

The Effect of Sports Team Turnover on Shareholder Wealth

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This paper investigates the relationship between stock price performance and sports team turnover in the context of the literature on the causes, consequences, and market effects of management turnover for standard corporations. We argue that this literature is particularly relevant for sports clubs where human capital is the most significant determinant of performance. We formulate a set of research hypotheses concerning the behavior of stock price returns and volatility prior and subsequent to changes in sports team composition. These hypotheses are investigated using data on the 16 listed UK football teams. Even after we control for a variety of events that have been shown to affect football stock prices, our results are consistent with the literature since we find that football team composition in terms of managers and key players has a significant connection to shareholder wealth. Our results are shown to have important implications for a number of stakeholders in football clubs.