Organizational Succession in F1: An Analysis of Bernie Ecclestone’s Roles as CEO of Formula One Management

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Organizational Succession in F1: An Analysis of Bernie Ecclestone’s Roles as CEO of Formula One Management

Abstract
Wasserman (2003) suggests that Founder-CEO succession in organizations involves a transition from a leader to a “professional management” team. This unique and timely qualitative study on Formula One’s 82 year old CEO identifies the roles he undertakes. This archival analysis of online publications, ranging from the 1997 sale of the commercial rights to the start of the 2011 season, is an in-depth examination of his predominant role of negotiator within the organization and the context in which this role is fulfilled. The purpose of this paper is to examine whether the current incumbent Bernie Ecclestone would be more effectively succeeded by a professional management team.

Keywords
Formula One, Organizational Succession, Global Sports, Motorports, Organizational Structure

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Organizational Succession in F1: An analysis of Bernie Ecclestone’s roles as CEO of Formula One Group

Introduction

According to its official website, Formula One (F1) is a sport with a complex management structure. The organization consists of a large, intertwined network of many stakeholders. These stakeholders range from the world governing body of motorsport (the Fédération Internationale d’Automobile – FIA) and their national representatives, the teams (Formula One Teams Association – FOTA) and drivers (Grands Prix Drivers Association – GPDA), sponsors, merchandisers, suppliers, the media, and fans. Each stakeholder is relatively independent and has unique goals in their organizational mandate. For example, Ferrari’s mission in participating in F1 is to increase the visibility and sales of its road cars, whereas Red Bull Racing’s participation is mandated by F1’s inclusion in the Red Bull’s overall marketing portfolio of extreme sports. While F1 has many stakeholders, its governance comprises 3 main protagonists: the FIA, Formula One Management (FOM), and the competing teams, largely represented by FOTA. According to a review conducted after the 2010 season (Formula Money, 2011), the sport had a global television audience of 527 million during the season. Additionally, Deloitte (2008), calculate F1 generates close to $4bn in global revenues, primarily accrued from the sale of broadcasting rights, sponsorships, and ticketing. For several years, CVC Capital Partners a leading private equity and investment company have owned F1’s commercial rights. Recently, there was speculation that the company would be floated on the Singapore stock exchange, though ultimately this did not happen for a number of reasons (Blitz, 2012). While a change in ownership and subsequent management structure might occur as some point, this would not necessarily have a material impact on the contractually-guaranteed revenues of over $7bn over the next 15 years (Pitpass, 2012).

At the helm of this global multi-billion dollar organization for the past several years is the man who is the focus of this study, Bernie Ecclestone. Ecclestone is widely acknowledged to be the person responsible for the development of F1 into a global sport. For example, in the 1980s, whilst still owner of the Brabham F1 team, he recognized the financial and marketing possibilities of televising the sport, and took control of the sport’s commercial contractual negotiations (e.g., Henry, 2003:127). Since then he negotiated a deal to purchase F1’s commercial rights from the FIA (e.g., Watkins, 2010: 338). He is the current CEO of Formula One Group, a cluster of subsidiary companies (e.g., Formula One Management, Formula One Administration, and Formula One Licensing BV) responsible for the commercial exploitation of F1 (Formula One, 2012a). As CEO of Formula One Group, Bernie Ecclestone acts as CEO of all subsidiary companies.

Formula One generates a large amount of media attention worldwide, though within the academic domain of sports management there is a lack of research on the sport. While it has myriad facets available for analysis, one that is timely is the study of the current commercial rights holder, Formula One Group CEO Bernie Ecclestone, and his incipient succession. At age 82, it is likely he will be succeeded in the very near future. Currently, no succession plan or successor has been publicly announced; however there has been no shortage of public speculation surrounding the succession plan (e.g., Cary, 2010; Mandel, 2012 and Sale, 2012). Organizational succession has been studied extensively in general and corporate management; however, in sport such studies are rare. A specific study on the succession of founder-CEO’s determined: “Founder-CEO succession differs in many ways from succession in large companies” (Wasserman, 2003). Given Ecclestone’s widely acknowledged position as the progenitor of modern F1, analyzing his succession using Wasserman’s Founder-CEO framework is of value.

The question of leadership succession at FOM is the focus of this paper. Given Ecclestone’s age, it is inevitable there will be a transfer of power from him to a successor or team of successors. Given the apparent wide range of roles he undertakes, and his fifty years experience at the sport’s highest level, it is probable that he will be succeeded by a professional management structure, rather than an individual. For such transitions, one can explore the division of roles, and the possible impact this change will have on the organization’s management structure and future development of the sport.
Bernie Ecclestone is not only the current CEO of Formula One Group: he is widely regarded as the founder of modern day F1. For this reason, it is important to not only identify his roles as CEO, but also to consider the potential impact of his departure from the sport. Consequently, archival data is analyzed to identify the range of his roles, and the context in which they are fulfilled. This will help determine whether, to ensure the smooth transfer of power and continued functionality of the sport at a high level, power should be ceded to one individual, or a professional management team.

To effectively identify Ecclestone’s roles and the contexts in which they are fulfilled, this research is divided into two phases. The first highlights parallels between the structures Ecclestone created for F1 and the theoretical concepts of Founder-CEO succession presented by Wasserman (2003). The second identifies the roles he undertakes as F1’s CEO and the contexts in which these roles are fulfilled. As a backdrop to this work, a comparison is made between the future succession of Formula One Group, and recent succession events in other key stakeholders in the sport: in particular, the FIA, and three of the teams participating in the World Championship series, Scuderia Ferrari, Williams F1, and McLaren Racing.

Literature Review

Organizational Leadership Succession

Gruzky first investigated the phenomenon of organizational succession in 1960; the field subsequently evolved into more concentrated research studies using quantitative methods analyzing variables such as organizational structures and decision-making (e.g., Miller, 1993). Within the growing body of literature on the subject, much research has analyzed US-based firms, large corporations, and family businesses (e.g., Allan, Panian & Lotz, 1979; Beatty & Zajac, 1987; Burkart, Panunzi & Shleifer, 2003; Cannella & Shen, 2001; Grusky, 1963; Helmich 1977; Miller 1993; Ocasio, 1999; Pfeffer & Davis-Blake, 1986; Smith & White, 1987; Zhang & Rajagopolan, 2004; Elsaid, Wang & Davidson III, 2011; and Chen & Hambrick, 2012); a small number of studies (e.g., Davis, 1968; and Rodenback & Brettel, 2012) were based in other countries specifically due to the abundance of US studies. In addition, when evaluating variables such as the timing of succession and its possible impacts, and the performance of leadership succession, a majority studied Fortune 1000 firms (e.g., Beatty & Zajac, 1987; Burkart, Panunzi & Shleifer, 2003; Cannella & Shen, 2001; Ocasio, 1999; and Zhang & Rajagopolan, 2004). In these, quantitative variables such as changes in firm performance, and stock market stability were analyzed. The results of these studies indicate that leadership succession has a material and quantifiable impact on large firms. The impacts suggested by these researchers relate to specific organizational variables such as changes in strategy and decision-making (Miller, 1993), and organizational mortality (Haveman, 1994).

In the limited research on leadership succession in sports organizations specific sports, only baseball (Allen, Panian & Lotz, 1979; Grusky, 1963) and basketball (Pfeffer & Davis-Blake) have been studied. For example, Grusky (1963) and Allen et al (1979) studied leadership succession in Major League Baseball teams. More specifically, Grusky (1963) sought to determine the correlation between the rates of succession of team managers and the effectiveness of the leadership change, whereas Allen et al (1979) conducted an analysis to assess the relationship between frequency of managerial succession and the organizational performance of the teams in question. Both studies conclude that there is a negative correlation between rates/frequency of leadership change and organizational effectiveness/performance.

In contrast to Grusky (1963) and Allen et al (1979), and in relation to performance and succession, Pfeffer and Davis-Blake (1986) argue succession is more complex than the simple process of leader replacement, and the study of succession should consider additional variables such as timing and successor competence in order to properly estimate the impacts of succession on an organization. They intended to clarify succession’s intricacies by highlighting the dependency of a successful outcome on three key factors: its timing, the method by which the successor is chosen, and the successor’s competencies in relation to their intended role. The combination of these three factors appears correlated to the positive impact of the succession. Subsequent to these early studies sports organizations have not featured strongly in analysis of
leadership succession; consequently, this study of a modern and significant sport organization is a welcome addition to the sport management literature.

The variable of successor selection is an area that has garnered some attention from researchers of succession such as Smith, Carson & Alexander (1984), Helmich (1977), Wiersema (1992), Datta and Guthrie (1994), Elsaid, Wang and Davidson III (2011), and Rodenback and Brettel (2012). Unlike the research that focuses exclusively on post-succession performance (e.g., Grusky, 1963; Allan, et. al., 1979; Singh, House & Tucker, 1986; Pfeffer and Blake-Davis, 1986; Miller, 1993; and Havemen, 1993), there is research that explores how successor selection and desired impact of succession are interdependent (e.g., Datta & Guthrie, 1994; Friedman & Singh, 1989; Helmich & Brown, 1972; Helmich, 1977; Smith, Carson & Alexander, 1984; Virany, Tushman & Romanelli, 1992; Wiersema, 1992; and Chen & Hambick, 2012). These studies focus on the analysis of leadership, rather than organizational performance, as the trigger for change in organizational leadership. These studies consider the impact of successor selection by concentrating in more detail on the discourse of internal/external successor selection.

Wasserman (2003) identified that the context of Founder-CEO succession has not been overly researched; this study’s aim was to identify how Founder-CEO succession differs from succession in large and family-run companies. More specifically, it indicated the transition from Founder-CEO to a “professional management” structure during the succession process in Internet firms using field research and grounded theory. His analysis was based on the measures of product development and raising new rounds of financing. The results indicate the skills of a technically adept Founder-CEO were key to the organization’s initial success; once a company is established, the CEO’s job broadens and becomes more complex, resulting in a skills mismatch. Wasserman not only illustrates the organizational impact of Founder-CEO succession but also its importance to the subject’s overall study.

Subsequently, Haveman and Khaire (2004) contributed an interesting and relevant element to the literature by closely analyzing organizational founders. They argue the founder’s ideological orientation plays an integral role in succession. Three elements were considered to be vital to firms in transition: ideological zeal of the founder; managerial roles played by the founder; and organizational affiliations. The study concluded that an intense ideological orientation increases the negative impact of succession on the firm and amplifies the impact of the founder’s role, organizational affiliations and the organization’s subsequent long-term survival.

Formula One

Sports management scholars have not scrutinized Formula One particularly. However, there is copious mainstream media covering the sport’s many facets: mass media outlets (e.g., The Telegraph, BBC News, The Financial Times), bloggers (e.g., Joe Saward, James Allen), magazines (e.g., Forbes, Autosport, and F1 Racing) and dedicated websites (e.g., www.pitpass.com and www.grandprix.com) provide extensive coverage ranging from the sport’s political and economic issues such as the Helsinki Report (e.g., Europa, 1999, 2001a and 2001b), to annual regulation changes (e.g., May, 2011). Limited F1 academic research has been conducted on sponsorship variables (Cobbs, 2011), and economic issues attributed to participation in the sport (e.g., Fairley, Tyler, Kellet & D’Elia, 2011; and Schredelseker & Fidahic, 2011).

Since celebrating his 80th birthday there has been considerable speculation within the media regarding Ecclestone’s succession. Most content is speculative on who his successor will be, when the succession will take place, and the probable impact on the sport. Additionally, succession is often related to speculation concerning changes in the sport’s ownership and its subsequent structure, for example the proposed market floatation of the sport’s commercial rights (Saward, 2012a). Whilst popular coverage has been given to recent successions several of F1’s key stakeholders, such as the FIA (Nakrani, 2009), Scuderia Ferrari (Panzariu, 2010), McLaren Racing (Scott, 2009) and Williams F1 (Allen, 2010), there has been no academic analysis. Given the value of the sport, its complexity, and the global interest it generates, there is a clear need for further study.
Methods

This research explores whether a professional management team would effectively succeed Ecclestone as CEO of Formula One Group, given the apparent diversity of roles he undertakes. Qualitative research was appropriate as it would identify his current roles and provide insight into the context in which they are fulfilled; the latter would illustrate the potential mandate for the professional management team.

Various stakeholders were invited to contribute to the research via a questionnaire or a personal interview; whilst most ignored the request or refused on the grounds of lack of availability or contractual confidentiality obligations, one interview was conducted with a highly regarded journalist who has attended over 350 Grand Prix during his 25 years covering the sport. This trajectory affords him unique access to many teams, drivers, organizers, promoters and sponsors. It is also recognized by the FIA, who use utilize his media expertise in the development of young drivers through the FIA Academy. The 90-minute interview was conducted in Montreal during the 2010 Canadian Grand Prix. The aim of the interview was to establish a solid framework and direction for the archival analysis by gathering information on the structure and management of the sport, and, more importantly, on Ecclestone’s career development.

Subsequently, an archival analysis of material contained in a number of different publicly accessible media sources was conducted to supply sufficient data to permit appropriate analysis to be made. Whilst myriad newspaper, editorial and blog publications are accessible online, a specific group of publications had to be selected in order to ensure source manageability, consistency, and credibility. To ensure a broad perspective on the topic and prevent article bias, a wide range of publication types was selected. Online publications ranged from newspapers (e.g., The Daily Telegraph), news organizations (e.g., The BBC), Formula One organizations (e.g., the FIA), and F1 dedicated websites (e.g., www.pitpass.com). When selecting newspapers and news agencies, particular attention was paid to whether the organization dedicated specific resources to F1.

Additionally, whilst selecting publications, the knowledge and integrity of the authors and publishers was taken into consideration. For example, it is widely reported that the financial editor of www.pitpass.com, Christian Sylt, a former Ecclestone employee, acts as Ecclestone’s unofficial spokesperson (Deckstein, Hacke and Hawranek, 2011), whereas the journalists like Joe Saward and Allen Henry have spent their entire careers reporting on motor racing and F1 in particular; consequently, their work is highly regarded within the sport, and considered to be more objective (The Official Formula 1 Opus, 2012).

From the many publications canvassed, eleven were selected for data collection. Table 1 shows the sources used and the category of media into which they fall.

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIA</td>
<td>website</td>
<td>Official website of the FIA, Formula One’s governing body</td>
</tr>
<tr>
<td>Formula One</td>
<td>website</td>
<td>Official website of Formula One</td>
</tr>
<tr>
<td>Pitpass</td>
<td>website</td>
<td>Independent website based in the UK dedicated to F1 coverage.</td>
</tr>
<tr>
<td>Grand Prix</td>
<td>website</td>
<td>Website dedicated to F1 coverage and developed and managed by Inside F1, Inc</td>
</tr>
<tr>
<td>The Daily Telegraph</td>
<td>newspaper</td>
<td>British newspaper distributed internationally and available online with a section dedicated to motorsports coverage</td>
</tr>
<tr>
<td>BBC</td>
<td>Public broadcaster</td>
<td>British public broadcaster available online with a section dedicated to F1 coverage</td>
</tr>
<tr>
<td>The Times</td>
<td>newspaper</td>
<td>British daily newspaper available online with section dedicated to Formula One coverage</td>
</tr>
<tr>
<td>The Financial Times</td>
<td>newspaper</td>
<td>International business newspaper with Formula One business-related coverage</td>
</tr>
<tr>
<td>The Guardian</td>
<td>newspaper</td>
<td>British daily newspaper available online with section dedicated to Formula One coverage</td>
</tr>
<tr>
<td>The Independent</td>
<td>newspaper</td>
<td>British daily newspaper available online with section dedicated to motorsport coverage</td>
</tr>
<tr>
<td>Reuters</td>
<td>News agency</td>
<td>International news agency based in Britain. British division has section dedicated to Formula One coverage</td>
</tr>
</tbody>
</table>
Blogs were excluded to maintain consistency with the other online sources. It is acknowledged that the newspaper publications are exclusively British, this is primarily due to the popularity and traditions of F1 in Britain; for example eight of the twelve competing teams are UK based (F1times, 2011). Whilst media sources from Italy, France, Germany and other countries could have provided additional data, their content would not have been in English, which would have added enormously to the complexity of the data analysis, and potentially led to questions of accuracy in translation.

Data Time Frame

While Ecclestone has been at the forefront of the sport for close to fifty years, the lease and transfer of the sport’s commercial rights from the FIA to Bernie Ecclestone in 1997 for a 100-year period plays a key part in the history of the commercial development of the sport: it serves as the starting point for this analysis. This transfer is significant because it signals a tangible shift in power within the sport, from the not-for-profit governing body, to a commercially focused individual/group. While the FIA maintains jurisdiction and grants the sporting series World Championship status, they no longer possess executive control of the commercial aspects of the sport. Since 1997, Ecclestone and Formula One Group, now owned by CVC, are solely responsible for F1’s commercial management and future. They create the annual competition calendar for teams and drivers, they negotiate circuit’s participation terms, they provide the TV feed for the world’s media to purchase, and they control the merchandising of the sport. The analysis’s end date is the commencement of the 2011 competition season in March. Though the discussion of succession is current, it was determined that an end date more concrete than merely ‘the present’ would be useful.

Keywords/Search

Once the final list of publications was selected, data were gathered from each using a bank of keywords derived from the relevant concepts. These keywords were determined by taking into consideration the topic of study (e.g., “succession”, “successor”, “replacement”) as well as generic roles performed by corporate leaders (“negotiator”, “mediator”, “advisor”). General publications, such as newspapers, were searched using the term “Bernie Ecclestone” in conjunction with the aforementioned keywords.

Once data were collected from each publication, articles were converted into .pdf files and saved in a data management system. Simple descriptive statistics regarding the amount of data gathered in relation to each keyword were generated. Once these statistics were tabulated, each article was read to ensure its relevance. If the article was not relevant to the keyword, it was either categorized under a new, more appropriate, keyword, or discarded. As new keywords were derived in the latter parts of the analysis, previous data were re-analyzed.

In this manner, 293 articles were retrieved. Of these, 21 were discarded, as they were duplicates of articles published elsewhere. In most instances, these were press releases issued by the FIA that had been published by more than one media source. In addition, a further 37 were excluded from the analysis: four were removed because they were outside of the timeframe. Other articles were excluded because they related to non-F1 aspects of Ecclestone’s personal life such as his controversial 1997 financial donation to the British Labour Party, his purchase of Queens Park Rangers a Premier League soccer team, his involvement in GP2 and GP3 Series (feeder programs for F1), and his personal wealth; as such they were irrelevant in this analysis.

From the 235 articles that were retained, 31 were located using the keyword sequence: “Bernie Ecclestone” with “succession”, “successor” and “replacement”. From these, 25 were from F1 dedicated sources such as Grandprix.com; the remaining 6 originated from news agencies such as Reuters. While many articles within the search touched upon Ecclestone’s eventual departure, these 31 focused specifically on his succession. They were usually published during the off-season, around the time of his birthday at the end of October. The data in these articles were retained to draw parallels between Ecclestone’s succession and Wasserman’s theory on Founder-CEO succession. During coding, any data regarding the roles Ecclestone
undertakes as CEO were retained to analyze that aspect. Additionally, a further 62 articles were retained but were not analyzed in relation to succession or roles. They related to Ecclestone’s leadership traits, and revealed such terms as: “autocrat”, “power” and “influence” within F1; they were used to analyze Ecclestone as a leader.

Results

Initial results, shown in Table 2, indicate that the keywords “negotiator”, and “mediator”, and their derivatives, generated the largest amount of data. Other roles generated minimal data, however through closer analysis of each article, using the context of the article and other vocabulary used by the authors, results yielded more roles. Table 2 lists each role and the number of articles that referred to each.

Table 2: Ecclestone’s identified roles and inclusion frequency per publication

<table>
<thead>
<tr>
<th>Source/ Role</th>
<th>Negotiator</th>
<th>Owner</th>
<th>CEO/manager</th>
<th>Mediator</th>
<th>Advisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIA.com</td>
<td>6</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FormulaOne.com</td>
<td>9</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Grandprix.com</td>
<td>19</td>
<td>19</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Pitpass.com</td>
<td>22</td>
<td>6</td>
<td>5</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>The Guardian</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Independent</td>
<td>1</td>
<td></td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBC</td>
<td>7</td>
<td></td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reuters</td>
<td>3</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>The Times</td>
<td>1</td>
<td></td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Times</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Telegraph</td>
<td>2</td>
<td></td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>75</td>
<td>39</td>
<td>13</td>
<td>13</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 2 also shows considerable data were generated around the concept of ownership; however, these results were excluded from subsequent analysis, as ownership is not directly related to the roles Ecclestone performs as CEO of FOM. Additionally, these data were largely related to the continued commercial exploitation of F1 between 1997 and 2011. While Ecclestone sold the commercial rights to CVC Capital Partners during this time, he remained as CEO, and hence maintained executive control of the dominant aspects of the sport.

Table 3 details significant external and internal events related to F1 between 1997 and March 2011. This data was overlain with information pertaining to each of the identified roles undertaken by Ecclestone to better illustrate the context within which each role was conducted. For reference, the term, ‘Concorde Agreement’, refers to the confidential contract between the FIA, FOM and the teams regarding participation in the FIA F1 World Championship: it is the bedrock of the sport’s commercial structure (Saward, 2012b). Whilst Table 3 illustrates the cyclical nature of F1’s business, it also illustrates the diverse range of Ecclestone’s activity: this is helpful in understanding the requirements of any future successor(s).

Table 3. Major commercial events in F1 and frequency of hits per role per event

<table>
<thead>
<tr>
<th>Event</th>
<th>Negotiator</th>
<th>CEO/Manager</th>
<th>Mediator</th>
<th>Advisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concorde Agreement 2003</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concorde Agreement 2006</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concorde Agreement 2009</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Revenue Dispute 2001</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Analysis

This paper explores whether a professional management team would more effectively succeed Ecclestone as CEO of Formula One Group than an individual, given the diversity of the executive roles he undertakes.

Succession is the replacement of a person, usually a leader, within an organization; the literature suggests succession can have a positive or negative impact. Studies indicate successor selection can occur through heir apparent, board selection, or implementation of a “professional management” structure. As mentioned, the modern iteration of F1 has not undergone a succession event. Whilst succession has occurred in nearly all of F1’s key stakeholders, this will be the first leadership change, within the highly influential commercial administration Ecclestone created, Wasserman’s (2003) observations on Founder-CEO’s will be used for the first phase of analysis. Haveman and Khaire (2004) observed that within any study of founder succession, three elements should be analyzed to determine the ideological orientation of the founder; they are their ideological zeal, their managerial roles, and their organizational affiliations. Ecclestone’s managerial roles organizational affiliations will be considered in the second phase, where the context in which they are fulfilled will also be considered.

Phase One: Succession in F1

The conversation regarding Ecclestone’s complex and unique role in F1 and his ultimate succession is both relevant and necessary. It has been in process for the whole period under consideration, with similar questions being asked by key stakeholders and the media. Ecclestone is 82 years old, and the sport will have to confront his succession in the shorter, rather than the longer, term. Currently, while there is no shortage of speculation, there has been no official public announcement regarding a succession plan. In 2008, when asked when he planned to relinquish his role at FOM, Ecclestone answered: "Never... never... never! The first day I won't be going into work is the day they will be lowering me into my grave. And that won't be for a long time to come. I feel as fit as a fiddle" (Pitpass, 2008a).

While there is no acknowledgement of an official succession plan, over the course of the past few years, as the data shows, the notion of Ecclestone’s succession and its importance has been highlighted by key stakeholders who understand that the long-term health of the sport is reliant on a smooth and successful transition of his power and authority. Professional observers of the sport suggest some of the challenges the sport will face during any period of succession; for example, in two separate articles, long-time F1 journalist Joe Saward wrote:

“There is no doubt in anyone's mind that the heart of Formula 1 racing is a little bloke called Bernard Ecclestone, who recently featured in the Forbes Magazine list of the world's billionaires. Without him the sport would have cardiac arrest and while it might not actually die, it would emerge from the trauma in a very different state than it is in today” (1999).
“The other thing that is vital for the future of the sport is the creation of a strong commercial structure which will be needed one day when Bernie Ecclestone does not come to work. The current structure would crumble into a civil war between the main competitors” (2000).

In addition, the discussion of Ecclestone's eventual succession was key within the protracted and complex negotiations that took place in order for each iteration of the Concorde Agreement, the highly confidential contract between the FIA, Formula One Group, and participating teams, to be signed by all participants. The Concorde Agreement is a “three-way deal between the FIA, the sport’s commercial rights holder and the F1 teams, the Concorde Agreement is the document that sets out how F1 is run and its revenues distributed” (Beer, 2009a). When the negotiations were undertaken for the 2003 Concorde Agreement, there were signs that the teams wanted guarantees regarding what would happen in the event of Ecclestone’s departure. At that time the teams were heavily supported by a number of major international car manufacturers such as BMW, Honda, Jaguar, Mercedes, and Toyota. One article reporting on the early stages of those negotiations suggested:

“The car makers feel that the only way to protect their investments in this high technology sport is to invest in Ecclestone's company as a means of influencing not only the evolution and implementation of the technical regulations, but also to guarantee a structured succession to 70-year-old Ecclestone - who underwent a heart bypass operation last summer - when he finally decides to stand down” (Saward, 2001).

The importance of Ecclestone’s succession on the sport was given more prominence when an announcement was made regarding the succession process. In a statement regarding the negotiations of the Concorde Agreement, the teams stated: “We understand that the question of the succession to Bernie Ecclestone will not be part of the Concorde Agreement but will be a completely separate agreement between all the parties involved” (Saward, 1998). Such an agreement was not forthcoming and currently there is a heightened level of speculation surrounding Ecclestone’s succession (e.g., Benson, 2012; Eason & Charter, 2012 and McEvoy, 2012).

Ecclestone as Founder-CEO

As seen in the literature review, within the topic of succession, Wasserman (2003) and Khaire & Haveman (2004) studied the phenomenon of Founder-CEO succession. Results from the data specific to Ecclestone’s roles, succession and replacement indicate many parallels between Wasserman’s Founder-CEO perspective and the collected data. F1 has existed since the inception of the World Championship in 1951 (Watkins, 2010). Since his arrival in the sport some 50 years ago, Ecclestone has, through a variety of different guises such as driver, team owner, and commercial rights holder, been largely responsible for transforming it from the pastime of rich aristocrats into the multi-billion dollar global business it is today. For example, in 2004, John Grapper wrote in the Financial Times:

“That is also the approach of Bernie Ecclestone, the impresario of Formula One, who turned a motor enthusiasts’ pastime into a global money machine (and allocated himself a lot of the money). Whether you own a racing team, a circuit such as Silverstone, or a television station, you must make a deal with 73-year-old Mr Ecclestone to get a slice of Formula One. And few would cavil at Mr. Ecclestone's marketing achievements. His exploitation of free-to-air television to build a global audience has led to countries including China and Malaysia bidding for the right to host a grand prix. His control of everything from track-side advertising to how vehicles are parked at events has transformed a ragbag circus into a polished enterprise” (Grapper, 2004).

More specific to how Ecclestone gained control of the sport in 2002, Arthur writes:
“His deal-making ability is what people respect. He built up Formula One from the ground, arriving 50 years ago when gentleman drivers were the rule; he began driving in Formula Three, but an accident ended his career on the track. He turned to management and excelled, buying the Connaught Formula One team in 1958. That gave him a seat on the Formula One Constructors Association (FOCA) board; he organized it so that the race teams, instead of the race tracks, held the whip hand” (2002).

Arthur’s comments indicate Ecclestone was the prime mover in F1’s development into the vast sport and entertainment business it is today. While the studies on Founder-CEO succession conclude that there is no contextual framework or theory to this form of organizational succession, they suggest its impacts are different from those felt within either large firms or family-run organizations. For example, unlike large corporations, where the succession process is much more predictable and structured, Founder-CEO successions create changes in the organizational structure. Wasserman (2003) concludes that succession causes an alteration in the type of management in that it changes from that of an entrepreneur to that of a functional “professional management” team. The data suggests that Ecclestone is a clear example of a Founder-CEO who will most probably be replaced by a “professional management” structure.

This assertion is borne out by comments from various different key stakeholders; for example, Max Mosley, former FIA President and Ecclestone’s one-time colleague and good friend stated:

“Bernie is probably irreplaceable. I can think of a few people who could do some of the things he does but I can't think of any one person who could do everything he does. He will probably be succeeded by a management team. He may well have other plans, but if he has, he isn't saying” (Pitpass, 2005).

In a similar vein, Joe Saward wrote:

“F1 needs Bernie right now. It is not ready to be run without his iron grip. There are no shortages of sun-tanned, overly coiffured twerps in the paddock who think that they can take over and run the sport when Bernie ‘goes’ - but they are dreaming. No-one - with the possible exception of McLaren's Ron Dennis - has got what it takes to pick up Bernie's torch and run with it” (1999).

Finally, in 2009, when Ecclestone was asked directly about his succession, he responded quite succinctly:

“Let me answer that one! Formula One today is such a strong brand that it makes not much difference who is running it. There undoubtedly will be people after me. The only difference that I see is that they will do it rather corporate and less entrepreneurial” (Formula1, 2009).

Further to the suggestion that the succession will occur from an entrepreneur to a professional management team, it must be considered that such a change can have an additional impact at the time of succession. Hofer and Charan (1984) observed:

“After the starting difficulties have been overcome, the most likely causes of business failures are the problems encountered in the transition from a one-person entrepreneurial style of management to a functional professional management team” (p.2).

This would seem to imply that in the case of Ecclestone’s succession, it will be necessary for all stakeholders to acknowledge that not only will such a change occur, but that proper execution of the change is important in order to ensure a successful transition. For this reason, analyzing the characteristics and roles that Ecclestone fulfills as CEO of Formula One Group provides additional insight on the change and how to execute the change.
Phase Two: Analysis of the roles undertaken by Ecclestone as CEO

Haveman and Khaire’s (2004) study on organizational founder succession looked at three elements they considered to be vital to the ongoing viability of firms: the ideological zeal of the founder, the managerial roles they undertake; and any organizational affiliations. These same elements were considered when identifying the roles Ecclestone undertakes as CEO of FOM, as was the context in which he fulfills them. Prior to any analysis of these executive roles, it is important to understand a generic CEO role. Finkelstein et al (2009) propose the CEO is “the executive who has the overall responsibility for the conduct and performance of an entire organization” (p.9). In F1’s case, Ecclestone, as CEO of Formula One Group, assumes sole responsibility for the sport’s commercial aspects; this will be explored in the following analysis.

As mentioned previously, when the FIA leased F1’s commercial rights to Ecclestone’s company in 1997 for a period of 100 years, he assumed the responsibility for the sport’s executive management and hence its future. When Ecclestone subsequently sold a majority holding to CVC Capital Partners, he was appointed as CEO of Formula One Group, and thereby maintained his overall executive control of the sport.

As Table 2 indicates, Ecclestone’s prime role is as negotiator. Subsequent analysis of this role provides greater insight into his organizational affiliations, and hence the contexts in which these roles are undertaken.

Ecclestone as a negotiator: negotiations with promoters

The 2011 Formula One World Championship comprised 19 races in 18 different countries, though the Bahrain Grand Prix was cancelled due to political instability and social unrest in the country (Formula One, 2012b). A different promoter stages each race, and is subject to a unique set of contractual obligations. The data suggests that Ecclestone negotiates with each promoter; for example, FIA press releases relating to races state Ecclestone negotiates directly with race promoters (e.g., Benson, 2011; Williams, 2012). Additionally, Ecclestone is responsible for compiling the annual Championship calendar (Beer, 2009b). Furthermore, the context in which these negotiations are conducted is important to consider. Data indicate a high level of demand for hosting a Grand Prix; this presents specific challenges. For example, Ecclestone has to understand the specific reasons governments are willing to expend significant hosting fees; the nature of national and international law regarding advertising and sponsorships; the dynamic flow of sponsorship money into the sport generally; and, to some extent, the wishes of other stakeholder groups.

When interviewed, a journalist indicated negotiations are conducted on a per race basis, and commercial opportunities and traditional integrity of the sport are always considered. A team principal supported this notion in an interview at the 2008 Abu Dhabi Grand Prix regarding a possibility that the British Grand Prix would be removed from the competition calendar:

“So we’ve got to get a balance between keeping the history and heritage of Formula One and the new opportunities we have at fantastic circuits like this, so I think it would be a tragedy if we lost Silverstone and I hope Bernie can find a solution with Silverstone to keep the race there” (Pitpass, 2009).

Ecclestone as a negotiator: negotiations with teams

Data in Table 3 indicates Ecclestone’s main role and priority is to negotiate the commercial agreement between his organization, the FIA and the teams; this Concorde Agreement, negotiated tri-annually (e.g., 2003, 2006, 2009, and 2012), is the contractual agreement by which the teams, the FIA and FOM establish the terms of continued participation in the F1 World Championship; it also controls the distribution of commercial revenues amongst shareholders. In 2007, amidst concerns about the agreement’s renewal, Saward wrote: “the problem is that unless the Formula One Group can reach agreement with the F1 teams, the commercial rights deal is worthless after the end of the current Concorde Agreement” (1999). This situation was confirmed by Sylt, a financial analyst who has close ties to Ecclestone:
“As the sport's boss [Ecclestone] is in charge of keeping the money coming in so that the F1 Group's owners CVC can pay back the $2.6 billion in debt that it took out to buy F1. If the races disappear then so do F1's TV rights revenues and hosting fees” (Pitpass, 2008c).

As with the context of the importance of maintaining the presence of certain circuits on the annual competition calendar, certain teams have a stronger bargaining position than others, primarily due to the longevity of their participation and the success they have garnered. For example, Ferrari is widely acknowledged to have the strongest negotiating position of all the teams within the F1 paddock (e.g., Allen, 2012 and Pappone, 2012). This adds a further challenge to the contractual negotiations Ecclestone must undertake. For whilst the demands of the three primary stakeholders must be considered, so must those of key individuals within each of these primary groups. Saward (2011) notes:

“There is a prize fund, which consists of half the EBITDA [earnings before interest, taxes, depreciation and amortization] of the Formula One group. From this is deducted a percentage (believed to be 2.5%) which goes directly to Ferrari, in recognition of the team’s historical importance to the sport. The rest is then divided in half and the first tranche is split between the teams based on their historical achievements. There are three different categories of team and each category receives a different share”.

In relation to the succession of Bernie Ecclestone, the data suggests that the task of negotiating the Concorde Agreement is extremely difficult and complex. While circuits and promoters are needed to host the events, the commercial contract agreement is very important. According to the data, the negotiations surrounding the Concorde Agreement account for much of Ecclestone’s perceived activity. Additionally, the contexts in which the cost disputes of 2001 and 2004 are considered directly related to the Concorde Agreement in as much as they concerned the cost budgets allocated to the teams by the FIA, and, more crucially, the income they receive from FOM’s sale of the sport’s broadcast rights. These two variables play a significant role in the negotiations of the agreement. Concorde Agreement negotiations are done concurrently with other key events such as the negotiation of hosting contracts and the sale of broadcast rights. For this reason, it is suggested that once Ecclestone is no longer CEO, Wasserman’s proposed “professional management” structure would more effectively ensure successful negotiation processes for the Concorde Agreement, the rights to host Grand Prix races, and the all-important sale of broadcast rights.

Ecclestone as a negotiator: negotiating with suppliers, merchandisers and the sale of broadcast rights

While the data in Table 3 regarding the Concorde Agreement and hosting negotiations suggest participating teams and race promoters are the most important stakeholders, the revenues generated by suppliers, merchandisers (trademarks) and broadcasters are significant to the continued success of Formula One Group and other key stakeholders. Broadcast revenues, negotiated directly by Ecclestone and the TV companies, are unevenly divided split between Formula One Group and the teams; consequently Ecclestone has to consider the impact of these negotiations on all stakeholders in the sport. For example, due to F1’s global television audience, in excess of 500 million each year, the level and frequency of exposure each circuit, team, driver, and sponsor receives has a material impact on their value. Due to his long experience, Ecclestone is shrewd enough to understand these complexities and negotiate outcomes that do not devalue the sport or its constituent stakeholders.

Ecclestone as a leader

Ecclestone was instrumental in the transition of F1 into a global sporting property, and still remains very much in control of its commercial aspects. While it is important to illustrate the roles that Ecclestone fulfills as executive CEO of FOM, the manner in which he fulfills these roles has an impact on the sport. Analysis of his roles indicates that his role of negotiator consists managing of myriad contingent complexities due to the
very nature of F1 and the environment in which it exists. Understanding the manner by which he has maintained control over such a long period of time will permit better insight on how to successfully manage his succession. The data provide ample description of Ecclestone’s leadership style, and his continuing control over the sport. For example:

“Ecclestone rules F1 and nobody is up for taking on a battle with him. Bernie has such power and influence that he could suffocate almost any performer who would dare to suggest that there must be change” (Saward, 2009).

“People argue with Ecclestone at their peril, particularly those on the inside of formula one. Team owners may be autocrats within their own empires, but if Bernie clicks his fingers in the pit lane, rich men come running” (Henry, 2002)

“Ecclestone holds all the keys” (Pitpass, 2010).

“Ecclestone is very much a hands-on operator. He knows his way through the alleys and back doubles of the Formula One world like no other” (Henry, 2004).

The underlying trend seen in these quotes can be summarized as power and influence. To better understand the source of Ecclestone’s power and influence as a leader, it is crucial to recognize the length and diversity of his trajectory within the sport. Ecclestone’s career in F1 has spanned over five decades. The experience and insight gained via the numerous roles he has undertaken within different stakeholder groups throughout this time enable him to understand the sport’s enormous complexity whilst at the same time position himself as the key authority within the sport. As other managers within the sport (e.g., team owners) looked out for their own specific interests, Ecclestone established a wider perspective and realized the commercial potential of the sport. He succeeded in taking control in a vacuum. Various biographies (e.g., Watkins, 2010) provide examples that demonstrate Ecclestone’s diverse involvement with the sport via such roles as driver, team owner, commercial rights holder, CEO of FOM, and member of the FIA’s World Council. Each of these roles uniquely provided him with specific experience from each of the three primary stakeholder groups. F1’s many observers appear unanimous in noting that there is nobody in F1 whose matches that of Ecclestone (e.g., Saward, 1999).

In analyzing his tenure, one must acknowledge the success and growth that the sport has witnessed: it is remarkable. In the introduction of Watkins’ biography, Frank Williams, a team owner of several decades, comments: “He (Ecclestone) has turned F1 into a global sport that rivals the Olympic Games and the World Cup, which is extraordinary, given where we started out” (p.7). This suggests that those who have been part of the sport during its transition into a global sport attribute those significant achievements in large part to Ecclestone. Relative to his succession, this would suggest that any group of people managing F1 in the future would have to appreciate the unique characteristics of the sport and its complex nuances in terms of the many different stakeholders it engages.

Discussion

While the Formula One Group has yet to experience the event of executive succession, many of the sport’s other key stakeholders have undergone the process. For example, the FIA, and a number of teams, most notably Ferrari, McLaren, and Williams have undergone leadership changes in recent years. Each of these stakeholders has undergone the process using different methods with different outcomes. The leaders of each stakeholder, Max Mosley (FIA), Luca Di Montezemolo/Jean Todt (Ferrari), Ron Dennis (McLaren Group) and Sir Frank Williams (Williams F1), who played significant roles in the development and success of their respective organizations, were each succeeded by an individual. Whilst it is acknowledged that F1 is unique and Ecclestone’s position within the sport similarly so, these cases shed light on some of the challenges that the sport’s stakeholders will face during Ecclestone’s succession process.
The FIA holds presidential elections every four years: the most recent was in 2009 when Jean Todt, former team principal and CEO of Ferrari, was selected as the organization’s titular head. While this succession process is mandated in the statutes of the FIA (FIA, 2012), its outcome highlights certain considerations towards the characteristics of those who hold leadership roles within the sport. For example, during the 2009 Concorde Agreement negotiations, teams demanded then-FIA President, Max Mosley, desist from running for another presidential term: thus clearly signaling a desire for leadership changes. During the subsequent election process, Jean Todt, Ferrari team principal and CEO ran against Ari Vatanen, Member of the European Parliament, and former World Rally Champion. Jean Todt won the election by an overwhelming majority. This change suggested stakeholders were more interested in appointing someone with intimate knowledge of F1’s complexities as opposed to a world champion from another discipline, albeit someone with wider political experience.

In another related example, at the end of 2006, the Ferrari team undertook a succession process: Luca Di Montezemolo, the CEO, was appointed Chairman of Fiat, Ferrari’s parent company. His successor, Jean Todt, had been general manager and team principal. Other people at different levels within the organization were promoted as a result. In 2009, Todt left Ferrari to run for the FIA presidency. In the wake of his departure, Todt’s roles were divided amongst three different people. This indicates that Ferrari took the opportunity of succession to redesign its organizational structure on a technical and commercial basis. There are parallels to how Ecclestone might potentially be succeeded by more than one individual via the identification and separation of different roles.

In early 2009, Ron Dennis, team principal and CEO of McLaren Group from 1981-2009, announced that he was stepping down from those roles and restructuring the company. His successor arrived via an internal promotion. Although Dennis remained within the wider McLaren Group, his successor assumed executive control of the F1 team. In contrast to the changes at Ferrari, a single individual undertook the F1 team-related roles Dennis previously carried out. What is important here is that although Dennis was replaced by one person, he nonetheless remained in the wider organization in an executive capacity. This suggests if Ecclestone could not be replaced by a group of individuals, he could possibly remain in the organization in an executive or advisory position for a while to ensure a smoother transition.

Similarly, WilliamsF1 has recently undergone a leadership change. The organization undertook the succession via an external recruitment process. In 2006, Sir Frank Williams appointed Adam Parr, President and Chief Commercial Officer at Rio Tinto Minerals, CEO of Williams F1. When Parr was appointed, Williams remained as Chairman of Williams F1. Unlike the FIA, Ferrari and McLaren, at Williams the leader was replaced by an individual from outside F1; though Sir Frank remained in the organization on an executive basis. In 2010 Parr was appointed as Chairman of Williams F1. This illustrates that in this case the leader was replaced by an individual rather than a group, although it was done on a gradual, transition basis. When appointed in July 2010, there was speculation that Parr had been undertaking the role for several months (Allan, 2010). In March 2012, however, Parr left Williams F1 and Sir Frank returned as executive Chairman of Williams F1. This case of leadership change illustrates the possibility of successfully recruiting people from outside F1. It also indicates Ecclestone’s succession could be undertaken on a gradual, transition basis. While Parr’s relatively rapid departure could suggest the succession process was not successful, the reality was otherwise (Parr, 2012 and Collantine, 2013); also the reversal of Sir Frank’s gradual withdrawal diminished any possible negative impact of Parr’s demise.

While the succession plans of the FIA, Ferrari, McLaren and Williams F1 differ, each provides insight on some of the possibilities and challenges that Formula One Group will face when replacing Ecclestone as CEO. While many key observers within the sport have indicated that Ecclestone would most likely be succeeded by a professional management team, many questions remain on the identity, experience, and characteristics of the individuals to be selected, and the manner in which his many divergent roles would be divided. More importantly, further questions will arise when considering who amongst the many stakeholders should participate in the process of selection and succession. The various examples of succession undertaken by several of the sport’s stakeholders presented in this paper indicate the distinctive nature of each. It is likely that Ecclestone’s ultimate succession plan will be a hybrid between those
witnessed at some of F1’s stakeholders and those experienced within the wider corporate world. This would tend to support Wasserman’s theory that Founder-CEO succession is unique. While this study is limited to identifying Ecclestone’s roles, future studies could consider other variables such as the division of his roles and the selection process undertaken to determine his successor(s).

Conclusion

This paper suggests that Bernie Ecclestone, as CEO of Formula One Group, primarily fulfills the role of negotiator between the various stakeholders who compete in both the sport and also to benefit from the revenues it accrues. Building on Wasserman’s (2003) study on Founder-CEO, this study identified the key roles Ecclestone undertakes and the context in which they are fulfilled. The analysis identified that Ecclestone fulfills a diversity of tasks that are typically performed by a number of key individuals within a management team. Consequently, the outcome suggests that when Ecclestone is succeeded, the most effective form of replacement would be a professional management team, delineated along the roles required for the sport to continue its trajectory of growth.

While this study highlights interesting factors and concepts in relation to Wasserman’s previous work, the authors acknowledge several limitations. For example, only a limited number of variables within the succession process were studied: there are many other factors that could be analyzed in order to present a complete succession plan. Additionally, with the exception of one interview, only secondary data were analyzed.

While this study does have limitations, partially due to the nature of archival research, this study begins to fill a gap in the literature and provides a foundation for future studies on this topic. As Ecclestone’s succession process unfolds, more data will become available which will enable further insight to be gained. Finally, this study sheds light on the importance of leadership succession planning in sport organizations, and indicates that future interest should be shown within this domain of research.

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