April 2006, Pro Sports - A Model for Leadership Succession

With major league baseball in full swing and playoffs gearing up in professional basketball and hockey, not to mention the NFL draft, there is plenty of action in the world of sports to keep us entertained. In today's climate, whether you are discussing sports or business, a "What have you done for me lately?" attitude prevails and it has been the downfall of more than one coach or CEO. But standing by while a new coach or a CEO piles up losses in the short term may be necessary to produce a winner in the long run. Glen Rowe and Debra Rankin of the Richard Ivey School of Business co-authored an article that appeared in the Ivey Business Journal where they point out, it's not so much if you should make a leadership change, as when you should make it.

Studies from Major League Baseball, the National Basketball Association and the National Football League suggest that organizational leaders have little, if any, impact on a team's performance. These conclusions are drawn from studies that found that a change in leaders between seasons had no impact on team performance. However, they are inconsistent with the widely held belief that individual leaders do affect performance. Studies from English professional soccer have found that, on average, teams that went through a mid-season management change did not perform as well as teams that did not change managers during the season. It would seem that a new manager has little time to have an impact on a poorly performing team in the middle of the season. Between season changes, on the other hand, give new managers an opportunity to use training camp, pre-season conditioning, and player selection to influence the team's structure and level of play. Yet, these same studies show that the average performance of teams with between season changes is no different than the average performance of teams without them. The authors suggest that one explanation for this occurrence is that between-season appointed coaches have neither the first hand opportunity to observe and assess the team's strengths and weaknesses under game conditions, nor the information for building on the resources at hand.

Drawing from these studies, Rowe and Rankin theorized that sports teams that changed coaches during the previous season should perform better, on average, in subsequent seasons than teams that did not make changes. In turn, they believed this theory could be applied to the world of business and organizational performance. To test their hypothesis, they used a model in which they predicted the positive, neutral and negative effects on National Hockey League (NHL) teams with previous season, between season and within season succession of general mangers and coaches. They chose to study a professional sports organization and specifically the NHL for several reasons, but most importantly because the performance metric could be clearly defined and very few researchers had actually used the NHL to study leadership succession.

As the authors predicted, a team's performance was related to the particular pattern of succession. First, teams that changed coaches or general managers during the previous season performed significantly better than teams that did not. Second, teams that changed coaches or general managers between seasons performed the same as teams that did not. Finally, teams that changed coaches or general managers during the current season performed significantly worse than teams that did not. Overall, their findings supported the contention that succession does affect performance. But the results also indicated that there is a more important question: When is the best time for succession to occur? Although the study addressed management changes in the NHL, the authors suggest that there are clear implications for other business organizations and that the timing of succession is important.

While most businesses do not have a "between-season," Rowe and Rankin explain that companies can still maximize long term growth by considering succession timing. Giving new managers the time to assess the organization's resources will put them in a better position to apply that knowledge to decision making. Their study suggests that long term performance should improve when new managers have the opportunity to experience how things work before they make changes. However, if an organization waits until it is in a steep decline before making a change, there may not be enough time to benefit from a management succession. The authors also believe that their findings have implications for managerial changes at other levels in the organization, particularly where employees are part of a team that is working on interdependent tasks.

In conclusion, Rowe and Rankin are convinced that changing leaders does affect an organization's' performance, but when making a change, an organization should first assess the timing of the change and second, be ready to live the old sports adage that says, no pain (short-term), no gain (long-term).