

New Business Models for the Value Analysis of Sports Organisations

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Introduction

Professional organisations have to put effort in the development and the implementation of value creating strategies. In this sense, the value analysis is important because it identifies sources of costs and revenues. As sports organisations become more and more professional, the value analysis is a helpful tool for them to increase their profits.

So far, value analyses have generally been based on Porter's value chain business model (Porter 1985). But we argue that the logic of creating value is very often different in sports organisations and industrial enterprises. As a consequence, we think sports organisations should use business models such as the value shop and the value network for their value analyses instead of Porter's value chain. Value shops use an intensive technology to solve customer problems (Stabell/Fjeldstad 1998, p. 420). Value networks facilitate a relationship between their customers using a mediating technology (Stabell/Fjeldstad 1998, p. 427). As we will show later, value shop and network represent the main tasks of many sports organisations.

The purpose of our presentation is to introduce the three mentioned business models for the value analysis of sports organisations. In addition we will show which business model works best for which kind of sports organisation to analyse the processes of creating values.

Method

The first step of the value analysis is to identify the value creation logic of an organisation. For example, catering activities in a soccer arena take place according to the value chain. Input factors such as beverages and sausages are carried to the arena where they get prepared and sold. The training of young talents, on the other hand, is not connected with any kind of production. Young children have a certain level of abilities. They want to increase their abilities but face the problem of not knowing how to succeed. Thus, they may turn to a professional soccer club for an education. Here, the soccer club works as a problem solving organisation.

These examples show that the core businesses of sports organisations can be completely different.

Therefore, we will introduce three different cases to the discussion about different value configurations.

The cases are the business models of a training camp, a team of a sports club and a sports league.

Stabell/Fjeldstad (1998) suggest the value shop and the value network as complement models for value analyses. Ongoing, we will show how to use and how to modify the models for sports organisations.

According to the value chain, value activities can be divided into two types, namely, primary and support activities. Primary activities are directly involved in creating and bringing value to the customer. Bringing value to the customer is the basis of creating profits. The primary activities are inbound logistics, operations, outbound logistics, marketing & sales and service (Porter 1985, p. 39-43). The support activities do not bring any values directly to the customer, but they are relevant to other primary activities. Support activities are firm infrastructure, human resource management, technology development and procurement (Porter 1985, p. 39-43). Each value activity is associated with specific costs and revenues.

A sequential list of primary value activities works best for organisations that transform inputs into products or services. Only a few sports businesses are value chains. Even if a sport business is a value chain it usually has to be modified. A team of a sports club cannot produce a soccer game without a co-producer, which means a competitive sports club has to be integrated into the production process. We call our modification a co-producing value chain where the value chains of at least two teams are integrated.

A training camp has a different value creation logic than a team of a sport clubs. The task of a training camp is to first identify a problem and then to offer solutions to the problem. Usually, the customer is not able to specify his or her problem. So, one possible competitive advantage is to be the best in defining, specifying and explaining the customer's problem. A training camp has to figure out the best method to increase the talents of an athlete. These activities are the primary activities of a value shop. In this case, the value creation is usually cyclical and not sequential like in the value chain. If a problem is not solved

sufficiently, another circle of problem identification and solution takes place. The primary activities are problem finding & acquisition, problem solving, choice, execution and control/evaluation (Stabell/Fjeldstad 1998, p. 423-424). The content of these activities is discussed in our presentation. The support activities are similar to the ones of the value chain. In addition, we see reputation as a core value for problem solving organisations because they have to signal their ability to identify and solve problems (Woratschek/Roth/Pastowski 2002, p. 61). A training camp may perform best, however, without reputation there is only a small chance that young talents will sign a contract. Thus, in opposite to a value chain the value activities of a value shop are more oriented towards values than costs.

The value creation logic of the value network is best applied to organisations that offer network services and mediate or coordinate the network participants. The value network is found at sports leagues that organise a cooperation. The purpose of a sports league is to arrange contacts between members and to coordinate the sport competition. The league management is responsible to sign up new members for the network and to terminate memberships. In contrast to a value chain, scale and capacity utilization determines not only the costs but also the values. For example, the value of a network depends on the number of participants. Two teams are not enough for an interesting championship series. Until a certain level, more teams guarantee more excitement and hence create more value. But as soon as the number of teams is too high, the size of the network becomes disadvantageous. Thus, networks are both cost and value orientated.

However, the primary activities are network promotion & contact management, service provisioning and infrastructure operation. In our presentation these activities are focused from the perspective of a sports league. The primary activities are carried out simultaneously in contrast to value chains (sequentially) and value shops (cyclically). The support activities are equal to the ones of the value chain. Value networks show that coordination is productive by itself. This is why value is created by facilitating, promoting and maintaining a platform for the interaction of network participants.

Results

The value analysis is a method to derive competitive advantages. Realising these advantages depends on the way primary and support activities are performed. As a consequence, it is important to define these activities precisely. Thereto, the business models value chain, co-producing value chain, value shop and value network are the necessary tools for sports managers. But it is important to use the proper business model for a specific sports organisation. So far, value analyses have not been used properly in the sports sector. If a training camp used the value chain for an analysis, they could try to have the best or cheapest inbound logistics similar to an industrial enterprise. This strategy, however, would not be very successful because a value shop should focus on his primary activities. If they had used the value shop for their analysis, they would aim to be the best regarding the choice of individual training methods. The last strategy is probably more successful because this is what the customers of a training camp are mainly looking for. Competitive advantage can only be reached through cost leadership or differentiation regarding the primary activities.

Discussion

The sports sector is very heterogeneous and different value configurations are necessary for value analyses. This is why we suggest new business models besides the value chain for the value analysis of sports organisations. These are the co-producing value chain, the value shop and the value network. A further problem is to implement the different strategies, which are the result of a value analysis. This part is most individual for the organisation on focus. For example, decisions about the revenue model and the pricing strategy have to be made. There is no question, that implementation is a very important aspect to be economically successful. Further research should focus on implementation of the new business models in value analyses.

Furthermore, it is obvious that an organisation can have different business models for each business unit. Further Research is necessary to know more about successful combinations of these different business models within a single sports organisation.

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