

# Non-profit Sports Clubs in (Post)transitional Europe: A Sustainable Business Strategy, the Alternatives, and the Role of Stakeholders\*

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## Abstract

The article has three purposes: to present the key determinants of a sustainable business strategy for non-profit sport clubs in (post)transitional Europe; to discuss the strategic alternatives emerging in this context; and to disclose how a range of stakeholders influences the clubs' decisions on major sustainable issues. First, the author describes the production process and the specific social context, highlighting three key strategic dilemmas affecting sport clubs' economic sustainability. The second part describes the five typical strategic orientations, revealing that the stronger engagement of private sponsors in a club's strategy generally implies larger annual budgets. However, it also forces club managements to accept riskier strategies and focus more on sport results than on the local community. The article proposes a new classification of sport clubs' strategies, provides empirical insight into the development process of sport clubs from post-transitional European countries, and explains why they retained their status as non-profit organizations.

**Keywords:** post-transitional Europe, non-profit sport clubs, business strategy, economic sustainability, stakeholders

**JEL Codes:** L21, L33, L83

## Introduction

Non-profits do not exist with the aim of generating profit and sharing it among the owners; thus, people often automatically consider them to be sustainable. At the same time, the concept of a sports club implies a service organization, which is, similar to social work organizations (Brudney/Meijs 2014), typically closely attached to the local environment. Such organizations must invest considerable energy to adapt to the local social context (Ivašković/Čater 2018). Therefore, combining the concepts of a non-profit organization and a sports club should imply a strongly connected sustainability logic in a non-profit sport club's business strategy. Moreover, if we disregard the decisions they make about sports tactics and engaging athletes, we rarely think about non-profit sport clubs as having a range of different business strategic options available. A 'reality check' among sport clubs from post-transitional European countries might offer completely different perspective in this regard. The many examples of clubs in the lowest national leagues breaking through to the most elite European competitions with-

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in a few years, and sometimes being relegated to a lower level just as quickly, give the impression that sport clubs in post-transition Europe are operating in an unstable and extremely dynamic environment that nevertheless allows for a wide range of different business strategies. The majority of such sport clubs still operate in various non-profit forms, suggesting a wider range of both potential organizational purposes and potential strategic orientations (Ivašković 2019a). Common sense tells us that not all of these are run in line with the principles of sustainability, especially when we consider that ‘sustainability’ is a polysemous word and ‘sustainable strategy’ holds various meanings, often leading to misconceptions. For example, Figge, Hahn, Schaltegger and Wagner (2002) claim that at least two different dimensions exist; the first connects the sustainable strategy to the ambition to be environmentally responsible, while the second stresses the importance of economic prudence to enable long-term operations. Accordingly, we are interested in how different strategic orientations affect economic sustainability, defined by Baumgartner and Ebner (2010) as policies that allow an organization to be efficient and effective, and thereby remain competitive in the market. A well-emphasized aspect of sustainable strategy, defined as a set of business plans, is the relationship with the organization’s stakeholders and meeting their needs while balancing between ensuring resources for the organization without comprising the local community’s interests (Dyllick/Hockerts 2002). Exploring the stakeholders–strategy–sustainability relationship has been denoted as a key issue in the modern world (Moyo/Duffett/Knott 2020; Ivašković 2019b; Miragaia/Ferreira/Ratten 2017), in which sport is recognized as a vital factor for the healthy development of society.

The purpose of this article is to contribute to the discussion on the stakeholder–strategy–sustainability relationship among sport clubs from (post)transitional European countries. The first part explains the details of sports clubs’ production process and the broader social context in which clubs from post-transitional countries operate. Following a review of the strategic management literature, three key dilemmas of these clubs as organizations are then identified. Based on various combinations of major decisions, the alternative strategic options are presented. Finally, we discuss the position held by sustainability among these alternatives by exploring who the main stakeholders are and how they affect the sustainability level via actual strategic orientations, using South-East European non-profit basketball clubs as an example.

## Post-Transitional Context in the Sports Industry

### *The Production Process and the Role of Public Institutions*

Sport clubs are primarily engaged in active participation in sports competitions. Their main product is therefore a service which, on top of the well-known characteristics (inseparability of production from consumption, inability to store,

etc.), implies the need to cooperate with other clubs. These are at once an opponent from the sport perspective and a partner/subcontractor from the business aspect. Although sports fans often regard rival sports clubs as their biggest competition, clubs cannot operate in isolation; they rely on the presence of other sports clubs. For example, the football club Real Madrid earns the most when it plays against the Barcelona Football Club, which is Real's greatest sporting competitor. Yet, besides competing for sports titles and indirectly arousing the interest of potential sponsors, clubs also compete for administrative staff and athletes. The possibility of fulfilling a given sports club's mission still depends on the existence of sporting competitors within organized league competitions (Ivašković/Čater 2018). The latter are arranged under the auspices of an umbrella organization, typically an association of clubs. Sports clubs, therefore, voluntarily join organizational forces with their sporting competitors against whom they later compete in sports. In this case, we can thus say that a specific ambivalent relationship, some kind of competitive partnership, is the most important feature of team-sport industries. In addition, clubs, of course, also compete in the traditional business sense, chiefly against sports clubs from other sport industries.

The sport club's production process initiates with the establishment of a competitive team, aiming to achieve optimal sports results in various competitions. This effort influences public and media interest, impacting home match attendance and viewership through TV and online platforms. Beyond its direct financial consequences, increased interest attracts investors, enabling the club to secure additional funding and generate a larger annual budget for subsequent seasons. This, in turn, facilitates the creation of a more competitive team, fostering a positive cycle within the production process. Conversely, failure may trigger a negative spiral, particularly detrimental in Europe's sports competition system, which poses a higher risk for club managements compared to the professional competitions in the USA (Fort 2020; Lago/Baroncelli/Szymanski 2004).

Kern, Schwarzmann, and Wiedenegger (2012) proposed a three-tiered approach for evaluating sport club performance, taking into account managerial effectiveness, on-field sports performance, and market efficiency due to European specifics. Organizational performance is contingent on problem-solving proficiency at each stage of the production process. Initially, club executives (management members) confront the challenge of assembling a competitively potent team within budget constraints. Subsequently, the club's sports team endeavours to attain optimal sports results or a favourable win/loss ratio for the competition season through tailored training and selected playing tactics. In the final phase, the club management aims to leverage the sports results to secure funding for the upcoming competition season.

Apart from the general characteristics of all sports organizations, such as athletes having shorter active careers, which accelerates business cycles, the production process of European sports clubs is frequently characterized by a dual organizational structure (Ivašković 2018). This duality arises from the fact that many clubs have a professionalized segment (focused on the activities of the first team), while the part involving youth typically operates on amateur principles. It is essential to note that amateurism and non-profitability are not necessarily correlated. Despite its non-profit orientation, a club might, in fact, function as a professional organization. Simultaneously, within a professional club, a substantial portion of the budget might be allocated to non-professional activities. This duality, or the combination of professional and amateur facets of the organization, is especially typical for clubs from European (post)transitional countries.

Regarding economic sustainability, the primary strategic concern is securing a long-term funding source to sustain the club's operations and facilitate strategic planning. While sports clubs share similarities with other organizations in this aspect, the complexity of sport as a social activity and associated free-market failures often necessitate the involvement and financial contributions of public sector entities. The economic logic suggests that since the returns from sports are both private and public, both sectors should contribute to funding sports activities (Downward/Dawson/Dejonghe 2009).

Entities like the Council of Europe (2018) emphasize that ensuring equal rights for everyone to play sports contradicts free-market logic, highlighting the desirability of state or local government involvement. They act as public agents to reduce the impact of market failures by financing sports organizations, especially those involving children of various ages. While European sports organizations have various revenue sources, the literature indicates that the share of public funding within sports organizations' budgets has remained relatively stable since 1990 (Andreff 2006; Škorić/Bartoluci/Čustonja 2012; Andreff/Dutoya/Montel 2009; Sanchez/Barajas/Sanchez-Fernandez 2019; Ivašković 2018; Barget/Chavinier-Rela 2017).

In western countries, households contribute significantly more than their counterparts in post-socialist countries, where sport clubs rely more on local and central governments, along with (fully or partly) state-owned enterprises. In such clubs, the local community and state institutions are key stakeholders, underscoring the club management's responsibility to safeguard the local community's interests under sustainability principles. Furthermore, non-profit sport clubs' attachment to their local environment extends beyond direct financing to include significant indirect assistance in the form of volunteer work. While more than 10 million volunteers are active in approximately 700,000 sports clubs in EU countries, sport volunteering is less prevalent in ex-centrally planned economies,

including sport clubs from post-transitional South-East Europe (Lange 2020; Arnaut 2006:19).

### *Transition Specifics in South-East Europe*

Sports clubs in post-transitional South-Eastern Europe, including the former Yugoslavia, participated in international competitions during the era of a centrally-planned economic system, operating within a framework of state or social property. In this context, these clubs faced competition from countries with a free-market tradition. Only the top-performing clubs had this opportunity, which granted them access to the best staff and significant funding. The primary funding sources for sports activities and clubs were state-owned ("socially-owned") companies, where key decisions aligned with the political system's philosophy (Girginov/Sandanski 2008). This system created a legal framework preventing the outflow of sports talents abroad, allowing successful competition in certain sports fields at the expense of individual freedoms. Even after the collapse of the communist regime, until the late 1990s, the former Yugoslav countries maintained a regulation that restricted athletes from leaving the country before the age of 24. The institute of social property, however, granted significant influence to state authorities. They viewed sports results as a means to promote the state and its political system externally, enabling them to select specific sports clubs as representatives on the international stage. Moreover, due to its multi-ethnic composition, Yugoslavia cherished a sports model similar to the Soviet Union, which employed sports to promote the integration of the multi-ethnic population into a unified state (Riordan 2007; Mills 2010). This limited fair competition within the country, as only a select few sport organizations received substantial assistance from state-owned companies.

The transition in political and economic systems marked a period of change, compelling clubs to adapt to the gradual liberalization of the sports labour market and a shift in stakeholder structures resulting from the privatization of state-owned companies that previously funded sports clubs under the communist regime. New business owners' pursuit of profit rationalized sports investments, yet clubs mostly retained their non-profit status—a characteristic deemed inappropriate by some for highly professional sports organizations (Bergant-Rakočević 2008). Some clubs maintain non-profit status due to umbrella sports organizations' regulations, while others see it as a strategy to mitigate the risk of financial bankruptcy resulting from potential poor sport results (Podlipnik 2010). The focus on developing top-level sports shifted from relationships with political decision-makers to interactions with private interests and their capital. This increased pressure on clubs to expand athlete recruitment and adopt new strategies to compete with clubs from countries with longer free-market traditions. Research suggests that non-profit management executives become more

cost-effective and adopt a business logic when facing competition driven by profit motives (Ko/Liu 2021). Analogously, participation in international competitions and the professionalization of non-profit sports clubs should expedite their adjustment to profit-oriented business models.

However, only a small percentage of post-transitional clubs qualify for European competitions, contingent on prequalification through national competitions. This suggests a potential divergence in the development trajectories of post-transitional clubs. The liberalization of the athlete labour market eased athlete transfers between clubs, amplifying the bargaining power of top professional athletes. This, in turn, influenced business processes and the competitive advantage of financially stronger organizations, resulting in disparities among post-transitional European sports clubs. This prompts questions about whether top-quality and lower-division post-transitional sport clubs have devised distinct strategies for achieving economic sustainability.

## Dimensions of Sustainable Strategy

In an environment where resources are scarce and organizations must establish a specific trait as the core of their advantage over competitors, strategy comprises a set of key decisions and a long-term plan for attaining and sustaining that competitive advantage (Porter 1989). Originally, economic sustainability referred to the economic growth and long-term profitability of organizations (Porter 1985). However, its strategic dimension now includes various measures to enhance standards of living in the organizational environment by maximizing shareholders' wealth (Fowler/Hope 2007). An economically sustainable strategy should pave the way for becoming a durable market participant and positively influencing organizational stakeholders, particularly at the local level (Yang et al. 2019). Choosing among various sustainable strategic alternatives involves selecting the most efficient path to achieve desired goals while minimizing effort, time, and resources, without compromising stakeholders' wealth and the well-being of the local community. Although there is a general consensus on this, scholars emphasize different aspects as crucial for economic sustainability. While some focus on performance indicators like earnings per share (Steurer et al. 2005; Hillman/Keim 2001), others highlight improving customer relationships (Ulaga 2003), increasing sales (Christmann 2000), generating revenue (Seth 1990), reducing operating costs (Farrel 2005), or creating new value for investors. Lopez-Gamero, Molina-Azorin, and Claver-Cortes (2009) also propose that the only paths for competitiveness and value creation are product innovation, differentiation, or cost reduction. This aligns with Michael Porter's view that improving internal production processes is key to achieving a competitive advantage (Porter/van der Linde 1995).

The literature offers various strategy typologies applicable to non-profit sport clubs (e.g., Porter 1985; Tan/Litschert 1994; Pučko 1999). Given the specific nature of these organizations, including competitive partnerships, the European competition system, the determined form of their product, and non-profit status allowing diverse organizational purposes, a new classification should be based on distinct approaches to the production process. While all clubs within the same sport branch share a common process, they diverge in making critical decisions at key junctures (Lago/Baroncelli/Szymanski 2004). According to Kern, Schwarzmann, and Wiedenegger (2012), budget allocation is a critical stage where sport club management grapples with the dilemma of how to distribute funds. This stage provides insights into the actual strategy a club is pursuing over time. Potential conflicts in budgeting may arise between those advocating for sports infrastructure development and those prioritizing the acquisition of skilled sports personnel with greater market value and sporting potential. Keller (2008) categorizes sports clubs into two segments: those pursuing sustainable or stable strategies and those pursuing strategies for superior sports results. The former invest in infrastructure development and young athlete development, while the latter focus on acquiring established athletes closer to their peak, assuming they can fulfil the club's top sport ambitions in the short term. The latter strategy offers faster growth and potential for positive spiral effects but entails greater risk due to higher short-term human capital investments. This perspective dichotomizes top sport ambition and sustainability, suggesting that top sport clubs cannot pursue a sustainable strategy. However, sustainability and top sport achievement are flexible and complex concepts, depending on several factors. For instance, achieving top sport results internationally in the long run may align more with sustainability logic than an instant breakthrough within a national league or winning an amateur competition. The organizational starting point is crucial; a club with substantial assets may follow a conservative financial policy and still achieve competitive top sport results. Given this context, we propose three dimensions of strategic sustainability: (1) pursuing top sport results vs. developing the local community; (2) cost reduction vs. pursuing fast growth; and (3) achieving fast results vs. lowering the risk.

### *Strategic dilemmas*

The dilemma of 'Pursuing top sport results vs. developing the local community' is often considered the pivotal question that distinguishes a sustainable strategy from others. This decision reflects the extent to which a sport club prioritizes the pursuit of superior competitive results (intense sports activities) over other goals related to the local community (extensive activities). While not the sole dilemma, we align with Kern, Schwarzmann, and Wiedenegger (2012) that this is a fundamental strategic question for all sports clubs. The dilemma arises from the combination of the competitive nature of sport and the club's role as an



organization embedded in the local community. Despite seeming that ambitions for top sport results and other organizational goals tied to the local community are not contradictory and can be pursued simultaneously, choosing this path may eventually place a club in a 'stuck in the middle' position. Sport club managements, even with sufficient financial resources, must decide whether to emphasize the involvement of the local population in the club's activities or strive to acquire the best-skilled international athletes (Taylor/Doherty/McGraw 2008:28). The limited number of athletes in the team and playing minutes during competitions necessitates prioritization of one approach. This dilemma revolves around defining the basic objective and organizational mission (Ivašković 2019a).

The 'cost reduction (cost efficiency) vs. fast growth' dilemma is not exclusive to sport clubs but is a common challenge for all organizations. However, this dilemma is not entirely dichotomous, as organizational growth can manifest in various ways, such as increasing membership, expanding organizational activities, or enhancing the value of assets. The ambition to cut costs is not always at odds with organizational growth. Still, in the context of sports clubs, executives often grapple with the decision to increase membership and organizational activities on one hand, and adopt conservative cost-cutting measures on the other. Organizational growth presents opportunities to boost revenues but requires investments in infrastructure, marketing for attracting young participants, coaching and administrative staff, etc., which may contradict the cost-reduction goal. This strategic decision reflects the club's level of aggressiveness and organizational proactivity. More aggressive and proactive executives typically aim to enhance and expand the organization, while less proactive ones resist change and refrain from initiating new projects (Berg/Lin/Tsaplin 2005). Previous studies on sport clubs indicate that more professionalized organizations tend to have a stable structure, lack additional growth ambitions, and are more inclined toward efficient budget utilization (Ivašković 2019b). Simultaneously, lower-division clubs exhibit greater growth aspirations, accompanied by more unstable organizational structures (Ivašković/Čater/Čater 2017).

The third dilemma, 'achieving fast results vs. lowering the risk,' is inherent in all investment decisions. Investors typically favour a shorter expected return period and higher profitability. Similarly, striving for victory in top competitions entails recruiting athletes of the highest calibre within the financial budget constraints. Acquiring top athletes involves substantial investments, generally elevating the associated risks, particularly when private sponsors, known for expecting quicker returns, are the primary fund providers (Ivašković 2019b). This aligns with studies in various business sectors, indicating that private investors are generally more willing to take risks than public organizations (Zahra/Neubaum/Huse 2000; Cuervo/Villalonga 2000; Megginson/Nash/van Randenborgh 1994). On the contrary, public organizations tend to adopt less aggressive strategies,



fostering sustainability (Brouthers/Gelderman/Arens 2007), albeit with lower and slower returns (Whitley/Czaban 1998; Estrin 1994). Furthermore, some authors argue that public financing may steer organizations toward becoming less market-oriented, less cost-effective, and less proactive (Cuervo/Villalonga 2000; Brouthers et al. 2007; Whitley/Czaban 1998).

From a sustainability standpoint, it might appear that a club's management, prioritizing top sport results, their rapid attainment, and organizational growth, is not pursuing a sustainable strategy. However, this assumption is not necessarily accurate. The critical feature of an unsustainable strategy is more about combining incompatible orientations and making decisions on organizational direction that lack a solid foundation in long-term financial perspectives. While most sport clubs lack financial capabilities for top sport results, particularly those in countries with relatively lower GDP per capita and reduced investments in sports, emphasizing top sport results over local community objectives may, in many cases, align with an unsustainable strategy. The same holds true for prioritizing growth and establishing short-term deadlines for achieving strategic goals.

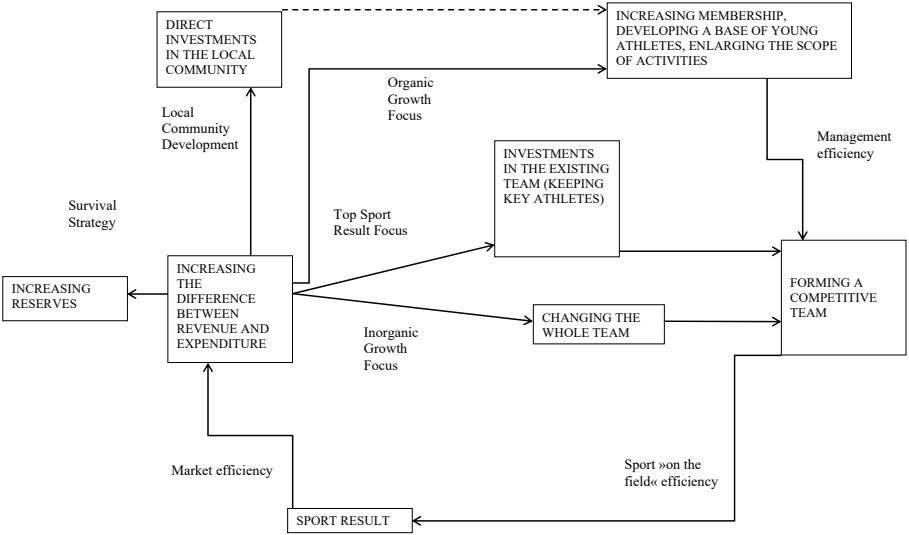
### *Strategic Alternatives*

Resolving the three described strategic dilemmas in a dichotomous manner results in eight possible combinations. However, it's essential to note that clubs seldom make extreme decisions that entirely neglect one side; instead, they generally lean towards a particular strategic direction. Furthermore, some of these eight combinations lead to similar organizational strategic behaviour. Due to the broader manoeuvring space allowed by their non-profit mission, these organizations have a slightly larger range of potential strategic goals. However, this difference is not significantly distinct from their profit-oriented counterparts in terms of decision-making. The increased number of potential non-coherent interests might imply more conflicts in the budget process. Nevertheless, top management in all clubs typically shares the common ambition of increasing the organizational budget, facilitating the fulfilment of the organization's goals. Hence, despite hypothetically allowing eight different combinations, in practice, key decision-makers in non-profit sports clubs are presented with five distinct options for allocating budget funds: a) to the amateur part of the club; b) to professional staff; c) to club infrastructure and for improving internal organizational processes; d) within the local community; and e) to club reserves. Depending on which part a club's management invests the most, five basic strategic alternatives can be identified. Table 1 illustrates the conditions under which the identified strategic alternatives occur, while Figure 1 depicts these strategic orientations in the context of the model developed by Lago, Baroncelli, and Szymanski (2004).

Table 1. Strategic alternatives with respect to key strategic decisions

Focus	Sport result	Local community
Quick results and cost reduction	Top Sports Results Focus	Survival Strategy
	or	
	Inorganic Growth Focus	
Quick results and growth	Inorganic Growth Focus	Strategic Emphasis on Local Community Development
		Survival Strategy
Lower risk and cost reduction	Top Sports Results Focus	or
		Strategic Emphasis on Local Community Development
Lower risk and growth	Organic Growth Focus	Organic Growth Focus
		or
		Strategic Emphasis on Local Community Development

Figure 1. The alternative strategic orientations available to non-profit sport clubs



*Strategic Emphasis on Local Community Development.* This orientation is adopted by clubs strongly committed to meeting the interests of the local community, often at the expense of pursuing top-tier sports results. It represents a moderately defensive strategy, characterized by a lack of urgency for quick results, with less emphasis on resolving the growth vs. cost-reduction tension. Clubs with a growing inclination tend to be more inclusive, enlarging the number of local commu-

nity club members, while those emphasizing cost-minimization often organize events with volunteer assistance or offer support to other organizers. In practice, a strategic focus on the local community is more common for growing clubs, as those facing survival challenges often allocate fewer resources to local operations. Executives in these organizations typically invest the majority of financial surpluses directly in the local environment or community, regardless of the level of population involvement in the club's operations. This aligns with the notion that, for non-profit organizations, especially sports clubs with a robust local dimension, the local community is the primary stakeholder group. Various investments in the local environment, from sports infrastructure to organizing events, aim to increase population involvement and adhere to the principles of a sustainable strategy. The mission of such organizations is to enhance the overall popularity of sports, not limited to a specific activity, increase the number of recreational athletes, and enhance the psychophysical well-being of the local population. While these clubs may not gain extensive media coverage, there are relatively many organizations with such a strategic focus.

*Top Sports Results Focus.* Some sports clubs prioritize achieving superior sports results as their ultimate goal, forming the core of their organizational mission. This commitment is widely accepted by key stakeholders involved in the club's operations. The pivotal factor influencing this strategic orientation is management's decision to prioritize top results over developing the local environment. These clubs typically do not exhibit strong growth ambitions in terms of increasing club membership or expanding organizational operations. Instead, they focus on enhancing the value of their organizational assets, exhibiting aversion to excessive risk and favouring a long-term orientation. These organizations seek long-term partnerships and generally prefer a smaller number of significant, long-term sponsors over maximizing financial resources from all potential sponsors. According to Junghagen (2018), these clubs prioritize their identity over sponsorships. Among non-profit sports clubs, these organizations often demonstrate a higher degree of professionalization and compete internationally alongside profit-oriented clubs. They allocate a significant portion of their funds to improving internal organizational processes, investing in the club's infrastructure (training conditions for athletes), and developing athletes. This approach is intended to increase their teams' competitive advantage and enhance their ability to achieve top sports results. Given the structure of Europe's league competitions, where better-performing clubs progress while weaker ones drop to lower-quality competitions, clubs focusing on top sports results cannot afford prolonged poor performances. To mitigate this risk, they enhance internal processes and infrastructure between seasons, maintaining the core of their teams, which typically includes the coach and key players. This continuity helps improve internal processes through experience and the learning curve. Other athletes may be replaced by those with high potential for top athletic achievement or planned as

role players to support franchise players. In the professional sports world, clubs with this strategic orientation are easily identifiable by their participation in high-quality competitions over an extended period and their reputation for excellent organizational processes. These organizations can be considered moderately sustainable, as they usually don't encounter economic challenges, but the local community is relatively lower in their stakeholder hierarchy.

*Inorganic Growth Focus.* Among the classifications, the inorganic growth orientation stands out as the most aggressive. Executives adopt this strategic approach when investors seek a swift return on their investments, and the sports club prioritizes top sports results. These clubs aim for rapid growth by increasing the number of athletes and quickly enhancing the team's value. The majority of their surpluses are typically invested in recruiting new, highly skilled athletes, while other areas witness a cost-reduction policy. Although it shares some similarities with the strategy of pursuing top sports results, this approach is an alternative that diverges from sustained success over an extended period. The primary objective is to achieve a rapid breakthrough to a higher-ranked competition or to realize positive spiral effects as swiftly as possible. This strategy is the riskiest and is often employed by clubs not currently competing in the highest-level divisions but possessing financial resources that exceed the requirements of their current competition. This financial strength allows them to replace the entire team by acquiring more qualified personnel. While the previous strategic approach relies on the gradual improvement of internal processes, emphasizing the slow but steady building of a team to foster trust and cohesiveness among members, the inorganic growth orientation places a belief in the critical role of the current psycho-physical and tactical quality of individual athletes. More expensive athletes are expected to achieve superior sports results, contributing to a faster increase in the club's financial budget. In this context, Keller (2008) notes that the ambition to rapidly attain top sports results may seriously jeopardize the club's financial stability, denoting this strategy as highly risky due to its reliance on the leverage of short-term interests. Importantly, this approach contradicts both economic and local community aspects of the principles of a proper sustainable strategy.

*Organic Growth Focus.* Sports clubs opting for an organic growth strategy prioritize enlarging the organization and its activities over seeking cost reductions. Emphasizing continued long-term growth, these clubs allocate financial surpluses primarily to youth teams on the amateur organizational side rather than directly investing in the professional aspect. The main objective is not immediate enhancement of sporting competitiveness but the long-term improvement of internal processes and organizational growth through the attraction and development of children and young athletes. Typically, this strategic focus suits sports clubs participating in middle and lower-ranked competitions, lacking the financial capacity to keep pace with counterparts employing alternative strategic

approaches. Management executives of these clubs tend to be risk-averse. The organic growth strategy aims to enhance organizational management capacity as a starting point for improving internal processes' efficiency. Crucially, it focuses on developing the club's own base of athletes, creating potential for achieving top sports or improved financial results in the future. Sport results hold slightly more significance in this strategy compared to meeting the needs of the local environment. The desire to grow and ascend into higher-quality competitions positions this strategic approach within the realm of moderate aggression. In the absence of sponsorship, such clubs rely heavily on athlete transfers and are often considered 'exporters' of talent. National teams frequently feature a substantial number of athletes who began their sporting careers in these clubs. From a sustainability standpoint, these clubs are relatively strong in this classification of strategic orientations, exhibiting a tendency away from risky financial manoeuvres and a focus on the local community in terms of engaging local youth in the club's activities.

*Survival Strategy.* The strategic focus on increasing the club's financial reserves represents the most defensive approach among the five classifications. Although it may be seen as the most economically sustainable, this orientation could have a negative impact on the club's relationship with the local community. The crucial decision made by the management of these clubs is to reduce costs and augment the club's reserves. During economic stagnation or recession, sports clubs often face declining sponsorship and donor funding, leading to difficulties in meeting basic obligations such as competition fees and transport costs. To survive challenging times with limited financial resources, the management of these clubs tends to postpone all investments, settling debts or creating reserves in anticipation of uncertain future cash flow. Consequently, such clubs typically refrain from hiring new athletes (unless they are volunteers), do not prioritize top sports results, and may even sell their best athletes. Simultaneously, these clubs are compelled to focus more on working with youth from the local community and seek stable funding from public, especially municipal, sources. Despite the limitation on the club's scope of activities, this strategic orientation can be considered moderately to highly sustainable.

*Hybrid Strategic Approaches.* It is essential to underscore that in practical scenarios, the identified strategic alternatives seldom manifest in their pure forms. Given the inherent complexity of reality, club management frequently opts to allocate the budget across various facets of operations. For instance, funds might be directed toward the local community, recruiting new members, investing in the existing team, and attracting athletes from international markets. Furthermore, certain decisions may exhibit positive correlations; for example, investing in the local community may indirectly contribute to the club acquiring more young athletes from that region. The equilibrium in each of the three identified decisions and, consequently, the strategic sustainability of a club mirrors the

structure of stakeholders and their interests, often concealed from the public eye (Ivašković 2019a). Subsequently, in the following section, we assess the proposed classification and investigate its connection with the actual influence wielded by different interest groups.

## Empirical Verification of the Proposed Classification

### *Sample*

We conducted research among non-profit basketball clubs in four South-East European post-transitional countries: Slovenia, Croatia, Bosnia and Herzegovina, and Serbia. Despite their relatively small size (averaging 22.1 members and a budget of EUR 0.4 million), these organizations can be considered representative of other sports clubs in this region. The presidents of the management boards served as the primary source of information, given their comprehensive understanding of the non-profit organization's strategic orientation and activities (Mason/Kim 2020).

Invitations were extended to representatives of 249 non-profit basketball clubs, with 73 responding positively, resulting in a response rate of 29.3%. The sample comprised 27 first-division clubs (48.2% response rate), 31 second-division clubs (42.5% response rate), and 15 third-division basketball clubs (12.5% response rate). Additionally, nine first-division clubs (81.8% response rate) were involved in international basketball leagues at the European level (EuroChallenge cup, Eurocup, or Euroleague). On average, the club presidents had 4.87 years of experience at the management executive level and had held their current position in the organizational structure for 2.53 years. It is noteworthy that executives in first-division clubs were frequently connected to the main sponsor. Out of the 27 executives identified, 16 (59.3%) had professional affiliations with the main sponsor. However, in second and third-tier clubs, this percentage was lower, standing at 44.4% (12 out of 27) and 46.7% (7 out of 15), respectively.

### *Measures*

Key strategic decisions were assessed using a Likert scale. Each respondent was required to indicate how their organization addresses three strategic issues: (1) prioritizing either top sport results or the development of the local community; (2) focusing on reducing costs or pursuing organizational growth; and (3) deciding between pursuing fast results and thereby accepting greater risk or attempting to lower financial risks. Respondents provided answers on a 7-point scale, where (1) indicated a preference for the first aim, completely neglecting the second one, (4) signified that both strategic aims are equally important, and (7) suggested that the organization is entirely focused on the second aim, neglecting the first one.

Stakeholders' impact on key decision-making was evaluated using a list of 8 stakeholders established by 12 scholars (2 from Bosnia and Herzegovina, 5 from Croatia, 3 from Slovenia, and 2 from Serbia; each of them had at least 5 years of experience working in non-profit sports clubs in various positions, but each of them had been in the management bodies of clubs for at least two years and had influenced the shaping of the club's strategy) and defined by Ivašković (2019b): volunteers, professional employees, private sponsors, state and municipal authorities, the local community, media, national sport associations, and the general public. The influence of a specific interest group on key decisions was gauged through a 7-point Likert scale, ranging from (1) "doesn't influence key decisions at all" to (7) "influences key decisions more than any other listed interest group."

Data processing commenced with a comparison of non-profit basketball clubs concerning the three key decisions, followed by an examination of stakeholders' perceived influence on resolving strategic issues. Both analysis of variance (ANOVA) and a t-test were employed in these instances. Subsequently, we investigated which strategic option was most frequently adopted by clubs at various quality levels. Finally, we evaluated the associations between key decisions and stakeholder influence through correlation analysis and categorized organizations based on stakeholders' influence and actual strategic orientation.

### *Results and Discussion*

The average values of subjective assessments regarding key strategic decisions are outlined in Table 2. Notably, higher-quality clubs recorded lower values across all three measured items, indicating their prioritization of cost reductions over organizational growth, top sports results over the development of the local community, and a slightly greater emphasis on the quick achievement of results compared to clubs in lower divisions. Clubs in the latter (second and third divisions) exhibited a stronger focus on growth, community development, and risk reduction. ANOVA revealed that all differences were statistically significant (component 1:  $F = 6.127$ ;  $p = 0.004$ ;  $ES = 0.149$ ; component 2:  $F = 10.920$ ;  $p = 0.000$ ;  $ES = 0.238$ ; component 3:  $F = 7.432$ ;  $p = 0.001$ ;  $ES = 0.175$ ). However, these differences were not significant when comparing clubs from the second and lower national leagues ( $LSD \rightarrow p = 0.906$ ;  $0.364$ ;  $0.250$  and  $Tamhane \rightarrow p = 0.998$ ;  $0.556$ ;  $0.218$ ). A similar conclusion was drawn from the t-test, confirming a statistically significant and concurrently moderate to large actual difference between the top clubs, which participate not only in national leagues but also in international competitions, and other organizations (component 1  $\rightarrow t = -5.792$ ;  $p = 0.000$ ;  $ES = 0.321$ ; component 2  $\rightarrow t = -8.579$ ;  $p = 0.000$ ;  $ES = 0.509$ ; component 3  $\rightarrow t = -12.785$ ;  $p = 0.000$ ;  $ES = 0.374$ ).



**Table 2. Differences in strategic orientations between clubs at different quality levels**

Quality level	The importance of organizational growth vs. cost reduction	The importance of local community development vs. top sports results	The importance of risk reduction vs. quick results
ABA league	1.78	1.56	3.22
1st division	3.26	3.78	4.85
2nd division	4.45	5.35	5.90
Lower leagues	4.40	5.80	6.40
All	4.00	4.86	5.62

*Note.* Higher values mean: a greater emphasis on growth than cost reduction; a greater emphasis on local community goals than sports results; a greater emphasis on risk reduction than quick results

These results lead to the conclusion that a typical first-division club strategically prioritizes achieving sports results, confirming once again the distinction between the hierarchy of aims of higher and lower division clubs (Ivašković 2019a). However, within the subset of top basketball clubs participating in international competitions, organizations may lean towards either a strategic focus on top sport results or an inorganic growth strategy. Interestingly, no significant differences were found between the average second- and third-division clubs. Clubs in these divisions typically focus on growth, the local community, and risk reduction, indicating an inclination towards either an organic growth strategy or a strategy centered on local community and environment development.

Analysing results for each club supports the observation that only 36 out of 73 clubs have definitively resolved all three strategic issues (see Figure 2), while presidents of the remaining 37 clubs are indecisive about at least one key strategic decision. The largest segment of clubs (18 clubs) leans towards a low-risk growth strategy, aiming to satisfy local community needs. Notably, none of these 18 clubs belonged to the first division. Conversely, all six organizations willing to accept greater risk for quick results were first-division clubs. Additionally, all three clubs prioritizing sports results, cost reduction, and rapid achievement of such results were top clubs from the ABA league. Among the 14 clubs preferring top sport results over satisfying local community needs, only one was a second-division club, with others participating in the highest national competitions. Moreover, among these 14, 13 had an executive affiliated with the main sponsor. In summary, as anticipated based on previous studies (Ivašković, 2019a; Ivašković, 2019b), a strategic emphasis on sports results is typical for first-division clubs, while clubs in the second and lower divisions more commonly choose an organic growth orientation. In terms of economic sustainability, lower-division clubs tend to avoid high risks, while higher-quality

competition clubs often accept greater risks and rely on increased financial leverage, compromising economic sustainability to remain competitive.

**Figure 2. Strategic alternatives with respect to key strategic decisions**

Focus	Sport result		Local community
Quick results and cost reduction	3	1	
			2
Quick results and growth	2	2	
Lower risk and cost reduction	1	3	10
	3	10	10
Lower risk and growth	5	3	18

*Note.* The clubs appearing in boxes are indecisive with respect to at least one key strategic decision.

In the subsequent analysis, we conducted a correlation study between the three key strategic decisions and the relative influence of stakeholders on strategic decision-making. Table 3 displays the results, revealing a robust correlation between the relative importance of volunteers and all three strategic decisions. Clubs where volunteers exert a stronger impact tend to prioritize organizational growth, local environment development, and risk reduction. Similar effects were observed for municipal authorities, national sports (basketball) associations, and the local community, with their influence positively correlating with these strategic choices, which is in line with relatively recent findings in the field of sports (Ivašković/Čater 2018; Ivašković et al. 2017). However, basketball associations do not significantly impact the 'risk reduction vs. quick results' dilemma, and the influence of the local community does not correlate with the 'growth vs. cost reduction' decision. In contrast, private sponsors exhibit opposing effects,

showing a correlation with an emphasis on cost reduction, the significance of top sport results, and the quick achievement of such results. This aligns with prior findings indicating that organizations under greater private influence tend to be more market-oriented, cost-effective, and adopt more aggressive strategies, being prepared for higher proactivity and risk acceptance (Zahra et al. 2000; Cuervo/Villalonga 2000; Brouthers et al. 2007; Whitley/Czaban 1998; Lioukas/Bourantas/Papadakis 1993; De Castro/Meyer/Strong/Uhlenbruck 1996). These results underscore that private sponsors uniquely drive management to assume greater risks, potentially jeopardizing the organization's economic sustainability. However, it's crucial to consider that these sponsors often contribute significantly to funding, creating a compensating effect from a sustainability perspective. On the flip side, heightened influence from private sponsors may divert a non-profit sport club's focus away from the local community, compelling it to prioritize top sport results.

**Table 3. Correlation analysis between relative stakeholder influence and strategic orientations**

Stakeholder	The importance of organizational growth vs. cost reduction	The importance of local community development vs. top sports results	The importance of risk reduction vs. quick results
Volunteers	.40**	.65**	.39**
Private sponsors	-.49**	-.34**	-.24*
Municipal authorities	.34**	.48**	.26*
Employees	-.04	-.10	.33**
Basketball association	.37**	.37**	.20
Local community	.21	.40**	.41**
Media	.11	.06	.15
Public	.01	-.04	.06
Athletes and coaches	-.22	-.10	-.16
State authorities	.18	.11	-.10

Note. \*\* -  $P < 0.01$ , \* -  $P < 0.05$

**Conclusions, Limitations and Recommendations**

The article proposes a new classification of sport clubs' strategies, provides empirical insight into the development process of sport clubs from post-transitional European countries, and explains why they retained their status as non-profit organizations. In this context, it explores dimensions of sustainable strategy and available alternatives for non-profit sports clubs in post-transitional European countries involved in team sports. Various factors, such as funding sources, European competition systems, and the unique challenges of developing athletes, contribute to the complex organizational structures of these clubs. The

management of non-profit sports clubs must navigate three crucial strategic dilemmas:

- 1) Balancing the emphasis on top sport results with meeting local community needs.
- 2) Deciding between pursuing quick results (accepting greater risk) and the ambition to lower risks.
- 3) Resolving conflicts between cost-reduction ambitions and the desire to expand the organization and its activities.

These three dilemmas result in eight possible combinations, leading to five distinct strategic orientations. From an economic sustainability standpoint, the strategy of increasing the club's financial reserves (prioritizing survival) is the most conservative, followed by a focus on the local community and the development of the local environment, and the organic growth strategy. Conversely, a strategic focus on top sports results is riskier due to higher financial demands, while an inorganic growth orientation, combining fast growth and short-term investment returns, is economically the least sustainable among the proposed classifications.

The examination of a segment of non-profit post-transitional sports clubs reveals notable distinctions in three key strategic aspects. Higher-quality clubs prioritize cost reductions over organizational growth and top sports results over the development of the local community. Conversely, lower-quality clubs exhibit a stronger emphasis on growth, local community development, and risk reduction. The study highlights the significant influence of stakeholder structures on these strategic decisions. Private sponsors, in particular, show a greater inclination toward achieving top sports results at the expense of meeting local community needs and emphasize cost optimization. Moreover, they compel club management to pursue quick results and accept higher levels of risk compared to clubs where public institutions exert greater influence.

This study provides valuable insights for legislators in post-transitional countries, helping them define the roles of public institutions in clubs pursuing different strategies. Additionally, the research serves as a valuable resource for club management, assisting in identifying key determinants for a sustainable strategy and facilitating consensus on strategic orientation aligned with organizational missions. To enhance the sustainability and resilience of non-profit sports clubs and ensure their long-term success, sports managers are advised to pay special attention to the following aspects when addressing strategic dilemmas:

- 1) Sports managers should strive to achieve a balance between achieving top sports results and meeting the needs of the local community, recognizing that a focus on sports results does not imply neglecting the local community, but rather requires a different approach to it. This involves clear communication of club goals, finding ways to engage the local community in these goals, and actively

involving individual community members to serve as internal stakeholders and communication links with external stakeholders. Therefore, a strategic focus on sports results must not lead to alienation from the local community, as this could potentially signal the beginning of the end for the organization given the variability of sports successes.

2) Sports managers should also carefully assess the trade-offs between achieving quick results and mitigating risks associated with rapid advancement. It is crucial to develop robust risk management strategies that take into account the financial implications of various potential outcomes in sports. Given the unpredictable nature of sports, sports managers must always have contingency plans in place for the long-term survival of the sports club. By conducting thorough risk assessments and adopting risk mitigation measures, clubs can navigate uncertainties more effectively and ensure their financial stability while striving for growth.

3) Finally, sports managers are advised to address conflicts between cost reduction ambitions and aspirations for expanding the organization and its activities. Furthermore, they must identify and communicate these conflicts appropriately to other internal stakeholders, especially those who have the power to co-decide on strategy adoption. Mid-level sports managers should focus on optimizing operational efficiency, exploring innovative revenue sources, and identifying areas where investments contribute to long-term growth and success of the club.

However, certain limitations should be acknowledged. The use of subjective survey-based data was unavoidable, and the relatively low response rate among lower-quality clubs may affect result reliability. Future research in this field should focus on additional empirical verification with a larger and more diverse sample of non-profit sports clubs across various sport branches. Primarily, it is advisable to conduct a comprehensive study among sports managers to analyse the key strategic dilemmas they encounter in their work. Factor analysis of responses could provide insight into whether the proposed three-dimensional classification of sports club strategies aligns with the prevailing perception within managerial circles. Additionally, future research could explore the communication strategies utilized by sports managers to achieve a balance between attaining top sports results and fulfilling the needs of the local community, along with strategies for resolving conflicts between aspirations for cost reduction and ambitions for organizational expansion. Furthermore, we suggest investigating the effectiveness of risk management strategies implemented by sports managers in navigating the trade-offs between pursuing immediate results and mitigating associated risks. This might entail conducting case studies on clubs that have effectively managed risks in dynamic sports environments and identifying best practices for ensuring financial stability while pursuing growth.

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