Are Educated Sport Managers Better?

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Management/leadership Thursday, June 2, 2016 20-minute oral presentation (including questions)
Abstract 2016-083 4:25 PM Legacy South 2

Strategic decision making plays a vital role in determining the effectiveness of sport organizations. Specifically, in every sector of the industry (i.e., profit, nonprofit, public) top management teams (TMT) make decisions that include but are not limited to player acquisitions, budget allocation, and grant funding. These decisions ultimately impact the quality of the sport product put out to clients, members, and spectators. Thus, a systematic analysis of factors related to TMT decision-making in sport can help sport managers produce a better product for stakeholders.

Upper Echelon theory (UET; Hambrick & Mason, 1984) highlights the role that TMTs play in shaping organizational decisions and outcomes. In particular, UET focuses on executive member cognitions, values, and perceptions, which influence strategic choice and outcomes. Given these constructs are unobservable, UET further posits that proxy demographic variables (e.g., age, functional track, education) serve as reliable indicators of TMT characteristics. In sport, Cunningham and Sagas (2004) examined the influence of proportion of NCAA coaches with a graduate degree, collegiate/professional playing experience, and collegiate/professional coaching experience on team performance. Within their discussion, the researchers acknowledge the limitation of examining athletic excellence as the only proxy for team performance and suggest that economic factors should be considered in future research. Further, more recent research outside of sport (Carpenter et al. 2003) outlined that consideration of factors such as experience of TMT members in and out of the field would enhance the validity of the application of UET in the corporate context.

The application of UET highlights that manager’s knowledge of the industry (i.e., industry tacit knowledge) is an organization’s “most important resource” (Hitt et al., 2001, p. 15). Thus, understanding the nature of industry knowledge within TMTs through the UET lens is critical to human resource management in the sport context.

This presentation examines the efficacy of UET on team production. Specifically, we test the difference between academic and playing experiences of Major League Baseball (MLB) TMT ability to efficiently produce wins. MLB is a particularly useful context to examine the impact of UET on production for two reasons. MLB’s business model is largely based on the revenue generation from winning, and its non-restrictive labour market produces a continuous supply of talent and efficient player salaries. Collectively, the business model and labour market create an environment in which player personnel decisions made by TMTs are quickly reflected in a team’s on-field performance.

Our empirical approach leverages MLBs business model and labour market characteristics by treating player personnel decisions as a random latent variable that are ultimately reflected in team performance. The approach considers whether General Managers with playing (relative to academic) experience affects the degree to which a team (i.e., The TMT) may fall short of a production frontier. That is, given payroll and transactioned salaries, do TMTs with General Managers comprised of more playing compared to academic experience have a lower likelihood of winning games?

Our econometric specification follows the stochastic frontier models first introduced by Aigner et al. (1977), Meeusen and van den Broeck (1977), and extended by Battese and Coelli (1995). The model estimates inefficient usage of inputs while considering random effects outside the control of management. The production frontier will be presented in two formulas where estimates of team output (i.e., game win indicator variable and game score differential), a matrix consisting of payroll and transaction salary inputs, and a matrix of unknown parameters to be estimated are put forth. Further, independent and identically distributed random error terms will be entered into the equations. Finally, non-negative variable of potential production inefficiencies will be determined by team-level General Manager playing and academic experiences.
The equations will be estimated using Bayesian estimation simulation technique with diffuse prior parameters. Credible intervals and Bayes Factor Hypothesis testing procedures will be used to make interferences concerning significance of the playing and academic experience factors on team production inefficiencies. Preliminary analysis is based on 2014 MLB General Manager and Assistant General Manager academic and playing experiences, transacted player salaries, and their associated team payroll and game outcomes.

Within sport, and particularly professional sport, Cunningham and Sagas’ (2004) study augments the debate regarding the preference for sport specific experience (e.g., player experience) or educational background (e.g., degree in Data Analytics) within TMTs. The current presentation contributes to new knowledge in that we highlight the influence of TMT characteristics on team production, combining salaries, team payroll and winning percentage. These findings demonstrate the utility of UET in the sport context and application to human resource management in sport in particular. As noted by Chelladurai (1990, 2006), the multidimensional model of leadership highlights the leadership characteristics that are required to influence behaviour and foster positive group and organizational outcomes. Here, we acknowledge the group outcomes (e.g., player personnel decisions) that are required of MLB TMTs and demonstrate the characteristics that are present in TMTs when player transactions are determined to be optimal. Specific implications for theory and HRM practice in sport will be presented.