DOES CORPORATE TEAM SPORTS CREATE SHAREHOLDER VALUE?
- AN EVENT STUDY OF JAPANESE CORPORATES -

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INTRODUCTION

Corporate based sports teams and leagues play an important role in Japanese sports culture as exemplified by Women`s volleyball. Furthermore, some 50% of the Japanese athletes participating in the Sydney Olympics were employees of a company. Corporate sports covers a wide range of sports ranging from baseball to handball.

In principle, athletes on a corporate sports teams are full time employees of the company and are often expected to undertake basic business/management tasks. And hence, whether such athletes can be deemed amateur or should be thought of as semi-professional is not often clear cut. The role of corporate sports teams at its outset was to promote healthy working conditions and unity in the firm. Over the years, the advertising and firm promotion aspect has played an increasingly important role. Whether amateur or semi-professional, corporate sports is integral to sports culture in Japan.

With the recession in the 1990s, many Japanese companies facing financial distress chose to close down their sports team operations. Such restructuring in the last 15 years peaked in 2000 with some 60 corporate based sports team being closed down (NRI, 2004). One question which arises is whether such actions create shareholder value if corporate profitability is the key issue at hand? A widely accepted and publicized rational for closing down a team is that such teams are a financial burden. On the contrary, one could argue, maintaining such teams even at a direct financial cost, actually creates value when taken in the broader context of corporate social responsibility. In this paper, we apply event study methods to empirically investigate whether such restructuring of corporate team sports creates shareholder value.

METHODS

This paper undertakes an event study of Japanese corporations which have chose to shut down their sports team operations. We estimate a market model by regressing daily stock returns of the target firm on the TOPIX index returns. (Cumulative) Abnormal returns based on the estimated market model are averaged across the sample of firms to identify an average effect. A statistically significant positive CAR around the event announcement date, could then be interpreted as evidence that investors believe abolishing such teams creates value (in times of financial distress). Event announcement dates are taken as the press release dates; dates are confirmed with a search in the Nikkei and other Newspapers.

Future work will include an event study method using matching firms as opposed to the index and an expanded sample of firms. Updated findings and paper to be distributed at conference.

RESULTS

Our preliminary findings for a sample of 30 publicly listed firms indicate that investors are neutral with regards to closure of corporate sports teams. The average CAR at the announcement date was not statistically significant at the 1% level. These findings are consistent with the Daiwa report (2005) which looks at the stock price dynamics of firms which have closed down their sports team operations.

DISCUSSION

We provide some evidence that the closure of corporate sports teams do not necessarily create value for the shareholder in times of financial distress. Thus one policy implication would be that a change in management style and positioning of the sports team within the firm could potentially create value. Recent efforts include cases where several firms network to support a team instead of working independently. Also teams which contribute to the local community could be an integral part of the firms CSR policy.

REFERENCES

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