How Organizational Structure and Power Relations Impact Decision Making—An Empirical Investigation of General Manager Turnover in the NBA

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The retention and dismissal of Chief Executive Officers (CEOs) has received significant attention within the general business literature (e.g., Conyon & He, 2011; Fee & Hadlock, 2004). Although there is limited consideration of executives in sport, scholars argued that general managers (GM) play a critical role within organizations, as they potentially impact the overall performance of teams through their acquisition of human resources (Juravich et al., 2017), which can also bring financial gains. While there is some understanding of the impact that GMs have on organizational performance in sport, there is a lack of consideration of the tenure of executives, and the factors that lead to turnover in these positions. In this, examining dismissals is important not only as a reflection of GM performance, but also in considering the decision-making of higher level sport executives (i.e., presidents and owners).

Currently, the majority of empirical work in sport management studying the impact of management on firm performance focuses on coaches (e.g., Berri et al., 2009; Soebbing & Washington, 2011). While scholars argue coaches may play a similar role as a CEO in some sports organizations (Wangrow et al., 2018), it should be recognized that organizational performance may also be determined by GMs and owners. From this vantage, Wong and Deubert (2011) argue that GM is the most important position in a franchise, as they are generally involved in both business and on-field operations of the team. General findings suggest that GMs are able to improve the performance of teams by acquiring elite-level talent (Juravich et al., 2017), and that other factors such as technical experience and education level can improve winning and on-court efficiency. At the same time, research outside of the context of sport has widely acknowledged that the dismissal of executives can be related to factors beyond just performance (Barker et al., 2001; Fredrickson et al., 1998). As such, it is evident that there is critical need for further examination of GMs in sport, especially as there is a lack of knowledge in regards to the tenure and dismissal of executives of professional sport franchises.

In order to examine GM dismissals in the NBA, we utilize 30 years of data (1990 to 2019) to analyze which factors determine executive succession in sport. Specifically, following the theoretical understanding developed in the management literature (e.g. Bilgili et al., 2017; Fredrickson et al., 1988), our model extends beyond just incorporating characteristics of the GM and team performance, but also measures other organizational factors (i.e. ownership structure, power dynamics, competition, and so forth). Results for this study were estimated using both a logit estimation and the Cox Proportional Hazard estimation. Cox Proportional Hazards are widely used in examining the dismissal of business executives because of their ability to simultaneously consider a number of factors impacting the probability of dismissal (Wangrow, Schepker, & Barker, 2017). From this, the empirical findings from this study extend the understanding of how organizational structure and power relations can influence tenure and decision making within professional sport franchises.