Factors Impacting Management Tenure in Professional Sport

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Economics
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Relevance & Literature Review

The examination of managerial issues related to head coach demography, tenure, and subsequent performance has been a focal point in the sport management literature. Madden (2004) performed one of the first investigations of the impact of head coach race on tenure in the North American professional sport context in the National Football League (NFL). Malone, Couch, and Barrett (2008) expanded upon Madden’s approach by considering partial seasons in similar analyses. Another study examined the propensity of winning organizations to adopt innovative strategies (i.e., hiring minorities) as compared to their peers in the NFL while also bringing attention to differences in integrative hiring practices for labor versus management (Goff & Tollison, 2009). Related, Kahn (2006) investigated the impact of race on entry, pay, performance, and retention among head coaches in the National Basketball Association (NBA). Here, findings did not indicate evidence of racial discrimination with respect to employment tenure or pay. Another related study examined organizational values, head coach power and performance on the field as indicators of head coach tenure in college football (Holmes, 2010). Considered in sum, these studies have established a foundation of research examining a number of factors influencing management employment tenure and subsequently team performance in the professional sport context.

Purpose of Study

As such, the present study will contribute to this area of sport management research by estimating the factors which influence the employment spell (coaching tenure) of head coaches (i.e., managers) in Major League Baseball (MLB). Specifically, we focus on MLB managers to examine whether minority status, employment experience, age, education, experience as a former player, and quality as a former player influence employment tenure during each coaching stint from 1988 to 2014.

Data & Method

Our data are comprised of individual-level variables indicating race, work and education experience, age, and playing history. Additionally, team performance data in the form of winning percentage was collected for each team-year observation comprising the sample. Data were collected from baseball-reference.com.

Given that actual team performance is endogenous on the length of a manager’s tenure, we utilize a two-stage approach. Our first stage linear regression defines the dependent variable as team performance during a given manager employment spell and the independent variables as market characteristics, team payroll, and the standard deviation of team payroll. Our second-stage uses Cox proportional hazard modeling to estimate the factors associated with the length of a manager’s tenure. Our time variable is the length of a manager’s tenure and will be used to calculate the hazard rate, which is the dependent variable in a Cox model. The second stage independent variables include the residual from the first stage model and a number of demographic variables specific to each manager including minority status, employment experience, age, education, experience as a former player, and quality as a former player.

Results & Discussion

Our preliminary analysis produces results which have a variety of implications specific to the management and personnel economics literature in professional sport. First, our modeling suggests that college educated managers have longer tenures than counterparts without a college education. We also find that managers who were high quality players during their MLB playing careers are more likely to have longer management tenures. These results could be interpreted in one of two manners. First, enhanced educational attainment and a successful playing career could potentially aid managers in developing the skills needed to be successful as a head coach at the major league level.
Alternatively, it is possible that decision makers at either the ownership or general manager level are less decisive in making employment changes for managers with these personal characteristics, resulting in longer management tenures.

Contributions

As organizations comprising the North American professional sport context continue to adopt innovative strategies with respect to hiring coaches and management personnel, gaining a better understanding of the relationships between manager demography, employment tenure and organization performance will contribute to both our academic understanding of these interactions as well as provide valuable insights for practitioners tasked with hiring (and firing) decisions. Our presentation will expand upon these implications.