

# EMPIRICAL ANALYSIS OF THE VALUE CREATION OF SPORT ORGANISATIONS

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## Context

Professional sport organisations need to understand their value creation to be successful in the market. Value creation analyses are a way of supporting the evolution of successful strategies, because they help identify an organisation's value creation. But they rely on distinct business models describing generic value creation. Three such models are: Value chain, value shop and value network. The value chain explains the value creation of industrial organisations (Porter, 1985). Value shops describe the value creation of problem-solving organisations. Value networks illustrate organisations intermediating customers (Stabell & Fjeldstad, 1998). But these models were developed for professional businesses like manufacturing companies, consulting agencies and telephone networks. So far, their application to sport organisations took place only from a theoretical point of view (Woratschek & Schafftmeister, 2005). The purpose of the paper is to test the models for sport organisations empirically. Hence, the research question is whether the value creation of sport organisations is similar to that postulated by the three business models?

## Methods

Based on the business models, a guideline was developed for one-on-one interviews with members of executive boards of professional sport organisations, asked them to explain the value creation of their organisation. The interviews were intended to last about an hour, and the team consisted of an interviewer and a note-taker. The guideline was pre-tested with sport management students who had completed a placement in a sport organisation. A qualitative design was chosen, because this was an exploratory study, and it was flexible enough to take care of questions that emerged during the interviews. Managers were chosen from a network of former sport management students, and about two third agreed to participate. 21 interviews were completed in organisations including car racing and soccer teams, facilities and training camps, consultancies, company sport organisations, marketing agencies, leagues and sport federations, and event organisers.

Hypotheses derived were that: 1) soccer and car racing teams create value as described by the value chain; 2) training camps, sport consultancies, company sports organisations, marketing agencies and event organisers work according to the value shop, and 3) sport facilities and league organisations are organised as value networks. An evaluation with a double check for reliability was used for analysis. The analysis followed procedures specified in the literature (Gremier, 2004; Keaveney, 1995; Kolbe & Burnett, 1991; Perreault & Leigh, 1989) viz, coding, paraphrasing statements, bundling statements for captions, first reliability check, comparison of bundles across all interviews, second reliability check, and theoretical generalisation.

## Results

Hypothesis 1 was not confirmed: soccer and car racing teams see themselves more or less as value networks. The managers revealed that their core value creation was to intermediate. Therefore, they used sport as a platform to establish relationships (with sponsors, advertising companies, fans, coach potatoes). Sponsorships are a prominent example of such a value creation. Sports organisations offer an opportunity for sponsors to display their advertising message. In this case those organisations intermediate between sponsors and spectators using the event as a platform that is more important in the managers' perceptions of value creation than, for example, the ticket sales. However, the interviews show also that building the platform is often organised as a value chain, but the teams see their core value creation in using the platform, not building it up.

Hypothesis 2 was confirmed, but not all of the organisations interviewed followed the same track to create value, differing in the content and structure of value-creating activities. While one training camp focused on problem definition, another concentrated on executing its training plans. But all

value shops have one thing in common: communication between employees seems to be a critical success factor. This is reasonable, because value shops create value as they solve customers' problems and problem solving requires expertise. Exchanging knowledge, experiences and other know-how is a means of increasing expertise in the organisation.

Hypothesis 3 was also confirmed, but both sport facilities and leagues worked also as value shops. On the one hand, sport facilities ran a platform for people to meet and to play/exercise together. On the other hand, they offered classes such as aerobics. For leagues, the situation was similar: they had to organise a wide range of interests of different partners (in this sense any stakeholders who used the platform for interaction). However, the diverse interests of the partners brings a need for partner management capability. In practice, partner management systems focused on stakeholders bringing revenues for the organisation. Furthermore, the interviews showed that combinations of all three models were frequent. The theoretical order and importance of single activities changed over organisations, although the outline of the distinct models was kept.

### **Discussion/Implications**

Three main implications can be derived from the analysis. First, sport organisations do create value as postulated by the value chain, value shop and value network business models. However, the second and third are the dominant forms for sports organisations. The value chain is used more or less in combination with the other two. This shows that value creation in sports organisations differs substantially from that of industrial organisations, and so the same management implications are not appropriate. Second, a single value configuration seldom exists in a sports organisation; most apply combinations of two or even all three. Here, it is important to focus on the core business to derive strategies. Third, the results motivate modifying the business models for sports organisations. One example is the importance of communication to the value shop, because experts for different areas are needed to solve the problems.

All in all, managers should not focus on products and services too much. The first step to being successful is to understand the value creation of an organisation; the second is to derive products and services that have to be based on both customers' needs and the organisation's opportunities for core value creation.

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