sports infrastructures. Up to 20 years ago, the sports franchise used to largely entail participants' talent and their worthiness of playing in sports for their home teams. In spite of talented players and demands of them thereof to keep their teams established, nowadays, sports politics have far outweighed the very fabric of talent in sports, dissolving public support.

The leading factors responsible come down to management and financing from both management teams and players alike, which never go without controversy as many professional sports franchises go. Rather than enhance the enjoyment to loyal fans for watching sports, the prime executives only consider recovering and profiting the monetary value in sports franchising. The most influential leagues in North America tied into the dewatering of true value of player participation, to name a few, are the following:

NHL (National Hockey League)

NBA (National Basketball Association)

MLB (Major League Baseball)

NFL (National Football League)

Fast forward to the present where diehard fans between the ages of 20 to 43 years of age continue to support the aforementioned leagues regardless of the hardships of management of teams and the expenses of attending games. The generation of sports viewers from 50 years and up, no longer watch team sports because of the mismanagement of each aforementioned popular league, the costs involved, and the politics to facilitate sports.

Whatever happened to the good old days when ice hockey was played back and forth throughout the entire rink? What happened to the days when the play took place over the entire soccer field? Perhaps it is the multi-million dollar contracts the players are offered just to get rid of the puck or ball before heading to the bench to rest. They are no longer worth their pay.

2. 0 Main Driven Factors of Financing and Management

Practically, sustaining professional sports teams is not just a game, although the way in which some teams and their leagues are managed is, in such a way. This would explain why many upcoming teams or expansion teams relocate or file for bankruptcy. However, teams obtain support from their fans who are essentially the lifeblood of each team, and these fans need to be properly accommodated. Sports to these fans are a source of pride and misery, where to the franchise owners running a team is a business.

Unfortunately sports fans and franchise owners are generally on opposite sides of the scale and do not understand each other's roles in sports franchising. The fans consider sports statistics, souvenirs ticket prices, food and beverage, and comfortable stadiums as their basis of the review of the sporting season. The franchise owners and executives consider the business

end of sporting teams such as player contracts, team royalties, sponsorships, team expansion, and player draft trades.

2. 1 Financing New Stadiums and Arenas

Issues that typically crossover both roles, where the team players are caught in the middle, are the financial risks of funding of arenas and stadiums.

Historically sports stadiums, although then also strategically and intricately designed to the times, were merely built to sustain an abundant number of people to view the games live. Many ancient stadiums still stand in both the ancient and the modern world, but are no longer in use or are kept as historical monuments. Presently, for those still in use and have past their design lives, the question to finance upgrading or constructing a new stadium becomes a lengthy debate. A brand new stadium would be expensive and take time to build, but at least the cost estimate can take a more streamlined approach as following a fresh set of plans can be viewed more effectively. Within the last decade, because of sophisticated designs, new and improved energy efficient models have been factored into the designs to save on energy consumption, and provide comfort for the spectators. One disadvantage though is allotting an appropriate site to build, and the transition channels needed to deal with the zoning and development by-laws of the subject city, which could up to years to settle. On the other hand, to upgrade and refurbish an existing stadium can be tedious and absolutely uncertain because large allowances have to be assigned to numerous grey areas.

The reason why the home team is caught in the middle of the debate is

because of the financing of the stadium regardless of decisions made to build new or upgrade. Prices of tickets and licensed merchandise are raised tremendously to cover the costs of building in either case. The same goes for upgrading an existing stadium. If an extensive upgrade is required, the home team may require relocation to a temporary field with appropriate spectator seating and then a suitable location needs to be found which can be difficult. The cost of obtaining and building temporary facilities may be kept at a minimum. But the cost of operating the finished facilities can push the budget beyond its maximum. Again, with the budget issue ticket and merchandise prices need to be increased to make up for the difference. In some cases some teams had to relocate to other cities because the financing into stadiums was estimated to be over budget. Moving to other cities could either disband a team or cost more in taxes to another city depending where they relocate. The cycle could end up repeating itself in yielding facility space for the team, and the city the facility is located in and its associated taxpayers are often footed with the bill, whether or not they support teams or sports. Associatively, the home city must rezone itself to adjust a facility for the new home team and could affect traffic flow, surrounding neighborhoods, and the environment if not articulately planned (Angus 2012).

2. 2 Sports of Non-Profit Organizations

In many ways to a hopeful young athlete, sports are essentially surrogates. Since the time and investment into qualified players is difficult to finance fully, non-profit organizations provided support with their limited resources.

Usually the purpose is to benefit a local sports community as a whole, and to ready potentially qualified athletes to pursue their dreams, followed by the children and teenagers who also participate for their cause or to follow in their footsteps. Many sports fundraisers are endorsed by signature sports outfits to assist future athletes prepare for opportunities in the big leagues. But how are these non-profit organizations affected when the top sports outfits and participants do not retain their images in which the non-profits held?

As in the modern case of professional sports in North America operating too corporately, many supporters through non-profit groups have withdrawn their support and funding of their local big league teams. Aside from financial suffering, lack of reverse support from the larger sports chain can devalue the spirit of a non-profit support team and cause loss of trust. Non-profit groups spent vast amounts of time and investments promoting their team's dignity only to be disappointed when the questionably supported team's participants only think about what they can get out of a renewed contract. For example, the currently persisting NHL lockout (circa 2012) has lost support of Kraft Canada's Hockeyville program to a local group of hockey volunteers, observing that continued support of inactivity is a waste of time and effort. With each day passing of the lockout, supporters of the big leagues are turning their attention to the minor leagues where they find more excitement among upcoming professional athletes where they are driven with the desire to enter into the national teams.

2. 3 Financing Billion Dollar Teams and Players

As the title implies, any team enlisted as a franchise in a national league can rightfully be labeled as a billion dollar team. In the case with most enormous investments, a well-rounded team with top demanding players requires financing arrangements or loans on the part of the owner, and is no different from operating any other business. Each player per team has a unique dollar value tagged on, and it is the job of the team owner or company to determine where the funding to establish or maintain teams arrives from. How the monetary means is sustained mainly rests on the success of owners' unrelated businesses elsewhere and invested in professional team ownership, although some have become successful alone by owning a sports franchise. If the owner's primary business fails financially, the team owned shares the same fate. Examples of team bankruptcy are the NHL Buffalo Sabres in 2007 due to their owners' issues with Adelphia Communications Corp. Similarly, the Phoenix Coyotes filed for bankruptcy in 2009.

Up to 25 years ago, most players' salaries were consistent, comparable, and performance based. Each of their contracts stated they were to perform a minimum number of play minutes and number of games. As opposed to a team contract when most sports worthy players returned to play for the same team, evolution into individual player contracts have conquered the salary realm and increased salary caps, which every team investor was prompted to negotiate to prevent qualified players from walking away from the negotiating table (Stark 1994). Top players nowadays have abandoned the loyalty of their fans and prefer to be drafted to the highest bidder with extended and expensive contracts. With the knowledge that the players

inherit the face value of a signed contract, it is absurd for them to think their playing performance is not as critical. So what is the point if they plan to nonchalantly show their presence on the field? This is the fault of repeating supporting fans. If the fans discontinued to support a half-hearted team, the notion of multiple seasonal contracts would significantly drop. Many attempts by signature sports leagues implemented the limitations of presale contracting, but the financial driving force of top qualified players prevailed over salary caps. According to an article in Fox Sports, a handful of NFL rookie players began huge salary demands and were signed in the NFL before the start of the 2013 - 2014 season, and yet the deals they were tempted by were regrettable money-making decisions (Marvez 2012).

If the players and their teams found themselves on the losing streak at the negotiating table, strikes and lock-outs would occur, and players would aim at settling for extended contracts and collective bargaining agreements, if salary caps were rescinded from their salary base. For the layperson on a 9 to 5 job who loses out on wages due to strikes and lock-outs, it is safe to call the situation ludicrous where professional sports players earn more than what their performance dictates.

2. 4 Sports Sponsorship

In addition to teams obtaining support from devoted fans, much of their recognition is derived from viable sponsorship to brand the teams with alternative advertising. The sponsorship method is deemed mutual for both the teams and their sponsoring companies to be noticed by the public from

almost anywhere where a scheduled live game is held. But how is the element of financial risk involved? The risks do not solely result from incorrectly sponsoring a team ending up performing poorly or relocating to another city. The repercussions stem from how the sponsorship is managed and competed for besides entrusting funds into a winning team (Ewing 2007).

Imagine the revenue generated of adding an advertising space in the form of a small emblem to the upper section of all NBA jerseys: \$100 million, which is projecting an increase in ticket sales and sponsorship for the 2013 - 2014 season. The final decision by NBA is pending, but the majority of fans feel this type of ad sponsorship is against tradition, similarly to the fire suits in NASCAR cluttered with company logos. Yet Adidas, the official jersey provider for NBA does have enough room for ad space (Patton 2012). How would this affect jersey sales and Adidas' sponsorship? The number of new doors that can open up for sponsorship competition will be appalling, since this new trend piggybacks affiliate marketing advertising.

Companies want to continue to invest because they fight for product awareness even if promoted by the same advertising company. When the NHL first promoted a third jersey for specific teams, the question remained how would they sell? It broke the old tradition of the dual norm of home and away uniforms, it needed new sponsorships required to yield enough ad space, yet these uniforms did not generate impressive sales. If the endorsed product did not sell or if a scandal among highly played players emerged, the reputation of the sponsor could suffer heavy financial losses. Sponsors bound by contract are required to hold their end of the bargain depending on

the contract. The only positive outcome following a scandalous incident is if the sponsorship was diversely marketed, as in various company logos or acclaimed product lines advertised on the uniforms or jerseys worn by the sponsored teams or players. Such a sponsorship practice would help cushion the blow of a financial disaster.

3. 0 Conclusion

A suggestion to devoted fans who sit and enjoy the game, may be to think about dedicating written efforts periodically to leagues in question to minimize improper funding and create ripple effects to better cater to sports. It is possible to be retroactive and return the true spirit of professional sports where viewers can enjoy a well performed game. Without devoted fans, sports would no longer exist and become only legends. On the business end of things, professional players ought to feel well compensated for their salary and be faced with the choice between earning their pay based on their performances. Every key player in sports (participants, managers, owners, sponsors) wants to benefit from their time and investment. Even entertainment and recreation require investments. However, keeping the right sportsmanship fueled by consistent support from all sides can bring a better meaning to the purpose of providing sports franchises, instead of a business sense alone. Professional sportsmanship can be launched as a promotion to key role modeling, health and wellness.

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