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# Moving forward: business model solutions for amateur sport clubs

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**ABSTRACT**

**Rationale/Purpose:** The survival of New Zealand's amateur sport clubs is threatened by a range of factors. This study investigated how club partnerships may address sustainability concerns brought about through sport environmental changes.

**Design/Methodology/Approach:** Semi-structured interviews with representatives from five sport clubs explored how partnerships could alter sport clubs' business models for long-term viability.

**Findings:** Partnerships enabled clubs' governing bodies to appeal to a wider cross-section of society through improved strategic focus, direction and resource use. This led to membership growth and diversity, enhanced financial viability, improved governance, greater community connection and improved HRM functions.

**Practical Implications:** The study suggests the RCOV model and RDT helped clubs' pre-partnership sustainability issues. Partnerships created larger clubs, enabling financial stability, retention of members, and resource management to overcome environmental challenges.

**Research Contribution:** This study offers perceptions of club partnership outcomes. Critical success factors are presented as a guide of best practice.

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Sport clubs; business models; partnerships; critical success factors; resources competences organisation and value proposition; resource dependency theory

## Introduction

Sport occupies a large part of New Zealanders' daily lives. Most of this sport is organised through amateur sport clubs, defined as voluntary, self-governing, non-commercially oriented, legal incorporations (Vamplew, 2013). Changes to the economic and social environment, and increased competition have impacted the financial sustainability of many amateur sport clubs throughout the western world (Trenberth, Leberman, & Collins, 2012; Tripes, Kral, & Zelena, 2013), and New Zealand is no exception. These changes include rising membership overheads due to increased infrastructure costs, changing demographics, altered work practices, members' increased expectations, market competition, availability of quality facilities and individually preferred activities (Eime, Payne, & Harvey, 2009; Trenberth et al., 2012; SPARC, n.d.). As a result, sport clubs are struggling to deliver organised sport (Collins & Downey, 2000; Sport New Zealand, 2015). Many sport clubs have failed to alter their business model in response to these environmental changes (Collins & Downey, 2000; Cordery, 2013; Cordery, Sim, & Baskerville, 2013; Gratton & Taylor, 2000; Tripes et al., 2013), thus increasing their financial vulnerability and economic unsustainability (Burley & Joyce, 2008; Sport New Zealand, 2013; Wicker, Vos, Scheerder, &

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Breuer, 2013). In order to survive, sport clubs must continually adapt and refine the way they govern, manage and deliver (Breuer, Hallmann, & Wicker, 2011; Burley & Joyce, 2008; Cordery et al., 2013; Misener & Doherty, 2012).

Subsequently, there is concern regarding the financial viability of sport clubs (Lim et al., 2011; Vail, 2007). Owning and maintaining infrastructure, such as club houses, playing fields/courts and equipment, can deplete sport clubs' financial resources (Cordery & Baskerville, 2009). Furthermore, sport clubs have aging and declining memberships, and difficulty recruiting young members (under 35 years old) and collecting membership fees. The Active New Zealand Survey (2013–2014) reported only 27% of New Zealanders belonged to sport clubs (Sport New Zealand, 2015), down from 34% compared to 2008 data (SPARC, 2008).[1] New Zealand sport clubs also experience further challenges, including lack of funding for facility maintenance and upgrades, duplication of clubrooms, failure to meet members' needs, lack of skilled volunteers, insufficient indoor and all-weather surfaces, and an inability to develop sustainable organisational structures and utilise shared services models (Burley & Joyce, 2008).

Scant research exists regarding alternative or shared services, business models and strategies to improve the sustainability of sport clubs (Burley & Joyce, 2008; Rowe, Shilbury, Ferkins, & Hinckson, 2013). Cordery and Baskerville's (2009) report for the then Sport and Recreation New Zealand (SPARC), (previously known as the Hillary Commission (1987–2003) and now Sport New Zealand (SNZ)[2]), examined clubs' financial decisions in relation to ongoing sustainability. The report noted high costs of quality sport service delivery and recommended clubs attempt to diversify their incomes, but limited information regarding how this diversification might occur was offered.

Westerbeek (2010) suggests in the rapidly changing environment where there is "an ongoing struggle for limited resources that will see the fittest survive" (p. 1298), there is urgent need to investigate if solutions, such as partnerships, will address the challenges causing sport clubs' financial vulnerability. Partnerships are widely defined as relationships between two or more compatible organisations that make goal achievement easier (Mohr & Spekman, 1994; Uhlik, 1995). Many researchers around the world are united in maintaining that the key issue facing sport organisations are rapid changes to the environment, and the influence they have on sport delivery (Mullin, Hardy, & Sutton, 2007), and it is possible that partnerships may be part of the solution to this problem.

## Research purpose

The purpose of this study is to explore how partnerships could help sport clubs overcome financial sustainability issues by investigating alternative business models used by clubs that entered into cooperative relationships. This research investigates the perceptions of sport club business model "partnership change agents" – those people who had initiated a partnership with another sport club in an attempt to counter the impacts of change. It further identifies if, and how, the relationship contributes to the club becoming financially viable. It is surmised that, due in part to resource access, partnerships may positively impact the financial viability of New Zealand sport clubs. Therefore, the research question is: How does partnership formation with another sport club impact financial sustainability? Objectives of the study were to:

[1]The Active New Zealand 2018 Participation Report (2019) does not provide the sport club breakdown statistics as did SNZ (2015) or SPARC (2008).

[2]These organisations are responsible for governing and leading sport and recreation from grassroots through to elite sport ensuring an integrated pathway (Sport New Zealand, 2018).

(1) determine what issues forced sport clubs to enter into a partnership with another club;
(2) determine if the business models adopted successfully resolved pre-partnership issues and;
(3) identify the critical success factors in the partnership formation process.

## Interorganisational relationships

Interorganisational relationships (IORs) evolve as organisations recognise the need to positively respond to external environment changes through cooperative relationships, such as partnerships with other organisations (Wicker et al., 2013). Oliver (1990) defines interorganisational relationships as ongoing partnerships that regularly take place between one or more organisations in the form of "enduring transactions, flows, and linkages" (p. 32).

Partnerships have become more common within the sport industry due to increased competition (Shilbury, 2000), as they enable sport clubs to provide cost-effective programmes and be more competitive against commercial operators and new industry entrants (Reid, 2012). They come in many different forms and each one can be unique (Robson & Partington, 2013). Networks are at the most informal end of the spectrum with strategic alliances at the other. Strategic alliances are suitable for organisations lacking resources or skills that other organisations possess (Dyer, Kale, & Singh, 2001). They are generally long-term cooperative relationships between organisations that comprise "sharing of resources in pursuit of common goals" (Grant, Butler, Orr, & Murray, 2014, p. 293). Alliances are also formed to learn or obtain new capabilities, access new markets and reduce financial instability (Dacin, Oliver, & Roy, 2007; Wheelen & Hunger, 2010). Clusters come under the strategic alliance umbrella and also undertake activities in the mutual interest of the involved organisations, as resources and knowledge are pooled in an effort to satisfy reciprocal needs and strategies (European Cluster Collaboration Platform, 2019). Mergers are similar to alliances, however, individual organisations cease to exist when mergers are formed. Typically, mergers occur between two compatible organisations similar in size (Wheelen & Hunger, 2010), motivated to improve financial sustainability, and take advantage of reduced competition and increased economies of scale and/or scope (Grant et al., 2014).

## Business models

Business models have long been the traditional domain of for-profit organisations to improve their effectiveness and efficiency in the delivery of their products and services, and to better align their strengths to the opportunities brought about by changes in the environment. Non-profit organisations, like amateur sport clubs, have been taking their cue from this sector, particularly for strategic planning and organisation development (Sawhill & Williamson, 2001).

Osterwalder and Pigneur (2010) define a business model as the description of "how an organisation creates, delivers, and captures value" (p. 14). A more simple definition is the plan implemented by an organisation to generate income (Slack & Lewis, 2011). Because organisations exist to provide value for their customers (or members in this study of amateur sport clubs) (Porter, 1996), it is necessary for them to continually re-visit their operating model and underlying processes, to be able to adapt to environmental changes and ongoing competitive pressures (Skrinjar, Bosilj-Vuksic, & Indihar-Stemberger, 2008). Creating a business model that best addresses the organisation's position as it adapts to the external environment is one of the key challenges facing organisations today (De Wit & Meyer, 2010; Drakulevski & Nakov, 2014).

Irrespective of what type of business model a sport club adopts, consideration should first be given to the perceived value and benefit the member will obtain from the way the club delivers its products and services, referred to as value proposition (Drakulevski & Nakov, 2014). Innovative value propositions attempt to "solve a customer [member] problem or satisfy a customer [member] need" (Osterwalder & Pigneur, 2010, p. 22.). Therefore, the business model should identify and employ the most efficient mix of resources and competencies it has available to deliver the value proposition (Drakulevski & Nakov, 2014).

### *Resources, competences, organisation and value proposition model*

The Resources, Competences, Organisation and Value Proposition (RCOV) model (Figure 1), developed by Demil and Lecocq (2010), posits that effective business models incorporate mixes of resources and competences that deliver better value propositions, and illustrate how combinations of these resources and competences flow through the model and are measured by the margin delivered to customers or members.

Conceptualising business models through a RCOV lens enables sport clubs to analyse their ability to improve financial sustainability by providing a systematic process for considering all aspects of their revenues and costs. Environmental changes can be offset by leveraging specific combinations of resources and competences, and if essential resources or competences are unavailable, clubs can explore ways to acquire them. Clubs may choose to form a partnership to gain access to resources and meet members' needs, improving the club's ability to both retain and attract members, and derive increased income and thus overcome environmental issues.

### *Resource-based view and resource dependency theory*

This section briefly presents the Resource-Based View (RBV), which is focused on resources internal to the organisation while the Resource Dependency Theory (RDT) considers those obtained from the external environment (Frączkiewicz-wronka & Szymaniec, 2012; Nienhüser, 2008).

The Resource-Based View proposes that organisations will enter a collaborative agreement to complement their resource needs

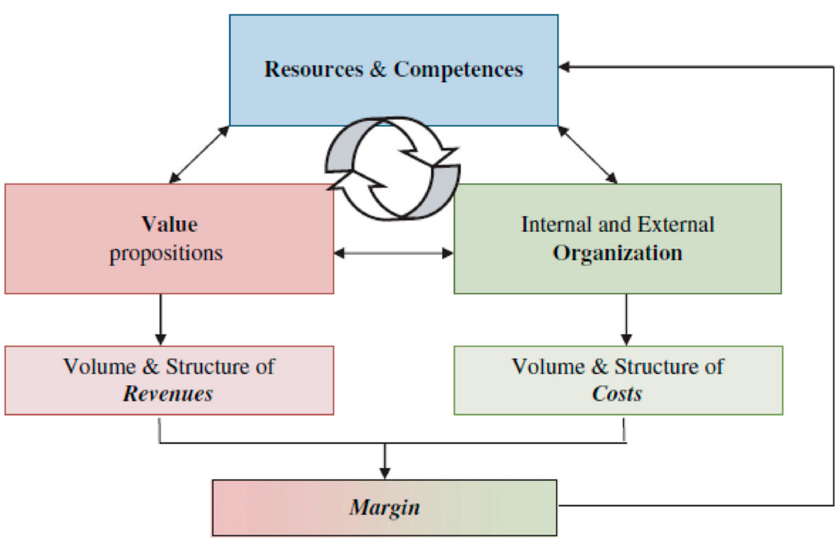


**Figure 1.** The RCOV framework: components and relationships. Source: Demil and Lecocq (2010, p. 234).

(Barney, 1991.) RBV, similar to the RCOV model, suggests that if an organisation has access to valuable resources and their capabilities exploit those resources, then together they can form the basis of competitive advantage (Barney, 1991; Hoopes, Madsen, & Walker, 2003). According to Tripes et al. (2013), strategy selection is key for sport clubs and gaining access to external resources is seen as critical to their strategic management (Mwai, Kiplang'at, & Gichoya, 2014) and sustainability.

Likewise, RDT suggests organisations must either acquire essential resources or minimise dependence on them (Mwai et al., 2014). Nienhüser (2008) explains that an assumption of RDT "is that dependence on 'critical' and important resources influences the actions of organizations" (pp. 10–11) and "that the environment provides (these) 'critical' resources needed by the organization" (p. 12). Thus, RDT promotes interaction between sport clubs to secure scarce resources, which may include land and buildings, money, members, volunteers and/or capabilities (Burley & Joyce, 2008). They maintain that it is a key theory for sport organisations affected by environmental change and endorse collaboration with other sport organisations to acquire these scarce resources.

Wicker et al. (2013) used the RDT framework to study whether German and Belgium sport clubs, that were lacking important resources, were more likely to form interorganisational relationships with other sport clubs, schools or commercial sport providers. They found resource scarcity was the catalyst for the clubs forming relationships and the options provided suitable partners, particularly when facilities or adequate access were limited.

### *Sportville model*

In New Zealand in 2000, the now-defunct Hillary Commission proposed "Sportville", a sport club and/or community partnership model to improve sport delivery, as a potential solution for issues created by environmental changes. The model was designed to encourage sport clubs to create critical mass by combining their resources, using the same facilities, sharing costs and services, and developing innovative ideas with other clubs to recruit skilled people for governance roles and access financial resources (Dunning, 2012; Sport New Zealand, 2019).

Unfortunately, the Sportville concept did not deliver as hoped. Burley's (2008) review of eight high-profile Sportville partnerships, known as The Burley Report, revealed that clubs struggled due to incongruence between partnering clubs and poor governance (lack of business skills). This created internal issues, i.e. infighting, due in-part to a strategy that focused on improving facilities as opposed to growing membership.

Even though Sportsville was not a preferred business model, Burley concluded:

> *The future looks exciting, with the potential for fewer but vastly more capable grass roots multi-sports clubs throughout the New Zealand sporting landscape. There are some single purpose sport clubs that will remain viable for a long while ahead, but the question is how can we get to those that are not? This is an exciting challenge and one that can be resolved ironically with a partnership approach across sectors and a collective across minds endorsement [sic] of sport partnerships as the way of the future* (p. 42).

Burley completed further work (Burley & Joyce, 2008) examining the factors that led 16 Canadian, Australian and New Zealand sport clubs to enter co-operative arrangements. They found amateur sport clubs formed partnerships predominantly for greater resource access and concluded that there was a "complex array of dependencies" (p. 46) and other macro environmental factors affecting partnership motivations.

The issues in sport delivery are complex, but what is inevitable is that sport clubs need to seriously reconsider the way they provide their services in the face of an increasingly competitive environment (Shilbury, 2000) and as Burley (2008) suggests, partnerships can provide that solution. This study investigates just that – partnership motivations, selections and outcomes.

## Methodology

The proposition of this study was that partnerships create benefit by providing access to scarce resources (such as finances, infrastructure, members and volunteers), which will subsequently impact financial sustainability.

A case study approach was used to determine how sport clubs altered their business model by entering into an interorganisational partnership, and what the derived benefits were. Given that this study's purpose was similar to Burley and Joyce's (2008), it was appropriate to use the same design as they did. This approach was also supported by Yin (2014), who proposed using a case study to answer "how" questions and this research investigated how events transpired in the partnering process. Yin also affirmed that when studying a contemporary rather than historic event, a case study is the preferred method.

Five North Island, New Zealand-based multisport clubs, presented as clubs 1–5, were selected for this study via purposive sampling. Each had experienced a crisis which threatened club viability and forced management to consider modifying their business model through partnership formation. Four clubs were underpinned by rugby (the foundation sport from which the club was formed) and one was a community club. Three clubs owned infrastructure assets (e.g. clubrooms, playing surfaces) and two clubs owned clubrooms and other buildings on long-term leases, and had access to playing surfaces owned by council.

Data was collected via semi-structured face-to-face interviews averaging 90 minutes. The "partnership change agent" – the person who had initiated the partnership for each club's transition labelled PCA1-PCA5 – was interviewed, eliciting rich information regarding why and how clubs entered partnerships, and the benefits of the partnership transformational change. All but two questions were open-ended. The first two questions asked the respondent to rate the success of the partnership overall and the financial strength of the club so as to get a sense for the direction of the interview questions and were rated on a scale of one (low) to 10 (high). The remaining questions focused on the formation of the partnership, delving into why and how it happened, processes employed, management structures created, lessons learned, perceived and actual benefits, and the overall outcomes.

A pilot interview confirmed questions were phrased, ordered and structured appropriately, and that the duration was suitable. Interview questions remained unchanged following the pilot interview. Key considerations were apparent however, such as allowing participants longer to respond, and clarifying and repeating their response to ensure questions and answers were interpreted correctly.

All participants readily accepted the invitation to be interviewed and consented to full disclosure of the research findings and their personal perspectives. Interviews were recorded, transcribed, and coded via NVivo 10, computer-assisted qualitative data analysis software (CAQDAS), which enabled researchers to code interview material for quick and easy analysis, while remaining cognisant of potential cross-case analysis concerns when compiling, disassembling and reassembling data (Yin, 2014). Conscious of not wanting to misinterpret the data categories, cross-case analysis, a research method involving in-depth exploration and comparison of commonalities and differences across cases (Khan & VanWynsberghe, 2008; Yin, 2014), was employed with a view to support empirical generalisability and theoretical predictions.

Participants were encouraged to review the transcripts and offer feedback or suggest amendments to ensure what had been transcribed and written met their intentions. All participants were satisfied with the interview transcriptions and again confirmed their approval for any information provided to be incorporated.

## Results and discussion

### *Nature of the partnerships*

Table 1 below indicates the clubs interviewed, the type of partnership entered into (strategic alliance / cluster or merger) and a description of the individual clubs that make up the new club. Eight clubs pre-partnership became five clubs post-partnership. C1 adopted a strategic alliance, under a cluster umbrella, by bringing four sports and a community club together to be known as a "country club". C3, a rugby club, also formed a strategic alliance cluster with 15 clubs from other codes that were attracted by the rugby club's infrastructure. C2 and C5 formed mergers with other same sport (rugby) clubs while C4 merged with a same sport (rugby) club and formed a partnership with another club (polo), all becoming one club. To summarise, three clubs (C2, C4 and C5) were created out of a merger of clubs within their same code (i.e. six clubs became three), while the remaining two clubs (C1 and C3) used an alliance cluster structure, combining with multiple sports.

**Table 1.** Nature of partnerships.

| Clubs interviewed | Type of partnership entered | Detailed description |
|---|---|---|
| C1 | Strategic Alliance / Cluster | Four sports (tennis, hockey, netball and golf) plus community clubs, combined into one club |
| C2 | Merger | Two rugby clubs merged, and added cricket, soccer and netball |
| C3 | Strategic Alliance / Cluster | 15 clubs all with their own entity formed around the rugby club in a cluster |
| C4 | Merger & Partnership | Two rugby clubs merged and a new partnership was created with a polo club |
| C5 | Merger | Two rugby clubs merged |

Source: Adapted from Burley and Joyce (2008).

### *Reasons for partnering*

Club partnership change agents were asked why they chose to form a partnership, with a prompt asking them to identify if they considered alternatives to their chosen partnership model. Table 2 outlines key reasons and resources in short supply that led clubs to form partnerships. Two themes prompting change were infrastructure costs and declining memberships.

C1 suffered from a lack of potential partnering clubs and unsustainable infrastructure costs, thus the club sought to incorporate community interests, a community club and four sports, as a cluster under one club umbrella. Subsequently, a new country club was formed enabling the community to promote new leisure activities. PCA1 reported,

**Table 2.** Impetus for clubs to form partnerships.

| Clubs | PCAs' view: main reason for partnership | PCAs' view: resources on short supply |
|---|---|---|
| C1 | Marriage of convenience. One club owned its facilities but had declining memberships. One club had sufficient members but no facilities. | One club had no clubrooms or gym. One club struggled to recruit and retain members. |
| C2 | Could not maintain infrastructure due to declining memberships. | Recruitment and retention of members, leading to lack of finances and volunteers. |
| C3 | Infrastructure costs could not be sustained by rugby alone. | Finances to sustain infrastructure. |
| C4 | Two clubs experienced declining memberships. Strength in numbers by merging. | Recruitment and retention of members for both clubs. |
| C5 | Cost of maintaining infrastructure due to declining memberships and lower structural income. | Finances to sustain infrastructure. Recruitment and retention of members and volunteers. |

Source: Adapted from Burley and Joyce (2008).

*The only way out was to increase the membership base to achieve sustainability. We rekindled the community club dream and fundraised $250,000 to develop four new AstroTurf, floodlit, tennis courts, that included a full hockey field and netball courts.*

C2 did not have their own facilities and investigated various solutions to attain ownership. They purchased an old school to develop into a sports ground, clubrooms and a gym. However, they could not afford the debt on the underdeveloped site, therefore a mandate to sell was issued. They then considered forming a multi-sport club to achieve ownership and share costs with three other codes, but this was not supported by their club as it was perceived by club stalwarts to be "a takeover by a stronger club" (PCA2.) A third solution was also considered.

*We investigated merging with another rugby club that we had an 'affinity with'. That club's committee voted it down, as they did not consider the merger provided any synergy to them* (PCA2).

Due to this "lack of perceived synergy" by the approached club, C2 formed a multi-sport club with three other codes and retained ownership of the school with costs being shared.

C3, also challenged by significant infrastructure overheads, adopted a similar strategy. Rather than merging, they exploited their location and quality facilities to attract other clubs to form a strategic alliance and cluster. PCA3 acknowledged:

*Rugby as a standalone sport could not survive financially. The window of operation is short-term* [four months]*, but we have to have a 52-week business. We have costs other clubs don't have, so we identified sports and leisure activities that we considered compatible – badminton, squash, netball and jumping beans* [pre-school children's activities].

Unlike the country club concept which C1 adopted, C3 allowed each cluster club to preserve its independence by retaining its original name and colours.

C4 and C5 were both suffering from membership decline and financial issues even though they owned land and buildings. They felt that mergers were their only option. C5 merged with a club that had access to council-owned fields and also owned infrastructure, and therefore was considered to be a strong option. PCA5 explained:

*Our financial strength was weak, because bar turnover was down, and costs had increased with owning the land and buildings, etc. There were limited resources to get more money. We had a weak financial position but were asset rich. A merger was our way out.*

Clubs' partnership change agents rated their respective partnerships' success and their current financial strength on a scale of one to 10, as per Table 3. Three clubs (C1, C2 and C3) rated the partnerships' success 10 and two clubs (C4 and C5) rated it nine, while four clubs (C1, C2, C3 and C5) rated the partnership financial strength 10 and one (C4) eight.

### Partnership critical success factors

Clubs entered new structures principally to resolve critical issues. Clubs identified four common themes, considered critical success factors (CSFs), as important elements to address during their organisational change, which they believed would enable them to achieve their sustainability goals. The CSFs are discussed under the headings: governance, communication, financial management and constitution creation and timing. Why the club entered into the new structure was dependent on the critical issue they defined as important.

**Table 3.** Club merger and financial success.

| Clubs interviewed | Success of partnership 1 – low 10 – high | Current financial strength of partnership 1 – low 10 – high |
|---|---|---|
| C1 | 10 | 10 |
| C2 | 10 | 10 |
| C3 | 10 | 10 |
| C4 | 9 | 8 |
| C5 | 9 | 10 |

### Governance

Governance, noted by all clubs during and post-change, was identified as the most requisite critical success factor. Implementing an effective governance structure from the beginning was seen as crucial to successful partnerships and sustainable futures. With superior governance it was perceived that the other CSFs would be fulfilled.

C3's initial governance structure was unsuccessful due to "rugby paranoia" and subsequently, their board was reorganised to include independent and rugby representatives. PCA3 summarised:

> *The structure wasn't working. We had to diffuse everything as things got confused as to who owned the assets. It had to change. If it failed* [the multi-sport club], *whose head would it fall on? Rugby*.

C3's new governance structure comprised two rugby club personnel, three external business people, the club president and the club CEO. Thereafter, the board made decisions and developed strategies, while maintaining a "parent-like relationship" (PCA3) with sports and businesses operating from the club. Individual sports within the new club had independent boards and committees, with the club president sitting on all boards. The independent boards and committees provided impartiality from rugby, while the rugby representatives ensured rugby's voice, as the owner of the infrastructure, was heard. Despite additional board-related costs, this structure helped C3 to resolve issues related to rugby's control and independence.

Both C2 and C4 considered similar structures but they were not implemented due to "rugby paranoia". PCA2 clarified the rugby-centric view:

> *All clubs have their own management, with no management formed over the top. The old rugby thinking is to keep everything separate. Rugby clubs are not great at sharing.*

C1 and C5 both adopted structures with just one governing board for all clubs. PCA1 said the reason for this was due to the limited availability of qualified individuals, while PCA5 felt they could have stronger outcomes with their rugby partners.

PCA1 reiterated:

> *The board doesn't run things, it is the members. The board may have the administration role and makes sure the process works; however, it is the members that will do the work and they need to run it. This creates the spirit and culture. We don't have a requirement for a representative from each club on the board. We just have the best people, and each member of the board has a responsibility for each club.*

### Communication

Communication was also identified as a key CSF, supported by Grant et al. (2014) who found communication to be crucial in the success of partnerships. It was strongly articulated that when mergers were transpiring, clear and open communication channels were imperative to ensure all parties understood the process. It was also important for these communication channels to be accessible for engagement with all stakeholders after the process had been completed to ensure continued buy-in and acceptance of decisions. PCA3 supported this, especially when dealing with numerous clubs and personnel as C3 did. PCA1 commented, "Without the good communication we had with the personalities we worked with, there could have been major issues".

### Financial management

Successful partnerships and improved finances suggest greater financial sustainability for clubs. All five clubs' respective partnership structures were linked with improved financial sustainability, enabling them to invest in identified needs like infrastructure. PCA4 was the only interviewee to rate their financial strength less than a 10 but still indicated that prior to merging, both clubs were "OK" financially. However, C4's partnership enabled the club to build new clubrooms, which generated outside income by catering for functions and leasing office space. Finances made ownership possible for C1, while C2 and C3 invested in artificial playing surfaces, which attracted other codes thus increasing their revenue. Clubs that had access to council-owned fields (like C5), with no land ownership costs, were able to develop superior facilities from the collaboration, without additional expenditure.

Despite taking responsibility for their own finances, C3's clubs provided regular financial reports to the board. PCA3 provided the rationale for this:

> *As a business model, it is necessary to understand how each sport is going. If they are struggling – why? What are the reasons and what can we* [new board] *do to help them? Everyone has to contribute to benefit … the owner has to govern.*

Cordery and Baskerville (2009) found that funding and financial management resulting from the high cost of maintaining club assets was the critical issue many clubs faced. Good financial management, as a CSF, was deemed to make ownership possible, even if it meant merging with a compatible club.

### Constitution creation and timing

For the partnering clubs, awareness of their constitution was imperative, especially around the timing of the windup, as it affected ownership and transfer of key assets. Preservation of heritage, particularly for club stalwarts and life members, was also key for clubs that would be wound up.

C3 and C4 had ownership concerns. PCA3 stated:

> *One regret each club had was with letting one club dominate. Rugby is very dominant. If we let other clubs in, then that dominance may be lost, even if the constitution sees the rugby club require 90% of the votes.*

Working through and understanding constitutional changes and their effects were deemed important by all clubs.

### Partnership benefits

Partnerships help clubs establish and foster relationships with other organisations within their community (Burley & Joyce, 2008; Misener & Doherty, 2012). Through partnerships, the sport clubs studied experienced greater community connection, improving their once scarce resources, and thus sustainability. A summary of the benefits the partnerships provided are in Table 4.

Clubs acknowledged their pre-partnership models were unsustainable due to lack of resources – financial, physical and human. High financial strength scores, four ratings of 10 and one of eight, suggest new business models successfully resolved pre-partnership issues. Partnerships enabled clubs to use sporting infrastructure assets more effectively through efficient use of resources that generated increased revenue. After forming partnerships, three clubs (C1, C3 and C5) altered their business models to exploit newly owned land and buildings by developing infrastructure to attract new members and increase income. Building costs and debt repayment were offset

**Table 4.** Partnership benefits.

| Benefits | PCAs' description of factor |
|---|---|
| Membership | Greater number of junior numbers, which will eventually flow through to senior paying numbers. More people wanting to become social members. Wanted to attract more women and children to come to the club. |
| Community involvement | Connect the club to the community, create a culture built around family values that our community wants to be a part of. Connecting with the community and involving women and children made it easier to obtain grants, which are then ploughed into improving the assets of the club. |
| Sporting success | Stronger playing numbers leading to winning championships. More teams winning throughout all grades. |
| Financial | Be financially strong. Bigger club should make it more attractive for sponsors. |
| Improved facilities | Ability to afford to refurbish clubrooms or build new ones. Better facilities make it easier to attract family members including women and children. |

by revenue from increased membership sales and diversification from the new buildings' revenue streams.

### *Membership*

Membership growth was a significant benefit from the partnerships. All clubs reported membership growth for juniors, seniors and women. C3's membership base increased by over 300%, and female membership grew from 340 to 2,650. Increased junior and senior grade participation was reported with clubs registering more than 400 junior members, and C3 registered over 5000 members. PCA3 reflected:

> *I think the growth of the club in members has been the greatest outcome. Biggest surprise … didn't think it would grow that fast. We are now at capacity. We have gone from a club that couldn't field under 19s and 21s and now we are the highest achieving club in our area right through the grades.*

These results reflect the literature. Wicker et al. (2013) ascertained partnerships help clubs attract and retain members, while Cordery (2013) found membership growth resulted in improved financial stability and sustainability. Overall, the clubs were encouraged by the partnerships and the associated membership outcomes. The growth in memberships led to increased revenue, which helped provide better infrastructure, increased community connections and a larger talent base, for example, and resulted in better sport delivery programmes and thus higher member retention.

### *Community involvement*

There were other unexpected benefits that flowed from the partnership and all clubs acknowledged opportunities to better connect with families and their community. PCA3 reported that they intentionally included codes that would immerse themselves in the club and its culture, and that the club was "loved by their community". Specifically, PCA3 said:

> *We did a survey of the demographics of the club and have changed from 80/20 male to female to being 45/55. Getting the women into the club you get higher standards (refers to conduct) and a family culture. With women you - you get the families. Women changed the club overnight. The community loves us. You have the mums and dads and babysitters everywhere. We are a one stop shop.*

The word "culture" was also used by PCA2 referring to the process of getting members actively involved in the club and taking ownership of its direction. PCAs 1, 2 and 4 also commented on their efforts to attract families into the club.

> *The quality of the facilities improved and that was important to be attractive to family members, and very much a community building.* (PCA1)

> *To increase the appeal of the club to families we undertook further fundraising to reroof the club and update the interior and fittings.* (PCA2)

> *Because the club is now seen as a community facility, getting funding for it is a lot easier. Lots of local organisations use the club maybe once or twice a year each and we don't charge them* (PCA4).

### *Sporting success*

Greater sporting success (winning championships) was expected to be a by-product of a stronger club from the three merged rugby clubs (C2, C4, and C5); however, this did not necessarily occur for the clubs' premier teams. Greater success was seen across junior grades for Cs 2–4, but not throughout all grades as was expected.

### *Finances and human resources*

Due to improved finances, four clubs (Cs 1, 3, 4 and 5) hired paid employees or contracted their administrative functions. C2 operated exclusively with volunteers, whereas C3 and C5 operated exclusively with paid employees, while C1 and C4 functioned with both paid employees and volunteers. Participants' anecdotal comments linked greater use of paid employees within clubs with less volunteer support, irrespective of size and location, due to increased revenues. Partnerships potentially create economies of scale, making paid employment viable. The study suggests, overall, partnerships with other sport clubs improve financial sustainability.

### *Improved facilities*

The stronger financial position enabled all clubs to further invest in their infrastructure by developing their clubrooms into an environment that was more attractive to women and families, which Collins (2003) noted as a key societal change (growing influence of women) that was taking place in sport clubs. While still retaining the heritage of the club, this was seen as a way to achieve a stronger link between the community and the clubs in this study. All clubs were cognisant of those changes taking place, and recognised that through the greater community connection, the clubs were more easily able to access grants, especially where children would benefit from the funding, and where the facility was seen as a community asset by the grant providers.

### *Infrastructure*

Findings support Cordery and Baskerville's (2009) claim that infrastructure costs impact financial viability. Of the clubs interviewed that had owned substantial infrastructure assets prior to their new partnership, all acknowledged the cost of ownership could not be sustained by a single sport club. Two clubs (C1 and C5) experienced rising infrastructure costs and difficulty attracting and retaining members, and two clubs, (C2 and C4) despite large memberships, were unable to sustain ownership costs. Clubs that did not own infrastructure (sport grounds specifically) pre-partnership remained financially viable, despite declining memberships. It appears that sport clubs, regardless of membership numbers, struggle to cope with infrastructure and land costs.

Other clubs, C1 and C3, were more innovative in managing their infrastructure. They leveraged their infrastructure more effectively by forming new structures that attracted new members. C1, due to their small, isolated community, had one overarching club with multiple sport and leisure groups, and one governing body. New codes benefitted from access to facilities, but they did not share ownership or influence decision-making. Therefore, the strategic alliance cluster structure adopted by C1 may provide a more suitable model for rural-based clubs in general due to their strong community character (Schlesinger & Nagel, 2013). C3 used infrastructure to attract new codes; however, unlike C1, those codes remained independent with individual governing bodies.

All clubs, excluding C1, experienced varying degrees of "rugby paranoia". Rugby clubs owned infrastructure and were dominant; consequently, other codes were concerned that partnerships might be overwhelming. Burley (2008) reported one reason an adopted Sportsville model failed was "unresolved issues between rugby and football sport subcultures" (p. 26). In the present study, clubs utilised clusters or mergers within the same code, treating other codes as affiliates to reduce "rugby paranoia".

### *Business models*

Partnerships provided options for clubs to consider alternative business models to leverage their capabilities and key resources to improve competitive advantage. C4, for example, which comprised the two merged rugby clubs, and a partnership with a polo club, bought land and developed a substantial multi-purpose building. C4's new business model ensured the costs of land ownership became viable by sharing the overhead with the polo club, while the building costs, including debt repayment, were met by a combination of increased revenue derived from a larger membership base and through diversification from the new building's revenue streams. C5 also provides a noteworthy example. This club drew on the strengths of individuals from both clubs, to ensure that they had the expertise to manage the combined club. The pooling of their resources, and the disposal of unnecessary and non-revenue earning infrastructure, ensured their assets were maximised. This finding directly supports the RCOV model that suggests organisations, C2, C4 and C5 in this case, can respond to environmental change by driving a better value proposition through the right mix of resources and competencies.

The Resource-Based View Theory, similar to the RCOV model, suggests organisations gain competitive advantage by exploiting access to valuable resources through their capabilities. C1 and C3 exhibited behaviour that supports the RBV theory by developing and exploiting their resources for competitive advantage. They made use of all-weather, flood lit, artificial playing surfaces, which was a key point of difference to attract new sporting codes to their respective clubs. C1 and C3 could not be more different, yet, they both turned around their lagging fortunes, and thus provide examples of what is possible, despite vastly different demographics and sporting codes.

Resource Dependency Theory, developed by Pfeffer and Salancik (1978), as cited in Burley and Joyce (2008), asserts that interorganisational dependencies are developed due to the need for organisations, and in this instance sport clubs, to interact with other sport clubs to secure scarce resources. This theory is supported in this study, as C5, although motivated by the desire to reduce their overhead expenses, chose to merge with another rugby club for several reasons. First, this club did not have the high costs associated with land ownership, as they had long-term access to six council-owned rugby fields. Second, the club's demise would mean their fields would be lost to a competitor sport, which they did not want and thirdly, the sale of their land would generate a substantial nest egg for the club's trust, which was then available to develop buildings into a superior facility.

In summary, findings indicate that declining memberships and/or high infrastructure ownership and maintenance costs affected all clubs' sustainability. Prior to amalgamation, clubs preferred to own infrastructure assets, resulting in unaffordable property-related costs with outdated business models. Mergers were the partnership relationship of choice for clubs (C2, C4 and C5) within the same code joining forces, while strategic alliances / clusters were common for clubs (C1 and C3) partnering with different codes. The critical issue each club faced determined which partnership structure was adopted, and consequently determined what critical success factors needed to be addressed. All structures resolved the crisis they were formed to overcome and as a result, all clubs considered the partnership structure a success. The principal advantages derived from the partnerships for all clubs included a growing membership base, enhanced facilities, improved access to grants and funding, and greater community connections, which all contributed to financial stability and sustainability.

## Contributions

This study's findings have clearly identified how entering into a partnership with other sport clubs overcame each club's sustainability concerns and positively impacted their financial sustainability. It provides evidence the clubs under review embraced a new partnership to overcome issues brought on by the rising costs associated with owning substantial infrastructure assets and/or the lack of ability to attract and retain members.

More importantly, the study identifies four critical success factors – governance, communication, financial management and constitution creation and timing (See Table 5) – which are deemed as essential to understand and incorporate into the partnership development and implementation efforts. This is presented here as a model of best practice.

**Table 5.** Critical success factors.

| Critical success factors (CSF) | PCAs' description of factor |
|---|---|
| Governance | There is a need for people with strong business skills and background to run the club especially during the changeover. Formation of a joint committee represented by members from both clubs ensures all interests are addressed and aids communication going back to the different clubs. It is important to ensure the committee has the mandate of the majority of the members (80% plus). |
| Communication | The biggest issue is often to get people to recognise that there is a problem. The larger the problem, the easier it is to have change accepted. Clubs need to actively engage with their various stakeholders to ensure decisions made are fully understood to improve levels of acceptance and buy-in. Newsletters, emails, public meetings were all common methods used. |
| Financial management | A sound financial base is critical as a starting point. Rationalisation of assets owned by the clubs may be needed. The assets the club ends up with need to generate an acceptable return to provide revenue to be ploughed back into the club. |
| Constitution creation and timing | There is a need to consider what happens to the club's assets if the club is wound up as a consequence of a merger. The new constitution should ensure a high percentage of members support (80% plus) any new proposal. |

Governance in some form has emerged as the most vital critical success factor during the period of and post-change. There is a need for each club's governing body to become more strategically focused and to better leverage its resources and connections with community stakeholders. This can make it easier to access financial resources, which can then be used to improve and maintain the club's infrastructure assets, to better meet the needs of its members and community stakeholders, as well as creating membership growth and diversity, increasing socialisation opportunities and greater participation in physical activity.

Communication was also an important component of a successful partnership and needs to be evident at the outset of partnership formation to all parties. It is an activity that continually requires focus, especially considering the new partnership and need for transparency. The communication has to extend beyond those directly involved in organising the partnership, to include club members, stakeholders and sponsors of the changes.

An assessment of the financial situation of each club's assets is important, if the partnership is to benefit financially. Duplication of resources is wasteful, so under the partnership, the governing body needs to determine how to maximise the assets and the revenue from those assets.

Finally, there is a need to consider the constitutions of both/all clubs and decide how to create a new constitution for the partnership. Issues of heritage and tradition need to be considered sensitively, to ensure that the histories of all clubs are maintained. The new constitution should also consider the disestablishment of the partnership, providing an avenue for future contingencies.

## Conclusion

The impact of environmental change on sport clubs is complex. Partnership arrangements entered into for all clubs in this study opened doors for them to revisit and revise their business model mainly based on the critical success factors identified, and to develop innovative solutions that increased their ability to leverage their key capabilities and resources to improve sustainability. Nevertheless, declining sport participation in New Zealand, and the western world, is evident particularly in community sport clubs. Environmental changes impacted clubs in several ways, including higher costs and declining memberships. Clubs that owned infrastructure were more susceptible to the changes taking place because of the high costs incurred through ownership. Yet ownership, just as the Resource-Based model indicates, provides more opportunities to attract other codes to the infrastructure – especially if clubs are looking to secure access to those scarce and valuable resources, as the Resource Dependency Theory posits. Business models with innovative solutions are required to deliver better value propositions by leveraging resources and capabilities to improve competitiveness.

For clubs that are prepared to meet the challenges brought on by environmental change and increased competition, their future is far more certain than those clubs that resist. Burley and Joyce (2008) and Cordery and Baskerville (2009) suggested that partnerships are a catalyst for greater strategic and business focus. As Kotter (1996) advocated, adjusting to ongoing change is a fact of life for all organisations, including sport clubs, which urgently needs to be embraced. Based on the interviews in this study with successful partnerships in the New Zealand context, elements of best practice are identified, in the hope that this will provide a guide for other partnerships to emerge.

## Limitations and future research

The information used for this study was limited to that gained from the interviews with managers from each club. At the outset, it was decided not to collect any financial data and in hindsight, the study is limited by its absence, as financial performance could not be verified, nor an independent analysis undertaken. Financial data, including annual surplus, working capital and equity ratios, collected prior to interviews might have strengthened the findings. It is recommended that future research incorporates this data.

There are a vast number of different sports played in New Zealand. This study has a high representation of clubs (four out of five) hosting team-based codes that had a background originally underpinned by rugby. While the sample provided a specific rugby focus from which some unexpected findings were exposed, at the same time this has created bias, and may not be a good representation of what happens in other clubs and non-team-based codes. Further research could broaden this base, to determine if there are different business models which could be formed with different base clubs.

The study revealed the advantages partnerships can afford team-based clubs struggling with sustainability concerns. However, there remains a vast number of single code sport clubs throughout New Zealand that are struggling financially and face an uncertain future because they resist change. Future research is therefore required to better understand why clubs are failing to embrace change, specifically those clubs that are exhibiting a deteriorating financial position.

Findings also suggest declining memberships and/or infrastructure-related costs weaken clubs' sustainability. However, aside from environmental changes, it is unclear why these elements threatened clubs' viability. Future research would potentially clarify this.

Times have changed – sports clubs can no longer operate as they have done in the past; appropriate business models more than ever need to deliver a superior value proposition. This research corroborates this position and more importantly, presents a guide for the implementation of these models.

## Disclosure statement

No potential conflict of interest was reported by the author(s).

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