

Turbulence in World Markets: Implications for the Future of Globalization and Sport Finance

Mark S. Nagel, University of South Carolina

Norm O'Reilly, Laurentian University

Geoff Dickson, AUT University

Bill Gerrard, Leeds University Business School

Matt Brown, University of South Carolina

Kong-Ting Yeh, National Taiwan Sport University

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In the last ten years, dramatic increases in the "value" of technology stocks, crude oil and its associated products, and real estate have preceded devastating corrections to these economic "bubbles." The recent United States credit crisis has caused many economists to contemplate the effect a potential recession may have upon various sub-industries of the overall economy, both in the United States and beyond. Indeed, most countries in the world are experiencing negative effects from the current economic crisis. In sports, the economic slowdown and credit uncertainty has resulted in some sport organizations having difficulty procuring loans needed to maintain financial solvency (Kaplan, 2008). The crisis has also caused financial analysts to question the viability of current and future construction projects and it has reemphasized the importance of potential return-on-investment from sponsorships (Lombardo, 2008). The potential implications are relevant to organizations in professional and amateur/Olympic sport alike.

The difficulties encountered in the United States threaten financial markets around the world because most countries have interdependent economies (Friedman, 2005; Harford, 2006). Though the current global nature of business presents tremendous potential for financial success, the close economic ties that nations have built also can create problems. Specific to the sport industry, globalization has been a key component of many organizations' financial operations and marketing initiatives. It has also resulted in the recent adoption of best practices including new financial structures (salary caps, transfer fees, revenue sharing), global branding (Manchester United, New York Yankees), transcontinental player signings (David Beckham, Daisuke Matsuzaka), and the potential expansion of established leagues into new international markets (World Baseball Classic). The financial crisis has potentially altered the financial landscape of global sport, but no one is exactly certain how it will affect global initiatives commenced prior to the financial meltdown.

Though there has been extensive discussion regarding the impact of the financial crisis in the international popular press (espn.com, Financial Times, Globe and Mail, USA TODAY, etc), sport finance researchers have only begun to assess the potential outcomes. This panel presentation has assembled established sport finance researchers from a variety of areas around the world to discuss the current financial environment in sport and to assess the potential short and long-term outcomes of the financial crisis. Each of the panelists has not only written extensively about sport finance and economics, but each has also been involved in various consulting projects. Specifically, each panelist will provide a brief introduction regarding specific affects of the financial crisis in their country. Additional discussion topics will include but will not be limited to: specific sport organization reaction to the crisis in different countries, debt-financing of sport organizations and events in the short and long-term, competitive balance concerns, expansion of established leagues into new global markets, repercussions of owner actions upon the labor market, and the impact of exchange rate fluctuations upon continued sport business operations. Attention will be paid to the potential consequences of the crisis – both positive and negative, as well as its implications for sport organizations of all sizes and types. In addition to moderated questions, significant time will be allotted for audience questions and participation.