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## Lessons from sports: What corporate management can learn from sports management

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Gerd Nufer / André W. Bühler

# **Lessons from Sports: What Corporate Management can learn from Sports Management**

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herausgegeben von Carsten Rennhak und Gerd Nufer

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## **Abstract**

Sporting organizations increased their degree of professionalism step by step within the last decades because being just a pure sporting organization is not enough. These days, sporting bodies and codes have to be professional in order to survive in an extremely competitive market. Therefore, sporting organizations adopt and adapt management practices and techniques, human resource approaches and marketing strategies. They learn from corporate businesses of other industry sectors.

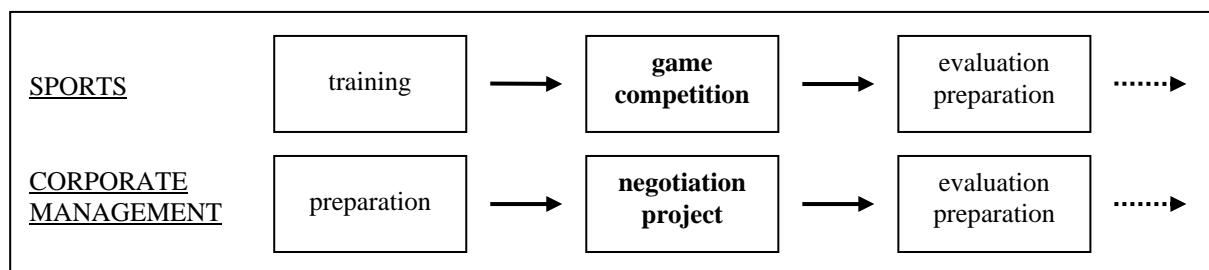
However, in this paper we seek to examine the opposite perspective: What can a company learn from sports? In which ways can sports management serve as a role model for corporate management? We start with the description of some existing parallels between sports and corporate management in general. We then focus on how sporting organizations make use of globalization, human resources and marketing. Especially with regard to human resources and marketing, we will see that sports is far ahead of today's corporate management in these areas - there is a lot to learn for corporate management from the strategies and approaches used in the world of sports.

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## 1. General parallels between sports and corporate management

What do managers of ordinary businesses and managers of professional sports teams have in common? More than you think! Both have to put together and lead a team of individualists. Both have to react to steadily changing situations. And both are under extreme pressure (Rudolph, 2002; Nufer, 2002a). Corporate management (especially project management) in which every business manager is involved, has strong parallels to athletic competition: There are winners and losers. The rules are, in general, clearly defined. There are fouls and goals, and the line between success and failure is often uncomfortably thin. Second place is often not good enough. Figure 1 illustrates the processes in ordinary businesses and in sports.



**Figure 1: processes in sports and corporate management**

As can be seen from Figure 1, processes in sports and in corporate management resemble each other to a high degree. The focus of all activities in sports is the game or competition respectively, framed by the training for and the evaluation of the event. In corporate management the same strategy applies. The focus is on the initial negotiation or project respectively, which has to be prepared and evaluated. The parallels between sports and corporate management in each of these process phases will be discussed in the following.

- *Training and preparation for the big game* are as crucial for good athletes as is daily on-the-job learning for managers. Training builds the foundation a team needs to successfully compete in every season. Coaching belongs as much to game preparation as do the individual training of strengths and overcoming of possible weaknesses. One has to critically study the opponent in order to detect and develop strategies for reactions, moves etc. In the same way corporate managers must know: What are the customers' needs? Who will take part in a negotiation or important meeting? Are there any special individuals who need extra attention? And what are the competitors like?

- *During the game* everything must be a perfect fit. Rivalries while training are forgotten. The concentration is on the game/competition only. The team members must give everything they have. High expectations weight heavily on all players. In sports, the expectations come from the spectators while in corporate management it is the client who expects optimal performance and full commitment. During the game, a team's endurance becomes the decisive factor. Exhibiting stamina, mobilizing forces and bringing the team into formation are critical factors. Every team member must be able to rely on his team mates, pass each other the ball in the right moment and, of course, turn these assists into goals.
- *After the match is before the match.* When the game is over, preparation for the next game starts immediately. New projects are waiting. Nevertheless, it is important to have a critical look at the last game by analyzing previous processes and activities. Debriefings should identify potentials for improvement. It is vital to continue observing the market and benchmarking with competitors to be best prepared for the next match or project respectively.

## **2. Making use of globalization, human resources and marketing in sports**

This section examines how sports uses globalization, human resources and marketing in order to survive in a highly competitive market and how their approaches differ from corporate management of other businesses.

### **2.1. Particular challenges of globalization**

Globalization is no new phenomenon. Yet the speed of globalization is just now picking up, and its potential is extraordinary. For many sports areas internationalism is a facet of everyday life. In corporate management, however, the globalization process is still in the development stage. Sports teaches us that nationality can be overcome in the progress of globalization (Nufer, 2002b; Simon, 2004).

The vision of leading European sports teams such as Real Madrid or Manchester United is simple and always the same: to be the best in the world. Why is it so difficult to copy this vision in other industries? One reason for the decisive difference between business and sports is that the common mission in sports is not only much clearer, but also unanimously shared by the players. When forming and welding together an international management team, one has to work out a common mission and establish the proper level of intense identification. Only then can commitment to the company become stronger than any national peculiarity. A company achieves true globalization when each team member can perform freely and earn promotion independent of nationality, religion and culture. Everybody who demands best results has to provide an optimal working atmosphere. In this regard many companies save money. If they treat their associates as production factors, they commit a management failure. But a company that demands top performances has to provide optimal working conditions. In Germany, Bayern Munich Football Club is famous for providing ideal basic conditions for its players and team members (Rudolph, 2002).

## **2.2. Human resources in sports management**

The most difficult challenge of globalization lies in human resources and culture, particularly in international recruiting and the advancement of young talent (Nufer, 2002b).

Just as basketball, baseball, hockey or American football serve as models for the internationalization of human resources in the United States, the most important European model is definitely football. Football is so thoroughly internationalized that it is probably one or even two generations ahead of today's corporate management when it comes to finding and integrating the world's top talents. Football clubs recruit personnel based on performance, not on nationality as the following examples show. Throughout the decades, foreign coaches like Tschik Cajkovski or Ernst Happel have left an indelible mark on the German Bundesliga. In return, German coaches have enjoyed a high level of international recognition and prestige.



Some coaches even do not speak the language of the country in which they work.<sup>1</sup> Nevertheless they manage to succeed.

It is even more impressive when one looks at the different nationalities of players: From the 736 players of the 32 participating countries at the 2002 World Cup tournament in Japan and South Korea, about half earned their incomes outside their native country. Germany's first round opponents Ireland and Cameroon were made up exclusively of legionnaires. The most successful European teams such as Real Madrid or Chelsea London boast players from many different national teams. While the German IT industry is trying with little success to attract international top talents with the Green Card, Bundesliga clubs' squads for the 2005/06 season include mainly foreign players. In the season 2001/2002 the Bundesliga team Energie Cottbus for the first time battled out an entire match without one German player stepping onto the field.<sup>2</sup>

Is it by accident that outside sports itself in companies this diversity can just be found in the sports supplier industry? The current management board of adidas consists of four executives from three different countries, representing three continents (2 Germans, 1 American, 1 New Zealander). Adidas also defies the norm with 315 of their 850 world headquarter employees in Herzogenaurach coming from 40 different nations. Their campaign of internationalization the group increased their revenue from 1.64 billion Euro in 1994 to 6.50 billion Euro in 2004 (Adidas, 2005). Such success stories of cultural diversity can seldom be encountered today in the rest of the business world.

Sports has also served worldwide as an outstanding example for the international advancement of young talent. In Europe it is in football that one can experience professional private management at its best. European football leagues are the world's most competitive. Successful clubs take the "global war for the best talents" very seriously, more than most companies do. Today all leading clubs have scouting departments or even dependancies all

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<sup>1</sup> E.g. German coaches in Turkey. Others, such as the Italian Giovanni Trapattoni in Munich or Stuttgart, perform on a rather poor but very amusing and likable language level (his gibberish "Habe fertig – Flasche leer" speech in a press conference became famous in Germany).

<sup>2</sup> Today even the following scenario is no longer a utopia: A football player is born in country A, possesses the citizenship of country B, and plays during his career for clubs in countries C to F. The sponsors and promotion partners of his current club stem from countries G to L, his team manager is from M, the club's sports director from N, the player's personal advisor from O and his team mates from countries P to Z (Müllender, 2005).

over the world (Müllender, 2005). Some years ago, the talent scouts of the PSV Eindhoven football club set out searching worldwide and came back to Europe with a 17-year-old Brazilian named Ronaldo – one of today’s international superstars of football.

Even in the USA – often criticized for knowing little about the rest of the world – sports leads the way in capturing international talent. The German Dirk Nowitzki is one of the best players in America’s basketball league NBA. In the minor leagues of professional baseball, almost half of the nearly 6,000 players are foreign-born, representing more than 30 countries from all continents.

Yet only a few companies make international experience an absolute necessity for promotions into higher ranks. Right now in Germany only 15 percent of top executives in the 500 biggest corporations have studied abroad, and only one-quarter have international experience from studying or working abroad. In the USA, a mere 2 percent have studied outside of their home country, and only 7 percent have international experience (Nufer, 2002b).

### **2.3. Marketing in sports management**

An outstanding marketing policy is just as important as a globally-oriented personnel policy. Most of today’s products are interchangeable. Customers can choose between very similar articles from different producers. Since there are seldom obvious differences in price or quality, the only way for a company to differentiate itself from its competitors is an emotional positioning of its own products. Branding and communication policy are important marketing instruments to reach this goal (Nufer, 2006a; Nufer, 2006b).

The brand strategy in combination with the nature of the sports consumer plays a crucial role: In general, supporters of sports clubs show a high level of passion, loyalty and irrationality. So-called die-hard-supporters would never ever even think about switching to competing brands (i.e. the rivals of their teams) just because another club offers cheaper tickets or better merchandising. In addition, supporters even arrange word-of-mouth communication for their club as a matter of prestige and for free. Corporate management is well advised to look at how

successful clubs such as Manchester United and Real Madrid use the brand loyalty of their fans and their branding power as clubs in order to grow as a business. (Bühler, 2005)

Can there be better proof for the globalizing communicative power of football than the following story? During a visit to China a German manager met a group of Korean teenagers who asked him where he originally came from. He answered "Germany", tried to explain it with "Berlin", Hamburg" and other expressions, but in vain. No matter in which language and variation he pronounced it, nobody understood. But when he mentioned the name "Oliver Kahn", there was pure enthusiasm among the Koreans who were bubbling over with "Beckenbauer", "Bundesliga", "Bum Kun Cha" (Nufer, 2002b).

This true anecdote shows that the branding policies of certain sportsmen or sports clubs, too, are stellar examples of success to which corporate management should take heed: Celebrities such as "The Kaiser" Franz Beckenbauer or David Beckham have practically become icons or global brands because of their immense popularity and success. They transfer the symbol of victory onto their teams (or even countries), while keeping the glory of the past and thus standing for the continuity of success. Such celebrities are likeable figures with whom fans can identify.

Regarding sports teams Real Madrid maintains one of the leading roles in branding. One reason is the internationality of their players: with the Frenchman Zinedine Zidane, the Englishman David Beckham, the Spaniard Raul and the Brazilians Ronaldo, Robinho and Roberto Carlos Real employs at least six world class players (Real Madrid, 2005).

Unfortunately, there are too few examples of well-cultivated myths which have contributed greatly to a company's image and brand identity. One exception is the storybook success of the small-town Vermont ice cream company Ben & Jerry's whose founders learned the art of ice cream making in a community college course (Nufer, 2002b). Furthermore, it is not surprising that the brand value of the sports supplier company Nike tops that of Volkswagen, Ikea or Pepsi, just as the brand value of adidas beats out those of Shell, Nivea and Starbucks.

To bridge the gulf between globalization and local identification a global brand must be identically positioned. This is achieved through clearly defined target groups and emotionally

communicative appeals. In a world of increasingly interchangeable products, a brand's image must be emotionally charged by communication policy in order to appear unique and attain "cult status" to differentiate from the competition. Within the last years Bayern Munich has learned much from the benchmarks Real or ManU and has kept up with global players in the industry by means of brand awareness. In Germany they were the first club to build up a corporate identity. Above all, while clearly claiming market leadership, the club has always stressed and never tried to modify its champion image. This allegedly rather arrogant approach helped the club in earning itself a distinct profile that inevitably creates a polarized effect: if you are not a fan of Bayern, you hate this club. There is no in-between. So Bayern Munich deliberately tolerates a certain number of enemies as long as their target group of fans is still closely bound to the club (Rudolph, 2002). Many football clubs in the world like FC Barcelona, AC Milan or Arsenal London possess tradition, brand awareness and cult status all over the world in contrast to only a few companies in corporate businesses.

On the business side, Porsche has benefited from the polarization strategy. Volkswagen's new Beetle has also managed to succeed in the international market. Although, as to the price-performance relationship, the Beetle is inferior to the competition, VW highly emphasized the brand's cult status – and succeeded (Rudolph, 2002). Once you have reached cult status, your customers become supporters of your brand, showing enthusiasm, being loyal and the origin of precious word-of-mouth communication. For a company they are essential, especially during critical times because fans do not immediately turn towards competitors' brands, but show their displeasure through contradiction. Thus the company gets a last chance to correct its deficiencies.

### **3. Conclusions**

The globalization process is going on at a breathless pace. The challenge lies in placing oneself in this process. Whether in sports or in business, it does not matter where the participants in the process come from. It is crucial that all participants are fully committed to their common mission. In this respect achievements in sports can serve as brilliant role models for management teams to emulate. We can already look forward to the next major model of globalization: the forthcoming Football World Cup 2006 in Germany.

And yet, besides all the advantages of globalization, a company, which aims at growth, should never give up its local relatedness. Being big may lead to higher revenues, but also to increasing costs, a more complex structure and higher risks – without a guarantee for higher profits. The price a company has to pay can be the loss of a close relationship to its customers. While mega-mergers e.g. in the automotive industry finally led to revenue cuts, smaller companies like BMW or Porsche are still booming (Simon, 2004; Simon, 1996) - just as smaller football clubs like SC Freiburg or Charlton Athletic Football Club have always been proud of being somehow different.

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