

Guest editorial: performance strategies for meeting multiple objectives

The case of professional sport teams

Introduction

The world of contemporary sport, at its elite end at least, presents a complex challenge for sport management as the product it delivers to participants and fans is so idiosyncratic (Smith and Stewart, 2010). This claim can be accompanied by the view that while professional sport is in large part just another form of business, it has a range of special features that demand a customised set of practices to ensure its effective operation (Smith and Stewart, 2010). As such, professional sport is much more than just a business and is influenced by its rich history, emotional connections, tribal links and social relevance. Factors such as these are difficult to objectively measure yet they will have a bearing on the business performance of sporting teams.

When we consider professional sport teams in particular we find that the research activity which surrounds it has been heavily linked to the field of economics and principally the concepts of uncertainty of outcome, competitive balance and profit and utility maximisation (e.g. Buraimo *et al.*, 2015; Fort, 2015; Kesenne, 2015; Leach and Szymanski, 2015; Sloane, 2015; Vrooman, 2015). These factors are important as professional sport teams ultimately operate under multiple objectives. The two most prominent of these are generally: to maintain a high level of on-field performance and, to maximise off-field commercial business operations in the pursuit of revenue gains. For the latter, the concept of corporate social responsibility has started playing an increasingly important role (Breitbarth *et al.*, 2015; Kolyperas *et al.*, 2016). It is widely acknowledged in academia that these objectives are linked yet there is no clear consensus as to which is the cause and effect. Normally, in business the fundamental aim is to make profit. However, this situation is not as straightforward in the professional sport industry and, particularly sport teams, which make them an interesting and contemporary research focus in the sport management industry.

The intertwining of these factors creates a practical management dilemma for professional sport teams. They must strategically position themselves to maximise performance both on and off the pitch whilst simultaneously satisfying a number of different stakeholders. As previous research suggests, reconciling the “on-field/off field” dichotomy in professional team sport is not easy and it has proved a highly contentious issue in recent years (Chadwick, 2009) and often transcends into discussion around the “twin” objectives of professional sport teams (e.g. Plumley, Wilson, and Shibli, 2017). One is financial, in relation to business operations, and the other is sporting, in relation to on-pitch performance and trophy success. Other authors have cited similar objectives under the term “institutional logics”. For example, Carlsson-Wall *et al.* (2016) discuss the terms sports logics and business logics which are closely aligned to the financial and sporting variables outlined above. Carlsson-Wall *et al.* (2016) state that while sports and business logics sometimes compete with each other, in other situations they are in harmony whilst Plumley, Wilson, and Shibli (2017) suggest that financial and sporting performance are not dichotomous variables but a continuum along which clubs place themselves and move backwards and forwards to a greater or lesser extent.

There is substantial academic literature, which considers the relationship between financial and sporting performance in professional team sports (e.g. Kesenne, 2000; Garcia-del-Barrio and Szymanski, 2009; Sloane, 2015; Szymanski and Kuypers, 1999).



However, in presenting this special issue we claim that sport, and its management, has evolved further over the last few years, and that performance of professional sport teams should now be measured against multiple objectives; one way for such an examination to gain theoretical explanatory power is to take place through the lenses of multiple institutional logics (Carlsson-Wall *et al.*, 2016; Gammelsæter, 2010).

Multiple institutional logics

Pache and Santos (2010) outline that organisations often have to comply with the values and expectations of diverse stakeholders and institutional theory which suggests that such sets of demands should be conceptualised as “institutional logics” (e.g. Thornton *et al.*, 2012). Empirical research to date has discussed a number of different logics in various sectors and industries, including, but not limited to, a medical care logic in hospital setting (e.g. Reay and Hinings, 2009), a regulatory logic in the US finance industry (e.g. Lounsbury, 2002) or a personal logic within the higher education publishing market (e.g. Thornton, 2001). Within the early stages of the empirical research it was found that multiple logics co-exist during transition times until one logic “wins” and the field adopts the winning dominant logic (Di Maggio, 1983) or a new logic that is a hybrid version of earlier ones (Glynn and Lounsbury, 2005). However, more recent research suggests that multiple logics may co-exist at the organisational level for a substantial period of time (e.g. Lounsbury, 2007; Marquis and Lounsbury, 2007; Reay and Hinings, 2005). Furthermore, there is an emerging stream of research that has started to examine how such multiplicity of logics affects organisations (e.g. Almandoz, 2012, 2014; Besharov and Smith, 2014; Pache and Santos, 2013).

Given this context, there are some important questions that emerge in relation to how the multiplicity of logics might affect a professional sport. First, it is relevant to understand whether differing logics place different demands on different actors. For example, if all logics are fully compatible then there would be no cause for concern over such multiplicity. Second, if adhering to different logics requires conflicting courses of action then such incompatibility would pose a managerial challenge (Carlsson-Wall *et al.*, 2016). Thus, we can reasonably ask how to manage such competing logics. We have already made reference to the “on-field/off field” dichotomy in professional team sports but the collection of papers in this Special Issue also point to further logics that may need to be considered and that affect performance and managerial decisions.

Compatible and incompatible logics

Recent literature (e.g. Besharov and Smith, 2014; Greenwood *et al.*, 2011) highlight two main factors that explain why logics may possibly create tension within an organisation. First, Greenwood *et al.* (2011) suggest that the “nature and extent of institutional complexity faced by organizations is fundamentally shaped by the structure of the organizational fields within which they are located” (Greenwood *et al.*, 2011, p. 334). In this instance, the authors appear to be referring to the difference between highly fragmented and decentralised fields, where tensions between different logics are not moderated by field-level actors but have to be fully addressed by the organisations themselves, and less fragmented and more unified fields, where competing demands are worked out at a higher level, either by negotiation between field-level actors and/or by dominant actors enforcing compliance (Carlsson-Wall *et al.*, 2016; Greenwood *et al.*, 2011).

The second important factor is that, within a given field, different organisations may experience more or less tension between logics depending on how these logics are enacted with the organisation. This also depends on a number of other factors such as the strength of the relationship between organisational actors and field-level referent audiences and the relative power of different actors within an organisation (Greenwood *et al.*, 2011).

Carlsson-Wall *et al.* (2016) further the discussion on compatible and incompatible logics by building on the work of Greenwood *et al.* (2011). Whilst stating that the work of

Greenwood *et al.* (2011) can explain the variation in how logics are enacted between different fields and between different organisations, they cannot explain potential variation within organisations. Such variation would mean that the same set of logics may create tensions in some situations, but not in others, something that Carlsson-Wall *et al.* (2016) suggest as being the most likely occurrence. Some situations are characterised by courses of action or events that favour several logics at the same time, while others feature courses of action or events that are in line with one logic but conflict with others (Carlsson-Wall *et al.*, 2016). They outline this situation-specific logic using an example of a football club building a new and bigger stadium and the trade-off between sport and business logics. At first glance, two interpretations of this decision appear plausible. One is that the decision is in line with the sports logic, as it will create a better atmosphere in the stadium and that and it will motivate the players, but not in line with the business logic as building a new stadium requires a substantial amount of capital funding. The other interpretation, however, is that the decision is in line with the business logic, as the consequence of a new stadium over time is that it is likely to generate more revenue in ticket sales and an increase in the number of fans able to attend matches owing to an increased capacity size (Carlsson-Wall *et al.*, 2016). Arguably, in this scenario, there are further logics that exist that have yet to be considered. For example, there may be a fan logic that affects the decision in that some fans may favour a move to a new stadium whereas others may wish to see the team remain at the old stadium with respect of the historical traditions of the club. A similar scenario may occur among financial stakeholders within the club. In this situation, the dominant field-actors would have to consider all these logics and make a persuasive argument as to which is the right course of action to take. With this in mind, it can be concluded that logics are not compatible or incompatible *per se*, but are afforded different priorities in different situations (Carlsson-Wall *et al.*, 2016). Furthermore, the expansion of the football stadium example to consider more than two logics strengthens the argument that football clubs do appear to provide evidence of organisations that operate under multiple institutional logics. Not only that, football clubs also have to satisfy a number of diverse stakeholder demands which places increasing pressure on the importance of different logics.

Performance measurement in professional team sports

Previous academic research has examined the relationship between on-field and off-field performance in professional sports organisations (e.g. Guzmán and Morrow, 2007; Plumley, Wilson, and Ramchandani, 2017; Plumley, Wilson, and Shibli, 2017; Rascher, 1997; Szymanski and Kuypers, 1999). Whilst the majority of authors researching this field agree that on-field and off-field are indeed linked, there is still a lack of convergence in relation to two main factors; first, the presence of a cause and effect relationship between the two and, second, which variables should be used for analysis when measuring performance. Traditionally, variables have been assigned within two dimensions; financial and sporting indicators of performance. Within each of these dimensions, there is theory to suggest that certain indicators of performance can be measured in a robust and justifiable way. For example, when considering financial performance, there exists an accounting framework in most European countries that dictates how financial performance is recorded within organisations. Ratio analysis can be used as an applied form of financial measurement and has been used extensively in academic research across various industries including the airline industry (e.g. Feng and Wang, 2000), the American power/energy industry (e.g. Sueyoshi, 2005) and the Slovenian manufacturing industry (e.g. Ponikvar *et al.*, 2009). Similarly, when considering sporting performance in professional sports organisations there is a consistency to some of the indicators used to measure performance. A high number of studies have focussed on league position or league points won as a measure for their analysis (e.g. Guzmán and Morrow, 2007; Szymanski and Kuypers, 1999).

There is little doubt that the choice of these indicators of performance listed above are relevant for examining financial and sporting performance and the work undertaken in the last two decades in relation to this field has broken new ground in the context of sport business management research. However, there is also an argument in relation to the theoretical framework of institutional logics that are (implicitly) raised throughout this Special Issue and that suggest we may now have to move beyond these two dimensions and incorporate other logics in line with the diverse number of stakeholder groups that are apparent in professional sport organisations. Although generally constituted as limited liability companies and hence ostensibly operating within the same legal and governance framework as companies in other areas of economic activity, they exist in a peculiar emotional and social space, where unusually strong relationships often exist between the company and stakeholders. Unsurprisingly, these relationships can have an impact on business behaviour and decision-making (Anagnostopoulos *et al.*, 2014).

This special issue has sought to explore these characteristics and how they impact on a professional sport team's strategic direction. Our aim has been to add to the growing body of knowledge surrounding the economics and management of professional sport teams and enhance it by harnessing research, which seeks to explain, analyse and evaluate the characteristics of professional sport teams from a more holistic perspective. To that end the papers collected in this issue consider sports from around the world, challenge how we measure performance and how we can understand the impact of regulation and the advancement in technology. The following section offers a brief overview of these contributions.

Overview of contributions

In the first study, Terrien, Scelles, Morrow, Maltrese and Durand draw on the context of French football to investigate the win/profit maximisation debate. The point of departure is that the resultant trade-off between profit and win can be the consequence of strategy formulation or may result from a potential misalignment in its implementation. Indeed, the authors empirically demonstrate that a team can switch from one archetype to another due to the stochastic nature of the sport industry. Their findings also point out that the club director's utility function could be maximised under an intertemporal budget function to adjust the weight between win and profit according to the opportunities in the environment.

Wilson and Plumley's study draws on the – largely neglected – context of rugby union in the UK. The purpose of their study was to analyse the financial and sporting performance of rugby union clubs using a model they began to use in 2014 on professional football. They found a financial disparity amongst clubs which has widened while the sporting performance measures indicated a fairly equal competition, something that is less evident in other UK professional team sports such as football and rugby league. By demonstrating the importance of balancing multiple performance objectives in professional team sports Wilson and Plumley have enhanced the academic discussion on the financial health of professional team sports in the UK, particularly with reference to the financial health of rugby union where research has historically been scarce.

The third contribution of this special issue draws on a football context that is increasingly attracting the attention of media, administrators, and not least, the scholarly community; namely the Chinese Super League. Watanabe and Soebbing examine the impact of team performance, price dispersion for a single event, and market characteristics on fan attendance. Underpinned by economic demand theory and through the employment of econometric modelling and regression analysis, the authors conclude that using multi-tiered pricing for sporting events does not significantly enhance demand in this context, thereby challenging previous literature that have argued that attendance demand is often influenced by the number of price points.

Freestone and Manoli's study was set to examine the effects of Financial Fair Play (FFP) regulations on the competitive balance in English Premier League (EPL). Utilising different statistical methods, the authors found that there is no indication that FFP regulations have resulted in a decline in competitive balance in the EPL, but rather that a positive effect may have been caused. These insights partly support the view that FFP initiatives have begun to shift the focus of sporting competition away from financial strength, towards more natural means of competition such as efficiency, innovation and good management.

The last two contributions have social media at their core. The first one, by Parganas, Liasko and Anagnostopoulos, seeks to bridge the communication and sport economic research, providing evidence that Facebook followers are part of the cyclical phenomenon of team revenues and team performance. In so doing, it initiates a debate on the relationship between the digital expansion of a football club and its sports and financial indicators. In particular, it examines the association between team performance, commercial success, and social media followers in professional team sports. Their results indicate that all three main sources of club revenues (match-day, commercial/sponsorship, and broadcasting) are positive drivers for Facebook followers. Moreover, staff investments (staff costs) are also positively related to Facebook followers, albeit to a lesser extent, while higher-ranked clubs seem to follow a constant approach in terms of their revenues and cost structure. The second paper, by Kim and Hull, examine how fans are engaging with Major League Baseball teams that are utilising Instagram postings to demonstrate sporting, business, and social objectives. Results of this research demonstrate that while Major League Baseball teams are able to address their multiple objectives on Instagram, fans are not necessarily interested in all three of these efforts. More specifically, posts about on-field action, consumer buying opportunities or charitable efforts were all created by the majority of teams, but the sporting objective posts had, by far, the highest average number of both likes and comments when compared to the charitable and promotional objectives of the teams.

Concluding thoughts

These papers provide but a small sample of recent and ongoing work on the difficult task sport teams are faced with; that is, to meet multiple objectives via a wide range of means, not least regulations. As the articles in the present special issue illustrate, there are many complex and interesting avenues of inquiry that warrant further investigation. We very much hope that these papers, both individually and collectively, will encourage further significant theoretical, methodological, and empirical advances.

As a final note, we would like to express our sincere appreciation to all contributors to this special issue, including the authors of the articles, the anonymous reviewers who devoted their voluntary time to provide valuable feedback to the authors, and the editorial team at Emerald that was helpful throughout the process. A final specific mention should also be made to Dr. Daniel Plumley of Sheffield Hallam University. His contributions as a reviewer and towards this editorial have been precise and constructive throughout.

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