

Deloitte.



Strategy for the Front Office

How sports organizations can
create world-class strategies
and achieve breakthrough results



MAKING AN
IMPACT THAT
MATTERS
since 1845

Contents

Why your sports organization needs a strategy	03
–Strategic challenges for sports organizations	
–Strategy, defined	
The game plan for creating a winning strategy	05
–The problems with the traditional approach	
–The Strategic Choice Cascade – The X’s and O’s for the business of sport	
The path forward	12
–How to get started	



Why your sports organization needs a strategy

Strategic challenges for sports organizations

In today's sports landscape, developing and communicating a clear, coherent, and integrated strategy has never been more important. Given the proliferation of data, new expectations for how leagues and teams must engage fans, and a myriad of potential investments, a well-defined strategy has become paramount in helping sports organizations gain clarity on their most critical objectives and empowering their organizations to achieve them. Additionally, a changing economic landscape caused by social, political, and economic shifts make it all the more important for an organization to have a clear strategy to help it navigate an uncertain future.

And yet, most sports organizations¹ struggle to clearly articulate their strategy in a way that employees, owners, fans, and partners can clearly understand—and more importantly, they struggle to convey a clear plan on how they will achieve their goals. Without a clear strategy, sports organizations create unnecessary risks that include missing out on key opportunities for growth, squandering resources on myriad disparate projects and initiatives, and, perhaps most importantly, failing to provide a unifying direction to unite the organization and its employees on ambitions and priorities.

The nuances in defining strategy for a sports organization

When beginning a strategic journey, it is important to understand that the goals and ambitions of sports organizations are unique, nuanced, and often different from traditional, for-profit or publicly traded companies.

- **Differing goals and ambitions:** The ostensible goal of for-profit or publicly traded corporations is to increase shareholder value. In addition to clarifying financial goals, professional sports teams must be focused on on-field success, governing bodies are occupied with growing the participation in and the legacy of their respective sports, and leagues must manage a portfolio of considerations (players, products, and channels) to grow their overall brand.
- **Unique challenges and competitive dynamics:** Changing viewing and social media habits mean that there are more avenues than ever to reach fans—and more competition for teams and leagues to attract eyeballs. While traditional for-profit corporations typically consider competitors within the same or adjacent industries (such as retailers competing with each other for share of wallet), sports organizations are competing with a much broader array of competitors, who are all seeking to grow their share of consumer engagement—be it streaming services, entertainment platforms, or new technology companies. And sports organizations are often working with vastly different budgets—from the smallest of schools and universities to the largest sports franchises in the world.

These nuances play a significant role in how a sports organization's strategy should be defined. While sports organizations are unique in that they must strike a delicate balance between entertaining fans and driving business goals, the following material is focused on articulating strategy from the business side. For sports organizations embarking on their strategic journey, it's imperative to begin with a few basic principles on strategy.

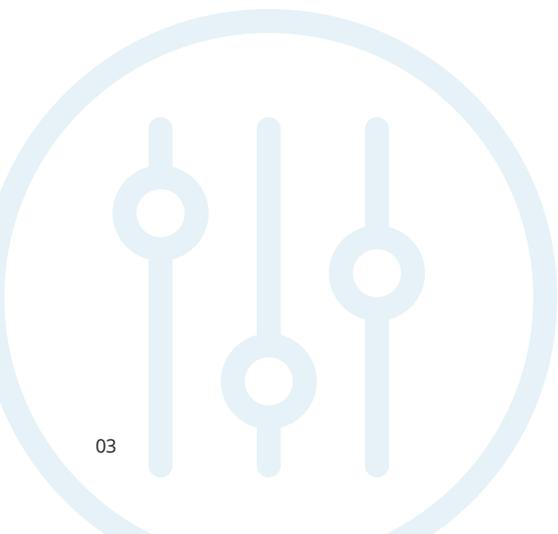
Strategy, defined

The essence of strategy is what you choose to do—and what you choose not to do—every day as a leadership team and as a broader sports organization. It is an integrated set of choices that position the organization to create a sustainable advantage and deliver superior results than would otherwise be possible.

The purpose of strategy

So, why is strategy so important? Strategy offers a unifying vision and set of choices to give context and meaning to an organization's tactical decisions. A winning strategy does the following for a sports organization:

- **Creates clarity:** It creates clarity of purpose and source of inspiration to the organization (both internally and externally), especially when organizations may be facing challenges from economic, social, and political uncertainty
- **Forces critical thinking:** It allows the organization to challenge the status quo and long-held orthodoxies and make strategic decisions that enable the organization to succeed in the long term



- **Sets priorities:** It sets priorities and provides common focus for the organization
- **Determines operational choices:** It defines how to best configure and operate the sports organization to win (however “winning” is defined)
- **Protects investments:** It establishes guardrails for investments, given a more focused set of priorities

Powerful tenets of strategy

Furthermore, we believe there are a few critical tenets of strategy imperative for sports organizations to understand:

- Strategy is about making choices. To win, you must make choices to do some things and not others.
- Strategy is about increasing your odds of success, not guaranteeing it. There is no “perfect” strategy.
- The strategy development process combines rigor, creativity, and judgment. It involves generating and testing hypotheses.
- All great strategies start with the organization’s most critical stakeholders—the “customers” (the fans, sponsors, media partners, advertisers, and players).

- To be effective, a strategy must be clear and well-communicated—a sports organization’s employees are making hundreds of decisions every day that shape the future of the organization, and the strategy is their guide in making those decisions.

Continually checking a strategy to make sure it takes these tenets into account makes it more sustainable over the long term.



The game plan for creating a winning strategy

The problems with the traditional approach

All organizations have some form of a strategy—whether it is intentional or by accident. However, sports organizations have many challenges in creating a winning strategy. Namely, a lack of time, a lack of resources, and lack of a clear mandate all

prevent an organization from defining its strategy well.

In our experience with 75+ sports organizations, there are a few different ways in which sports organizations have “incomplete” strategies and experience challenges in execution of strategy.

Incomplete strategies result in missed opportunities and inefficiencies in how very scarce resources are used across the front office. Nevertheless, articulating a strategy does not have to be an arduous process. Instead, answering a few critical, integrated questions can help provide clear direction and vision for the whole organization.



Challenge	Description
“Playing the game without the game plan”	A sports organization has not formalized or codified a strategic plan
“Managing tension in the locker room”	Senior leaders across the sports organization have different perspectives on strategic priorities and are not aligned on goals and objectives
“Not creating the playbook”	A strategy has been set and includes goals, but there is little to help employees understand how goals tie to strategic initiatives, creating confusion in execution
“Not knowing the playbook”	A strategy has been created, but has not been socialized properly with the rest of the organization
“Putting stats ahead of winning”	A strategy has been created, but includes little more than revenue and cost projections and does not tie financial objectives with overarching strategic objectives
“Lacking the muscle needed”	A strategy has been created, but there are no constructs in place to govern ongoing execution, track and measure success, and hold teams and leadership accountable
“Putting too much in the playbook”	Additional “plays” keep getting added to the strategy, but nothing ever gets removed, so focus becomes increasingly fractured throughout the organization

The Strategic Choice Cascade – The X’s and O’s for the business of sport

An introduction

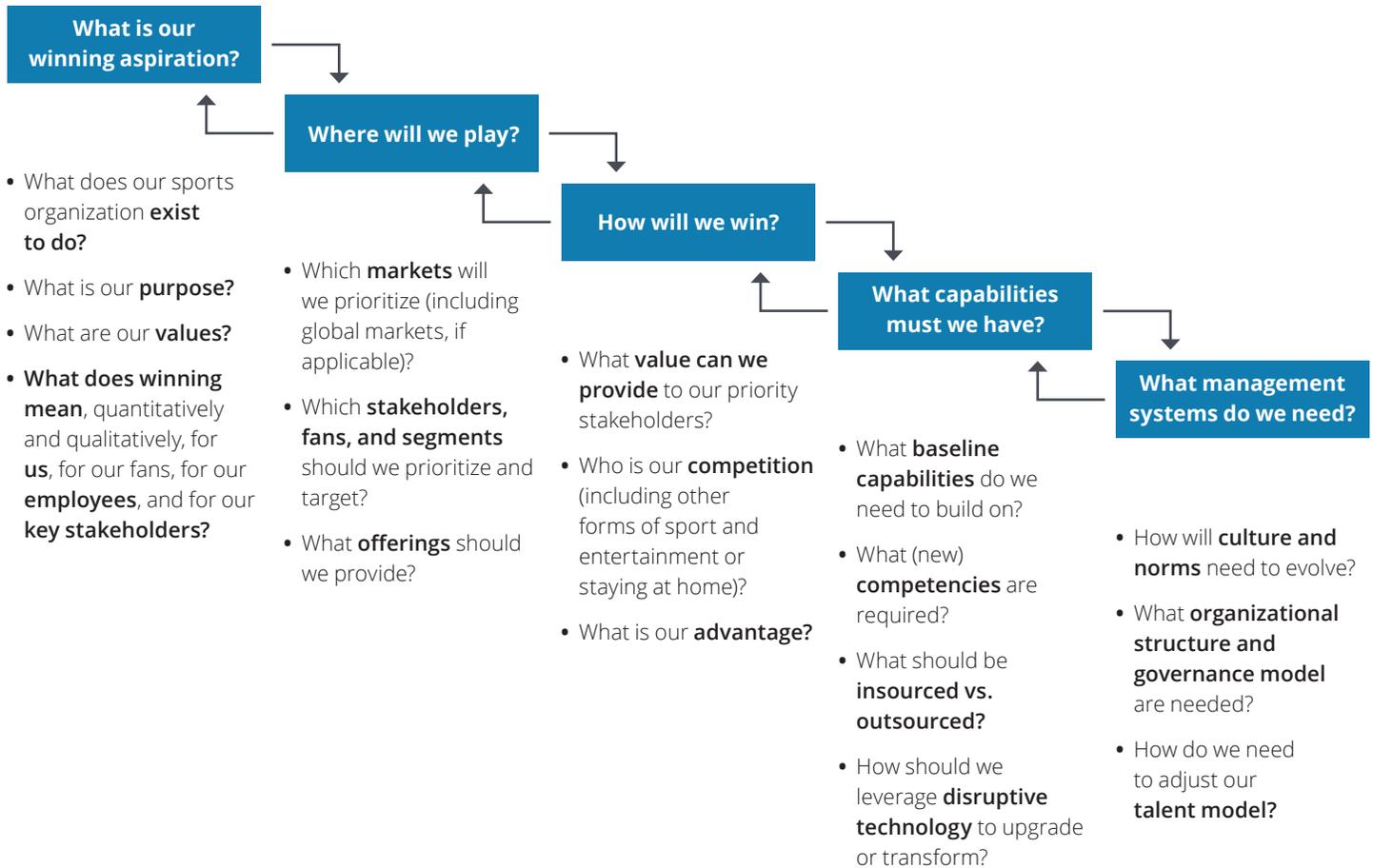
The Strategic Choice Cascade is a proven tool to express what an organization’s strategy is (or should be). It includes an integrated set of questions and choices that should be “solved” simultaneously through

iterative exploration. At Deloitte, we believe that unless your strategy answers the following five questions, it’s not complete.

- What is our winning aspiration?
- Where will we play?
- How will we win?

- What capabilities must we have?
- What management systems do we need?

Each of these critical questions has a number of sub-questions to answer:



Common financial objectives include, but are not limited to:

- Increase in revenue (for example, through broadcast rights, ticket sales, or sponsorships)
- Increase in operating income
- Increase in franchise valuation

Common nonfinancial objectives include, but are not limited to:

- Wins, championships, and sustained success
- Enhancements to fan and player experience
- “Growing the game,” including youth participation
- Increase in fan engagement
- Improvements in employee experience and retention

What is our winning aspiration?

Every sports organization should clearly define its mission and its purpose. Each organization should also explicitly define what “winning” means to it. While some entities are entirely focused on generating revenue or increasing franchise value, others are more focused wins on the field, court, ice, track, or pitch. And others, such as certain colleges and universities, may focus more on the athlete and student experience.

Regardless, all sports organizations should articulate both financial and nonfinancial objectives to act as a “North Star” for leadership and employees and to help guide subsequent strategic decision-making and choices needed from leadership. The most successful organizations ensure their objectives are concrete, measurable, and specific (such as quantifiable metrics to achieve by a certain date). Setting these—and communicating these—is a small step that often differentiates mediocre organizations from high-performing organizations.

Trend spotlight	Description
<p>Increasing emphasis on women’s sports and inclusion</p>	<p>As social and political factors become more closely intertwined with sports, female athletes on Team USA and around the world have focused on using their platform to shed light on important social impact causes, such as LGBTQ+ rights and improving diversity and inclusion within organizations. This has continued to elevate the importance of adding critical societal issues, diversity, and inclusion into the goals and ambitions an organization pursues.</p>



Where will we play?

In order for a sports organization to achieve its financial and nonfinancial objectives, it must determine “where to play.” While part of this strategic choice is about specific types of markets to go after, the choice is far-reaching. For example, sports organizations can consider new and adjacent consumer segments to go after, as well as new offerings (for example, experiences, events, and programs) to provide to those consumer segments. In addition, as off-the-field competition continues to amplify and evolve—and as global events rapidly reshape the sports space—diversification of offerings and revenue streams is becoming increasingly important for sports organizations.

It is important to note that while many “where to play” choices may be focused on new opportunities, oftentimes we approach “where to play” as an evaluation and prioritization of existing choices as well. Prioritizing high-value markets, consumers, and offerings can be as powerful of a decision for organizations as growing into new areas.

In addition, the strategic decision to exit certain areas can also be an important choice to consider. Being able to say “no” to certain initiatives allows more focus and energy to be placed on the initiatives that will truly move the needle.

Trend spotlight Description

Mounting interest in esports

In 2020, the global esports market is expected to generate \$1.5 billion in annual revenue, with 40% of gamers watching esports events at least once a week.² To capitalize on the popularity, sports organizations have sought to expand their “where to play” choices through esports teams and by investing in sponsorships and relationships among teams, leagues, and players to drive engagement in a new segment.

The “where to play” decision can also prove crucial when weathering challenges with your core product or sport. During the COVID-19 pandemic, the NBA held multiple “2K” tournaments with both current NBA stars and professional gamers. This additional market offering created a much-needed source of broadcasting income and fan engagement during a challenging time.⁴

Growing avenues for sports gambling

At the time of this publication, more than 20 states have legalized sports betting. For sports organizations, the wide adoption of legalized sports betting has created an opportunity to participate in a previously off-limits industry. There are substantial revenue opportunities to pursue, including inking lucrative sponsorship deals with gambling entities, providing access to proprietary data, and engaging the casual fanbase through live in-game betting, further expanding the potential set of “where to play” choices for sports organizations.

Examples of market-based choices include:

- Entering new local or regional markets
- Expanding to new national or global markets (for example, through media deals or games played in new locations)
- Prioritizing high-value markets and regions for growth
- Exiting low-value markets

Examples of consumer- and stakeholder-based choices include:

- Attracting younger fans and players (or microsegments)
- Building new sponsor relationships with new forms of value and more traceable ROI
- Prioritizing a “casual” fan base³
- Exiting select media partnerships

Examples of offering-based choices include:

- Creating more off-season events and forums for continued, year-round fan engagement
- Prioritizing social media presence versus continued focus on traditional TV and online engagement
- Creating a VR platform to provide a heightened fan experience
- Stopping small-scale local or regional events
- Entering the esports market
- Using data as a monetizable asset

Examples of competitors include:

- Other sports organizations, teams, and leagues (though other teams are not typically considered “competitors” from a financial perspective)
- Alternate forms of entertainment (for example, TV shows, digital engagement, or dining out)
- Other major events (such as concerts and shows)
- Staying at home

Examples of digital experiences and tactics include:

- Web-based leagues and forums to create additional fan engagement
- Streaming services
- AR/VR experiences to provide alternate, hyper-engaging experiences for fans

Examples of ecosystems and partnerships include:

- New corporate partnerships and alliances
- Technology sponsorships
- Expanded volunteer bases
- New retailer and merchandising partners

How will we win?

To accomplish “where to play” choices, a sports organization must also outline its “how to win” choices. To determine “how to win,” organizations must evaluate competition, understand their competitive advantage, and consider ecosystems and partnerships.

As the entertainment industry continues to grow, consumer options for entertainment have begun to change what sports organizations might traditionally consider to be competitors. In the sports space, competitors on the field are typically not competitors from a front-office standpoint. Instead, competition is for share of mind from fans, as well as alternate forms of entertainment where their interest and spend may go—whether that is an in-person

live game, a mobile app, or an at-home experience. Therefore, gaining competitive advantage in today’s day and age may often require sports organizations to expand digital experiences and tactics to reach customers in new ways. New forms of technology, such as AR/VR, are expanding how sports organizations can engage with and stimulate their core stakeholders—and better compete with new forms of entertainment.

Lastly, sports organizations should consider the full scope of ecosystems and partnerships that they can leverage to achieve their “where to play” choices, including with corporations, retailers, volunteers, and more.

Trend spotlight	Description
Shifting consumer viewership patterns	As pay television loses popularity and consumers shift their viewership patterns, sports organizations are creating new strategic partnerships to grow engagement with fans. Capitalizing on new direct-to-consumer products and content streaming trends to increase engagement is changing the “how to win” choices a sports organization can pursue.
Increasing complexity from technology-oriented sponsorships	As several trends converge, including increased overall sophistication of technology, increased prevalence of technology in sports, and elevated consumer expectations of sports experiences augmented by technology, new opportunities have emerged along with added complexity for front offices. These trends have implications for how sports organizations can extract the most value (for example, sports organizations as demonstration platforms for technology), including on capabilities they must build, buy, or “rent.”



What capabilities must we have?

To execute on “how to win” choices, a sports organization must evaluate the capabilities required to enable their strategic ambition. Organizations should assess the strength of existing in-house capabilities, as well as new capabilities that may require outsourcing or additional investment.

The typical, foundational capabilities of sports organizations include marketing, sales, media, public relations, and other core functions required to keep a sports organization operating effectively. In addition, many organizations have begun to invest in new, disruptive technologies to compete more effectively with other forms of entertainment. These capabilities are

affecting how organizations think about ways to better understand their fans (for example, through monitoring of social media, location-based data, or purchasing data), as well as ways to extract more value from fans (such as maximizing willingness to pay through pricing optimization).

When determining how to approach new capabilities, organizations can also consider the option to outsource to third parties. There are certain capabilities that may be better served by suppliers with deep expertise within certain spaces (such as data and analytics) versus spending significant amounts of money to develop the capability in-house.

Examples of traditional, foundational capabilities include:

- Marketing (for example, marketing planning, branding, content strategy, and SEO/SEM)
- Media (such as media strategy and licensing)

Examples of evolving capabilities include:

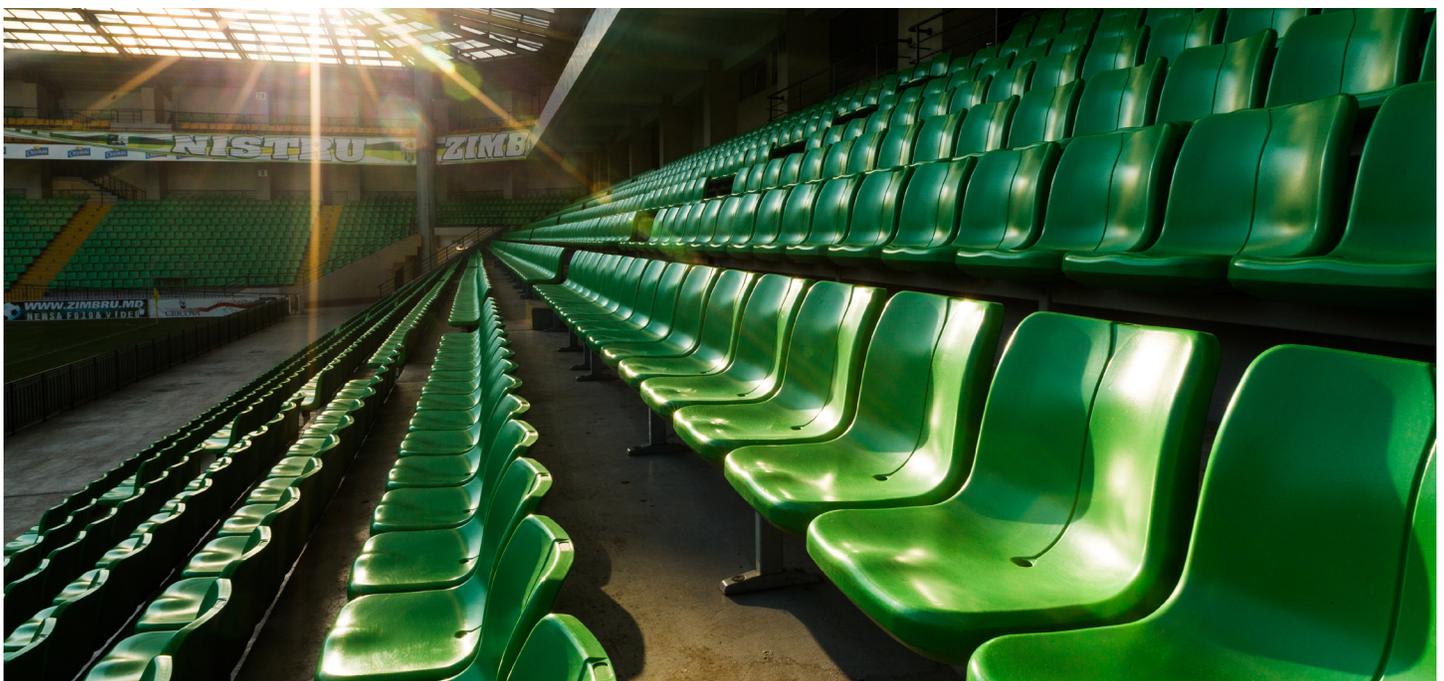
- Pricing and promotions (such as flexible package creation or dynamic pricing)
- Fan insights (such as sentiment analysis or social listening)

Examples of outsourced capabilities in the sports industry include:

- Data and analytics (such as data strategy or predictive analytics)
- Advertising (such as an in-house advertising agency)
- Venue management (for example, venue strategy, in-stadium technology, or vendor strategy)

Trend spotlight Description

Expanding data and technology needs (including 5G and cloud) 5G technology is increasingly delivering the low-latency and high-volume communications that stakeholders desire. In-stadium fan experiences can be revolutionized as mobile devices provide instant replays, live-TV graphics, faster connectivity, and expedited food and beverage orders. To enable these features and enhancements, sports organizations are changing the capabilities that they need to build or outsource.



Examples of methods to evaluate organizational structure include:

- Efficient spans of control (such as an optimized organizational structure or chart)
- Clear roles and responsibilities (such as team charters and role descriptions)

Examples of talent and training opportunities include:

- Milestone training programs (such as internal and external training programs)
- Apprenticeship programs (such as structured mentorship pairings)
- Rotational programs (for example, time spent cross-training in marketing, ticketing, or public relations)

Examples of success metrics, measures, and incentives include:

- Organizational metrics (such as tracking outcomes tied to overall goals and ambitions)
- Impact metrics (such as tracking leading indicators that foretell success of business metrics)
- Execution metrics (such as tracking completion of strategic initiatives)
- External metrics (for example, tracking of external trends to determine impact on success from factors beyond the control of the sports organization)
- Incentive programs (such as the portion of leadership and staff compensation tied directly to organization’s goals)

What management systems do we need?

Finally, sports organizations must consider how their management systems will support and reinforce the rest of their strategic choices. While management systems include organizational structures, talent, and incentives, they also refer to organizational culture, norms, attitudes, and behaviors. Strong management systems are critical in the execution, success, and sustainability of a strategy, as well as in building organizationwide buy-in and conviction.

Understanding the right organizational structure and governance model is a critical piece of setting up a supportive management system. The structure of the organization, as well as decision rights, should be designed to reinforce the strategic choices that the organization has made. For example, if a certain “where to play” choice has been deemed critical, the organization must structure itself to prioritize accordingly.

Organizations must also invest appropriately in talent and training to provide employees with the tools and knowledge to succeed. In some cases, organizations may consider restructuring and reevaluating the talent model altogether. When organizations invest in talent and growth, employees are more empowered to take ownership and be drivers and ambassadors of the desired strategic changes. A strategy should feel as if it is being done *with employees* instead of feeling as if it is being done *to employees*.

Finally, ensuring that members of the organization have the right success metrics, measures, and incentives encourages the right behaviors. In particular, setting measurable goals and performance incentives during times of change or uncertainty can help keep teams on-track and focused on the broader strategic ambition. The goals should be communicated to the organization (when appropriate), and incentives must reinforce the strategic ambition of the organization.

Trend spotlight	Description
<p>Increasingly formalized training, mentorship, and rotational programs</p>	<p>Front-office roles in sports organizations have never been more important, complex, and challenging. To be successful, sports leaders must establish a winning culture and philosophy, master multiple technical disciplines, and deal with increased media attention and scrutiny. To address these needs, some professional teams have built a management ecosystem through formal training, mentorship, and rotational programs for staff to build critical skills needed for long-term success.</p>

The path forward

How to get started

Whether your sports organization has articulated a strategy or not, it's never too late—or too early—to explore this critical process as a sports executive.

Expressing and assessing current strategy

The first step is to begin by expressing or “stress-testing” the organization’s current strategy through the series of questions outlined in the Strategic Choice Cascade. While an organization may not have all of the answers to all questions, this process illuminates where gaps and inconsistencies in the strategy may lie.

Developing and choosing strategic options

Next, a sports organization can develop strategic options and translate these into actionable strategies. This is the step that can often take the longest amount of time, as there are multiple divergent pathways that can be chosen.

Once complete, the organization can select the best strategic options by focusing on the ones that are most attractive and viable—and those that reinforce the organization’s overall mission and purpose.

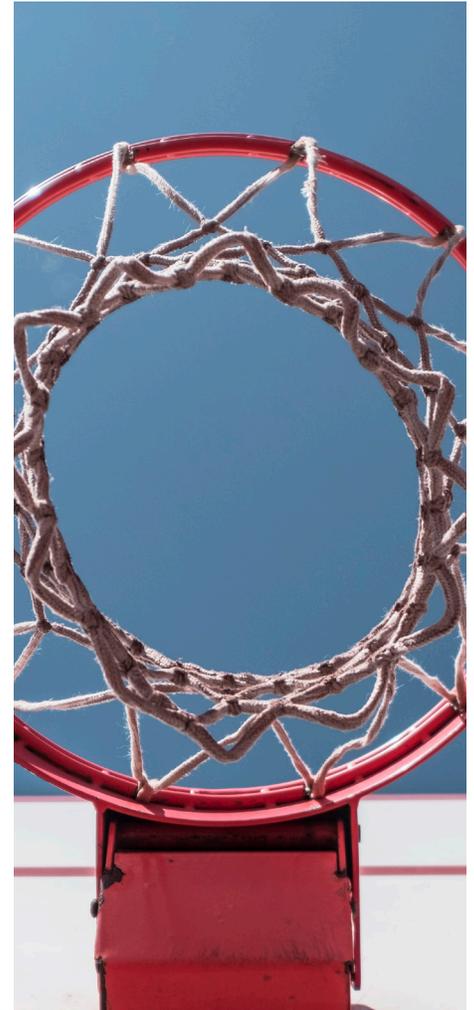
Detailing and acting on the emergent strategy

Finally, a sports organization can determine the actions needed to execute on the emergent strategy, including how success will be enabled (for example, developing the necessary capabilities to execute). This allows the organization to develop bold, strengthened actions and communication plans for the new strategy, supported by performance tracking systems and metrics and processes that reinforce the behaviors that are needed to be successful.

To encourage successful adoption and cascading of the strategy, there must be a clear, shared vision among leadership and a communication of the strategy throughout the entire organization.

Evaluating the strategy over time

The Strategic Choice Cascade can be used repeatedly over time to consistently stress-test and evaluate an organization’s strategy. Organizations may see that, over time, “where to play” and “how to win” choices, as well as enabling capabilities and management systems, may change. Reevaluating the Strategic Choice Cascade at intervals enables an organization to stay ahead of the curve and remain agile and responsive to continual change.



Endnotes

1. For the purposes of this paper, sports organizations are defined as professional sports leagues and teams, sports governing bodies, athletic departments of colleges and universities, and major sporting event hosts
2. "2020 Sports Industry Outlook," Deloitte.
3. For each sport or league, fans can self-identify at one of five levels: fanatics, love-it fans, casual fans, knowing asset the sport but not a fan, and not being familiar with the sport. Fanatics are defined as never missing a game—either in person or on TV; love-it fans are defined as watching often and going to live events when they could; and casual fans are defined as watching every now and then.
4. Andrew Greif, "NBA 2k Players Tournament could be more than one-time event," LA Times, April 10, 2020. www.latimes.com/sports/clippers/story/2020-04-10/nba-2k-players-tournament-could-be-more-than-one-time-event.

Contact us

Peter Giorgio

US Sports Practice Leader
Deloitte Consulting LLP
pgiorgio@deloitte.com
+1 617 437 3097

Chad Deweese

Senior Manager
Deloitte Consulting LLP
cdeweese@deloitte.com
+1 404 220 1352

Rishav Kohli

Senior Manager
Deloitte Consulting LLP
rikohli@deloitte.com
+1 617 960 8214

Angela Sun

Manager
Deloitte Consulting LLP
angesun@deloitte.com
+1 212 436 5214

Acknowledgements

The authors would like to thank **Will Kuenster**, **Sophia Delgado**, and **Chris Arkenberg** for their contributions to this report



Deloitte.

As used in this document, "Deloitte" means Deloitte & Touche LLP, Deloitte Tax LLP, Deloitte Consulting LLP, and Deloitte Financial Advisory Services LLP. These entities are separate subsidiaries of Deloitte LLP. Deloitte & Touche LLP will be responsible for the services and the other subsidiaries may act as subcontractors. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2020 Deloitte Development LLC. All rights reserved.