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Stakeholder influence strategies in bidding for a professional sport franchise license

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ABSTRACT

This paper examines an application for a franchise license in Australia's professional rugby league competition, the National Rugby League (NRL). Frooman's (1999) typology of stakeholder influence strategies is used to analyse the negotiation of resource relationships between a Gold Coast franchise bid team and its key stakeholders. Primary data came from 12 interviews with nine key actors in the bid process; these were buttressed by secondary data. Frooman's typology provided a useful heuristic, but did not fully account for the critical role of firm legitimacy in stakeholders' choice of influence strategies. The bid team negotiated stakeholders' initial direct withholding strategies by creating access to the intangible resource of legitimacy. This subsequently provided access to material resources such as finance, a new stadium, and, ultimately, a franchise license. The findings are of note to practitioners and scholars interested professional sport and stakeholder theory.

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1. Introduction

In 1995, the introduction of pay-TV in Australia sparked a divisive battle between media companies for the broadcast rights of Australian rugby league (Rowe, 1997). By 1998, the conflicting parties reached agreement and the National Rugby League (NRL) was formed as a joint venture between the media conglomerate, News Limited, and the Australian Rugby League (ARL), the code's national governing body in Australia. Presently, the NRL is one of Australia's most popular professional sport leagues, and is comprised of franchises from across the eastern states of Australia, plus one from Auckland, New Zealand (McGaughey & Liesch, 2002). This study explores how a consortium from Queensland's Gold Coast negotiated resource relationships with its key stakeholders in its successful bid for an NRL franchise license.

The NRL is one of five major professional sport leagues in Australia. The other leagues are the Australian Football League (AFL), Super 14 Rugby Union, A-League Soccer, and the National Basketball League. All four of Australia's football codes have expanded their national leagues over the last two decades. Complementing this growth, an increasing number of cities and regions have sought representation in national leagues. The economic and tourism impacts of professional sport franchises on cities have been explored elsewhere (cf., Higham & Hinch, 2003; Leonard, 1998). Meanwhile, Shropshire (1995) discusses the social benefits that being perceived as a "big league city" can bestow; and Sparvero and Chalip (2007) propose a model by which a host community can leverage the presence of a professional sport franchise for economic and social benefit.

Meanwhile, Rascher and Rascher (2004), Dickson, Arnold, & Chalip (2005), and Dickson, Cousens, & O'Brien (2005) explore league expansion issues in professional sport. And interestingly, Dickson, Arnold, et al. (2005) and Dickson, Cousens,

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et al. (2005) examine the expansion of the Victorian Football League (VFL) in the 1980s. The authors address the nature of interorganisational power relationships between the league's governing body and clubs seeking to join the league—the VFL's key stakeholders during the expansion process. The term “stakeholder” refers to, “any group or individual who can affect or is affected by the achievement of organizational objectives” (Freeman, 1984, p. 25). This somewhat broad definition has since been refined. Clarkson (1995) distinguishes a *primary* stakeholder as, “one without whose continuing participation the corporation cannot survive as a going concern” (p. 106). Thus, a consortium seeking inclusion in a professional sport league, referred to in this study as a “franchise bid team,” is dependent on primary stakeholders for the resources it needs to achieve entry into the focal league. This resource dependency suggests the influence of power relationships in the franchise bid process. In this context, power is, “structurally determined in the sense that the nature of the relationship – that is, who is dependent on whom and how much – determines who has power” (Frooman, 1999, p. 196). From this perspective, power is thought of as a characteristic of the relationship between actors, not as a trait of the actors themselves (Frooman, 1999).

Researchers such as Clarkson (1995) and Mitchell, Agle, & Wood (1997) examine power within stakeholder relationships. However, like Freeman's (1984) seminal work, most stakeholder research addresses managerial behaviour taken in response to stakeholders, rather than the behaviours of the stakeholders themselves. This prompted Frooman (1999) to propose a working heuristic to address *stakeholders'* strategic behaviours, rather than the firm's. He argues that,

knowing how stakeholders may try to influence a firm is critical knowledge for any manager. After all, for managers to act strategically and plan their actions. . .presupposes that they have some idea of how others in their environment will act (Frooman, 1999, p. 203).

Therefore, Frooman (1999) proposes a typology of stakeholder influence strategies, which forms the core of this study's theoretical underpinnings. The study's purpose was to understand the negotiation of resource relationships between a professional sport franchise bid team and its key stakeholders. In so doing, the study places stakeholder theory in a specific and under-researched context—professional sports league expansion. This makes a contribution to stakeholder theory, and builds on the work of Dickson, Arnold, et al. (2005) and Dickson, Cousens, et al. (2005). In the next section, the study's research context is presented.

2. The research context

The Gold Coast is a city in the south-east corner of Queensland, and is part of Australia's fastest growing region with a population of approximately 500,000 (Australian Bureau of Statistics, 2001), and an estimated growth rate of 3.4% per annum from 2000 to 2005 (Gold Coast City Council, 2005). This makes the Gold Coast Australia's sixth largest city, and its largest non-capital city (Gleeson, 2005). Despite this, the Gold Coast has a somewhat dubious history in hosting professional sport franchises. National league franchises in Australian Rules football, basketball, and baseball have all been located on the Gold Coast, but either relocated or failed in 1993, 1996 and 1999, respectively (Australian Baseball Federation, 2003; Brisbane Lions, n.d.; National Basketball League, 2005).

The Gold Coast has also hosted professional rugby league franchises. In 1988, the Gold Coast Tweed Giants was formed and, 2 years later, was taken over by the Tweed Heads Seagulls Leagues Club and re-named the Gold Coast Seagulls. By 1995, its main financial backer withdrew support and the franchise was taken over by the Australian Rugby League (ARL) and re-named yet again, the Gold Coast Chargers. However, in the aftermath of the broadcast rights battle between News Limited and the ARL,¹ the NRL revoked the Chargers' license in 1999 as part of a rationalisation process (Gold Coast Rugby League, 2004).

Therefore, by 1999, the Gold Coast had no national league presence in any professional sport. Following the Chargers' exclusion in 1999, however, a Gold Coast consortium began lobbying almost immediately for a new NRL franchise license. A 6-year process ensued that culminated on May 27th 2005 when the NRL announced that the Gold Coast Titans would receive the 16th franchise license to enter the league in 2007. The Gold Coast was not the only city pursuing a 16th NRL franchise license. Competing bids from Wellington, New Zealand, and the Central Coast in New South Wales were also advanced. Thus, to achieve entry to the NRL, the Gold Coast consortium entered into a protracted bid process; this bid process forms the context of this study. In the next section, the theoretical foundations of the study are presented. This is followed by a discussion of the research methods employed. Then, the study's results are presented, before a brief concluding section that discusses the implications of the research.

3. Theoretical background

In Freeman's seminal 1984 work, he contended that, “The stakeholder approach is about groups and individuals who can affect the organization, and is about managerial behaviour taken in response to those groups and individuals” (1984, p. 48). Since Freeman (1984), numerous researchers have continued to extend this early work (cf., Clarkson, 1995; Donaldson & Preston, 1995; Frooman, 1999; Hendry, 2005; Mitchell et al., 1997; Phillips, 2003; Rowley, 1997; Rowley & Moldoveanu, 2003; Voss, Voss, & Moorman, 2005). For example, Frooman (1999) contends that while stakeholder theory has helped

¹ For a full explication of the “super league saga”, see McGaughey & Liesch (2002).

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