Factors in the Formation and Development of Professional Sports Leagues

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FACTORS IN THE FORMATION AND DEVELOPMENT OF PROFESSIONAL SPORTS LEAGUES

BY

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ABSTRACT

The purpose of the study was to develop a framework to isolate the important factors in the formation and development of a professional sports league. The method of data collection for this qualitative study was a modified Delphi technique, which included a panel of eighteen individuals who possess expertise in the area of sport. There are three major sections of findings in this study: 1) the focus of the individual and organization; 2) the formation of sub-categories; and 3) the defining operational aspects of a league in the isolation of a framework for the formation and development process, as well as the management strategies, management principles, and/or decision-making processes associated with a professional sports league.

INTRODUCTION

In the past two decades there have been a number of professional sports leagues that have started and since ceased operations. Some of the problems encountered causing their ultimate downfall have been a lack of national television coverage, weak marketing strategies, ownership instability, exorbitant player salaries, and minimal corporate sponsorship. The World Football League (WFL), the United States Football League (USFL), and the American Lacrosse League (ALL) have joined the graveyard with other notables such as the World Hockey League and the Major Indoor Soccer League, while other professional sports teams have enjoyed a period of longevity since being established. Along with this longevity, if television revenue and franchise value are a gauge to the stability and success of a professional league, the National Football League (NFL), the National Basketball Association (NBA), the National Hockey League (NHL), and Major League Baseball (MLB) are examples of leagues that have met this criteria (27, 67, 9, 10).

The NFL, which was conceived in July, 1919 in Canton, Ohio (68), consists of 28 teams with an average franchise value of $160 million each, while boasting nearly $4.4 billion over 4 years in broadcast fees from three networks and two cable channels (52, 6, 33, 48).

On June 6, 1946, professional basketball was born (31). The NBA continues to thrive
today as evident by the more than $1.1 billion it receives over four years in broadcast rights fees from NBC and two Turner cable channels, while the average franchise value for its 27 teams is $114 million (52, 6, 61, 72).

The NHL, formed on November 22, 1917, is today receiving $235 million over five years from Fox and ESPN in rights fees (14). Average franchise value in the 26-team league is $71 million (52).

The first professional baseball league, the National Association of Professional Baseball Players, was formed in 1871. In 1994, Major League Baseball, consisting of 28 teams with an average franchise value of $111 million, was paid broadcast fees estimated at $85 million by the Baseball Network (a joint venture between the MLB, ABC and NBC), and ESPN (52, 59, 23, 3).

STATEMENT OF THE PROBLEM

The question arises: what are the differences between the leagues that have come to rest in the graveyard and those still successfully entertaining audiences to this day? The purpose of this study was to give new insight to those leagues presently in existence, to a framework to isolate the principles for a sound foundation to success. When a literature review was done, the following variables were found to have a significant impact on other studies. Therefore, these variables will be discussed in the following section to identify their potential implications in management and strategy techniques, i.e., sponsorship, media, promotion, talent, marketing, planning, capital, expansion. The common thread through these variables is they are resource factors which bring out the importance of input models and their importance to management in sports enterprises.

SPORT SPONSORSHIP

The Role of Sponsorship

Mescon and Tilson (45) discussed the relationship between sport sponsorship and corporate philanthropy. They stated, "Charitable contributions have been called the oldest form of corporate social behavior" (p. 49). Furthering this statement was C. C. Garvin, Jr., chief executive officer (CEO) at Exxon who stated, "Business does best in communities that are healthy, alive, and secure. To stay in business we have to make a profit. To succeed in business, we have to share some of that profit for the public good" (p. 49). Sport sponsorship has mutual benefits for all parties; the newly formed sports league receives the monetary backing necessary to operate, and the corporation receives a bolster in public opinion for its contribution to the community.

CEOs are taking a more thorough look at their social investments, to the extent some have developed a series of cost/benefit analyses to determine the long-term returns on such programs. "The philosophy of giving has evolved as many corporate executives have realized community donations should be an integral part of a well-managed company rather than an ad hoc activity" (45). While gaining a competitive edge is a key concept to business' philosophy, many companies are able to add to this by making contributions to leagues and franchises as a marketing tool for sales promotion.

Corporate philanthropists are looking at the many benefits of corporate sponsorship,
including a cost effective exposure for a product, associating a company or product name with a specific event, and providing companies with high visibility activities and scope, featuring athletic superstars (45). All of these contribute to a bottom line performance, not only for the new league, but for the sponsor as well. Defined by Ulman (70), "... special event sponsorship or event marketing links a product or service to a leisure pursuit--usually in sports" (p. 21). Sponsorship allows a company to target demographic groups and communicate with them on common ground--participation in the event. While communication through advertising tends to be one-sided, events create opportunities for two-way communication between consumers and sponsors--a powerful tool for persuasion. Companies get into sponsorships because they can expect a return on the bottom line, especially in the form of a healthy tax break (70). If the event provides a tax break to the sponsor, and furthers the league's credibility, while reaching the right audience, both parties gain mutual benefits.

Wilkenson (74) addressed why people and organizations buy into sport. The common ties for all sponsorships provide opportunities to: 1) demonstrate good citizenship, 2) demonstrate community interest, 3) positive visibility for a product or business on a continuing basis, thereby increasing sales, 4) generate favorable media interest and excellent publicity, and 5) compete with other companies and corporations in an area other than the marketplace (74).

Supporting his view why sponsorship is a wise investment, Wilkenson states 1) the rise in attendance at sport events, 2) the enormous television rights paid to televise sports events, and 3) the amount of money spent annually in the U.S. on sports is over $30 billion (74).

As further evidence for sport as a sponsorship vehicle, Wilkenson referred to 1983 Miller Lite Report on American Attitudes Toward Sports, which found:

- three-quarters of the public watch sports on television at least once a week
- almost 70% of the public watches, reads, or discusses sports news at least once a day
- almost half (46%) of the public participate in at least one athletic activity every day or almost every day
- approximately 19% of the public (35 million people) are characterized as 'avid sport fans'
- 2 out of 3 teenagers (66%) are classified 'avid sports participants'

Ensor (19) believed in order to gain corporate sponsorship, administrators of sports organizations need to understand the criteria corporate marketers use in judging whether a sponsorship proposal will help them achieve their corporate goals. Of essential concern to a company in selecting a sporting event to sponsor was the affinity factor: being concerned the corporation's image and strategy mesh with the sports product. In effect, a corporation did not want to be associated with a losing team or an unstable franchise (19).

A major brewing company, active in sports sponsorship, listed 13 main criteria for selecting sponsorship candidates in its 1982 Sports Media Merchandising Marketing Plan. They were:
1) the organization must be well organized and properly staffed, with proven stability.
2) the events sponsored should be numerous to provide continuity for brand sponsorship.
3) the activity should have community significance to warrant in-store displays and other promotional activities.
4) press coverage should be ongoing and intense.
5) there should be proven growth in number of events, the revenues involved, and attendance.
6) the timing of the events should take place during a period in which extra advertising and promotional effort is necessary by the sponsor.
7) the sponsorship should fill a void, not overlap with competitors.
8) mutual cooperation from those who own or manage the facilities.
9) the lifestyle of the athletes involved should be healthy and productive.
10) the potential for establishing contact with those in a position to influence the advantage for the sponsor's company and products.
11) there should be minimal potential for government or legal restrictions.
12) there should be minimal potential for public relations problems or criticism.
13) the concessionaires should be willing to cooperate in the sale of the sponsor's product and brand name items.

Gerrie (24) considered sports sponsorship the sales promotion of the 1970s. Large corporations such as Anheuser Busch found sports sponsorship an effective way to brand, or associate their name with a popular sport, without spending enormous amounts of money on "above-the-line national media avenues" (p. 59).

Budweiser attributed its growth position in a stagnant world beer market by spending hundreds of millions of dollars sponsoring sport events. As Harry Drnec, marketing director for Anheuser Busch International, said, "We found that sport was the only place to be--the single best medium in the U.S. for reaching our target market" (24). To confirm Anheuser Busch's allegiance to sport sponsorship, they now sponsor 26 out of 28 Major League Baseball teams, and hold a similar monopoly over other popular American sports while investing over $300 million a year (24).

In Ojala and Edmundson's (51) article, corporate sponsor Ocean Spray concurs with Anheuser Busch's philosophy on corporate sponsorship. John Moreton, business unit manager for Ocean Spray, said by sponsoring the Ocean Spray Challenge of Champions Tennis Tournament, Ocean Spray received good media value for the money. The Ocean Spray name appeared everywhere--around the community and on television (receiving better than average ratings). The authors concluded: "Many companies already know linking their name to a sport through sponsorship is a cost effective way to find new customers and ensure loyalty" (p. 35).

In the article by Miles (46), the author points out the overwhelming number of corporations sponsoring sport events and the rise in the number of home-grown consultancies. Alan Pascoe, of Alan Pascoe Associates, a large consulting firm, is of the opinion companies need to put more effort into using sponsorship as a promotional tool.
before and after, as well as during the sport event, the total marketing aspects of the deal should not be ignored (46).

Authors Stotlar and Johnson (63) refer to a study on the benefits of stadium/arena signage. Questionnaires were given to 800 randomly selected subjects immediately following the conclusion of football and basketball games over a six month period. The results revealed that 70% of the stadium spectators recalled the scoreboard advertising. The survey also revealed that "nearly one-third of the products purchased at the stadium were bought as a direct result of stadium advertising" (63). The survey's results coincided favorably with the potential for the sale of the sponsor's product and brand name items (63).

**BENEFITS OF CORPORATE SPONSORSHIP TO LEAGUES**

Kelly & Warnke (36) pointed out in the creation of the World League of American Football (WLAF), which began play in March of 1991, that Tex Schramm, former commissioner of the WLAF, stated a WLAF team costs at least $4 million a year to operate. He looks to corporate sponsors for help, and doesn't rule out naming teams after their business backers, common among European franchises (36).

In comparing the WLAF to the now defunct USFL, Hackney (27) stated the WLAF has much more corporate involvement than the USFL. With the WLAF, corporations can buy into a sponsorship package including "television airtime, field signage, and innumerable perks" (p. 20). Corporate sponsorships are projected to make up as much as half the revenue for the new WLAF. Said Tex Schramm, "Tie in with us and you'll have a vehicle to reach seven countries at one price. We call it one-stop shopping" (p. 22). Corporations such as Anheuser Busch and American Airlines (who have been trying to crack the European market) are looking into national and global sponsorships for $300,000 and $10 million respectively with the WLAF (27).

According to Therrien (66), the Arena Football League, unlike some leagues that have come and gone, lined up their corporate sponsorships before the first game was played. Hardees Food Systems signed a two-year deal with the league for $500,000, including 12 television spots per game, logo visibility throughout the stadium/arena, and the right to use team athletes in promotions. The league also has its own official drink, USA WET, a facsimile of Gatorade (66).

In the article by Sullivan (64), Arena Football opened up opportunities for corporations to sponsor sporting events because many sponsors had been locked out of major sports by high costs or exclusive rights conflicts. As the television schedule enlarged, with the growth of the league, sponsorship packages also rose in price, starting at $50,000-$250,000 in 1987, to $200,000-$900,000 today. Determined by the amount of the sponsorship deal, the sponsors can receive television spots on ESPN, 15 televised games, along with logo rights and full page ads in game programs (64).

Some of the larger sponsors of Arena Football are: Budget Rent-a-Car, Panasonic, Stroh Brewery, United Airlines, Holiday Inn, and Nike, Inc. Mike Milanovich, regional district manager for Strohs, said, "I think we got a lot of exposure from people who were curious and
tuned in . . . it's really reaching our target audience" (64).

By offering Panasonic a two-year deal, the league's official supplier of office automation equipment, league founder Jim Foster was provided with video equipment, copiers, word processors, and other office products for use in operations of the league (64).

Duffy (17), in reference to the fact that most of the avid fans and players of lacrosse come from the upper class, believes the Major Indoor Lacrosse League (MILL) can benefit sponsors looking for an upscale sport uncluttered by competing ads. Coors Light Beer was the first to realize the prospects of sponsoring the MILL, and it is the leagues largest sponsor. The Adolph Coors Co. has found the indoor lacrosse game, which predominantly draws "young, active, and upscale males", matches the brewers target audience (p. 42).

Burns (8) furthers the benefits of corporate sponsorship to the MILL; while the MILL grossed approximately $1.2 million for its 16 game schedule in 1988, 1989's figures were bolstered even more by the $600,000 cash paid to the league by corporate sponsors (8).

The MILL's Media Packet Information (1990) shows the growth of sponsors since the young league's inception in 1987. In 1988, the main advertisers were Coors Light and USAir. By 1989, the league picked up sponsorship by Brine and STX (lacrosse equipment manufacturers). By 1990, Thrifty Rent-a-Car joined the MILL's list of sponsors, creating the backing needed to successfully run the league (44).

Also, included in the media packet was a 'sponsor benefits sheet'. The promotional sheet states, "... as a sponsor of the MILL, your company will have the dynamic opportunity to be associated with an exciting, dynamic, young, professional sports league that is reaching thousands of your potential customers in six of the finest sport arenas in the Northeast" (44). Some of the sponsor benefits are:

- opportunities to receive exclusivity in specific sponsor categories.
- extensive pre-event television, radio, and print advertising campaigns.
- on-site league and team banners, as well as banners advertising individual products.
- sponsors receive mention throughout each game over the public address systems and scoreboard systems.
- sponsors are included in the MILL program sold at all games.
- complimentary reserved tickets to each game.
- in-arena promotions coordinated to match each sponsors marketing needs.
- major sponsors are given the opportunity to utilize television commercial time available during MILL games aired on sports cable networks (44).

Corporate sponsorship has not only grown in the United States, but in the United Kingdom (UK) as well. Miles (46) pointed out sport sponsorship in 1986 has found many first-time users, with 178 testing the waters. Out of 1,753 major sponsors in 1986, 141 extended their involvement in sport, and entered into another 319 new sponsorship activities across 27 different sports (46).
Many companies in the UK have become more sophisticated in using the medium of sponsorship. Mercantile Credit used its direct mailing technique to offer customers first choice tickets for sports they sponsored. They now have events bearing their name running throughout the season and generate name awareness throughout the national press at an otherwise barren promotional time for the company. In this way, sport sponsorship has moved on from total reliance on television coverage (46). It appears that corporate sponsorship aids in the operation and success of professional sports leagues.

MEDIA

Television

According to Wilkenson (74), the importance of television to sporting events cannot be understated; it provides the greatest amount of exposure and therefore increases sponsorship opportunities. In many cases, event organizers receive sponsorship based upon the promise of television exposure of a sponsor's product or signage at the event. As a result, sponsorship funding is not committed until television coverage is secured (74). It is clear to see sport and television are very much dependent upon each other, and new leagues cannot survive financial burdens without it. Television rights are a prime source of revenue, and for major league sports as well as developing sports, it can often mean the difference between survival or failure.

Advertisers find televised sports programming to be one of the most efficient methods to zero in on their targeted groups because it reaches large numbers of viewers. Advertisers simply match the demographics of the target audience to a particular sport broadcast and a marketing mix is born (74). Either through the use of event sponsorship or buying commercial time around broadcast sport events, the advertiser has the opportunity to generate name and product awareness among millions of potential consumers.

Hackney (27) furthered the importance of television to professional sports leagues in addressing the formation of the World League of American Football. The WLAF concept originated in the winter of 1989 when both Capital Cities/ABC and NBC approached the NFL about starting a new spring league. Knowing they would have full support of television, the NFL needed no further coaxing and started the project full bore, "... that was the genesis for the whole thing," says Joe Bailey, chief operating officer of the WLAF. "In fact, Capital Cities/ABC and NBC wanted equity in the league" (p. 20).

Upon discussion with two NFL owners (Phoenix' Bill Bidwell and Chicago's Mike McCaskey) who did not buy into the new league, Hackney stated both owners probably began having misgivings when the WLAF signed television contracts with ABC and ESPN for $25 million a year. The move toward denationalizing television, which has been picking up steam throughout Europe, has not hurt the league's credibility either (27).

Andrew Wallach, a media analyst with Cumberland Associates, suggested that "... there has been a dramatic increase in the number of channels overseas in the past five years, practically doubling the number! And much of that increased interest in sports" (27). The WLAF has a significant
advantage because sports are exempt from European laws limiting the amount of American programming that can be shown (27).

Although European networks pay 15% to 50% of what American networks pay for sports rights, an unconcerned Dallas Cowboys owner Jerry Jones responded, "Exposure is the name of the game . . . the more exposure, the more we will increase in fan base" (27).

The article by Kelly & Warnke (36) contended the NFL owners are in great need of television growth in their European market for the WLAF. It is hoped European growth will offset U.S. returns, which have dropped. Domestic television revenues peaked in the U.S. in 1986 at $493 million, but dipped to $478 million in 1988. Meanwhile, the average player contract in the NFL has doubled to more than $200,000 since 1982 (36).

Dave Nagle, spokesman for the New York-based ESPN, in Sullivan's (64) article on Arena Football, states, "In the summertime we're always looking for live event programming. When you bring in a new product, you try to expose it to as many people as possible, and the small fields in the arenas are a good size for television" (p. S1-2). ESPN is the national cable network broadcasting sports related programming 24 hours a day, 7 days a week.

Mizlou, a sports information channel for broadcast and cable stations out of New York City, is putting together a national syndicated package to sell to independent UHF outlet stations. While airing non-cable games would help broaden awareness of the game, Brad Barton, Arena Football's director of marketing, considers ESPN coverage the key. "ESPN has over 50% reach of households, and its audience fits so well with ours" (64).

According to the television syndication history of the Major Indoor Lacrosse League, the league's self-syndicated games were produced by local sports cable networks and then distributed nationally by the MILL's front office. The MILL's reach has increased from 7.3 million households in 19 markets to over 30 million households and 40 markets and Canada during the four years of development. Major affiliate networks for the 1990 season included HSE, Sunshine Network, NESN Home Team Sports, Madison Square Garden Network, KBL, and TSN (43). Up and coming new leagues and franchises can take full advantage of the fragmenting of television sport broadcasting to reach target markets all across the U. S., Canada, and overseas markets as well.

League co-owner Russ Cline of the MILL, conversing with Rosa (55), stated future league plans include divisions across the country, playing in the Midwest, West, and South. "Television and cable will play a very big role in the future and expansion of the game" (p. 3).

According to Schlosberg (57) there are more games, matches, tournaments, meets, and events on television than ever before. The research firm of Paul Kagan Associates estimated the broadcast networks alone increased their hours of sports programming some 63% between 1973 and 1983 (57).

Roger Werner, executive vice president of ESPN, concluded, "...there's been a real growth in the viewership of sports" (57). ESPN has helped in this growth by televising sports that prior to its debut in
1979 had limited exposure. While the market is growing, the audience for television sports is fragmenting. However, the opportunity to target specific groups is better than ever (57).

There will always be a large healthy market for sports programming. Werner asserts "... any argument made that there is too much sports on television is an uninformed, aesthetic judgment" (57). After all, three-quarters (74%) of the American public watch sports on television at least once a week! (74)

TELEVISION AND MONEY

Television's investment in football shows no signs of leveling off in the 1990s, according to Lambert (39). Professional football on television in 1990 will be more than a $900 million business, with 65% to 75% rights fee agreements reached in March 1990. ABC, CBS, NBC, ESPN, and TNT together are expected to invest more that $910 million each season in the NFL through 1993-94. Together, the 3 broadcast networks will pay $2,737,000,000 to the NFL through the 1994 season (39).

Under increased pressure to make up those expenditures, ABC declined comment on how well it's NFL ad sales were proceeding, while CBS described the ad sales market as strong. Kenneth Schanzer, executive vice president for NBC sports conceded, "It's a difficult marketplace ... the NFL now costs so much that one has to look at it in a critical way ... the question before us is whether demand will catch up with supply?" (39)

In Broadcasting (1990), a proposal by the NFL to the networks extending the regular season from 16 to 18 week was discussed. The proposal was just one idea put on the table as part of the NFL's effort to maximize rights fees in the next round of NFL television negotiations (39).

Welling (71) furthered the importance of television money to professional sports referring to the National Hockey League. From 1975 to 1983, the NHL accumulated heavy losses with a major reason being their failure to renew with NBC. This meant the league lost $3-4 million a year, as well as its prestige. With the help of John Ziegler, president of the NHL, a focus was made on securing cable contracts. Said Charles H. McCabe, Jr., senior vice president for marketing at Manufacturers Hanover Corp., on New York hockey telecasts, "Hockey lets us reach a very high net-worth audience" (p. 110).

Gerald W. Scully, a professor of management at the University of Texas, spoke on television and baseball. Television has made baseball especially profitable, with revenues from television rights growing much faster than those from gate receipts. In 1988, the money from local and national television represented from 35% to 40% of total club revenues (75).

Scully sees positive and negative impacts of television revenue on baseball. With national network revenues being shared equally among teams, competitive bidding for players is more prevalent as more teams now have the necessary money. This allows teams to be more balanced. On the other hand, expanded broadcasting makes the game more accessible to home viewers and cuts attendance. Also, more television broadcasts are keeping middle and lower income fans away from the park. Half the tickets sold today are bought by businesses
for entertainment of clients, a trend which will accelerate if baseball taps more into cable and pay television, which usually service local markets and compete directly with ball parks (75).

ABC Sports' president Dennis Swanson contended in Martzke's (41) article, "Networks seeking answers to financial woes" (p. 3C), that due to the fact networks are losing money on sports, "... it's become apparent there's simply too much sports inventory out there in the marketplace" (p. 3C). CBS Sports' president Neal Pilson concurred, "... we're all going through a difficult time. Not just the networks, but all of sports. The projections used by the entire industry that the economy would be healthy into the 1990s were not net" (p. 3C). According to Pilson, the problem for sports, as compared to the rest of television is due to the fact long-term contracts have been signed, it takes longer to remedy the situation. NBA Sports' president Dick Ebersol stated the three major networks have lost an estimated $450 million on their current 4-year deal with the NFL. Ebersol furthered the networks financial crisis, "CBS, in trying to help out its affiliates with its prime-time entertainment schedule, overpaid for baseball by $400-500 million" (p. 3C).

Kevin O'Malley, senior vice-president of Turner Sports, disagreed with the idea that rights fees will decline in the future. "If the economy bounces back, you won't necessarily see rights fees go down--except for baseball" (41). According to Kostyra, vice-president/director of media services for the J. Walter Thompson advertising agency, "If the sports rights fees continue to escalate or even remain the same, the networks cannot afford them" (16). As a result, more sports events will go to cable and eventually pay-per-view (PPV), as they are the only ones who can afford it. Cable and PPV will be able to afford it as they have a dual source of revenue: subscriptions and advertising.

However, Dodd suggested the scenario of more sports events on cable and PPV will not totally leave the networks "out of the picture" (p. 12C). While the total number of hours will not decline, there may be a different mix with a trend toward anthology shows (e.g., Wide World of Sports), and events where sponsors pay the bills (e.g., professional golf) (16).

According to "Tyson-Ruddock," (69), there are 19 million homes with pay-per-view access. A 10% buy rate for a championship boxing match such as Mike Tyson-Razor Ruddock would mean a showing in approximately 2 million homes. With suggested retail price of $34.95 per home, between $65-70 million in revenue could be generated for one showing (69). Professional sports leagues, seeing the tremendous revenues generated from one event, are exploring ways they too can reap the benefits.

While television rights continue to soar, Huff (32) feels the bidding wars among the broadcasters could lead to the formation of new sports leagues partially funded by networks in an effort to avoid being left without major properties. One new baseball league has been formed and two new football leagues have been discussed including talk that either a broadcast or cable network will emerge as a backer (32). Television can inform, educate, act as a vehicle to give credit to any sponsor or supporter, promote a sport, increase public awareness about sport, entertain, and
Radio

Ensor (19) stated: . . . that while media costs differ significantly between large and small markets, merchandising benefits remain similar among all markets regardless of size. Because of the difference in radio and television advertising costs, television sponsorships will rarely offer as big a merchandising return on investment as radio sponsorships (pp. 42-43).

According to Lambert (39), "... football on radio is becoming big business" (p. 36). As an example, Infinity's KVIL-FM Highland Park-Dallas station paid in excess of $17.5 million for a five year exclusive contract with the Cowboys. The scenario is being played out elsewhere across the country as other NFL flagship stations are watching radio rights fees skyrocket in the face of sluggish marketing growth and advertiser resistance to hyped rates (39).

KVIL-FM's general manager Jerry Bobo said he went into negotiations with the Cowboys to make money, and was happy to write whatever check it took to get the job done. They were very optimistic they could make a profit (39).

Bruce Kamen, operations director for KGO in San Francisco, said it gave them a big advantage in sports ratings that they tried to convert into their standard ratings. The trick was audience conversion. The station needed more than the 49ers to do well in the ratings, and if the station offered interesting, informative, and entertaining programs, the 49ers' listeners would stay with them as part of their regular listening habit (39). It appears that the media may play an influential role in the formation and development of professional sports leagues.

PROMOTION

Sutton (65) quotes Govoni, Eng, and Galper in defining promotion: "... all those means by which marketers communicate with their target market" (p. 150). In general terms, this communication involves attempts to inform, persuade, or remind the consumer of the benefits of the product. A key to an effective promotion is knowing what you want to accomplish and designing a promotion to help you reach that goal. It requires a knowledge of organizational marketing efforts with regard to successes and failures and their effect on future plans. It also requires knowledge about your fan base, who attends, who doesn't, and why (65).

Development of a creative component is a critical aspect of the marketing plan because it is the part causing the greatest interaction with potential audiences and the media. The creative component is a "theme"--it involves emphasizing unique attributes of a program that set it apart from similar enterprises. The creative component not only provides visibility and creates interest, but also gives the potential audience something they can understand and identify with, and yet it is of enough substance to motivate the audience to become consumers (65).

Wilkenson (74) stated no promotion will work if the event is not worth attending, and promotional efforts must be well-integrated into the overall marketing plan. A marketing plan must consist of a good product, adequate advertising, and a good price. All promotional efforts must be
tailored to the expected audience, yet maintain the image of the team or league (74). Most promotional activities have two goals: to hold current fans and to attract new ones.

Johnson & McKee (35) suggested fans today are more sophisticated in terms of their entertainment than a few years ago. Everyday sport fans are visually saturated with television, cable, stereo, in-home videos, music videos, and movies, so the trick to reaching and keeping those fans is to provide a greater level of entertainment (35).

Berg (4) contended that Bill Veeck, the late owner of the Chicago White Sox, Cleveland Indians, and St. Louis Browns, viewed the baseball park as the theater in which he operated and was considered the unrivaled king of attendance-building promotions (4).

Rob Dlugozima, general manager, Durham (NC) Bulls single A professional baseball team stated their marketing ploy is to promote having a good time, with a family feeling. "It turns out to be more of a social event than a baseball game" (4).

Suggested by Jim Foster, founder and commissioner of Arena Football, "My personal opinion is that as the game of Arena Football evolves, the game will become much more important than the hype around it, . . . it is necessary in this day and age to sell the event" (personal communication, October 1990).

The latest movement, as stated in the WLAF Media Information Packet (44), is to sell the concept of partaking in an "event", "...we plan to sell the American spectacle: the cheerleaders, the pre-game show, the half-time show, and the hotdogs. When you walk into the stadium, you will experience an event!" (44)

**AVAILABILITY OF PROFESSIONAL-CALIBER TALENT**

According to Havel of the Major Indoor Lacrosse League (MILL), fans who attend professional sporting events want to see the highest skill level available. People want to leave a sporting event thinking, "I just saw the world's greatest." Player identification is crucial, as the fans need to be familiar with the product. Where talent is lacking, many times the slack is picked up through promotional "event marketing." However, a high caliber of talent will be the big drawing card (personal communication, October 1990).

In reference to how the World League of American Football (WLAF) stocked its rosters, the Media Information Packet (44) stated the players were selected from a large pool of athletes consisting of present NFL players, new players entering for the first time from college teams, and players who did not make it at the first opportunity and were trying again. Also, there were local players from participating communities who demonstrated the competitive ability at World League level (44).

In reference to roster mix, the World League has placed no restrictions on the number of American players on each team's roster, with the priority to field the most competitive teams possible (44).

Hackney (27) suggested that much of the NFL's confidence in the success of their newly found league, the WLAF, is centered around the 50,000 or so athletes who play American football in leagues from the U.S.
England, and Italy. From this wide pool of players, the elite will be given the opportunity to play (27).

**TARGET MARKETING**

Yiannakis (77) suggested, once sport marketers develop a clear picture of the key features of the product or service, every effort should be made to identify potential markets—groups of people most likely to be interested in purchasing such a product or experience. Target market identification, or market exploration, is a key element in the market enterprise. It requires a sound understanding of marketing research techniques, especially the survey variety (77).

Yiannakis further states no business or organization, including professional sports leagues, operates in a vacuum. There are competitors to contend with, the economy, demographic shifts, and technological, legal, political, and sociocultural factors to monitor (77). These environmental forces are part of the marketing environment and may pose both threats and opportunities for a particular league.

Crompton (11) states selecting target markets is a two-stage process. The first involves dividing a market into potential target markets or segments (market segmentation) and the second stage is to select which segment(s) the agency, such as a professional sports league, will endeavor to serve with a particular offering (11).

Requirements for effective segmentation include: 1) each segment should be sufficiently large and/or sufficiently important to be worth considering for the development of district programs or services and communication, distribution, and/or pricing strategies; 2) potential client groups should also be measurable; it should be possible to qualify their size i.e., data regarding population of a city, age, etc.; 3) each potential target market should be accessible, as senior citizen groups, minority groups who do not speak English, those with reading and hearing disabilities, and illiterate people may be hard to reach (11).

Crompton & Lamb (12) have determined the following 14 target marketing strategies should be addressed in order to insure all factors have been considered so the foundation for a new league is solid:

1) Members of the program’s target markets should be homogeneous or heterogeneous with respect to geographic, sociodemographic and behavioral characteristics.

2) The size, growth rate, and national and regional trends for each of the organization’s market segments should be considered.

3) The size of the market segment should be sufficiently large or important to develop a unique marketing mix to service it.

4) Market segments should be measurable and accessible, with regard to distribution and communication efforts.

5) There must be awareness of high opportunity and low opportunity segments.

6) There must be awareness of evolving needs and satisfactions of each segment.

7) There must be awareness of benefits offered to each segment by the organization as compared to those offered by competitors.
8) Benefits must be offered to individuals who are not satisfied by other organizations, especially competitors.
9) There must be awareness of the uniqueness of the product, and its necessity to the community.
10) Unresponsive markets, must be targeted, and constraints contributing to the unresponsiveness must be considered.
11) There must be awareness of repeat business as opposed to new business, and categorizing population by percentage into non-users, light users, and heavy users.
12) There must be awareness of the organization's community standing with regard to reputation, program quality, and price.
13) Awareness of the organization's image with respect to the specific market segments it seeks to serve.
14) There must be the ability to efficiently and effectively meet the clientele's needs.

Demographic and Economic Elements

Dauer (13) stated a main factor in starting a professional league is the franchises composing the league must be assured of being in the mainstream of professional sports interest and patronage. A market should be of sufficient size and have certain identifiable existing economic characteristics ensuring a solid fan base on which live and media audiences can be built (13).

The target market should have definable boundaries with a particular driving distance calculated for the "prime market." The in-house capability to analyze markets and attract broader, more intense fan bases, and population projections and shifts are important to the formation of a league (13).

Another important factor is knowing the average income in the various franchise locations. The more discretionary income (the income for spending or saving), the more likely people will attend professional sporting events and support local teams (13).

Crompton & Lamb (12) listed demographic criteria pertinent to formation of a new professional league: 1) what impact will forecasted trends in the size, age, profile, and distribution of population have on the franchises in the new league?; 2) how will the changing nature of the family, increase in proportion of women in the work force, and changes in ethnic composition of the population affect the franchises in the new league?; 3) what action will the new league take in response to these trends?; 4) will the new league reevaluate traditional service and expand the range of specialized offerings in order to respond to the changes?; 5) what major developments and trends in taxation and other income sources will have an impact on the franchises in the new league and what action would the franchises take in response to these developments and trends? (12)

MARKETING/PLANNING

Crompton & Lamb (12) stated various factors possibly affecting the formation of a new league. The league and its franchises should review financing laws being proposed at the federal, state, and local levels that could impact a new league.
Recent changes in regulations and court decisions along with political changes at each government level could provide ramifications for a new league and its franchises (12).

**SOURCES OF CAPITAL**

According to Foster (1990), newly forming leagues require sources of capital in order to survive. Several options are: 1) sell to a wealthy individual, giving him controlling interest, 2) sell franchises, or, the most viable option, 3) allow individuals management contracts, or licensing contracts. The money goes into the major corporation (the league) owning the team through a limited partnership, and in return, these partners "run" the franchise, but do not have full ownership. Newly formed leagues such as the MILL and Arena Football have gone this route allowing a degree of control over the maverick owner (J. Foster, personal communication, October 1990).

**EXPANSION POSSIBILITIES**

Rosa (55) suggested untapped markets are a viable source of income. The more teams developed, the greater the source of revenue coming into the league. Professional leagues today are continually looking toward expansion (55).

Hackney (27) referred to the World League of American Football (WLAF) as a league with foresight to tap previously uncharted waters, by not only considering cities within the boundaries of the U. S. but cities overseas as well. The WLAF has located seven teams in the U. S., as well in Barcelona, Frankfurt, London, Montreal, and Milan. While the league's pilot season recently ended, they already have their sights on expanding to other cities in Europe, as well as into the Far East and Russia (27).

According to Forbes (22), despite labor problems and a recession, the National Football League owners voted to add two teams for the 1994 season. The vote for expansion was 24-4 in favor of expanding in 1994, with the four descending in favor of expansion but not on that timetable. Franchises are expected to cost $125 million, with the expansion fees offsetting any dilution of revenues in the next television contract. With expansion, it is predicted there may be a realignment of teams within divisions (22).

White (73) quoted Steve Ehrhart, the commissioner of the newly created World Basketball League (WBL) as saying, "That's exactly what the WBL has in mind. Our ultimate goal is to create a Soviet/European division that will be part of the WBL" (p. 2C).

Enright (18) stated Arena Football has plans to expand internationally also, but first they must "sell" their product to areas that have never previously seen this novel idea. To do this, they played two games in the fall of 1989 in Paris and London before large crowds and national television. Last year, they returned to play five exhibition games throughout Europe and as for this year, "... there are initial negotiations underway for several games in Japan" (p. 36).

Allen (1) stated the National Hockey League (NHL) will ". . . plunge into expansion for the first time since 1979" (p. 8C). The San Jose Sharks will join the league for the 1991-92 season, while Tampa Bay and Ottawa, Ontario, will also join in the 1992-
93 season as part of a sixth expansion plan that will take the 21-team league to 28 teams by the turn of the century (1).

According to Bodley (5), a National Baseball League ownership committee recommended awarding franchise rights to Miami and Denver. The two cities were the winners among six finalists, paying $95 million each in franchise fees to join the National League (5).

PROCEDURES

The purpose of this study was to develop a framework to isolate the important factors in the formation and development of professional sports leagues. One approach to develop the framework for collecting pertinent data is a modified Delphi technique, using telephone interviews. This is a qualitative study and the modified Delphi was only a method of data collection. The Delphi study generally consists of three rounds. However, based upon the diversity of information collected for this study, the six (6) content analysts deemed two rounds would be sufficient because sufficient information was gathered on which to make a decision.

METHOD

Participants

According to Dietz (15) a sample selection is one of the critical issues in a Delphi experiment. This study included a panel of eighteen (18) individuals who possess expertise in the area of professional sports leagues (62). Selection criteria included present or former involvement in professional sports leagues including founders of professional sports leagues, commissioners or presidents of professional sports leagues, owners of professional sports leagues or professional franchises, and attorneys who have perpetuated league and/or development. Individuals who are or were involved in professional sports leagues are important people in their field with a limited amount of time to devote to outside activities (7). Therefore, the individuals for this study not only had to be willing to share information pertinent to this study, but also had to be willing to share their time, which is in very high demand.

Individuals who were chosen to participate in this study met the above criteria. As veterans of the professional sports league business, the selected individuals gave insight into the formation and development of professional sports leagues that could not be formulated from any other source. There is no greater source than those who are or were involved directly in this area. In essence, this study went directly to the source.

It can be said we learn from our mistakes or from our misfortunes. Therefore, it is important to get not only the opinion of these experts who have had a great deal of success, but also the opinion of those who were less fortunate. Many times in our lives we ask ourselves, "If I had the chance to do it all over again, what would I do differently?" It is believed those who are or were successful gave their ingredients for success, while those who were not shared their shortcomings, hence, giving us a total composite of the important factors in the formation and development of professional sports leagues.

Panel experts were selected from a variety of sports leagues, including indoor and
outdoor sports. This was to ensure the results were not biased toward any particular sport i.e., unequal measures, as the formation of a particular sport may have varied in characteristics from others.

**Interview Protocol**

Prospective panel experts were initially contacted via telephone to determine their willingness to participate in this study. A Leadership Identification technique was used to identify potential panel experts (34). Since the nature of the modified Delphi technique involves a small subject group, and the time of the individuals needed for this study was already very much in demand, prior verification was necessary. It should also be noted the lack of subject mortality in using the Delphi technique was critical. To reduce the possibility of subject mortality was farther reason to obtain prior commitment from each chosen panel expert. In this study, there was zero mortality among the 18 panel experts. One panel expert, whose league required immediate attention, was still interested in participating in the second-round interview schedule, but the study could not meet his timeline.

A cover letter, first-round interview schedule, and a consent form were sent to those panel experts who verbally consented to participate. The cover letter stated a brief description of the modified Delphi technique.

The first-round interview schedule consisted of three questions. The first question involves a "what" question, the second question asking a "when" question, and the third involves a definition. The subjects were informed there were no right or wrong answers. The first round interview schedule concluded with a consent form. The consent form was signed by each panel expert and returned in a self-addressed stamped envelope.

Upon compilation of the transcribed telephone interviews, the results were delivered to six (6) content analysts who analyzed and categorized the data. A second-round of questions was developed from the answers to the first-round. The second-round interview schedule asked for related information but also provided each panel expert with their previous response and a brief summary of the reasons offered for each "forecast". Previous Delphi studies indicated information feedback provided to each member of the panel led to a reevaluation of their original responses in light of the new information concerning the group decision-making process. Frequency response feedback may stimulate the panel experts to take into account considerations previously neglected or dismissed as unimportant (28).

Two weeks were scheduled for telephone interviews for each round. The participants chose an available day and time for their telephone interview. Following the conclusion of the second-round telephone interviews, the transcribed conversations were analyzed and categorized for a final time by the content analysts. The researcher met with the content analysts to verify conclusions.

**Data Analysis Inductive and Deductive Content Analysis**

Six (6) content analysts analyzed the transcribed telephone interviews. The criteria for these content analysts were specialists or authorities, who in this study
must understand/have management background, a background in sports league management, and experience in analyzing and interpreting data (7).

Six (6) content analysts were selected based on the ratio of panel experts to content analysts (3:1). These six (6) content analysts formed three (3) diads, two (2) content analysts per each diad. For validating the study, this ratio allowed one (1) content analyst for every three (3) panel experts. This eliminated the potential for bias using only 1 or 2 diads of content analysts, yet allowed enough diversity of opinion to remove inbred conclusions, while retaining manageability to meet the required timetable of the study.

Eighteen (18) panel experts were selected based on the limited number of people who possessed the knowledge and expertise required for this study. Originally, 21 panel experts were chosen but three were unable to participate based on reasons of health, conflict of interest, and compilation of a book. Any amount of panel experts beyond 20 would have been unmanageable for a telephone qualitative study. Using the Leadership Identification method (34), there was significant reiteration of these same 18 names, again confirming the experience and expertise required to meet the criteria for this study as cited earlier.

The eighteen (18) panel experts were primarily the inductive stage because the data was experiential-based and they were stating their conclusions. Once a round was completed, six (6) content analysts deductively analyzed, organized, and formatted the data. The second-round interview allowed the 18 panel experts to react, clarify, and confirm the conclusions from the content analysis of the first round, and provide additional inductive information to help clarify the data. The six content analysts then deductively verified, clarified, and analyzed the new information, updating and reformatting the data.

The six content analysts had to become highly familiar with the transcriptions from the telephone interviews. This included reading the documents numerous times, becoming familiar with the responses. After attaining this familiarity, the content analysts clearly defined the basic unit of analysis.

The six content analysts organized the raw data into interpretable themes and categories employing inductive and deductive procedures (53). In this study, an inductive approach allowed themes and categories to emerge from the information received from the 18 panel experts, while the deductive approach utilized a predetermined set of themes and categories to organize the information, which was used by the six content analysts (30).

To better understand the formation and development of professional sports leagues from the panel experts’ perspective, the data from this study was inductively analyzed. The inductive building process of identifying themes from quotes was similar to a conceptual factor analysis. The process began with clustering quotes and underlying uniformities (25). The underlying uniformities (i.e., common threads) were the emergent themes. Clustering or categorizing involved comparing and contrasting each quote with all the other quotes and emergent themes unite quotes with similar meanings and separate quotes with different meanings (25, 53).
Two (2) of the six (6) content analysts met with each other to interpret, determine and develop consistencies from the data received. Once these consistencies were validated between the initial two content analysts, these two content analysts each met individually with two additional content analysts to interpret, determine, and develop consistencies validating the deductive framework. Following this confirmation process among the six content experts, the two initial content analysts met again to verify, interpret, and record the data.

The inductive process built upon itself. By comparing and contrasting procedures new higher level themes arose. The analysis continued building upward until it was not possible to locate further underlying uniformities (30). Each higher level theme was more than likely more analytic and interpretive, requiring greater inference as the analysis moved conceptually upward from the statements (56).

The general induction procedure was altered slightly when quotes differed or varied in their level of descriptiveness, which happened from the panel experts' ability to articulate their answers. When less description was involved, some themes did not neatly progress through all inductive levels but instead were carried directly into, and thus became a higher inductive level (56, 20, 2).

As with a computer generated factor analysis, the inductive building process was iterative. Many iterations of comparing and contrasting statements and categories occurred to create themes accurately reflecting the panel experts' perspectives about the formation and development of professional sports leagues and met the three criteria for delimiting a meaningful theme. First, each individual theme, regardless of the level of analysis, was inclusive (26, 53). An inclusive theme adequately captured the clustering of lower order themes comprised it. Secondly, all themes within a given level of analysis were mutually exclusive, or distinct from each other (26, 38, 53). Thirdly, a higher level of analysis captured most of the lower order themes, leaving few possible unclustered themes (38, 53). The few remaining unclustered themes were disregarded if indistinguishable or retained if important.

All aspects of the inductive content analysis, starting with identifying the statements and continuing upward with each theme level created, was consensually validated. Consensus validation was the mutual agreement between the content analysts on the final form of each statement and theme. Validation occurred after each content analyst independently identified statement or cluster themes. When finished with the independent analyses, they presented both their findings and rationale behind their results to the other content analysts. They agreed upon common themes and debated divergent themes. These debates produced agreement in two ways: 1) when discussing rationales, one content analyst acquiesced when the other analyst provided a more convincing argument; 2) when neither content analyst acquiesced, they jointly reclustered the themes, establishing refined and agreed upon categories. By providing two views of the data, consensus validation decreased the potential bias of either content analyst. Thus, the statements identified and the themes created were more accurate representations of the panel experts' experience.
ANALYSIS OF DATA

The crossroads of American sports are that this is a period of instability where such factors as labor costs are spiraling, costs of owning and operating a franchise are increasing dramatically, and new leagues are coming into competition to fractionate the ever-shrinking market. These types of pressures are building on mature sports leagues, reducing the profit margin, and making it increasingly difficult to develop any type of stable position over a period of time. For new leagues there are pressures to be successful immediately in order to compete in an ever-sophisticated market and the window of opportunity is much smaller than it was in times past.

This study was undertaken to help clarify some of the common perceptions from those who know the formation and development of sports leagues allowing a better perceptual understanding of this process. Sometimes the apparent, simple process of the formation and development of sports leagues seems to be well understood, but when put under a microscope, analysis is incomplete. It is an extremely complex process made up of many actors and many different types of management styles. It was also apparent that many of the traditional management principles and styles do not have a direct application (78).

There are three major sections of findings in this study: 1) the focus of the individual and the organization; 2) the formation of subcategories; and 3) the definitions defining the operational aspects of a league in the isolation of a framework for the formation and development process as well as the management strategies, management principles, and/or decision making processes associated with a professional sports league.

INDIVIDUAL AND ORGANIZATIONAL FOCI

Initially, there were five (5) foci developed to describe individuals or organizations. The two initial dimensions used to characterize or form these five categories were: 1) the love of a sport, and 2) money generated from the sport. It is the combination of the mix of these two factors that were utilized to form the initial five categories. The mix was based primarily upon the priority attached or associated with one of these two elements. This represents a continuum and the categories are only identifiable points on the continuum.

Five categories were identified and labeled by the six content analysts, by deductively analyzing the data collected from the 18 panel experts. The first category identified was a Single-focus Purist, an individual who loves one sport, at all costs. The second category formed was the Sport Enthusiast/Multi-focus Purist, an individual who loves a number of sports and financially breaking even is an important factor in decision making. The only circumstance that causes a shift in the interest of a sport is crisis. The third category identified was the Sport Romanticist/Tradesperson, an individual who loves sports and is willing to trade-off money decisions on the basis of circumstance. The fourth category is an Achiever, an individual whose primary concern is the achievement of goals. Sport is a high energy activity and highly visible element that adds excitement to the achievement of the goal. The fifth category is the Developer/Producer/Promoter, an individual who uses sport as a tool to achieve personal gains. Only one out of the eighteen panel experts slightly disagreed with the categories.
One of the primary problems in sports was developing common definitions or meanings related to the following terms: success and stages of formation and development. These were two important factors to define or delimit the dimensions of sports leagues. It was extremely important to understand or have a working definition of the perceptions of success because it was like a goal or objective driving the organization or league and setting the underlying tone for operation. It was the foundation a franchise or league strived to achieve. It was only in the achievement of this level the franchise or league recognized their earned accomplishments and began to feel a degree of self-confidence or assurance of operation and more focused to achieve a level of stability or maturity. Once this level of stability or maturity is reached, then new goals and objectives can be set.

The other aspect of the foundations' question is what growth stages does a league go through whether it is a new or mature league. This was important because it helped in the developmental process and, once the nature of these stages were understood, it enabled modification and control to better achieve the objectives. Much of the development of the mature as well as the new leagues was by chance. Understanding these stages also helped reduce the number of mistakes and allowed achievement of objectives more efficiently and effectively. This also helped in the awareness and education process of individuals wanting to invest in sports leagues, either in terms of dollars or time, to make the process more realistic and to avoid the idea of lucrative profits with little effort.

Two of the most common definitions used for success were: 1) return on investment and profitability, and 2) increasing popularity of the sport. Another infrequent theme for successful new league formation related to stability and maturity of the league in relation to length of time.

There were two major thrusts in regard to the stages. One was in the formation of new sports leagues and the other was in the maturation process for leagues and their ability to sustain popularity and profits. In the formation of new leagues, the stages most leagues have gone through represented a stabilizing and maturation process. The common three phases represented in most definitions were: 1) an investment and formation stage; 2) an operations stage; and 3) a maturation or a popularity stage, especially relating to the media or television. For mature leagues, the maturation stages may be similar to the "normal" business function cycle which represents a stabilization phase, a growth phase, a maturation phase, and then a continuous cycle of plateauing and growth in some combination depending upon the developmental processes associated with the business function.

One primary question was: did this "normal" business function scenario describe the formation and development process? It was a consensus that sports leagues do not follow this particular cycle. The primary difference was rationality drove the "normal" business function cycle. In sports it is ego, emotion, and locus of control that caused radical deviations from this cycle. The deviations occurring in
"normal" business decisions were based upon bottom line profits, and the decisions in sports were based upon a combination of accomplishments or profits, and love of a sport. What this caused was a lack of stability and predictability. This was not to suggest the basis of ego and emotion are not involved in all business decisions. They were just more involved in sports than in other business enterprises. In fact, it was a dominant element in sport causing a lack of understanding about the nature of the sports enterprise. The primary contribution the sports enterprise made to the general business field was in how to control or deal with ego and emotion and its associated variables. It was this ego and emotion that created lucrative profits in some aspects of the business and caused famine in other parts of the business. The primary element was learning to utilize ego and emotion and understand them in the business decisions related to the investors as well as the clients and participants.

Management Areas

The seven (7) management areas identified were, listed in order of importance based upon the number of times they were mentioned in conversations using a thematic analysis format: 1) organization, 2) popularity, 3) television and media, 4) labor, 5) cost, 6) financing, and 7) ownership. For each of these areas, strategic planning sub-components or sub-issues were identified.

Organization

The primary issue identified was the organization category focus upon league formation and development (major theme = manipulation/balanced interest). The major theme was the common dimension among all the issues identified in this category. These issues centered on league structure and development. Key themes were how to achieve solidarity and blend the egos and personalities of the owners with effective leadership force which positively developed the sport and yet maintained a good profit margin (minor theme = internal and external relations). All of the issues identified in the categories of popularity were classified into the minor themes. These strategies were one of two types: 1) exploitive, or 2) collaborative or cooperative. The exploitive strategies were self-focused and self-motivated. Ego was the primary driving force behind actions generated from the top down. The style was manipulative and the focus was upon the franchise. The styles that were more collaborative/cooperative were driven by an interest in the sport, the individual's contribution to how the sport develops, and its future. These strategies developed through league cooperation and collaboration and were not focused from the top down on the individual franchise. The element here was on league structure, how it will function in the future, and how it will respond to change as it moves through the phases of the business cycle. Stability and maturation are the two key dimensions for the future of any league.

A major sub-theme in organization has been the monopoly issue and the controversy associated with this issue required a separate discussion. Sports are one of the few areas with a legitimized monopoly in American business. Monopoly in sports raises questions about how this monopoly is used in pricing and its influence upon delivery of a quality product to the public. The contention is that sport is unique because of its limited talent base and special relation
with the public. Since there is not a controlling agency, the primary question becomes one of when is a monopoly abused in relation to public interest. The sport has been self-regulating (*de facto*) and has had an honorable record of regulation. Intermittently, there will be judicial action with Congress holding hearings about selected issues to determine the status of a sport in relation to its position of monopoly in relation to public interest.

**Popularity**

The second issue was popularity of the sport (major theme = motivation). The key or central issue of both new and mature leagues was the popularity of the sport because without support of the general public of a locality as well as the national audience, the profitability sought in a sport was almost nonexistent. The primary question was how to achieve a high level of interest in a sport and maintain it over a slow growth pattern? (minor theme = intrinsic and extrinsic) Popularity was a function of the institutionalization of the support in society. Institutionalization was the participation of youth at all age levels, including a valued high school and collegiate program. Popularity was not only the passive role but the active participation in an activity valued by a local, regional, state, and national audience. It was the recognition and glory received from the participation that was the element institutionalizing the sport.

**Television and Media**

A third issue was television and media (major theme = interest/ratings). Concerns were the amount of money generated from television contracts and exploring new ways, such as pay-per-view (PPV), to generate additional revenue and developing and sustaining popularity (minor theme = money and approval/acceptance/ demand). The primary themes for new leagues were how to negotiate new contracts to gain the necessary exposure and revenues. New leagues viewed these television contracts as a level of maturity as well as recognition that their league had viability. Some of the strategies for new leagues were how to negotiate better contracts such as off-season rates, and purchasing air time for leagues, and then packaging it to potential sponsors. The controlling element was the power of television and its ability to make or break a new league. Another important dimension of television was its impact upon mature leagues and their ability to sustain large television revenues. Leagues and the major networks are collaborating/cooperating to develop new ways to creatively finance sports enterprises. The question in most of the league owners’ and television network executives’ minds was what is the saturation point of sport to the American public? If there is a saturation point, sport will be in a severe depression because it is dependent upon these large television revenues. The key to the future in this area may be pay-per-view because boxing and wrestling have successfully proven large dollar amounts can be generated based upon a single event. Another unanswered question was what will the impact be in terms of the general public’s reaction of having to pay for events that have been televised on free television in the past? A sub-theme underlying this whole category of television was the relationship between popularity of the sport and its exposure on television.
Labor

The fourth issue was labor. Labor costs have been increasing dramatically (major theme = labor control). The reason is labor now wants their share of the dollars from television and the gate (minor theme = labor/management/sharing). Labor has been very successful in unionizing and gaining control on some issues central to players. The only exception has been the NFL. The strikes by the unions have only severely impacted the fan. How long fans will support the increased costs as a result between struggle of labor and management is yet to be determined. One of the elements shaping the future of this may be consumerism and the demand for increased benefits associated with high cost. The primary question was one of risk in proportion to sharing of profits. Labor wanted to share in the profits, but they had to share in the risks proportionately. A number of leagues have moved toward salary caps and revenue sharing. The one element not shared with labor was that of risk as well as the ability to control labor's destiny. New leagues were able to control labor costs by the formation of a league structure involving the formation of a corporation or a single entity. Owners were willing to share profits but they were not willing to share control.

Costs

The fifth issue was cost which was very closely related to the labor issue. It was recognized that labor was the primary cost in professional sports. However, the discussion of this category will focus more upon the processes of costs than specific content (major theme = control). The cost issue is probably the clearest in the minds of the panel experts and content analysts. Unless costs are out of control, they are a minor issue. This is an area needing emphasis in professional sports because if profit margins are not large, an alternative to producing profits is controlling costs. This idea of costs is perceived as an area to justify obtaining control of an organization. Even though the primary issue may seem to be cost, the underlying motive is organizational control. Closely associated with costs are different types of attitudes and these attitudes are associated closely with organizational elements. Given that the issue of costs is clouded with organizational issues, the real concerns of costs seem to be in one of three veins: 1) controlling cost by finding additional revenue (supply side philosophies), 2) cutbacks, or the philosophy of limits and restrictions in terms of size and growth, and 3) the concept of sharing, recognizing resources are limited and attempting to find common interests to share costs and develop resources.

Financing

The sixth issue was financing. The financing concept was based upon a multi-revenue philosophy of generating as much income from direct and indirect sources as possible (major theme = locating financing sources). Direct sources were gate revenue, television, licensing, sponsorship, and concessions. There were revenues generated from the business of sport. Indirect sources included popularization of a product because of its association with sport, the ability to obtain exclusive contracts in a sports franchise, and the ability to use the "sky box" concept to obtain favorable contract terms because of the prestige associated with ownership. These dollars
were generated from businesses being associated with sport (minor theme = deep pockets/creating revenue and financing/cost control). The primary philosophy was increasing revenues. Owners with deep pockets do not have financial problems. Other franchises must use merchandising, licensing, television, and other sources combined in a creative way to develop a diversified funding base. This diversification of sponsorships and "sky boxes" was important in using sports to do business in an indirect manner. A financial plan for a league was necessary including both direct and indirect sources of revenue. Cost controls were implemented to some extent through owners forcing new stadiums to be built, then subletting these stadiums at a nominal cost to help with financial arrangements. It was indirect incomes and the appreciation of the market value that were the salvation of most franchises and leagues. Indirect incomes were dollars made in the professional sports business, increasing the value of the franchise and allowing owners to profit from sports.

Ownership

The last major issue was ownership. There is nothing more critical than having quality ownership, that is, someone who is a team player (major theme = quality ownership). Owners are the most important influence on policies (minor theme = franchise [self]/league[team concept]). The primary focus of owners was on love of the sport and the desire to succeed in a business that had glamour and fame. The overriding dimensions were the high-energy emotion associated with sport and the desire to win (ego). There were two primary styles of management: 1) those involved in policy, and 2) those hiring competent management to understand the peculiarities and uniqueness of the sport areas. Nothing was more important to the success of a franchise or a league than the ability of the league management to channel the egos of owners. It was important to have the proper mix of owners focused in the right direction for a league to grow and the franchise to increase in value.

A way of obtaining indications about relationships among the major issues identified was by the relationships expressed in the statements provided by the panel experts. The following were most frequent relationships expressed: 1) financing to organization, 2) television to popularity, 3) owners to financing, and 4) labor to financing. These relationships were expressed by the panel experts and verified by the content analysts. They have been expressed in terms of direction but not magnitude, but they give an assessment of the relative importance of variables in the formation and development process. It is in defining these relationships that models begin to increase understanding and insight.

SUMMARY AND CONCLUSIONS

History

The most recent trends in modern times in the formation and development of professional sports leagues began after the Civil War and many disagree on a starting date for modern sports league development, circa 1870 (58). Modern baseball, which was one of the first major league sports to be institutionalized, had its roots and beginnings in the Civil War, popularized because it was played in the camps. Even in the formation of these original leagues there were three prime actors: promoters,
manufacturers, and purists. In addition to baseball, two major sports also heavily promoted during this period were boxing and horse racing. Since its inception, baseball has gone through evolution, changing with the times. The one element that has not changed through legislation or legal decisions, is the monopoly that has been maintained as an appropriate status for sports and does not come under the Sherman Anti-Trust Act of 1890 (50).

**Economics**

The primary factor shaping the evolution of sports leagues, especially baseball, has been one of economics. The interaction of economics and monopoly have been the elements shaping sports league formation and development (54). The most important aspect of these economics has been the idea of multiple revenue sources and the generation of dollars from these sources. It is important to understand the revenue centers and how they have developed. These revenue centers have responded based upon historical development and opportunities within each sport. Even though the developments in the sport have been parallel, each sport has developed peculiarities or uniqueness' based upon the nature of the sport as well as the existing differences. Each sport has its own uniqueness in terms of its business style making it different from other sports, even though this is not being addressed within this particular manuscript.

Another issue about finances has been the lack of operating profits. Primary money made within the sports industry comes from the appreciation of the value of a franchise. The value of a franchise may increase two or three times if it has proven itself to be a winning franchise. Even though a franchise may not win, there are opportunities solely because of the increased demand for ownership as compared to the number of franchises available. The demand for franchises in mature sports leagues escalates the price.

The other positive aspect of economics in regard to the sports industry is the indirect aspect of doing business associated with a sport. Each owner determines how to use their franchise to do business, either in direct relation to the sports enterprise itself or outside interests of using their sports image to enhance that additional business. The aspect of this indirect use of sports becomes one of creating the environment and then the business is done within that environment based upon prestige.

Other mature leagues, that is, basketball, football, and hockey were patterned originally after the baseball model. League development through the early 1950's was an adoption process. Trial and error was the basic process and as successful management strategies were found, other leagues adopted them based upon their perceptions of success.

**MANAGEMENT STRATEGIES**

**MANAGEMENT PRINCIPLES AND/OR DECISION MAKING PROCESSES**

There were seven (7) primary content areas influencing basic operation of sports league formation and development. They were: organization, popularity, television/media, labor, costs, financing, and ownership. Of these, popularity, television/media, and labor were of primary importance in sports league formation and development. Costs
were also an important factor, especially in operations, but it was very closely allied to the labor category. Labor is a spiraling cost that cannot be controlled, which is especially true in leagues that have achieved some type of maturity. Many new leagues have implemented controls such as salary caps as a way of controlling labor salaries. Costs are of less importance than the three previously mentioned factors because the owners of franchises or leagues are a supply side type of operation.

Organization

Organization is an important element yet each of the leagues have their own structural set-up for developing and controlling efficient management. The underlying dimension to organization is the lack of dollars to challenge in any way the nature and structure of the league. The courts have supported the fact sports are unique and are a monopoly in regard to a single sport, and its only competition is other professional sports.

Popularity and Television/Media

The next two categories, popularity and television/media, are closely related. Popularity is a key element because when new leagues are being formed, the question is how to create interest and if it is a mature league, the primary question is how to sustain the interest. Popularity, in any particular sport, follows a curve in which there can be low initial interest, growth, plateauing, and then the dropping in interest based upon a cycle of every-so-many years of the popularity of an activity or a sport (37, 21). The primary question is how to achieve stability given this cycle of continuing interests and disinterests in a particular sport. The other aspect of popularity is one of education and institutionalization of the activity to have a continued, sustained interest so these cycles recur but the number of individuals interested remains constant (76, 40). There has to be some type of structure within a league generating interest, such as tournaments or playoffs, because many people do not watch a sport during the season but the enthusiasm generated from tournaments and playoffs is what builds interest in a particular sport.

Television/media has been one of the primary influences popularizing many sports. The primary emphasis of television/media is not only the aspect of popularity but also of pay-per-view or other creative opportunities to generate dollars. The television revenues from mature sports have allowed the league to pay larger salaries. The primary influence of television/media is that new ways may be found to generate additional dollars to pay larger salaries and to improve profit lines.

Sports such as boxing and wrestling have already created the need for this type of activity through cable television and pay-per-view, proving the generation of large revenues.

Labor and Costs

In terms of labor, the key element is not only increased costs, but it is also the question of control and the sharing of power and revenues. A struggle exists between management and labor, especially in terms of players. The primary question frequently raised concerns the profits and the ability to share these with the players. The underlying
factor is one of not only sharing profits, but of sharing power and decision making. This may be an element of contention once there is a sharing of money or revenues.

Financing

Financing is locating owners willing to spend money or owners with deep pockets and can indeed sustain a franchise through good and bad times. There is a controversy of whether sports actually make money or not. In the day-to-day operations, they may lose money or break even, but in the long-run, they are a good investment because of the appreciation of the franchise through the years and how owners have indirectly used their sports franchise to generate dollars for themselves through additional business.

Ownership

Ownership is very closely allied to organization. The primary thread running through the league is whether the ownership is oriented toward the league or toward the franchise. This is a very critical dimension in the organizational structure of the league (60, 29). The types of owners selected to form the league are critical to the development of the league. If an owner does not have the proper perspective (i.e., team player), they must be educated which can be a difficult process.

The primary competency that is very important is the insight a league or a franchise has in being able to develop new opportunities (64, 29, 42). The key dimension is the ability to be able to make something new and seize upon opportunities. The one common element through each of these areas is the ability to create and be innovative, to be successful. It is this creative element that is a constant theme through the content areas.

RECOMMENDATIONS

In recent times, there has been a change in professional sports league formation and development. The mature, dominant leagues have seen new professional sports leagues evolve. The new sports leagues have caused increased fractionation within the overall competitive market, especially among themselves.

The factor shaping league formation and development in modern times in both mature as well as new leagues has been financing; without adequate financing, formation and development of new sports leagues is impossible. Also, in recent times, there has been a period of instability for the formation and development of new sports leagues because the popularity of sports has risen and waned based upon a change in the attitudes and preferences of the general population.

Sports have had a greater impact upon society, as society has been more sports-aware. The 1950's and 1960's were a time of popularization of sport, while the 1960's and 1970's, were periods of maturity. During the 1980's, the sports product had become increasingly sophisticated. The 1990's seem to be a period of trying to achieve and maintain stability. The primary problem of achieving this stability is financing because labor is increasingly demanding a greater share of the revenues generated. While the economy may be very unstable, other forces within the league itself, especially labor, (i.e., players) are
demanding increased control and influence in the development of sport. The 1990's may be a period in which control of the leagues will have to be shared to achieve stability in regard to both management and labor.

In addition to certain limitations of this study, questions have arisen and need to be investigated to answer the underlying assumptions made in this study. Additional studies to further answer these questions need to be addressed in the future: 1) the parameters identified in this study in terms of a quantitative mode; 2) the history, in terms of time and evolution of the leagues, in relation to the factors identified in this study; 3) why sports have been treated differently than other businesses by courts and legislature in terms of the questions of monopoly; 4) the relationship between media and ownership to determine if there is a conflict of interest; 5) sports need to be understood from the perspective of the consumer, what impact public perception has, and how sports are popularized; 6) the impact of sports on society and how sports will impact society in the future; 7) the motives for investing in sport, especially how sports are used in terms of indirect business processes; and 8) involvement of minorities in sports and how the influx of minorities will influence sports development in the future.

REFERENCES


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