Rethinking Athlete Gambling: Comparison to CEO Stock Purchase Behavior

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The public perception of athlete and coach gambling in sport is perceived as an unethical action due to its ability to destroy the integrity of sport (Masteralexis, Barr, & Hums, 2015; Thornton, 2012). The notion was fortified as bad for sport when the point shaving scandal involving the Chicago Black Sox in 1919, resulted in a prohibition on sports gambling by athletes and coaches. The vast majority of gambling actions in sport have involved outside influences affecting the game for their own financial gain, seeking to manipulate the game to win against the odds; the action described as cheating or unethical gambling (Thornton, 2012). The focus of this paper is not on the outside influences to the game but on the primary actors in the sport, the athletes and coaches who want to place money on their team to win, such as in the case of Pete Rose. The intent of this paper is to produce a new framework for which athlete and coach betting on their own team to win can be viewed as ethical and good for the game.

Pete Rose is famous for two things in baseball, his historic hall of fame worthy career and betting on the Cincinnati Reds as both a player and manager. Rose’s actions are led him to a lifetime ban from baseball for his violation of Rule 21 in Major League Baseball (Verducci, 2015). Rule 21 in Major League Baseball prohibits players from participating in gambling actions on the game of baseball (Rose v. Giamatti, 1989). The actions of Rose before the Victorian era would have been acceptable in sport but the era’s ideals have extended in the present era, maintaining the paradigm established in the Victorian era (Masteralexis et al., 2015). In an attempt to reshape the current paradigm on athlete gambling on sport, the paper will examine these actions in relation to CEO compensation.

The similarities between Chief Executive Officer (CEO) compensation and athlete gambling can be framed around the concept of investing. CEO’s compensation is predominantly geared toward stock, with studies finding that up to 80 percent of compensation coming from stock (Jensen & Murphy, 1990; Sigler, 2011). CEO’s are able to invest more of their personal financial capital into increased stock purchases under rules set forth by the Securities and Exchange Commission (SEC). The action of investing in the stock market has been described as gambling but lacks in the payouts received by the investor that are experienced in sports gambling (Barber & Odean, 2000). The action of the investor is an attempt to hedge their personal knowledge against the perceived risk associated with the purchase of the stock (Markiewicz & Weber, 2013). The purpose of this paper is to examine athlete gambling in relation to the behaviors of CEO’s in the purchase of stock in their company, while introducing a model that is accepting of coach gambling on their sport and team.

Conceptual Framework

The paper will look to the compensation structure of CEOs and how they are able to invest their personal financial capital into the purchase of more stock for their company. The ability for the CEO to purchase stock in their own company provides a model for which the paradigm of athlete and coach gambling can be framed in a logical and ethical perspective, allowing for the coach and athlete to realize their full financial capability. The CEO is able to either purchase greater stock in their company or request a corporate buyback of stock, thus increasing the overall financial performance of their corporate compensation (Brick, Palmon, & Wald, 2006; Jensen & Murphy, 1990; Sanders & Carpenter, 1998). The SEC provides the guidelines and rules for which CEO’s may behavior as it relates to disclosure of these actions, offering a level of transparency to the normal investor (Huddart, Ke, & Shi, 2007; Meulbroek, 1992; Wang, 2010). Investors look to the actions of the CEO for their investment decision making and the perceived insider trading in a CEO purchasing their own company’s stock (Pleven, 2015).

A head coach or manager are viewed in the sport management literature as having a similar occupational environment as that of a CEO (Simon, Torres, & Hager, 2014). Simon et. al. discuss the management tactics of the CEO in comparison to the coach in having the ability to control the outcome or direction of their company.
Since CEOs and coaches are viewed as having similar occupational environment, it would be a fair assessment of their ability to partake in similar actions; such as investing their own financial capital into a high-risk bet on their team to win. An act that could be done within parameters provided by leagues or sporting bodies to ensure coaches and athletes are placing bets on their team to win.

Discussion

Restricting an athlete or coach from capitalizing on their knowledge and expertise is something that is not only unethical but also illegal according to anti-trust law. The exact topic in sport is currently being litigated in the Federal court system in regards to collegiate sport (O’bannon v. Nat. Collegiate Athletic Association, 2014). Sports leagues have taken a paternalistic position in regards to their employees gambling actions, limiting these acts as it is the best interest of the employee; most of all it is in the best interest of the league to protect their financial stability (Ostertag, 1992).

The conceptual model that is presented in this paper addresses the issue of athlete and coach gambling in sport. The action of the professional leagues in limiting their employee’s abilities to invest their own financial capital into the likelihood of winning off of their personal or team success is unethical. The framework in this paper provides a new paradigm for this behavior to be analyzed, removing the stereotype attached to gambling in sport. While investing financial capital into sports gambling introduces increased risk not associated with the stock market, the payout to the investor often comes in a larger sum. The new conceptualization introduced in this paper provides can be accomplished if the leagues ensure a proper manner of accountability and transparency for communicating the actions to stakeholders.

The goal of this paper was to introduce a new conceptual framework in addressing the topic of athlete and coach gambling in sport. Sport is competitive nature has many similarities to the stock market, which can be relied on to shift the thinking in sport. Leagues seek to maintain control over their employees for the betterment of the game but adjusting the rules can introduce possible new markets in sport for increased revenue production through sports gambling.

References:


