# STADIUM MANAGEMENT IN ITALY: THE CASE FOR CO-OPETITION

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## INTRODUCTION

We present a theoretical model of strategic management of stadiums in Italy, which are public facility property of the municipality (a public subject), to answer the following research question: What are the relevant strategies two football clubs can pursue when they are forced to play in the same field owned by a public entity? We think this argument has interesting bearing also when we keep in mind the implications of considering stadiums as essential facilities. We improve upon the model of Besen and Farrell (1994), who consider only industrial participants in alliances, to include the role of the municipality, and apply the model to sports management.

The stadium can be seen also as a form of local government service. A recent approach has emerged in the literature aimed at including the role of public subjects in industrial environments, labelled as "new governance". A comprehensive framework on the utilization of the stadium can be given from the perspective of López-de-Silanes et al. (1997). They list three theories to explain in-house versus contracting out: efficiency (social goal), political patronage, ideology. Our approach is from the perspective of co-opetition in strategic management studies and relies on history case analysis. We keep an eye also to the "new governance" approach, used to introduce social goals into the picture.

## METHODS

We focus on cases of twin clubs which play the same field because they belong to the same surroundings or town: they compete while developing cooperation, not only between themselves but also with the municipality (the pivotal player) which represents the community. We collected data for the whole universe of football companies that play in the same stadium, we approach stadium management treating the Italian situation as a case study. In discriminating between each couple of teams we considered sporting history as a proxy for Fame and importance (see Table 3).

## RESULTS

Convergence is a phenomenon that evolves not only according to technology, but also on territorial grounds over an (essential) facility, which in our case is public-owned. We sustain that a new type of demand is one of the convergence drivers. Fans have different needs which represent a basket, some of them essential. Football clubs can cooperate with firms from different industries (retail, food catering, hotels, sports apparel, etc.) to satisfy this new cluster of needs. Public ownership would lack the capabilities to successfully satisfy some of these needs and we could also say that it could not be allowed to employ resources to manage the facility at this level. Citizens could also consider these activities to be beyond the role, scope and objectives of the municipality. It comes then to football clubs to obtain the permission to manage the facility in order to provide a satisfactory level of service and to gain a resource rent.

The framework used to analyse the formation of a technology standard and technological convergence can be applied to the study of firms whose business is organized on a public (essential) facility. Besen, Farrell (1994) consider two firms in horizontal competition in a battle to establish a compatibility standard: they list three possible forms of competition. We propose to apply their theoretical model using the following analogy: the stadium in our case has the same role as the standard. The first form of competition is the

"Tweedledum-Tweedledee" situation (TT for short) with two similar firms which compete to establish own exclusive standard. The second case is the "Battle of sexes". We consider the actual situation of stadiums in Italy as one of "Battle of Sexes", let us say, as the baseline case. The third situation is the "Pesky little brother" (PB for short), where the bigger firm wants to go alone in its standard, while the smaller one wants to follow it. One club has the leadership and wants to develop its own stadium. The variables to consider regards sporting performance and managerial capacities, among which historical winning streak, larger fanbase, more brand equity and image, larger reputation. These allow to exert more pressure on the political counterpart. It prefers going alone with the stadium than bringing the other club along, while the smaller club tries to modify the competitive rules of the game (Brandenburger, Nalebuff 1997), which in the case of football clubs is very difficult. An important role is exerted by the municipality as a mediator, to coordinate the actions of the two clubs, thus reinforcing its role as a pivotal player. By leveraging on the literature on co-opetition strategies, we add a fourth possibility of strategic interaction, which from our point of view could characterize the situation in Italy: co-opetition (COOP for short), which is a slight modification of the Battle of Sexes, turning it from competitive to cooperative behaviour. It is based on the intention to buy the stadium together. Co-opetition strategies can be also aimed at sharing costs for maintaining the stadium or for investments to improve it. The latter case is conditioned by the ownership of the facility and by the length of the contract. In certain cases it can be further extended to other policies, for example aimed at reinforcing the social ties with the city (e.g., in corporate social responsibility). Having Besen, Farrell's model in mind, we illustrate some co-opetition strategies football teams develop. The facility may be allowed to host different sports (athletics for instance): in these cases for each football company it becomes difficult to have the exclusive right to manage the facility; that is why co-opetition strategy could prove effective to obtain the assignment of the structure. The two companies can cooperate, while being competitors for the audience and supporters in the matter of sport competition, especially when they play the same championship. Observing these different cases we could say that the strength of the pro teams compared to the strength of the public subject produce different strategies (co-opetition strategies and non co-opetition strategies) as shown in Table 3. The relative importance and fame of a company compared to social goals is the first dimension to consider. Social goals include various and diverse interest of community in using the facility, for example for concerts; these could be detected by devoloping several variables. Another dimension of analysis to consider is the availability of different facilities: in the case of Turin it has made a T-T strategy possible for Juventus.

## DISCUSSION

We think that the actual situation of stadiums in Italy as one of "Battle of Sexes". We foresee that a co-opetitive strategy will improve possibilities for all of the teams, which are nowadays stopped at a BS situation. We suggest that Milan and Internazionale can play a leading role in this group in developing co-opetitive strategies to buy San Siro or to go alone in a TT strategy. By transferring the facility to a company, the service provided to customers (football fans) could be improved and companies themselves can have more stable revenue sources. This requires more co-operative actions on the part of the companies to acquire the force enough to establish themselves legitimate counterparts to the municipality not only to run the facility, but as part of the community. From a situation of contracting-out, in which the stadium is privately managed, football companies could internalize this very relevant determinant of their revenues and call for a complete privatization of the facility. This should result from reconsidering the relative importance of the social utilization of the facility versus the private interests of football companies. Moreover, by active cooperation the two teams could improve upon their corporate social responsibility. This is even more relevant when order and patrol in the stadium can be considered as a form of corporate social responsibility. Corporate social responsibility will improve their social role in the community.

*Table 3. Coopetition between football teams.*

| Fame and importance of the football team ↓ | Strategies | | Strength of public interest on the use of the facility ↓ |
|---|---|---|---|
| | *Non co-opetition* | *Co-opetition* | |
| *High* | Juventus FC ***(TT)*** | ***(COOP)*** A.C. Milan, Internaz. FC Roma AS, SS Lazio | *Private interest greater than public interest* |
| *Low* | AC Torino ***(PB)*** | **(BS)** Atalanta, Albino Leffe Chievo, Hellas Verona Sampdoria, Genoa | *Private interest less than or equal to public interest* |

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