

## 12 Strategy and Environmental Analysis in Sport

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### Learning Outcomes

Upon the completion of this chapter, the reader should be able to:

- Understand the complex nature of strategy and identify the key points of similarity and difference between different definitions;
- Explain the importance of strategy in the management of sport;
- Analyse the key elements of organisations and environments which determine how strategy is carried out;
- Explain how different organisational characteristics and environmental circumstances require different approaches to strategy and different skill sets on the part of strategy makers;
- Identify the most appropriate form of analysis according to the circumstances of different sport organisations.

### Overview

This chapter focuses on the nature of strategy and how this influences the direction and behaviour of sport organisations. The chapter begins with an explanation of what we mean when we talk about strategy and how this means different things to different people. The chapter also looks at the common elements of strategy across different theories, schools and concepts in order to understand what it means to be a strategist in a sport organisation. The chapter considers three issues crucial to the development of strategy:

- The philosophy of strategy and whether strategy is a science or an art;
- The process of strategy and whether strategy is based around planning and analysis or trial, experimentation and emergence;
- The drivers of strategy and whether the crucial determinants of a strategy are the organisation or the environment.

The chapter concludes with a discussion of the relationship between theory and practice and what this means for a strategist in a sports organisation.

### Understanding Strategy

In November 1986, Alex Ferguson took over as manager of Manchester United. At the time of his appointment it had been over 20 years since they had last been champions and they were second bottom of the First Division. In May 1999 they won the European Cup. In less

than 13 years, Manchester United had gone from being a team on the verge of relegation to being the best team in Europe and, in terms of revenue and support, the biggest football club in the world. It did not happen by accident, easily or quickly. It happened strategically. The manager explained, “*Putting them in a position to challenge consistently would be a long haul ... would have to build from the bottom up ... through every layer of the organisation ... all had to believe*” (Ferguson, 1999, p.242). The success of one of the biggest sports organisations in the world is a good example of strategy in action: It has elements of vision, analysis, planning and implementation; it contains both creativity and practice and, perhaps most important of all, it is not just about the individual elements of strategy but how they are linked together.

Seeing a strategy unfold is a lot easier than formulating a strategy or understanding the theoretical foundations of the study of strategy which allows us to make sense of what sports organisations do when they act strategically. Chaharbaghi and Willis (1998) explain why recognising strategy when you see it is easier than understanding strategy by suggesting that it is because there is no single and universally accepted definition of *strategy*: They found over 50 different definitions and explanations of strategy in common and regular use. This reflects the diversity in the practice of strategy not only in sport but in every arena where strategy is important. Some influential writers on strategy have suggested that this is actually of real benefit (see, for example, Mintzberg et al, 1998). Having different explanations of strategy gives us different ways in which we can examine strategy in action. In sport no two games, matches or races will be exactly the same and in the business of sport no two organisations or their circumstances will ever be the same and so having multiple choices of how we analyse them is important.

There is, though, common ground on which strategy stands. Three of the most common assumptions on which the theory of strategy is built are:

- Strategy is about the future. A strategic manager in a sports organisation is less concerned with where the organisation has come from but is very concerned with the next step for the organisation and the step after that and so on. Vision is, therefore, central to strategy.
- Strategy is about how the whole organisation fits together. Strategic decisions can be identified in sport organisations because they have the widest ramifications and implications. Decisions taken by a strategist will have an impact on all the other elements of the organisation.
- Strategy is about the relationship between the organisation and the environment in which it operates. Strategy matters because it influences how the organisation copes with the competition in an industry or market or how the organisation accesses the resources it needs.

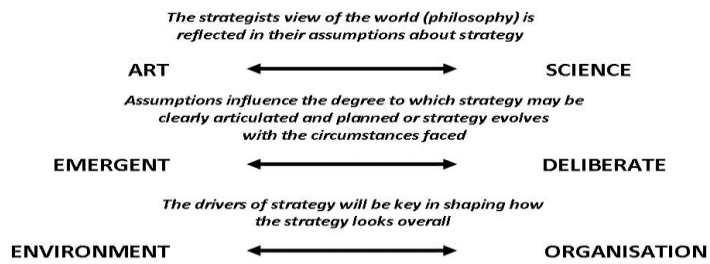
Mintzberg (1987) takes these assumptions and develops the “*5 Ps for strategy*” which can “*help practitioners and researchers alike to manoeuvre through this difficult field*” (p.11). The first is *Plan* which raises the notion that something happens before strategic actions take place. Actions are developed consciously; a professional sports team will rarely take the field without a clear idea of how they will play. The second P is *Ploy*. This raises the idea of strategy as having the specific purpose of beating the opposition; plans are frequently built

around the weaknesses of the opposition as well as your own strengths. Next, *Pattern*, refers to the results of strategic actions and behaviours induced; what happens once play has started is constantly changing as new patterns emerge, some intended and some otherwise. The fourth P, *Position*, tells us that strategy locates an organisation in its environment; the ability of a team to win is the product of the interactions of all the players and competitors not just one. Finally, strategy is about *Perspective* and how the organisation, for example, sets objectives, decides how those objectives will be met and how it wants to be viewed by the outside world. The success enjoyed by our earlier example, Manchester United, illustrates how the relationships matter more than anything else. The Perspective of the club centres on the symbiosis between success on and off the field where both are needed to drive the club forward. Success on the pitch is part Plan (what happens in training), part Ploy (the scouting of the opposition) and part Pattern (being able to improvise when needed). Their Position, in footballing and business terms, is the result of how these elements are blended together.

At the most fundamental level, strategy is about two decisions; managers in sport organisations must first decide what they want to achieve and then decide how they are going to achieve it (Whittington, 2002). Michael Porter, elaborates on this and suggests three propositions of how strategy can be viewed (Porter, 1996):

- Strategy is a race to an ideal position. It is a race between competitors and not a journey that just one engages in alone. Whether the ideal position is winning a tournament, making profit or developing a supporter base, sports organisations will face competition from other sport organisations in trying to achieve it.
- Strategy is the creation of a unique and valuable position involving a different set of activities. Strategy is about how you make yourself different compared to the competition. Teams will have their own styles and tactics, businesses will have their own products and services. These differences have a purpose and that is to bring value to the team or organisation.
- Strategy is about making trade-offs and deciding what to do and what not to do. All resources are finite: Football teams have only 11 players and rugby teams just 15; Businesses have access to limited human, financial and physical resources. Making yourself strong in one area may mean you become weaker in another. Strategy is about managing strengths and weaknesses.

Strategy is, therefore, a complicated phenomenon. Adcroft and Teckman (2008) say that it is about how an organisation *performs* combined with how it *competes*. By performance, they mean the organisational elements of strategy such as vision, motivation, integration and change. With competing, they refer to the external elements of strategy and how the organisation interacts with outside elements such as competitors. This reflects the assumptions discussed earlier but there is still much debate about how they translate into the way strategy is done. The chapter will discuss three of these debates about strategy and how they can help us generate a better understanding of the strategic management of sports organisations. Figure 12.1 explains the relationship between these issues.



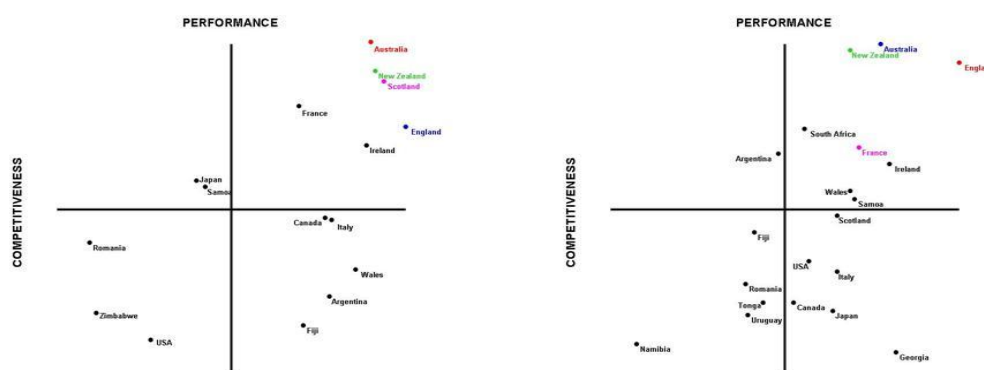
**Figure 12.1:** The relationship between the philosophy, process and drivers of strategy

## Case 12.1 England win the Rugby World Cup

In 1997 Clive Woodward took over as the head coach of the English rugby union team. When he started, he had no office, no secretary and very little institutional support for what he wanted to achieve. Six years later, England won the Rugby World Cup. How were England transformed from chronic underachievers to world beaters in just six years?

Woodward is one of the more interesting characters in rugby union. As a player during the amateur era of the game, he enjoyed success at club level in England and Australia and was also an international player with England and the British Lions. Following his retirement from playing, he built up a successful career in business, first of all with Xerox in Australia and then with his own leasing company in the UK as well as becoming a well respected coach with a number of clubs in England. What Woodward brought to the England set up was a wealth of experience and achievement both on and off the field in rugby and a sharp strategic mind honed during his business and management career.

Despite having access to the highest quantity and quality of resources, before 2003 England had never won the Rugby World Cup. According to Adcroft and Teckman (2008) their problem was not that they weren't competitive, their problem was that they simply didn't perform to the highest standards. Figure 1 below shows the difference in England's performance and competitiveness in the 1991 world cup (where they were runners up) and the 2003 world cup (which they won): The most significant difference was in the performance levels of the team.



Source: Adcroft and Teckman, 2008.

### Figure 12.2: Performance and Competitiveness Matrix for the 1991 and 2003 Rugby World Cup

The vision that Woodward provided for the England team was clear and unambiguous; they were to become “*the world leader*” and “*the best in everything we do*” (Woodward, 2004, p. 168). In delivering this ideal position, Woodward developed seven principles from his experiences in business and sport:

**Body and Soul:** Being involved in the England rugby team required total commitment. Players, for example, may play for their clubs but their primary commitment was to the national team.

**The Value of Employees:** The primary resource available to England were the players and these resources had to be nurtured, developed, rewarded and constantly updated if better players became available or existing players retired. The players should expect the same level of commitment to them from England as England expected them to make.

**Beyond Number One:** The culture of the England set up is based on never resting on your laurels or being complacent but always looking to the next challenge.

**Noses Pointing in the Same Direction:** Everyone involved in the England rugby team must work towards the same goal from the coach and captain, through to the players and administrators.

**Critical Non-Essentials:** There is a constant drive to find elements which are unique and valuable and so will contribute to a competitive advantage even if they are outside of the core activities of the team.

**Re-evaluate Structure:** Constantly look at how things are organised and managed at all levels, always be prepared to try new things and change if necessary.

**No Compromise:** Having a vision is only useful if decisions are taken and actions carried out that allow that vision to be realised.

Central to the success of the England rugby team was a clear strategy which articulated not only what was to be achieved but also how it was to be achieved. This required changes to the structure and management practices of England but, more importantly, changes to the culture and behaviour of the team and its support staff.

### **Discussion Questions**

1. What do you think were the most important changes made which allowed England to be successful under Clive Woodward? Why?
2. Think about a sporting organisation you are familiar with. Do you think the approach taken by Clive Woodward would be successful in that organisation? Give reasons for your answer.

## **The Philosophy of Strategy**

In this section we are going to consider the implications of strategic decisions for sport organisations. In football, for example, the most important global tournament is the World Cup held every four years. The two most successful nations have been Brazil and Germany. Each has appeared in the final seven times, Brazil have won five and Germany have won three of their appearances. Whilst both of these teams have gone into the finals of the World Cup with the same overall objective, to win the tournament, they have adopted fundamentally

different approaches to playing in the tournament. We can broadly characterise Germany as adopting a scientific approach based around, for example, organisation, clear lines of responsibility, planning and preparation, analysis of the opposition, playing to preset patterns and so on. The Brazilian approach is much more artistic where the emphasis is on individual skill, improvisation and creativity. Different teams will adopt different approaches to achieving their objectives and so we need to think about the different factors that determine how an organisation meets its objectives.

Any organisation's strategy is determined by just two things: the organisation itself and the environment in which it operates. In terms of the organisation, there are many different characteristics which will influence how strategy is made and these characteristics can be tangible and intangible, visible and invisible (Ambrosini et al, 1998). In 1995, for example, rugby union turned professional which created a series of challenges for rugby clubs. Prior to professionalism, the strategic objectives of rugby clubs were based on Corinthian principles of participation, the spirit of the game, and so on. Post-professionalism these clubs had to change and take on a new set of strategic objectives which combined sporting objectives with business objectives based around developing a customer base, generating revenues from a variety of sources, managing an expanding wage bill and so on. It is not just the stage of an organisation's development which influences strategy from within as there are many other factors such as size, leadership, structure, ambitions, resources and assets. The other side of the strategic equation is the environment and this also has an influence on how strategy is made; for example, organisations which operate in competitive environments will have different strategic behaviours to those which operate in uncontested circumstances. The degree of regulation in an environment influences strategy and globalisation has had a significant impact on many sports. Madichie (2009), for example, has identified some implications of these changes for the football industry in the UK.

Strategy is, therefore, a complex activity with many different dimensions. This gives rise to the two main *philosophies* of strategy, art and science, discussed in the World Cup example. When we talk about strategy as being art we are talking about a particular view of the world: The world is complex, interrelated and unpredictable and this determines how strategy should be carried out. As an illustration, when strategy is viewed as art a premium is placed on the intuition and creativity of the strategic leaders. Having a feel for what is going on is seen as being more important than rigorous analysis as this is the underpinning of creativity and the development of new strategies which are different to those which may have been employed in the past or by rival organisations. Mintzberg (1987) suggested that strategy is something which could be "*crafted*" which raises a set of important implications for the strategist and the sports organisation. Consider Major and Minor League Baseball in the United States. In Major League Baseball, the clubs are often multi-billion dollar organisations with fan bases running into millions, stadiums holding tens of thousands of supporters and players often on contracts worth over \$100 million. Minor League Baseball operates on a much smaller scale and there is much less at stake when strategic decisions are taken. For a small team like the Connecticut Defenders with average attendances of less than 6,000, it is possible to see how strategic decisions could be taken on the basis of intuition and without a long analytical process. Could the same be said of the New York Yankees where every game is a sell out in a stadium which cost over \$1.5 billion? Given the environment in which the Yankees operate where they must compete not only on the pitch but also for supporters, television revenues

and players, can they find a unique and valuable position without some elements of creativity? How can the Defenders progress through the Minor Leagues without a well thought through strategy? Strategy is indeed a complex activity.

The opposite view, strategy as science, begins with the assumption that the environment is a fundamentally rational place and the different players in that environment (businesses, customers, suppliers and so on) will act in a rational manner: Sport organisations are expected to behave in a way most suited to meet their objectives, supporters make rational decisions about which matches to attend or replica shirts to buy and so on. Rationality means the environment is predictable and so planning long term strategies is possible. The first proponent of this view was Andrews (1965) who suggested that strategy was about analysing the environment in order to understand the available opportunities and threats faced, identifying the strengths and weaknesses of the organisation and then formulating an appropriate strategy. What is usually central to any scientific approach to strategy is the activity of analysis. From a scientific perspective strategy is frequently a linear process made up of defined steps which are combined together with a clear and coherent logic.

When we analyse the strategies of most sport organisations and the strategic behaviours of people within them, we are likely to find elements of both art and science in strategy making. If strategy was solely about art then it would be a trial and error driven activity where intuition is wrong as often as it is right which gives rise to levels of risk unacceptable in sport organisations with global reach like Manchester United and the New York Yankees. On the other hand, if strategy was solely scientific in nature, it would result in all organisations coalescing together when faced with a common set of rational threats and opportunities in their environments. Organisations like Manchester United and the New York Yankees would not be able to generate a distinctive competitive advantage for the long term. This suggests that the underpinning philosophies of strategy are clear cut in theory but not always in practice, the next section of this chapter will consider the extent to which it is the same for the process of strategy.

## The Process of Strategy

The 'Rumble in the Jungle' between Muhammad Ali and George Foreman in 1974 is probably the most famous bout in boxing history. In this fight, the 34 year old Ali won the heavyweight title from Foreman, a fighter many experts felt was unbeatable. This fight is a good illustration of how an implemented strategy can become very different to the strategy intended. Mailer (1975) argues that Ali's strategy going into the opening round was to surprise Foreman with unexpected punches and knock him out. The strategy failed. Ali's response was to say to himself "*I'm going to find a way to master this man*" (p.183) and he improvised a new strategy, the *rope a dope*. Seven rounds later Ali knocked Foreman out. There are two important lessons from this example. First, things rarely go exactly to plan: A competitor may respond in an unexpected manner, consumer tastes may shift suddenly or there could be a shock to the economic system. The second lesson is that if a strategy is not working, then it has to be changed. Porter (1996) argues that strategy is about creating positions which are unique and valuable; a strategy that does not work can be unique but



never valuable. Ali went into the fight with a deliberate strategy but won with a strategy that emerged from the circumstances.

When we talk about deliberate strategies, we are referring to strategy having a distinct and clear planning dimension (Lynch, 2009). Consider the different levels of decision making and action that take place when a sport organisation behaves strategically. At the highest level, decisions are taken about objectives. These may involve decisions about targets for performance in terms of, say, positions in a final league table, matches to be won and so on. It can also involve business objectives with things like market share, revenues and profits, share prices and so on. Objectives on their own are meaningless as they have to be supported by decisions about how they are going to be reached. This is frequently referred to as the policy level and could involve decisions about how a team is going to play, the type of player that may be recruited, how revenue is going to be generated from television, merchandise, through the turnstiles and so on. The strategy of the organisation is still unrealised; things have been planned but not implemented. The final stage in the process is the shift from decision making to action. This is the stage where the team will implement what has been practiced on the training ground, the new replica kit will be launched, the new stadium opened and so on. The key element is that the three dimensions of strategic behaviour are linked together in a coherent and logical manner. Within a deliberate framework, organisations work towards clearly defined goals, have explicit plans about how those goals are to be met and these plans are put into action throughout the organisation (Lynch, 2009).

The most common form of deliberate strategy is built on the analysis-choice-implementation cycle. Strategic analysis is carried out of the organisation and its environment and strategic decisions are taken about where and how the organisation will compete. These decisions are then put into practice until future analysis suggests that the strategy has to change. Thus strategy is linear and has a clear starting and finishing point. What happens if something unexpected occurs? Strategy may have to become an activity which emerges from the circumstances faced by the organisation (Hamel, 2000). An emergent framework for strategy is different to a deliberate framework in a number of key ways. In sporting terms this is the difference between a rugby union team executing a well practiced move from a set piece and the same team creating a move from broken play. Similarly, it could be the Quarterback in an American Football team calling a play compared to what happens when the ball is intercepted.

There can be no set pattern to an emergent approach to strategy. It may be based around improvisation and depend on the ability of the strategist to be creative or it could be based around trial and error and the willingness of the strategist to take risks to secure a competitive advantage. It could also involve the strategist adopting a wait and see posture and developing strategy as a collection of short term adjustments to changes inside and outside of the organisation. Under an emergent framework of strategy, we move away from the view of strategy as something that is linear and time-bound to something which is much more random, chaotic and lacking in a definite beginning and end. Strategy is an iterative, ongoing process involving constant change and development such that the strategy will frequently end up looking nothing like how it started or was intended.

Different organisations will, therefore, adopt different approaches to strategy making. Some sport managers will work in organisations operating in the type of environment which will

support deliberate strategy making whilst others will work in organisations which must be more emergent in approach. Table 12.1 offers a number of illustrations of what we could expect to see in organisations and their environments which adopt these two approaches to strategy.

	<b>Deliberate Approach to Strategy</b>	<b>Emergent Approach to Strategy</b>
Organisational Type	<i>Well established, possibly large organisations which have operated for a number of years</i>	<i>Small and growing. Likely to be relatively young</i>
Organisational Structure	<i>Hierarchical or Bureaucratic. Clear divisions of responsibility. Vertical communication the order of the day.</i>	<i>Flat structures without clear divisions and tiers of management. Horizontal communication dominates.</i>
Organisational Culture	<i>Rigid and well established. Significant influence on how things are done and what is done</i>	<i>Still forming. Open to change. Fluid.</i>
Environmental Conditions	<i>Stable markets with limited competition. Unlikely to be significant change</i>	<i>Dynamic and constantly changing. Possibly many competitors</i>

**Table 12.1: Characteristics of deliberate and emergent organisations and the environments in which they operate**

As in the previous section, most organisations, sport based or otherwise, will not be deliberate or emergent in their strategy making but rather may have elements of both and will, over time, shift between deliberate and emergent approaches. For example, as organisations grow and become more successful it may be inevitable that they become more deliberate in their strategy making; it is harder for larger and older firms to be nimble and responsive than smaller and younger firms in the same way that individuals become more set in their ways and risk-averse as they grow older. One of the most interesting conundrums in strategy is how these organisational forces for deliberate strategy making are often in conflict with forces in the environment which demand constant and ever more dramatic change. The challenge in all this for the manager in the sports organisation is finding that balance and the ability to do that often depends on whether strategy is an organisation or environment driven activity and that is the issue the next section in this chapter will consider.

### **Case 12.2 Four Teams, Four Strategies: The top of the English Premier League**

Since its inception in 1992, the English Premier League has been dominated by four clubs; Manchester United, Arsenal, Chelsea and Liverpool. On occasion, other teams such as Blackburn Rovers and Leeds United have been able to make an impact but none have been able to sustain a position as a top 4 club. The ability to sustain a position at the top of the

league has been dependent on a combination of two things: First, what happens on the pitch and, second, what happens off the pitch with the business performance of each club. Not only is it possible to identify each team by the way it plays, it is also possible to identify some key differences in the strategic approaches taken by each club.

Table 12.2 shows the revenue generated by each of these clubs from match day activities (such as ticket sales), the broadcasting of matches both in the UK and overseas and commercial activities such as sponsorship and merchandising. A number of interesting patterns emerge. The most important of these is that the financial success of a club is determined by the success of the team; the total revenue generated by each club grows when the team does through, for example, increased broadcasting revenue and ticket sales. In 2008 Manchester United generated significantly higher revenue than the other clubs, Chelsea and Arsenal operated at roughly the same level and Liverpool lagged somewhere behind. Revenue generated is important because, over the long term, it determines how much each club can spend in the transfer market buying new players.

	2005	2006	2007	2008
Manchester United	246.4	242.5	315.2	324.8
Chelsea	220.8	221.0	283.0	268.9
Arsenal	176.3	192.4	263.9	264.4
Liverpool	181.2	176.0	206.5	210.9

Source: Deloitte (2007, 2009)

**Table 12.2: Revenue Generated by Four Premier League Clubs (euros, million)**

If this revenue is broken down into its constituent parts, we get further insights into the strategies that each club can and does employ. Table 12.3 provides this data and some interesting patterns can be seen. Manchester United have been successful in generating increasing revenue from all activities and have, for example, increased the size of their ground and made investments in exploiting their brand overseas. Arsenal's main increase in revenue has come from investment in a new ground but they have been much less successful on the commercial front. Chelsea have been unable to generate increasing revenue from the broadcasting of their games and Liverpool have been unable to generate increasing match day revenues.

	Match Day		Broadcasting		Commercial	
	2006	2008	2006	2008	2006	2008
Manchester United	103.1	128.2	65.9	115.7	73.6	80.9
Chelsea	83.4	94.1	76.1	77.4	65.1	77.0
Arsenal	63.8	119.5	79.4	88.8	49.2	56.1
Liverpool	47.2	49.5	72.0	96.4	56.8	65.0

Source: Deloitte (2007, 2009)

**Table 12.3: Breakdown of Revenue Generated by Four Premier League Clubs (euros, million)**

Table 12.4 summarises some of the key strategic moves made by each of these clubs in recent years and identifies a key challenge faced.

<b>Arsenal</b>	<b>Chelsea</b>	<b>Liverpool</b>	<b>Manchester United</b>
Invest in a new stadium to increase revenues	Establish Chelsea as an international brand	Focus on team performance rather than business performance	Exploit global brand to maximise commercial revenues
Invest in young players rather than expensive established players	Invest in established players to bring success quickly	Invest in a mixture of young and established players	Expand capacity of stadium
<b>Key Strategic Challenge:</b> Increasing commercial revenues	<b>Key Strategic Challenge:</b> Match day revenue limited by stadium capacity	<b>Key Strategic Challenge:</b> Increasing match day and commercial revenue	<b>Key Strategic Challenge:</b> Meeting international competition from clubs like Real Madrid for revenues and players

### Discussion Questions

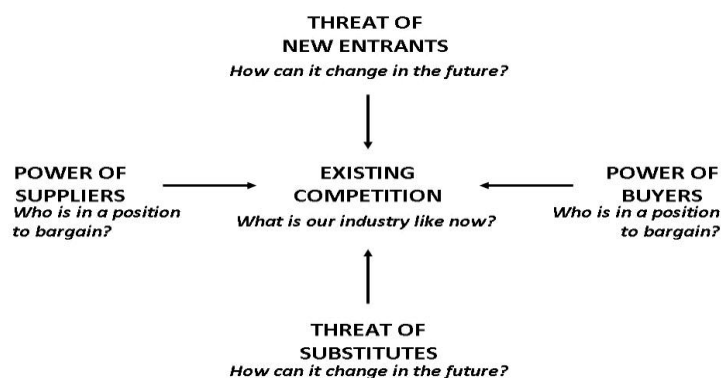
3. To what extent do you think each of these clubs has adopted a proactive strategy or had a strategy imposed on them by their circumstances? What are the implications of this for how the clubs will compete with each other in the future?
4. Which of these clubs do you think has the most sustainable competitive advantage and which has the least sustainable competitive advantage? What do you think should be the strategic priorities of these clubs?

## The Drivers of Strategy

In the formulation of strategy, which is the most influential, the organisation or the environment? Against Norway in 1993, the manager of the England football team, Graham Taylor, changed his strategy to counteract the opposition and England lost. Having a strategy driven by the strengths of the competition failed. As a counterpoint, in the 2005 Ashes, England developed a series of strategies which were aimed at nullifying the strengths of Australia and England won a close series by 2 to 1. Having strategy determined by the competition works. The strategic response of Australia to losing the Ashes in 2005 was to follow an approach which centred on their own strengths and they won the return series 5 to 0. New Zealand went into the 2007 Rugby World Cup with a style of play built around their strengths. They were clear favourites to win the tournament as they had been pretty much unbeatable in the preceding two years. In the quarter final against France they continued with this style of play regardless of what the opposition did. They lost. Building a strategy around

your own strengths can bring success but it can also bring failure. These examples show that strategy can be driven by the competition faced and also driven by the resources and talents available. When strategy is driven by external forces, we can broadly characterise this as *Positioning* and when strategy is internally driven we can characterise this as a *Resource Based View*.

The most significant exponent of a Positioning approach to strategy is Michael Porter and a discussion of his work is useful in establishing some of the principles of this approach to strategy (see, for example, Porter, 1979 and 1980). The positioning approach to strategy begins with the assumption that the aim of any firm is to maximise its returns. In the case of traditional businesses this is usually thought of in terms of profit maximisation but this is not always a useful way to think about sport organisations. For example, are Manchester United driven by the objective of winning football matches (and hence titles and trophies) or by the objective of making profit? In practice, the answer is probably both as they are closely linked to each other. The second assumption is that an organisation's ability to meet its objectives depends on the degree of competition faced in the industry or market. The higher the level of competition, the harder it is to make large profits. Using Manchester United again, this translates into the quality of opposition faced on the football pitch and the competition faced in the business arena. The final assumption of this positioning school is that competition is a multi-dimensional phenomenon which happens at a series of different levels and this gives rise to Porter's Five Forces model.



**Figure 12.3** Porter's Five Forces Model

This approach focuses on competition at different levels in an industry; the intensity of competitive rivalry, the threat of new entrants, the threat of substitute products, the bargaining power of buyers and the bargaining power of suppliers. In making use of this model it is useful to think about the key strategic questions that need to be answered and we can identify three in the case of Manchester United:

What is the state of direct competition now?

*We could think about the number and size of competitors, the degree of differentiation between competitors, the exit barriers to the industry and so on.*

How intense is the competition Manchester United face on and off the pitch?

Do different teams employ different strategies and tactics?

How do clubs hold onto their existing supporters and attract new supporters?

Which clubs have competitive advantages?

How likely is it that competition will change in the future?

*Competition could change in terms of new products or services entering the market or competition could change in terms of new firms entering the industry.*

Will supporters of football be attracted to other sports?

Will new teams be promoted and will they be a significant threat to Manchester United?

What resources might new clubs have?

What about international competition?

Where does power lie in the industry?

*This refers to the forward relationships a firm engages in with the buyers of its product or service and the backwards relationships with the firms that supply the necessary inputs for the firm. Do buyers have choices about where they make their purchases and does the firm have a choice about where it buys its inputs?*

How loyal to Manchester United are their supporters?

Could they move to support another team?

What is the relationship between Manchester United and other clubs when buying and selling players?

At the opposite end of the spectrum to the Positioning approach is the Resource Based View. This suggests that strategic success is driven by the organisation and not the environment (see, for example, Wernerfelt, 1984 and Rumelt, 1984). This approach is also built on a number of assumptions and the first of these is that, in an increasingly competitive and dynamic world, the survival of any organisation depends on its uniqueness; building strategies around what your competitors do is problematic as you will inevitably try and copy elements that make them successful which will make you similar and not unique. Another assumption of this approach to strategy is that the things which make you unique should be sustainable and not things that, for example, competitors can replicate. The most influential writers from this perspective on strategy are Gary Hamel and C.K. Prahalad who introduced the notion of “*core competencies*” as factors within organisations which provide benefits to customers, cannot be easily copied and can be leveraged into a number of different products and services (Prahalad and Hamel, 1990). In assessing competitive advantages derived from within organisations they suggest that four factors are crucial: Durability (the rate at which they will become obsolete); Transparency (the rate at which they can be understood by competitors); Transferability (the ease with which they can be copied) and Replicability (the extent to which copying will bring similar results).

So is strategy driven by the organisation itself or by the environment in which it operates? Whilst there are theories, concepts and approaches which suggest that strategy is one thing or the other, in practice strategy is probably both. The Adcroft and Teckman (2008) framework of strategy as how an organisation performs combined with how an organisation competes argues that the success of a strategy is determined by the blend of internal and external elements; throughout an organisations life cycle the emphasis on internal and external drivers will shift and change according to the circumstances faced and, as we have seen elsewhere, it is perhaps the ability of the organisation to change which matters most.

### **Case 12.3 Matchroom Promotions and the Prizefighter Concept**

Founded by Barry Hearn in the mid 1970s, Matchroom Promotions is one of the UK's leading sports promotion businesses. It is also one of the most innovative. The business began by promoting a number of little known snooker players on a small professional circuit and now covers sports ranging from snooker, pool, darts, ten pin bowling and boxing.

Over the past 30 years, the company has developed a clear modus operandi in its strategic approach to developing new markets for sports and this tends to take one of two forms. The first approach is to promote a sport through the leading people who play the sport. For example, Matchroom's promotion of snooker in the 1980s was centred on six time world champion Steve Davis and, in darts, the company focused its efforts on fourteen time world champion Phil Taylor. The second approach taken by the company is to change the format in which the game is played and presented. The aim of this approach is to take a minority sport and make it appealing to as wide and mainstream an audience as possible. Thus the firm has developed new formats in all of the sports in which it has been involved and the latest example of this is the Prizefighter concept in boxing.

Boxing reached its peak in the UK in the early 1990s with record viewing figures for high profile bouts on television and the high numbers of boxing shows put on by a variety of promoters across the UK. In this period, Matchroom's efforts focused on the middleweight division and a series of domestic fights involving boxers like Chris Eubank, Nigel Benn, Michael Watson and Steve Collins. Over the past decade and half, however, the sport has been in decline and there are a number of factors which may explain this. For example, as boxing made the shift from free to air television to pay per view, any increases in revenue have been more than outweighed by falling viewing figures. This means that even the best boxers in the UK no longer have a wide national profile where they are well known outside of boxing circles. Boxing also has to operate in an ever more competitive market for viewers and supporters.

The Prizefighter concept aims to revolutionise how boxing is perceived and consumed. Instead of a boxing show focusing on one big fight and a series of smaller fights on the undercard, Prizefighter offers an elimination tournament in which eight boxers compete in a winner takes all format. This format offers a series of short intense bouts where excitement is maximised through the fast pace of each fight. In this approach, every bout matters as it influences the final outcome. The intention is to attract a new audience to boxing to revitalise an industry in long term decline.

#### **Discussion Questions**

5. What do you think are the most important core competencies of a sports promotion business like Matchroom? To what extent are these core competencies portable into more popular and mainstream sports?
6. Consider an area of sports with which you are familiar. To what extent do you think that the Matchroom Promotions strategic approach would work in that area? Give reasons for your answer.

## Conclusion

This final section of the chapter considers two issues. First, we will consider the relationship between the theory and practice of strategy and, on the basis of this discussion, we will then consider the characteristics of the successful strategist in a sport organisation. The obvious point to make from the theory and examples in this chapter is that frequently there seems to be a disconnection between the theory and practice of strategy, indeed this is often true of many management disciplines not only in sport but in all contexts. The three theoretical issues in strategy that this chapter has considered (philosophy, process and drivers) are all set up as extremes; strategy is seen as being one thing or another. This reflects, for example, Michael Porter's view that the worst strategic position to hold is one where the firm is *stuck in the middle* and trying to be all things to all people. Thus, strategy is usually seen as being about science or art, emergent or deliberate in process or driven by an organisation or its environment. The problem is when this theoretical perspective collides with strategy in practice and we see a much more grey, blurred and messy world than theory could have us believe. Concepts like Porter's Five Forces Model suggest that there is a neat and tidy dimension to strategy where the role of the strategist is to place different environmental forces into separate boxes and develop an understanding of the key issues. Perhaps the real world of sport and business is more complex and inter-related than this and there is a real blurring between both industries and the forces which influence the nature of those industries.



**Figure 12.4** The theory and practice of strategy

If the real world of strategy is so different to the theory of strategy, the obvious question to ask is *does the theory have any value?* The answer to this question is no and yes. Theory on its own probably doesn't have a lot of value outside of a textbook but how we use that theory has great value. Theory has a value because it provides a framework through which options can be generated and assessed. It has a value because it provides a point of comparison between how strategy happens now and how it can happen in the future. It is useful because it identifies the extremes so that the strategist knows the continuum within which they must find a unique and valuable position for their own organisation. In this case, the value of theory is in how it can be used and this raises the issue of the strategist him or herself. Can we create a picture of what an ideal strategist would look like? Possibly not because strategy is specific to the circumstances in which it is made and implemented. Would Sir Alex



Ferguson have been as successful at Chelsea, Arsenal or Liverpool? Can we take his strategic approach and apply it to rugby, cricket, baseball or any other sport? What we can do is draw up a set of characteristics that it is probably important for a strategist to have. A strategist needs vision and the ability to articulate that vision. A strategist needs to be forward looking. A strategist needs to take a helicopter view of an organisation. A strategist needs to be able to plan and analyse but also be creative and intuitive. In short, a strategist needs many things and hopefully this chapter can help you understand what they are and the challenges they will involve.

## General Discussion Questions

1. Consider a sport organisation that you know well. What is most important strategically to this organisation, on or off-field activities? What challenges does this create for strategists in the organisation?
2. Choose a leader in a sport organisation. How would you characterise their strategy making? As an art or as a science? Or a blend of the two? Why did you reach those conclusions?
3. Use Porter's Five Forces model to strategise about a sport organisation's strategic options. On the basis of your analysis, which option is best? Compare this with the actual strategy of the organisation. What does this teach you about the use of this model specifically and strategy models in general?
4. Consider the strategy of a sport organisation you are familiar with. What have been the main organisational drivers of this strategy? What have been the main environmental drivers of the strategy? Do you think the organisation has a competitive advantage and, if so, is it sustainable? Why do you reach these conclusions?

## Guided Reading

For an excellent overview of strategic management in general, the reader edited by Faulkner and Campbell (2006) contains a number of landmark articles. For a more models based approach to strategy, Johnson, Scholes and Whittington (2008) offers a well structured approach.

Mike Brearley's book on captaincy in cricket (2001) offers a useful insight into the mind of the strategist and how the messy real world of strategy can be effectively managed using some relevant theory.

Adcroft and Teckman's (2009) special edition of Management Decision entitled "Taking Sport Seriously" is a useful compendium of articles written from a sports perspective and many of these are strategic in nature.

## Recommended Websites

The Journal of Sport Management: [www.humankinetics.com](http://www.humankinetics.com)

The European Association of Sport Management: [www.easm.org](http://www.easm.org)

Institute for Strategy and Competitiveness: [www.isc.hbs.edu](http://www.isc.hbs.edu)

## Key Words

Art; deliberate; emergent; environments; organisations; science; strategy, vision.

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