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THE APPLICATION OF BALANCED SCORECARD IN TEAM SPORTS

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Abstract: The present article discusses the application possibilities of the Balanced Scorecard strategic planning and controlling device for businesses managing team sports with the goal of professional efficiency and its long term sustainability.

Key words: Balanced Scorecard, balanced indicator system, team sports

1. Introduction

In the last decades an increasing number of clubs, associations, and partnerships behind professional team sports have become business enterprises as well; as regards their income and number of employees, there are numerous companies managing sports clubs in the medium sized enterprise sector. By nature of being businesses that manage sports, successful performance is usually the number one strategic consideration, however for the implementation of professional goals and their sustainability in the long run, the existence of a stable financial background and quality organisational process structure is absolutely necessary.

In order to develop and manage a suitable business strategy, a growing number of sports companies use processes applied in business solutions; the German football team VFB Stuttgart can be seen as an example, being the first in Bundesliga to introduce the Balanced Scorecard method for the definition of strategic directions and process control (*IFUA Horváth* and *Partners,* 2004).

A large number of national and international professional writings and case studies have dealt with the Balanced Scorecard (BSC) system therefore the emphasis in this article is not on the general introduction of the planning-management tool but on its presentation in a sports management context. Following the section on theory, I will examine the application possibility of the method in the case of a team sport managing company, which has in the centre of its strategic objectives a team of solid capital, having stable management, successful reserve and competitive sports and which aims at the deliberate development of the strategy, its division into clear areas, and operative implementation of subtasks.

2. Balance Scorecard Philosophy

In 1992 R.S. Kaplan and D.P. Norton realized that financial indicators alone are not suitable for the management of a company, as competition and the dynamically changing environment make these past-oriented indicators outdated already at the time of application; therefore such tools should be involved also that provide information regarding factors influencing future performance (*Imre,* 2004). The authors developed the Balanced Scorecard (hereafter referred to as BSC) model for the operative translation, representation, and tracking of corporate strategy. The model represents corporate management and controlling from four significant – and balanced – perspectives: financial, customer, internal processes, and learning and growth potential (*Kaplan-Norton,* 2000).

The primary objective of using the BSC is to support the implementation of corporate strategy, for which the following are essential in advance: development of adequate vision, the clear definition of strategic objectives, the visual representation of objectives with the help of strategy maps, and the division of objectives into parts of objectives that can be measured by indicators with the designation of necessary target values (*Bitó-Czerny,* 2010).

3. Balanced Scorecard in Sports Management

The BSC model may serve the realization of a strategy along three corporate levels: optional number of scorecards (mapping of corporate strategy to be followed), perspectives that can be created within particular scorecards, and indicators controlling the implementation of the strategy (or parts of the strategy).

3.1. Corporate Strategy

In the case of businesses managing sports associations or sports clubs, the number one strategic perspective is almost always to perform successfully in the long run, the perspectives of which are presented in *Figure 1*. The strategic

objectives can be further divided on the basis of several criteria, we may examine the parts of the strategy in relation to a time horizon (short, medium, and long term), but one can also define partial strategy objectives for the reserve or adult teams of a sports club, in which case strategic goals are defined and divided according to age groups.

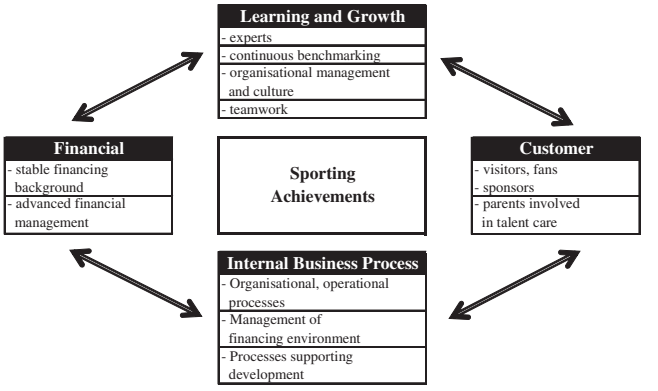

Figure 1. Perspectives of BSC
Own illustration on the basis of (Kaplan-Norton, 2000)

3.2. Perspectives of BSC

The perspectives of a sports enterprise BSC have a lot in common with the scorecard of a general producer or service provider company, as the existence of adequate financial management, well defined and effectively operating internal processes, necessity for development, or the management of the customer environment is just as important for successful operation as in the case of other business enterprises. The major difference is that it is not financial performance that serves as the final measure for the success of a particular organisation but the achievement of results in the profession of sports, which can become part of value creation as intangible assets.

Table 1. Customer Perspective in the BSC of a sports enterprise

	Fans	Sponsors	Parents
Customer perspective	- good performance by the team - good quality matches - suitable ticket prices - quality of service - team image - club loyalty - merchandise - VIP section service	- valuable and effective advertising space - sponsorship with returns - media presence - growing corporate value - management of sponsors - number of fans, match attendance	- successful adult team - adequate vision for the reserve team - talent care with high professional quality - appropriate information regarding plans and objectives

Source: Own illustration

The Customer Perspective

In the case of businesses managing sports clubs, we can define various customer segments, target groups: visitor and fan groups, sponsors, and the parents behind reserve teams. These groups differ not only in terms of their composition and structure but also because for the particular customers different achievements serve as components of performance. In all three cases satisfaction, preservation, and growth can serve as acceptable measures of success, however different customer value propositions have to be placed in the centre of strategy in the different cases (*Kaplan, Norton,* 2004).

The Business Process Perspective

Value creation is implemented through internal business processes, performance through these serves as the basis for improvement from the point of view of customers. The internal operation processes can be divided into four additional areas: basic, customer, innovation, and controlling/social processes. By basic processes we refer to a system which governs the general operation of the business through internal documentation systems, the relationship between the management and coaches, coaches and players, and the systems monitoring general and professional work. Customer management controls the system of contacts with the groups defined in the customer perspective, the development of contractual relationships with sponsors, the creation of processes to acquire and keep fans, as well as the management of parental background behind reserve teams. In the case of producer and service provider companies, innovation processes involve R+D, in the case of sports this is implemented in the area of talent care with the continuous development of educational and training methods (*Staudt,* 2004).

Table 2. Business processes of BSC

Basic processes	**Customer management**	**Innovation**	**Controlling and social processes**
Processes influencing the general operation of the organisation	*Processes increasing customer value*	*Search for new opportunities in the processes of value creation*	*Processes aimed at the improvement of the environment and community*

Source: Own illustration

The Learning and Growth Perspective

The learning and growth perspective includes studies in connection with the skills and motivation of employees. Organisational growth can be realized if all employees are aware of the corporate strategy and can identify with it.

It is important for the organisation to have the ability to change through its employees and in order to achieve this, its workers, coaches have to be trained continuously, and a proper information base has to be established for the implementation of processes (*Kaplan-Norton,* 2002). The continuous improvement of trainings, the development of sections of talent care (additional trainings, sports psychology, etc.) can be aspects of growth.

The Financial Perspective

The strategic aspect of the financial perspective is the development of an enterprise of solid capital which is able to finance operational costs and necessary investments. Financial objectives are usually connected to profitability, typically through the increase in income and the return of invested capital (*Kaplan-Norton,* 2004). The long term proprietors' value, as the main goal in the financial perspective, includes two strategies: efficiency and growth strategy with the following segments: improvement of cost structure (reduction of expenses, solution of deficiencies), improvement of asset management; extension of income opportunities (new income sources), increasing of customer value (improvement of the profitability of customers).

In the case of profit-oriented companies, the increase of shareholder value is the number one financial objective, for the achievement of objectives in the profession of sports, the financial perspective aids the realization of strategy.

3.3. Indicators

"You cannot manage what you cannot measure. You cannot measure what you cannot describe."(*Norton-Kaplan,* 2004). The above quotation serves as the basis for the use of indicators of the balanced scorecard. If the enterprise has already defined its strategic objective and has divided the targets into the strategy sections according to the four perspectives, the realization of the objective becomes measurable and controllable with the use of key performance indicators. Simultaneously with the definition of indicators, the designation of target values is also needed, which can be used as points of reference during the realization of the strategy.

4. Practical Use of Balanced Scorecard in the Case of Team Sports

With the help of BSC, I am going to present the strategy of an enterprise the aim of which is to participate in the first league and to establish an extensive reserve basis. The case study presupposes a financing environment (sponsors, local government, payments by parents, etc.) which can provide the financial background of the enterprise until the realization of the strategic objective. Besides those mentioned above, the necessary infrastructure (training, competition locations) is also available for the achievement of the objective providing the necessary training time capacity for trainings and competitions required by the enterprise.

First let us examine the cause and effect relations between the perspective level objectives of the enterprise, the graphic representation which is often facilitated in a so called strategy map (in the strategy map the perspectives are above one another according to the strategy of the enterprise).

In the case of the enterprise under consideration, the financial perspective was placed at the lower part of the strategy map, that is it does not suppose primarily profit-oriented activity (in the strategy map of these enterprises the financial perspective is at the top of perspectives built on one another), but a financial approach that can ensure and finance long term operation. During the examination of the financial perspective two strategy sections are distinguished: the efficiency and growth strategy. The efficiency strategy can be further divided into operational cost structure and asset acquisition and management related examinations. During the development of the cost structure, all types of costs that can emerge until the realization of the strategic objective have to be considered; following their definition, it is practical to create a clear cost classification. Aspects of the cost structure can be for example the direct costs attributed to particular reserve age groups (renting of training location, competition costs – travel, accommodation, referee fees, etc.) and the indirect costs (administration costs of the management or for example the wage costs of the masseur). The other aspect of the efficiency strategy involves the management of processes in connection with asset acquisition and asset utilization which can also be divided to asset management in connection with general and reserve teams as mentioned above.

The other segment of the financial perspective is the implementation of growth strategy objectives, which – similarly to the efficiency strategy – can be arranged around two strategy section aspects. The recognition and adequate utilization of income opportunities is one of the major aspects of growth opportunities which manifest itself in the definition of income sources that can be realized and in the maximisation of income opportunities. From the perspective of the enterprise, membership fees, ticket sales, sponsorship contracts, services provided during the matches, television broadcast rights, tendering sources, and local or national government subsidies can be income opportunities.

Following the study of the financial perspective, the learning and growth perspective defines what type of human, information, and structural capital is necessary for the support of internal processes (*Kaplan-Norton,* 2004). One of the crucial aspects for the fulfilment of professional objectives is the existence of a training staff with appropriate expertise and management conducting general tasks. Within the learning and growth processes of human capital, special attention should be paid to the adequate training of the coaching staff (benchmarking in countries with well developed sports, participation in further trainings for coaches) and the field of talent care.

The next segment of the strategy map involves the examination of the internal processes perspective. If the company has well definable strategic goals, besides the learning and growth perspective, the internal processes will show the opportunity to implement the strategy. Internal processes can be grouped around four aspects: structural processes defining basic processes, management of customer environment, study of development processes, and the controlling processes. In the case of a sports organisation, we can define activities in connection with general operation,

management, and human resources as basic processes, while activities in connection with talent care can be interpreted as a special section of the last one.

The perspective of customer environment management includes those financing the sports organisation, with special regard to sponsors and parents paying membership fees. In the case of sponsorship contracts, it is necessary to create a media offer which includes the marketable spaces of the enterprise, its events, as for example the sale of team shirt advertising space or sponsorship of the match, event. The management of relationships with sponsors requires maintaining contacts with the sponsors continuously following the conclusion of the contract.

At the end of the case study let us summarize the strategic objectives and indicators connected to a particular perspective.

Table 3. Strategic objectives and indicators

Perspectives	**Strategic objectives**	**Indicators**
Financial perspective	Increase of income	Income from sponsors
Customer perspective	Increase of sponsorship contracts	Number of contracts
Internal processes perspective	Selection, talent management	Increase of selection criteria
Learning and growth perspective	Development of professional work	Number of trainings for coaches

Source: Own illustration

5. Conclusion

Similarly to business enterprises, companies managing team sports also need to develop an appropriate strategy and introduce and continuously use systems supporting implementation. The Balance Scorecard model is suitable for sport businesses because it is capable of presenting not only the financial processes but also the elements of vision and strategy so crucial in sports. With the designation of a target value connected to non-financial perspectives, the customer, learning and growth, and internal structural perspectives connected to organisational performance can also become quantifiable and through the assigned indicators the development tendency can be measured and controlled.

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