

Preparing Future Sport Administrators: A Course in Risk Management

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Risk has been defined as the “uncertainty or chance of loss...” (van der Smissen, 1990) and risk management is the planned and thoughtful practice of eliminating or minimizing risk (Miller, 1989). It is important that the sport administrator understand and be able to institute a program in risk management for two reasons (van der Smissen, 1990). First, it helps to control the potential of financial loss by the corporate entity and, second, a successful risk management program will reduce the injuries and suffering of the program participants.

Many programs preparing sport management majors include either elective or required courses dealing with the legal liability of the sport administrator. These courses can be very valuable to the future administrator. Another course which can be just as valuable, or perhaps even more so, is a course in risk management. Knowledge gained from this type of course cannot only reduce the number of injuries (and the number of lawsuits), but can also help the corporate entity be more prepared for the lawsuits that do inevitably occur.

A course in risk management is being taught in a few sport management programs. The purpose of this article is to identify suggested areas to be included in a course related to risk management, as it is taught at Georgia Southern University.

■ THE COURSE

“Risk Management in Sport” is a five quarter-hour credit course based on fundamental legal concepts. “Legal Problems in Sport Management,” a sport law course emphasizing negligence, is a prerequisite for the course. *Legal Liability and Risk Management for Public and Private Entities*, by Betty van der Smissen, is the required textbook. This course is designed for undergraduate sport management majors; however, a similar course could be designed for the graduate level.

The course involves lecture, guest speakers, students working together in class, and several projects. It is an application-based course which gives the student the

opportunity to work on and develop several projects. At the heart of the course is the development of a risk management plan. The risk management plan is a procedure by which someone systematically analyzes all services and activities offered by the organization in an effort to identify all financial risks and all personal injury risks. The plan then seeks to find ways to control these risks or to transfer them from the corporate entity. All projects are designed to help the student learn to develop a plan for a real sport-related business.

■ COURSE OUTLINE

Following is an abbreviated course outline for the class. The numbers refer to the appropriate chapter headings in van der Smissen's book (* indicates that all subheadings should be included).

- I. FOUNDATIONS & LEGAL CONCEPTS 23.0
 - A. The What & Why of Risk Management (RM)
 - B. Legal Basis for RM
 1. Negligence
 - a. Duty 2.1*
 - b. Standard of Care 2.2*
 - c. Proximate Cause 2.3*
 - d. Damages 2.4*
 2. Respondeat Superior 3.*
 3. Immunity 4.*
 4. Defenses 5.*
 - C. Risk Management Plan 23.*

(More details are given in the directions for the risk management plan)

 1. Philosophy & Policy Statements 23.1
 2. Risk Analysis & Control Approach 23.2
 3. Implementing Processes 23.3
- II. RISK REDUCTION THROUGH OPERATIONAL CONTROL 24.*
 - A. Competence of Personnel 24.1

(Guest from Personnel: Discussing things the sport manager needs to know regarding the hiring and firing of personnel).
 - B. Conduct of Activities/Management of Services 24.2

(Guest from Campus Intramurals: Discussing operational procedures taken for controlling liability).

 1. Skill Techniques & Progression 24.21
 2. Rules & Regulations 24.22
 3. Transportation 22.*, 24.23
 4. Appreciation of Risks 24.24
 5. Objectives/Advertising-Standard of Care 24.25
 - C. The Participants 24.3
 1. Characteristics & Conditions 24.31
 2. Supervision 18.1-18.4, 24.32

(Prepare a Supervisory Plan for a situation).
 3. Emergency Procedures 17.21*, 17.22*, 24.33

4. Human Rights & Compliance 1.3*
(Guest on Compliance: Explaining the compliance procedures of which the sport manager must be aware).
- D. Maintenance 24.4
 1. Inspections 20.2, 24.41
(Prepare a Hazard Inspection Checklist).
 2. Human Behavior Management 24.42
- E. Environmental Milieu 24.5
 1. Natural Environment 24.51
 2. Design & Development of Areas 24.52
 3. Human Behavior Interactions 24.53
- F. Warnings 20.332*, 21,113, 24.6
(Prepare an Agreement to Participate).
(Prepare a Warning Sign for a Sport Business).
- G. Standards 24.7
- H. Information/Documentation System 24.8
 1. Participation Forms 24.81
 - a. Parental Permission 16.2*, 24.811
 - b. Agreement to Participate 16.22, 24.812
 - c. Application & Tickets 16.13*, 24.813
 - d. Exculpatory & Indemnification Clauses 16.1, 16.3, 24.814
(Prepare a Waiver).
 2. Health & Accident Records 24.82
 - a. Health Information Records 24.821
 - b. Emergency Medical Treatment Authorization 24.822
 - c. Accident Records 24.823
(Prepare an Accident Report Form).
(Prepare and Agreement to be Treated Form).
 3. Operations Information 24.83
 4. Program Documents 24.84
- I. Public Relations 24.9
- III. MANAGEMENT OF FINANCIAL RISKS THROUGH RETENTION & TRANSFER 25*
 - A. Retention of Financial Risks within the Organization 25.1
 1. Self-Insurance 25.11
 2. Current Expensing 25.12
 3. Deductibles 25.13
 - B. Transfer of Financial Risk (Non-Insurance) by Contract 25.2
 1. Indemnity Agreements & Exculpatory Clauses 25.21
 2. Insurance Coverage Requirement 25.22
 - C. Insurance 25.3
(Insurance Agent Guest: Presenting types of insurance available).
 1. Property Insurance 25.31
 2. General Liability & Accident Insurance 25.32
 - a. General Public Liability Insurance 25.321
 - b. Participant Accident & Liability Insurance 25.322

3. Liability Coverage Protecting Employees 25.33
 - a. Directors & Officers Liability 25.331
 - b. Malpractice Insurance 25.332
 - c. Professional Liability Insurance 25.333
4. Workers Compensation 25.34

(Assistant A.D. Guest: Discussing insurance needs in a university athletic department).

(Prepare an Insurance Plan for a Sport Business).

(Insurance Agent Guest: Applying insurance to a sport business situation).

IV. APPLICATIONS USING RISK MANAGEMENT PRINCIPLES

- A. View slides of hazards in various facilities
- B. Facility Hazard Identification - Tour Hanner Complex and Conduct a Mini-Risk Analysis
- C. Visit one or more Sport Business Facilities
- D. Simulated Sales Situation with an Insurance Agent
- E. Other...

The first section of the course, Foundations and Legal Concepts, covers from 7 to 10 class periods. In this unit, an understanding of the concept of risk management is developed and related to the basic principles of negligence. These principles are reviewed briefly, but no significant amount of time is required here because each student has had a prerequisite course in sport law. The final task of this introductory section is to introduce the concept of the risk management plan. Sample plans from previous classes are shown.

Section II comprises the heart of the course and the heart of the risk management plan. Procedures designed to reduce the amount of risk to which the corporate entity is exposed are studied in detail. About five weeks of class time are utilized on these operational control procedures.

In section III the student learns to manage financial risks. Management of the risks include retention, transfer by contract, and insurance. One to two weeks are spent on the types of insurance needed to cover each of the risk categories.

The final section of the course includes activities that may be conducted by the class as a whole following the completion of the risk management plan. These activities vary from quarter to quarter, but generally allow the class to apply some of the principles learned.

■ CLASS ASSIGNMENTS

At the beginning of the quarter, each student selects a sport-related enterprise with which to conduct the risk management plan. The enterprise can be a private business such as a sporting goods store, a fitness center, or a golf course. It can also be an enterprise such as a team — a college varsity volleyball team, a high school football team, or a minor league baseball team. The enterprise must be approved by the instructor. Once the enterprise is selected, the student is then ready to prepare each assignment.

There are nine minor projects, most of which are included in the risk management plan. The nine projects are: 1) a supervisory plan, 2) an emergency plan, 3) a facility hazard inspection checklist, 4) an agreement to participate form, 5) an agreement to be treated form, 6) an exculpatory statement or waiver, 7) an accident report form, 8) a comprehensive insurance plan, and 9) a mini risk analysis. Each is shown in the course outline earlier in this article and will be included in the risk management plan at the appropriate place.

Class lectures include directions regarding how to complete each of the preceding projects. The project is then assigned and each student brings the completed project to class. The class is then divided into groups of three or four students who critique the projects of those in the group. Each student then revises his or her project using the knowledge gained from the group and turns the final project in for a grade. The minor projects are then included in the risk management plan at the appropriate location.

The entire course content is designed to teach the student what should be included in the risk management plan. The following are the directions given to the students:

■ RISK MANAGEMENT PLAN

Table of Contents (Pages should be numbered)

Situation Overview

(A general description of the Sport Business, including a description of services provided, facilities, personnel, financial resources, clientele, and a schematic of the corporate structure).

A. Philosophy and Policy Statements

(Policy Statements should be general policies governing the operation of the business - see 23.1. The policies should be general in nature. Details will be covered in later sections of the Risk Management Plan).

B. Risk Analysis and Control Approaches

(Include a major heading for this section followed by an introduction to and explanation of the chart. The chart covers sections B-1, B-2, and B-3).

1. Identification of Risks

- a. Property Exposure
- b. Public Liability (Excluding Negligence)
- c. Public Liability (Including Negligence)
- d. Business Operations

2. Estimation of the Extent of the Risks

3. Alternative Control Approaches

- a. Elimination
- b. Retention
- c. Transfer
- d. Reduction Techniques

4. Reduction of Risks

- a. Competence of Personal

1) Communications

(teaching techniques, in-service training, handbook, & orientation)

- 2) Judgement in Decision Making
(hiring practices, assessing judgement)
- 3) Credentials
(experience, education, certification, verification, & employee evaluation)
- b. Conduct of Activities/Management of Services
 - 1) Skill Techniques & Progression
(teaching techniques, syllabi, continuing education)
 - 2) Rules & Regulations
(procedures for establishing, communicating, and enforcing rules)
 - 3) Transportation
(develop policies from 8 areas in 24.23)
 - 4) Appreciation of Risks
(develop policies for ensuring knowledge, understanding, & appreciation of risks)
 - 5) Standard of Care in Advertising & Objectives
- c. The Participants
 - 1) Knowledge of Characteristics & Condition
 - 2) Supervision
(develop a supervisory plan)
 - 3) Emergency Procedures
 - a) Policies for natural disasters
 - b) Policies for physical injury
(Emergency procedures should be developed based on the five facets given in 24.33)
 - 4) Human Rights Compliance
 - a) Prohibition of discrimination on the basis of Sex, Age, Religion, & Race (1.31)
 - b) Right to participate — handicap & eligibility (1.32)
 - c) Civil Liberties — athlete's behavior, use of public facilities (1.33)
 - d) Confidentiality of records (1.35)
- d. Maintenance of Facility, Area, & Equipment
 - 1) Inspections 24.41
 - 2) Human Behavior Management
- e. Environment Millieu
 - 1) Natural Environment
 - 2) Design of Area & Facility
(faculty design; control practices)
 - 3) Human Behavior Interactions
- f. Warnings
 - 1) Warnings to activity participant
 - 2) Treatment warning to subject
 - 3) Warning to spectator
 - 4) Warning to premises user
 - 5) Warning to natural area user
 - 6) Warning of risks regarding a third party

- g. Standards
 - h. Information Documentation System
 - 1) Participation Forms
 - a) Parental Permission
 - b) Agreement to Participate
 - c) Membership and Entry Forms
 - d) Exculpatory and Indemnification Clauses
 - 2) Health & Accident Records
 - a) Health Information Records
 - b) Emergency Medical Treatment Authorization
 - c) Accident Report
 - 3) Operations Information
(Maintenance & Equipment service records, In-service Training, Emergency Procedures)
 - 4) Program Documents
(Rules, Safety Instructions, Lesson Plans)
 - 5) Management of Financial Risks — Retention & Transfer
 - a) Retention of Financial Risks
 - 1) Funded Reserve
 - 2) Current Expensing
 - 3) Deductibles
 - b) Transfer by Contract (Not Insurance)
 - 1) Indemnity & Exculpatory Clauses
 - 2) Requirement of Insurance
 - c) Insurance
 - 1) Property Insurance
 - 2) General Liability
 - a) General Public Liability
 - b) Participant Accident & Liability
 - c) Liability Protecting Employees
(Directors, Malpractice, Professional Liability)
 - 3) Worker's Compensation
 - 4) Business Operations
(Vehicle, Dishonesty, Loss of Income)
- C. Implementing the Program
1. Operationalizing the Plan (Manual) 23.32
 2. Monitoring Risk Control 23.33

The plan is the major assignment of the course and the final copy is due during the last week of the quarter. The plan is divided into three sections and a preliminary copy of each section must be turned in at certain points during the quarter. Suggestions are made on those sections, and the student then incorporates those suggestions into the final copy. Since the risk management plan and all projects must be typed at least two times, students are required to use a word processor.

■ CONCLUSION

Sport managers deals with risk daily. If they are adept at recognizing risks and know how to control or transfer risks, they can significantly reduce the exposure of the organization and can reduce the likelihood of unnecessary injury by program participants. It is the belief of this writer that risk identification, risk reduction, and risk transfer are not innate abilities with which sport managers are born. A course of this type can better prepare sport management majors to cope with these problems which they will face as they become sport administrators.

References

- Miller, A.W. (1989). Risk management. In G. Nygaard & T.H. Boone, *Law for physical educators and coaches* (2nd ed.) (pp. 419-437). Columbus, OH: Publishing Horizons, Inc.
- van der Smissen, B. (1990). *Legal liability and risk management for public and private entities*. Cincinnati: Anderson Publishing Co.