ASSESSING SPONSORSHIP THROUGH THE INTELLECTUAL CAPITAL FRAMEWORK

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Sponsorship is associated with multiple objectives ranging across functions and departments. A common weakness in sponsors is that they make sponsorship related decisions without considering wider issues. This paper discusses how sponsorship activities can be linked to overall corporate performance. Conclusions are drawn from a case study of a global sponsor integrating sponsorship in its overall performance management process.

INTRODUCTION

Marketing theory suggests that new forms of network organizations consisting of various specialized firms connected to each other through their specific competence and resources in cooperative exchange relationships will replace classical organizations (Gummesson 2004). Currently, companies are not likely to possess all strategic resources and capabilities to stay competitive. To sustain a competitive advantage a company must rely on an exchange of resources with their surrounding network (Cavusgil, Evirgen and Sarkar 1997; Stanek 2004). According to Stanek (2004), the primary reasons for business alliance formation are connected to risk sharing (Alter and Hage 1993), market access (Kogut 1989) competitive preempting (Segil 2000) and fast and flexible means of accessing resources (Dyer, Kale and Singh 2001). Creating and maintaining loyalty and changing brand perceptions is costly and may be difficult to achieve single-handedly in all situations (Doz, Hamel and Prahalad 1989). Sponsorship provides access to valuable marketing related resources such as brand loyalty and other relational resources that the sponsored organization enjoys.

The Sponsorship Exchange Relationship

From a structural point of view, sponsorship links buyer and seller together through a third party, for example a sports team. In this particular exchange relationship, the seller of a product chooses not to interact directly with the presumed buyer but rather decides to engage in an active alliance with the sponsored event instead. Through this alliance formation, the sponsor gains access to various intangible assets such as strong relational ties with different stakeholders (e.g., presumed or actual customers, employees or shareholders etc.).

Evidence suggests that sponsorship is moving increasingly from a donor recipient position (Witcher et al. 1991; Thwaites 1995) towards an active partnership in which value creation is based on the combined resources and shared knowledge between the two organizations (Thompson 2002). This perspective has encouraged recent studies to adopt an inter-organizational research approach studying the exchange of resources and the mutual adaptation between the organizations and the effectiveness of the exchange relationship (see e.g., Olkkonen 1999, 2001, 2002; Thompson 2002). Olkkonen (2001, 2002) studies the network surrounding sponsorship and what resources and activities are exchanged between the actors involved and the cultural differences between the sponsor and the sponsored organization and the adaptation process between the two organizations. Amis, Slack and Berrett (1999) present sponsorship as a resource, which either singly
or in combination with other resources, can aid in sustaining competitive advantage. A reason for the complexity associated with sponsorship measurement and management is that it is used to target different objectives and stakeholders within the same partnership. Recent studies have shown that sponsorship should be used as an activity that ranges across different departments. The value of a sponsorship program has been shown to increase if it is used in a variety of different ways across the organization (Amis, Slack and Berrett 1999). Different departments and functions should therefore be involved in the target setting, planning, implementation and evaluation. The combined activities must concur with the overall objectives and a coordinated method of measuring resources is required.

**Sponsorship Management, often an Isolated Activity**

A common weakness in sponsors is that they historically make sponsorship decisions separated from the marketing department and detached from the overall objectives of the company. Parker (1991) suggests that sponsorship, as a communications medium should be considered alongside other communications media in terms of its ability to meet the objectives. This should become even more pertinent because sponsorship usually depends upon the support of other communications media for it to be effective. Organizations often make sponsorship related decisions in the corporate affairs or public relations department. Two separate budgets are used for communication decisions within the same organization. As a result, decisions can be made to initiate sponsorship without considering wider issues (Parker 1991).

**Linking Sponsorship Objectives to Corporate Performance through the Intellectual Capital Framework**

Researchers in the areas of accounting, organizational theory and marketing, have had a common interest in visualizing the link between tangible assets that appear on the balance sheet and less tangible value drivers. According to the review of Andriessen (2004), driving forces for this within the Intellectual Capital movement have been to improve management of the intangible resources (see Edvinsson 1997; Sveiby 1997, 2002); give new insight into value drivers that determine future success (Kaplan and Norton 1992; Marr, Gray and Neely 2003); monitor effects from actions (Marr, Gray and Neely 2003); translate business strategies into action (Kaplan and Norton 2001) and link a company’s long-term strategy with its short-term actions (Pike and Roos 2000). The resources that a sponsored activity is selling to the sponsor, according to the definitions in the intellectual capital framework, could be categorized as relational resources and competence (see Hannes and Lowendahl 1997). Relational resources refer to reputation, client loyalty etc. and competence is defined as the ability to perform a given task and exists on both the individual and organizational level (competence includes knowledge, skills and aptitudes on the individual level; and client specific databases, technology, routines, methods, procedures and organizational culture on the organizational level) (Johanson, Mårtensson and Skoog 2001). Prior to entering a partnership, the sponsor determines whether there is a complementary fit between the resources of the sponsor-seeker and those of the company. Various models have been proposed within the Intellectual Capital framework to link non-financial and financial resources. The framework can be useful in determining the relative value of different elements of the sponsorship regarding the set of resources and objectives of the specific sponsor.

The need to overtly link sponsorship initiatives to broader corporate strategy has also been identified (Amis, Slack and Berrett 1999). A proposition in this paper is that the Intellectual Capital framework can help in the visualization of links between sponsorship and overall value creation and contribute to making tacit knowledge explicit. Previous research has suggested that sponsorship should be an integrated part of the marketing mix in order to produce a common and powerful image for the firm (see e.g., Twaites 1995; Amis, Slack and Berrett 1999).
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However, image-related activities should not be used as the only method of assessment when making strategic decisions about sponsorship. Often a sponsorship program includes activities that are managed outside the marketing department. Common objectives for sponsorship are to stimulate staff and field-testing of potential products which involve the departments of Human Resources and Research and Development. The activities in different departments and functions affected by the sponsorship should be linked to each other and to a common overall objective. Models such as the Balanced Scorecard (BSC) (Kaplan and Norton 1996) are generally used to visualize the impact of diverse intangible activities on the financial outcome of the company and to steer overall objectives of the company to operational staff at different levels and departments. I have used the BSC to frame general objectives of sponsorship based on their contribution to the different intangible resources of the company. Objectives should be converted into alliance metrics and they should be established by all of the parties involved in a partnership with corresponding feedback mechanisms, incentives, and sanctions while simultaneously remaining manageable in number, based on results and priority (Stanek 2004). The metrics should also include both financial and non-financial measurements (Goold and Quinn 1990). The BSC and other similar models align the non-financial measures with the financial measures to provide a more balanced basis for long-term strategic decision making. The present study aims to extend the current discourse on sponsorship measurement and management by introducing sponsorship into the Intellectual Capital framework.

Three characteristics of successful measurement systems are presented by Ukman (2004) as being rich in intellectual property content, tailored to metrics important to business and refreshed through time as knowledge develops and needs change. Stanek (2004) highlights the need for relevance and actuality of the measurement system. Information generated by the system should be important -- addressing re-occurring management issues. The process should demand frequent and regular attention from operating managers at all levels of the organization and the information should be interpreted and discussed during face-to-face meetings with superiors, subordinates and peers. The process should also rely on continually challenging and debating of underlying data assumptions and action plans. The effect of these characteristics are discussed in this paper with examples from an ongoing case study of a company adopting a management control system to direct focus on relevant issues in sponsorship management. Besides the BSC, several other management controlling models, originating from the Intellectual Capital framework, have proved effective in monitoring intangible data (Skoog 2003). The Balanced Score Card (Kaplan and Norton 1996), the service profit chain (Heskett et al. 1994), the intangible asset monitor (Svejby 1997), and the intellectual capital model (Edvindsson and Malone 1997) share a common characteristic: they formally acknowledge non-financial aspects as important elements in the value creating process. With the exception of the intellectual capital model, they all aim at gaining deeper understanding of short-term as well as long-term organizational aspects where monetary measures are put in constant relation to non-financial organizational representations such as different customer and employee activities etc (Skoog 2003). Measuring multiple objectives is nothing new. Many companies have performed both financial and non-financial measurements for a long time. However, the measurements have often been used to improve short-term operations and the measures have often been performed locally in the isolated functions or SBUs. With the variety of objectives that are present in the sponsorship context an integrated model ranging over different departments and functions is assumed to have positive effects on control, coordination of activities and their alignment with corporate objectives. Sponsorship related activities are both performed and measured in different departments outside the marketing department, such as Human Resources etc.
Framing Sponsorship Activities

Sponsorship can be used to target both internal and external stakeholders of the company. Internal stakeholders can be employees, distributors, owners etc. External stakeholders are the clients, regulators and suppliers of the company. The sponsorship activities should be continuously updated in an ongoing innovation to better satisfy the needs of different stakeholders. A better satisfaction rate by clients, employees and other stakeholders is ultimately connected to increased revenue.

Making Tacit Knowledge Explicit

Measurement systems have shown to be valuable tools for making tacit knowledge explicit. Grönhaug and Nordhaug (1992) suggest that the identification of resources and the determination of how these resources will be used to its advantage is crucial in management. As noted by Andriessen (2004), measurement is however neither a necessary nor a sufficient condition for management. Companies have always managed people, morale and strategy -- things that are essentially unmeasured (Stewart 2001).

The case study was conducted during a three month period using face-to-face interviews and telephone interviews.

Communication of Shared Objectives and Coordination of Activities

As mentioned above, the BSC should be seen more as a communication and feedback mechanism than a controlling tool (Kaplan and Norton 1996). The organization in the present case study uses a management control system called the Performance Management Process (PMP) which has similarities with models derived from the Intellectual Capital framework. The model helps communicate visions and strategy of executive management to departments and functions involved in the implementation of sponsorship and other activities. A unique attribute of sponsorship is that it involves different departments and functions across the organization and is often directed to achieve a variety of objectives and target several audiences. Prior to signing a sponsorship contract, senior managers from different departments are assembled to establish common objectives and evaluation criteria. The meetings held by the task force are called “shared objective meetings” and are also held in the beginning and at the end of the year. Sponsorship related research from different parts of the organization is collected and the positive and negative outcomes are reviewed, best practices and lessons learned are shared. By applying the processes that worked in one area to another area, new ideas are generated. In this way, the management control system enhances strategic feedback and learning across functions and departments. The finding is supported by Kaplan and Norton (1996), who suggest that the learning aspect is one of the main contributions of management control systems such as the BSC. By comparing the outcome of different parts of the program with each other, new ideas emerge that improve performance.

Linking Strategic Objectives to Sponsorship Measures

The promotional programs connected to the sponsorship are also used as an incentive for distributors to leverage the sponsorship. The sponsor keeps track of all promotions used by the distributors since these have to submit the promotions that they want to use for approval. Distributors also have to report changes in transactions during the promotion period as part of the business agreement. The use of promotions by the distributors combined with changes in transactions during a fixed period gives a basis for calculating a return on investment. A reason for tracking performance drivers instead of actual financial figures is the time factor. There is in fact an inherent incompatibility between the time required to bring about fundamental strategic change and many financial reporting cycles (Goold and Quinn 1990; Stanek 2004). The following is a quote from the Sponsorship Manager:

“Through the reporting system it takes months for the financial figures to come in.”
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Another easy way of measuring this is the number of members that use the properties in Europe. What is the volume that these represent? We can also look at the communication that the members used, to how many consumers did they communicate?”

The sponsorship measurements are assessed in relation to other performance measures within the organization, for instance brand tracking studies across Europe. Quoting the sponsorship manager:

““We benchmark and we try to identify what are the sweeps that are created through sponsorship. Not only sponsorship is driving this but also advertising etc.”

Different research programs include brand tracking, “the marketing mix model,” and “link,” i.e., what value sponsorship brings compared to other parts of the marketing mix, what it adds to the bottom line. All of the figures are ultimately connected to the impact on business, i.e., the financial return.

Visualizing Processes and Activities to Assist Management Decisions

Measurements of logo exposure can lead to short-term adjustments to increase visibility during an ongoing event. Other measurements such as brand studies and retail promotions tracking are more long-term and the information is used when assessing future sponsorship opportunities or when renegotiating contracts. Different measurements are performed in different departments and are coordinated by the sponsorship research manager. These assist decision makers in identifying objectives and setting the strategy, assessing sponsorship opportunities, optimizing leveraging activities and evaluating the performance.

Performance is assessed by tracking behavioral and attitudinal change of the target groups. When tracking end consumers, passion and values of these consumers have become increasingly important information rather than focusing on demographics. Information is a valuable resource also in the adaptation process between the sponsors and the sponsored. By sharing information on objectives and needs, the exchange relationship would theoretically become more effective. In practice, however this information exchange is often limited to a certain degree since information also has an important role in the negotiation process.

“We inform the organizers if they have to change things. We are involved in the same thing so we try to have an open discussion with them. At the same time, we try to protect our interests as much as possible through research and they do the same. They use their research to sell the properties. We want to buy something at the right price. We participate in their research telling them what we are looking for and they try to take this into consideration.” Quoted from the Research Manager.

CONCLUSION

Sponsorship investments are rarely used to their full extent. One reason is the lack of integrated measurements between the departments. To increase effectiveness in sponsorship management, the multiple objectives of sponsorship need to be treated in a balanced fashion. The starting point of this paper introduces the intellectual capital framework to the area of sponsorship measurement, proposing the balanced scorecard as a model for better integration of sponsorship measurement into the value creating process of the company. The study presents findings from a case study of an organization that has integrated sponsorship activities in its overall management control system. Findings suggest that an integrated approach to sponsorship management such as that offered by the PMP in this case study supports communication between departments which indirectly increases efficiency of the sponsorship investment by compelling different departments to share information on how to innovate the sponsorship investment to better satisfy the needs of its stakeholders. Integrating sponsorship activities in the overall management control system also leads to a continuous assessment in terms of revenue.
Measuring the ability of sponsorship to contribute to corporate performance makes tacit knowledge explicit when allocating resources to sponsorship activities.

REFERENCES


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