

The Effect of Coaching Changes on Organizational Expectations and Performance in the German Bundesliga

Brian Soebbing, Louisiana State University

Pamela Wicker, German Sport University Cologne

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(including questions)**

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The literature on the relationship between organizational succession and actual on-field performance is rich with three theories emerging (Giambatista, 2004; Rowe, Cannella, Rankin, & Gorman, 2005). The first theory is common sense theory, which states that a coaching change leads to an increase in organizational performance. Vicious cycle theory assumes that organizational performance declines with a coaching change. Finally, the ritual scapegoat theory states that a coaching change does not affect the performance of the organization (Soebbing & Washington, 2011). Within the succession and performance literature, all three theories have been supported in a variety of sport settings, ranging from collegiate football and basketball (Eitzen & Yetman, 1972; Fizek & D'Itri, 1997; Soebbing & Washington, 2011) to professional sports both in North America (Allen, Panian, & Lotz, 1979; Canella Jr. & Rowe, 1995; Pfeffer & Davis-Blake, 1986) and Europe (de Dios Tena & Forrest, 2007; Hughes, Hughes, Mellahi, & Guermat, 2010; Pieper, Nüesch, & Franck, 2012). One weakness of this research stream is that it fails to examine whether the expectation of a team's performance changes with a change in leadership. Thus, the proposed research asks whether the expectation of a team's on-field performance and actual on-field performance differs after a coach is dismissed during the regular season.

The empirical setting for the proposed research is the German Bundesliga. The German Football Bundesliga (soccer) is one of the most popular sports leagues in the world with an estimate of more than 10 million spectators attending matches each season (Werners & Wülfing, 2007). Every year, 18 teams compete for the title of the German champion in a round robin tournament. The teams ranked second and third also qualify for the financially lucrative UEFA Champions League, while the teams ranked fourth to sixth play in the UEFA European League (formerly known as UEFA Cup). If teams cannot qualify for the European competitions, they try not to finish 17th and 18th because these teams are relegated to the second division, which is associated with reduced revenues due to lower income from broadcasters and sponsors (Dietl & Franck, 2007; German Football League [DFL], 2006). The third last team still has the opportunity to stay in the league, but has to win a series of two matches against the team ranked third of the second division. Due to the financial rewards for finishing at the top of the table and penalties for being relegated, teams with a bad start into the season question their strategy very early and fire the coach. For example, there were 14 changes in coaches during the 2011/2012 season. Some teams even made multiple coaching changes during the season (Transfermarkt, 2012).

This study uses individual game data from the German Bundesliga from the seasons 2000 through 2012 (n=3,366) to examine the impact that mid-season coaching changes have on potential changes regarding on-field performance expectations and actual performance. Performance expectations are "the smallest outcome that would be deemed satisfactory by the decision maker" (Schneider, 1992, p. 1053). Performance expectation is measured using betting lines from each game, since betting lines have been shown to accurately predict actual match outcomes (Sauer, 1998). In addition, betting lines aggregate all the available public information regarding the match (Humphreys, Paul, & Weinbach, 2011), including coaching changes. For the proposed research, betting odds are gathered for the three match outcomes from major European book makers. These odds are then transformed to probabilities using the formula developed by Kuypers (2000) to determine which match outcome (win, loss, or draw) is expected. An ordered probit regression model is estimated to examine the impact that a coaching change has on the expected outcome, controlling for other factors such as a team's performance in the past five games, current place in the standings, number of competitions the observed team is currently competing in, if the observed team is the home team, and strength of the opponent. The key independent variable is whether the observed team has a different coach in the observed game than it had at the beginning of the season. Using the same independent and control variables, an additional ordered probit is estimated examining the actual match outcome.

Preliminary results from one season indicate that changing the coach only has a significant impact on the expected

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match outcome (betting odds), but not the actual match outcome. Also, the effect is only significant for the home team; however, the effect is negative. This means that changing the coach decreases the probability to win the match or earn at least one point in the match (draw). The results from the proposed research provide clarity regarding how performance expectations change with a new coach. Currently, the literature on organization succession focuses on actual performance and not expectations regarding performance. Given that performance expectations is a significant predictor of dismissals, understanding how performance expectations change with new leadership is critical to further understanding changes in leadership and how these changes in leadership affect organizational performance. The findings have implications for the management of professional football clubs. They provide information about whether changing the coach can be considered a good way to improve organizational performance during the season. The results should be generalizable to other major European domestic leagues such as the English Premier League, La Liga, and Serie A due to the popularity and the revenues associated with the major domestic leagues.