

# Strategic Management in Sports. The Rise of MMA Around the World – The Evolution of the UFC

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## Abstract

*Over the past 25 years, MMA (Mixed Martial Arts) has evolved from being some form of barbaric organized brawls to the fastest growing sport in the world. So how does something not even recognized as a sports discipline evolve into a global sports activity? The most important part in the world of MMA is being played by the Ultimate Fighting Championship (UFC). Similar to the boxing world, there are more than one entities organizing and leading this field. UFC is however by far the most important player in the MMA world and its global rise. The present article aims to present the evolution of MMA and the UFC, but also their strategic management approach. Due to its success, the model can offer important lessons to other sports entities promoting their businesses globally. It can also show how the marketing process is adapting to the modern needs of a business.*

**Key words:** Mixed Martial Arts, Ultimate Fighting Championship, strategic management

**J.E.L. classification:** O10, O20, Z20, Z29

## 1. Introduction

Since the dawn of mankind one of the main reasons behind the competition amongst individuals was to find out which human being is stronger. A brutal form of boxing (bare-knuckle boxing) was recognized as an Olympic sport in the year 688 BC (in Ancient Greece). More than two thousand years later, the modern form of boxing as we know it was recognized by the IOC in 1904. Muhammad Ali's most important fights still sit next to the Olympic Games and the FIFA World Cup events in the all time ranked broadcasts around the world. Therefore sports has not only been viewed as the most important activity for mankind, but fighting in particular has its own place in the eyes of the public. Everyone wants to know "who's the strongest man (or even woman) alive?".

Having build on that idea, for many centuries boxing has gained its global recognition in proving that certain individual. However, that idea fall apart at the first ever UFC event in November, 1993 when Royce Gracie (a Brazilian jiu-jitsu expert) beat Art Jimmerson (a highly reputed boxer) in a "no rule cage fight". Since then UFC has capitalized on that idea, and the MMA world has developed from a sport that initially had in mind to prove which martial art is more efficient, to a sport in which more disciplines are been mixed and developed so that a fighter can master the whole system of MMA which finally provides him with the much needed victory in the cage. In terms of business, UFC has been since then the fastest growing sports entity in the US and had to adapt to certain rigors of the professional sport. After establishing itself as the main nationwide cage fighting circuit, UFC has expanded its business globally and since 2017 has stated that its mission is to "help promote the sport of MMA evolve into a major world sport."

## 2. Literature review

MMA management is a new field especially when it comes to research on topics such as the strategic approach or the UFC's global expansion. However key findings can be learned from either general approaches such Hambrick & Chen ("What is strategic management, really?

*Inductive derivation of a consensus definition of the field*") or Porter's strategic management approach from the Harvard Business Review articles. Understanding the strategic approach of management in the sport field is a process that is largely explained by authors such as Anne Tønndal, but while the author focuses on the innovation necessity in sports management, its theoretical framework can be applying as a result of viewing other authors work in the field of MMA management such as Brandon Weber's work on the matter. The author talks about the origins of MMA, its expansion and its key players, but also about the current MMA regulation, the importance of the State Athletic Commission in the process of MMA sports governance and the legal framework of the MMA contracts. The present article aims to combine all these authors findings but also to anticipate the trends in the matter of MMA's strategic management approach.

### 3. Brief history of MMA

Mixed martial arts is a full-contact combat sport that allows striking and grappling, both standing and on the ground, using techniques from various combat sports and martial arts. The only combat sports recognized as Olympic disciplines are boxing, fencing, wrestling and judo. Martial arts are traditionally viewed as a codified system and traditions of combat practiced for a number of reasons such as self-defence, military and law enforcement applications, physical, mental and spiritual development, but also entertainment and the preservation of a nation's intangible cultural heritage. The most popular combat sports are: boxing, wrestling, fencing, kickboxing, Muay-Thai, Tae Kwon Do, Capoeira, Judo, Brazilian jiu-jitsu (BJJ), Sambo and Kyokushin. The term of "martial arts" has its origins in the Latin culture where the term "arts of Mars (the Roman god of war)" where used to describe ancient combat events. The term "MMA" (Mixed martial arts) was first used by Howard Rosenberg while providing TV commentary for the first UFC event in 1993.

The first UFC events were won by Royce Gracie son of Helio Gracie (one of the founders of the art of Brazilian jiu-jitsu together with his brother Carlos Sr.). Back then there were no weight divisions, which made things even more interesting since Royce Gracie was just an average approximately 80 kg (176 Lbs) person who defeated all his opponents via submissions, most of them being huge heavyweights (having more than 100 kg – 220 lbs). His success put Brazilian jiu-jitsu on top of the martial arts, but also stated that many improvements needed to be made in both the rules of MMA as a sport and the way UFC approached its further events. Brazilian jiu-jitsu has then evolved when it comes to adapting its methods for MMA only, due to the fact that Royce's Gi (traditional BJJ equipment) was clearly an obstacle in his performance. The Gracie family, but mostly Helio's other sons (Rickson, Rolls, Royler, Relson) went on to prove in worldwide similar competitions that they martial arts was the most efficient one.

What started as a no rule, bare knuckle cage fight has evolved massively in a short amount of time. Rules were improved, time limits for rounds were set, special (4-6 oz) gloves where introduced, weight categories where set, as well as anti-doping policies and many more improvements were made to give MMA a clear path in order to achieve global recognition. Each similar MMA promoting entity such as the UFC adapted the same similar rules as the UFC set.

What shortly became a sport that was ruled by the BJJ practitioners later on adapted, the new rules and bonus payments seeing the importance of BJJ in the world of MMA slightly decreasing. UFC added referees and a scoring system was needed due to the fact that fights were eventually limited in time. Each martial arts that contributed to the rise of MMA still has its own competitions, its own rules, only practitioners that feel somehow restricted by them choose to follow a different path, the one towards MMA and that is why MMA and UFC in particularly have grown massively and globally. Most of the UFC stars of today (Conor McGregor, Khabib Nurmagomedov, Ronda Rousey, John Jones, Henry Cejudo, Daniel Cormier, George Saint Pierre) have all different backgrounds in different single combat disciplines: boxing, wrestling or judo (some of them are even Olympic medalists).

The boxing fight between UFC superstar Conor Mcgregor and retired boxing superstar Floyd Mayweather Jr. and the events that followed in both sports were clear statements that boxing has lost its supremacy as a combat sport in the public opinion. Although Conor Mcgregor lost the boxing match, he lasted 11 rounds with what boxing experts claim to be the greatest boxer of all time. The message that he outlined after the fight was that he lasted 11 rounds in a single extremely

limited combat discipline, while Floyd Mayweather Jr. refused to enter the MMA world and fight in a less restricted combat, and the public could understand that he would never last even a single round in an MMA cage. The fight itself and the fights that followed in both sports lead to the result of boxing losing its place in the public eye and MMA becoming the number one combat sport in the world in terms of popularity.

#### 4. The strategic management of UFC and its evolution model

As a field and also as an industry, sport is rapidly changing. It is the case of the UFC as well. Being originally founded by Art Davie, Rorion Gracie, Bob Meyrowitz and Campbell McLaren, the UFC was later on sold to the Zuffa LLC for 2 million dollars in 2001. This company was responsible to the modern managerial approach. Their growth has since then relentlessly snowballed, entering into new markets every year, with the number of pay-per-views (PPV) growing and growing until MMA events surpassed boxing events in terms of PPV buys.

The owners of Zuffa LLC (Ferttitta brothers Lorenzo and Frank, and also Dana White) have sold their majority stake for a staggering 4.2 billion dollars in 2016 to William Morris Endeavor LLC (also known as WME IMG), with Dana White remaining the CEO of UFC. Dana White stated that thought the years he and the Ferttitta brothers have invested no more than 100 million dollars into the UFC.

With the 2.25 billion dollars ESPN deals signed in 2018 the UFC became the global and by far major provider of MMA events. The 42 live UFC annual events are now available in more than 150 countries with numbers still rapidly growing.

It is thus important to have a clear road map and vision for the future, rather than rely on standard old business models, or outdated practices. The success of a sport depends on much strategic decisions as it depends on the performance of the athletes.

Strategic management is a three stage process which requires the formulation, implementation and evaluation of a strategy. Some authors (Porter, 1996, p.13) have a different approach and underline 3 principles such as:

- creating a "unique and valuable (market) position"
- making trade-offs by choosing "what not to do"
- creating "fit" by aligning company activities with one another to support the chosen strategy.

The vision statement should provide a solid foundation for the long term objectives and the strategic goals are usually based on that. (Comănescu, 2008, p.12) The mission statement should provide a core purpose and seek to satisfy all stakeholders, but it should also express a sense of social responsibility and summarize the aims and values of an entity. However, sport organizations usually adapt, renew and develop through creative ideas. Therefore innovation plays its part in managing the case of sports. While strategic management can be applied and used to improve athletic performance, modern sports have highly business oriented models when it comes to management.

Some would argue (Hambrick &Chen, 2007, p.4) that the most important part of the strategic management is the strategic implementation. It could be also the most difficult part, as it involves budgeting, project management, staffing and leadership. (Wahlström, 2018, p.24 )

The evolution of the strategic management in the case of MMA in general and UFC in particular has had some key moments that need to be underlined to be able to recognize its past and present but also to be able to anticipate its future. Due to its evolution, we cannot state that strategic management in MMA has followed exactly the order of the steps mentioned above but as a whole process it has integrated many of them, and this proves that creativity and important decision making into the daily operations of a company are as important as planning.

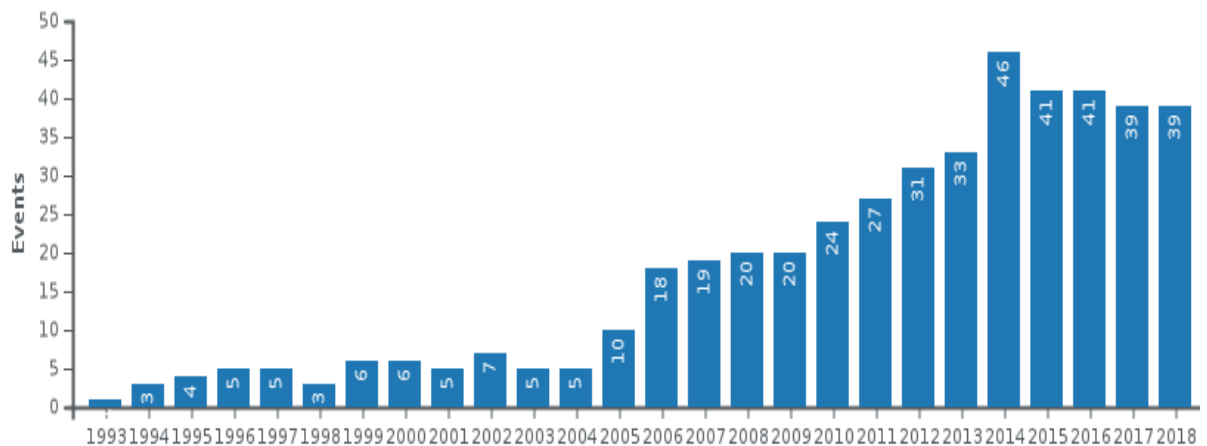
*a) The branding idea-* MMA in general and UFC in particular have mastered the idea that they offer the answer to the question: "who is the strongest"? Due to the fact that it offers an extremely permissive or even "no rules" of engagement platform, people are likely to understand how the nature of fighting works and which particular skills work better in a controlled or even un-controlled environment. Being the MMA's top promotion circuit, UFC in particular provides the best athletes MMA has to offer, and therefore the UFC champions are considered to be the best in the world in the public perception of fighting.

**b) Branding the sport-** many forms of martial arts have been almost destroyed by the efficiency of one or more than one been promoted in the MMA environment. Some experts have explained that MMA itself is a totally different sport that the disciplines that are used to train its athletes. In boxing one doesn't have to worry about being taken down, therefore the stance is different, in BJJ events striking is forbidden, in wrestling there are no leg-locks etc. Thus a MMA athlete need to understand cage fighting and its own rules, and adapt each martial art he uses to the environment he is in and the opponent he faces. There are no MMA athletes that are single disciplined and usually the an MMA athlete's weakness in a particular martial art is being exploited by his opponent.

**c) Alignment to international safety and anti-doping standards –** The UFC has made serious efforts (unlike BELLATOR or other local MMA circuits) to offer both safety and high anti-doping standards. The new deal UFC has signed with USADA (United States Anti-Doping Agency) states that in 2019 a total number of at least 4300 tests will be conducted for UFC fighters. More than 40% of the fighters participating to UFC events will be tested frequently. Since his first UFC contract in 2013, UFC superstar Conor McGregor has been tested 48 times by the USADA. Ever since its first ever event the UFC never had any tragic incidents in the cage (octagon) and that alone is a statement that not many sport entities can make. In terms of long term injuries or any serious medical effects, none of the first participants at the UFC events has been diagnosed with serious brain traumas.

**d) Increasing the number of events/ year and openness to more and more viewers –**

Figure no.1. Number of UFC events 1993-2015



Source: Elaborated based on data from UFC's official website (ufc.com)

UFC has held a total amount of events surpassing 475 events in more than 120 cities in 24 countries. With the two ESPN deals in 2018 and the new ESPN deal in 2019, more than three quarters of the UFC events can be viewed by any people having ESPN provided to them by their cable provider, with ESPN+ being the new easy access pay-per-view platform ESPN has to offer. The UFC also had events held in more than 20 countries.

**e) Supremacy over boxing –** in terms of competition MMA and UFC in particular had to compete with boxing events. However, after the "Mayweather vs McGregor" fight (4.5 million PPV's in US only), there was a huge difference between what boxing had to offer and what the UFC had to offer. Conor McGregor went on and fought again in the UFC with the lightweight UFC champion Khabib Nurmagomedov, with the event having 2.4 million PPV's, while the highest anticipated fight by boxing fans, the one between world champions Canelo Alvarez and Gennady Golokvin had only 1.3 million pay-per-view buys. Since then UFC events constantly surpass boxing events in terms of popularity on ESPN.

**f) Aligning company activities with one another to support the chosen strategy-** UFC has built its own infrastructure in terms of training and developing professional MMA athletes. The success of the UFC Performance Institute in Las Vegas has made UFC CEO Dana White state in a recent interview that UFC will expand its mission as the world's premier MMA organization in China, Mexico and Puerto Rico. UFC will build a number of Performance Institutes in all these countries

where not only professional athletes can train, but also where children can learn MMA for free. Very few sports offer juveniles the possibility to learn and grow in a professional environment for free. This will ensure that first steps are being made toward the direction of providing UFC with enough talent for the future as well. Dana White also stated that co-owner of WME-ING Ari Emanuel shares his vision of globally expanding the company and help create an infrastructure so that UFC can translate its US success into a global one, rather than seeking short term profits.

Table no.1 S.W.O.T. analysis regarding MMA and UFC`s strategic management

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- success in promoting a secure and efficient combat sport</li> <li>- the development of global UFC superstars such as: Conor McGregor, Khabib Nurmagomedov, Ronda Rousey, John Jones, Henry Cejudo, Daniel Cormier, George Saint Pierre, Anderson Silva and many others</li> <li>- partnership agreement with ESPN</li> <li>- partnership agreement with USADA</li> </ul>	<p style="text-align: center;"><b>Weakness</b></p> <ul style="list-style-type: none"> <li>- UFC has failed to convince parents that this sport is less risky than other combat sports, or even other sports generally;</li> <li>- Although UFC has many main events, its highest ranking athletes lack in the number of fights the take part/ year</li> <li>- UFC is still a PPV sport which means it has a huge gap in comparison to other global sports such as football</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- the ownership by WME-ING and the partnership between UFC CEO Dana White and WME-ING owner Ari Emanuel can lead to the global expansion of MMA</li> <li>- partnership agreement with ESPN can expand the number of MMA viewers</li> <li>- in terms of infrastructure, even more training facilities around the world can and will be built attracting more children towards this sport</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>- the low amount of money upcoming fighters are being paid still fails to convince professional athletes to pursue a career in MMA</li> <li>- lack of local competitions and a clear procedure regarding the ranking system in each weight class</li> <li>- many countries are reluctant to what they consider as being the promotion of violence in their society.</li> </ul>

Source: Elaborated based on previously provided data

## 5. Conclusions

UFC has branded itself as being “the world`s premier MMA organization”, and it has carried out its mission so far into making MMA the number one combat sport on the planet. Now that the combat sport world has been conquer, the UFC has stated its new mission in “*helping promote the sport of MMA evolve into a major world sport.*” The first steps in terms of marketing have already being taken with the MMA being the major professional combat sport. The company has thus created its own identity in promoting a sport with its own identity and the next step will be to make sure that it will be communicated an accepted in each culture so that it can one day be recognised as an Olympic sport as well.

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