Joe Bailey spent the first 25 years of his professional career associated with the sport of American football (Dallas Cowboys and the NFL). When he joined one of the world’s leading executive search and assessment firms, Russell Reynolds Associates, in 1995, it was natural to begin by focusing on assignments in functional areas in football (NFL and the CFL). He then broadened his client base to include basketball (NBA), horseracing (Hong Kong Jockey Club), Olympic sports (Salt Lake) and other competitions. Subsequently, he did work with various media companies in the print sectors (The Sporting News), television and radio (Vulcan Media), facilities (Reunion Arena/American Airlines Center), and internet (Rivals.com). He expanded the practice to include companies that provided goods and services such as accounting (PricewaterhouseCoopers) and equipment (Wilson Sporting Goods).

The Global Sport Ecosystem (GSE) was first conceived in 1996 by Bailey as a straightforward way to both explain and compare and contrast the “sports” practice from the “media” practice and “entertainment” practice. The GSE has been refined over some 20 years but its basic elements remain the same.
From 1995 until 2005, Bailey conducted more than 250 assignments, predominately within the GSE while continuing his operational experience by simultaneously managing several offices for the firm, including the New York flagship operation.

During the early stages of his service consulting career, he became aware of the underlying differences among “sports,” “media,” and “entertainment” in both their business models and in the leadership and management talent required to execute the business. In order to correctly execute a search assignment, a thorough understanding of the business model is required, followed by a clear understanding of the role and responsibility of the position.

His career in sport got off to a great start in 1970 in the area of human performance evaluation. His first position was as a player scout for the Dallas Cowboys Football Club, reading, grading, and writing thousands of reports on college players. Missing the evaluation of a player was a fire-able offense. And, of course, each player was a “position” player, so not only were all scouts judging players based on quantitative and qualitative measurements, the department was also comparing and contrasting players against one another.

The single most important skill for any leadership consultant is the ability to evaluate clients and candidates. This skill can only be acquired by practice, practice, practice—using tools that are learned coupled with countless hours of interviewing and writing. Evaluating a person incorrectly can be fatal to your professional career.

EXECUTIVE TIP

The prospective chief executive officer may be strong in many areas and may be a good chemistry fit – it all boils down to competency and chemistry – but if prospective candidates cannot compete against the very best, everyone loses. Bailey quickly learned that people are the only form of a sustainable, competitive advantage. It is literally impossible to compete over an extended period of time without the best talent in critical positions.
EXECUTIVE TIP

Leaders also learn that they really only have “full control” over two areas of their business – talent and culture. Coaches know this also, at least all the ones considered world class coaches and managers.

Evaluating Talent is the Differentiator
Bailey also began to analyze the characteristics of talent that populated the GSE, which he divided into three distinct business-to-business sectors: Content, Channels of Distribution, and Service Providers. For example, the “content” businesses, their culture and the people seemed similar to the industrial sector. There was a process mentality, a systems-based orientation, a belief in executing fundamental tasks through continual execution, and union relationships. Leaders tended to be resistant to change, risk-adverse, not overly innovative, single-vision focused, hierarchical, turned inward into their work and functioned in silos. They were mission-driven with a heavy reliance on teamwork.

The “channel of distribution” talent and culture fell into two camps. The media side was populated by bright risk-takers, mercurial personalities who were self-assured to the point of arrogance, creative, entrepreneurial, but poor on structure, process, and strategy. The second camp focused almost solely on operations and margins with little regard for the end-user consumer.

The third business sector, “solution providers,” was appropriately titled. This housed leaders who enjoyed multiple, complex challenges and opportunities. They had a sales DNA, were optimistic, gregarious, personable, and relationship driven. They respected structure but were very proactive, entrepreneurial, and had specialized knowledge about their own areas.

Granted, these were general impressions, but as the evaluation experience continued, the differences in the sectors held. The exceptions occurred at the C-suite.

**EXECUTIVE TIP**

Bailey suggests that everyone who considers entering the industry of sport to make sure they really know themselves and how they are “hard-wired.” How? Get outside help through diagnostic testing. One recommendation to everyone is the JOC – Johnson O’Connor Foundation. Why? Knowing yourself, particularly your strengths, gives you direction as to what sector is best suited for you for a career in the industry of sport.
It was also a noticeable trend that the general media, players, agents, etc. spoke of sports as entertainment. This stemmed from the early 1980’s when one major U.S. sport, the NBA, was in such bad shape, that it had to resort to off-court activities to enhance its appeal. Calling sports “entertainment” denigrates sport. Sport is entertaining to be sure, but is more than that, and more than just a business.

The Business-to-Business Sport Ecosystem

Businesses which distribute sport content:
- Television
- Satellite
- Cable
- Radio
- Internet
- Wireless
- Social Media
- Print
- Facilities

Business or divisions which are solution providers to content providers and distribution channels:
- Leagues
- Teams
- Associations
- Federations

Distribution Channels

Content Providers

Diversified Sport, Entertainment, PE-Backed Companies

Goods & Services Providers

Business or divisions which are solution providers to content providers and distribution channels:
- Retail
- Sporting Goods
- Manufacturers
- Food & Beverage
- Healthcare
- Construction
- Professional Services
- Sports Agencies
- Technology
- Telecom
- Video Gaming
- Corporate Sponsors
- Financial Services
This determination begs the question as to what are the fundamental differences between sport and entertainment. The easiest way to differentiate one from another is to say that sport is authentic and entertainment is contrived or orchestrated. Media serves as a platform to deliver both sport and entertainment. While both sport and entertainment are event-based, the reason authenticity applies to sport is that the outcome is unknown. Authenticity is the reason why the NFL is the most financially successful — $10 billion with aspirations to $25 billion in revenues. The enterprise is based on the phrase, “On Any Given Sunday.” Every team has an opportunity to win. Nothing is orchestrated. Money does not buy success on the field.

**Event-Based Industry and Sectors**

The “event” is the interdisciplinary epicenter of the Global Sport Ecosystem. It is the place where virtually every discipline in the system comes together and the definitions of the three distinct business sectors meet. The first business sector is any entity whose “primary” business is to create and own content. Generally these are leagues, teams, associations, federations, and big event owners such as the IOC, which sanctions Olympic Committees so they can compete.

The second business sector is comprised of any entity whose primary business is to distribute content on various platforms and channels. Some content providers are also involved in distribution, which explains why these two sectors overlap. Generally speaking, over-the-air/free TV, cable, internet, satellite, radio, print and facilities of all kinds — arenas, big box stadiums, tracks, sports complexes — all primarily exist to distribute content.

To illustrate the basic business-to-business relationship between content providers and channels of distribution, consider a real experience as an example. Joe Bailey served as the CEO of Dolphins Enterprises, for which
he was responsible for the Miami Dolphins Football Club (content–NFL) and Dolphin Stadium, a 75,000-seat, multi-use, big box stadium (channel of distribution). Serving as the CEO of both the team and the stadium, as well as Dolphins Enterprises real estate holdings, foundations, and anything else the principal owner become involved in, he managed the enterprise to maximize assets by leveraging the individual sectors.

The Dolphins Football Club and stadium had a business-to-business relationship. There were contractual agreements in place. However, for any facility to maximize venues it had to use its capacity in multiple ways. Therefore, the stadium had business-to-business relationships with the Florida Marlins (MLB), the University of Miami (football), the Florida High School Athletic Association, the Super Bowl, the Orange Bowl, various soccer promoters, concert promoters, special event promoters, outdoor markets, Hollywood premieres, etc. The stadium had a business-to-business relationship with a multitude of entities in addition to the football club. And that is what most “channels of distribution” companies have as well – multiple business relationships with content providers.

The third and most diverse business sector is defined as any entity which provides goods and services to “content providers” and/or “channels of distribution” within the ecosystem. This includes a stand-alone business or a division of a larger company. This is a massive sector which provides a multitude of component services to the ecosystem. While the enterprises within this sector are diverse in size, scope, and offerings, they may be categorized in the following way: any company that spends money to advertise, sponsor, or sell products and services to the GES. Examples are technology solutions providers, food and beverage operators, security and medical providers, sporting goods and sports equipment manufacturers, retailers, licensees, special service providers such as parking, policing, security, accounting, legal, executive and leadership consulting; construction and architectural firms, special advisory firms for marketing and branding, public relations, gaming, ticketing, and financial institutions. All of these businesses have specialists or special groups working every day in the industry of sport.

Whether it is called insight, judgment, wisdom or a sixth sense, this combination of skills, knowledge, talent and motivation plus a set of biases help leaders and coaches see things that other people just don’t see and then incorporate factors which strict, logical processes cannot handle.
Overlap and Trends

The Global Sport Ecosystem’s sectors overlap because many enterprises operate in two sectors and sometimes all three. The trend is that the center of the system is expanding. Many private equity and venture capital firms are in the center and broad-gauged companies such as AEG, IMG, and even leagues and teams are entering this area. Alliances, joint ventures, partnerships, mergers and acquisitions will flourish as center activities increase. This is where the “business of sport” truly exists and is home to people most closely associated with the financial sector. Does this lead to the skills, knowledge, talent and motivation of the new effective leader? You bet it does.
EXECUTIVE TIP

“Sport is a laboratory for leadership and a metaphor for the belief that in any endeavor, people are the only form of a sustainable, competitive advantage. Sport is real, serious and consequential. To get to and stay at the top, the most effective leaders of the future require a broader perspective, a sense of purpose, adaptability and…. wisdom.”

Joe Bailey, Managing Director, RSR Partners Global Sport Leadership Practice

Oxygen Required

The ecosystem does not function without the “citizens” of the ecosystem...the consumer. To illustrate their importance, a distinct sector surrounds the three overlapping sectors and provides the energy that allows the ecosystem to breathe. This visually demonstrates how vital the consumer is to the system. They are the sun in the ecosystem. It is, intellectually, a “no brainer” to see the business-to-consumer and business-to-government connection, but our visual emphasizes their importance, size, and diversity. We estimate that 77% of the population of the United States contributes to the GSE in the U.S.

Through research, it seems that the clearest way to define the consumer is to divide the category into five groups. Again, portions overlap and common sense dictates where and when it occurs. The first is the Participant Group. This represents people who actually participate in a sport. The definition is male/female, youth to senior, casual to rigorous exercise for wellness to competitive amateurs and professionals, individual sport to team sport, amateur to professional, Olympic to Paralympic. What is common to all? Sweat equity! It is why a famous sports writer named the business the “perspiring arts”.

Participants

The Participant Group is a key indicator of the health of a sport. For example, despite its present popularity, participation in American football in the U.S. is declining while a number of other sports are on the rise. What does this say about its future and who is guarding the game?
Attendees

The second consumer category is Attendees. To those that operate any content provider, this should be the single most valuable group. If attendance is declining, the sport, the teams, the leagues are in trouble. What does decreasing attendance say about the value of the event and the sport? A studio-based sport is one step from becoming an irrelevant sport. Could it be a result of pricing, market conditions, or the customer experience?

If one of several factors required to create customer or fan happiness is missing, attendance declines. Since attendees make the greatest personal commitment in time and money to your business, the care for this group cannot be overemphasized. And with so many consumer alternatives, many of which are free or available “on demand,” customer expectations continue to rise.

EXECUTIVE TIP

If the purpose of marketing is to increase brand loyalty through retention and acquisition of new followers, then the importance of branding takes center stage in order to protect attendance.

Casuals

The next category is the Observer Group. It consists of viewers, watchers, readers of sport, i.e., followers; passive but interested. This category is served by the general sports media. Since sport delivers the most predictable audience in terms of numbers and demographics, media channels are paying escalating “rights fees” to acquire this Observer Group. Collegiate sports, in an effort to capitalize on these rights fees, have created seismic shifts in their own ecosystem. The decisions by leaders in the collegiate sport category have been interesting. “Economics” in college athletics, just as in the global economy, is playing an increasing role in major decisions such as alignment, revenue versus non-revenue sports, etc. The media is changing the amateur scene in increasingly negative ways.

Since sport delivers the most predictable audience in terms of numbers and demographics, media channels are paying escalating “rights fees” to acquire this Observer Group.
Trends

As mentioned, one certain trend in sport will be new alliances, joint ventures, partnerships, spin-outs, etc. that today would seem unimaginable. Whole sports which have similar characteristics will merge. Sports will attempt to create and control their own ecosystem. It is already being done in the U.S. and it will spread globally but in a “different way”.

Impact of Government

This “different way” brings us to the Government Group, and the business to government relationship. In the U.S., the lack of direct government involvement in the industry is an anomaly to the rest of the world. Even the United States Olympic Committee’s charter has no government funding, but plenty of oversight policies to be followed. While no national government entity exists to oversee the industry, many U.S. cities recognize the economic and psychological importance of the industry and have formed sports commissions. Since the industry is “event-oriented,” enticing “events” has a positive economic impact. In many countries, there is a senior-level cabinet minister or government office responsible for the oversight of the sport category. This office oversees and coordinates activities in sport that the government supports financially and strategically.

The dilemma is that for the large-scale, world events such as the Olympics, Paralympics, the Youth Games, the World Cup, World Championships, etc., the U.S. misses winning the competition to host them because it has no coordinating body similar to other countries. Eventually, the U.S. government will form a public, private partnership to enable the country to compete more effectively for large scale events with massive economic benefits. This will require enlightened leadership. In the meantime, governments around the world are pouring money into the industry.
While philanthropy does not make headlines except in certain instances such as Armstrong’s Live Strong, or, say, the Special Olympics, it is a manifestation of the power of sport to influence and is a keystone to a healthy sport and industry.

As Governments Go

Interestingly, governments are thinking of sport in a whole new way. They are incorporating sport into their country’s economic strategy and plan. Countries such as Saudi Arabia, China, Singapore, Qatar, Australia, and Canada are examples. Russia is the most recent and obvious with Sochi and the World Cup.

Philanthropy and Social Change

The final consumer bucket is often overlooked but is highly important. The category is broadly defined as philanthropy. Begin with the premise that if an enterprise or person is doing “well,” it should also be doing “good.” Hence, the industry of sport — $440 billion in the U.S., more than $400 billion Pan-Europe and global growth — is doing well. The industry has now been recognized by the United Nations as being real, serious, and consequential far beyond a simple event-based industry.

EXECUTIVE TIP

“Sports is a global language capable of bridging social, cultural and religious divides. It can be a powerful tool for fostering understanding, tolerance and peace...it teaches us teamwork and fair-play. It builds self-esteem and opens up new opportunities. This in turn can contribute to the well-being of whole communities and countries.”

Kofi Annan, Former Secretary General, United Nations
The United Nations’ various programs – UNICEF, WHO, UNESCO, etc. – all leverage sport for global engagement. The IOC has been given special observer status to the U.N. Teams, leagues, associations, federations, owners, stadiums, coaches, players, managers, etc. have foundations as do corporations and people of means involved in sport. Study Beyond Sport which promotes, develops and supports the use of sport to create positive social change by recognizing thousands of NGOs around the world. There are strategy specialists in sports philanthropy. While philanthropy does not make headlines except in certain instances such as Lance Armstrong’s Livestrong, or, say, the Special Olympics, it is a manifestation of the power of sport to influence and is a key to a healthy sport and to the industry as a whole.
Threats

In any ecosystem, there are substantial threats that must be acknowledged and combated. Whether global, national, or local in nature, since we have a “global” ecosystem, the following areas are considered “real, serious, and consequential” threats:

<table>
<thead>
<tr>
<th>Threat Type</th>
<th>Description</th>
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<tbody>
<tr>
<td>Doping</td>
<td>Continues to threaten the very integrity of sport</td>
</tr>
<tr>
<td>Corruption, Cheating, Match Fixing</td>
<td>Driven by betting, it is second only to doping</td>
</tr>
<tr>
<td>Violence</td>
<td>Can make sport a game of survival</td>
</tr>
<tr>
<td>Governance</td>
<td>Issues of poor governance cause a lack of trust and confidence at both amateur and professional levels</td>
</tr>
<tr>
<td>Environmental</td>
<td>Concerns serve to undermine community value of sport, i.e., air, noise and light pollution, waste management, toxic chemicals, land use, etc.</td>
</tr>
<tr>
<td>Security and Safety</td>
<td>Measures to protect both participants and attendees</td>
</tr>
<tr>
<td>Bad Behavior</td>
<td>Created by rivalries, a “win at all costs” mind set, political and religious issues, alcohol, etc.</td>
</tr>
<tr>
<td>Participant Injury</td>
<td>Improper rules and equipment to protect athletes</td>
</tr>
<tr>
<td>Sporting Goods</td>
<td>Quality control, child labor issues, intellectual property rights, availability, innovation costs</td>
</tr>
<tr>
<td>Agent Representation</td>
<td>A “fifth column,” middleman group with destabilizing influences within the industry</td>
</tr>
</tbody>
</table>

Leaders will tell you that they really only have “full control” over two areas of their business—talent and culture. Coaches know this also, at least all those who are world-class coaches and managers.
Opportunities

The following are not mutually exclusive:

1. Focus on new technology, new business models, new products, etc. which will help combat the global issues facing the ecosystem.

2. Find undervalued companies with hi-growth potential which can do the same.

3. Create a “Center for the Future of Sport” which will serve as an investment facility and/or an open-platform think tank similar to the MIT Media Lab and Cambridge Enterprises.

Leadership

Solving complex problems with burning platforms requires effective leadership. Once the ecosystem becomes more formalized, there is a need for a coalition of entities representing content, distribution, solution providers and consumers broadly defined. Out of this coalition will come ethical leaders, effective managers and responsible citizens of the ecosystem to formulate solutions in a strategic way.

One good example of this is The International Center for Sport Security. The ICSS is attempting to set a “standards index” for countries to test large-scale sporting events. Events are places where all members of the ecosystem come together. If this “index” is effective, it will be similar to WADA in terms of setting standards for drug testing.

A new “Global Institute of Sport” will serve to increase avidity to sport, increase profitability and philanthropy, and monitor all aspects of existing and new threats.

Conclusion

The story of the Global Sport Ecosystem reflects globalization of economies with all its opportunities and challenges. It requires leadership which recognizes sport as “more than a business.” It fits into the age we live in today – the Age of Humans. The Age of Humans will be transforming the planet. Sport will play a major role in that and will provide everyone with a more sustainable future.
Global Sport Leadership Practice

ABOUT THE GLOBAL SPORT PRACTICE AT RSR PARTNERS

The Global Sport Leadership Practice of RSR Partners helps solve complex talent issues for organizations involved in the sports ecosystem. Our team of domain experts serves content providers; distribution channels, including media and facilities; and solution providers from healthcare providers and sporting goods manufacturers to construction and food and beverage suppliers. Our capabilities include executive leadership searches for commissioners, owners, chairmen, board members, head coaches, managers, and senior management. We also provide assessment, team effectiveness consulting and succession planning services.

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