

# Challenges in Measuring International Strategic Performance in Professional Team Sports – Two Case Studies from Hungary

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## SUMMARY

*We analysed the key strategic challenges in measuring performance of professional sports clubs in international context by using the case study methodology. The analysis of the examined handball and football clubs revealed that domestic success is a weak indicator of international success. Also, the occasional surge in international revenues is challenging to translate into a sustainable flow of revenues. Moreover, through a strategically driven process the social benefits of clubs services can become relevant to international markets. We argue that the findings from the professional sports sector can be transferable to other business fields in terms of the complex relationships between the analysed performance drivers.*

*Keywords: sport, strategy, case study, performance measurement, internationalisation*

*Journal of Economic Literature (JEL) codes: M16, M49*

*DOI: <http://dx.doi.org/10.18096/TMP.2017.01.07>*

## INTRODUCTION

An overwhelming share of the global population can watch the highest level sports competitions and enjoy the show based on the quality performance that professional athletes provide. No football enthusiast could deny, for instance, watching a Champions League final with Real Madrid and Atlético Madrid playing. Most of us, however, while allured to follow these exceptional international events, have close relationship with the team representing our own home city or region. This is part of the fundamental characteristics of professional sports: it supports our affection to the team we identify with and, at the same time, allows the consumption of the intricate fine art performed by the best of the best on international stage. Indeed, however humble the performance of our local team may be, we all hope and trust that one day we can make it to the finale of a major international tournament. A success story is in the offing.

The research field of international business interprets the strategic challenge of achieving international success based on operations originally developed in domestic conditions. The business of professional sports is not different than any other businesses in terms of the relevance of addressing strategic questions such as if,

when, how and why a local company may or should enter international markets, or be affected by internationalisation even if trying to focus on serving the local market. Professional sports clubs managing leading teams on a global scale have natural access to an ever increasing base of supporters resulting in annual club revenues growing in excess of EUR 500 million. In this context it becomes important to find out if there are identifiable patterns in how international success can be achieved, as well as what are the effects of international success for a professional sports club. Thus, several questions related to international operations of sports clubs arise:

- How can international performance be properly measured, given that sports clubs have strong roots to the local community and shape the identity and life of the citizens attached to it;
- How can this complexity of objectives and social embeddedness be reflected in measuring performance.

In our paper we analyse three major strategic challenges in measuring performance of professional sports clubs in international context. These reflect the intricate relationships between (1) domestic and international, (2) occasional and sustainable, and (3) economic and social goal achievement. In our exploratory research we apply the case study methodology with an

initial sample of two Hungarian professional clubs with international ambitions. The analysis of the examined handball and football clubs reveals that domestic success is a weak indicator of international success, with a number of moderating factors playing a role in that relationship. Furthermore, the occasional surge in international revenues characteristically prevalent in professional sports is challenging to convert into a sustainable flow of revenues, influenced by a range of factors we explored. Finally, despite the common assumption that the social benefits professional clubs can provide are only relevant to the local community of its home city or region, we learned that there is a strategically driven process that can bring social benefits relevant also to the international markets of a club. Our results indicate the possibility that the analytical findings from the professional sports sector are transferable to other business fields: how to measure the complex relationships between domestic and international, occasional and sustainable, and immediate and long term aspects of performance.

## LITERATURE REVIEW

In this section, a general description of the international background of professional sports operations defines the key contextual conditions of our research. Then we summarise how some of the standard strategic performance measurement approaches have been applied to the professional sports industry in previous research projects and how questions about internationalisation can be interpreted through these frameworks. Finally, we highlight the key issues in performance measurement in the international context, as reflected in international business literature. These areas of research provided reference points for us to position our current paper in the academic discussions of performance measurement.

### *International Processes and Strategies in Sport*

The core product of professional sports clubs as business entities is a series of matches played along a set of rules specified by the given sport's self-governing bodies (Beech & Chadwick 2013; Heinemann 1995). This set of rules is a key reason for the inherent international nature of professional sports, as the rules enable teams with different geographical and cultural backgrounds to play against each other, and also their diverse supporters to understand and enjoy international matches just as much as their local events (cf. Andreff 2008). While in this paper we focus on major European team sports, more specifically association football and handball, most of the fundamental characteristics of the internationalisation issues that we examine are similar in other team sports and also in individual sports, with some adjustments (Andras & Jando 2012). Internationalisation adds further excitement and higher stakes to the game, as it allows for comparing our team's performance with that of respected international

opponents. Results are more unpredictable than local matches, and the range of audience interested in the event can be a multiple of the size of the local following (Andreff 2008). Internationalisation of sports, in effect, is a complex phenomenon that can be understood from different aspects.

On the input side of professional sports, players and coaches regularly sign from one club to another, reflecting the varying career opportunities offered by the changing fortunes of clubs (cf. Andras & Havran 2014). In football, the rights of players are bought and sold between clubs as valuable assets; in other sports there is no transfer fee for such transactions (Dobson & Goddard 2004). The demand and supply of professional players, and to a lesser extent coaches, define a transfer market, which is increasingly international (Andras & Jando 2012). Legal barriers to transfers have been gradually lifted, and with the support of technology, there is diminishing distance between professionals in one country and another, both in terms of travel time and access to information (Doczi 2007). Agents play an important role in the efficiency of the market, as a club manager today does not necessarily need to know anyone in a country far away; agents approach him with a portfolio of professional players to choose from, supported by promotional videos highlighting the player's strengths and full match videos to provide further evidence. The consequences of this liberalised market of player and coach transfers are far ranging: most notably access to valuable know-how and experience can be obtained by signing the required personnel. The time needed to build a squad with a reasonable chance of playing at international competitions has become shorter than ever before.

On the output side of professional sports, international events are gaining strategic weight and making increasingly global impact (Westerbeek et al. 2007; Helmenstein & Kleissner & Moser 2007; Andreff 2008). Notwithstanding the original purpose of a sport club to entertain its local supporters, the team's ability to play in international competitions is in the interest of all key stakeholders, including fans, sponsors, local municipalities, owners, as much as the players and coaches involved. Winning international matches and trophies is the ultimate achievement for any professional; most notably, however, there are substantial financial benefits the club receives in terms of prize money allocated to participating clubs (Kozma & Kazai 2014). In football, probably the most commercialised of all major European sports, these amounts can be a multiple of the club's recurring annual revenues; in handball and other sports, however only those clubs receive substantial prize money that reach the last few stages of international competitions. In addition to the direct financial gains from competition prizes, the fact that a team has been recently successful internationally would normally bring new commercial opportunities that can be exploited by competent management (Beech & Chadwick 2013). With more and more people watching the international competitions through a range of broadcasting platforms, the size of the

market a club can address through playing internationally has grown considerably, bringing the opportunity of internationalisation to the centre of club strategies.

The international strategies of professional clubs in the Central-Eastern European region have been typified by Kozma and Andras (2016), based on the relevance of international pull factors of resources and the relevance of international market pull factors (Czakó 2010). Along these two dimensions of internationalisation, three distinct types of strategies may be relevant to any particular club with international ambitions. In the centre of attention are clubs following premium service strategies. They put strategic emphasis on utilising their exceptional coaching skills, and make intensive efforts to commercialise the opportunities of their exposure to international attention. On the other hand, they are under constant pressure to keep their key players who are subject to offers from a range of competing clubs willing to take advantage by alluring them away. Clubs with more modest chances of international success may follow challenger strategies. They are investing into intensive relationship building in international markets, and obtaining coaching know-how, while operating under financial pressure to survive that difficult period of investment. Ultimately, they aim to challenge the best teams and manoeuvre themselves into leading strategic positions. The third international strategy type pursued by clubs in the CEE region is called supported investment strategy. These clubs receive intensive government support, typically through the provision of modern facilities and funds for talent development. Operating under severe financial pressure and investment into international relationship building are also key emphases in their approach. The three of these strategy types shape the context in which the performance measurement of professional sports clubs involved in internationalisation occurs.

### *Measuring Performance in Professional Sports*

In professional sports, achieving sport success seems to be all that matters. And to many casual observers, this belief holds true, in terms of no professional club can be considered successful without winning sport trophies and valuable competition points. However, closer economic analysis shows a sharply different pattern (Kynsburg 2011; Laki & Nyerges 2006; cf. Taliento & Silverman 2005; McDonald 2010). An increasing list of examples confirms that clubs receiving substantial financial support and run by business-minded management are likely to become successful in terms of trophies as a consequence, while the reverse of this causality, i.e. clubs winning trophies would become financially strong, is strikingly falsified by factual experience (Szymanski & Kuypers 1999). All the more, the actual patterns of strategic considerations for professional clubs are convoluted by a third dimension: European sports clubs are originally social entities that were established to shape the identity of a local community, add valuable content to local life and represent

the citizens in national, and later international, competitions (Andras & Kozma & Kynsburg 2014). This original social purpose of sports clubs has been amalgamated with commercial interests introduced by modern media in sports more recently (Andras 2003; Beech & Chadwick 2013). Intriguingly, while achieving sports success may often be the common denominator for different stakeholders, business scholars aim to know more about the drivers of sport achievement that may involve factors from both worlds: issues about proper commercial management and network effects within local and international communities that reach far beyond direct business interests (Andras & Kozma & Kynsburg 2014).

Various studies have analysed the potential strategic and performance management frameworks that could be relevant to professional sports organisations (Alonso et al. 2009; Becsky 2011; Coskun & Selman 2013; Delaney 2008; Jones 2006; Kriemadis et al. 2008). In a synthesising effort to apply the Balanced Scorecard approach to professional sports clubs, Kozma and Kazai argued that “in a publicly sensitive environment, the ultimate purpose of sports organisations is... attracting the continuous attention of key stakeholders in a financially sustainable way” (2014: 29). They noted that central government, local municipalities and sports’ governing bodies often provide financial and other support to the teams representing the community. Sports performance is naturally in the centre of attention, hence bringing public benefits of a sense of pride and the feeling of belongingness in the community. From a public management point of view, financial sustainability is needed as public support may not be guaranteed in the long run. Consequently, while not recommending a change in the overall structure of the Balanced Scorecard, they argued that sports organisations tend to prioritise the customer perspective – and through this, sports performance – and not the financial perspective, as is normally the case in more directly business oriented sectors.

Because there is strong government involvement in the infrastructure development of sports in the Central Eastern European region, strategic performance may be more appropriately measured with frameworks that explicitly cater for public support hence public expectations about performance (cf. Moullin 2009). From that aspect, previous research efforts assessing the application of strategic management and performance measurement frameworks in the non-profit sector (Inamdar et al. 2002; Zelman et al. 2006; McDonald 2012; Kaplan & Norton 2002) reveal relevant conclusions on how the original tools may need to be modified for effective use also in the sport sector. Referring to survey results addressing managers with experience in both for-profit and non-profit sectors, Taliento and Silverman (2005) concluded that it seems to be more challenging to reach goals and measure outputs in non-profit organisations. Even deciding on the strategic direction to pursue is often challenging due to a lack of consensus among key stakeholders. In this environment,

they argued, performance measurement is difficult, hence the need for innovative measures.

In an empirical study Kozma and Kazai found that “the primary strategic objective of a professional sports club is winning sports trophies. However, this is to be supported by additional expected outcomes, namely increased stakeholder participation and sustainable financial management”. (2015: 314) This can be interpreted as the triadic structure of strategic objectives for professional sports organisations. They identified three types of key processes that support goal achievement: “preparation for matches and orchestrating winning on-field performances, providing exceptional service to a range of key users (supporters, the media, and sponsors), developing young talent from the region, and fostering meaningful relationship with local communities.” (ibid. p. 314) This triadic approach to performance management reflects the three key stakeholders of contemporary sports clubs: customers, owners and supporting public institutions ultimately representing the general public. All three of them play an important role in the strategic opportunity for club management to establish a sustainable operating model and run the club accordingly.

The general strategic performance management framework of professional sports organisations may be complex enough through the triadic structure of objectives, the aspects of internationalisation raise further analytical questions performance measurement needs to respond to. Going international, i.e. playing in international competitions is a strategic option that offers an almost unique opportunity for professional sports clubs in the Central Eastern European region to establish a financially sustainable operating model. The way to achieve that a sustainable strategic position however should be supported by a performance measurement system that offers lead indicators to guide management. It needs further analysis to explore whether and how domestic sports performance can indicate the prospects of international sports performance. It is also intriguing to analyse if and how international revenues can be obtained and what the strategically driven solution could be to ensure those international revenues will be sustainable. Furthermore, however concerned club management may be about the club’s role to contribute to communities and the general public, the process how this general public becomes internationalised, and how this can be translated into creating appropriate performance measurement tools are still challenging issues. These higher-level questions then can be broken down to more operational-level questions that provide ample opportunities for international business scholars to be studied empirically.

### *Selected Challenges in Measuring International Performance*

Before specifying our research objectives and methodology, we looked for comparable scholarly work in

the related international business literature. We found that investigating the connection between internationalisation and company performance is a focal topic in the international business research field (Contractor et al. 2003; Loacker 2005; Fryges & Wagner 2008; Bekes & Murakozy 2011; Grazi 2012; Reszegi & Juhasz 2014).

According to Robertson and Chetty (2000) there is no consensus about an appropriate definition and the measurement of export performance. Leonidou et al. (2002) collected different metrics used by researchers, namely: export-intensity, export sales growth, export profit level, export sales volume, export market share, export profit contribution, return on investment, export satisfaction, perceived success, perceived export growth, perceived profitability and perceived market share. The most frequently used metric was export-intensity, followed by export sales growth and export profit level. Halkos and Tzeremes (2009) investigated the top 10 non-financial transnational corporations from South-Eastern Europe. They measured the internationalisation level of companies’ inputs as well as outputs. They used the value of foreign assets, number of foreign employees (these are metrics for inputs) and value of foreign sales and transnationality index (TNI) (these are metrics for outputs). The transnationality index is calculated by the ratio of foreign assets to total assets, the ratio of foreign sales to total sales and the ratio of foreign employment to total employment. These indicators can be used to measure the company’s internationalisation level for managers’ purpose, if internationalisation is a strategic goal and makes a significant contribution to increasing corporate value.

We could not find explicitly international performance measurement focused papers in the sport related literature; therefore we looked for comparable research areas to learn from. Our sport focused study raises education as a comparable research field of applying general internationalisation theories; hence our interest in what kind of performance metrics are used for measuring internationalisation in education.

Stankevičienė & Vaiciukevičiūtė (2016) investigated the value creation for stakeholders in higher education management. Their focus was on key performance indicators related to employees and internationalisation. The connection between employees’ performance and the internationalisation process was analysed. They highlighted that internationalisation is one of the most visible factors that influence the overall performance of employees as well as university education. They measured the internationality of professors, lecturers, researchers, administrative staff and university budget. They identified metrics for internationalisation: the number of professors having spent at least one study semester abroad, the proportion of lecturers with international work experience relative to the total number of lecturers, the proportion of administrative staff who have taken part in international administration exchange programmes relative to the total number of administrative staff, and the proportion of the

budget for international cooperation in relation to the total budget.

Green (2012) argued that measuring internationalisation is important in education, because it is “a component of overall institutional performance to judge the effectiveness of an institution’s internationalisation strategy or its components, to benchmark it with other institutions, and to improve internationalization programs and practices” (2012: 4). Green (ibid.) grouped indicators according to two dimensions. The first dimension was the goal, for example strengthening the international and global dimensions of the curriculum, or enhancing the international competence and experience of faculty and staff. The second dimension was based on the taxonomy of inputs, outputs, and outcomes. Examples he identified for inputs for the first goal: the number of courses with an international focus, number of foreign language courses, number of joint or dual degree programs. Examples for the second goal: the number and proportion of faculty and staff with international experience and expertise, number and proportion of faculty and staff educated outside the United States. He identified outputs for the first goal: the number and proportion of students enrolled in courses with international focus, number and proportion of students enrolled in language courses at various levels. Examples for outcomes for the second goal: demonstrated higher language proficiency, enhanced reputation and recognition for the institution’s international character and work.

Brandenburg & Federkeil (2007) identified 186 indicators to measure the internationality and the internationalisation of higher education institutions. They categorised indicators into two groups. They listed 162 indicators related to input and process, for example: staff structures, curricular questions, allocation of resources. 24 indicators were defined for the output, for example: the number of graduates or research findings. They emphasised the priority of strategic thinking to avoid the trap of applying indicators that are easily available. For selecting the appropriate set of indicators, they recommended institutions first clarify their international goals and draw up a strategy to achieve them.

## RESEARCH PROPOSITIONS AND METHODOLOGY

The review of academic literature highlighted that investigating the internationalisation aspects of performance measurement constitute an area that attracts both academic and practical interests, and provides an ample source of questions to be analysed. The decision to focus our investigation on the professional sports industry drives attention to a particularly rich field of study, most notably because of the triadic structure of objectives these organisations have. Apart from understanding the challenges of performance measurement in that inherently international context, our research objective was to

propose possible approaches to measuring different aspects of performance. Our overall research question was “how could sport, economic and social objectives be reflected in measuring international strategic performance of professional sports clubs?”. Based on our initial analysis and feedback from industry professionals, we broke down this exploratory research question into three propositions to focus our analysis on relevant specific issues:

**Proposition #1:** *Domestic sport performance is a weak indicator of international sport performance.*

Our first proposition focuses on the most critical sport objective of winning trophies in sport. The question underlying the proposition is whether winning domestic trophies can or will lead to successful international performance. While it is clear that the way for a team to qualify to international competitions is exactly through winning the domestic league or cups, it remains to be answered whether strong domestic performance can indicate the possible quality of international performance, apart from the fact that the team will participate in international competitions. The implicit assumption behind the proposition is that there may be other factors that influence international performance that our study is aimed to explore.

**Proposition #2:** *Occasional international revenues are a weak indicator of sustainable international revenues.*

Our second proposition is related to the economic aspect of performance. The inherent nature of sport competitions brings ultimate sport success only occasionally to any particular professional club, hence international revenues from competition prizes tend to flow in irregularly. The strategic question from an international business point of view is if and how the club can stabilise its international revenues through some strategic solutions. Are occasional international revenues an important factor that allows, through proper commercial management, the development of a business model with sustainable international revenues, or their role is much less important in what is necessary for that strategic achievement. Even without much analysis, it is clear that occasional international success raises the expectations of all stakeholders, and this could create a different room for strategic manoeuvring.

**Proposition #3:** *There is no measurable international aspect of social performance.*

Our final proposition addresses the performance measurement issues related to the third fundamental goal of professional sports clubs: social contribution. Our initial investigation revealed that in most cases social performance of a club is not measured by management. Usually it is implicitly assumed that sports performance is actually social performance, hence no special measurement for the latter. Even if social contribution to the public is considered in decision making, the relevancy of such contribution is interpreted only in terms of the effects on local communities or on the nation. Our proposition aims to reveal if and how social contribution

to communities beyond national border can be understood, and, if at all, managed.

Regarding research methodology, we applied the case study methodology (Yin 2003) in our exploratory research, involving two pilot cases. Our aim with the pilot cases was to understand the performance measurement challenges of our topic better, in order to allow more focused, larger scale research efforts to follow. While our propositions were formulated as strong claims, the real purpose behind them was not confirming or falsifying them, but to open new ways of thinking about the subject and explore potential independent variables that can have an effect on international performance. In our pilot case studies, in-depth interviews were conducted with members of club management, as well as coaches and managers of competing teams in the same division. The text of the interviews was subjected to content analysis to reveal potential answers to our questions we did not explicitly foresee when the interview questions were constructed. Results from interviews were cross-checked with available statistics about club and league performance. Our findings from the first case study were compared and contrasted with findings from the second case study, hence our effort to limited generalisation. The generalisation applied was analytical generalisation, rather than statistical generalisation, as the qualitative case study methodology allows for that approach. Whether and how the variables identified through our exploratory study are transferable to additional cases remains to be analysed and confirmed through subsequent research efforts.

Our sample was constructed based on qualitative sampling criteria (Miles & Huberman 1994) to facilitate the exploration effect of our research. The most commercially developed major sport in Hungary is association football, hence a natural choice for our first case. Our second choice was women handball, as Hungary has probably the most competitive national championship in the world. Both clubs selected (they asked to remain anonym for the purposes of our research) have strategic ambitions to regularly play in European competitions. Internationalisation is part of their understanding of sport success, and it is also part of what their stakeholders expect of the clubs. Both are country-side clubs, in cities with 100-200 thousand population, and receive support from the local municipality. Both clubs have started to employ foreign head coaches to instil tactical and cultural elements of management to the squad in order to support internationalisation. Both clubs have extensive youth development system in the host city and the surrounding region. There are, on the other hand, significant differences between the two clubs. The football club played in the European Champions League and also the Europa League a few years ago, and received windfall prize revenues from participation. The handball team won the EHF Cup over 10 years ago, and occasionally managed to get close to repeating that feat in the years that followed. The football club received a brand new, publicly financed stadium two years ago, while the handball team plays in a publicly

owned arena that was built over 30 years ago. Football is the most significant and successful sport in the host city of our first case team, while handball is ranked third or fourth in popularity in the city of the selected handball team.

## RESULTS

Our research propositions highlighted key areas of concern about the performance measurement challenges of professional sports clubs in an international context. This section reveals what we have learned about the intricate relationships between a range of measurable factors that possibly influence clubs' international performance.

### *Relationship between Domestic and International Sport Performance*

Our first proposition was constructed to address the potentially complex issue of the relationship between domestic and international performance. By domestic sport performance we mean the team playing in the national championship and cups in its home country. International sport performance means that the team qualified to and participated in an international competition, normally through earning that opportunity by achieving good results in the domestic championship or cup. In our qualitative study we did not really aim at quantifying what weakness means in terms of the power of the indicator, still wanted to understand whether the independent variable (domestic sport performance) is worth examining further in terms of its potential influence on the dependent variable (international sport performance). Moreover, we expected that in our case study other potentially powerful independent variables, including strategic assets or processes could be explored.

A starting point in our analysis was to remind ourselves that professional sport holds the uncertainty of results as a key value that matters for the audience. If the results of most of the matches were predictable and little surprise would come, there would be lower level of interest from supporters in following the events of the competition. In fact, the self governing bodies or professional sports set their regulations with the intention to support the balance of competition among the participating teams. For example, if the league signs a contract with a major broadcaster, the proceeds of the deal are distributed across the clubs not based on which team attracts the most media attention, but more equally to support the less competitive clubs. With a higher level of uncertainty about any matches and the final results of the championship, the league itself will be more marketable to a wide range of audience. Our point here is that no professional sports club can reasonably count with winning the domestic championship in a predictable fashion. No club can dominate a competition for such a long time as it is considered quite normal for a company to dominate its market outside the realm of professional sports.

For a local club to gain the opportunity to even occasionally enter international competitions, they need to show consistently good performance in their domestic championship. Consistency is a key factor in qualifying for international competitions. Unpredictable it may be, if a team shows consistently good performance they tend to win the domestic league, hence qualification for international competition. If they play well in the international competition, they earn the trust of the stakeholders as a credible team capable to achieve success internationally. This trust then is very valuable when club management in their effort to establish their regular participation in international competitions opt to sign coaches and players with more significant international experience. These human resources and the skills they bring to the team are key assets in the club's strategy to internationalise.

Financial strength of the professional club is another key factor necessary to support consistent performance leading to international success. The single most important driver of consistently good performance is the quality of the playing squad. Good players, particularly players with international experience demand high wages which the club needs to finance. Even in efficient transfer markets, it takes time to sign players through a process starting with scouting for talent, then contacting the targets, negotiating the terms of the agreement and registering the rights of the player. Players cannot even be signed any time only during specific periods of the season (transfer windows). Therefore, keeping the good players a club already has is of strategic importance. Players tend to be quite unhappy when, even temporarily, they do not receive their wages for any financial difficulties the clubs may run into. Consistency, again, is a key performance criterion, also in terms of liquidity and the general financial health of the club.

Commercial know-how of management is a rare but very valuable asset for a club with international ambitions. Club finances are under constant pressure by the relatively fixed costs of professional players' wages and the fluctuation of revenues generated in line with the systematically unpredictable sports results the team performs. Management has no option but to look for opportunities to stabilise the flow of revenues through utilising commercial opportunities related to the team's performance. These opportunities include providing ancillary services on match days, like cheerleading before the match or in the break, programmes for children, interactive experience in the club shop, freshly made food in the buffet, live displays in the premises to allow visitors to move freely in the service areas even during the match. These services aim to increase visitors' average spending. Furthermore, additional services may lead to more consistent attendance of the matches by supporters, resulting in an increase of season ticket sales with positive effects on cash flow, and also the enhanced match experience may attract new types of supporters who would not come strictly for their interest in the sport event.

Another option is to arrange events in the facility even on non-match days. These events may or may not be related to the core service of the club but are meant to generate additional revenues from utilising the idle capacity of the facility.

From the aspect of social objectives, most professional clubs are expected to run an elaborated youth development scheme that attracts children to play at a young age and nurture them gradually to allow a selected few to play in the professional squad over time. Investment in developing and operating these talent development schemes do not necessarily pay off from a strict financial point of view, as the quality of youth players arising from the system may not be enough for international requirements. However, the public stakeholders of the clubs see these activities as a valuable contribution to the life of the community, hence the clubs' interest to maintain them.

Finally, an important asset that influences whether the club can deliver the consistent performance necessary for international success is the sporting facility matches are played in. In most European countries, these facilities are fully or partly in public ownership, typically under the purview of the local municipality. The construction, but even the operation of a sport facility incurs costs that would make it very difficult, in most cases even impossible for clubs to operate sustainably if the full costs of development and operation would be financed by them. All the more, even if a club could afford paying for those costs, that would channel funds away from investment into the playing squad, which in turn would adversely affect the team's sport performance. However, if the clubs receive support from the local municipality also because of the stadium or arena they use, that will add further weight to the public stakeholders and their expectations in the club's strategic considerations. Contribution to the local communities, who partly finance the club's operations, even if they do not necessarily attend matches, becomes an even more important part of the triadic structure of objectives professional sports clubs have.

Based on what we have learned from the interviews and data analysis of the clubs' key performance statistics, we understand that strong domestic sports performance is a necessary but not sufficient factor in the clubs' international performance. Having identified additional factors described above, we also suggest the following lead indicators could be used to highlight if aspects of operations need to change in order to achieve sustainable international success. (1) Number of players with international experience. (2) Coaching staff with international experience. Both of these human resources can have a very positive effect on the club's chances for international success. (3) Strategic priorities for utilising international prize money for investments, i.e. a concept for sustainable long term performance. The existence of such a concept could indicate whether or not the club could potentially use any prize money they may receive from occasional international participation for the benefit of sustained, long term international success. (4) Size of the

youth base involved in the club's talent development scheme. More specifically, this could be measured by the number of youth players actively and regularly playing in the youth teams of the club. (5) Available playing fields, or more specifically the club's capacity in terms of the number of (youth) teams that have access to training grounds. Both the youth base and the training facilities indicate the strength of the club's relationship with the local government and its embeddedness in the local community.

### *Relationship between Short Term and Long Term International Revenues*

Our second proposition addresses how occasional international revenues from participation in international competition can be transformed into sustainable international revenues. Proposition #2: Occasional international revenues are a weak indicator of sustainable international revenues. The assumption underlying that proposition is that club management is keen to ensure that the substantial amounts that can flow in from a good run in international cups will be available in a relatively regular fashion. This would involve the club being able to develop a sustainable competitive advantage on its international markets. Again, we did not aim to quantify what weakness means in terms of the power of the indicator, but were keen to understand how much relevant the independent variable (occasional international revenues) is in its effect on the dependent variable (sustainable international revenues). We were quite open to explore what other factors may have an impact on the club's sustainable economic success on international markets.

Clubs with international ambition consider signing players with international experience as a strategic step towards their goal of achieving international sports success. Our interviewees confirmed that as the players are performing the core operations of professional sport clubs, their role is naturally substantial in goal achievement. As prize money from participation in international competitions is linked to how well the team performs (matches won, points earned, promotion to the next stage etc.), achieving international sports success normally incurs additional international revenues for the clubs, the amount of which is highly dependent on the sport (football pays more) and the specific international competition. In all cases, there are positive consequences of a good run in international cups, as more interest is attracted to the club that could be exploited both in terms of signing better players and also financially negotiating more favourable deals with sponsors, and public institutions. Even season tickets sell better if supporters believe the international participation may be repeated soon. In case of football, the prize money allocated to the club can be so significant, that even if there is no real sport achievement internationally, the proceeds may allow substantial investments to support continued success.

With or without substantial prize money received from occasional international success, club management faces increasing expectations from stakeholders as a result from the occasional involvement in international competition. A key solution to establish an operating model that supports the opportunity of sustainable international performance is investment into the commercial infrastructure of the club. This involves investment into tangible assets that facilitate commercial revenue generation, and also intangible assets including the know-how of managing the enhanced commercial operations. Tangible assets may include e-ticketing system, e-payment system within the facility, enhanced online service offering using the club's web page or web shop, an expanded and upgraded club shop in the facility, as well as catering services for different customer groups. Most advanced international examples reveal a sophisticated internet-based set of services that support more interaction between the club and supporters in the facility. In terms of the commercial management know-how to be obtained, either the club's current members of management can attend international conferences and trade shows to develop their personal network to facilitate learning and access to information, or additional personnel can be contracted (full time or on an assignment basis) to support the productive utilisation of the new technology installed.

Even if new commercial revenue generating assets are installed and a knowledgeable management runs them, there appears another challenge for clubs in their effort to establish a sustainable stream of revenues from international involvement. The team becomes visible when playing in international competitions not only to the home supporters but also to a much larger European or even global audience. This creates a tempting opportunity for the club to utilise their access to new markets. A strategic achievement can be if the club can address the new stakeholders and turn them into relatively regular users of the club's services. Typically this is manifested in the new stakeholders following the team's international matches but also they can purchase the club's merchandise or sign new sponsorship contracts taking advantage of the increased interest in the club. In effect, the larger supporter base itself, if management carefully, can lead to additional sources of revenue in multiple ways, hence the primary objective of establishing an international supporter base. As explained in the next section, international supporters will also play a key role in achieving the club's social objectives.

A related success factor has also been identified. In the management's effort to attract more supporters through the increased interest towards the team playing in international competition, they may choose to invest into an expanded and upgraded youth development scheme. First, there are direct social benefits this entails by reaching out to the communities through more and more children. Secondly, the further consideration behind this solution is that the more children feel related to the club the more family members and friends will follow the professional team of



the club playing in domestic and especially international competitions. Ultimately, this is another way that leads to an enlarged supporter base, the derived economic benefits of which have been confirmed by our interviewees.

We suggest the following lead indicators to be used to measure how much management is intent on generating sustainable international revenues to the club. (1) Player transfer balance: this reflects whether better players have been signed to the club in a certain period compared to previous periods. The enhancement of the quality of the playing squad is understood to be a good indicator of future international sport success, hence international revenues. (2) The range and number of international sales channels effectively used: this may reflect the quality and applicability of commercial management know-how employed for international revenue generation. (3) Operating leverage, revealing how much management understands the need and is able to implement solutions to turn fixed costs to variable costs, in order to allow additional investments into revenue generating opportunities. (4) Customer development, more specifically the size and range of supporter groups actively addressed in relation to the club's international involvement. (5) Active cooperation with public institutions the support of which can provide substantial support for the club's international efforts, mainly related to youth development and the upgrading of sports facilities. National government (ministries), the local municipality, community groups, schools, and additional NGO's can be addressed.

### *Measuring Social Performance*

The third proposition was defined in our effort to address how the third major strategic orientation of professional sports clubs can be analysed from an international business point of view: the social contribution the club aims to make to local communities and the general public. A key point here is that the "public" in that context is not limited to the active supporters of the club but includes those citizens who do not directly relate to the club in any way. Proposition #3: There is no measurable international aspect of social performance. In fact, social performance is often understood strictly in relation to the population of the host city and the nearby region of the club. We presumed that the nation becomes a relevant community for the club when it goes international. Whether any people outside the nation can be understood as relevant members of "the public" for the club was yet to be explored. Also, how clubs target the interests of these public stakeholders we were keen to learn about. Based on our initial understanding we did not expect much measurement to be in operation related to the social aspect of clubs' performance.

In our interviews, when asked about the social aspects of performance, club managers started by confirming that they believe the fundamental purpose of professional sport clubs includes a strong social element. They need to

demonstrate to the public institutions that their support is justified by the club's efforts to explicitly contribute to realising the public benefits local municipalities and non-governmental organisations pursue. This, most notably, is not just an ancillary factor to consider for club management, as in many cases corporate social responsibility programmes run by profit oriented companies. For professional sports clubs, giving back to the communities is one of their primary strategic goals. The reason behind this is clear: local municipalities, or the national government, provide the sport facilities to the club, and often facilitate the club's networking efforts with potential sponsor companies. Interestingly, the key motivation for sponsor companies is their willingness to tighten their relationship with the local municipality and the citizens through supporting the club they love. In that sense, the social and economic aspects of the club's performance are interrelated.

On the other hand, achieving sports success is the first idea that springs to mind for managers when trying to operationalise how exactly they can contribute to the public. The fact that an underperforming club cannot be relevant and interesting to the public is a key point in the strategy of professional sports clubs. Sport performance is relative in the eyes of the public, i.e. it does not necessarily mean winning trophies. What seems to matter, though not strictly analysed with a focused survey, is that the public is looking for positive surprises compared to their initial expectations at the beginning of the playing season. Interestingly, when a club can manage to qualify for international competitions and brings well-known opponents to the city, repeating that feat in the following years may not be accepted so positively again as it quickly becomes part of the public's expectations. Consequently, there is pressure on management to take advantage of the increased attention the team attracts through occasionally playing at the international scene and invest into the squad and commercial facilities. Those investments, in return may lead to further improvement in sport achievement.

The club's involvement in developing young talent is a key area of activity related to social contribution. While the original purpose of most youth development schemes was to nurture talent until some of them can join the professional team and contribute to sport performance, clubs and their public stakeholders realised how valuable benefits these schemes contribute to the community. They source children also from disadvantaged regions and families, and provide them a clear opportunity for career. Even for those who may not eventually become professional players receive education and learn values like teamwork, determination, a focus on continuous learning and improvement, a disciplined lifestyle etc. Those values are not only relevant to future professional athletes but can be the basis of the socialisation of and young individual before making important decisions about their life as an adult in society. This line of thought explains why clubs keep investing into their youth development scheme even if, strictly financially, this

investment may not be recovered any time soon. To be fair, there are also public funds available for the development of youth development schemes.

The international aspect of youth development comes to the spotlight when professional clubs make the decision whether to sign young talent from abroad, in addition to sourcing talent from the host city and its neighbourhood. The interpretation of a positive decision regarding recruiting foreign talent is not unanimously supported by local public opinion leaders. On one hand, this measure may be justified by the expectation that exceptional talent will improve the chances of the professional team to winning major competitions in the future. On the other hand, reflecting all the social benefits of youth development schemes explained above, the taxpaying citizens may expect the clubs to direct their efforts to helping local children in their socialisation and bringing them closer to a potentially international career. Are foreign youth players “crowding out” local talent from the youth development schemes? The other side of the story is that it is quite difficult for a club to attract foreign talent unless the club is already internationally well-known. The practical difficulties and additional costs incurred when bringing foreign talent to Hungary usually prevent clubs from employing but a few youth players as exceptions.

Most social benefits the club can contribute to the public are inherently local. They invite school groups to see their matches (usually free of charge), recruit a number of talented children from the neighbourhood, integrate the sport trainings of children into their public schooling, organise leisure sport events to bring local citizens closer to each other and to the club or support social programmes that are important for the community. However, there is a perspective that with the club’s increased involvement in international competitions the scope of the audience following the team is enlarged and more international. Professional players, particularly the most successful ones, serve as role models for children. An international supporter base means that the players will become role models not just for their home city and region but to a much wider range of population domestically and abroad. Consequently, the focus of the club’s social contribution is likely to organically change from strictly local to partly international, as the club can establish its regular presence at international competitions.

The following lead indicators have been identified as potentially useful when trying to measure how well the club performs in relation to its social contributions. (1) Regular or occasional survey of stakeholder expectations. Conducting survey incur costs and efforts to be spent on understanding the expectations of stakeholders including supporters, players, parents, financiers/donors, communities, at home and also (if relevant) at international level. This is a good indicator how much attention management pays to meeting their expectations. (2) Contribution to national team through developing youth players who may not stay at the club but will play in the national team later. (3) A strategic concept for adding

value to communities. In such a complex activity as it normally is for a club to run a youth development scheme, it is essential to have the key objectives, principles and resource requirements set in a carefully developed strategic concept. Ideally, this concept includes the milestones for measuring the implementation of such strategy, including the organic growth of the club to international relevance.

## CONCLUSIONS AND FURTHER RESEARCH OPPORTUNITIES

In our exploratory study about the relevance of international considerations in the triadic goal structure of professional sports clubs, we have identified three major strategic challenges in measuring performance. We learned that domestic sport performance is a weak indicator of international sport performance, as there are a number of moderating factors that can be measured to support strategic goal achievement, including the number of players and coaches with international experience employed by the club, a strategic approach to utilising prize money for supporting long term sport performance, and the size of the youth development scheme and the training capacities available for the club.

Furthermore, occasional international revenues are a weak indicator of sustainable international revenues. Moderating factors have been identified, including investment into the quality of the playing squad, commercial management know-how deployed at the club, a decreased level of operating leverage, effective customer development efforts, and active cooperation with public institutions supporting the club.

Finally, we explored a process that can bring social benefits relevant to the international markets of professional sports clubs. This involves regular surveys of the relevant stakeholders, a contribution to the national team by developing local talents, and a strategic concept for adding value to communities. While social contribution is primarily relevant to the host city of the club and its neighbourhood, there is a perspective that through the increased international involvement of the club, its social contribution will also be more relevant to the international community of sport enthusiasts.

The management implication of our analysis is that the management of professional sport clubs needs to develop a strategic framework to enable proper measurement of their achievements along the triadic goal structure they pursue, as complexity prevails in every aspect of their performance. The potential policy implication is that public funding should be linked to goal achievement by the club, as in spite of the complex and relative nature of domestic and international performance, the social contribution made by the professional sport club can be understood and measured.

There are strategic questions arising from our sport-focused study that are potentially transferable to business

fields unrelated to sports. How to measure the complex relationships between domestic and international performance is a relatively advanced area of study in sports, due to the quite measurable nature of sport performance. The lessons learned here could inspire investigations in other businesses by providing patterns of analysis. Also, how occasional international revenues and be transferred into a sustainable stream of revenues is a general problem most businesses face in varying degrees of importance. Finally, the approach to measuring social performance and the process of how this organically becomes relevant to a larger, international group of

stakeholders could be used for benchmarking purposes by academics investigating other business fields.

Our current exploratory study is planned to be followed by preparing more case studies with a varied focus in terms of clubs, sports, and countries involved to strengthen the explanatory power and the analytical generalisability of our results. Furthermore, we plan to apply additional methodologies, including quantitative analysis of sport databases and stakeholder survey responses. We conclude that based on our initial investigation, the international business aspect of performance measurement in professional sports is a research topic worth further scholarly examination.

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