

# The strategic influence of stakeholders in non-profit organisations:

## The role of the municipality in basketball clubs from South-East Europe\*

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### Abstract

The aim of this study is to contribute to a better understanding of the strategic dilemmas faced by non-profit sport clubs, examine how the various stakeholder groups influence them, and test whether the influence of the municipality affects their organisational performance. Data for the study were collected from a survey of 73 basketball clubs' top managers from four South-East European transition countries. The findings show that private sponsors are the most influential stakeholders in top quality clubs, while volunteers, the municipality, the local population and basketball federations exercise greater power in the strategic development process of lower-division clubs. The study also confirmed that clubs where the municipality has a stronger strategic influence are less successful in terms of sport-result and financial indicators, which is partly a consequence of their specific strategic focus.

**Keywords:** non-profit organisations, basketball clubs, organisational aims, stakeholders.

**JEL Classification:** M10; H40.

### 1 Introduction

Despite the processes of globalisation, sport clubs remain strongly attached to their local environment. This implies that the regulations and tradition of a particular region could play an important role in their organisational processes (Avgerinou 2007; Fort 2000). For instance, European sport clubs are, due to the pyramid structure of sport leagues, which combine professional and amateur organisations, traditionally closer to the non-profit sector than their US counterparts in the four major league sports. This is in line with the EU Commission statement that sport clubs should offer sport opportunities at a local level and thus promote the “sport for all” idea (Petry et al. 2004). However, top sport clubs from Western Europe mostly operate as profit-oriented companies and have a clear ownership structure, suggesting the greater transparency of the dif-

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ferent interests pursued in those organisations. At the same time, sport clubs from South-Eastern European transition countries still obtain significantly higher percentage of public funds than Western European clubs, and have in most cases kept their non-profit status despite a transition process lasting more than two decades (Škorić et al. 2012; Čadež 2013). During the period of centrally-planned economies, all sport clubs were controlled by the state via national sports organisations while in the local context by far the strongest stakeholders were municipal authorities. This is not only a specific feature of former centrally-planned countries as in some Nordic countries highly professional top sport clubs also preserved non-profit legal forms (Ibsen 2006). However, nowadays the picture of sport clubs' systems in transition countries is much more ambiguous; sport fans and other members of the public often cannot distinguish which interest groups are influencing sport clubs' strategic decisions and thus their performance.

The purpose of this study is to shed more light on the described problem. Foremost, we offer an empirical insight into the stakeholder structure of non-profit sport clubs, and then measure the strategic impact of different groups and their influence on the key strategic decisions. As Frooman (1999) paraphrased, we want to show: "Who are they (stakeholders) and what do they want?". In this context, we wish to show how clubs from different quality divisions differ in their stakeholder hierarchy and strategic decisions, and to discover whether there is a causal link between the hierarchy of relative stakeholders' strategic influence and the way the key strategic issues are resolved. Finally, we present an examination of the influence of the local municipality on clubs' strategic focus and their performance.

The contribution of this study is both theoretical and practical. Theoretically, it enables us to better understand the relationships among stakeholders, strategic focus and organisational performance, which will contribute to the discussion on the justifiability of sport clubs operating in the context of non-profit legal forms. From the practical point of view, the results should be useful for managers in sport organisations by allowing them to better anticipate the pressures from various interest groups, especially the strategic impact of the municipality, and to improve their ability to successfully manage the potentially conflicting interests of different stakeholders.

## 2 Theoretical framework and hypotheses

### 2.1 Sport clubs' strategic alternatives

European sport clubs are affected by the fact that the majority of European sport competitions have retained the traditional system whereby the best clubs at the end of the season move up to a higher ranked competition, while clubs with the worst sport results are relegated to a lower level league. This differentiates the

so-called European ‘open’ system from the ‘closed’ one in use in most professional sport leagues in the United States. The latter enables sport clubs to have a greater degree of certainty, while European sport clubs have to retain organisational flexibility. At the same time, unlike in the USA, Europe does not have a system for the development of athletes incorporated into the education system. Consequently, European sport clubs have to develop young athletes who will eventually participate in the top sport competitions. Therefore, most European sport clubs have mixed organisational structures consisting of professional and amateur parts. This dual nature also results in mixed team structures composed of professionals and amateurs (Boxall/Purcell 2000; Auld/Godbey 1998). Further, a large share of European sport clubs are today still operating as non-profit organisations despite the collapse of communist regimes in Eastern Europe. Non-profitability implies the obligation of using the surplus of income over costs for organisational purpose, but in practice, poorly developed legislation regulators often fail to prevent profit sharing among those organisational members who control the key organisational processes in good times of financial surplus. Correspondingly, in bad times, the non-profit status enables them hiding the organisational stakeholders’ structure and allows the distribution of risk or even the complete transfer of financial loss on public stakeholders who are not embedded in the club’s operations on daily basis. Therefore, the heritage of previous system is not present only in large corporations which are of strategic importance for transition states, it happens also in small organisations due to the interest of private stakeholders (Vahtra et al. 2007). On the other hand, a positive aspect of the non-profit legal form is that it enables easier access to public funds. However, the mixed organisational structures and involvement of public institutions in clubs’ operations entail a new perspective on their strategy development process, which seems to be more challenging in those sport clubs.

The purpose of strategy process is to formulate and to realize organisational goals (Gurkov 2009; Gurkov 2010). Baroncelli and Lago (2006) as well as Kern, Schwarzmüller and Wiedenegger (2012) described the business process of sport clubs and emphasised that their managements most often face strategic issues in the process of so-called ‘budgeting’. The latter reflects a club’s priorities to the greatest extent, and shows which strategies the club pursues. In this context, Keller (2008) defined the basic division of sports clubs, namely those which pursue a sustainable strategy, and those which pursue a strategy of top sports results. While the first invest their financial surpluses in infrastructure, the development of young athletes and the local community, the others invest in the acquisition of new athletes who are currently closer to the optimum of their physical and tactical skills. This should enable greater potential for top sport results, the possibility of rapid growth, and could initiate the acceleration of the positive spiral effects, yet it is also riskier than a sustainable strategy. The line between the two groups of clubs is more or less clear in the USA where the majority of

clubs in professional leagues follows the aim of a top sport result, while amateur organisations are more inclined to a sustainable strategy. At the same time, even US college sport teams, which are mostly non-profit, cannot be compared to European non-profits, due to the fact that college teams have only one team with athletes aged from 18 to 22, while European sport clubs have to have the whole range of teams. Therefore, determining the strategic orientation of a European non-profit sport club is much more complex since 'non-profits' which hire full-time employees as well as engage volunteers have a much wider spectrum of potential purposes. In the context of this study, we propose the following three dimensions of strategic orientation and provide the argumentation for each of them: (1) reducing costs vs. pursuing fast growth; (2) pursuing top sport results vs. developing the local community; and (3) achieving fast results vs. lowering the risk.

*(1) Cost reduction vs. growth.* This decision reflects two dimensions of Tan and Litschert's (1994) segmentation of strategies, namely the decision to attack or defend, and the degree of proactivity. A more attacking and proactive leadership tries to improve and enlarge the scope of the organisation's operations, whereas those with a lower degree of proactivity try to prevent any changes and do not engage in new projects. Thus, the ambition to reduce costs is usually in conflict with the traditional understanding of growth that refers to an expansion of membership and the scope of activities. The same happens in sports clubs where management faces the dilemma of enlarging the membership and thus increasing activities on one side, and a conservative financial policy on the other. The organisation's growth is, however, a potential way to increase the organisational revenues, although this implies investments in the club's infrastructure, marketing activities to attract young people, investment in coaching and administrative staff etc., which are all in opposition to the ambition of reducing costs.

*(2) Top sport results vs. development of the local community.* This is the crucial dilemma of all sports clubs (Kern et al. 2012) and is the result of combining two concepts, namely the concept of 'sport', which implies competition and the sport result as a value in itself (Ibsen 1999), and the concept of 'club', which represents an organisation integrated into the local community. Although at first sight it may seem that decisions to achieve top sport results and develop the local community are not in contradiction, all leaderships sooner or later must decide whether they will give greater emphasis to the involvement of the local population in the club activities, or the club will be completely internationalised and will strive to obtain the best skills and knowledge from international labour markets. The latter enables competition at the highest European and world quality level, and implies intense sports activity at the expense of the desire to develop the local community. Therefore, a decision on a top sport result orientation implies the club's specialisation in a particular sport activity, while a local commu-

nity orientation implies a wider spectrum of the club's activities which should benefit the local population.

(3) *Fast results vs. lower risk.* This dilemma occurs in all investment decisions due to desire of investors to gain a return on their investment. A shorter period of expected return and higher expected profitability usually represent a greater benefit for the investor. However, this usually also implies a higher degree of risk. For example, clubs that strive for top sport results have to acquire athletes with better capabilities. Since those clubs do not have time to raise a young, for example, basketball player, they have to find what they can on international markets. This means higher financial investment and consequently also a higher risk of failure if those athletes do not succeed to meet the expectations. Although this issue may seem to overlap with the previous strategic dimension, since decision to achieve results fast usually implies engaging athletes on international market, the distinction between them exists in practice. A club's management indeed can combine "fast results" and "local community development" dimensions within one single strategy. Focus on organising humanitarian events within local community without giving high priority to development of young athletes is the example of that. Those clubs have short-term focus which implies "fast results" component and at the same time they stay oriented on local community rather than to strive for top sport results. We can also say that, while the key of second strategic dilemma is deciding about the area of club's operations, the third tackles more the way that those operations are conducted and the aggressiveness of club's strategy (Tan/Litschert 1994).

## 2.2 Stakeholders

The strategy development process in European non-profit sport clubs may be more problematic not only due to the specifics of the competition system and larger number of potential club purposes, but also because of undefined ownership structures and related exposure to various pressures of different individuals or interest groups. Of course, the latter are present in all organisations regardless of the industry (Freeman 2011). All organisations depend on the support of some kind of stakeholders (Freeman/Reed 1983), whose influence depends on several parameters (Mendelow 1991). The most often mentioned are the power and degree of stakeholders' interest (Mendelow 1991). In this context, power refers to a stakeholder's ability to influence key decisions in the organisation, while the degree of interest determines the level of a stakeholder's desire to influence a particular organisation (Polonský 1995). Those stakeholders with great power and simultaneously a high level of interest are the most important. Mendelow (1991) defines them as "key players" who have the highest potential to benefit or harm the organisation, particularly when they have the ability to provide financial and other resources to the sport club or to prevent the club from receiv-

ing such resources. Stakeholders influence the organisational strategy in the so-called 'stakeholding' process; namely, long-term decision-making in which the organisational leadership tries to identify and adapt organisational operations to the most important groups and individuals (Barnett 1997). Obviously, the amount of problems increases with the number of stakeholders interested in the organisational activities. In fact, according to Peter Drucker (1992) all problems of non-profits arise from the fact that these organisations include a large number of stakeholders in the strategic decision-making process, especially if those stakeholders are private and public. Sport clubs from South-East Europe transition countries are typical examples of such organisations. Public institutions, foremost the municipality due to the local nature of sport clubs, traditionally have a great influence which started to collide with the interests of private sponsors in the transition period. This increases their organisational complexity and may cause complications in the adoption and implementation of long-term plans. Thus, identifying all stakeholders and evaluating the current role of the municipality seem to be crucial in their strategic processes.

### 2.3 *Hypotheses*

The literature review suggests that the management of private enterprises is generally more proactive and innovative, and usually willing to take greater risks than the management of public organisations (Zahra et al. 2000; Cuervo/Villalonga 2000; Megginson et al. 1994). As a result, public organisations perform business activities according to established routines, follow less aggressive strategies (Brouthers et al. 2007) and do not experience strong pressure to achieve fast results (Whitley/Czaban 1998; Lioukas et al. 1993). Thus, we can assume that sport clubs in which the local municipality has a greater influence emphasise risk reduction more than fast results. On the other hand, the management of private companies is usually more adaptable and its reactions must be quicker since the management typically carries the burden of potential losses. The higher risks and larger potential gains increase private companies' motivation to be efficient and innovative (De Castro et al. 1996), as has been confirmed in different contexts (Luo/Tan 1998; Parker 1995; Brouthers et al. 2007; Čadež/Guilding 2012). Consequently, we can assume that clubs under the stronger influence of private sponsors (and thus the weaker influence of the municipality) attribute greater importance to sports results than to the development of the local community since the first represent the key lever for increasing the size of the club budget (Estrin 1994; Megginson et al. 1994). In line with these two presumptions, the state and the municipality have other interests attached to sport clubs which are not rigidly focused only on sport results. Therefore, sport clubs with a stronger municipal influence should be more oriented to contributing to social welfare at the expense of maximising pure financial gains. This also includes engaging more people in the clubs' activities, which enables us to assume

that those clubs pay less attention to pursuing cost-effectiveness than to the aim of organisational growth. In line with the above arguments, we suggest the following hypothesis and its derivations.

*Hypothesis 1: The strategic influence of the municipality is directly reflected in the strategic focus of non-profit sport clubs, such that:*

*Hypothesis 1 a: Clubs with a greater influence of the municipality emphasise risk-reduction more than fast results;*

*Hypothesis 1 b: Clubs with a greater influence of the municipality emphasise meeting the needs of the local community more than top sport results;*

*Hypothesis 1 c: Clubs with a greater influence of the municipality emphasise cost-efficiency more than organisational growth.*

In the context of the debate on the strategic impact of the municipality, it is definitely interesting to see how this is reflected in the organisational performance of sport clubs. According to the above, more market-oriented clubs should pursue top sports results, which are the key leverage for attracting more private sponsors. Top sport results also enable the promotion of a club to a higher level of competition, which increases the market value of the club's athletes. On the other side, this could reduce their interest in local community aims. Since private sponsors put more pressure on clubs' management to achieve rapid results, management is indirectly forced to accept more aggressive strategies that allow higher yields and so it emphasises cost-efficient behaviour (Berg et al. 2005). These assumptions can be justified by empirical findings which suggest that organisations with more aggressive strategies show better financial results (Naman/Selvin 1993), while organisations with greater interference of public institutions show a poor performance (Brouthers et al. 2007). In addition, organisations pursuing private interests are usually more flexible, while organisations following the public interest are more rigid and have slower reactions (Whitley/Czaban 1998). This leads us to propose the second hypothesis with three sub-hypotheses.

*Hypothesis 2: The relative influence of the municipality is indirectly reflected in the organisational performance through a strategic focus, such that:*

*Hypothesis 2 a: Emphasising risk-reduction more than fast results causes a poorer organisational performance.*

*Hypothesis 2 b: Emphasising the needs of the local community more than top sport results causes a poorer organisational performance.*

*Hypothesis 2 c: Emphasising cost-effectiveness less than organisational growth causes a poorer organisational performance.*

### 3 Methods

#### 3.1 Sample and data collection

This research was performed among men's basketball clubs in Bosnia and Herzegovina, Croatia, Serbia and Slovenia. Although they entail only one branch of sport industry, according to the size of the organisations and their financial budgets basketball clubs may be considered representatives of other non-profit sport clubs from this part of Europe. Indeed, basketball has a long tradition and a glorious history in those countries. National teams and clubs have won numerous trophies in top competitions, both before and after the break-up of Yugoslavia. However, those basketball clubs are relatively small organisations, usually with less than 50 club members. Excluding the children who participate in youth basketball schools, the average club in this research had 22.1 members, so in majority of them there was no clear distinction between managerial and executive staff. An average annual budget of observed clubs was EUR 0.4 million. Cooperation between clubs in the four countries is especially strong in the basketball field where managements have realised that they share the same problems, primarily too small markets and thus poor competition within their national basketball leagues. Therefore, they formed the Adriatic Basketball League (ABL) which connects the best basketball clubs from the area of ex-Yugoslavia. Regardless of the somewhat different development of the legal environment in these countries, all of their basketball clubs have retained their non-profit status.

We used clubs' presidents (presidents of management boards or presidents of boards of directors) as our main source of information because they usually have the best overview of their clubs' objectives and the strategic influences of their various stakeholder groups. Before conducting the final survey, 8 interviews were carried out to pre-test the survey questionnaire. After that two hundred and forty-nine of them were contacted and invited to participate in the research. Participation was completely voluntary and anonymous. The data collecting took place through the whole 2013/2014 season, and never immediately after a competition in order to avoid competition-specific biases. The questionnaires were completed under the supervision of the researcher who stressed the importance of honest responses. Seventy-three presidents of management boards were willing to cooperate (a response rate of 29.3%). The sample consisted of 27 first-division clubs (the highest national level of competition), 31 second-division clubs and 15 clubs from the third level of national competitions in the selected countries. Nine of the 27 first-division clubs also participated in international competitions (ABL, EuroChallenge cup, Eurocup or Euroleague). The participants had on average 4.87 (SD = 3.70) years of management experience in the

current club and had held their presidential position for an average of 2.53 (SD = 1.36) years.

### 3.2 Variables

*Stakeholders.* The concept of stakeholders is infinite and the list of them has to be defined for each case separately. For the purpose of this research, the list of stakeholders was made by a group of 12 managers, each with at least 5 years of work experience in basketball clubs. Every manager was asked to list the most influential stakeholders from the aspect of their influence on their club's strategies. After analysing and combining similar answers of the respondents, the following final list of stakeholders was created:

- Volunteers – club members who are not employed by the club and do their work without any payment (mostly parents of children involved in the club's activities, and students who perform administrative work).
- Employees – club members who have an employment contract regardless of whether this is a full- or part-time relationship (athletes and coaches excluded).
- Athletes and coaches – the entire coaching staff and all members of the first basketball team.
- Private sponsors – for-profit organisations which provide funds to the club in exchange for advertising and are not predominantly owned by the state or the municipality.
- Basketball federation – the association that creates the framework of rules for competitions within the national championships.
- Local community population – residents who live in the municipality where the club is registered and plays home games, and are not members of the club.
- The public (not local) – everyone who is not included in any of the other groups.
- The media – media companies and their representatives.
- The state – state institutions, authorities and individual representatives of different government bodies, and state-owned companies.
- The municipality – municipal institutions, authorities and representatives.

In this research, we were interested in the stakeholders' influence on the strategy development process rather than simply evaluating their potential to influence the organisation. Therefore, in our survey the respondents had to assess the actual influence of each of the ten stakeholders on the club's strategy. This was made on 7-point Likert scale, anchored at the extremes (1) "doesn't participate in the strategy development process at all" and (7) "influences the club's strategy more than any other stakeholder".

*Strategic focus.* The respondents had to define how the club resolves three key strategic dilemmas. In other words, they had to answer which aim (and to what

extent) is more important for the club: (1) top sport results or development of the local community; (2) fast results or lower risk; (3) cost reduction or organisational growth. This was made on 7-point Likert scale where the value (1) means that the club gives all its attention to the first aim and completely neglects the second one, the value (4) means that the club attributes equal importance to both strategic aims, and value (7) means that the club gives all its attention to the second aim and completely neglects the first one.

*Performance.* Similarly as defining the basketball clubs' stakeholders, we used the group of the same 12 managers to help us prepare a list of potential organisational aims. Every manager was asked to write down five of the most important organisational goals. In addition to the normative objectives, each manager was asked to identify five more goals which according to his experience are actually pursued in basketball clubs. Thus, each of the 12 experts identified up to 10 organisational aims. Finally, after combining similar answers we obtained the following 15 objectives: (1) the promotion of the municipality; (2) the development of infrastructure in the local environment; (3) private sponsor promotion; (4) attracting spectators to the matches; (5) the development of athletes for national selections; (6) a surplus of revenues over expenses; (7) the development of top basketball players; (8) sport results of the first team; (9) budget growth; (10) increasing the athletes' market value; (11) reducing the costs; (12) increasing the number of club members; (13) the involvement of the local population in the club's activities; (14) encouraging the local population to do sports; and (15) the sport results of junior teams. The respondents evaluated the performance of each club for each of the 15 organisational aims on a 7-point Likert scale, anchored at the extremes (1) "very poor performance" and (7) "the best performance in comparison with all listed fields/objectives". The final measure of performance was obtained with the use of explorative factor analysis (EFA), which helped us reduce the number of performance variables.

### 3.3 Data analysis

Data processing started with classical statistical analysis and an analysis of the differences between groups of clubs from different quality levels. We then conducted factor (principal components analysis with varimax rotation) and correlation analyses in order to identify the link between the relative strategic influence of each stakeholder and the strategic focus of the clubs. Finally, structural equation modelling (SEM) using maximum likelihood estimation in IBM AMOS 21 was performed in order to evaluate the effect of the relative strategic influence of the municipality on the strategic focus and organisational performance of the sport clubs.

## 4 Results

### 4.1 Analyses of the differences

Table 1 shows how much the different stakeholders influence the strategy development process. In general, we can say that volunteers are the most influential stakeholders, followed by municipal authorities and private sponsors, while state authorities showed the least power.

**Table 1. Stakeholder influence on the club's strategy**

Stakeholder	M	SD	Level of national competition			Statistically significant differences between groups
			1st (top clubs)	2nd	3rd	
Volunteers	5.39	2.11	3.81 (1.44)	6.34	6.40	1st and 2nd; 1st and 3rd
Private sponsors	4.36	1.88	5.44 (6.22)	3.77	3.57	1st and 2nd; 1st and 3rd
Municipality	4.54	1.74	3.74 (2.67)	4.94	5.21	1st and 2nd; 1st and 3rd
Employees	3.97	2.10	4.69 (4.11)	3.19	4.14	1st and 2nd
Basketball federation	4.01	1.62	4.07 (2.33)	3.57	4.86	2nd and 3rd
Local population	3.71	1.67	3.63 (2.44)	3.29	4.79	1st and 3rd; 2nd and 3rd
Media	2.94	1.23	3.23 (2.33)	2.70	2.93	no significant difference
Public (not local)	2.65	1.35	2.96 (3.22)	2.63	2.07	no significant difference
Athletes and coaches	3.24	2.16	4.56 (4.56)	1.44	4.14	1st and 2nd; 2nd and 3rd
State	1.74	1.11	1.48 (1.56)	2.03	1.57	no significant difference

Note: M – mean; SD – standard deviation.

The comparison of the clubs from the different quality divisions revealed that private sponsors were the most influential stakeholders in the first-division clubs. They were followed by the employees, athletes and coaches. On the other side, at the bottom of the hierarchy were the local population, the media and the general public. In the sub-segment of top quality clubs (clubs which participate in international competitions), the strategic impact of private sponsors was even greater. At the same time, in this sub-segment professional basketball athletes and coaches were perceived as the group with more power than employees. The most powerful stakeholders in clubs from the second and third divisions were volunteers, followed by the municipal authorities. Analysis of variance (ANOVA) confirmed statistically significant differences in the influence of seven stakeholders. Additional post hoc tests (LSD and Tamhane) enabled comparisons between groups (significant differences are shown in the last column of Table 1). Obviously, private sponsors were perceived to have a greater influence in the first-division clubs, while municipal authorities and volunteers were less

influential than in the other two segments. Analysis also showed that the local population was perceived to hold a higher position in the stakeholder hierarchy in clubs on the lowest level and, surprisingly, athletes and coaches in second-division clubs were perceived as relatively less influential than in the first-and third-division clubs. The results also show that employees had a significantly greater relative strategic impact in the first national leagues compared to the second-division clubs, and that the perceived relative strategic influence of the basketball federations was larger in third-division clubs compared with their relative influence among the second-division clubs. However, no significant statistical difference was found regarding the relative strategic influence of the general public, the media and the state ( $p > .05$ ). The results of an additional t-test confirm that in top clubs private sponsors ( $MD = 2.13$ ,  $t = 7.70$ ,  $p = .000$ ), athletes and coaches ( $MD = 1.52$ ,  $t = 3.42$ ,  $p = .002$ ) and the general public ( $MD = .66$ ,  $t = 2.31$ ,  $p = .032$ ) were perceived to have the largest influence, while volunteers ( $MD = -4.52$ ,  $t = -8.60$ ,  $p = .000$ ), municipal authorities ( $MD = -2.14$ ,  $t = -4.32$ ,  $p = .000$ ), national basketball federations ( $MD = 1.92$ ,  $t = -3.61$ ,  $p = .001$ ) and the local population ( $MD = -1.44$ ,  $t = -3.63$ ,  $p = .002$ ) had less power to shape the clubs' strategies.

Table 2 presents the average values of responses regarding the three key strategic issues. It seems that the clubs at the highest level scored lower values for all three items, which means that the management of those clubs emphasise cost reductions more than growth objectives, top sport results more than local community aims, and fast results more than lower risk. On the other hand, clubs from second and lower divisions were more focused on growth, development of the local community and the long-term aims with lower risk. ANOVA confirmed that the differences were significant in all three strategic aspects with a moderate real difference (strategic dimension 1 →  $F = 6.127$ ;  $p = .004$ ;  $ES = .149$ ; strategic dimension 2 →  $F = 10.920$ ,  $p = .000$ ;  $ES = .238$ ; strategic dimension 3 →  $F = 7.432$ ;  $p = .001$ ;  $ES = .175$ ). A t-test also confirmed statistically significant differences between the sub-segment of top clubs which participate in international competitions and other clubs (strategic dimension 1 →  $t = -5.792$ ;  $p = .000$ ;  $ES = .321$ ; strategic dimension 2 →  $t = -8.579$ ;  $p = .000$ ;  $ES = .509$ ; strategic dimension 3 →  $t = -12.785$ ,  $p = .000$ ;  $ES = .374$ ), while none of these differences were confirmed between the second- and lower-division clubs.

**Table 2. Strategic focus differences**

Level of competition	Costs reductions vs. organisational growth	Top sport results vs. development of the local community	Fast results vs. lower risk
ABA	1.78	1.56	3.22
1st	3.26	3.78	4.85
2nd	4.45	5.35	5.90
3rd	4.40	5.80	6.40
All	4.00	4.86	5.62

Note: A lower value implies a greater emphasis on the first organisational aim (cost reductions, top sport result and fast results), while a higher value means that clubs attribute greater importance to the second aim (organisational growth, local community objectives and lower risk).

In the next stage, we conducted correlation analysis of the relative influence of stakeholders and the clubs' orientation regarding three strategic dimensions (Table 3). We can see that the relative importance of volunteers strongly correlated with all three strategic issues. In clubs where volunteers had a stronger strategic impact, greater emphasis was given to growth, local community aims and lower risk. Similar was found in the case of municipal authorities' strategic influence. The effects of basketball federations and local communities' impact were found to be similar, but the federations' influence did not show a statistically significant correlation with the third strategic decisions, while the relative influence of the local community did not correlate with the 'growth vs. costs' dilemma. The opposite correlations were found in the case of private sponsors' strategic impact. Clubs with strong sponsors' influence emphasised more cost reduction, top sport achievements and fast results.

**Table 3. Correlations between strategic dilemma issues and stakeholders' influence**

Stakeholders' relative influence	Costs reductions vs. organisational growth	Top sport results vs. development of the local community	Fast results vs. lower risk
Volunteers	.40**	.65**	.39**
Private sponsors	-.49**	-.34**	-.24*
Municipality	.34**	.48**	.26*
Employees	-.04	-.10	.33**
Basketball federation	.37**	.37**	.20
Local population	.21	.40**	.41**
Media	.11	.06	.15
Public (not local)	.01	-.04	.06

Stakeholders' relative influence	Costs reductions vs. organisational growth	Top sport results vs. development of the local community	Fast results vs. lower risk
Athletes and coaches	-.22	-.10	-.16
State	.18	.11	-.10

Note: \*\* P <.01; \* P <.05.

#### 4.2 Strategic impact of the municipality on clubs' performance

In the final part of the research, we analysed the relative strategic influence of the municipality on three key strategic decisions and consequently on organisational performance. The performance variable was obtained by conducting exploratory factor analysis (EFA) on the performance responses. Actually, we used the principal component analysis which is used to extract reduce a large number of variables into smaller number of components (Tabachnick/Fidell 2007). Although some authors raised the question whether the principal component analysis is truly a factor analysis (Costello/Osborne 2005), others consider it as one of the methods of EFA (Yong/Pearce 2013). In our case EFA was statistically significant (Bartlett test:  $\chi^2(105) = 869.361$ , p =.000, KMO =.796, all MSA >.5) and resulted in two relatively clear factors (components) in the first iteration. The first factor mostly included financial and top sport results variables, while the second factor was more related to non-profit and local community measures of performance (see Table 4). For the purpose of this research, we included the second factor ("sport and financial performance") since this factor was found to correlate more strongly with the perception of the club's general performance (Ivašković 2015:108).

**Table 4. Results of the factor analysis for performance variables**

Component	Factor	
	1	2
Promotion of the municipality	-.546	.699
Increasing the number of club members	-.643	.502
Involvement of the local population in the club's activities	-.808	.420
Encouraging the local population to do sports	-.696	.612
Development of infrastructure in the local environment	-.618	.424
Sport results of junior teams		.603
Attracting spectators to the matches	.351	.541
Development of athletes for national selections	.509	.668
Development of top basketball players	.748	.388
Reducing the costs	.762	.347
Private sponsor promotion	.725	

Component	Factor	
	1	2
Surplus of revenues over expenses	.859	
Sport results of the first team	.859	
Budget growth	.713	
Increasing athletes' market value	.857	

Note: The factors explain 66.9% of the variance.

In the next step, the so-called common latent factor test (also known as Harman's single-factor test) recommended by Podsakoff et al. (2003) was conducted. The new factor was included in the model and all variables were allowed to load onto one general factor. In this case, the model exhibited an extremely poor fit, indicating that a single factor did not account for the majority of variance in our data ( $CFI < .5$ ,  $RMSEA > .2$ ). Common method bias (CMB) is therefore not an issue. After that, the hypothesised model was tested. Table 5 shows that the initial model did not fit the data very well. NNFI was below the threshold of .9, while RMSEA was above .10. The first test showed that three causal relationships were not statistically significant at the level of .05. The decisions to emphasise cost reduction more than growth ( $\beta = -.06$ ,  $p = .34$ ) and attributing greater importance to fast results than to lower risk ( $\beta = .06$ ,  $p = .40$ ) did not affect the performance variable, while the strategic influence of the municipality did not show a direct effect on the decision whether to focus on fast results or lower risk ( $\beta = .09$ ,  $p = .37$ ). First two results can be to some extent explained by the ambivalent influence of certain goals, which were placed on both sides of those strategic dilemmas. Reducing costs has in fact by itself (assuming "ceteris paribus") a positive impact on financial performance. However, reductions in practice come in time of crisis, when leadership pursues a strategy of organisational contraction. This usually implies lower investment in team, which often affects the sport results. On the other hand, the growth of an organisation usually depends on the growth of revenues, which also have (assuming "ceteris paribus") a direct positive impact on the financial performance and indirectly also on the sport result. Nevertheless, the growth in practice often involves growth of an amateur part of an organisation, which can have negative impact from the aspect of sport and financial performance. The explanation of statistically insignificant causal link between the second strategic dilemma and performance seems to be even easier to find. Leadership, which emphasises fast results, also measure performance after shorter period of time. Vice versa, leadership that emphasizes long-term work and lower risk, sets organisational goals in the long run. In this context, it is necessary once again to recall that the performance of an organisation depends on the ability to achieve organisational goals. Due to the fact that performance is measured at the end of the period for which the objectives are set, it is understandable that this strategic dimension has no

statistically significant effect on performance, because a perception of performance depends on measurements in different periods. Non-significance of causal link between strategic influence of municipality and “fast results vs. lower risk” dimension is more ambiguous and demands further inquiries in future. Perhaps the reason for that is the fact that municipalities usually have a broad range of different goals in terms of time horizon.

Rethinking and above mentioned arguments influenced our decision to remove three statistically non-significant causal links. This kind of modification of the structural model was also suggested by Bowen and Guo (2011:162) and McCoach (2003). The modifications resulted in substantial improvements from three aspects, but the NNFI and the RMSEA were still unacceptable. Thus, we tested if there is a direct link between the strategic influence of the municipality and the sport and financial performance of a club, which is not mediated by any of the three observed strategic issues. This led to a great improvement in the model fit; all parameters were acceptable according to Bollen (1990), and Hu and Bentler (1999). In addition, we also performed SEM for all other alternative models of relationships between observed variables and did not find one revealing a better fit with our data. Therefore, the results suggest that Model 3 shown in Figure 1 is the best reflection of the relationships for this data set.

**Table 5. Structural equation model comparisons**

Model	$\chi^2$ (df)	p	CFI	NFI	NNFI	RMSEA
Initial	11.158 (2)	.004	.929	.923	.470	.252
Model 2	13.192 (5)	.022	.937	.909	.810	.151
Model 3	4.180 (4)	.382	.999	.971	.995	.025

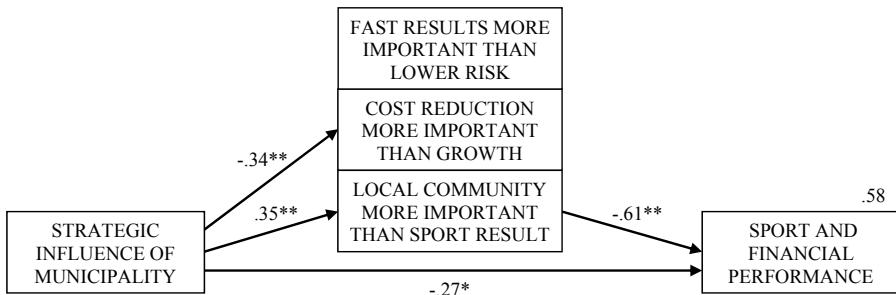
Notes:

Initial – hypothesised model.

Model 2 – direct links removed: (1) “fast results more important than lower risk” – “sport and financial performance”; (2) “cost reduction more important than growth” – “sport and financial performance”, and (3) “strategic influence of municipal authorities” – “fast results more important than lower risk”.

Model 3 – modifications from Model 2 and added direct path: “strategic influence of municipal authorities” – “sport and financial organisational performance”.

**Figure 1. Standardised parameter estimates, statistical significance tests and squared multiple correlations for Model 3**



Note: \*\*  $P < .01$ ; \*  $P < .05$ .

Our findings undermined some of our (sub)hypotheses, but at the same time provided proof for some of the predicted causal relationships. In order to verify the indicated mediation path, we conducted an additional mediation test. Where there is full mediation in the relationship X-M-Y (X is the predictor, M is the mediator and Y is the dependent variable), all paths (X-M, M-Y and X-Y) are significant. The addition of the X-M and X-Y paths to the constraint model should not improve the fit (Mach et al. 2010). On the other hand, when there is only an indirect mediation effect the direct path X-Y is not significant. After analysis of the potential mediation relationship in Model 3, we checked its significance with Sobel's test. The latter proved full mediation between "strategic influence of the municipality" and "sport and financial results" through "strategic emphasising local community aims more than sport results", which plays the role of a mediator (Sobel test:  $z = -3.76$ ,  $p < .001$ ). Thus, we can summarise that our results support three of our initial six (sub)hypotheses.

## 5 Discussion and conclusions

This study tried to provide answers to some questions raised in previous studies in the context of stakeholders' influence on organisational strategies (Mulhare 1999; Kearns/Scarpino 1996). First, we tried to find out whose interests are being pursued in non-profit sport clubs, and then how the clubs on different quality levels differentiate regarding their strategic focus. We subsequently examined the impact of stakeholders on the key strategic issues, and tested the model of the municipality's influence on those strategic decisions and, consequently, on the sport and financial performance of non-profit basketball clubs.

## 5.1 Discussion based on the research results

### Stakeholder hierarchy

The study showed that the most important stakeholders in non-profit basketball clubs are volunteers, private sponsors, municipal authorities and basketball federations. Interestingly, employees were in the fifth overall position according to the perception of their influence on the strategy development process. In the context of the stakeholder strategic hierarchies of the observed clubs, we can notice the absence of some groups which appear in other sports or in other environments. At the same time, there are some specific groups for non-profits in transition countries (Verčič 2002). For example, our respondents did not consider unions of athletes and coaches as important stakeholders because in the observed countries they do not exist or at least do not have power to influence clubs like in the Italian or Spanish basketball leagues. However, athletes and coaches influence clubs' strategies in direct or indirect ways (through their agents). On the other hand, the managers who were involved in structuring the questionnaire made a clear distinction between the local community and other segments of the public. This is understandable considering the characteristics of clubs' operations. At the same time, the relationship between the basketball federations and the state authorities was more ambiguous. In the opinion of four out of twelve managers, basketball federations and state authorities represent the same stakeholder group. Knowing the historical context of the development of sport clubs in ex-Yugoslav countries helps us understand this point of view. Those clubs experienced a centrally-planned economic system and the concept of state (or social) property. The state authorities were therefore in the position to have the key impact on determination of the organisational structure and to directly impose the managerial staff of the basketball federation. However, nowadays the link between basketball federations and state authorities seems to be much weaker. Nevertheless, we should not completely ignore the influence of the state. In accordance with Frooman's (1999) classification, stakeholders with relatively weak direct power can still influence the organisation indirectly through alliances with other stakeholders. In this case, the state authorities certainly have a strong influence on many other subjects, mainly state-owned enterprises and basketball federations. Therefore, we should be conservative when drawing conclusions on the relative influence of the state based on the results of this study.

The results of the stakeholder hierarchy comparisons suggest significant statistical differences among the clubs from the different divisions. Our findings indicate that private sponsors were perceived as the most influential stakeholders among the first-division clubs, followed by employees in second, and athletes and coaches in third place. While sponsors and employees usually have their representatives in the management board, who directly affect club's strategy,

athletes and coaches do that indirectly through the process of team structuring. On the other side, the local population, the media and the general public were at the bottom of the hierarchy, which means their strategic influence was perceived as insignificant or marginal, mediated through other more influential stakeholder groups. Among top clubs, the impact of private sponsors was even greater. In this segment, athletes and coaches were perceived to have more influence on the club's strategy than the employees. The most powerful stakeholders in the second- and third-division clubs were volunteers, followed by the municipal authorities. This can be explained with the fact of much lower financial budgets in those clubs in comparison with first-division clubs. Therefore, volunteers have easier access to managerial positions and thus have stronger influence on strategic decisions. The results also show that private sponsors had significantly more power in the first-division clubs, while the municipal authorities and volunteers showed less influence than in other clubs. Interestingly, the local population was perceived to have more power over the strategies of clubs on the lowest level and, surprisingly, athletes and coaches in the second-division clubs were less powerful than in the first- and third-division clubs. This could be explained by the specifics of the organisational structures in the observed organisations. In top clubs, professional athletes and their salaries usually account for the largest share of the club's budget. Those athletes therefore have greater bargaining power and consequently also a larger impact on all organisational processes. In the second-division clubs, the athletes are not professionals as the majority are either students or amateurs who play basketball only for recreation or as a part-time job. However, in this segment clubs have clearly defined organisational structures with a sport (athletes and coaches) part and an administrative department (with greater decision-making power). On the other hand, clubs at the lowest quality level have flat and undefined organisational structures. Since these clubs operate completely on the basis of their enthusiastic members, there are no professional functions. Club members mostly establish the organisation due to their own desire to play basketball, but as part of this (in order to fulfil the obligations set by the basketball federations) they also have to do all the administrative tasks. Therefore, athletes in this segment have more power than in second-division clubs simply because they simultaneously play the roles of athletes and managers.

### *Stakeholders' influence on the clubs' strategic focus*

The reciprocal relationship between stakeholders and organisations is the closest to Pfeffer and Salancik's (1978) interpretation of the resource-based view. In line with the latter, the organisation is not self-sufficient and needs support from the organisational environment. In return, stakeholders require certain organisational activities, which results in a relationship of dependence where external factors form a system of indirect supervision and guidance of organisational

management. Therefore, more influential stakeholders should become more involved in the organisational strategy (Froomean 1999).

Our study confirms that non-profit sports clubs differ significantly regarding the way they resolve three key strategic issues. Clubs at the highest level emphasise cost reductions more than growth objectives, top sport results more than local community aims, and fast results more than lower risk. On the other hand, clubs from second and lower divisions were more focused on growth, development of the local community and the long-term aims with lower risk. Since in top clubs private sponsors have a stronger strategic influence, those results are consistent with some prior findings that organisations under 'private' influence are more market-oriented, cost-effective, proactive, use more aggressive strategies, and are less risk-averse than organisations dominated by public interests (Zahra et al. 2000; Cuervo/Villalonga 2000; Brouthers et al. 2007; Whitley/Czaban 1998; Lioukas et al. 1993; De Castro et al. 1996).

From the aspect of stakeholders' hierarchy-strategic focus correlations, we found that clubs where volunteers had a relatively stronger strategic impact give greater emphasis to growth, the local community aims and lower risk. Similar are the findings in the cases of the stronger relative strategic influence of the municipality, basketball federations and local communities, while the opposite correlations were found in the case of private sponsors' strategic impact. Those clubs more emphasised cost reduction, top sport achievements and fast results. Again, some of those findings can be explained by the specific historical context. As mentioned, in centrally-planned systems basketball federations played a mediating role between the state and basketball clubs and were transmitting the non-profit strategic guidelines. It seems like those institutions have preserved their *modus operandi* in the present. The fact that some basketball federations still only allow non-profit clubs to participate in the national competition is in line with this conclusion. We were somewhat surprised by the fact that the relative strategic influence of the employees only showed a significant correlation with risk reduction. This can be partly explained by the fact that employees were perceived as a more influential group in clubs with a higher degree of professionalization, while lower-divisions clubs usually employ no more than two administrators who only execute the instructions of the management board and thus have no significant influence on the clubs' strategies.

### *The impact of the municipality on strategy and performance*

This study provides additional empirical proof that sport clubs experience the stronger influence of the municipality than the state, as claimed by some other scholars who analysed European sport clubs' specifics (Ibsen 2006). Municipalities as sponsors or donors usually have their member in management board of observed non-profit basketball clubs. We found significant correlations between

the relative influence of the municipality and the way the three observed strategic dilemmas are resolved. Also we proved once again the significant impact of strategy on organisational performance (Češnovar 2006). However, in this case structural equation modelling showed that the municipality affects the sport and financial performance of a sport club only through 'strategic emphasising of local community aims more than sport results'. This has a negative impact on a club's top sport and financial performance, which is both consistent with our assumptions and in line with some previous findings that indicated the stronger influence of public institutions (or weaker relative influence of private stakeholders) decreases the possibility of financial success (Naman/Selvin 1993; Brouthers et al. 2007). At the same time, this study confirms that there is also a significant strategic influence of the municipality on a club's sport and financial performance which is not mediated by any of three observed strategic issues, which demands attention in future studies.

## 5.2 Theoretical implications

Our study contributes to a better understanding of stakeholders' influence in non-profit organisations, especially in the South-eastern European transition context. The study's main contributions are the identification of the most influential stakeholders in non-profit sport clubs, their key strategic issues, and the confirmation of a causal relationship between the strategic impact of the municipality and a club's performance. We followed the recommendations of Paauwe and Boselie (2008), who stressed that strategic alternatives cannot be always placed in the context of a differentiation, low-cost or niche focus, but is sometimes necessary to modify the classification due to the specific circumstances. The study provided additional empirical support to the growing body of empirical literature on the stakeholder–strategy relationship within sport organisations. From this aspect, the study explains which stakeholders influence the strategies of non-profit sport clubs. The study enriches the literature in the field of sports organisations and contributes to a better understanding of how the institutional environment affects their operations (Bergant-Rakočević 2008). At the same time, the results oppose the thesis of some authors (Ben-Ner/Van Hoomissen 1991) that non-profit organisations are mostly controlled by those stakeholders who wish to benefit the vulnerable segments of the population. Further, this study represents one of the first attempts to investigate and confirm the negative effects on financial and sport performance caused by the strategic influence of the municipality. Thus, the study indirectly confirms that the stakeholder structure may affect performance through the strategic decisions, as noted in other research fields (Berman et al. 1999; Barringer/Bluedorn 1999; Selvin/Covin 1997).

### 5.3 Practical implications

Several practical implications arise from this study. The results may help policy-makers in transition countries to rethink the current situation in the field of competitive team sports. By analysing the differences between clubs at different quality levels, this study may be beneficial when deciding where and how to draw the line between non-profit and for-profit sport clubs. The results clearly indicate that the management of top sport clubs competing in international competitions are under the greater strategic impact of private sponsors and have a different strategic focus than other non-profit clubs.

From the managerial aspect, identification of the most important stakeholders, the key strategic dilemmas and their correlations can help the leaders of sport clubs anticipate the behaviour of various interest groups, especially the municipality, and thus also to better manage any conflicting interests. This also offers a new managerial tool that facilitates the decision-making process; in particular, it may be useful to help executives avoid becoming entangled in a vicious cycle of conflicting strategic decisions.

### 5.4 Limitations and suggestions

Probably the biggest limitation of our study is the use of subjective survey-based data, which raises concerns about CMB. However, this was unavoidable in our case. Further, data were only collected among basketball clubs in four countries with a similar historical background, which may hamper the generalisation of the results. We therefore recommend further research on sport clubs from different environments and from other sport branches. On the other hand, our context-specific findings may be valuable for scholars searching for ways and means to establish more effective sport systems in transition countries. In this respect, our study can be seen as a starting point for further context-specific research attempts within the area under study.

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