The Effects of Coach Dismissals on Team Performance: Evidence from Argentine Soccer Teams

Andres Rosas, Pontificia Universidad Javeriana
Juan Sebastain Correa, Pontificia Universidad Javeriana
David Suarez, Instituto Geografico Agustin Codazzi

Our paper estimates the effect of replacing a coach on the subsequent strategy and performance of a professional sports team. Changing the coach might affect the welfare of all the stakeholders of a professional team, making this decision a central theme in the study of corporate governance. Different theories on the relationship between managerial turnovers and team performance have arisen in the literature. On the one hand, there is the ‘shock effect’ theory: an incumbent coach could be replaced by another who is able to better motivate the team players, inducing them to reveal their quality and to provide more effort. Thus, dismissal raises performance through the increment of players’ ‘productivity’. On the other hand, changing the coach could generate a subsequent reduction in performance, as a consequence of the loss of information accumulated by the deposed coach in the form of inside and outside team networks, knowledge and experience. Finally, the coach’s dismissal could be used as a scapegoat ritual, with the intention to appease the media and the supporters of the team.

Audas et al (1997) use data of the English soccer league to contrast the results of teams that experienced a managerial turnover with those of a control group, and find that the control group outperformed the teams that replaced the coach. Bruinshoofd & ter Weel (2001) found similar results for the Dutch soccer league and argue that their results are evidence against the ‘shock effect’. However, these studies suffer from two important econometric shortcomings. On the one hand, Koning (2000) states that teams that face difficult rivals early in the season might tend to perform badly and that this may lead to a change in coach. So, if the new coach outperforms the previous one, this outcome could be the result of playing against weaker rivals. By taking into account the quality of the opponent, Audas et al (2002) find that, at least in the short run, teams that replaced the manager experienced worse results than teams that didn’t.

On the other hand, firing a coach is not a random event. As Grusky (1963) first showed, the probability of changing a manager increases after a string of bad results. To solve this identification problem, ter Weel (2006) and more recently De Paola & Scoppa (2008) use an instrumental variable approach. The latter uses the remaining games in the season as a source of exogenous variation of the probability of a coach dismissal. Both studies conclude that there is no statistical difference between the performance of new and old coaches once the endogenous nature of the change is taken into account. It is no surprise then, that due to these econometric limitations the literature has shown a large body of mixed results. Besides the papers cited above, there are some studies that find no effect of changing the coach on subsequent team performance (Maximiano (2006) for the Portuguese league, and Wirl & Sagmeister (2008) for the Austrian league), others that find a positive effect of the coach turnover (González-Gómez et al (2010) for the Spanish football league) and yet others that find negative impacts (Salomo & Teichmann (2000) for the German football league).

We use data on Argentine soccer to study the effects of coach dismissals on professional team performance. In the Argentine professional soccer league 20 teams play two single round-robin tournaments each year: the Apertura from August to December and the Clausura from February to June. The format for each is identical and each crowns a national champion. We use data on match results of all the tournaments from 1991 to 2009 to analyze the effects of coach dismissals on team performance.

From our OLS estimates, controlling for home advantage and opponents quality, and including season and team fixed effects, it appears that changing the coach has a positive effect on a number of measures of team performance (points per game, goal difference per game, goals scored per game and goals allowed per game). However, as stated above, the dismissal of a coach is not an exogenous event, but the result of a string of bad outcomes. Following Scoppa and De Paola (2008) we use the number of remaining matches in the season (which is a proxy for the residual length of the coach contract) as a source of exogenous variation in coach change. Once we correct for the endogenous nature of our regressor, our Two-Stages Least Squares estimations do not show any significant effect of coach change on
team performance measured by point or goal difference. However, the results indicate that the teams modify their strategy after a coach dismissal: both goals allowed and goals scored increase by a similar amount following the firing of a coach. This appears to be evidence that on average teams with a new coach attack more, and by doing so become more vulnerable. This is to our knowledge a novel result.