

# The Ethical Issues Confronting Managers in the Sport Industry

Mary A. Hums  
Carol A. Barr  
Laurie Gullion

---

**ABSTRACT.** The sport industry is an extremely diverse industry, including segments such as professional sport, intercollegiate athletics, health and fitness, recreational sport and facility management. The industry is currently experiencing rapid growth and development, and as it grows, sport managers in the different segments encounter ethical issues which are often unique to each segment. This article examines the professional sport, intercollegiate athletics, health and fitness, recreational sport and facility management segments of the sport industry and discusses the various ethical issues facing managers in each of these segments.

## Introduction

The *Journal of Business Ethics* has addressed ethical issues confronting managers working in a wide variety of settings, including small businesses (Quinn, 1997), accountancy (Eynon, Hill and Stevens, 1997), retail (Arbuthnot, 1997), publicly traded organizations (Gunthorpe, 1997), family law practice (Hotel and Brockman, 1997), the tourism industry (Payne and Dimanche, 1996), marketing (Akaah, 1996), and travel agency (Dunfee and Black, 1996), to name a few. However, no articles have yet addressed ethical issues confronting managers in one particularly rapidly growing industry – the sport industry.

The business of sport has not been immune or isolated from ethical problems, as sport managers are faced with ethical decision making each day they are on the job (Branvold, 1994; DeSensi and Rosenberg, 1996). Since ethics deals with the study of morality and the standards of morality individuals should follow, questions of value and concepts of rightness and wrongness are considered within this topic (DeSensi and Rosenberg, 1996). Sport managers are responsible for addressing ethical questions such as those pertaining to professionalism, equity, legal management, personnel issues, team ownership, responsibilities of professional team franchises, and the social justice associated with all levels of sport (DeSensi and Rosenberg, 1996). The purpose of this article is to focus on this expanding international industry, and to point out ethical issues confronting managers working in the sport industry, people commonly referred to as sport managers. As this is an area new to the *Journal of Business Ethics*, this article is not meant to be a theoretical piece, but rather is

---

Mary A. Hums, Associate Professor of Sport Administration at the University of Louisville, researches sport management policy development, and has published articles in the *Journal of Legal Aspects of Sport*, *Journal of Sport Management*, *Journal of the International Council on Health, Physical Education and Recreation* and *Athletic Business*, and is co-editor with Lisa Pike Masteralexis and Carol Barr of the forthcoming book *Principles and Practice of Sport Management*.

Carol A. Barr, Assistant Professor of Sport Management at the University of Massachusetts-Amherst, researches college athletics, specifically Title IX applications, and has published articles in *Athletic Business*, *The Sports Lawyer* and *Coaching Women's Basketball* and is co-editor with Lisa Pike Masteralexis and Mary Hums of the forthcoming book *Principles and Practice of Sport Management*.

Laurie Gullion, Lecturer in Sport Management at the University of Massachusetts-Amherst, has written numerous books on recreational sport, including *Canoeing*, *Nordic Skiing: Steps to Success*, *The Cross Country Primer*, *Ski Games* and *Canoeing and Kayaking Instruction Manual*.

meant to introduce the reader to ethical issues unique to the sport industry. As will be pointed out, sport managers within each of the established segments of the sport industry confront a variety of ethical issues. A brief overview of the sport industry is provided to help clarify the scope of the sport industry and its segments.

## Overview of the sport industry

### *Value of the industry*

It has been said that “sport is too much a game to be a business and too much a business to be a game” (Kahn, 1977). The sport industry is growing at an incredible rate of speed. Current estimates by Financial World magazine of individual professional team sport franchises list an average National Football League (NFL) team’s value as \$174 million, an average National Basketball Association’s (NBA) franchise at \$127 million, average Major League Baseball (MLB) franchise at \$115 million and average National Hockey League (NHL) franchise at \$74 million (Atre et al., 1996). Total retail sales of licensed products in 1995 equaled \$3.15 billion for the NFL, \$2.6 billion for the NBA, \$1.7 billion for MLB and \$1 billion for the NHL in the United States (TLB 1996 Annual Industry Report, 1996), while internationally MLB sold \$200 million, the NBA \$490 million, and the NHL \$66 million in 1996 (TLB 1997 Annual Industry Report, 1997). The 1996 Atlanta Summer Olympic Games saw licensed products sales in the billions as well (Brecke, 1997). The National Collegiate Athletic Association (NCAA) recently signed a contract to broadcast the Final Four basketball tournament worth \$1.75 billion over eight years, the NFL is in the middle of a four year deal worth \$4.38 billion (TV Sports, 1996) and NBC has paid broadcast fees for the Olympic Games from 2000 through the year 2008 in excess of \$3.5 billion (Klatell and Marcus, 1996). The health and sports club industry reports a 1994 total annual dollar volume of \$7.75 billion, while the fitness equipment industry reported its 1993 home fitness sales volume at \$2.5 billion (IHRSA, 1995a). As the sport industry has

grown, there has been a shift in focus toward a more profit-oriented approach to doing business. With that shift, as with any developing industry, comes a number of growing pains accompanied by many new and varied ethical considerations for managers in the industry. This paper focuses on selected ethical issues facing sport managers across these sport industry segments.

### *What is sport management and who are sport managers?*

The concept of sport management contains two distinct elements – sport and management. Mullin (1980) defined sport management as including the functions of planning, organizing, leading, and evaluating within the context of an organization with the primary objective of providing sport- or fitness-related activities, products, and/or services. Organizations which provide these sport- or fitness- related activities, products or services make up the sport industry.

What actually constitutes the sport industry? In reality, the “sport industry” encompasses a wide variety of sport- or fitness-related activities, products, and/or services, and is traditionally broken down into several major industry segments. The major segments of the industry traditionally include professional sport, intercollegiate athletics, recreational sport, health and fitness club management and facility management (Masteralexis, Barr and Hums, in press; Parkhouse, 1996; Parks and Zanger, 1990). Sport managers, therefore, are the people who hold management positions in these types of sport organizations. Depending on the industry segment in which they work, sport managers go by a variety of titles, including general manager, athletic director, health/fitness club manager, or facility director. Before addressing the unique ethical issues faced by sport managers in each industry segment, each of the segments will be briefly described.

### *Sport industry segments*

*Professional sport.* While the professional sport segment includes the major team sport leagues

mentioned above, this segment is much broader. Also included are the minor leagues, such as baseball's Midwest League or Carolina League and hockey's International Hockey League and East Coast Hockey League. Other professional leagues exist as well, including Major League Soccer, the World League of American Football, the Women's National Basketball Association, the Japanese Pacific and Central professional baseball leagues, and Australia's Rugby League and Rugby Union. The professional sport industry also includes individual sports, such as the Ladies Professional Golf Association (LPGA), the Professional Golf Association (PGA), the International Boxing Federation (IBF), NASCAR, and the Professional Bowlers' Association (PBA).

*College sport.* The major governing bodies for North American intercollegiate sport are the beforementioned NCAA, the National Association for Intercollegiate Athletics (NAIA), the National Junior College Athletic Association (NJCAA), and the Canadian Interuniversity Athletic Union (CIAU). The most recognizable of these, the NCAA, with approximately 990 member institutions, includes three Divisions, with divisional membership based on number of sports offered, and the amount of scholarship moneys granted. The most widely recognized Division is Division I, with teams from large universities participating in major football bowl games and the NCAA basketball Final Four Tournament. The NAIA, with 364 member institutions, includes mostly private, four year colleges with smaller enrollments. Some of these institutions do offer athletic scholarships. The NJCAA, which includes 516 member schools, is the governing body for sport programs at two year colleges. Memberships in the CIAU, which oversees intercollegiate athletics in Canada, is composed of the majority of degree granting institutions, with 47 member institutions (CIAU, 1997).

*Health and fitness.* The health and fitness industry includes a number of different types of organizations. Some clubs are small, individually owned and operated, while others are franchises of

international chains such as Gold's Gym or Bally's Fitness Centers. These clubs offer memberships of different types and offer a wide variety of exercise and fitness options for members. Most clubs include cardio-vascular equipment such as treadmills, stationary bicycles or stairclimbers, as well as free weights and resistance machines such as those made by Nautilus. Club personnel are trained to assist members in setting up and following exercise prescriptions individually developed for them. The International Health and Racquet Sportsclub Association (IHRSA) is the international organization which acts as an information clearinghouse for the health and fitness segment of the sport industry, providing information on industry programming, membership and financial trends.

*Recreational sport.* Recreational sport involves a wide variety of activities and settings, including hiking, biking, kayaking, fishing, backpacking, rockclimbing, snowshoeing and camping. The operation of private camps and public campgrounds as well as local, state, provincial, and national park management fall into this segment of the sport industry. Also included in this segment is therapeutic recreation.

*Facility management.* Facility management includes the operation of both public assembly facilities and participation sport type facilities. Public assembly facilities are large stadiums or arenas which host a number of different events such as athletic contests, concerts, conventions and trade shows, and include the likes of the Georgia Dome in Atlanta, the Amsterdam Arena in the Netherlands, Wrigley Field in Chicago, the Tokyo Dome in Japan, Wembley Stadium in London, or Madison Square Garden in New York City. Often times these facilities are publicly financed and built, although occasionally they are privately funded or funded by a public-private partnership. Participation sport type facilities include golf courses, tennis clubs, skating rinks and college or university recreational buildings. In general, people come to public assembly facilities to watch sport as spectators, whereas people come to participation type sport facilities to actively participate in an activity.

Each of these segments of the sport industry is distinct from the others. Because of that, sport managers in each of these segments face distinctly different ethical issues as well. Next, a selection of the most important ethical issues facing managers in each segment of the sport industry will be examined.

### **Professional sport**

According to Lumpkin, Stoll and Beller (1994), professional sport has very different ethical issues than amateur or school sport, since the purposes of professional sport are entertainment and profits. Sport managers working in professional sport face ethical issues in relation to a number of different constituencies, specifically 1) local communities which support teams, 2) the players, and 3) the front office personnel.

#### *Local communities*

What obligations do professional sport organizations have to their fans and the communities in which the organizations reside? One ethical decision sport managers face is determining ticket prices for fans. Every year teams raise ticket prices. For example, from 1994 to 1995 the average ticket price to attend an NBA game rose by 11.1%, for the NFL 8.7%, for the NHL 5.5% and for MLB 1.9% (Team Marketing Report, 1995). Factors influencing ticket prices come from both outside and inside sport, and range from economic recessions and world wars to team success, strikes and moving into new facilities. It is in this last category where many questions arise. When new stadiums and arenas are built, they have a positive impact on attendance. Given the predictable increase in ticket prices however, a not so obvious change occurs in the fan base. Fans who were able to have season tickets in the past, but who cannot afford to renew them when the new arena is constructed, are effectively shut out of the new arena, and replaced by fans with higher disposable incomes. In effect, the consumption of spectator sport in person is beginning to become

an activity for the elite, while others are denied access. The final piece to new stadiums and arenas are the luxury boxes. For example, Oriole Park at Camden Yards has 72 luxury suites which rent from between \$55,000 and \$95,000 per season, while the Texas Rangers Ballpark in Arlington has 122 luxury suites with annual fees ranging from \$30,000 to \$200,000 (Ozarian et al., 1995). Premium seating is also becoming more common in Europe, where, for example, Wembley Stadium, Ahoy Rotterdam, and Phillips Stadium in Eindhoven all have VIP seating ("Who's Paying?", 1995). The underlying question here is who really are the team's "most valuable customers" – the casual attendees who come to the game only when their disposable income allows a ticket purchase, the traditional season ticket holders, the new higher income season ticket holders or the corporate luxury box holders? The answer to that question speaks to the stance teams take in the industry. Is it only about increasing corporate revenues or is there still some consideration for the average fan on whom the success of these teams was originally built?

What commitments do professional franchises have to the communities in which they do business? The recent rash of "free agent franchises" has brought this question to the forefront. Cities such as Baltimore, Cleveland, and Los Angeles which lost NFL teams as well as Canadian cities like Quebec City and Winnipeg which have lost NHL franchises have been left with empty stadiums and arenas while teams and their owners move on to more lucrative locations. The World League of American Football (WLAF) is currently considering having its U.K. teams play games outside of London and Edinburgh, despite the potential for bad feelings among existing fans ("Ask Oliver Luck", 1997). Why are owners lured to new locations? In a nutshell, owners look to determine if they can acquire 1) better lease arrangements including greater cuts of parking and concessions, 2) public financing of the project which relieves them of any debt incurred in stadium or arena construction, and 3) an increased number of luxury boxes. And how do owners convince cities that a sport franchise is a "good" use of

public dollars? Usually three arguments are made – 1) the city will benefit from direct spending on events, 2) the city will benefit from money spent by fans as that money recycles through the economy via the multiplier effect, and 3) the city needs the franchise to have a “major league” image (Euchner, 1993). Research by a number of authors, including Baade and Dye (1988), Euchner (1993) and Howard and Crompton (1995) has indicated that these arguments may not always hold up. The bottom line question remains – who really profits from franchise relocation? The answer is the owners. So the question becomes for sport managers – is this an ethical stance to take? Is it ethical to “hold cities hostage” with the threat to leave for a better offer, oftentimes leaving the cities with massive amounts of long term debt and an empty facility to maintain?

### *Players*

Volumes have been written relating to the recent labor unrest and work stoppages in Major League Baseball and the National Hockey League. Whether one sides with management or labor in these discussions, there are still the same questions of fundamental fairness involved in any labor dispute. What made these disputes different to the general public was the fact the “laborers” in these cases happened to be highly paid professional athletes instead of coal miners or factory workers. What constitutes fair working conditions for these athletes? Just how much control is management allowed to have over them? And where does the phrase “in the best interest of the game” enter into the discussion? Although the salaries are high, sport managers must still keep in mind the basic principles of fairness when dealing with these athlete-employees.

Another issue facing professional sport managers is the issue of HIV positive athletes’ participation in sport. Currently, there have been no confirmed cases of HIV transmission from contact which occurred while playing a sport (Hums, 1994; Volkwein et al., 1996). However, boxing commissions are now starting to consider and implement policies barring HIV positive

boxers from fighting. Sport managers face incredibly difficult ethical questions here. First, should an HIV positive athlete be allowed to compete? If yes, in what sports may he or she compete – contact sports or non-contact sports or both or neither? And what exactly is a contact sport? Football – yes. Golf – no. What about basketball or baseball? If an HIV positive athlete is permitted to play, what about confidentiality issues? Who should know if an athlete is HIV positive – teammates? Coaches? Team doctors and trainers? Opponents? Corporations whose products the athlete endorses? Scientific knowledge about HIV transmission and the disease itself is constantly being refined, and because of the impact sport has on society, sport managers have the ethical opportunity to fight stereotypes and educate people about this disease.

### *Front office personnel*

Finally, there are ethical issues related to front office staffs of professional franchises. The most important has to do with diversification of front office staffs. Traditionally, professional sport management has been the exclusive realm of white males. Sport is often regarded as one of society’s most traditionally male institutions. Given the changing face of the international workforce, sport managers now must make ethical decisions in hiring in order to make the management of sport more inclusive for women, minorities and people with disabilities.

Currently, according to the annual Racial Report Card from Center for the Study of Sport and Society at Northeastern University, the numbers reflect the following. In terms of players, in the NBA 82% are Black and 18% White, in the NFL 68% are Black and 31% White and in MLB 62% are White, 19% are Black and 19% are Hispanic (Lapchick, 1995). However, the racial composition of front office staffs is very different. In the NBA, 77% of professional office staff was White and 20% Black and in the NFL, 79% was White and 15% Black (Lapchick, 1995). Obviously, while major professional sport leagues have opened the clubhouse door to minorities on the field, the boardroom

door has not yet been opened as widely, and minorities are not in the true power positions in professional sport.

In addition to diversifying the workforce in terms of women and minorities, special attention needs to be turned to increasing opportunities for people with disabilities. While athletes with disabilities continue to make slow progress with recognition and acceptance on the playing field, relatively little data is available on the numbers of people with disabilities in sport management positions. The following suggestions have been offered by Hums (1995) for increasing opportunities for people with disabilities in sport management positions:

1. Value diversity within the organization;
2. Redefine who is a "Qualified Individual" by:
  - a) Being knowledgeable of existing labor laws related to discriminatory work practices.
  - b) Increasing knowledge and awareness of multiculturalism in general.
  - c) Being knowledgeable and supportive of issues of importance to all groups in the workplace.
  - d) Writing statements about valuing diversity into the organization's code of ethics
  - e) Expanding personal and professional networks.
  - f) Acting as a "mentor" or "womentor" to people with disabilities in one's sport organization.
3. Create organizational visions inclusive of people with disabilities;
4. Create organizational mission statements inclusive of people with disabilities;
5. Actively recruit and retain people with disabilities as employees.

### **Intercollegiate athletics**

The world of intercollegiate athletics is certainly not without its share of ethical issues. Examples of ethical issues within intercollegiate athletics include, but are not limited to 1) whether student-athletes are being exploited by not being

paid for their athletic endeavors, 2) the courting of amateur student-athletes by professional player-agents, 3) gender equity, 4) diversity issues, and 5) improprieties by intercollegiate coaches and administrators.

### *Paying student-athletes*

The National Collegiate Athletic Association's (NCAA) 1995–96 budget projected revenues of \$234.2 million. Of this total, \$180.9 million or 77% came from television rights fees, with \$178.3 million directly attributed to the NCAA's broadcast contract with CBS covering the men's basketball tournament ('1995–1996 General Operating Budget', 1995). Thus, 64 college basketball teams and their roughly 12–15 student-athletes per team generate nearly 77% of the NCAA's total revenue. This figure does not include revenue the NCAA collects from ticket sales, merchandise sales, or sponsorship deals connected with the men's basketball tournament. In addition, base salaries of Division I men's basketball coaches routinely approach or exceed the six-digit mark. Including additional shoe and apparel contracts, TV and radio contracts, and endorsement deals, this base salary is likely to more than double or even triple. Some of these contracts, such as shoe and apparel deals, involve the student-athlete to a greater extent than the coach, and yet the coach receives the paycheck while the athlete is required to wear the shoes and apparel.

Bylaws 15.02.5 and 15.2.4.1 of the NCAA rules prohibit a college student-athlete on an athletic scholarship from receiving anything more than the monetary equivalent of tuition, room, board, books, and fees plus Pell Grant money up to the student-athlete's full cost of attendance (1995–96 NCAA Manual, 1995). In addition, Bylaw 15.1.1, prohibits any student-athlete on a full athletic scholarship from being employed during the school year due to the limitations on the maximum amount of allowable financial aid (1995–96 NCAA Manual, 1995). In 1989, University of New Haven sociology professor Allen Sack surveyed approximately 3,500 current and former professional athletes. Of the 1,182

athletes who responded, nearly one-third admitted receiving illegal payments while they were in college (Looney, 1996).

An ad-hoc NCAA committee is studying the concepts of providing money to college student-athletes to be repaid with professional earnings, or providing trust funds for college student-athletes funded by endorsements. Legislative proposals are scheduled to be discussed and debated at the January 1997 NCAA Convention. The more controversial and difficult issue may not be determining whether student-athletes should be paid, but rather determining *which* student-athletes should get paid and how much. Should differences be put in place for male versus female student-athletes, football players versus field hockey players, starters or star players versus second or third string athletes? The actual implementation of a system may be the more difficult of the ethical concerns surrounding the paying of student-athletes.

#### *Player agents*

A growing problem within intercollegiate athletics is the courting of highly talented student-athletes by professional player agents. Player agents, depending upon the athlete's sport, receive between 3–15% of a professional athlete's salary. This income potential is extremely enticing to the professional player agent. Many player agents, therefore, disregard the NCAA rules restricting a collegiate student-athlete from signing or accepting anything from a player agent and instead use various methods to lure the student-athlete into signing with them. NCAA Bylaw 12.3.1 states that an individual shall be ineligible for participation in an intercollegiate sport if he or she ever has agreed (orally or in writing) to be represented by an agent for the purpose of marketing his or her athletics ability or reputation in a sport (1995–96 NCAA Manual, 1995). Player agents have been known to offer cash, cars, airline tickets, and other amenities to the student-athlete in exchange for the student-athlete signing with them. Player agents have also used “runners” who act on behalf of the player agent trying to persuade the

student-athlete to sign with that particular player agent. These “runners” exert pressure on the student-athlete by getting close to the student-athlete and his/her family or friends, and attempting to persuade the student-athlete to sign with the player-agent.

This problem is compounded because of lack of regulation of player agents. The NCAA lacks any authority or enforcement power over the player agents. The NCAA can punish the school and student-athlete, but possesses no enforcement power over the player agent. Individual states have become more involved in this area by passing their own legislation and/or agent registration systems. The state of Florida has already handed down fines and jail sentences to agents who contacted Florida's student-athletes without first registering with the state (Mott and Hagwell, 1992). Individual colleges and universities are also getting more involved by instituting their own agent registration systems and trying to educate student-athletes as to illicit player agent behavior.

#### *Gender equity*

Perhaps the most important phrase of the 1990s in intercollegiate athletics is “gender equity”, that is, offering equal opportunities for both men and women to participate in sport. A piece of legislation referred to as Title IX provides guidelines for gender equity. Title IX prohibits sex discrimination in any educational program or activity receiving federal financial assistance. A 1990–91 NCAA Gender Equity study found that although college campuses were comprised of approximately 50% male students and 50% female students, college athletic departments were comprised of 70% male athletes and 30% female athletes. In addition, the male student-athletes were receiving 70% of the athletic scholarship money, 75% of the operational budget, and 80% of the recruiting moneys available.

Institutions have been slow to comply with Title IX, though, given the potential financial impact of instituting a new women's sport program, increasing scholarship, operational, and recruiting funding for women, or instituting

other changes dictated by Title IX legislation involving areas such as facilities, equipment, travel and per diem, or coaches' compensation. A 1994–95 NCAA participation study found the percentage of female athletes has increased to 36.9% of all athletic participants, but this number still lacks in comparison to the 63.1% of student-athletes who are male (“Participation Numbers”, 1996).

Gender equity also involves coaches and administrators. In 1972, the year Title IX was passed, more than 90% of women's teams were coached by women. In 1994, 49.4% of women's teams were coached by women and only about 2% of the head coaches of men's teams within the NCAA were women with almost all of these sport programs involving combined gender teams (Carpenter and Acosta, 1994). In 1972, more than 90% of women's programs were directed by a female head administrator. In 1994, 20.98% of women's programs were directed by a woman, and the average number of women included in the athletic administrative structure at each school was less than one (Carpenter and Acosta, 1994).

Historically, although Title IX is the law, its enforcement policy was weak, therefore it was often simply ignored by college athletic directors. It became an ethical choice for athletic directors to attempt to comply with the law, and many athletic directors, for reasons including money or tradition or sexism, simply chose not to comply. Others, however, made the ethical choice to increase opportunities for female athletes, simply because it was the right thing to do.

### *Diversity*

The NCAA's Minority Opportunity and Interests Committee studied the minority composition of intercollegiate student-athletes, coaches, and administrators and found in 1993–94 that Black student-athletes comprised 25.3% of Division I college scholarship student-athletes, but accounted for only 4.1% of athletic directors and 4.4% of head coaches when predominantly Black institutions were excluded (Wieberg, 1994). These percentages were an increase from a

1990–91 study which found 2.2% of athletic directors and 3.3% of head coaches were Black, but still fall short of the percentage of Black student-athletes which has remained unchanged since 1990–91.

### *Improprieties*

On June 28, 1996, *The Chronicle of Higher Education* reported 23 institutions on NCAA probation. Violations included improper academic certification of student-athletes, playing ineligible student-athletes, recruiting violations, providing extra benefits to student-athletes, lack of institutional control, and unethical conduct by head and assistant coaches ('23 Institutions', 1996). A “win at all costs” attitude still dominates intercollegiate athletics, pressuring coaches and even administrators to violate NCAA rules in an attempt to sign highly talented student-athletes or win big games. The financial payoff associated with athletic success still dominates in “big time” football and basketball. Coaches and athletic administrators feel pressure from alumni, boosters, and even university administrators to win. The enforcement and investigative staff of the NCAA is small and can not keep up with the many activities of the 991 member institutions. Coaches may feel the odds of not being caught are in their favor, and administrators may look the other way in order to keep the revenue streams flowing.

### *Health and fitness*

The health and fitness industry faces a unique set of ethical issues as well. According to the International Health, Racquet and Sportsclub Association (IHRSA), some of the major issues include 1) high pressure sales, 2) lifetime contracts or contracts which are misleading, 3) abrupt club closings (IHRSA, 1995b) and 4) clubs employing less than qualified personnel (Copeland et al., 1986).

*High pressure sales*

When health clubs have a sales orientation as opposed to a service orientation, the potential arises for abuse of customers. One example of this was a 16,000 square foot club, which had nine full-time sales representatives whose monthly quota was \$100,000. This meant the sales representatives would need gross monthly sales of almost a half million dollars, or about 200–300 new members per month into a club which was physically incapable of providing services to that many members (Amend, 1992). Sales reps all too often employ high-pressure, manipulative sales methods which force potential members to sign contracts before they really understand what they have signed. Some health clubs pressure people into signing by telling them the membership offer is a one-day-only special, when that is not true (Hildreth, 1992; Kilburg and Strischek, 1985).

*Lifetime contracts or contracts which are misleading*

Statistics indicate 90% of the people who join health clubs drop out within three months after joining (Konrad, 1988). Knowing this, some health clubs will attempt to sign customers to multi-year and sometime lifetime contracts. Oftentimes, these long term contracts are never adequately explained, or contain “fine print” which is never fully explained to the potential member (Amend, 1992). For example, are there extra charges for towel use, or clauses concerning if the club moves or if a member becomes physically disabled and cannot use the club services, (Konrad, 1988) or indicating the club retains the right to change hours or discontinue certain services (Kilburg and Strischek, 1985)? Is there a “cooling off” period in the contract which allows customers a certain time period to get their money back and are cancellation rights spelled out? If any of these clauses are present are they fully explained? Members who become dissatisfied when clubs do not provide the promised services often have no recourse to leave until the contract expires, if ever. According to Johnson (1987), this major problem arises

because clubs are taking customers’ money in advance for services to be rendered later.

*Abrupt club closings*

This issue often arises in conjunction with the previous two. For example, a new club may sell 5,000 lifetime memberships at \$500 each and then just shut down. All too often in the health club industry, “fly-by-night” clubs emerge, sell large numbers of long term memberships one day and then literally close down the next (Amend, 1992). Health clubs have been notorious for switching locations, reducing hours and changing their names to confuse creditors (Mooney, 1982). When this occurs, not only does it result in bad publicity for the particular club, it jeopardizes the reputations of all health and fitness clubs.

*Employing less than qualified personnel*

This issue centers around the qualifications or certifications of staff members who work directly with club members as fitness instructors. Critics of the health and fitness industry contend the rapid growth of the industry has outstripped the number of available properly trained staff, with far less than half of all instructors having a exercise physiology degree or having passed the American College of Sports Medicine instructor’s test (Copeland et al, 1988), or having been certified by the Aerobics and Fitness Association of America (Nash, 1985). Certification tells consumers that instructors meet certain standards for their level of knowledge and assures health club managers the instructors are knowledgeable of injury prevention, anatomy and physiology (Nash, 1985). Instructors with more certifications, however, would require higher salaries, and so clubs continue to hire individuals without proper certification.

In response to the above abuses, IHRSA (1995b) has responded with a Position Paper on the Ethical Operation of Health, Racquet and Fitness Clubs. IHRSA makes the following four points:

1. IHRSA and its member clubs recognize that not all health clubs operate in an ethical manner, often using unethical tactics.
2. Quality clubs differ from unethical operators by their commitment to servicing their member needs. All IHRSA members subscribe to the IHRSA Code of Conduct and sign a Membership Pledge to operate their clubs in the best interest of the consumer and the industry.
3. IHRSA clubs are service, rather than sales, driven.
4. Consumers are best protected from unethical operators when they are well educated and discriminating purchasers of health club services. To increase consumer knowledge IHRSA publishes and makes available to its member clubs and consumers a publication on "How to Choose a Quality Club" (IHRSA, 1995b).

### Recreational sport

The recreation industry has matured in the past two decades from a loose collection of fledgling organizations to professional associations which continue to define and refine standards in programming and professionalism. In the early years, the fragmented nature of the industry inhibited the ability of recreation leaders to deal effectively with ethical issues in the profession. Concerned practitioners had to examine materials available in related fields such as education, social work, and counseling, and apply them to recreation. The small number of participants and the informal nature of many existing governing bodies and businesses created an atmosphere where some ethical considerations were put aside for future discussion. As a result, codes of ethics are still not available in some segments of the recreation industry.

Today an explosion of interest in recreation has created numerous situations which demand that managers, leaders, and instructors examine ethical decision making in these activities. No longer is the local Boy Scout troop the only group in the nearby park. Visits to national and

state parks and forests are at a record high, and the resulting overuse or improper use of private and public lands has prompted a closing of public access at many popular recreation sites. Sport managers in recreational sport face some of the following ethical issues 1) responsibly incorporating risk, 2) cost of programming, 3) teaching life values, 4) environmental ethics, and 5) professionalization.

#### *Responsibly incorporating risk*

An element of risk has been a potent force in many recreation programs, because this type of challenge can promote life-changing experiences. Yet some leaders, whether skilled or unskilled, have used risk cavalierly with detrimental effects, and in the worst cases, death. The use of adventure in recreation has raised serious issues of client trust and informed consent to participate in programming. Adventurous challenge must be more than a marketing tool to management.

#### *Cost of programming*

Managers must also recognize that the increasing cost of recreation has shut out lower income participants and limited diversity among customers in many activities. Organizations need to actively and creatively consider avenues to fulfill their social responsibility to provide local communities with low-cost or no-cost recreational opportunities.

#### *Teaching life values*

One of the ironies facing recreational sport leaders is that recreational activity has historically been used a vehicle for transforming individual behavior – for "re-creating" a person. Today the programming continues to be an excellent medium for values education, and in fact, it has a stronger role in a society seeking alternatives to the more traditional methods of teaching values through the family and schools.

Whether Outward Bound is leading a group

of adjudicated youth on a wilderness experience or a teen center is using a rock climbing wall as a basis for trust-building activities, the objective of many recreation programs is encouraging virtuous behavior. That fundamental concept can create a dilemma and a challenge for the recreation manager and leader who must model appropriate ethical behavior in order to instill those values in participants.

### *Environmental ethics*

The very act of introducing people to the outdoors has an impact – often adverse – on the landscape, and practitioners need to instill an ethic of environmental awareness and concern in their participants. This awareness goes beyond the early mission of educating people about the most current “minimal impact” outdoor travel practices.

If an agency conducts its programming routinely in high traffic areas, often the most aesthetic places, it is encouraging continued high use of the area. Customers often return to locations with which they are familiar, which creates an ever-widening circle of visitors and impact. An active commitment to searching out less traveled locations is important.

Consider the organization that abides by group size restrictions in parks where rangers assess fines for violations, but in an unpatrolled park, exceeds the limitation in order to enhance the group-building experience. What about an instructor training program that camps illegally in an alpine environment for the educational value of exposure to harsh weather conditions? Clearly there are flaws in the program design these leaders need to correct.

Agencies using public resources for recreation should also consider ways in which they can compensate the community for that use – through environmental clean-up days, free public programs for community groups, and public service to local or regional committees which manage the resource. A common concern is that these approaches cost the agencies profit, and some managers console themselves with the public relations value of these undertakings,

without truly considering their moral obligation for responsible stewardship.

### *Professionalization*

The recreation field has made enormous strides in the formal training of leaders and instructors, because a high level of performance is often demanded in riskier activities, given the litigious climate in which we live. Unfortunately, this commitment still is not universal, and some organizations do not require the level of training required for quality programs, often to save money.

Personnel practices in recreation organizations are suspect where instructors with low or no training and certifications are hired because they can be paid a lower wage. When recreation organizations routinely ask instructors to handle larger groups to avoid paying another instructor, they place an unfair burden on low-paid employees, and may potentially place clients at risk.

Managers also need to be more aggressive in clarifying their position on personal relationships between clients and leaders. While the position with an adult and a minor is clearly defined legally, some will argue that two consenting adults are a different matter. Managers need to address the issue of fairness to other participants when a leader and a client enter into a personal relationship.

Recreation jobs are often part-time, unbenefitted positions that pay low wages – a reality which creates a spirit of entrepreneurship that encourages self-employment. Yet it is common for part-time instructors working for one employer to meet potential clients for their own businesses or for another employer. At issue are the acceptable circumstances for instructors to make these customers their own, and it is a very murky area. An instructor should not take away clients from an agency when that agency provided the means of contact, unless the instructor is providing a service unavailable from that agency.

Today’s recreation managers have a responsibility to address ethical considerations with

employees and create an atmosphere for ongoing discussion of these issues. Too often an organization's training program focuses on the legal consequences of an employee's actions rather than the ethical implications of their actions. Some employers say ethical choices result in potential lost revenues. But good ethics is good business, because the quality of the program is destined to be high, appropriate for participants, right for the land, and beneficial to society.

### **Facility management**

Facility managers, especially those in public assembly facilities, face extreme pressure to bring in as much income as possible, giving rise to a number of ethical issues, according to Adams (1996). These issues include 1) dealing with promoters, 2) local politics, 3) ticket sales, 4) employment issues and 5) facility accessibility.

#### *Dealing with promoters*

In order to be financially solvent, facilities must strive to book popular events and attractions which will draw crowds. Oftentimes, facility managers face ethical dilemmas when dealing with unscrupulous promoters for certain events wishing to come to their facilities, even though the facility manager may know the particular promoter in question may have a history of making unethical demands. For example, "double settlements" have put many facility managers' jobs on the line by allowing promoters to effectively steal the proceeds of a concert from an act. Normally the promoter, knowing the facility needs to attract more acts, approaches the facility manager with an act and specifies that the show settlement following the box office closing should contain full rent and expenses. When attempting a "double settlement", after the promoter uses this document to agree to the amount paid to the act, he or she returns to the facility manager and has the settlement revised, dropping or reducing many of the rental, labor and equipment charges. The promoter then pockets the difference between what was paid to

the act, less his or her commission, and the "final" settlement which reflects greatly reduced expenses. Promoters resort to this tactic for several reasons. First, acts are increasingly demanding higher fees, greater percentages after breakeven, and lower ticket prices, all of which cut into the promoter's potential profits. Second, the increased competition between managers, reflecting the construction of new facilities in conjunction with the decrease in the number of strong touring acts makes the promoter's job more difficult. It is illegal to be involved in "double settlements" which can cost facility managers not only their jobs but also their reputations. Many facility managers caught between their supervisors' demands to increase bookings and the ever increasing demand for a greater return on investment by the promoter, have compromised themselves by succumbing to this type of intimidation.

Many managers try to combat this by offering inducements such as rental incentives and other price breaks in order to satisfy all parties. Additionally, the manager's ability to say "No" to this type of deal may be the only way out as long as his or her supervisor is aware of the situation and as long as all other legal avenues have been exhausted. The facility manager may want the event because it will be financially successful, but how much can the manager put up with from unscrupulous promoters, especially promoters who threaten never to come back to their facility with another potentially successful event?

#### *Local politics*

Facility managers also have to deal with local politics. Powerful community people may attempt to influence a facility manager to book a certain event because it is to that local person's, or one of his or her associate's, advantage to do so. The facility manager may be put in the situation where if the local person is not "taken care of", the facility manager's future may in some way be jeopardized. There should be a written understanding of what can be asked of a facility manager in order to operate under these conditions. Not having to deal with local politics is a

major reason privatization of facilities has helped some facilities manage themselves more efficiently and effectively.

#### *Ticket sales*

A whole different set of issues surrounds sale of tickets for events. Who should get tickets for which events? How many tickets should they receive? What should be the location of the tickets in the arena? As teams, especially college teams, have become more popular, many schools have instituted policies whereby the amount one donates to the school dictates ticket assignment. For example, people donating in excess of \$10,000 to an athletic program may be assigned seats between the 45 yard lines in football, while those donating only \$500 will be assigned seats in the endzone, and those who cannot afford to donate will not even be considered. As happens with professional sport, the average fan again gets replaced by the fan with the higher income. Is this fair? What does it say about the values of the sport organization when long time fans no longer have access because they do not have the extra money? The issues surrounding ticket sales are intertwined with the issues surrounding local politics. Pressure is often put on facility managers to reserve certain select seats for local people with influence.

#### *Employment issues*

Facility managers share the same employment concerns as sport managers in professional and intercollegiate sport when it comes to diversification of the workforce and inclusion of women, minorities and people with disabilities.

#### *Accessibility*

Beyond employment considerations, a major issue is accessibility to facilities for people with disabilities. Under the regulations of the Americans With Disabilities Act (ADA), certain modifications are required when new facilities are built or when existing facilities are renovated.

Facility managers must by law meet these minimum specifications. However, the ethical issue becomes whether or not facility managers choose to simply meet the letter of the law, or if they choose to be proactive and live by the spirit of the law, going beyond the basic requirements where possible. In many cases the facility manager does not have the final say but rather is bound to act only as the building owner, municipality or private ownership company chooses to invest funds to comply with ADA improvements. In some cases, improvements to upgrade older buildings can cost more than the original building construction costs. In other cases, buildings built with ADA in mind just a short time ago are already being targeted for improvements at substantial costs.

### **Sport managers and ethical decision making**

As has been pointed out, sport managers in each segment of the sport industry encounter unique ethical issues. Although the purpose of this article is not to develop an ethical decision making model for sport managers, where should they look for guidance in helping them structure their ethical decision making process?

The majority of literature concerning ethics and sport has focused on ethical issues confronting sport participants, as opposed to sport managers. Only a handful of authors have specifically addressed ethical issues confronting sport managers (Branvold, 1996; Crosset and Hums, in press; DeSensi and Rosenberg, 1996; Ziegler, 1992), and none have specifically designed models for ethical decision making within the sport context, but rather have relied on more general business-oriented, rather than sport-oriented, ethical decision making models. Because of the complexity of the sport industry, and the unique ethical issues faced by sport managers in the different segments, it is difficult to pose one particular model as best across the sport industry.

Some of the models cited by the authors listed above as possible frameworks for making sound decisions include Trevino's (1986) managerial

decision making model of corporate social responsibility and Cavanaugh's (1984) flowchart for ethical decision making. An adaptation of Zinn's (1994) ethical decision making model has also been suggested, which could be applied across the different industry segments:

1. Identify the correct problem to be solved.
2. Gather all the pertinent information.
3. Explore codes of conduct relevant to one's profession or to this particular dilemma.
4. Examine one's own personal values and beliefs.
5. Consult with peers or other individuals in the industry who may have experience in similar situations.
6. List decision options.
7. Look for a "win-win" situation if at all possible.
8. Ask the question "How would my family feel if my decision and how I arrived at my decision were printed in the newspaper tomorrow?"
9. Sleep on it. Do not rush to a decision.
10. Make the best decision possible, knowing it may not be perfect.
11. Evaluate the decision over time.

The development of an ethical decision making model for sport managers is obviously an area ripe for additional research and thought.

## Conclusion

As illustrated above, the sport industry is a broadly defined industry encompassing a number of diverse segments. Managers in each of these segments, professional sport, intercollegiate sport, the health and fitness industry, recreational sport and facility management, are challenged daily by the changes occurring in the industry as it grows and matures. Along with growth comes an increasing number of complicated ethical questions, many of which are unique to given segments of the industry. Sport managers need to stay current with the ethical issues they may confront, so they will be proactive in their approaches rather than reactive.

## Acknowledgements

The authors would like to thank Dale Adams, Executive Director of the Mullins Center at the University of Massachusetts-Amherst, for his contributions to the article.

## References

- '1995-96 General Operating Budget': 1995, *The NCAA News*, August 16, 10.
- 1995-96 NCAA Manual: 1995 (National Collegiate Athletic Association, Overland Park, KS)
- '23 Institutions on NCAA Probation': 1996, *The Chronicle of Higher Education*, June 28, A26.
- Adams, D.: 1996, *Personal Communication*, June 27, 1996.
- Akaah, I. P.: 1996, 'The Influence of Organizational Rank and Role on Marketing Professionals' Ethical Judgments', *Journal of Business Ethics* **15**, 605-613.
- Amend, P.: 1992, 'An Ethical Dilemma', *Club Business International* (January), 20-21, 34, 37.
- Arbuthnot, J. J.: 1997, 'Identifying Ethical Problems Confronting Small Retail Buyers During the Merchandise Buying Process', *Journal of Business Ethics* **16**, 745-755.
- 'Ask Oliver Luck': 1997, <http://www.worldleague.com/general/news/luckans.html>.
- Atre, T. et al.: 1996, 'Sports: The High Stakes Game of Team Ownership', *Financial World* (May 20), 53-70.
- Baade, R. A. and R. F. Dye: 1988, 'Sports Stadium and Area Development: A Critical Review', *Economic Development Quarterly* **2**, 265-275.
- Branvold, S.: 1996, 'Ethics', In A. Lumpkin, S. K. Stoll and J. M. Beller (eds.), *1994, Sport Ethics: Applications for Fair Play* (Mosby, St. Louis), pp. 149-163.
- Brecke, T.: 1997, 'USOC Grows Up, Ready for the Future', *Team Licensing Business* **9**, 41, 45.
- Carpenter, L. J. and R. V. Acosta: 1994, *Women in Intercollegiate Sport: A Longitudinal Study - Seventeen Year Update 1977-1994* (Department of Physical Education, Brooklyn College, Brooklyn, NY).
- Cavanaugh, G.: 1984, *American Values*, 2d ed. (Prentice Hall, Englewood Cliffs, NJ).
- CIAU.: 1997, Canadian Interuniversity Home Page, <http://www.ciau.ca>.
- Copeland, J. B. et al.: 1986, 'Are Health Clubs Risky?', *Newsweek* (February 17), 62.

- Crosset, T. and M. A. Hums: In press, 'Ethics Applied to Sport', in L. P. Masteralexis, C. A. Barr and M. A. Hums (eds.), *Perspectives on Sport Management* (Aspen Publishing, Gaithersburg, MD).
- DeSensi, J. and D. Rosenberg: 1996, *Ethics in Sport Management* (Fitness Information Technology, Morgantown, WV).
- Dunfee, T. W. and B. Black: 1996, 'Ethical Issues Confronting Travel Agents', *Journal of Business Ethics* **15**, 207–217.
- Euchner, C. C.: 1993, *Playing the Field: Why Sports Teams Move and Cities Fight to Keep Them* (Johns Hopkins University Press, Baltimore, MD).
- Eynon, G., N. T. Hill, and K. T. Stevens: 1997, 'Factors That Influence the Moral Reasoning Abilities of Accountants: Implications for Universities and the Profession', *Journal of Business Ethics* **16**, 1297–1309.
- Gunthorpe, D. L.: 1997, 'Business Ethics: A Quantitative Analysis of the Impact of Unethical Behavior by Publicly Traded Corporations', *Journal of Business Ethics* **16**, 537–543.
- Hildreth, S.: 1992, 'The Winning Way', *Club Business International* (January), 17–19, 38.
- Hotel, C. and J. Brockman: 1997, 'Legal Ethics in the Practice of Family Law: Playing Chess While Mountain Climbing', *Journal of Business Ethics* **16**, 809–815.
- Howard, D. and J. Crompton: 1995, *Financing Sport* (FIT Publishing, Morgantown, WV).
- Hums M. A.: 1995, 'Increasing Employment Opportunities for People With Disabilities Through Sport and Adapted Physical Activity', in H. Van Coppenolle, Y. Vanlandewijck and P. Van de Vliet (eds.), *Second European Conference on Adapted Physical Activity and Sports: Health, Well-Being and Employment* (Acco Leuven, Amersfoort).
- Hums, M. A.: 1994, 'AIDS in the Sports Arena: After Magic Johnson, Where Do We Go From Here?', *Journal of Legal Aspects of Sport* **4**, 59–65.
- IHRSA: 1995a, *The 1995 IHRSA Report on the State of the Health Club Industry* (International Health, Racquet and Sportsclub Association, Boston, MA).
- IHRSA: 1995b, *Position Paper: Ethical Operation of Health, Racquet and Fitness Clubs* (International Health, Racquet and Sportsclub Association, Boston, MA).
- Johnson, J.: 1987, 'More State Regulation?', *Athletic Business* (April), 20–24.
- Kahn, R.: 1977, Quoted in CBS Reports "The Baseball Business", television documentary narrated by Bill Moyer.
- Kilburg, P. and D. Striscek: 1985, 'Lending to Health Clubs', *The Journal of Commercial Bank Lending* (August), 8–20.
- Klatell, D. A. and N. Marcus: 1996, *Inside Big Time Sports: Television, Money and the Fans* (MasterMedia Limited, New York).
- Konrad, W.: 1988, 'Health Clubs: Exercise Caution', *Business Week* (June 6), 142–143.
- Lapchick, R.: 1995, *1995 Racial Report Card* (Northeastern University Center for the Study of Sport in Society, Boston, MA).
- Looney, D. S.: 1996, 'How We Should Pay College Athletes', *The Sporting News* (July 1), 38–42.
- Lumpkin, A., S. K. Stoll and J. M. Beller: 1994, *Sport Ethics: Applications for Fair Play* (Mosby, St. Louis).
- Masteralexis, L. P., C. A. Barr and M. A. Hums: In press, *Principles and Practice of Sport Management* (Aspen Publishing, Gaithersburg, MD).
- Mooney, C.: 1982, 'Keeping Track of Health Clubs is a Workout for Consumers', *Miami Herald* (September 20), 12.
- Mott, R. and S. Hagwell: 1995, 'Agents and the NCAA Student-athlete – A Five Part Series: History of the Agent Problems', *The NCAA News* (September 18), 1, 14.
- Mullin, B.: 1980, 'Sport Management: The Nature and Utility of the Concept', *Arena Review* **4**, 1–11.
- Nash, H. L.: 1985, 'Instructor Certification: Making Fitness Programs Safer?', *The Physician and Sportsmedicine* (October), 142–155.
- Ozarian, M. K. et al.: 1995, 'Suite Deals: Why New Stadiums are Shaking Up the Pecking Order of Sports Franchises', *Financial World* (May 9), 42–56.
- Parkhouse, B. L.: 1996, *The Management of Sport: Its Foundations and Applications*, 2d Ed. (Mosby, St. Louis, MO).
- Parks, J. B. and B. R. K. Zanger: 1990, *Sport and Fitness Management: Career Strategies and Professional Content* (Human Kinetics, Champaign, IL).
- 'Participation Numbers Hit All-time High, Break 1985–86 Record': 1996, *The NCAA News* (February 19), 1, 7.
- Payne, D. and F. Dimanche: 1996, 'Towards a Code of Conduct for the Tourism Industry: An Ethics Model', *Journal of Business Ethics* **15**, 997–1007.
- Quinn, J. J.: 1997, 'Personal Ethics and Business Ethics: The Ethical Attitudes of Owners/Managers of Small Business', *Journal of Business Ethics* **16**, 119–127.
- Team Marketing Report: 1995, *Fan Cost Index* (Team Marketing Report, Chicago, IL).
- 'TLB 1996 Annual Industry Report': 1996, *Team Licensing Business* **8**, 20–27.

- 'TLB 1997 Annual Industry Report': 1997, *Team Licensing Business* **9**, 22–26.
- Trevino, L. K.: 1986, 'Ethical Decision Making in Organizations: A Personal-situation Interactionist Model', *Academy of Management Review* **11**, 601–617.
- 'TV Sports: The 3.5 Billion Ticket': 1996, *Broadcasting and Cable* (May 13), 34–39.
- Volkwein, K. et al.: 1996, *HIV/AIDS in Sport – An Ethical Dilemma*. Presented at the Annual Convention of the American Alliance for Health, Physical Education and Dance, Atlanta, GA, April.
- 'Who's Paying?': 1995, *Panstadia International* (May), 54, 56.
- Wieberg, S.: 1994, 'Study Faults Colleges on Minority Hiring', *U.S.A. Today* (August 18), 1C.
- Zeigler, E.: 1992, *Professional Ethics for Sport Managers* (Stipes, Champaign, IL).
- Zinn, L. M.: 1993, 'Do the Right Thing: Ethical Decision Making in Professional and Business Practice', *Adult Learning* **5**, 7–8, 27.

110 HPES/Studio Arts Building Depts. of HPES,  
University of Louisville,  
Louisville, KY 40292,  
U.S.A.

E-mail: mahums01@ulkyvm.louisville.edu.