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**SOCIAL VALUE OF THE PROFESSIONAL BASKETBALL  
CLUBS IN SPAIN: A NECESSITY**

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# SOCIAL VALUE OF THE PROFESSIONAL BASKETBALL CLUBS IN SPAIN: A NECESSITY

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## CHAPTER 1: INTRODUCTION AND OBJECTIVES OF THE THESIS

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### 1. INTRODUCTION AND OBJECTIVES OF THE THESIS

In this introductory chapter, the Thesis will be presented, in order to give an overview about the Thesis and its main components. Firstly, the starting section will give the reader an idea about the problem statement and the current situation that we seek to address. Then, a justification of the choice of the topic will be given, with a reference to the academic gap that this Thesis wants to fill. Afterwards, a detailed section about the research questions and the objectives of the investigation (main objective and secondary objectives) will follow, with a brief remark about our intention to fulfill the different objectives of this research.

In the next section, the methodological issues will be tackled, with a specific reference to the different methodologies employed during the research and the way that the different methodologies will serve to answer the different objectives and the research questions set down previously. Finally, in the last section we will describe the general structure of the Thesis and all the chapters, establishing the different aspects that each chapter will cover in a progressive manner to reach the main objective of this research, with a final graph summing up the most important aspects of the Thesis.

#### 1.1. Introduction: problem statement

Ever since the 1990s, the role of professional sport clubs as organizations that create economic value has been gaining more and more attention, owing to the increasing turnover and media attention that professional sport competitions and their clubs enjoy (Conn, 1997; King, 1997; Morrow, 2013). Nonetheless, the particular nature of these

organizations as entities that have a strong community outreach and that have originally a non-profit status makes the consideration of professional sport clubs as businesses oriented to shareholder-value maximization quite problematic (Morrow, 2000). In this sense, it should be mentioned that among the objectives of professional sport organizations we can find the sporting success, service to the community, engagement with social causes, touristic promotion of cities and regions where they develop their activity, etc. (Kessenne, 2000; Martínez-Lemos, 2015).

In the case of Spanish professional basketball, and more precisely the main professional competition of the country, the ACB League, the augmentation of the revenues of participating clubs, with an increase of clubs' global revenue worth 40 million euro from 2000 to 2018 – 76,7 million in 1999/2000 season and 116,6 million in 2017/2018 season – according to the reports of the Spanish Ministry of Sports (Consejo Superior de Deportes, 2019), and the legal changes that have taken place in Spanish sports industry from year 1990 (Ascari & Gagnepain, 2006; García & Rodríguez, 2003), have brought a bigger convergence apparently in terms of legal structures and financial requirements between for-profit businesses and professional sport clubs – that in principle are non-profit organizations, as explained before – (Barajas, 2004; Barajas & Rodríguez, 2009).

In this regard, one of the biggest challenges that professional sport clubs have faced has been the need to combine their inherent role as entities with a social orientation with the importance of strengthening their financial position as a way to obtain more sporting success (Kelly, Lewis, & Mortimer, 2012; Morrow, 2000). In this sense, professional basketball clubs, given their status as Sporting Limited Companies,<sup>1</sup> have to abide by the law<sup>2</sup> that mandates these organizations to send their financial accounts to their shareholders on a yearly basis, so that they can know the financial situation of the organization and thereby have a basis to judge the performance of the company's board of directors, in order to potentially remove or keep the board in place, referring only to financial criteria (Barajas, 2004).

In relation to the financial context of professional basketball clubs in Spain, the financial data provided by the official report of the Spanish Sports Council (better known as CSD and dependent on the Spanish Government) released in 2019 is far away from being positive. In year 2018 the aggregate figures of all the clubs from the ACB League (the Spanish top league) registered a global loss of 81 million €, with a global short-term debt (57,1 million €) that was 2,5 times superior to the global short-term assets (22,8 million €) of all the clubs (Consejo Superior de Deportes, 2019). From the previous data we can

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<sup>1</sup> All the clubs from the ACB League have to be constituted as Sporting Limited Companies (also called SAD in Spanish), excepting Real Madrid CF and FC Barcelona, that are basketball sections of the previous larger football clubs (Boscá, Liern, Martínez, & Sala, 2008). The two previous clubs (as well as Athletic Club from Bilbao and CA Osasuna from Pamplona) were not obliged to transform into Sporting Limited Companies in 1990 as they had shown positive balances in their capital accounts starting from the 1985-1986 season up until 1990, when the Spanish Sporting Law was approved (Ascari & Gagnepain, 2006).

<sup>2</sup> The accounting obligations of professional sport clubs in Spain are set down in the article 19 of the Royal Decree 1251/1999 (*Real Decreto 1251/1999*) approved by the Spanish Government about Sporting Limited Companies in the Spanish Legislation.

deduct that the majority of the ACB League clubs face an increasing risk of short-term insolvency, a circumstance that threatens the survival of these organizations and the future of the ACB League.

However, despite the previous vulnerable financial situation, the majority of the clubs from this competition keep on competing and trying to survive at the top flight. For this reason, we theorize that there could be other elements in the activity of clubs that create value and make it possible for these organizations to survive and develop in spite of the previous financial difficulties. In this regard, one of the biggest problems of financial accounts is that they are of limited use to reflect the value created to different groups other than shareholders. However, as stated in the first paragraph, the social orientation and the variety of objectives of professional sport organizations not strictly related to the maximization of financial value remains one of their defining features of professional sport clubs (Kesenne, 2000; Martínez-Lemos, 2015). In this respect, the usage of financial magnitudes per se is not capable of visualizing and demonstrating the real picture of value creation of professional sport clubs to other constituent groups, given that these financial magnitudes only reflect the evolution of the main financial situation and the wealth of the company (Morrow, 2013).

Hence, the usage of a more inclusive model like stakeholder theory that posits that businesses should pay attention to the interests and concerns of other groups apart from shareholders in the running of the business and that organizations should be understood as a set of relationships among groups that have a stake in the activities that make up the business (Clarkson, Starik, Cochran, & Jones, 1994; Freeman, 1984; Goodpaster, 1991; Parmar et al., 2010), might better reflect the holistic value creation by professional basketball clubs to their stakeholders, taking into account the particular social and organizational context in which clubs develop their activity (Morrow, 2013).

Stakeholders were understood originally by Freeman (1984), one of the most important authors that worked upon the stakeholder concept, as “any group or person who could affect, or be affected by the achievement of the objectives of an organization” (p. 46). In this case, we consider that stakeholders would be the recipients of social value, understood as the value, economic or not, perceived by the stakeholders of the organization (Emerson, 2003; Nicholls, 2009). Hence, a monetary measurement of this social value would permit to show more precisely the holistic value creation (both economic and social) of professional basketball clubs. Our intention in this Thesis is to adopt a methodology that integrates not only the economic indicators of the professional basketball clubs analyzed, but also and more importantly the perspective and perceptions of stakeholders when assessing the social value creation of professional basketball clubs to stakeholders, thereby putting forward a blended and pluralistic conception of value that tries to monetize both economic and non-economic value drivers. In this sense, the usage of monetary estimations presents the following advantages (Roux, 2010):

- It aligns the financial results with the management of social value.

- It facilitates the communication with stakeholders and with all those who prefer the quantitative analysis to the qualitative analysis.
- It stimulates the transparency as it clarifies the values that have been included and those that have been not.
- It allows identifying sources of value.

With the usage of a monetization approach, we expect to integrate different value dimensions in professional basketball clubs by means of a common currency that will permit to understand the various forms of value creation taking place (Emerson, 2003).

## **1.2. Justification of the choice of the topic**

The motivations that determined the choice of this research topic was due to the fact that, unfortunately, in the last decade many professional basketball clubs from the ACB League have suffered serious financial problems that have threatened their solvency as well as their survival, jeopardizing their future and the competition to which they belong. This situation has provoked that historic clubs have gone into administration (like Estudiantes, Juventut from Badalona or Bilbao Basket) or even have gone out of business after filing bankruptcy (Valladolid, Granada, Menorca, Leon or Girona). The over-indebtedness that many Spanish professional sport clubs resorted to during the period of prosperity for the Spanish economy until 2007 (Barajas & Rodríguez, 2009; Bosca, Liern, Martínez, & Sala, 2008; García & Rodríguez, 2003) and the dependence of Spanish professional sport clubs towards funding coming from public administrations (Ascari & Gagnepain, 2006; Martínez-Lemos, 2015) with all its associated challenges specially in times of crisis and budget cuts (Le Noé, 2002) may be the explaining factors of the previous situation.

Nonetheless, although the ACB League has gone through periods of financial turbulence that has threatened the competition's future, few teams have ceased operating as a result of the previous problems (among the previously mentioned clubs, only Girona ceased operating while it was playing in the ACB League). On top of that, as the previous report of the Spanish Sports Council showed, it is common to see clubs that suffer from financial problems to continue participating in the ACB League (Consejo Superior de Deportes, 2019). The possibility that the social orientation and that clubs would be creating "another" value to their stakeholders (beyond the economic value) can be determinant to explain this tendency.

In this sense, in the conversations with the representatives of the clubs they admitted that there exists a value created to stakeholders but that this value is very difficult to reflect and measure, something that represents a limitation for clubs and their stakeholders. This opinion has been another motivation to consider that the identification and measurement in monetary terms of the social value created to stakeholders by clubs represents a gap in academic terms that is worth investigating.

The reason to choose the ACB League to conduct this study is that the competition is the strongest one among all the European basketball national leagues according to the Eurohoops specialized website in 2018 and 2019.<sup>3</sup> The attention by the public, the clubs' infrastructure and the competitive level are mentioned as the most important factors for this high standing in the ranking.

In the same way, the academic gap about the lack of studies about the social value created by professional basketball clubs represents another reason for the choice of basketball in this study. We have only found a study about the socio-economic return for a city of the existence of a professional basketball club from the ACB League (Rio Natura Monbus Obradoiro, 2014). These kind of studies have been more common in other parts of the world and in a variety of sports, mainly relating to the quantification of the socio-economic impacts related to the construction of stadiums and arenas (Baade, 1996; Baade & Dye, 1990; Coates & Humphreys, 2003; Johnson, Grootuis, & Whitehead, 2001; Santo, 2007; Siegfried & Zimbalist, 2000; Zimbalist, 1998). However, in spite of the absence of significant studies in the field of professional basketball, we do not rule out the possibility that public administrations and professional basketball clubs could have conducted internal analysis to quantify the impact of these organizations in their environment, although they might have not seen the light for different reasons.

### **1.3. Research Questions and Objectives**

Once the problem statement and the justification of the topic have been determined, we will establish the research questions that will be answered during the research project:

Research Question 1: What distinctive characteristics do professional sport clubs present from the viewpoint of social value creation capacity to its stakeholders?

Research Question 2: What kind of value, beyond the economic value, does a professional basketball club create?

Research Question 3: What are the methodologies of social value measurement and quantification developed up until now and which ones do better fit within the context of a professional sport club?

Research Question 4: To what stakeholders do professional basketball clubs create social value?

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<sup>3</sup> Link 1: (<https://www.eurohoops.net/en/league-action/938659/domestic-leagues-top10-spain-vtb-and-the-others/>)

Link 2: (<https://www.eurohoops.net/en/trademarks/750782/domestic-leagues-rankings-turkish-and-german-downfall/>)

Research Question 5: How can the social value created by a professional sport clubs to its stakeholders be measured in monetary terms (monetized)?

In order to answer these research questions, it will be necessary to achieve these goals:

**Main Objective** – Design and apply an adapted social value quantification methodology to monetize the social value created by professional basketball clubs to their stakeholders.

The main objective in this Thesis will be to design and apply an adapted social value quantification methodology that monetizes the social value created by professional basketball clubs to stakeholders, adapted to the specificities of professional basketball clubs and including both market and non-market dimensions of value. The methodology in question will be applied to two different clubs with different characteristics and that are representative of the sample of clubs of the Spanish professional basketball main league and the European competitions, taking into account the different perspectives of the stakeholders identified in these organizations. The secondary objectives below will help us fulfilling the main objective established.

**Secondary Objective 1** – Analyze the characteristics of Spanish professional basketball and compare it with European and American models.

The particularities of professional basketball clubs in Spain and Europe will be studied, with an emphasis on the plurality of objectives of these organizations and the implications of the particularities of professional sport organizations in the framework of European and American professional basketball competitions. In this regard, the distinctive characteristics of the ACB League as a competition will be analyzed, examining the defining features of the ACB League, its participating clubs and the European competitions (from the economic and social perspective) that make them a different reality in comparison to other competitions like the American competition.

**Secondary Objective 2** – Define the concept of value from an ample perspective that will allow considering different stakeholders to whom the organizations create value.

Starting from the 1980-s decade, the neoclassical movement that considers business as an organization that exclusively creates economic value has been losing ground in favor of the view that regards business as an entity that creates value, not only to its shareholders, but also to a variety of stakeholders. The stakeholder view posits that businesses, apart from creating value to their shareholders, in the form of bigger dividends and returns over their shares, create value to other stakeholders, in the form of better salaries for employees, safer and better products, more reduced prices, reduction of pollution towards the environment where they develop their activity, etc.

This Thesis aims to clarify what is understood by social value, taking into account the definitions that academic literature has provided and paying special attention to the application of the concept in the case of professional sport clubs.

**Secondary Objective 3** – Make a critical revision of the different social value quantification methodologies and choose the best one to monetize the social value of professional basketball clubs.

To achieve this objective, we will first identify the main characteristics of social accounting as a discipline that aims to measure the wider social and environmental impacts that a business creates to its stakeholders, as well as the potentials and challenges of this discipline. This analysis will also explore the potential of the inclusion of social accounting within professional sport clubs, in order to reflect their role as community institutions and their particular value-creation context to their stakeholders.

Afterwards, a review of some of the most well-known social value measurement methodologies will be provided, with a particular focus on some of the most important methodologies on the basis of different criteria (objective, analysis level, level of stakeholder implication, degree of monetization of the social value). By analyzing the different methodologies' characteristics and potential, we will make a decision about the most adequate methodology for the monetization of the social value of professional basketball clubs, comparing the strengths and weaknesses of each of the methodologies analyzed and explaining why we have decided to select the methodology in question. The methodology chosen will be adapted to professional sport clubs.

**Secondary Objective 4** – Identify the stakeholders to whom professional basketball clubs are creating social value.

In literature, the diversity of stakeholders in professional sport clubs as a decisive factor for the survival of the organizations is highlighted. Hence, the identification of stakeholders in professional sport clubs has also been advocated in literature given that the economic and intangible contributions that clubs receive from their stakeholders, and hence their survival, depend on the health of the relationships of clubs with their stakeholders. This identification of stakeholders will be necessary to quantify the social value created by professional sport organizations to stakeholders.

In the case of professional sport organizations, the identification of stakeholders would take center stage owing to the stakeholder orientation of these businesses. In this sense, we should not forget the aforementioned characterization of professional sport clubs as organizations that present a variety of objectives, among which we can find the sporting success, the service to the local community, the transmission of positive values and the promotion of the city and the region where they play. The attainment of profit is rarely stated among their mission, as the economic profit is generally perceived as a means to attain the previous objectives and not as an ends by itself in these organizations.

**Secondary Objective 5** – Identify the main social value variables that clubs create to their stakeholders.

The aforementioned plurality of objectives of professional sport clubs has led to the identification of different particularities of professional sport clubs in relation to other businesses: the status of professional sport clubs as agents with an important influence



in the social domain, the engagement and emotional bonding of fans and supporters with the club, the degree of media attention to which clubs and players are exposed, and the important role that professional leagues and public administrations play to ensure that professional sport clubs get engaged with their social environment and their communities.

All the previous particularities could make it possible for different stakeholders to justify their support to these organizations on the basis of parameters and criteria that are not strictly economic in principle. In order to understand the capacity of social value creation, then, it will be necessary to identify the main dimensions of social value that stakeholders perceive, by means of different interviews that we intend to hold with representatives of different stakeholder groups.

**Secondary Objective 6** – Determine the indicators and proxy-s that will permit the monetization of the social value created by professional basketball clubs to stakeholders.

By means of the interviews with stakeholders and the subsequent identification of their respective value dimensions, it is expected to identify a whole set of indicators and proxy-s that will allow us to monetize the social value perceived by professional basketball clubs' stakeholders. Given that there are no precedents of any study about the quantification of social value in a professional sport club, a review of the literature about value drivers in professional sport clubs becomes necessary. The identified indicators and proxy-s will have to be subjected to a validity process by experts from sports management field in order to be considered fit and proper in the monetization process.

#### **1.4. Methodology**

Taking into account the typology and the nature of these organizations and entities, as well as their social significance, we have followed a methodology that makes use of different methods that better adapt to our study,<sup>4</sup> within the framework of economic science. However, we have considered that the application of the different methods is more enriching if we take into account the combination of their main tenets, resulting in a methodology that will quantify and monetize the social value of not only those organizations that are oriented to the attainment of an economic profit, but also the organizations analyzed where other social, emotional and sporting interests take centre stage.

In this regard, the different methods chosen will depend on the research objectives established previously and their distribution throughout the different chapters of this Thesis. The different methods applied will be: descriptive, analytic-synthetic and

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<sup>4</sup> Research methods are the procedures that allow simplifying a problem with the aim of structuring it conceptually and explaining it casually, in accordance with the pursued objectives. On the other hand, methodology is the scientific discipline that analyzes the foundations and the efficacy of the procedures that methods employ for the research in question (Hintelholher, 2013).

inductive-deductive. This fits well with the conception that Business Economics' domain requires the application of different methods and research techniques for its development (Rodríguez Castellanos, García Merino, & Peña Cerezo, 2005).

The descriptive method aims to demonstrate that the concepts of theory are happening in the real world, by showing a chain or a network of causes and effects, connecting influencing factors with the criterion (Blessing, Chakrabarti, & Wallace, 1998). Descriptive studies are characterized by the number of options that the researcher selects in relation to different aspects that have to be determined during the study's design, like the study's framework, duration, role of the researchers, required results, number of cases analyzed and methods of data gathering (Blessing et al., 1998). This method will be employed to attain secondary objectives 1, 2 and 3.

The main reason to choose the descriptive method is due to the fact that it is necessary to carry out an extensive research of the literature in order to get a precise understanding of the distinctive features of a sporting organization, the different ecosystem of professional sport in European and American contexts, the main tenets of stakeholder theory and holistic value creation to stakeholders and the application of stakeholder theory into sports management. The tenets of descriptive analysis will also be necessary to describe the different social value measurement methodologies that will be analyzed.

When it comes to define the inductive-deductive method, it refers to the capacity of making generalizations from different facts or to discover behavior patterns in an apparently chaotic set of observations (Michalski, 1983). In this way, a theory is generated on the basis of the observations from a case (Johansson, 2007). The inductive method will lead to the determination of a scientific law if, under the limits established by experimentation, contradictory results have not been obtained (Lahti, 1956). In the case of deductive reasoning, it requires the application of an already discovered generalization in the resolution of another problem (Lahti, 1956).

The inductive method will serve to fulfill secondary objective 4, whereas the deductive method will fulfill secondary objective 5. In this sense, the identification of the stakeholders to whom professional basketball clubs are creating social value to will depend on a generalization from different facts discovered in the interactions with stakeholders by means of the interviews held with them, and the identification of the main social value variables that clubs create to their stakeholders will depend on the discovery of behavior patterns in different observations from the answers from stakeholders in those interviews.

With respect to the analytic-synthetic method, first of all we will have to make a distinction between the meanings of both. Synthesis is a movement from causes to effects or consequences, from the simple (the parts) towards the more complex (the whole) and from the more general to the more particular (individual). Analysis features precisely the opposite direction; it is a movement from the more particular (or specific)

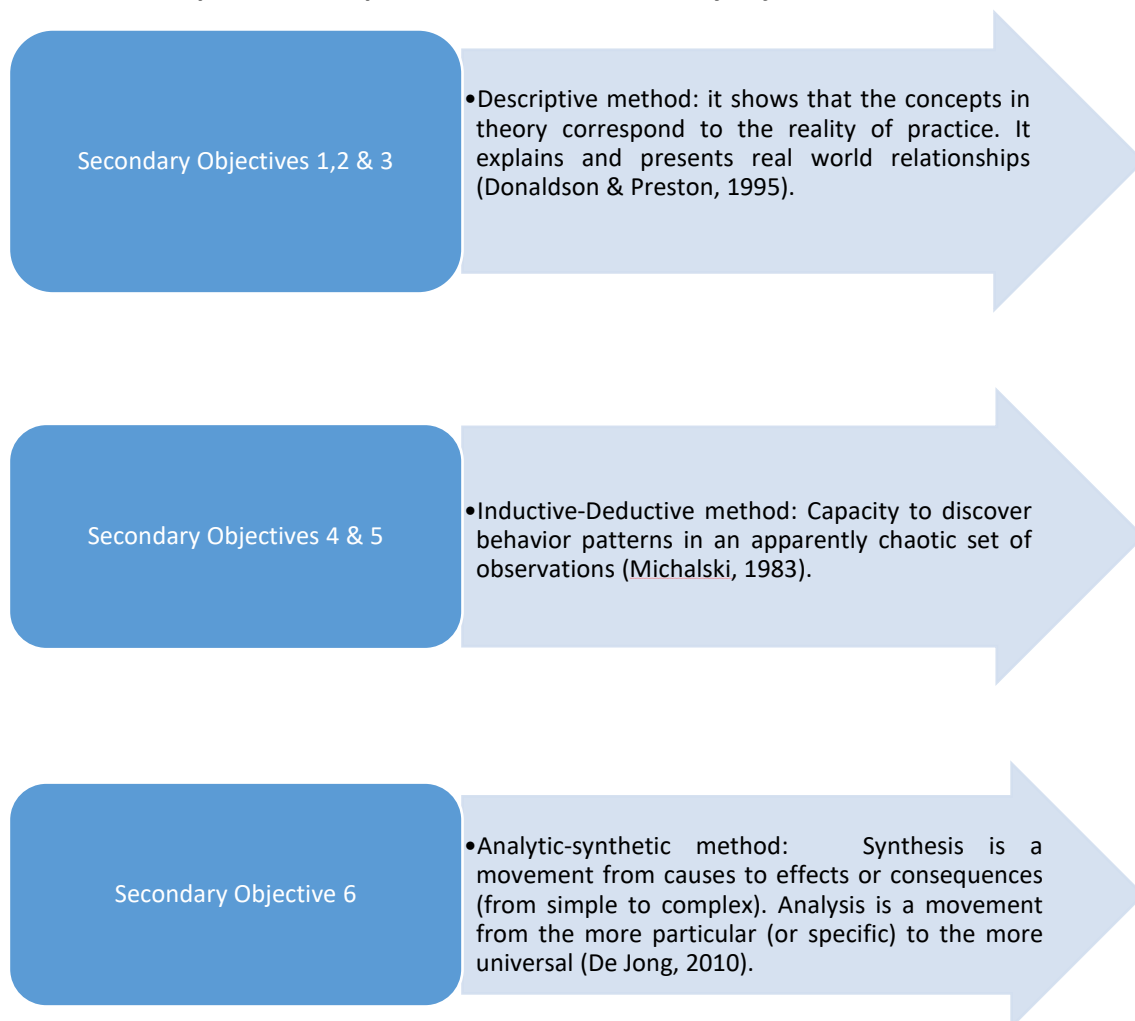
to the more universal, from the whole to its parts and from the consequences or effects to their causes (De Jong, 2010).

Even if both methods can be considered separately, they have a high degree of complementarity, an aspect that is particularly important to understand economic phenomena, given that these can only be understood by the combination of analytic and synthetic judgments; that is, it is only possible to gain knowledge of economic laws by means of breaking down the phenomenon into its basic variables and its generalizing assumptions (Rodríguez Castellanos et al., 2005).

The usage of this methods will serve to answer secondary objective 6, monetizing the social value created by professional basketball clubs on the basis of a set of indicators. Our view posits that the analysis of the value of organizations requires an analytical approach to establish the outputs and proxy-s (analytical phase) followed by the integration of the various quantification of social value and its integration with economic value (synthesis phase) (Retolaza, San-Jose, & Ruíz-Roqueñi, 2016).

To sum up, the previous correspondence between the methods employed with the secondary objectives will be represented in the Graph 1.1:

**Graph 1.1: Correspondence between secondary objectives & methods**



Source: Own elaboration

When it comes to describe the methods used throughout the Thesis, Rodríguez Castellanos et al. (2005) said that the most adequate method depends on the problem statement, the objectives of the research and the conditions under which the research are conducted. With respect to the research problem, one of the biggest challenges faced in this Thesis has been the lack of previous works about the quantification of social value in sporting competitions. Traditionally, the dynamic of value creation to stakeholders by professional sport clubs has been considered as intangible due to the status of these organizations as community assets (Hamil & Morrow, 2011), an aspect that has represented a limitation when monetizing the different dimensions of value creation to stakeholders.

The previous situation asks for a search of knowledge based on a qualitative paradigm, that consists of understanding social life by means of a field work that will permit to understand a phenomenon within a context (Pogenppoel, Myburgh, & Van der Linde, 2001). Qualitative research is primarily descriptive – and in a limited way. Its contribution to systematic scientific inquiry is that rather than supplying a little detail about an entire population or category, it seeks to describe much detail about a few selected individuals or phenomena (Borland Jr, 2001).

For the research to be satisfactorily conducted, case studies will be employed, defined as a research strategy that will represent the usage of one or more cases with the objective of creating theoretical constructs, propositions and/or theory of empirical evidence obtained from case studies. Case studies will represent empirical valuable descriptions about a certain phenomenon that are typically based on a variety of data sources. In this sense, case studies emphasize the real world context in which the phenomenon in question takes place (Eisenhardt & Graebner, 2007; Eisenhardt, 1989).

Case studies should have a “case” which is the object of study. The “case” should be a complex and contemporary functioning unit, investigated in its natural context with a multitude of methods (Johansson, 2007). The election of two polar cases will permit to reflect different situations concerning the identity, experiences and expectations regarding the perceived social value by stakeholders (Giulianotti, 2005). Moreover, our choice for polar cases corresponds to the current situation in European competitions, given the existent inequality between those teams with a bigger sporting and economic potential, an aspect that defines the European professional sport model (Drewes, 2003; Goossens, 2005; Kesenne, 2000; Pawlowski, Breuer, & Hovemann, 2010; Zimbalist, 2003) and that is reproduced in the ACB League (De Súa Guerra, Martín González, & Sarmiento Montesdeoca, 2012; Martínez-Santos, Enjuanes, de la Cruz, Pino, & Crespo, 2009). In this respect, the analysis focuses on two of the participating clubs in the ACB League during the 2017-2018 season, given that they represent very different characteristics with respect to their competitive level, budget, capacity of creation of economic resources, history and prestige, etc.

While one of the clubs has won many championships, plays in European competitions and has a big budget, the other has struggled to avoid relegation and has never played in European competitions, with one of the lowest budgets in the league. As previously said, this situation is commonplace in the European sphere, where the dominance of top teams over weaker teams in both economic and sporting capacity leads to an increasing certainty of sporting outcome (Giulianotti, 2005). In qualitative research, empirical evidence, with its different clarifications and nuances, seems to back the election of “polar cases” representing extreme cases (good and bad performing) in order to observe different data patterns (Eisenhardt, 1989). The election of multiple cases creates a more robust theory since this will be rooted in empirical evidence (Eisenhardt & Graebner, 2007).

The process of theoretical construction occurs by means of a cyclic resource to the data obtained through case studies, emerging theory and obtained literature (Eisenhardt & Graebner, 2007). In case studies, data can be obtained by means of a variety of sources, both qualitative and quantitative, like documents, files, direct interviews, direct observations, observation of the participants and facilities or physical objects (Martínez Carazo, 2011). Even if case studies are perceived sometimes as “subjective”, the theory built through case studies could be surprisingly “objective”, given that its strict adherence to the data can make it more probable for researchers to keep an honest attitude (Eisenhardt & Graebner, 2007).

At this point, it would be important to analyze the process conducted through the epistemologist conception of critical realism in social sciences. This conception focuses on the study of the complex reality of objects that are the basic theoretical building blocks for critical realist explanation, and that can be such things as organizations, people, relationships, attitudes, resources, Management Information Systems (MIS), inventions, ideas and so on. They can be human, social or material, complex or simple, structured or unstructured (Easton, 2010).

In this sense, eight key assumptions articulate the complexity of critical realism (Easton, 2010; Sayer, 2000):

1. The world exists independently of our knowledge of it.
2. Our knowledge of the world is fallible and theory-laden. Nevertheless, knowledge is not immune to empirical check, and its effectiveness in informing and explaining successful material practice is not a mere accident.
3. Knowledge develops neither wholly continuously, as the steady accumulation of facts within a stable conceptual framework, nor wholly discontinuously, through simultaneous and universal changes in concepts.
4. Objects (natural or social) necessarily have particular powers or ways of acting and particular susceptibilities.
5. The world is differentiated and stratified, and consists of events and objects that include structures, which have powers and liabilities capable of generating events.

6. Social phenomena such as actions, texts and institutions are concept dependent. We not only have to explain their production and material effects but to understand, read or interpret what they mean.

7. Science or the production of any kind of knowledge is a social practice. For better or worse (not just worse), the conditions and social relations of the production of knowledge influence its content. Knowledge is also largely—though not exclusively—linguistic, and the nature of language and the way we communicate are not incidental to what we know and communicate. Awareness of these relationships is vital in evaluating knowledge.

8. Social science must be critical of its object. In order to be able to explain and understand social phenomena we have to evaluate them critically.

In this respect, the previous assumptions of critical realism do intertwine with our research, making this conception particularly fit epistemologically to our investigation. An analysis of the phenomena of social value creation by professional basketball clubs was possible by the thorough reading and interpretation of the meaning it held for stakeholders through the interviews with them. Peers and experts of the sports management field have also conducted a critical evaluation of the most important constructs set up in this Thesis. It is also necessary to point out that this Thesis aims to analyze a peculiar and specific kind of organizations like sport organizations that are particularly susceptible to their social environment and thus are swayed in their ways of acting by the influences of their social environment, generating events that are worthy of attention.

### **1.5. Research questions and corresponding methods**

The choice of the different methods described previously will permit to answer the different research questions asked. In case of the first research question (“Analyze the characteristics of Spanish professional basketball and compare it with European and American models”) we will make use of the descriptive method, since it explains and presents relationships that take place in reality (Blessing et al., 1998). Firstly, the treatment given by literature to the particularities of professional sport clubs as distinctive organizations will be analyzed, specially their stakeholder-orientation as a fundamental part of their strategy (Babiak & Wolfe, 2009; Hamil & Morrow, 2011; Zagnoli & Radicchi, 2010).

In this respect, two main streams of literature can be distinguished regarding the objectives of professional sport organizations: American and European. The American perspective recognizes professional sport organizations as entities that market a sporting show, with a clear orientation to the market and a for-profit personality (Dietl, Franck, Lang, & Rathke, 2011; Fort & Quirk, 1995; Garcia-del-Barrio & Szymanski, 2009), whereas the European perspective defends that the professional sport organization are stakeholder-oriented and non-profit in nature, considering their economic activity as a means to obtain other sporting and social objectives (Gammelsæter, 2010; Hoehn &

Szymanski, 1999; Sloane, 1971). More precisely, the mission and character of professional basketball clubs in Europe (and thereby Spain) seems to fit more with the European context (Garcia-del-Barrio & Szymanski, 2009; Karamürsel, 2017a), a circumstance that leads us to put forward that the stakeholder-orientation of these entities represents a necessary condition for the survival and success of these organizations.

With respect to the secondary research question (“What kind of value, beyond the economic value, does a professional basketball club create?”) it will also be answered by the descriptive method. First of all, an approach towards the concept of social value created by businesses from the perspective of stakeholders will be provided, with a special mention to the utility functions perceived by stakeholders. Then, an extensive review of literature concerning the stakeholder concept will be conducted according to the different criterion that has been used in literature to define the stakeholders, like the nature of the stake, the relationship with the firm, and the legal rights and the risk of stakeholders, among others. This literature review will be completed with an analysis of the concept of stakeholder and value creation to stakeholders from the sports management perspective.

Concerning the third research question (“What are the methodologies of social value measurement and quantification developed up until now and which ones do better fit within the context of a professional sport club?”), the descriptive method will be employed. To that end, an initial analysis about the concept of social accounting and its development up until now will be conducted, where some of the most significant social value quantification methodologies will be explained. Then, the different methodologies of social value quantification will be critically reviewed, determining which one fits best, in our opinion, in the context of a professional sport organization and hence is the most adequate for our research.

When it comes to answer the fourth research question (“To what stakeholders do professional basketball clubs create social value?”) we will identify the stakeholders that perceive a social value from the activity of professional basketball clubs. This process will get started following the principles of the Bryson (2004) process, according to the aspects that will be described: firstly, different interviews with the representatives of the professional basketball clubs chosen will be held to explain them the project and to obtain their approval; once they give the green light, regular meetings will be held with them to identify a standard stakeholder map for professional basketball clubs; and finally a process of reflection with the clubs’ representatives will lead to establish the final stakeholder map.

The interviews with stakeholders will be conducted on the basis of a semi-structured process (Meadows, 2003), asking the stakeholders about their perception of the social value that the club is creating to them. The identification of the stakeholder map of those stakeholders to whom professional basketball clubs are creating social value to will be made inductively, as it will depend on a generalization from different facts

discovered in the interactions with stakeholders by means of the interviews held with them.

With respect to research question 5 (“How can the social value created by a professional sport clubs to its stakeholders be measured in monetary terms (monetized)?”), a combination of methods will be employed. After establishing deductively the social value variables on the basis of the identification of behavior patterns in different observations from the answers from stakeholders, we will apply afterwards the analytic-synthetic method. Firstly, we will follow an analytic approach to determine the outputs and proxy-s to monetize the social value variables identified, and finally we will integrate the quantification of social value with the economic value synthetically.

For this to happen, a series of proxy-s will be used on the basis of a similar process to that employed in accounting to the calculation of reasonable value: first of all, any active market data will be obtained and if, as tends to occur with social value items, no such data exists, then the valuations drawn up by the public administration or those used in similar areas under inter-subjectively agreements will be resorted to (Ayuso, Sánchez, Retolaza, & Figueras-Maz, 2020; Retolaza et al., 2016). The process will be validated by a group of experts from the sports management field, both practitioners and academics, who will give their view on the indicators and proxy-s by means of a questionnaire based on a Likert scale (Boone & Boone, 2012), as a way to validate the outputs and proxy-s for the subsequent monetization of social value.

The process of validation will verify that the outputs and proxy-s identified are adequate magnitudes to quantify and monetize the social value created by professional basketball clubs in the Spanish competition. Hence, we will remove all the outputs and proxy-s not approved by the experts in question, giving validity and robustness to the process of monetization of social value conducted in both clubs. As it can be seen, qualitative research about the phenomenon in question (social value creation to stakeholders with professional clubs) will be coupled with a quantification of the outputs and a monetization of the proxy-s. The blending of qualitative and quantitative components will help in the decision-making on the research, while also reinforcing its robustness (Borland Jr, 2001; Jick, 1979), with the objective of obtaining more meaningful results.

## **1.6. Structure of the Thesis**

The structure of the Thesis will be made up of seven chapters (including the current introductory chapter), those of which are structured in the following manner:

- In the second chapter, corresponding to the secondary objective 1 (“Analyze the characteristics of Spanish professional basketball and compare it with European and American models”), we will proceed to analyze the Spanish professional sport framework, with an analysis of the role of the ACB League as a professional basketball league dependent on the regulation set down by the Spanish Government in 1990. An additional analysis about the context of European basketball international competitions



will be provided, characterized by a combination of competitions with a private semi-closed format and other competitions with an open status (Agafonova, 2019; Cetin & Tribou, 2017).

The previous situation reflects the division between European and American leagues that will also be mentioned in the chapter, as European leagues are open competitions characterized by the promotion and relegation from lower divisions will also be included, contrasting it with the American league where the system is closed, with no promotions and relegations and where the teams that want to compete in the league have to meet strict economic criteria (Hoehn & Szymanski, 1999). In this regard, an examination of the characteristics of the main American and global basketball competition, the National Basketball Association (NBA), will be conducted. This competition occupies a central role within global professional basketball in terms of popularity and economic strength (Chiba, 2012), and its characteristics fit with the previously mentioned American model of sport governance (Siegfried & Zimbalist, 2000).

- In relation to the third chapter, it corresponds to the secondary objective 2 (“define the concept of value from an ample perspective that will allow considering different stakeholders to whom the organizations create value”). In this chapter, a profound analysis will be conducted to clarify the treatment of stakeholder theory and the social value created to stakeholders in literature. This chapter will encompass the analysis of stakeholder theory, the stakeholder attributes (like power, legitimacy and urgency), the different dimensions of social value perceived by stakeholders, the dimensions of stakeholder theory (normative, descriptive and instrumental), the stakeholder types (primary or secondary, strategic or non-strategic, etc.), and the treatment of stakeholder theory in sports management.

- Regarding the fourth chapter, it corresponds to the secondary objective 3 (“make a critical revision of the different social value quantification methodologies and choose the best one to monetize the social value of professional basketball clubs”). In this chapter, a review of the concept of social accounting will be conducted, analyzing the particularities of the concept and its development until nowadays. Then, a review of the different social value quantification methodologies will be provided, with a particular attention on six of the most important methodologies identified. The six methodologies will be analyzed according to their objective, monetization level of the social value, dialogue with stakeholders and their main utility, among others. Finally, one of the methodologies will be chosen after a justification of the social value quantification methodology that fits best with our purposes for the research in professional basketball clubs.

- With regards to the fifth chapter, it refers to the third secondary objective (“identify the stakeholders to whom professional basketball clubs are creating social value”). By means of the Bryson methodology (2004) that tries to identify the stakeholders that an organization has, there will be a series of meetings with the two teams analyzed. During these meetings, the objective will be to create a standard stakeholder map for both

organizations. This new standard stakeholder map will be validated afterwards by the members of the board of each club contacted. This standard stakeholder map is expected to be applicable to any professional basketball club in Spain.

Once the standard stakeholder map is completed, the different social value dimensions perceived by each stakeholder will be identified according to a multistage process based on grounded theory (McCann & Clark, 2003), on the basis of semi-structured interviews and with the objective of confirming the previous stakeholder map. Grounded theory seeks to develop a model or theory where none exists relative to the sample (Borland Jr, 2001). The interview will be the main method of data collection at this stage, given that it makes possible that the description of data is explored, illuminated and verified (Kvale, 1996; Wimpenny & Gass, 2000). The interviews with stakeholders will be conducted following the principles of descriptive phenomenology (Grocke, 1999). Phenomenology examines the meaning of a human experience and the construction of meaning within the sample (Borland Jr, 2001).

- In the sixth chapter, we deal with secondary objectives fifth and sixth (“identify the main social value variables that clubs create to their stakeholders” and “monetize the social value created by professional basketball clubs on the basis of a set of indicators”). After identifying the main social value dimensions perceived by stakeholders in Chapter 4, a simplification process will lead to the identification of social value variables oriented to indicators. The monetization of these social value variables will be conducted when the respective indicators and proxy-s are identified by researchers after searching for any active market data in a process similar to calculation of value in financial accounting as explained before.

If the experts validate the indicators and proxy-s, the process of monetization of social value will be conducted in both clubs, understood as the process that estimates in monetary units the utility of the whole social assets (those that provide well-being or discomfort to some groups or members of society) generated by an organization (Lazcano, San-Jose, & Retolaza, 2019). Once the previous data has been identified, the main ratios will be calculated for both clubs relating the figures obtained to the budget of the club and the public funding received during the 2017-2018 season. These ratios will help analyzing the current situation of social value creation in relation to other magnitudes and the relative efficiency of the process of holistic value creation of each organization, considering different concepts of value creation not only related to economic value creation for shareholders. The calculation of social value and efficiency ratios will also help to realize their orientation towards stakeholder value creation.

- In the final seventh chapter, the main conclusions of the Thesis will be specified, as well as the degree of fulfillment of the different objectives and the answer to the research questions asked in this first introductory chapter. The main implications for professional basketball clubs, society and academia will also be explained, as well as the possible lines for future research.

As a summary of the previous points, we will proceed to explain the most important aspects of the research in the following Table 1.1:

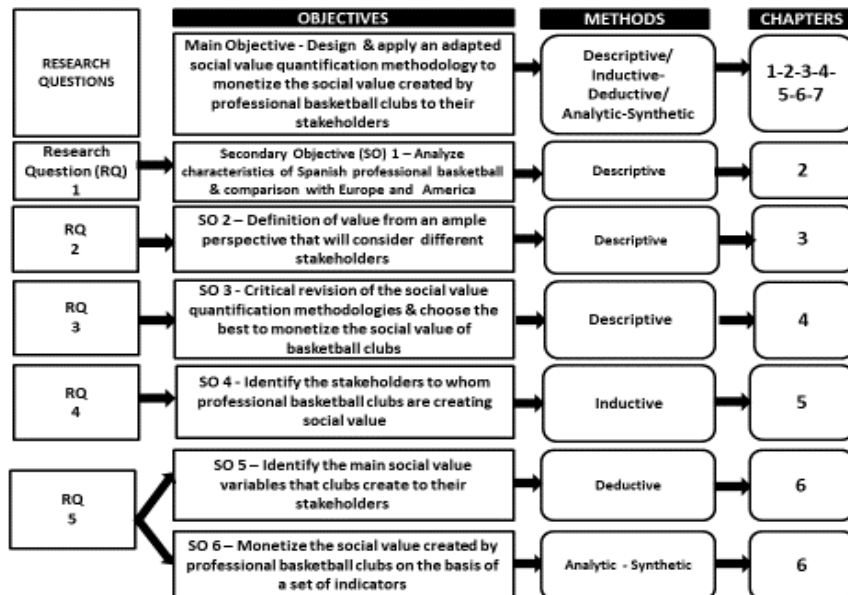
**Table 1.1: Research technical table**

Research technical table	
Research Methods	Qualitative
Methods employed	Descriptive & Inductive – Deductive & Analytic- Synthetic
Sample	Case studies through 2 basketball clubs from the Spanish ACB League representing “polar cases” (good and poor performing)
Data collection technique	Interviews with stakeholders following phenomenological terms, preferably face-to-face, recorded and transcribed
Data collection instrument	Semi-structured interviews with stakeholders & documents & clubs’ official files and reports
Interpretation of data	Usage of the main tenets of grounded theory to code the main social value dimensions by stakeholders
Length of field work	Between December 2017 and October 2019

Source: Own elaboration adapted from (Lazkano & Beraza, 2019)

Once we have explained in depth the overall structure of the Thesis, Graph 1.2 below will describe the objectives, methods, research questions and the corresponding chapters to which the previous concepts correspond.

**Graph 1.2: General Structure of the Thesis**



Source: Own elaboration

The previous structure will serve as a guidance for the rest of the Thesis and will serve to answer the research questions and to fulfill the objectives that have been determined in this introductory chapter.

## **CHAPTER 2: SPANISH, EUROPEAN AND AMERICAN BASKETBALL CONFIGURATION – AN INTRODUCTORY PERSPECTIVE**

### **SUMMARY**

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### **2. SPANISH, EUROPEAN AND AMERICAN BASKETBALL CONFIGURATION – AN INTRODUCTORY PERSPECTIVE**

#### **2.1. Introduction: Role of sport in Western society: the case of professional basketball**

In recent decades, sport has become one of the most important social activities in the Western world, with a capacity to bring together people from different backgrounds and situations like no other. In this regard, the role of sport as an educational tool and as a discipline that can promote the health and wellbeing of the citizens, thereby tackling different issues like social inequality and the promotion of healthy behaviors, has prompted political authorities to recognize the interest of sport in modern society (Rowbottom, 2002; Walters & Tacon, 2010).

Then, according to Gómez, Opazo and Martí (2007), we could define three different kinds of sporting organizations that have as their objective to promote sporting development: national governments, sporting organizations and sporting production organizations. The objective of national governments and their dependent organisms (like National Federations and Olympic Committees) will be to govern sport in both the professional and amateur governments, taking care of the different sporting disciplines and ensuring the respect towards the rules and fair play. With regards to the sporting organizations (like professional or amateur sports clubs, fitness clubs, universities and schools), their main goal is to satisfy the interests of the community by performing a physical activity and improve socialization by the practice of one or different sporting disciplines. In this regard, sporting organizations provide the public with the possibility

of practicing sport in an amateur or competitive environment, as a means to obtain sporting success and support social integration. Finally, the sporting production organizations (like the Leagues and Associations) want to articulate the interests of the members of the organization in order to deliver a competition system that ensures a competitive landscape where the contestants (be they individuals or teams) compete against each other under a set of rules (Gómez et al., 2007).

In this chapter, the focus will be on professional sport organizations, considered as the most high-profile organization in society due to its professionalization and commercialization in recent decades (Gómez et al., 2007). Our object of interest in this chapter is basketball, an originally North American sport invented in 1891 in Massachusetts (USA) by the physical education teacher James Naismith (Helmer & Owens, 2000), and that has become really popular in Europe and specially Spain over the past decades (Johnson, 2019). Nowadays, basketball is one of the most popular sports in Spain, only after football, considered as the main sport in the country (Torrano & Ortega, 2012). The popularization of the game around the globe has led to the formation of different leagues, among which the North American National Basketball Association (NBA) is the most popular (Chiba, 2012, 2015).

Hence, in this chapter, the objective will be to put into context the situation in which the professional basketball clubs (our object of interest) find themselves, in order to understand the processes of value creation undertaken by these organizations and the agents that are involved in them. Therefore, we will first analyze the background for the formation of the Spanish ACB League and its defining features, both from the sporting and its financial perspective. This competition is considered as the strongest league in the continent and as a benchmark for the rest of the European basketball system. Afterwards, we will go on to analyze the characteristics of the National Basketball Association (NBA) League that is played in North America, undoubtedly the most influential and powerful of all national leagues in the world and that acts as an apex for the rest of the global competitions (Chiba, 2012, 2015).

Then, we will pay attention to the European international competitions landscape, characterized as an hybrid model that blends characteristics of both the European and North American models of governance, with different competitions operating at the same time and under the control of different organizations (Euroleague and FIBA) that have different interests concerning the governance of European basketball, an aspect that directly affects the current situation and the future growth of professional basketball at the European level. In addition, we will also analyze the role and motivations of private investors that represent one of the bedrocks of European basketball top-flight clubs model and that are essential to understand the survival of these organizations.

Finally, we will bring this chapter to an end by describing in detail the main general differences between the European and North American sport models, characterized by their different approaches to sport governance on many issues – open or closed leagues,

existence or lack of competitive balance mechanisms like player drafts or salary caps for the teams, possibility of teams relocations, etc. –. This will summarize the characteristics identified in the previous sections for the different basketball leagues (Spanish, American and European competitions) while also giving us an idea of the different interests and the potential stakeholders that are affected by the current landscape.

## **2.2. ACB League – The main European national league**

In the case of Spain, the professionalization of the clubs and sport organizations is inextricably linked to the creation of professional competitions (Ascari & Gagnepain, 2006; Barajas, 2004). Concerning basketball, its introduction in Spain in 1921 in Barcelona led to the creation of the first basketball team named Laietà Basket Club one year later and the foundation of the Spanish basketball federation (called “FEB”) in 1923 (Torrebadella & Ticó, 2014). With the upsurge of teams and competitions between clubs, the Spanish basketball federation decided to organize the first National Basketball League in 1956, a situation that extended until the 1980s decade.

The Spanish basketball federation organized the main competition until 1983, when the main professional basketball clubs decided to organize their own professional top-tier league (“ACB League”), leaving the Spanish Basketball Federation in charge of the remaining lower divisions (Leyva, 2017). At that point, important legal changes took place that would change the landscape of Spanish professional sport from that moment forward. This was due to the fact that during the twentieth century, sports gained increasing importance in Western society (and also in Spain), given its unique position to influence society and its tendency to produce a content that was considered interesting and appealing by important proportions of the population (Fernández Osorio, 2017; Smith & Waddington, 2004; Walters & Tacon, 2010).

Spain was no exception to this trend, and this situation prompted national authorities at the beginning of the 1980s to create structures that would on the one hand recognize the economic freedom of professional sport clubs as a result of their increasing professionalization, and on the other hand stipulate the specific rights and obligations that these organizations had to meet in order to prevent them from falling into indebtedness and financial difficulties (Ascari & Gagnepain, 2006; Gómez, Martí, & Opazo, 2008; Valentín-Pastrana, 2015). The Spanish Sports Act, established in 1980 (Sports Act 13/1980, 31st of March) (from this moment forward SA),<sup>5</sup> set down that public administrations should promote sport as an educational and physical development vehicle for the Spanish citizens. Subsequently, in 1990, the new Spanish SA stressed the importance of the phenomenon of sport from three different angles: the practice of sport as a spontaneous, disinterested and playful activity; the creation of associations that channel the practice of sport (at a formative and a professional level);

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<sup>5</sup> BOE of 12 of April of 1980 Number 89.

and the business of sport as an increasingly important economic activity (SA 10/1990, 15<sup>th</sup> of October).<sup>6</sup>

More precisely, the previous SA from 1990 had as an objective the regulation of the legal framework of professional football and basketball. In the case of basketball, this law established that the professional sport clubs that wanted to participate in the ACB League had to become into a new legal entity, called *SAD Sociedad Anónima Deportiva*, which is a limited joint-stock sport company with an economic responsibility and a legal status (Ascari & Gagnepain, 2006; Llopis-Goid, 2014; Martínez-Lemos, 2015). These institutions, according to the Spanish Law (Royal Decree 1251/1999)<sup>7</sup> should have as their main aim the participation in sporting professional competitions and the promotion and development of sporting activities.

In the case of Spanish professional basketball, the governance model is structured according to the cooperation agreement between the ACB League and the National Federation (in accordance with the current statutes of the Spanish Basketball Federation approved on July 2017).<sup>8</sup> More precisely, the structuring of Spanish professional basketball is explained clearly by the Spanish National Commission of Trade Markets and Competition (also known as CNMC in Spanish) in their resolution about the ACB League from April 2017 in the following terms (CNMC, 2017):

Currently, there are four major male professional basketball leagues in Spain: the ACB League (the top-flight and Spanish First Division), the LEB Oro League (the Spanish Second Division), the LEB Plata League (the Spanish Third Division) and finally the EBA League (the Spanish fourth-tier competition). All these competitions have a professional character, both for the characteristics of the clubs that participate in them (with a stronger and more solid organizational and financial structure than their amateur counterparts) and for the type of players who join the professional teams who, in general, get salaries that permit them to dedicate their professional life to basketball. Given their status as professional leagues, the leagues bring together teams according to their competitive level and as a consequence at the end of each season there are normally promotions and relegations between the different teams from one league to another according to their sporting results, in line with the central tenets of open leagues (Hoehn & Szymanski, 1999).

As a result of the previous structure of Spanish professional basketball and the disparities between the top and lower divisions, until the 2016-2017 season the ACB League set down a variety of requirements that the promoting teams from the LEB Oro League had to meet if they were to gain the right to participate in the ACB League. These consisted mainly of payments to the ACB League, apart from other administrative conditions. Among the most important financial requirements that the promoting clubs had to meet until 2017, we will highlight the following (Pujol, 2019):

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<sup>6</sup> BOE-A-1990-25037.

<sup>7</sup> Royal Decree 1251/1999 approved by the Spanish Government.

<sup>8</sup> Link: (<http://www.feb.es/Documentos/Uploads/Estatutos%202017.pdf>)



- Payment of a sum worth 3.126.707,07 € as an entrance fee to the competition.
- Payment of a sum worth 1.563.134,58 € as a fund that covered the promotion and relegation of teams in the ACB League.
- Payment of a fee worth 111.350,34 € by way of an equity fee to participate in the ACB League.
- An arena of at least 5.000 spectators to host the matches of the team.
- Lack of overdue payables to other ACB teams, the Spanish Basketball Federation, coaches and players.

Because of these conditions, during five years (from 2011-2012 to 2015-2016 seasons) only three of the ten teams that ended up in promotion positions could fulfill all the economic requirements of the ACB League and thereby get promoted. This meant that seven of the ten teams that ended up in relegation positions at the end of those regular seasons in the ACB League stayed in the top-flight despite their poor sporting performances, as according to ACB League's bylaws if one of the teams that could promote from the LEB League does not fulfill all the entrance requirements, their place would be offered to the best qualified team that ended up in the relegation positions at the end of the ACB League's regular season (CNMC, 2017).

This situation, in turn, led to a loss of interest and emotion in the Spanish professional basketball competitions, as the lack of threat of relegation brought about a decrease in the incentives for the teams to invest in their squads to get promoted to the ACB League or to avoid a potential relegation to the LEB League, an aspect that in the opinion of the CNMC threatened the prestige and the dynamism of the competitions and the public interest in them. Therefore, the CNMC ruled that the ACB League's measures were disproportionate and violated the pro-competition laws, thereby fining the competition with 400.000 € (CNMC, 2017). This prompted the ACB League to soften their conditions during the summer of 2017, and from that moment forward the conditions of access for the promoting teams have been the following:<sup>9</sup>

- The promoting teams have to pay a fund worth 1.616.084 € + VAT, with the option of paying the previous sum in yearly installments during the following four years as long as the first payment amounts to at least 404.021 €. When the team gets relegated, the paid quantity would be reimbursed by the ACB League.
- The promoting team should present a minimum budget for each season worth 2.000.000 €.

Due to the softening of the conditions, the 4 teams that have earned their right to promote to the ACB League through promotion in both 2017-2018 and 2018-2019 seasons have been able to compete in the ACB League. Currently, the ACB League is made up of 18 teams that compete between them in a round-robin format on a regular season during 34 match days. When the regular season reaches its midway point, the best 8 teams take part in the Spanish Cup tournament (called "Copa del Rey") that is

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<sup>9</sup> Link: (<http://www.acb.com/articulo/ver/133243>)

played in an elimination format between the teams (made up of quarter finals, semifinals and the final) in a previously fixed city. The winner of all these matches is finally crowned the Spanish Cup's champion.

At the end of the regular season, the first 8 teams in the standings qualify for the "play-offs" where they will face each other in three subsequent rounds (in the quarter finals, semifinals and the final). The play-offs will be decided on the basis of a best-of-three series in the quarter finals and a best-of-five series in both the semifinals and the final. Thereby, the winner team of the final will be crowned the ACB League champion. Finally, the last and next-to-last teams of the regular season will be relegated to the LEB Oro League or Second Division, leaving their spot in the ACB League to the two teams from the LEB Oro League that get promoted to the ACB League.

At the start of the next season, the winners of both the ACB League and the Spanish Cup will take part in a competition called the Spanish Super Cup. In this tournament that is made up of 4 teams, they will face the hosting team and the winner of the previous year's Spanish Super Cup in a semifinal and a final in a one-off match format. Therefore, one of the defining characteristics of the Spanish top division is that 3 titles are at a stake during a season, albeit the national prestige of them is different (the ACB League is the most prestigious competition, the Spanish Cup is the second most prestigious tournament and the Spanish Super Cup is considered as the third most prestigious championship).

The organization of the ACB League, from the viewpoint of the demand and supply side, is a relevant market by itself, given that it is different from the rest of the Spanish basketball competitions from lower divisions, since the main objective of a team that takes part at a professional level in Spain is to play at the highest level, as it is the case in the football teams (Barajas & Rodríguez, 2014; Lago, Simmons, & Szymanski, 2006). In this regard, the characteristics of the rest of the lower division competitions differ from those of the top competition, especially in terms of the attractiveness of the competition for the fans, spectators and sponsors of the clubs, an aspect that directly affects the team's budget and its capacity to attract and retain players of high level (Szymanski, 2003). The economic and sporting differences can also attract players to higher divisions (Noll, 2002), a common feature in Spanish professional basketball, where lower divisions represent a stepping stone for players and coaches in their road to the ACB League (CNMC, 2017).

Without the shadow of a doubt, one of the main dimensions to measure the attractiveness of the competition is the number of TV spectators that the competition has. This is one of the most important determinants to understand the current situation of Spanish professional basketball clubs. In this respect, the data shows that the ACB, ever since its inception in 1983, experienced a significant growth in TV spectators until the mid-1990s, when it reached an average audience of 4,8 million spectators per match in 1997 in the Spanish public TV. Allured by these rosy figures, the ACB decided to sell their rights to pay-per-view TV broadcasters for 18 million € in 1999 for a period of 4 seasons. This meant that the clubs got more money for the TV broadcasting rights, but

at the same time the audience decreased sharply, as the pay-per-view system was not as popular as in other countries and the product that the ACB offered was not still attractive enough for the public in order to watch it on pay-per-view (Pujol, 2019).

Then, in 2003 (when ACB sold back their TV rights to the public TV), the audience decreased sharply to 713.000 spectators.<sup>10</sup> This downward trend has continued up until nowadays, as in 2018 the average audience amounted to 110.475 TV spectators per match (in 2016 ACB sold their TV rights again to the pay-per-view operators).<sup>11</sup> This situation is testimony to the problems of the ACB to attract the interest of the public, as it can also be seen in the attendance figures to the basketball arenas. If a competition does not attract enough spectators to their arenas, its future may be in jeopardy, as teams will find it difficult to increase their revenue and remain competitive (Buraimo, 2008; Wang, Goossens, & Vandebroek, 2018; Madalozzo & Berber Villar, 2009). In the Table 2.1, we show the average attendance and a comparison of the level of attendance with the capacity of the arena and the final league position as for the ACB League's 2018-2019 season, on the basis of Palco23 specialized website that obtained the figures on the basis of ACB's official data:

**Table 2.1: ACB League's average attendance figures 2018-2019**

TEAM	Average number of spectators	Capacity of the arena (aprox.)	% of occupied seats	Final League Position
San Pablo Burgos	9.153	9.500	96,35%	11
Kirolbet Baskonia	9.147	15.530	58,90%	3
Movistar Estudiantes	8.611	13.109	65,69%	16
Real Madrid	8.371	13.109	63,86%	1
Tecnyconta Zaragoza	7.714	10.744	71,80%	6
Unicaja Málaga	7.482	10.641	70,31%	5
Valencia Basket	7.186	8.500	84,54%	4
<b>ACB League Average</b>	<b>6.112</b>	<b>8.442</b>	<b>72,40%</b>	<b>*</b>
UCAM Murcia	5.605	7.454	75,19%	14
Herbalife Gran Canaria	5.263	9.871	53,32%	12
Montakit Fuenlabrada	5.114	5.700	89,72%	13
Divina Seguros Joventut	5.108	12.760	40,03%	7
FC Barcelona Lassa	4.977	7.585	65,62%	2
Rio Natura Monbus Obradoiro	4.903	5.000	98,06%	15

<sup>10</sup> Link: ([https://as.com/baloncesto/2017/09/27/acb/1506532243\\_846272.html](https://as.com/baloncesto/2017/09/27/acb/1506532243_846272.html))

<sup>11</sup> Link: (<https://www.palco23.com/competiciones/la-audiencia-de-la-acb-en-movistar-cae-un-3-en-la-fase-regular-hasta-37-millones-de-fans.html>)

Cafés Candelas Breogán	4.878	6.500	75,05%	18
BAXI Manresa	4.691	5.000	93,82%	8
Iberostar Tenerife	4.585	5.000	91,70%	9
Morabanc Andorra	4.046	5.005	80,84%	10
Delteco GBC	3.283	10.998	29,85%	17

Source: Palco23 website<sup>12</sup> (according to ACB League's official data)

As we can see in the previous table it is possible for a team to be successful (like FC Barcelona Lassa, for example, that won the Spanish Cup and ended up second in the Spanish League in the 2018-2019 season) and yet bring less people to the stadium than a team that ends up so close to relegation positions, like Movistar Estudiantes (that finished 16<sup>th</sup> in the League, one victory away from relegation). In this respect, it is also important to note that there are cases in which teams with a poorer sporting performance (like Rio Natura Monbus Obradoiro or San Pablo Burgos) present a better seat-occupation rate in their arenas than other huge teams like Real Madrid, FC Barcelona Lassa or Kirolbet Baskonia. Nonetheless, we should interpret these statistics with some caution, as there could be other factors that prove to be decisive in the attendance of spectators to a team's matches apart from current or previous sporting results of the team, like the weather during the match-day, the level of comfort and the quality of access to the arena, the seat-capacity in the arena, the away team's quality, the history and social support of the team, etc. (Butler, 2002; Forrest & Simmons, 2006; García & Rodríguez, 2002).

One of the possible reasons why ACB League finds it difficult to attract more attention by the public is the lack of competitive balance of the competition itself, as it is assumed that a competition that is unpredictable in nature will make the league more attractive for spectators (Goossens, 2005; Pawlowski et al., 2010; Sanderson, 2002; Zimbalist, 2002). Traditionally, both Real Madrid and FC Barcelona have been the most successful basketball teams in the Spanish League (a tendency that is replicated in football). Ever since the creation of the top Spanish competition for basketball in 1956 and until 2019, Real Madrid and FC Barcelona have won the League 35 and 18 times respectively. This means that they have won the championship 53 times out of 63 seasons. The rest of the League champions are: Joventut from Badalona (4 times), Saski Baskonia from Vitoria-Gasteiz (3 times), and Malaga, Valencia and Manresa (1 time each).<sup>13</sup>

By way of example of the traditional duopoly that the ACB League suffers, it should be mentioned that ever since the 2010-2011 season and until the 2018-2019 season, Real Madrid and FC Barcelona have been crowned champions 8 times (5 for Real Madrid and 3 for FC Barcelona), and Valencia was the only team capable of breaking this dominance with their ACB League championship in 2017. This tendency is replicated in the rest of the Spanish basketball top-flight competitions, as the Spanish Cup has been won by

<sup>12</sup> Link: (<https://www.palco23.com/competiciones/del-liderazgo-del-burgos-al-tropezamiento-del-gran-caudal-quien-manda-en-las-gradas-de-la-acb.html>)

<sup>13</sup> Link: (<https://www.acb.com/articulo/ver/150247>)

these two teams 52 times out of 83 editions (27 times in the case of Real Madrid and 25 for FC Barcelona). The next teams with most Spanish Cups won are Joventut (8 times) and Saski Baskonia (6 times).<sup>14</sup> In the case of the Spanish Super Cup, the situation is pretty much the same, with Real Madrid and FC Barcelona having won the title 12 times out of 20 editions (6 championships each).<sup>15</sup>

In this regard, it is impossible to understand the dominance of both of these clubs without referring to their budgetary and financial context in comparison to the rest of the participating teams on the ACB League. Both Real Madrid and FC Barcelona are basketball sections financially supported by their respective football clubs, a situation that allows them to keep on operating, even if they find it difficult to break even as their operating revenues (in other words, the income they get from their basketball activity) do not match their operating expenses (made up mainly of their players' salaries). For instance, the basketball section of Real Madrid presented operating losses of up to 26,47 million € during the 2018-2019 season. The situation is not more positive for FC Barcelona's basketball section, as they incurred in losses of up to 22,34 million € during that same season. The previous data has been obtained from both organizations' financial statements.<sup>16</sup>

Nevertheless, these operating deficits of the two Spanish basketball colossuses are a drop in the ocean if we compare them to the global revenues obtained mainly by their football sections. In the case of both organizations, their global earnings during the 2018-2019 season amounted to 741,29 million € in the case of Real Madrid and 670,88 million € in the case of FC Barcelona, according to both clubs' official financial statements. Thereby, by getting the help and financial contribution of big football clubs both Real Madrid and FC Barcelona's basketball sections can guarantee a spending budget on the region of 40 million € each and every season, thereby ensuring their dominance in Spain and their competitiveness in the European field in order to win trophies and be successful.

In addition, the particular legal context that affects all the teams that participate in the ACB League is vital to understand this situation. As previously said, when the Spanish SA was approved by the Spanish Government in 1990, it established that all the professional teams that participated in sporting professional competitions (like the ACB League) had to become Sporting Limited Companies (or SAD, as we have previously mentioned) if they wanted to participate in the professional competition. Nevertheless, that SA introduced two additional legal dispositions (seventh and eight) that stated that those clubs that had shown a positive balance in their capital accounts starting from the 1985-1986 season were exempted from this process of transformation into SAD,

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<sup>14</sup> Link: (<https://www.acb.com/articulo/ver/145547>)

<sup>15</sup> Link: (<https://www.acb.com/articulo/ver/150188>)

<sup>16</sup> Links: (<https://www.realmadrid.com/club/transparencia/cuentas-anuales>;  
<https://www.fcbarcelona.es/es/club/organizacion-y-plan-estrategico/comisiones-y-organos/reportes-anuales>)

allowing them to remain as clubs if they wished to do so (Ascari & Gagnepain, 2006; Llopis-Goid, 2014).

This was the case of both Real Madrid and FC Barcelona.<sup>17</sup> These organizations were permitted to keep on taking part as clubs in the different sports disciplines where they participated (mainly football and basketball),<sup>18</sup> on condition that they fulfilled the accounting and information disclosure laws that were required by the Spanish legislation. Nevertheless, the rest of clubs of the ACB League had to become mandatorily Sporting Limited Companies or SAD, thus accepting the legal limitation that established that a SAD could participate only in a professional sport league of one sporting modality (basketball, football, handball, etc.).<sup>19</sup>

The previous factors, then, have created a disparity in the ACB League between those clubs that get a huge financial backing from a bigger sporting section like football, and those that had to become Sporting Limited Companies and had to live within the margins of their operating income. Nonetheless, there is a huge difference not only between Real Madrid and FC Barcelona and the rest of the teams in terms of budget, but also between those teams that usually play in the European elite like Baskonia, Valencia or Unicaja and those clubs with lower budgets that have to fight to avoid relegation to the LEB League year after year. The extent of the disparity of resources in the competition can be seen in the Table 2.2, where the different budgets are shown for each team participating in the competition during the 2017-2018 season on the basis of the data collected from the SABI database (that shows the financial data for all Spanish and Portuguese businesses) and the final position in the Regular Season by each of them:

**Table 2.2: Clubs' budgets and final league positions in ACB League (Season 2017-2018)**

TEAM	ESTIMATED BUDGET 2017-2018 (in million €)	Final League Position
Real Madrid	37,02	1
FC Barcelona Lassa	36,69	3
Valencia Basket	17,7	4
Kirolbet Baskonia	15,5	2
Unicaja Málaga	13	7
Herbalife Gran Canaria	8,1	5
Iberostar Tenerife	5,8	8

<sup>17</sup> The other clubs that were permitted to maintain their legal structure as clubs were the football clubs of Athletic Bilbao and Osasuna (Ascari & Gagnepain, 2006).

<sup>18</sup> In the case of Real Madrid, as per 2020, they possess three different sections: football, women football and basketball. Regarding FC Barcelona, in 2020 they have the following sections: football, women football, basketball, handball, hockey skates and indoor football.

<sup>19</sup> This is in accordance with article 19 (section 4) of the Spanish Law of Sport from 1990. Link: (<https://www.boe.es/buscar/pdf/1990/BOE-A-1990-25037-consolidado.pdf>).

Morabanc Andorra	4,5	6
Movistar Estudiantes	4,3	11
UCAM Murcia	4	10
Tecnyconta Zaragoza	3,7	16
Divina Seguros Joventut	3,6	15
Real Betis	3,3	18
Rio Natura Monbus Obradoiro	3,3	12
Bilbao Basket	3	17
Montakit Fuenlabrada	3	9
San Pablo Burgos	3	14
Delteco GBC	2,5	13

Source: Own elaboration according to SABI database and information by the press

Please note that the previous data refers to the estimated budgets of participating clubs in the ACB League during the 2017-2018 season. Unfortunately, the ACB League does not release the budgets of every participating club each season (like in the case of the LNB League from France or the VTB League from Eastern Europe), so we have had to rely on the information of the SABI database that includes data about the financial books of all the Spanish and Portuguese businesses and information by the press. In the case of the ACB League, in general there is a huge correlation between the sporting performance of the clubs and their budgets, as the clubs with the highest budgets (Real Madrid, FC Barcelona Lassa, Kirolbet Baskonia and Valencia Basket) ended up in the higher positions and those teams with a lower budget ended up in the lower positions. There are exceptional cases where a certain team occasionally punches above its weight (like Montakit Fuenlabrada) or has performed poorer in comparison to their budget (like Unicaja Málaga), but in general there seems to be a direct correlation between higher budgets and a better sporting performance, in line with other professional sport competitions (Barajas & Rodríguez, 2010; Hall, Szymanski, & Zimbalist, 2002).

In general, the 16 remaining clubs apart from Real Madrid and FC Barcelona get financial backing from different sources. As a starting point, it should be mentioned that it is very difficult for Spanish professional basketball teams to survive without the help of one sports section, rich shareholder or public administration that will cover part of their budget,<sup>20</sup> since one of the defining characteristics of Spanish professional basketball is its difficulty to be financially self-sufficient (Pujol, 2019). Despite the difficulties to get accurate information about the budgets of the teams, in the following Table 2.3 we will specify the main financial backers of the participating ACB League teams that were disclosed as for the 2018-2019 season, according to the data collected by Palco23 specialized Spanish web:

<sup>20</sup> Link: (<https://www.palco23.com/clubes/acb-una-historia-marcada-por-el-mecenazgo-de-la-administracion.html>)

**Table 2.3: Main financial backers of ACB clubs**

<b>Club</b>	<b>Main financial backer</b>
Real Madrid	Football section
FC Barcelona Lassa	Football section
Valencia Basket	Juan Roig (owner of Mercadona supermarkets)
Kirolbet Baskonia	Deportivo Alavés (football team)
Unicaja Málaga	Unicaja bank (main sponsor and shareholder)
Tecnyconta Zaragoza	Sponsorship deals and Public Administrations
Divina Seguros Joventut	Grifols Group (pharmaceutical corporation)
BAXI Manresa	Sponsorship deals
Iberostar Tenerife	Sponsorship deals and Public Administrations
Morabanc Andorra	Sponsorship deals and Public Administrations
San Pablo Burgos	Sponsorship deals and Public Administrations
Herbalife Gran Canaria	Sponsorship deals and Public Administrations
Montakit Fuenlabrada	Sponsorship deals
UCAM Murcia	Sponsorship deals
Monbus Obradoiro	Sponsorship deals
Movistar Estudiantes	Sponsorship deals and gate revenues
Delteco GBC	Sponsorship deals and Public Administrations
Cafés Candelas Breogán	Sponsorship deals and gate revenues

Source: Palco23 website<sup>21</sup> and press

There are cases where the public administrations are the main shareholders and make important financial contributions to the budget of the professional basketball club (like in the case of Gran Canaria and Andorra), in other cases their main shareholders cover an important part of the budget of the team (Valencia and Unicaja), and in other teams the majority of the revenues stem from the sponsorship deals that are signed with private sponsors (Estudiantes and Murcia). In exceptional cases, a professional basketball club can receive funding from a professional football club due to the links of the president of each club with both teams (like in the case of Baskonia, as they receive a financial contribution from Alaves football club; or Real Betis, that receives money from the football team of the same name), but the contribution of football to basketball is not as big in these teams as in FC Barcelona and Real Madrid.

In the case of those clubs with important shareholders, a quite telling case could be that of Juan Roig, businessman and owner of Valencia Basket club and Mercadona chain of

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<sup>21</sup> Link: (<https://www.palco23.com/competiciones/del-futbol-a-la-administracion-cuales-son-los-pilares-que-sustentan-a-los-clubes-de-acb.html>)



supermarkets. In his case, he has invested 200 million € in Valencia Basket ever since 1985, the biggest effort for a single investor in all Spanish basketball history. He has also invested 18 million € in building up an sporting complex for the players academy of Valencia Basket, and plans to build up another arena for the club by 2022 by paying 192 million € from his own pocket. When asked about the reasons to make such an important investment, representatives of Valencia Basket argue that Mr. Roig does not want to be famous, but important, by transmitting to the society positive values by way of sport thanks to his wealth as a millionaire.<sup>22</sup> This motivation by Mr. Roig to invest money in his club is also replicated in other European countries, as we will see afterwards.

Public administrations have subsidized the activity of professional basketball clubs in Spain through direct subsidies to increase the budget of the teams, furnishing them with a favorable tax treatment, letting them restructure their debt with the administration, etc. (Barajas & Rodríguez, 2010; García & Rodríguez, 2003).<sup>23</sup> In this regard, public administrations might point at the promotion of a region and sport by these clubs (Kesenne, 2000; Martínez-Lemos, 2015), as the main reasons to justify these cash injections. In the case of Spanish professional basketball clubs, we can't lose sight of the fact that the financial contributions of public administrations and private benefactors have been essential to prevent the liquidation of these clubs, which in many cases have sustained significant deficits as a result of their indebtedness and insolvency (Consejo Superior de Deportes, 2019).<sup>24</sup>

Related to the previous financial context, one of the most important indicators to assess the future of the competition are the global figures of the revenues and expenditure of the ACB League, as it will allow us to determine whether the clubs are financially sustainable, a key variable to determine the future of the competition itself and the clubs that participate in it. According to the report released by the Main Sports Council (called Consejo Superior de Deportes or CSD in Spain) that is dependent on the Spanish Government, the figures show quite a difficult outlook for Spanish professional basketball clubs. Although the global revenues of the ACB League have increased from 76,79 million € during the 1999-2000 season to a record 116,61 million € during the 2017-2018 season, the global expenditure of all the clubs is well above the global revenues, totaling 99,48 million € at the 1999-2000 season and 197,90 million € at the 2017-2018 season (Consejo Superior de Deportes, 2019). This means that the

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<sup>22</sup> Link: (<https://www.palco23.com/clubes/el-valencia-basket-levanta-el-telon-de-su-ciudad-deportiva-de-18-millones.html>)

<sup>23</sup> Only 3 teams that took part during the 2016-2017 season in the ACB League (out of 17 competitors) were profitable, and partly thanks to the administration's subsidies or private benefactor's cash injections (Available in: <https://www.palco23.com/clubes/acb-una-historia-marcada-por-el-mecenazgo-de-la-administracion.html>)

<sup>24</sup> In this respect, nine teams that have taken part in the ACB League since the start of the XXI century have disappeared as a result of their debts and the insolvency they have suffered (Gerona, Granada, Gijon, Cantabria, Lerida, Alicante, Menorca, Leon and Caceres).

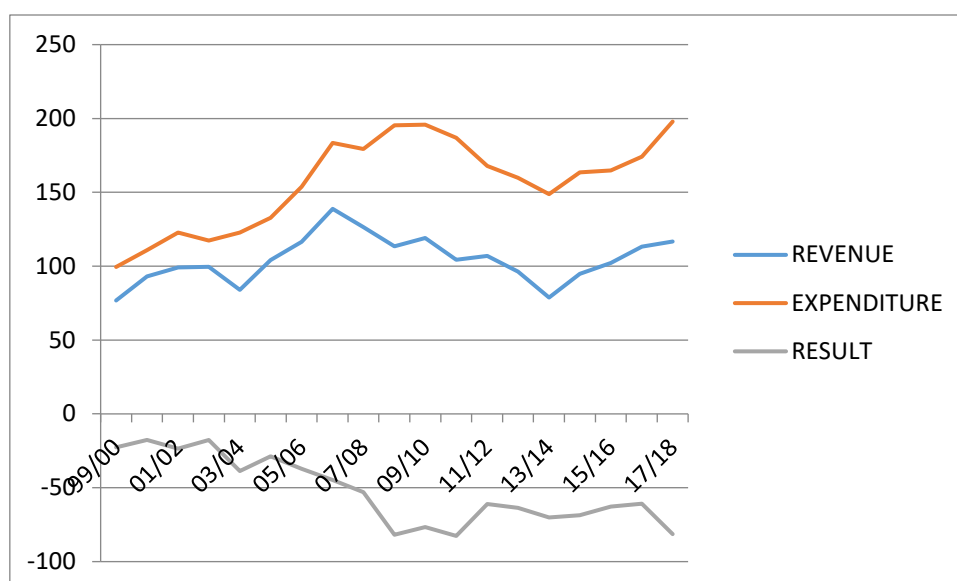
competition suffers from an operating deficit, a situation that has repeated for the last twenty years, as the following Table 2.4 and Graph 2.1 shows:

**Table 2.4: Global revenue, expenditures and results of ACB League's clubs (in million €)**

Season	Revenue	Expenditure	Result
1999/2000	76,78	99,48	-22,70
2000/2001	93,18	110,81	-17,63
2001/2002	99,24	122,85	-23,61
2002/2003	99,65	117,42	-17,77
2003/2004	84,05	122,67	-38,62
2004/2005	104,15	132,78	-28,63
2005/2006	116,45	153,73	-37,28
2006/2007	138,82	183,55	-44,73
2007/2008	126,36	179,39	-53,03
2008/2009	113,44	195,27	-81,83
2009/2010	119,17	195,72	-76,55
2010/2011	104,27	186,88	-82,61
2011/2012	106,93	167,88	-60,95
2012/2013	96,33	159,84	-63,51
2013/2014	78,76	148,81	-70,05
2014/2015	94,88	163,54	-68,66
2015/2016	102,08	164,78	-62,70
2016/2017	113,34	174,09	-60,75
2017/2018	116,61	197,90	-81,29

Source: (Consejo Superior de Deportes, 2019)

**Graph 2.1: Global revenue, expenditures and results of ACB League's clubs (in million €)**



Source: (Consejo Superior de Deportes, 2019, p. 5)

The report from CSD also highlights that the biggest share of the deficit corresponds to 3 teams of the competition that are able to sustain these deficits thanks to the financial contributions of bigger football sections or the main shareholder of the club. During the 2017-2018 season, this was the case of Real Madrid and FC Barcelona (losses of up to 28,89 million € in the case of Real Madrid and 28,79 million € in the case of Barcelona during that season) (Real Madrid CF, 2018; FC Barcelona, 2018), and Valencia Basket (losses of up to 12,85 million € during the 2017-2018 season according to SABI database, covered by their main shareholder Mr. Roig). Nonetheless, the report also claims that the rest of the teams find it very difficult to balance their books by being self-sustaining, as they have to resort to public administrations or to their shareholders by seeking a bailout in case that clubs' existence is under threat (Consejo Superior de Deportes, 2019).

Regarding the short-term solvency, the prospects for the ACB League seem also gloomy. The difference between the global short-term assets and global short-term debts of all the clubs of the ACB League combined show that short-term debts are much higher than short-term assets. As a matter of fact, the situation has worsened in 20 years time. While the competition's short term assets were almost equal to the short-term debts during the 1999-2000 season (with a global deficit of 0,95 million €), during the 2018-2019 season the difference between them amounted to 34,3 million €. As it can be seen in the following Table 2.5 and Graph 2.2, the tendency has remained unchanged for all the 19 seasons, meaning that the clubs solvency in the short-term is under threat.

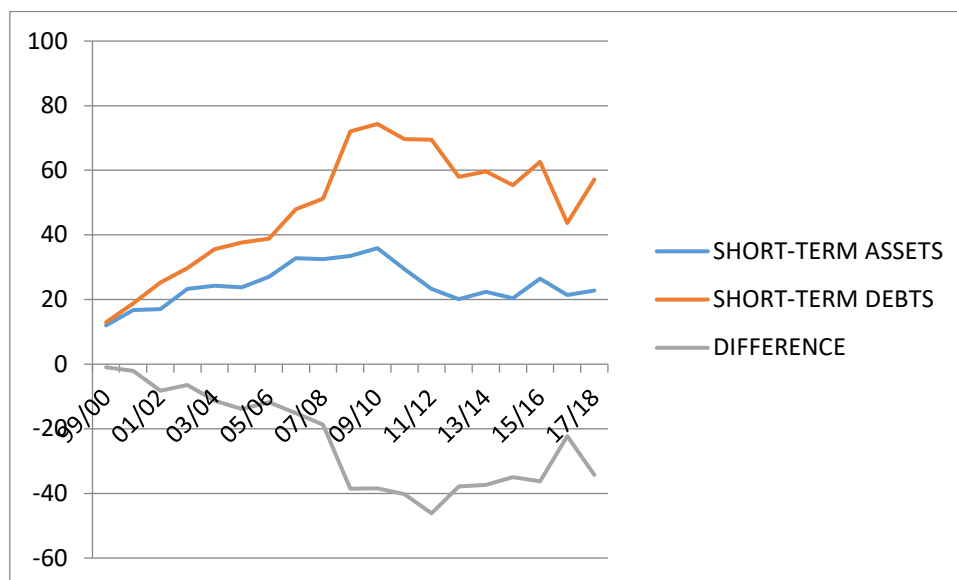
**Table 2.5: Global short-term assets and debts of ACB League's teams**

Season	Short-term assets	Short-term debts	Difference
1999/2000	11,99	12,95	-0,96
2000/2001	16,78	18,81	-2,03
2001/2002	17,08	25,29	-8,21

2002/2003	23,28	29,73	-6,45
2003/2004	24,26	35,53	-11,27
2004/2005	23,77	37,68	-13,91
2005/2006	27,01	38,81	-11,80
2006/2007	32,76	47,94	-15,18
2007/2008	32,50	51,21	-18,71
2008/2009	33,50	72,05	-38,55
2009/2010	35,89	74,33	-38,44
2010/2011	29,43	69,69	-40,26
2011/2012	23,29	69,44	-46,15
2012/2013	20,15	57,96	-37,81
2013/2014	22,35	59,67	-37,32
2014/2015	20,45	55,41	-34,96
2015/2016	26,45	62,66	-36,21
2016/2017	21,37	43,70	-22,33
2017/2018	22,81	57,12	-34,31

Source: (Consejo Superior de Deportes, 2019)

**Graph 2.2: Global short-term assets and debts of ACB League's teams**



Source: (Consejo Superior de Deportes, 2019, p. 8)

Moreover, according to the previous report of CSD, the salaries during the 2017-2018 season (around 134 million €) surpassed the total revenues of the competition in the

same period (around 116 million €). This means that the global revenues can't even fully cover the global expenditure in salaries (Consejo Superior de Deportes, 2019). As Primault (2006) stresses, the rapid liberalization of the basketball labor markets in Europe after the Bosman ruling in 1995<sup>25</sup> and the structural reasons have meant that there is a great deal of flexibility in European professional basketball's labor market unseen in other sports, an aspect that has greatly pushed upwards the salaries in European basketball. The reduced number of players in the starting teams (5 players on the court) also makes basketball particularly sensitive to individual talent compared to football (11) or rugby (15) (Primault, 2006).

On top of that, other factors that have pushed upwards players' salaries in European basketball are the prevalence of short-term contracts and the high volume of player mobility during the season, and the presence of a stronger league overseas like the American NBA that offers much higher salaries than the European leagues is also an important explanation. All the previous aspects combined have brought with them a certain loss of identity of teams and a concentration of talent in the richest clubs, thereby creating a complicated situation for the European professional basketball clubs and the ACB League in particular, making it increasingly difficult for these competitions to get more revenues and attention by the public (Primault, 2006).

The previous complicated financial situation of the competition has meant that different clubs have gone through several financial problems due to their indebtedness and the potential short-term insolvency of their activity. Historic clubs like Joventut, Estudiantes and Bilbao have been declared in a state of insolvency, and they have had to reach agreements with their creditors to proceed their activity. Other clubs (like Valladolid, Granada, Menorca, Leon or Girona) shut down as a result of their insolvency and had to reestablish themselves by setting up a new club, starting from scratch from the lowest professional divisions. In this regard, the lack of financial control of the ACB League, a tendency that has been replicated in other top-flight basketball European competitions, the dependency by the professional basketball clubs towards the public administrations and the problems of clubs to keep the expenditures on salaries in check (Primault, 2006), are all factors that represent a challenge for the growth and development of the ACB League.

Nonetheless, it is still possible to change course, since according to the Eurohoops specialized website the ACB League has been considered as the strongest league in the continent both in 2018 and 2019, indicating that there are still grounds for hope for the

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<sup>25</sup> Prior to the 1995-1996 season, most leagues operated transfer markets on two basic principles. First, a transfer fee would be payable even if a player had reached the end of his contract and wanted to change clubs. Second, football leagues operated strict, protectionist controls on the number of foreign-born players which could appear in a team in a particular match. The European Court of Justice in 1995 ruled that these provisions were illegal with the article 48 of the Treaty of Rome of the European Economic Community that set down the freedom of movement of labor, following the case of Jean-Marc Bosman, a Belgian footballer who sued his former club RFC Liege after he was not been given the permission to join another club when his contract expired and he did not accept the contract extension offered by the club (Simmons, 1997).

Spanish competition. In this respect, the strength of the clubs, the recent victories of the Spanish National men basketball team (the victory at the World Championship of China in 2019), the great number of clubs participating in the European competitions (11 out of 18 clubs took part in European competitions during the 2018-2019 season), the excellent facilities by European standards (ACB League requires a 5000-seat minimum sports centre for all participating clubs) (CNMC, 2017; Primault, 2006), and the lucrative television contract that allows the distribution of the competition outside its borders are the main reasons for the League to merit this consideration by the Eurohoops prestigious specialized website.<sup>26</sup> Quite certainly, the strength and prestige of the ACB League outside of the Spanish borders is beyond question and has set the bar really high for other domestic competitions to follow suit.

In any case, from the previous analysis we can safely say that clubs from the ACB League are not ruled by the ethos of financial value creation for their shareholders and that sporting objectives take precedence over other economic considerations, hence the importance of considering other aspects of value that go beyond financial magnitudes in order to analyze the *raison d'être* of professional basketball clubs. In this sense, to get a better understanding of the situation of the Spanish national competition it is important to analyze the characteristics of the main national league in the world, the American National Basketball Association (NBA) that represents the gold standard of all the basketball competitions worldwide.

### **2.3. National Basketball Association (NBA) – The main league in the world**

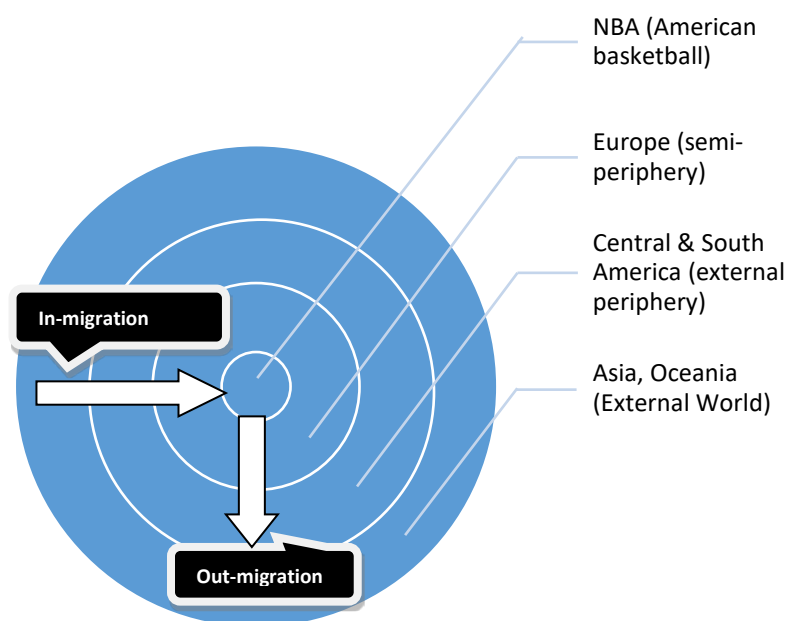
Quite certainly, some of the factors (prestige, salaries, repercussion for a players' career) are defining reasons for many players from other countries and continents to dream about playing in America (Chiba, 2012). During the 2019-2020 season, there were 108 international players from 38 countries and territories other than the USA playing in the NBA, marking the sixth consecutive season that different rosters feature at least 100 international players. The records for international players (113) and countries and territories represented (42) were set at the start of the 2016-2017 and 2017-2018 seasons.<sup>27</sup> The high salaries perceived in the NBA and the repercussion of their activity is another factor for European players to go and try their luck in America (Chiba, 2012; Mitchell, 2009). This position of the NBA at the centre of the global basketball structure and the dominance it exerts over the rest of the competitions at the global stage in terms of talent attraction is defined in the following Graph 2.3:

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<sup>26</sup> Link: (<https://www.eurohoops.net/en/league-action/938659/domestic-leagues-top10-spain-vtb-and-the-others/>; <https://www.eurohoops.net/en/trademarks/750782/domestic-leagues-rankings-turkish-and-german-downfall/>)

<sup>27</sup> Link: (<https://www.nba.com/article/2019/10/22/nba-rosters-feature-108-international-players-2019-20>)

**Graph 2.3: Global basketball structure and basketball migrant flows**



Source: (Chiba, 2015, p. 137)

In sum, the previous graph illustrates the central role that US basketball and its main competition the NBA occupy within global professional basketball (Chiba, 2012, 2015). The league acts as an apex of the hierarchy of global men's basketball leagues, overwhelmingly recruiting from US college system, but also increasingly taking talent from other donor countries. Other national organizations from outside the USA are the recipient of surplus players from the collegiate system, but they also suffer deskilling as a result of their best players gravitating to the NBA (Falcous & Maguire, 2005). The influence of American basketball is really evident in the European scene, where professional teams tend to reinforce their squads with American players, usually those who could not establish themselves in the NBA after a number of years playing there or those players from the collegiate system that were not hired by the NBA (Maguire, 1988).

The professional basketball model in Europe stands in stark contrast with that of the United States, a totally different model that we will present and explain in the following paragraphs in order to understand the different context where both models are developed.

The main national basketball competition in the world is the National Basketball Association (NBA) played by North American teams and created back in 1949. The major turning point for the NBA to become a global league took place in the Olympic Games in 1992 held in Barcelona, when the Men's American basketball team won the gold medal with their memorable style of play, helping the NBA to spread coverage of their competition around the world. Currently, in 2020 there are 30 teams in the NBA, 29 established in the United States and 1 set up in Canada (Toronto Raptors).

Each NBA team belongs to one of the two conferences according to the geographical division of the country (Eastern and Western) and in turn these conferences are divided into three divisions each as per the 2019-2020 season (Atlantic, Central and Southeast for the Eastern Conference; and Northwest, Pacific and Southwest for the Western Conference). Each team will play against another in a regular season made up of 82 matches, and the 8 teams with the best record of victories from each conference will get qualified to the play-offs. All the series will be decided on a best-of-seven format. Finally, the winners of the play-off series from each conference will face each other at the end of the play-offs, and the winner will be crowned the new NBA champion.

In contrast to the ACB League and other European basketball national competitions, the NBA is a closed league since it has put into place entry restrictions created by the “de facto” cartel that the league is (Quinn, Bursik, Borick, & Raethz, 2003). The favorable treatment given by the American public administrations to these leagues by exempting them from anti-trust laws has been another reason to understand this situation (Soebbing, & Mason, 2009). The NBA, as its counterparts in other sports (NFL in American football, MLB in baseball, NHL in hockey or MLS in soccer), controls the geographic mobility of established franchises as well as the authority to anoint new franchises with “major league” status, enabling these franchises to gain leverage when it comes to extract subsidies from their local communities (Siegfried & Zimbalist, 2000).

This framework leads us to another characteristic of the system. The NBA professional basketball organizations are assumed to pursue a profit maximizing objective, meaning that they are trying to minimize the difference between total season revenue and total season cost (Fort & Quirk, 1995; Kesenne, 2006). This is in stark contrast to the professional basketball clubs in Europe, as their objective seems to be closer to being successful in the sporting domain (Cetin & Tribou, 2017). The fact that there is no vertical competition in the American competition (in contrast to the European context dominated by the promotion and relegation of teams between leagues) could have something to do with this situation (Primault & Rouger, 1999). Nonetheless, we should not assume that there are some owners in US sports (and indeed, in the NBA) who could have different objectives than profit maximization. In this regard, winning also could take centre stage in the profit maximization world, subject to production constraints and league structures (Fort, 2000).

Another particularity of the NBA, as well as of the other major American sports leagues, is that player mobility is limited by labor market constraints designed ostensibly to allow teams to reduce player development costs and to maintain a competitive balance within the league between the participating teams (Vrooman, 2000). One of this redistribution mechanisms is the NBA draft that is held annually after the completion of the season. During the draft, NBA franchises select players coming from college, high schools or other teams around the world (notably from Europe). The determination of the order of selection has changed throughout the history of the competition, but as a general rule the NBA explicitly rewards teams with poor season performances with better selections



from the draft of amateur talent as a way to increase the competitive balance in the league (Taylor & Trogdon, 2002).

Moreover, in order to guarantee a more or less balanced competition, the NBA league authorities have also tried to regulate the player labor market by means of an enforceable salary cap. A salary cap, which is in fact a payroll cap, sets a maximum amount of money that a club can spend on player salaries. This maximum amount, which is the same for each club, is fixed year by year as a percentage of the total league revenue in the previous season, divided by the number of teams in the league. One of the main rules is that if the franchises surpass this maximum amount they will have to pay a fine worth one extra dollar in excess of each dollar that the team exceeds the salary cap (Kesenne, 2000; Turró, 2018).

This NBA style salary cap not only imposes a maximum amount but also a minimum amount of money that must be spent on players' salaries, as a way to prevent the concentration of all playing talent in the rich big-city clubs that can offer better salaries than the small-town clubs (Fort & Quirk, 1995; Kesenne, 2000; Turró, 2018). In this way, the league attempts to stave off the negative effects of an unbalanced competition (Kesenne, 2000).

In order to better understand the intricacies of salary decision-making, we have to specify first that the NBA operates under a Collective Bargaining Agreement (from now on called CBA) that can be defined as a general negotiated agreement that governs the relationship between employers (that is, the owners of the teams) and their employees (the players). The agreement among athletes and team owners has evolved over the years while continuing to maintain their goal of a viable economic regulatory system and competitive balance (Mitchell, 2009). The last CBA was ratified in 2016 and took effect on July 2017, running through the 2023-2024 season.<sup>28</sup>

One of the most contentious issues in the CBA tends to be the distribution between players and team owners of the Basketball Related Income (from now on called BRI) that represents the aggregate operating revenue of the NBA or its member teams during a particular season –for example, money from television contracts, ticket sales, merchandise, and the like– (Parlow, 2014). Under the current CBA, players and team owners divide up the BRI approximately in equal shares.<sup>29</sup> The aforementioned salary decision-making intricacies and negotiations become all the more important when we look at the amount of money that the NBA earns, as it will be seen.

In 2016, the NBA signed the most lucrative TV contract in its history with Turner and Disney broadcasters that guaranteed the NBA League's teams a contract worth 24.000 million dollars between 2016 and 2025, an average estimate of 2.700 million euro that tripled the previous contract that yielded approximately 930 million euro to the competition (Turró, 2018). One of the immediate effects of this increase of TV revenues

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<sup>28</sup> Link: (<https://nbpa.com/cba>)

<sup>29</sup> Link: (<https://ak-static.cms.nba.com/wp-content/uploads/sites/4/2017/01/NBA-2017-CBA-Principal-Deal-Points.pdf>)

was that NBA franchises would have more money to spend on salaries, thereby forcing the League to increase the salary cap. When the salary cap was officially established during the 1984-1985 season, it amounted to 9.138.088 dollars, while during the 2016-2017 season it amounted to 94.143.000 dollars (Turró, 2018). The salary cap for the 2019-2020 season has been established in 109.140.000 dollars by the League.<sup>30</sup> Players' may also receive additional compensation, beyond their contracted amounts, depending on the team's performance at the play-off level – first round, second round, semifinal, conference final, and NBA final – (Nourayi, 2006).

As previously mentioned, the main rationale behind the previous mechanisms is the amount of competitive balance in the League (Fort & Quirk, 1995; Zimbalist, 2002). However, if we take a look at the history of the NBA, we can see that in most cases there have been periods of dominance of certain teams, like in the case of Golden State Warriors with 3 championships from 2015 to 2018, San Antonio Spurs with 3 championships from 2003 to 2007, Los Angeles Lakers with 3 titles from 2000 to 2002, Chicago Bulls with 6 titles from 1991 to 1998, Boston Celtics with 8 championships from 1959 to 1966, to name but a few. In general, the competition has been historically dominated by two major powerhouses, Boston Celtics (17 titles) and Los Angeles Lakers (16 titles). The next teams with most titles are Golden State Warriors and Chicago Bulls (6 titles) and San Antonio Spurs (5 titles). In total, the data tells us that these five teams have won 50 out of 73 championships, approximately the 70%. Then, these results imply that even though one of the objectives of the NBA is the competitive balance, the majority of titles have been won by very few teams.

Nevertheless, the sporting performance sometimes does not necessarily correlate to the average attendance of the public to the arenas. In fact, during the 2018-2019 season, six of the ten teams with a higher average attendance did not even qualify to the play-offs (Chicago Bulls, Dallas Mavericks, Miami Heat, Cleveland Cavaliers, New York Knicks and Los Angeles Lakers). Nonetheless, like in the case of Spanish basketball, when examining this data we should not lose sight that there are other factors that could come into play, like the stadium capacity, the presence of a team in a big city (like New York, Los Angeles, Chicago and Miami) and present or previous sporting performances.<sup>31</sup>

**Table 2.6: TOP10 average attendances of NBA's Regular Season 2018-2019**

<b>Team</b>	<b>Average Attendance (2018-2019 Season)</b>
Philadelphia 76ers	20.441
Chicago Bulls	20.084
Dallas Mavericks	20.013
Toronto Raptors	19.824
Miami Heat	19.640
Golden State Warriors	19.596

<sup>30</sup> Link: (<https://www.nba.com/article/2019/06/29/nba-salary-cap-2019-20-season-set-10914-million>)

<sup>31</sup> Link: ([http://www.espn.com/nba/attendance/\\_/year/2019/sort/homePct](http://www.espn.com/nba/attendance/_/year/2019/sort/homePct))

Portland Trail Blazers	19.496
Cleveland Cavaliers	19.349
New York Knicks	19.002
Los Angeles Lakers	18.997

Source: Data released by ESPN<sup>32</sup> on the basis of each club's data

As it can be seen, the average attendances in the NBA are higher than in Spanish ACB League, confirming the notion that the North American competition is well beyond the rest of the national competitions around the globe in terms of attention and interest by the fans and the wider public (Chiba, 2015).

#### **2.4. European competitions: The “Euroleague vs FIBA” conflict**

Having explained the differing rules and circumstances that make up the framework of the two main national leagues at both sides of the Atlantic, one of the most distinctive characteristics of the European competitions landscape is that it constitutes a hybrid ecosystem where competitions with different governance and sporting structures cohabit, albeit not very smoothly. As mentioned previously in the chapter, the participation in the ACB League or other national leagues can give access to other European competitions.

In this section the specificities and the intricacies of the European championships and the governance challenges it has faced during the last decade will be analyzed. Nowadays, European competitions are at the center of a major conflict between the international historic federation's (the International Basketball Federation, known as FIBA) subsidiary for Europe (FIBA Europe, association of German rights) and the ULEB association (known as the Union of European Leagues of Basketball), which is a private company of Spanish rights created in 2000 to develop more attractive competitions for the media and for the sponsors (Cetin & Tribou, 2017).

The two organizations retain a dominant position on two different markets. FIBA and FIBA Europe are both the international and the continental sport governing bodies for basketball and the monopolists on the market for the organization of the basketball competitions between national teams. Euroleague Basketball is a private company, owned and administered by a group of the most successful European basketball clubs, which holds a dominant position on the market for the organization and promotion of men's professional basketball club competitions in Europe (Agafonova, 2019).

This rift between both FIBA and Euroleague reflects the conflict between the national associations and leagues that want to maintain the current system of access to European competitions through the national leagues while retaining part of the income created by the competition, and those elite clubs that want to exploit the commercial potential

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<sup>32</sup> Link: ([http://www.espn.com/nba/attendance/\\_/year/2019/sort/homePct](http://www.espn.com/nba/attendance/_/year/2019/sort/homePct))

of the competition. These elite clubs want to have more power in the decision-making of the competitions, ultimately restricting the access to this new “super-league” only to those teams with more financial resources, as a way to develop a more attractive competition for TV dealers and sponsors, and to have a more secure financial system for the big clubs (Bolotny & Bourg, 2006; Hoehn & Szymanski, 1999; Lago et al., 2006).

Ever since its inception in 1958, FIBA Europe organized the main European championship for top basketball clubs, up until the summer of 2000, when the ULEB broke away from FIBA Europe and decided to organize its own private European championship called the Euroleague<sup>33</sup> with the help of some elite clubs that decided to join them in this new competition. Then, both the Euroleague (organized by ULEB) and Suproleague (organized by FIBA) coexisted during the 2000-2001 season, with both claiming to be the leading competition on the continent (Primault, 2006).<sup>34</sup> At the end of that season, the European top basketball clubs made the decision to reunify the European elite competition. The ULEB gained the upper hand in the negotiations and obtained the right to organize the main European competition from that moment forward (Pujol, 2019). Hence, at the start of the 2001-2002 season all the top European basketball clubs got together in the Euroleague (Primault, 2006).

Up until the 2015-2016 season, the ULEB organized the two main competitions in the continent (the Turkish Airlines Euroleague –the most prestigious European championship- and the Eurocup – the second-tier European championship –), while the FIBA organized the FIBA Europe Cup (the third-tier European trophy), which received less attention from spectators, particularly on television. Since the 2016-2017 season, the conflict between both entities has escalated. During the summer of 2016, FIBA created a new league (the Basketball Champions League, held at 50% by the FIBA, at 50% by 10 national leagues) opposing itself head-on to the ULEB organization and its two main competitions, Euroleague and Eurocup<sup>35</sup> (Cetin & Tribou, 2017).

In this respect, the Euroleague is a semi-closed league: out of 18 clubs in the competition during the 2019-2020 season, 13 are assured not to be relegated; the others are each invited due to sporting reasons. The objective is to move towards a closed league (a private league such as the NBA) in the medium term, bringing together more clubs from the main cities in Europe. The ULEB signed a ten-year contract worth 630 million € with IMG Media in 2015 with the potential of reaching 900 million € in the most optimistic scenario,<sup>36</sup> in addition to the contract with Turkish Airlines permitting their name to be on their stadium as well as with a pool of partners determined to weigh in on the sporting competition, whereas the FIBA struggles to find wealthy sponsors (Cetin &

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<sup>33</sup> The previous competition organized by FIBA Europe was also called Euroleague, but FIBA Europe did not register the brand. Thereby, ULEB took advantage of the situation and registered the brand Euroleague in 2000, obtaining the rights to use the name (Pujol, 2019).

<sup>34</sup> In fact, at the end of the 2000-2001 season, two different basketball European Cup champions were crowned: Kinder Bologna (Euroleague champion) and Maccabi Tel Aviv (Suproleague champion).

<sup>35</sup> As for 2019-2020 season, due to sponsorship reasons, both competitions are named *Turkish Airlines Euroleague* and *7DAYS Eurocup*.

<sup>36</sup> Link: (<https://www.eurohoops.net/en/featured/145349/630-millions-guaranteed-by-img/>)

Tribou, 2017). In this regard, Euroleague will grant three different types of licenses to the participating teams according to their duration, requirements and process for allocating each of them:

- Licensed Clubs will have the right to participate in the competition for 10 consecutive years (starting from season 2016-2017). These clubs are the main shareholders of the Euroleague and thereby they control the competition. The Euroleague bestowed these licenses on the basis of different criteria, like the capacity of the arena, fulfillment of financial fair play rules, a minimum average attendance to the matches of the team in their local arena and a minimum sporting performance over a number of years. The 11 clubs that can participate as licensed clubs are Real Madrid, FC Barcelona, Saski Baskonia, Zalgiris Kaunas, Armani Milan, CSKA Moscow, Olympiacos Athens, Panathinaikos Athens, Fenerbahçe Istanbul, Anadolu Efes Istanbul and Maccabi Tel Aviv. As we can see, some of the previous teams are really powerful sports brands in Europe, like Real Madrid, FC Barcelona, CSKA Moscow, Olympiacos Athens, Panathinaikos Athens, Fenerbahçe Istanbul and Maccabi Tel Aviv (Cetin & Tribou, 2017). This led Chiba (2015) to analyze the financial structure of the participating teams in the Euroleague, and he distinguished three different cases: those teams that are supported by huge soccer clubs and global brands like Real Madrid and FC Barcelona, those teams that are supported by important sponsors like Saski Baskonia and finally those teams that are supported by rich owners like CSKA Moscow and Panathinaikos Athens (Chiba, 2015).
- Secondly, the clubs that receive a wild card are those clubs that will participate in the Euroleague for a more limited period of time than the licensed clubs (generally for one or two years). The clubs that receive these licenses will need to meet the criteria set down by the Euroleague if they are to participate in the Euroleague in terms of arena capacity and a minimum budget and attendance, to name but a few. The current teams that have obtained a wild-card are Asvel Villerbaune and Bayern Munich. Both teams will have a guaranteed spot in both the 2019-2020 and 2020-2021 seasons of the Euroleague.
- Finally, the remaining 5 clubs that participate in the Euroleague get their access due to their sporting results. These clubs are the previous season's Eurocup champion, the winner of the VTB League (made up of teams from different Eastern European countries), the winner of the German League (also known as BBL), the winner of the Adriatic League (made up of the teams of the Balkan countries) and the Spanish team from the ACB League without an Euroleague license or a wild-card that finishes higher in the ACB League.<sup>37</sup>

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<sup>37</sup> In any case, if the Eurocup champion is from the ACB League, then the spot for the Spanish team disappears and the Euroleague has the right to assign another wild card to another team from another

The previous situation illustrates the growing role of economic partners, also in Europe, in the organization of the sport spectacle: the sponsors, but also the owners or investors from the biggest and most popular clubs, the equipment suppliers who provide for the teams, and the media who diffuses the images (Cetin & Tribou, 2017). Concerning the requirements to access the Euroleague competition, the participation is generally restricted to a handful of elite teams, although there are other teams that can also participate depending on their sporting achievements. This is not the case of the Basketball Champions League organized by FIBA, where the teams have to earn the right to participate in the European competition each and every season, thereby respecting the principles of open leagues (Peeters & Szymanski, 2014; Vrooman, 2007).

Undoubtedly, the model of the Euroleague fits well with that of a semi-closed competition (Karamürsel, 2017a). With regards to the current format in the Euroleague competition, it is very similar to that of the ACB League: eighteen teams face each other during a regular season, and the best eight teams go through the play-offs, where they will face each other in a best-of-five series. The winners of the play-off rounds will then play the Final Four, where they will play in a fixed city over a weekend to determine the Euroleague winner by means of a direct elimination format comprising both a semifinal and a final. The venue of the Final Four rotates from one city to another year after year (Vitoria-Gasteiz in 2019, Belgrade in 2018, Istanbul in 2017, to name but a few) (Pujol, 2019).

As regards the sources of income of the Euroleague, the sharing of the income of the League between the participating teams will be as follows: 40.000 € for each victory in the regular season, 70.000 € for each victory in the quarter-final play-offs, 200.000 € for the fourth qualified, 300.000 € for the third qualified, 500.000 € for the runners-up and 1.000.000 € for the Euroleague champions. Apart from that, all the teams will receive a 200.000 € fixed sum just for their participation. The previously mentioned deal between the Euroleague and IMG Media in 2015 has been vital to understand this influx of revenue, as it has been the biggest deal ever signed in European basketball history, and a decisive factor to understand the decision of big clubs to continue in the Euroleague (Pujol, 2019).

Apart from the important economic rewards that the Euroleague guarantees to the participating teams for their sporting performances, presence in Euroleague makes it easier for teams to attract more sponsors and spectators, thus completing a virtuous circle that can lead to bigger revenues, and in the end bigger chances to attain sporting success (Cetin & Tribou, 2017; Chiba, 2015). Undoubtedly, the Euroleague remains the main professional basketball competition in the European continent and a really interesting competition for players and coaches who see it as the second best competition in the world after the American NBA League (Mitchell, 2009).

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country, given that at present there can be no more than four teams from the same country participating in the Euroleague (Euroleague Basketball, 2017).

Concerning the EuroCup, as it has been previously said, it is the second-tier basketball competition in Europe, also organized by ULEB, and in contrast to the Euroleague it has an open-league system akin to the FIBA's Champions League (teams qualify from their national leagues and have to earn their right to participate with the results obtained in their national competitions). It was originally created in the 2002-2003 season under the name of ULEB Cup, and later on, starting from the 2008-2009 season, it was renamed as the EuroCup. There are currently 24 participating teams in the EuroCup during the 2019-2020 season, distributed as follows: 3 teams from the Adriatic League, 2 from France, 2 from Germany, 1 from Greece, 2 from Italy, 1 from Lithuania, 1 from Poland, 3 from the Spanish ACB League, 2 from Turkey, 3 from the United League, 1 team from Israel and the remaining 3 teams are invited by the competition itself by means of a wild-card (Euroleague Basketball, 2019).

As regards the competition system, the championship will be played in five different phases as follows: Regular Season, Top 16, Quarterfinals, Semifinals and Finals. Both the EuroCup champion and runner-up will earn a one-year Euroleague license for the following season, except in the event that the club that had qualified for the Euroleague as EuroCup champion or EuroCup runner-up the previous season has finished among the top eight clubs of the Euroleague standings. In this case, the EuroCup runner-up will qualify to play the EuroCup the following season. In any way, the above licenses will be granted provided that the EuroCup champion and the EuroCup runner-up fulfill the requirements established in the Euroleague Bylaws and any subsequent modifications (Euroleague Basketball, 2019).

Regarding the third-tier European competition organized by FIBA Europe, the Basketball Champions League (known as BCL) that was created in the 2016-2017 season, it is a championship where a maximum of 56 teams participate. The main criteria for the participation in the BCL are the sporting results of clubs in their national leagues, as decided by the Organizer.<sup>38</sup> Moreover, the Organizer may also grant access to the BCL through the attribution of different invitations. Regarding the competition system, it consists of 5 different rounds: Qualification Rounds, the Regular Season, last 16 play-offs, quarter final play-offs and the Final Four. The Final Four will be played as a "direct elimination" format, where the winners of both semifinal matches will advance to the final that will also be contested under a one-off match.

Taking into consideration that both the Eurocup and the Basketball Champions League are rival competitions as they try to attract those teams that do not participate in the Euroleague, the economic aspect is important for the clubs in order to decide in which competition they wish to take part in. In this regard, we have searched the income that each competition gives directly to the club according to their sporting results, comparing it directly to the rewards given to the Euroleague teams. Table 2.7 shows the quantity

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<sup>38</sup> By Organizer, we are referring to the legal entity Basketball Champions League S.A., a joint-stock corporation with legal seat and offices in Mies, Switzerland, owned 50 % by FIBA and 50% by National Leagues (Belgium, Czech Republic, France, Germany, Greece, Israel, Italy, Lithuania, Poland and Turkey).

of money that each of the participating clubs would receive from the organization for playing each round:

**Table 2.7: Difference of revenues for participation in European competitions**

<b>Competition</b>	<b>Euroleague</b>	<b>Eurocup</b>	<b>Basketball Champions League</b>
Regular Season	40.000 €	20.000 €	50.000 €
Top 16	-	50.000 €	70.000 €
Quarterfinals	70.000 €	90.000 €	100.000 €
Semifinals	300.000 € (3 <sup>rd</sup> )	150.000 €	200.000 € (3 <sup>rd</sup> )
	200.000 € (4 <sup>th</sup> )		140.000 € (4 <sup>th</sup> )
Runner-up	500.000 €	275.000 €	400.000 €
Champion	1.000.000 €	450.000 €	1.000.000 €

Source: Eurohoops website<sup>39</sup> & Pujol (2019)

Please note that in the Eurocup and the Basketball Champions League the quantities shown correspond to the money that the teams receive for qualifying for each of the rounds (there are no bonuses per victory), while in the Euroleague the quantities shown in the Regular Season and Quarterfinals correspond to the bonuses per victory, added to the 200.000 € fixed reward for participating in Euroleague per each team.<sup>40</sup> In the case of those competitions other than Euroleague, considering that 24 teams take part in the Eurocup's regular season and that 32 teams take part in the Basketball Champions League's same phase, each club would share approximately 166.000 € in the former competition and 162.500 € in the latter (the total distribution to the clubs amounts to 4 million € in the case of the Eurocup and 5,2 million € in the case of the Basketball Champions League).<sup>41</sup>

In the case of Spanish professional basketball, 3 teams are already Euroleague-licensed clubs (Real Madrid, FC Barcelona and Saski Baskonia), with a potential fourth team playing in the Euroleague for its own sporting results each season. In the other competitions, 3 spots are guaranteed by the Eurocup and 4 spots in the case of the Basketball Champions League to the ACB League on a yearly basis to those best qualified teams that do not play in the Euroleague. If a team rejects to play in a competition, the next best-qualified team is offered the spot. This means that 11 out of the 18 teams from the ACB League have the possibility of playing in a European competition each season. On the basis of the previous economic data and potentially other considerations (budget of the club, prestige, history, state of relationships with one or another competition, future prospects, etc.), teams that do not participate in the Euroleague

<sup>39</sup> Link: (<https://www.eurohoops.net/en/eurocup/687256/the-eurocup-and-basketball-champions-league-economics/>)

<sup>40</sup> Link: (<https://www.diariosur.es/unicaja/unicaja-supera-medio-20180224215444-nt.html>)

<sup>41</sup> Link: (<https://www.eurohoops.net/en/eurocup/687256/the-eurocup-and-basketball-champions-league-economics/>)



could choose to play in the Eurocup or the Basketball Champions League, depending on their standing in the league and their preferences.

Yet, despite the commanding lead of the Euroleague above the other two competitions (Eurocup and Champions League) in many respects (attention by the public, repercussion, budget of the teams, financial rewards), one of the most striking facts is that practically all the Euroleague's professional basketball clubs present an operating deficit in their financial accounts each year. Apart from the well-known cases of FC Barcelona and Real Madrid where football divisions provide cross-funding to basketball by simply "plugging" whatever the budget deficit is, there are other cases where the private owners do also subsidize the team's budget to cover its deficit, like in the case of CSKA Moscow (owned by the Russian corporation Norilsk Nickel), Armani Milano (owned by the well-known Italian designer Giorgio Armani), Olympiacos Piraeus (owned by the Angelopoulos ship-owners), Panathinaikos Athens (owned by the Greek Giannakopoulos family dedicated to the pharmaceutical sector) or Valencia Basket (owned by Juan Roig, chief of Mercadona Spanish supermarkets, as previously said).

Therefore, evidence indicates that even in the European elite, economic interests are neither unique nor decisive to explain the reasons to invest in a professional basketball club. In truth, the previous idea that professional sport club owners in the European framework could seek other objectives not related to financial profit maximization is not new, as literature has stated that owners could see their investment in the clubs as an instrument to foster his or her other businesses by means of multi-ownership synergies, gain access to particular club resources and transactions, receive public acclaim, enjoy decision autonomy of the club, geo-political interests, pure consumption interests like the enjoyment of seeing your team win and attain success, and the desire to obtain social and political acceptance or legitimacy in the case of wealthy owners (Madden, 2015; Rohde & Breuer, 2016, 2017).

This is not necessarily a recent phenomenon; instead it has been the case for quite a long period in the history of European professional basketball (Karamürsel, 2017a). This situation leads us to try to understand the motivations that can lead to the previous investors to invest in European professional basketball, especially considering the little financial incentives to do so in comparison to other sports like football,<sup>42</sup> where the income received by clubs for their participation in elite competitions is much higher (Karamürsel, 2017a):

- Being part of a sports club: Engagement in basketball might be mainly as a result of being part of a sports club led by a powerful football team, also fueled by the

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<sup>42</sup> A case in point is the one of Real Madrid CF. Their football division received 81,05 million € for winning the UEFA Champions League (the top club competition in Europe) in the 2016-2017 season thanks to their TV deals and financial rewards by the organization for their performance (Link: [https://www.uefa.com/MultimediaFiles/Download/competitions/General/02/51/12/21/2511221\\_DOWNLOAD.pdf](https://www.uefa.com/MultimediaFiles/Download/competitions/General/02/51/12/21/2511221_DOWNLOAD.pdf)).

On the contrary, in that same season Fenerbahçe's basketball division received only 3,5 million € in total from the Euroleague for their victory in that competition, by way of their TV contract and championship bonus (Karamürsel, 2017a).

investments made by the clubs' rivals (e.g. FC Barcelona and Real Madrid, Fenerbahçe and Anadolu Efes Istanbul, Panathinaikos and Olympiacos Athens, etc.).

- Investments might be seen as a quasi-Corporate Social Responsibility (CSR) program rather than an economic investment or a professionally managed sponsoring deal.
- Passion for basketball, e.g. senior managers of a sponsor/shareholder with basketball background who have great passion for this sport.
- Other reasons such as (national) prestige, tradition, rich history, certain synergy effects, or other expected benefits.

As a probable explanation of the previous framework, we could consider that taking into account the context of over-investment and inflation notably in the European professional football clubs (Barajas & Rodríguez, 2010; Rohde & Breuer, 2016), caused mainly by the tendency to overinvest in playing talent as a consequence of the ruinous interaction between clubs (Dietl, Franck, & Lang, 2008), investment in European professional basketball clubs could be seen as a "cheaper" alternative in comparison to football for those owners who would like to attain sporting success through the purchase of better players (Rohde & Breuer, 2017; Wilson, Plumley, & Ramchandani, 2013). For instance, in the 2017-2018 season Real Madrid won both the football European Cup (Champions League) and its basketball equivalent (Euroleague) spending 395,01 and 35,74 million € in salaries, respectively (Real Madrid CF, 2018). This fact speaks volumes of the different investment required to reach success in both sports, albeit football is clearly head and shoulders above basketball in terms of income generation capacity in Europe (Karamürsel, 2017a).

In this regard, the importance or relevance of these factors might vary from country to country. For instance, basketball investments in a country like Lithuania or Serbia might be deemed as a much more prestigious and a major act, compared to some other countries where basketball is almost non-existent. In the case of countries without an abundance of sugar daddies, access to injections of funds is considered a key requirement to improve a club's international competitiveness (Barajas & Rodríguez, 2014; Rohde & Breuer, 2017).

In the case of Turkey and Russia, for example, it seems that in the absence of the financial support of sugar-daddy shareholders, professional basketball clubs from these countries would have little chance of succeeding sports-wise, since the revenues of the ticket office and media rights would not suffice in compensating for the minimum expenses (mainly in players' salaries) that are required in order to reach the European top level (Cetin & Tribou, 2017; Karamürsel, 2017a). The financing concept of sugar daddies could also entail the direct injection of funds into sporting operations through so-called "soft loans" that allow clubs to use interest-free debt (Franck & Lang, 2014; Rohde & Breuer, 2017).

In conclusion, the difficulties of professional basketball clubs in both Spain and Europe to attain financial sustainability, and the differences between those clubs that are backed by a big multi-sports club or another passionate private investor, and those teams that have to operate on a limited budget are defining factors that explain the competitive landscape in both the ACB League and the European club competitions (Pujol, 2019).

Compared to the NBA, the European sports governance model shows some significant differences. First of all, in the current set up, Euroleague represents a European competition in addition to the domestic leagues. As such, it is an additional competition running in parallel. Secondly, as a result of this, there are some critical dependencies between the Euroleague teams and their competitors in the domestic leagues. A completely separate league (i.e. teams not playing in domestic leagues but only in Euroleague) does not seem to be a possible model, definitely not for all Euroleague teams due to local rivalries, like Real Madrid against Barcelona, Panathinaikos against Olympiakos, Fenerbahçe Istanbul against Anadolu Efes, etc (Karamürsel, 2017b).

As Karamürsel (2017b) points out, one of the problems of the current tendency of the Euroleague to become stronger is that creating a semi-closed league of 18 (or even more) teams which play each other twice the regular season might be undermining the importance of the local competitions. Unless there are similar regulatory mechanisms like a draft system and a salary cap in the Euroleague, and one single primary source for player supply (like the American University League –called NCAA– in the case of the NBA), it may not be possible to create a fully closed league in European legal system which in return would mean that the interdependencies between Euroleague and other European key stakeholders will continue to exist. As such, a model that is based on co-existence and sharing of burdens and benefits seems to be in the interest of European basketball as a whole (Karamürsel, 2017b).

Nonetheless, in the case of European professional sport competitions, even if the usage of a salary cap has been repeatedly discussed (Kessenne, 2003; Lindholm, 2010), there have been a number of factors that have impeded the introduction of this balancing mechanisms in the leagues. First of all, the complexity of the European sports pyramid, with different national associations, regulations and economic and sporting landscapes in professional sport means that there are different conditions on every nation, creating additional stakeholder diversity, making the decision-making process even more difficult. Secondly, there is the fact that North American leagues, controlled by their member clubs, operate independently from the national associations. These leagues thus determine the rules, rewards and running of the league, contrary to the European situation where many of the rules are dictated by the sport governing bodies performing regulatory functions normally reserved for the state (Dietl, Franck, Lang, & Rathke, 2012). Then, as it can be seen, the introduction of balancing mechanisms in European professional sport is a really difficult task.

Having analyzed in depth the Spanish ACB League and the American NBA League, as well as the context of European competitions, in the following section we will analyze the

general differences between European and American competitions, so as to obtain a global perspective of the professional sport leagues and the potential interests that they could serve.

## **2.5. Role of Leagues and Competitions in sport governance – American vs. European model**

When discussing the objective function of the professional sport clubs, sports management literature tends to be divided between two main schools of thought: those who defend that profit maximization is an adequate description of the behavior of North American professional sport clubs (Andreff, 2011; Kesenne, 2000), and those that defend that the objective of European professional sport clubs is closer to win maximization or maximization of sporting success (Fort, 2000; Peeters & Szymanski, 2014; Sloane, 1971). However, these different objective functions are due to the existence of two divergent institutional league structures at both sides of the Atlantic, an aspect that heavily influences the landscape of sporting competitions.

As it can be seen, the professional leagues, understood as the sporting production organizations by which the competition between professional sport clubs takes place, are of vital importance. We should remember that value creation in professional sport teams occurs in two different stages. In the first stage, at the level of individual clubs, clubs invest in developing the player strength of their respective teams. The problem, however, is that no single team is able to produce a marketable product. To do so, a team needs at least one opponent. The value of the resulting games can then be increased significantly if those games are integrated into a championship race. Thus, in the second stage of the production process (the league stage), single games act as inputs for the production of the final meta-product, the championship itself (Dietl et al., 2011).

Nonetheless, a fundamental particularity of the leagues is the intrinsic dynamic of cooperation and competition on the field. In sports, any team will try to dominate its opponents and maximize its percentage of wins. From a league-wide economic perspective, however, the attractiveness of the championship might be increasing the balance of the competition (competitive balance). Thus, on aggregate, the absence of single teams dominating the championship would be economically preferable. This phenomenon exists in stark contrast to the notion of economic competition, where the goal of any competitor is to attain monopoly status to maximize profits (Dietl et al., 2011).

As a conclusion, after analyzing both the European and North American context separately, in the following paragraphs an analysis will be conducted about the differences between the European league systems and North American league systems, with a particular attention to the institutional rules that fix how a professional team sports league is organized, regulated and managed, based on the list of Andreff (2011):

- A North American professional team sports league is an independent organization which is closed by an entry barrier created by franchise sales; a European league, like in basketball, is integrated in a hierarchical structure where the national soccer federation supervising the league is itself dependent on an international federation. Entry in a closed league, like the North American National Basketball Association (NBA), is only possible by the purchase of an expansion franchise, when the new entering team's market and its assigned location are assessed profitable by a league commissioner.

Moreover, entry in the league cartel must be approved by a qualified majority of incumbent teams. Competition can only occur with the creation of a rival major league in the same professional sport as another closed league. In open leagues like the European ones, entry relies on a promotion/relegation system, but the creation of a second major league in the same professional sport is ruled out by the respective international federation.

- In a closed major league the number and identity of teams are fixed, whereas in an open league a team's upward or downward mobility is ensured by a promotion/relegation system: best ranked teams of the second division are promoted in first division while last-ranked teams of the first division are relegated to the second division. Thus from one season to the next the identity of some clubs, those demoted and promoted, changes in an open league. One team that starts playing in the lowest amateur division can climb step by step the whole ladder of the sporting hierarchy, simply due to its sporting performance, and end up in the first division, and even qualify for a European competition. This is certainly the case of Spanish professional sport. Such a bottom-up route does not exist in a closed league system, since the major league is closed downwards.

Moreover, members of the North American leagues do not compete simultaneously in different competitions like in the case of Europe, where teams can compete in national and international competitions. Clubs in the North American competitions also perceive easily their joint interests. They can expect to be competing together in more or less the same format from year to year, whereas in Europe this sense of solidarity is undermined by the fact that the composition of each league division changes each year because of promotions and relegations and the set of competitors differs in different competitions (Hoehn & Szymanski, 1999). The North American situation represents a stark contrast to the fragmentation and division that characterizes European top-flight basketball, where different organizations (Euroleague and FIBA) battle out for the dominance in the organization of clubs' competitions as explained before (Primault, 2006).

- In a closed league a team enjoys an absolute exclusivity over an urban area where it is the only one team (in any given professional sport) allowed to organize a major league's games. Thus each team has a monopoly in the local market for its sport shows. If the local market ceases to be profitable, a team can, with the league's agreement, move to another urban area. From their inception up to 2019, 22 team relocations have taken place in the NBA. In an open league there is no such geographical team mobility; mobility is vertical from lower to upper divisions and the other way round. There is neither territorial exclusivity nor local monopoly of a team in a given sport: in most European capitals, more than one team is playing in the first division. Nonetheless, if we take a look at the North American system there are significant exceptions, like in the NBA, where there are two teams in Los Angeles (Lakers and Clippers) and New York (Knicks and Brooklyn Nets).
- Competitive balance is looked for in both closed and open leagues. Labor market regulations rules are the major tool to reach it in closed leagues (Andreff, 2011). The main intervention in the player market has been the "rookie draft" system. When players finish college or high school and enter professional sport, the clubs within the league take turns to pick players, with the first picks being awarded to the teams that finished in the last positions during the previous season (Primault, 2006; Taylor & Trogdon, 2002). This mechanism functions as a reverse-order-of-finish draft (Kahane, 2006), as poorly performing teams can acquire the best young talent and therefore improve their standing in the following year (Hoehn & Szymanski, 1999). This means that professional team sports is the only industry in North America where firms, that is, teams, have a restricted right to choose who they will hire. Team owners in North American major leagues argue that such restriction is a must for balancing team sport contests. Hiring players is also quantitatively restricted by roster limits.

On the contrary, in European open leagues, there is not such a rookie draft, due to the high player mobility brought about by the Bosman ruling in 1995. The competitive balance is looked for by other means like the aforementioned promotion/relegation system, as it ensures a partial re-balancing of the sports contest at the end of each season by demoting the weakest and promoting the strongest. In fact, this system acts as an incentive mechanism: teams exert important effort to avoid the sanction (demotion) and gain the reward (promotion); hence the proportion of games high in contention is bigger than in a closed league.

- A closed league can restrict recruitment rules and players' mobility, like in the case of baseball where as early as 1879 a reserve clause was introduced to prohibit any player's move from one team to another without the owner's agreement. Since the 1970s, after several labor conflicts, veterans have obtained

a free agent status that takes hold after a defined number of years playing in a major league. However, newcomers (young and foreign players) are usually picked in the rookie draft explained before. In European open leagues, a reservation system based first on a lifelong contract until 1968, and then on a system of transfer at the end of the players' labor contract, had restricted players' mobility and their freedom to sign for a team. The previously mentioned Bosman case in 1995 ruled out all restrictions to player free choice on the European labor market for talent.

- Player mobility in closed leagues is all the more limited in that trading cash is restricted or forbidden, especially for superstars. Inter-team player transfers are usually barter, so that team competition for hiring the same player is practically non-existent (Szymanski, 2004). In European open leagues most player transfers are transactions in cash or monetary settlement, barter and loans of players to another team being a rare exception.
- Player working conditions and salaries result from collective bargaining between club owners and player trade unions in closed leagues. For instance, in 1983 the NBA succeeded in bargaining a salary cap which was advocated by club owners as a means to avoid superstar concentration in rich teams and maintain a competitive balance. A luxury tax completes this payroll regulation in closed leagues, especially in the NBA (Borland, 2006). In open leagues with deregulated labor markets (post-Bosman Europe), the degree of player unionization is much lower, collective bargaining is much less formalized, and salary caps are rare.

Especially regarding salary caps, the fact that European open-leagues have struggled to implement this mechanism of competitive balance can be found in the significant market heterogeneity within the European professional sport leagues, as there are huge disparities in the revenues of clubs and leagues between some countries and others (Dietl et al., 2011, 2012).

Moreover, in America the major leagues operating independently of associations implement salary caps as an integral part of a labor relations approach, the players' union and the owners being two sides of the labor market. This model would not be compatible with the European association model, given that associations are not one side of the labor market. Instead, they are sport-governing regulatory bodies and their functions are regulated by the government and ultimately by the European Union courts, putting into question whether a salary cap mechanism falls under the margin of discretion granted by the state authorities to the sport associations as necessary to perform their duties, specially bearing in mind the previous interference of the European courts in the activities of sporting associations in cases like the Bosman verdict in 1995 (Dietl et al., 2011).

- In open leagues, promotion-relegation and win-maximization drive teams into an arms race in which each team attempts to recruit the best players to improve its relative strength compared with opponent teams. The problem is that such investments in talent are efficient only if they upgrade the absolute (and only relative) quality of teams, which cannot be taken for granted. Since there is only one (or a few) winner(s) in the arms race which can recoup their investment costs, an open league is always under the generalized threat of generalized cost inflation of salary and transfer fees, all the more so because the latter is not slowed down by a profit maximization objective. Therefore, most big teams are doomed to be in the red in a deregulated open league.

In closed leagues, redistribution mechanisms like drafts or salary caps reduce team incentives to stockpile talent, but reward teams for weakness. This characteristic can increase the competitive balance in closed leagues in relation to open leagues given that in closed leagues a greater proportion of teams are likely to experience any given level of success within a given period of time (Buzzacchi, Szymanski, & Valletti, 2010). However, the fact that excellence in closed leagues is punished in one way or another (Rosen & Sanderson, 2001) creates the perverse incentive for weaker teams to misrepresent their true quality by purposefully losing games in order to have better chances of picking better incoming players in the end-of-the-season draft, as the league seeks to assign better draft positions to worse teams (Kazachkov & Vardi, 2020). Hence, both open and closed league systems present advantages and downsides from the competitive perspective.

- Pooling TV rights sales at the league level with revenue distribution across teams is common practice in closed leagues. A monopoly power is thus ensured to the league in the market for its derived product, i.e. televised sport. Professional team sports are the only U.S. industry where such cartel behavior is exempted from anti-trust law ever since the Sport Broadcasting Act in 1961. Revenues obtained from gate receipts, sponsorship and merchandising are also pooled and re-distributed. Local TV revenues are the only exception to pooling and re-distribution. TV rights pooling also prevails in open leagues, like in the case of both ACB League in basketball and the First Division of football in Spain, although gate receipts, sponsorship and merchandising are not redistributed.

Although there are differences between open and closed leagues as we have seen, there are common aspects between both leagues that need to be mentioned in order to get a better and more balanced picture of both frameworks:

- Most American sports teams are not stockholding companies whose shares are floated on the stock exchange. Another entry barrier in the case of closed leagues is that club owners do not want to be exposed to the risk of being merged or acquired by an outsider investor or corporation, like it can be the case



of open leagues. Speaking of open leagues, according to Barajas (2004), even if the majority of professional sport teams in Spain are permitted to make use of the flotation of team shares as an alternative to finance their activity, none of the permitted Spanish teams has decided to use this alternative for the following reasons: risk of losing the control of the organization at the hands of an external owner, reluctance to disclose sensitive information to investors, the high costs associated to staying in the stock market and the potential cost of exist, and finally the belief that this alternative will be both time-consuming and costly for the organization. This could be particularly true in the case of the ACB League, as no team from this league is present in the stock market.

- Despite the absence in open European leagues of some of the common redistribution mechanisms in closed leagues, like draft systems or salary caps, it is true that some open leagues have started adopting mechanisms like the collective selling of TV rights in the main European competitions (Spanish Football League and English Premier League, to name but a few) (Carreras & García, 2018) and even a mechanism of Financial Fair Play adoption by the European Football Federation (UEFA) where teams' expenditure will be limited in relation to its income in order to prevent teams from falling into indebtedness (Franck, 2014; Madden, 2015; Mareque, Barajas, & Lopez-Corrales, 2018; Peeters & Szymanski, 2014). The adoption in open leagues of mechanisms that aim to attain a bigger competitive balance for the competition and a bigger financial strength of clubs is a factor of similarity between open and close leagues.

Having said all of this, the main characteristics of open-league European systems and closed-league American leagues are summed up in Table 2.8:

**Table 2.8: Main characteristics of closed and open leagues**

<b>Characteristics</b>	<b>Closed leagues</b>	<b>Open leagues</b>
League system	Closed, no promotion or relegation	Open, annual promotion and relegation
	Leagues are independent and private entities from national sport associations	Leagues are dependent entities to the national sport associations
	Entry of new teams has to be approved by all teams of the league	Entry is based on promotion and relegation from lower leagues

Participation in competitions	Teams do only compete in their respective league	Apart from their national league, teams can compete in European competitions
Market position of clubs	Teams have a monopoly status over a certain urban area (although two teams can cohabitate if the league permits it)	Teams do not have a monopoly status over a certain urban area in a certain sport
Competitive balance mechanisms	Draft system. Worst performing teams are awarded the right to choose first rookie players in the lottery, as a way to increase their competitiveness	Absence of draft system. European legal framework protects player free movement. Competitive balance is sought by promotion & relegation
	Existence of salary caps. Regulates the minimum & maximum amount that teams can pay to players	Non-existence of salary caps. The market heterogeneity and potential legal challenges by European courts
	Collective bargaining agreement to divide income between league's owners and player unions of each league	Collective bargaining agreements are less formalized and players unionization is lower
Player mobility mechanisms	Barter of players between teams	Active transfer market with cash payments for players
Revenue sharing	Sharing of broadcasting income	Asymmetrical sharing of broadcasting income
	Gate sharing	Little or no sharing of league gate revenues
Stock exchange	Shares of teams are not floated on the stock exchange. Owners want to avoid the threat of new investors	Shares of teams can float on the stock exchange, but European clubs do rarely use this option to avoid the threat of new investors
Clubs' objectives	Clubs tend to be profit-maximizers	Clubs tend to be win-maximizers

Source: (Andreff, 2011)

The previous table sums up the most important aspects and the differences and possible similarities between professional sport leagues in Europe and North America, characterized by different approaches to governance, entrance rules and competitive mechanisms, influencing the framework of professional basketball leagues in both sides of the Atlantic, as this chapter has shown.

## CHAPTER 3: STAKEHOLDER THEORY

### SUMMARY

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### 3. STAKEHOLDER THEORY

In the following chapter, an in-depth analysis of the stakeholder theory in both business and sports management will be provided. Given that this project aims to design and apply a methodology to monetize the social value created by professional basketball clubs in Spain to their stakeholders and thereby rests on the tenets of stakeholder theory, we think that it is necessary to analyze this theory from the different angles and contributions made by scholars, both in business and sports management fields. This will serve as an introduction before walking the reader through the methodological process followed in subsequent chapters.

Although we wish to analyze the intricacies and particularities of stakeholder theory, we should bear in mind that the contributions in literature to this theory from the sports management field are more recent than those in business management (Babiak & Wolfe, 2006). The unique role of sport in society and the increased recognition of the ability of sport to address social issues (Walters, 2009) gives professional sport clubs an increasing influence over society in general and communities in particular (Morrow, 2013). In other words, sport organizations are implicitly woven into society, an

integrative characteristic limited in commercial business organizations (Smith & Westerbeek, 2007).

Significantly, we should remember Seth and Thomas (1994), who stated that a firm is: “a purposive and entrepreneurial entity with specialized unique resources which interacts with its environment to maintain long-term viability” (p. 167). In this regard, professional sport clubs’ interactions with their social environment are vital for these organizations (Brown, Crabbe, & Mellor, 2006; Heere & James, 2007; Morrow, 2013). While clubs are increasingly important in financial terms, their social significance is greater still (Hamil & Morrow, 2011). Notably, the nature and importance of relationships between stakeholders and clubs distinguish professional sport clubs from conventional companies (Hamil & Morrow, 2011; Morrow, 2013; Walters & Tacon, 2010).

A number of factors distinguish sport clubs from commercial companies: the nature and importance of relationships between stakeholders and their clubs (Brown et al., 2006; Morrow, 2000), customer loyalty or partisanship (Biscaia et al., 2019; Couvelaere & Richelieu, 2005), high levels of stakeholder engagement and activism (Michie & Oughton, 2005), and the enduring relationship between clubs and geographical communities (Brown et al., 2006; Brown, McGee, Brown, & Ashton, 2010). Moreover, professional sport clubs have undoubtedly become places where divergent institutional logics and conflicting social, commercial and political interests are interacting (Gammelsæter, 2010; Kolyperas & Morrow, 2015).

As it can be seen, the previous characteristics have led to stakeholder theorizing and ideas gathering pace gradually in literature about professional sport clubs (Walters & Tacon, 2010), since these organizations are quite particular in their relationship and dependence towards their stakeholders (Morrow, 2005). Nonetheless, before analyzing in depth stakeholder theory in the context of sports management, we believe that a deep analysis of stakeholder theory in the general business management domain is needed, analyzing both the context and changes in society that have paved the way for the advent of this theory.

In this respect, literature has tried to specify the interests of those groups that the firm should seek to satisfy and prioritize in the running of the business, by means of different theories of the firm (Aoki, 1984; Donaldson & Preston, 1995; Drucker, 1986; Ireland, 1985; Slater, 1997). These theories purport to describe the “objective function” of the firm. That is, they attempt to outline why the firm exists and what its goals are (Clarkson et al., 1994). Hence, those theories that serve as a theoretical premise for the stakeholder theory will be reviewed. In this respect, only the most important contributing theories to stakeholder theory will be analyzed, according to their recognition of the existence of different groups with divergent interests towards the activity of the firm.

Then, an introduction to the main characteristics and the particular purposes of the stakeholder theory will be provided, with a particular focus on the obligations that businesses have towards stakeholders, and a definition of economic, environmental and social value.

The previous introduction to stakeholder theory will be followed by an examination of the main characteristics of stakeholder theory, and an account of the different aspects that stakeholders find valuable from the activity of the firm, while describing at the same time both the key attributes of stakeholders (power, legitimacy and urgency), and the different aspects of stakeholder theory (descriptive, instrumental and normative). These concepts will give us the central tenets of stakeholder theory as a distinctive theory of the firm.

In the following section, the stakeholder concept and the different types of stakeholders will be studied. In this regard, the different definitions about the stakeholder concept coined in literature will serve as a basis to distinguish a variety of stakeholders according to diverse criteria (legal or moral claims on the firm by stakeholders, risk assumed by stakeholders, interdependence between the firm and stakeholders, etc.). Finally, among all the different definitions and stakeholder divisions explained, a particular definition and a stakeholder type will be chosen for our research, this election being justified accordingly.

Finally, the chapter will come to an end with an analysis of the stakeholder theory in sports management. In this section, particular attention will be paid to the particularities of stakeholders in professional sport organizations and the specificities of professional sport clubs when it comes to create value for their stakeholders. Additionally, our own considerations about the motivations of stakeholders in professional sport clubs will be laid out.

### **3.1. Precedents and theoretical contributions to stakeholder theory**

In this section, our main focus will be on those theories of the firm that represent the precedents of stakeholder theory (our chosen theory), that is, those theories from which stakeholder theory has earned insight and that have provided a theoretical corpus by which it tries to explain the personality and purpose of the organization. Hence, we should not regard stakeholder theory as a theory working in isolation, but as a theory that can gain insights and ideas from other theories, as well as a framework or a set of ideas from which a number of theories can be derived (Parmar et al., 2010). Among the theories analyzed, we find the following ones: agency theory, contract theory, customer theory, worker theory, stockholder/worker theory and shareholder theory.

Agency theory defends the prominence of the relationship between the principal (in general, the shareholder) and the agent when running the company (Jensen, 2002; Jensen & Meckling, 1976; Nilsson, 2001), an idea that is defended, albeit in a nuanced

way, by contract theory, a theory that argues that contracts are the basis to understand the firm's relationships with its stakeholders, be they customers, suppliers, owners, etc. (Bolton & Dewatripont, 2005; Donaldson & Preston, 1995; Jensen & Meckling, 1979). For their part, customer theory prioritizes the interests of customers (Drucker, 1986; Collins & Porras, 1994), worker theory emphasizes the prominence of interests of workers (Clarkson et al., 1994; Craig & Pencavel, 1992), while stockholder/worker theory tries to take into account both stockholders and workers' interests (Aoki, 1984; Donaldson & Preston, 1995). Shareholder theory advocates for the recognition of the primacy of shareholders' interests in the running of the business (Friedman, 1962; Groth, Byers, & Bogert, 1996). The final stakeholder theory that we have chosen would merge all the previous theories into a single one (Brenner & Cochran, 1991), positing a joint consideration of the interests of all stakeholders in the running of the business (Donaldson & Preston, 1995; Freeman, 1984; Jones & Wicks, 1999).

In the following paragraphs, the previous theories will be analyzed, just before introducing stakeholder theory and the context and changes that have given way to its recent popularity in literature.

- *Contract theory* is related to the "new institutional economics" and has adopted a critical stand to assumptions about contracts. The main idea that arises from contract theory is that cooperation between the different actors that represent businesses is necessary in order to perform the necessary contracts that are vital for the normal development of the business (Jensen & Meckling, 1976). Contract theorists argue that participants agree to cooperate with each other within organizations (i.e. through contracts), rather than simply deal with each other through the market, to minimize the costs of search, coordination, insecurity, etc. (Donaldson & Preston, 1995). All these contracts, apart from the one with the owners, establish fixed remunerations, while the owners have the right to receive the residual of the firm's operations (Nilsson, 2001). Then, the firm enters into contracts with groups such as employees, suppliers, customers, creditors, managers and owners.

In this regard, all contracts are inherently dependent on the institutional form that exists for contract enforcement, on the ability of contracting agents to acquire and synthesize all relevant information, and on the environmental volatility. Suppliers of inputs (labor, raw materials, capital, etc.) along with the consumers of products implicitly or explicitly enter into a set of contracts which delineate the rights and obligations of the respective participants in the activities of the organization. Since such set of contracts specify the disposition of rewards and contracts arising out of the organization activities, they are important in determining the behavior of the participants and thereby the behavior of the organization as a whole (Jensen & Meckling, 1979).

In addition to formal contracts, there are relational contracts that rely on a range of diverse coordination mechanisms such as “reciprocity norms” and “inter-organizational trust”, embedded in multiplex of exchanges and social interactions. Relational contracting embraces not only unspecified terms and conditions in complex and open-ended contracts, but also collective inter-organizational strategies employing tacit coordination. Pursuing a collective strategy typically depends on unanticipated future conditions that cannot be explicitly written into formal contractual agreements between business partners. Hence, successful strategies require basic trust, mutual understanding, unrestricted learning, and inter-organizational knowledge-sharing to achieve a high level of joint decision making at both strategic and operational levels (Bolton & Dewatripont, 2005), an aspect that is in line with our assumption of the much-needed cooperation between the different stakeholders and their interests in the dairy running of the business (Harrison & Wicks, 2013; Mitchell, Agle, & Wood, 1997).

- *Agency theory* brings more insights into the formal and informal contracts that facilitate exchanges between firms and the bargaining and the negotiations of these contracts. The core of the agency theory is the relationship between the principals and the agents, for example (but not limited to) between the owner of a firm and its management, or between the management and a worker. If the organization is large and complex, the owner(s) are not able to manage the firm and a specific management is engaged instead, that is ownership and manager are separate (Nilsson, 2001). However, such measures require resources, and the principal must face a variety of agency costs (Mitchell et al., 1997).

The bargaining and political nature of these contracts suggests that the relationships behind these contracts are a balance of competition and co-operation between actors, and behavior is induced by a set of motives and incentives, embedded in agreed contracts. Moreover, the theory also reveals the political nature of firms, involved in continuous negotiations of contracts with different stakeholders at the same time (shareholders, workers, customers, etc.) (Mitchell et al., 1997). In essence, the need of competition and co-operation is in line with the previously mentioned idea of business as an organization that coordinates different interests from different actors with the aim of reaching a common goal (Freeman, 1984; Freeman, Wicks, & Parmar, 2004; Harrison & Wicks, 2013).

- In contrast, *customer theory* of the firm puts customers at the centre of the firm and considers them the cornerstone of the activity of the organization. As Peter Drucker (1986) affirms: “Everyone of our institutions today exists to contribute outside of itself to supply and satisfy nonmembers. In fact, businesses exist to supply goods and services to customers rather than with the aim of supplying jobs to workers and managers or even dividends to stockholders (p. 34)”.

Therefore, customer theory requires us to pay attention to customers as the cornerstone of the firm's activity (Drucker, 1986), just like other groups like shareholders or workers. Upholding the previous opinion, Kohli and Jaworski (1990), in their interviews with managers, found that "the idea that profitability is a component of market orientation is conspicuously absent in the field findings. Without exception, interviewees viewed profitability as a consequence of a market orientation rather than a part of it (p. 3)".

Thereby, according to customer theory superior performance is the result of providing superior customer value; it is not an end in itself. A customer value-based theory of the firm would say that superior performance accrues to firms that have a customer value-based organizational culture (i.e. a market orientation<sup>43</sup>), complemented by being skilled at learning about customers and their changing needs and at managing the innovation process, and at organizing themselves around customer value delivery processes (Slater, 1997).

- *Worker theory* of the firm is basically a modified version of Marxist theory (Clarkson et al., 1994). This theory defends that a company owned by workers will have as a primary goal a maximum wage objective for the workers and not so much the profit maximization objective (Craig & Pencavel, 1992). The worker theory of the firm, then, focuses on the changes resulting from replacing the profit-maximizing objective of the neoclassical firm with some other motto reflecting both workers' participation in the decision-making and workers' sharing in the economic surplus (Clarkson et al., 1994).

Among the characteristics and the potential advantages of a worker owned company, we can find the fact that the firm's labor force chooses the management and the administrative structure using a democratic political process. By contrast, in a capitalist firm the owners of the firm's capital assets determine the management and the administrative structure (Burdín & Dean, 2009). Suffice it to say, if production decisions are to be made by workers, they must accept financial responsibility for the outcomes (Bonin, Jones, & Putterman, 1993). Among other peculiarities of worker cooperatives, we could say that even if in many cases non-owner workers are employed, shareholders (workers, in this case) have preference in the event of layoffs.

To ensure that a new shareholder has desirable attitudes and sympathies, the cooperative's board of directors often has to approve any sale of stock, and prospective new owners work for a probationary period in the company. The initiative in establishing the companies has sometimes come from the workers themselves and sometimes from others, but maintaining and increasing

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<sup>43</sup> A market orientation is: "the culture that (1) places the highest priority on the profitable creation and maintenance of superior customer value while considering the interests of other key stakeholders; and (2) provides norms for behavior regarding the organizational development and responsiveness to market orientation" (Slater & Narver, 1995, p. 67).



employment has figured quite explicitly in the cooperatives' goals (Craig & Pencavel, 1992). Therefore, taking all the previous aspects into consideration, we can affirm that worker theory of the firm stands for a ground-breaking concept in free market economies.

- Taking the previous worker theory as a theoretical linchpin, one of the theories that could be considered to be the precursor of the stakeholder theory is the *stockholder/worker theory* of the firm or the "J" theory of the firm ("J" accounts for "Japanese"), proposed by Masahiko Aoki in his book "The Cooperative Game Theory of The Firm" (1984). Aoki (1984) holds the view that firms do not make decisions with the objective of benefiting one of the groups that make up the firm (shareholders, workers or managers, for example) but rather seeking the benefit of all such groups.

In this sense, Aoki suggests that most current firms are such that a single group (shareholders, workers or managers) do not gain all the power in effective decision-making, since any other group could boycott the firm by withdrawing cooperation, and therefore this distribution of power should be recognized and reflected in the normative models of the firm (Aoki, 1984; Clarkson et al., 1994; Ireland, 1985). The necessity of considering the interests of different stakeholders in the dynamics of power of the business with the aim of keeping their support and cooperation towards the organization is one of the most important common points with the subsequent stakeholder theory.

In the co-operative game theory of the firm, the manager might be viewed as a referee in a situation of potential conflict between workers and shareholders for the sharing of the organizational rent of the firm. The latter is basically the difference between firm revenue and costs. A key factor in this potential conflict, however, is that the providers of either labor or capital can threaten to withdraw their goodwill and substantially reduce or eliminate the amount of organizational rent (Ireland, 1985). Thus, a cooperative solution to the division of the participating groups is proposed: Aoki proposes a maximization of a joint utility function of the stockholders and the workers as a solution to this problem, a formula that has been followed by Japanese firms over many decades and that represents one of the key factors of the phenomenal success of the Japanese firms over the last decades (Aoki, 1984; Donaldson & Preston, 1995).

In this respect, among the distinctive characteristics of Japanese firms that point at the joint maximization of stockholder/worker utility are the following: long-term employment relationships are more common in Japan than in other Western countries, wages typically rise more rapidly with tenure (total years of work experience in the firm) in Japanese firms than what they do in other Western countries, while the pattern is reversed in the United States. Personal characteristics such as age, tenure and marital status are important determinants of earnings for Japanese production workers while job

characteristics play a greater role for American workers. In accordance with last evidence, much of the positive slope of wage-seniority curves reflects the firm's intention to guarantee living expenses of workers. Moreover, cooperation among workers in performing tasks is more important in the Japanese firm because its structure is highly dependent on their lateral interactions (Itoh, 1991).

- However, throughout the last decades, the firm understood as a unit prioritizing the creation of economic value has received a great deal of attention from academic literature (Coase, 1937; Conner, 1991; Seth & Thomas, 1994). The property conception of the company coming from the Anglo-Saxon world for the last century has been the most frequently cited to justify the orientation of companies towards their economic role. This has received most robust expression in the Chicago School of law and economics, which treats the company as a nexus of contracts through which various participants arrange to contract with each other. Under this conception, assets of the company are the property of the shareholders, and managers and boards of directors are viewed as agents of shareholders, with all of the difficulties of enforcement associated with agency relationships, but without any legal obligation to any other stakeholder. This view maintains that the rights of creditors, employees and others are strictly limited to statutory, contractual and common law rights (Clarke, 1998).

According to Friedman (1962), the acceptance by corporate officials (or managers) of a social responsibility other than making as much money for their stakeholders as possible undermined the principles of free society. What this viewpoint stresses is the concern about whether in trying to represent the interests of other actors in the business, company directors simply escape from the one truly effective restraint that controls their behavior – that is, their relationship with shareholders –. According to the shareholder perspective, as long as the management is bound by the duty of administering the resources under its control as trustees for the shareholders and for their benefit, its hands are tied and it will not have any arbitrary power to benefit from this or that particular interest. But once the management of an enterprise is regarded as not only entitled but even obliged to consider in its decisions whatever is regarded as of social interest, or to support good causes in quest of the public benefit, according to Chicago's school of thought it gains an uncontrollable power – a power which would not be left in the hands of private managers but would inevitably be made the subject of increasing public control – (Clarke, 1998).

In order to prevent the managers from gaining disproportionate power when running the company, the so-called “*stockholder theory*” or “*shareholder theory*” argues that since the stockholders have contributed to the firm's capital they therefore “deserve” any and all residual earnings (i.e. funds remaining after all

operating expenses have been paid) (Marcoux, 2003; Williamson, 1985). In this respect, one of the main premises of the shareholder theory is that the managers should act as agents of shareholders, as the defenders of the shareholder theory argue that the only actors who assume a risk are the shareholders (Friedman, 1962), and therefore the managers should act on their interest (Boatright, 1994; Easterbrook & Fischel, 1996; Groth et al., 1996; Jensen & Meckling, 1976; Malkiel & Fama, 1970; Rappaport, 1986; Wallace, 2003).

One of the most prominent academics who endorsed this shareholder approach was Michael Jensen (1989). Jensen devised a new model called “Enlightened value maximization” which specifies long-term value maximization for shareholders as the main objective of the firm. This will help managers to make purposeful definitions on the basis of a single dimensional score for measuring the organization’s performance (which should be consistent with the organization’s strategy) and as long as the score is defined properly, this will enhance their contribution to the firm (Jensen, 2002).

However, even if supporters of shareholder theory champion the idea that short and long-term shareholder value maximization should be the main priority of businesses, there would be situations when they could be ready to accept further responsibilities towards other constituent groups, if these policies had an ultimate positive effect on the shareholders’ situation (Clarkson et al., 1994). For instance, additional worker safety expenditures could be justified on the basis of reduced insurance claims, improved employee morale, better corporate image, etc. In this case, the defenders of shareholder theory would posit that for this to be acceptable the measurable financial benefits should exceed the financial costs (Clarkson et al., 1994).

However, the previous shareholder approach is facing a new reality. The assumption that companies should strive for profit at any cost has been undermined by two major blows to the public trust towards businesses as institutions. In the early part of this century corporate scandals like Enron, WorldCom and Tyco reinforced the idea that companies and corporate executives cared little for ethics in their pursuit of profit. The last financial crisis in 2007 brought to light the idea that the risks taken by the managers of financial institutions took their toll on the whole society, in the form of bailouts of banks with public funds by national governments, thereby increasing public deficit, which in turn led to budget cuts that were suffered by the population (Parmar et al., 2010).

Both crises have, at least, two features in common. First, they illustrate that managerial actions have the potential to affect a broad range of people (Clement, 2005). Additionally, they underscore that the pursuit of corporate objectives can easily be disrupted by the actions of unexpected groups and individuals. These challenges, driven by changes and interconnectedness, reveal a need for managers and academics to re-think the traditional ways of conceptualizing the responsibilities of the firm (Parmar et al., 2010).

In light of this new context, the conception that viewed corporations as static and “simple” organizations that were focused on buying raw materials from suppliers, converting them into products, and selling them to customers at a profit, was put into question by the revolutionary work of Edward Freeman (1984).<sup>44</sup> According to Freeman (1984), gone were the “good old days” of worrying only about taking products and services to the market, and gone is the usefulness of management theories which concentrate on the efficiency and effectiveness within this product-market framework.

He argued that a number of both internal and external factors had led both businesses and service organizations to experience turbulence, as a result of the fact that local, national and global issues and groups were having far-reaching impacts on organizations (Freeman, 1984).

Internal change requires us to constantly reassess current objectives in light of new demands by groups that we are used to dealing with such as customers, employees and their unions, shareholders and suppliers. Internal change requires action, but it happens according to well-understood rules; and, difficult as it is, internal change is what we are used to dealing on a daily basis (Freeman, 1984). Summarized by Friedman and Miles (2006) we could mention the following internal changes as proposed by Freeman (1984):

- Both a rise in stakeholder activism following a reduction in the amount of stock required to lodge a resolution and the increased likelihood of poor performing managers being ousted through takeover bids based on large-scale share transactions in the 1960s.
- Adoption of the internet and digital devices to increase the efficiency of businesses (Al Hoderi, 2019).
- A younger labor force with different values requiring authoritarian management styles to be replaced with participative styles and an emphasis on managing culture or shared values, rather than concentrating entirely on strategy and structure.

Regarding external change, it is the emergence of new groups, events and issues which cannot be readily understood within the framework of an existing model or theory. External changes produces uncertainty. It makes us uncomfortable because it cannot be readily assimilated into the relatively more comfortable relationships with suppliers, owners, customers and employees. External change can be understood in terms of the emergence of several new groups and the restructuring of old relationships of lesser importance, who have come to have a stake in the actions or inactions of the corporation. These changes affect the relationships of the business with the previously mentioned internal factors (Freeman, 1984). Examples of external change include (Friedman & Miles, 2006):

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<sup>44</sup> The new version of the book (Freeman, 2010), has been cited 37.092 times in Google Scholar as per the 12<sup>th</sup> of April of 2020.

- Expansion of federal, state, and local government activities that affect businesses since the Second World War, as well as growth of business area activities through the courts, US government agencies, citizen initiatives, effects of foreign governments, and quasi-agencies such as the World Bank.
- Increase in foreign competition.
- The 1960-s consumer movement stimulated by US President Kennedy’s “Consumer Bill of Rights”, which encouraged consumers to pursue what (Hirschman, 1970) calls voice rather than exit responses to dissatisfaction with products and services.
- The environmentalist protection movement associated with the publication of Rachel Carson’s *The Silent Spring* (1962) and the formation of the Environmental Protection Acts.
- Growth of groups concerned with special interests became more influential through changes in communication technology and the financing of elections. The media also became more prominent in business life, exposing business practices.

The changes that have taken place , both internal and external, yield a need of a radical rethinking of our model of the firm (Friedman & Miles, 2006). Hence, this conceptual shift paved the way for the advent of a new theory, stakeholder theory, that would take into account knowledge from other theories of the firm and that would posit the consideration of the interests and concerns of those agents and constituents that show a relationship of mutual interdependence towards the organization in the running of the business (Clarkson et al., 1994; Parmar et al., 2010).

In conclusion, the following Table 3.1 will provide us with an overview of those theories that have contributed to stakeholder theory and their main characteristics that we have already described:

**Table 3.1: Theories that have contributed to Stakeholder Theory & Authors**

Theory analyzed	General description	Authors
Agency theory	<p>Agents should run the business according to the interests of the principals (mainly, shareholders).</p> <p>The relationships between principals and agents are a balance of competition and co-operation, by means of incentives.</p>	<p>Mitchell et al. (1997)</p> <p>Nilsson (2001)</p>
Contract theory	<p>The existence of business depends upon the execution of contracts that are a result of the cooperation between different actors.</p> <p>Participants agree to cooperate with each other through contracts rather than the market to minimize the costs of search, coordination, etc.</p>	<p>Donaldson &amp; Preston (1995)</p> <p>Jensen &amp; Meckling (1976)</p> <p>Nilsson (2001)</p>

Customer theory	Customers are the cornerstone of the business activity. Creating value to them should be the main vision of the business.	Drucker (1986) Kohli & Jaworski (1990) Slater (1997)
Worker theory	Businesses should be ran according to the maximum wage objective for workers.	Bonin et al. (1993) Burdín & Dean (2009) Craig & Pencavel (1993)
Stockholder/ Worker theory	Most current firms are such that a single group (shareholders, workers or managers) do not gain all the power in effective decision-making.  The distribution of power should be recognized and reflected in the normative models of the firm.	Aoki (1984) Clarkson et al. (1994) Ireland (1985)
Stockholder or shareholder theory	Maximization of shareholder value should be the main goal of the firm.  Managers should act as agents of shareholders exclusively.	Friedman (1962) Groth et al. (1996) Jensen (1989/2002) Rappaport (1986) Wallace (2003)

Source: Own elaboration

Having explained the theories of the firm that have contributed theoretically to stakeholder theory, in the following section we will analyze the main general premises of stakeholder theory, some of the most important perspectives of stakeholder theory that have been put forward by stakeholder theorists, while also providing an account of the definitions of economic, environmental and social value that we are going to apply throughout the entire investigation.

### 3.2. Stakeholder theory: An analysis

#### 3.2.1. Introduction to stakeholder theory: general premises, approaches to stakeholder theory, multi-fiduciary perspective and social value definition

Contrary to the rest of the theories that we have analyzed, that consider partially the stakeholders of a business and their interests; stakeholder theory stresses that there are other parties who have an interest in the decision making of a business apart from shareholders; like customers, workers, communities, suppliers and public administrations; and that firms have obligations to this wide range of constituents in the running of the business (Clarkson et al., 1994; Goodpaster, 1991). In the opinion of Freeman (1984), each of the stakeholder groups plays a vital role in the success of a

business. If we explore the logic of the stakeholder concept in practical terms, in terms of how organizations can succeed in the current and future business environment, we are on the proper road to understanding and managing in turbulent times. However, the road is not an easy one. No longer will businesses merely see the results of using the old model in a new environment in terms of law suits and regulations, but also in terms of foreign competition with better products and services who can satisfy a variety of stakeholder needs (Freeman, 1984).

Moreover, we should not lose sight of the fact that stakeholder theory differs from the other theories of the firm analyzed in many other fundamental ways. The stakeholder theory is intended both to explain and to guide the structure and operation of the established corporation. Toward that end, it views the corporation as an organizational entity through which numerous and diverse participants accomplish multiple, and not always entirely congruent, purposes. The stakeholder theory is general and comprehensive, given that it goes well beyond the descriptive observation that “organizations have stakeholders” (Donaldson & Preston, 1995).

It could be argued that it is not a “theory” because theories are connected sets of testable propositions, or because there is too much ambiguity in the definition of the central term to ever admit the status of theory. It is sometimes considered that stakeholder theory is an “alternative theory” of the firm that contradicts the shareholder theory. We will not start a discussion here about the pros and cons of each point of view, but we will adopt the view that stakeholder theory is a framework or set of ideas from which a number of theories can be derived and that has gained insights from other theories as well (Clarkson et al., 1994; Parmar et al., 2010). In other words, we will consider stakeholder theory as a “genre” of management theory that has a set of ideas which can have a variety of uses afterwards (Parmar et al., 2010).

Up until now, stakeholder theory has been analyzed and justified from three main different approaches in academic literature: descriptive or empirical, instrumental and normative. Although these views can examine stakeholder theory from divergent angles, these three approaches represent an enriching complementary view about stakeholder theory as a theoretical corpus that serve us to fully understand the new dimension of business as part of society.

- The stakeholder theory is *descriptive*, as it presents a model describing what the corporation is. In this respect, the descriptive or empirical realm concerns *how* managers deal with stakeholders (Berman, Wicks, Kotha, & Jones, 1999; Mayard, 2007). It highlights the interactions between firms and their stakeholders with the aim of contributing to knowledge, theory and practice. Its justifications are to show that theory corresponds to observed reality. At the same time, it is neither judgmental nor prescriptive. However, it is difficult to claim that it is value neutral (completely objective), as research and researchers are often and even inadvertently value laden and value driven (Amaeshi, 2010; Appadurai,

2000; Darke, Shanks, & Broadbent, 1998; Hardy, Phillips, & Clegg, 2001; Johnson & Onwuegbuzie, 2004; Ritchie & Lewis, 2003).

- The stakeholder theory is *also instrumental*. It establishes a framework for examining the connections, if any, between the practice of stakeholder management and the achievement of various corporate performance goals (for instance, profitability or growth) (Donaldson & Preston, 1995). Firms view their stakeholders as part of an environment that must be managed in order to assure revenues, profits, and ultimately returns to shareholders. Attention to stakeholder concerns may help a firm avoiding decisions that might prompt stakeholders to undercut and thwart its objectives. This possibility arises because it is the stakeholders who control resources that can make it easier or enhance the implementation of corporate decisions (Pfeffer & Salancik, 1978). In short, stakeholder management is a means to an end. From a sort of neutral stance, it may be better aligned to the language of contemporary capitalism than most other perspectives (Chinyio & Olomolaiye, 2010).
- Although the previous division between descriptive and instrumentalist views is significant for the theoretical framework of the stakeholder theory, its fundamental basis is *normative* and involves acceptance of the following ideas (Donaldson & Preston, 1995; Garriga & Melé, 2004):
  - a. Stakeholders are persons or groups with **legitimate interests** in procedural and/or substantive aspects of the corporate activity. Stakeholders are identified by their interests in the corporation, whether or not the corporation has any corresponding functional interest in them.
  - b. The interests of all stakeholders are of **intrinsic value**. That is, each group of stakeholders merits consideration for their own sake and not merely because of its ability to further the interests of some other group, such as the shareholders.

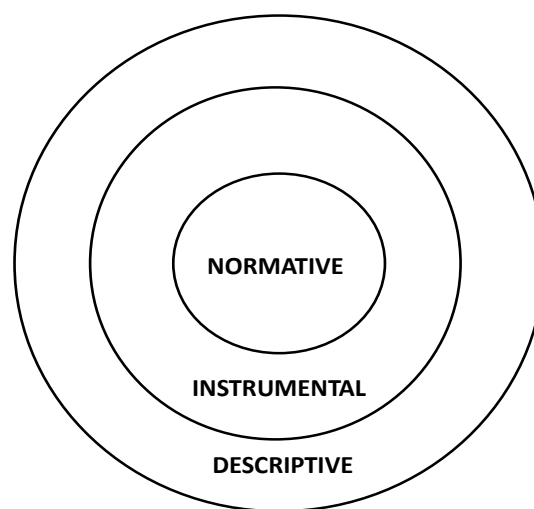
A normative theory attempts to interpret the function of, and offer guidance about, the investor-owned corporation on the basis of some underlying moral or philosophical principles (Donaldson & Preston, 1995). Normative concerns dominated the classic stakeholder theory statements from the beginning (Dodd, 1932), and this tradition has been continued in other versions (Carroll, 1999; Kuhn & Shriver, 1991).

In brief, a striking characteristic of the stakeholder literature is that diverse theoretical approaches are often combined to seek a three-in-one theory (normative, descriptive and instrumental) (Donaldson & Preston, 1995). Nevertheless, we defend a fundamentally normative stakeholder theory from a business management standpoint as we consider that stakeholders' interests have an intrinsic value, irrespective of the possibility that professional basketball clubs could opt to engage with their stakeholders with the aim of improving their business position (that is, with an instrumentalist view).



We defend that a normative standpoint of stakeholder theory is the most adequate one for a management model in professional basketball clubs that aims to create value to the stakeholders of these organizations. Nonetheless, although the instrumentalist view of stakeholder theory does defend stakeholder engagement as a means to obtain bigger returns for shareholders, it could fit with our normative perspective if it advocated for the consideration of the interests of stakeholders to be joined instead of being separated and if the end of the instrumental perspective was to create more value for all stakeholders in general and not for shareholders only. We should not forget that firms that engage with stakeholders have the capacity to create enough overlap in stakeholder interests to generate value for stakeholders to become better off over time (Harrison & Wicks, 2013).

**Figure 3.1: Three aspects of Stakeholder Theory**



Source: (Donaldson & Preston, 1995, p. 74)

Having said that, according to Jones and Wicks (1999), the most important premises of the stakeholder theory are as follows:

- The corporation has relationships with many constituent groups (stakeholders) that affect and are affected by its decisions (Freeman, 1984).
- The theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders (Jones & Wicks, 1999).
- The interests of all stakeholders have intrinsic value, and no set of interests is assumed to dominate the others (Clarkson, 1995a; Donaldson & Preston, 1995).
- The theory focuses on managerial decision making (Donaldson & Preston, 1995).

Friedman and Miles (2006), for their part, added two additional premises of stakeholder theory in their work:

- Principle of corporate legitimacy: The organization should be managed for the benefit of its stakeholders: its customers, suppliers, owners, employees, and local communities. The rights of these groups must be ensured, and, further, the groups must participate, in some sense, in decisions that substantially affect their welfare.
- The stakeholder fiduciary principle: Management bears a fiduciary<sup>45</sup> relationship to stakeholders and to the corporation as an abstract entity. It must act in the interests of the stakeholders as their agent, and it must act in the interests of the corporations to ensure the survival of the firm, safeguarding the long-term stakes of each group.

It is precisely the previous point that has created a major controversy between different stakeholder theorists in academia. Goodpaster (1991) argues that in stakeholder synthesis, understood as the process of decision-making concerning the application of moral (or not moral) values in the relationship between the organization and its stakeholders, we can distinguish two different types of stakeholder synthesis: strategic or multi-fiduciary.

In the strategic stakeholder synthesis, stakeholders' interests other than shareholders are perceived as instrumental, since they are capable of potentially affecting the main business goal of maximizing shareholder value. Stakeholders' interests are taken into account in decision making, but as external forces that affect businesses by way of their good will or retaliation to the attainment of shareholders' objectives of profit maximization. In practical terms, this strategic stakeholder synthesis has two main objectives: firstly it wishes to maximize profits and reduce the cost for shareholders in the short and long term, and secondly it tries to pay attention to the interests of other stakeholder groups that could potentially affect the attainment of the first objective (Goodpaster, 1991).

In contrast, multi-fiduciary view defends that it is possible to imagine that business' management processes information about a stakeholder and paying equal attention of the different stakeholders in a business, be they employees, clients or local communities. This kind of stakeholder engagement can result in management treating stakeholders as if their interests would be equally important and worthy of a joint maximization. This perspective considers stakeholders interests apart from their instrumental, economic or legal influence. This view espouses the idea that by increasing the list of those stakeholders whose interests need to be taken into consideration in the

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<sup>45</sup> Fiduciary duties are duties of one who holds something in trust. The duties required are honesty, adequate care for that which is entrusted, and transparency and trust that the fiduciary will avoid personal gain or harm to the beneficiary. This is most commonly associated with the relationship between management and shareholders. Unlike other agents that provide the corporation with various types of capital, contracts or other forms of safeguards do not protect their shareholders (due to their claim being residual and not relating to specific assets) rendering their investment open to greater risk. Consequently, fiduciary duties are imposed on managers to protect the shareholders as legal owners who are not in a position to manage their own affairs. Legally, the relationship is not with the shareholder but with the shareholders' investment (Friedman & Miles, 2006).

running of the company then there is a bigger chance of introducing the ethic responsibility concept in the decision making of a company. This view argues that managing stakeholder relationships is morally mandatory, and not an optional choice (Goodpaster, 1991).

Goodpaster (1991) argues that the choice of either vision (strategic or multi-fiduciary) gives rise to a stakeholder paradox, given that ethics seem to forbid and demand a strategic profit-maximizing mindset. The argument is focused on the fiduciary duty of the organization's management with shareholders, specially the duty to keep the promise to maximize shareholder profits, and the concern that the multi-fiduciary stakeholder approach would dilute managers' fiduciary responsibilities towards the shareholders, turning other stakeholders into quasi shareholders. This objection would be rooted on the belief that the obligations of managers (agents) towards the principals (shareholders) are stronger or in any case different than the agents towards the third parties (Goodpaster, 1991).

Nonetheless, Boatright (1994) took issue with the previous argument of Goodpaster (1991), asserting that the identification of fiduciary duties with shareholders and non-fiduciary duties with the rest of stakeholders is not accurate at all. Instead, he argues that much of the fiduciary duties that managers hold are not towards shareholders, but towards the organization as an entity with its own interests that, in occasions, can conflict with the interests of shareholders. In this regard, businesses could have other fiduciary duties with other stakeholders, like creditors (the duty to be solvent and to pay off the debts) and the employees (to treat them with respect and dignity and to respect the commitments made to them).

For the previous reason, Boatright (1994) argues that the stakeholder paradox can be solved by splitting the duties of managers towards shareholders in fiduciary and non-fiduciary duties. He thinks that the relationship between management and shareholders is not a relationship that is exclusively fiduciary; instead it is a multiple relationship in which management has some obligations towards shareholders that are fiduciary and other obligations that are non fiduciary. The fiduciary duties of management are limited to the more general issues of organization and strategy, meaning that in the dairy running of the business, where the norm of good business judgment comes into play, the interests of other stakeholders or constituents can be taken into account without the possibility of shareholders filing a lawsuit against management for any breach of fiduciary duties. In this regard, the division of fiduciary and non-fiduciary duties towards stakeholders would be a matter of public policy (Boatright, 1994).

We consider the viewpoint of Freeman (1994) more adequate for the purposes of our research, since he argues that the main problem of the views of both Goodpaster (1991) and Boatright (1994) is that they assume in their models the Separation Thesis that consists of considering both business and ethics to be separated fields, a circumstance that according to Freeman (1994) is present in the normal thinking of business management, ethics and its corresponding literature. Nonetheless, Freeman (1994) stresses that stakeholder theory should deny the Separation Thesis. He argues that there

is always a context for the theory of the firm and that this context is essentially moral. He makes the point that only by recognizing the moral tenets of business theory, improving them and testing and rethinking them we will come up with different and better ways of life.

Then, according to Freeman (1994), if we reject the previous Separation Thesis and try to understand the relationships between the firm and its stakeholders and their intrinsic worth, then we will be able to build a normative core of stakeholder theory that reflects the notions of autonomy, justice and solidarity. We have to take into account that in order to transform these moral notions in the bases of what we understand as value creation, we have to avoid separating the “business” and “ethics” concept. The normative core of this stakeholder theory will capture the basic idea of impartiality, in terms of moral rights as they are applied in the business, and if it recognizes that the inequalities among stakeholders are justified if they increase the well-being of the least favored stakeholders. The idea of autonomy is captured when it is understood that each stakeholder should be free to come to agreements that will create value for him or herself, while solidarity is reached by way of the mutuality of interests of stakeholders.

Among the main criticism against the theory, we can find that some authors assume that stakeholder theory is socialism and refers to the entire economy (Parmar et al., 2010). Phillips, Freeman and Wicks (2003) argue that stakeholder theory is first and foremost a theory of organizations, not a theory of political economy. Stakeholder theory has been developed as a system of voluntary exchange for individuals within a capitalist economy. It is decidedly not a form of socialism or a set of social policies to be enforced by the state. Another typical misunderstanding is to think that stakeholder is primarily concerned with the distribution of financial outputs. Debates regarding stakeholder theory frequently focus on how much each group gets (typically monetarily) from the organization. However, equally important is the matter of who is allowed to take part in decision-making concerning organizational objectives and strategies. In this regard, it should be clarified that stakeholder theory is concerned with who has an input in decision-making as well as with who benefits from the outcomes of such decisions. Procedure is as important to stakeholder theory as the final distribution (Phillips et al., 2003). Among the major findings of procedural justice research is that people are more accepting of outcomes when the procedure for distribution is perceived as fair – even in situations where the outcome itself is poor (Phillips et al., 2003).

### **3.2.2. Stakeholder utility functions: dimensions of value creation for stakeholder and perceived utility by stakeholders**

Once we have provided the previous necessary clarification about stakeholder theory’s purposes and character, we will now specify that stakeholder theory will then have to address three interconnected problems in business: the problem of value creation and trade (in a rapidly changing and global business context, how is value created and traded?), the problem of ethics in capitalism (what are the connections between

capitalism and ethics?) and the problem of managerial mindset (how should managers think about management to better create value and explicitly connect business and ethics?) (Parmar et al., 2010). Of the three previous challenges, the problem of value creation and trade is the one that we will be focusing on (Goodpaster, 1991). Therefore, it is necessary to see the previous problem of value creation and trade as a process of creating value for stakeholders. Understanding the economics of markets is important, but at the center of starting, managing and leading a business is a set of stakeholder relationships which define the business (Parmar et al., 2010).

In this regard, at first glance it may seem that the interests of stakeholders are diverse and that conflict could arise between them. If we make use of the argument that the firm has a fixed set of resources, each and every stakeholder will try to get a larger amount of these resources, thereby diminishing the amount of resources left for others (Harrison & Wicks, 2013). On the contrary, stakeholder literature posits that firms which conceive stakeholder interests to be joined obtain a better financial performance than those who see the stakeholder interests in conflict with each other (Freeman, 1984; Freeman et al., 2004). Even if there will always be conflicts between stakeholders' interests, we know from experience that organizations are able to operate in ways that attract stakeholders and create enough overlap in their interests for them to function. In fact, stakeholder theory highlights the underlying overlap of stakeholder interests in generating value and describes the operations of a firm as a mechanism for all stakeholders to become better off over time (Harrison & Wicks, 2013).

Realizing that stakeholders and business people represent a shared community, we can build more effective methods of value creation that forge a conceptual and practical link between capitalism and ethics (Parmar et al., 2010). In our eyes, stakeholder theory can contribute enormously to the new conception of businesses as organizations that create a more holistic value (also called shared value) to its stakeholders. This shared value would encompass economic, social and environmental value, not just financial profit per se (Porter & Kramer, 2011). At this point, we should clarify that all businesses (whether they are for-profit or non-profit) should seek to create value. But what do we consider as value?

When referring to social value, it is often associated with non-economic utility created to one or more people (Groth et al., 1996). This concept stems from the concern that contemporary businesses should demonstrate the wider roles they play in their society, beyond their balance sheets or market values, recognizing the wider role they can play in local communities and the social benefits they can generate (Brown et al., 2010). In our case, the definition that we will adopt will be the relatively recent one of Lazcano et al. (2019), that defined social value as the "utility provided by social assets generated by an organization to their stakeholders or interest groups related to the organization" (p. 149), understanding social assets as those that provide well-being or discomfort to some group members of society.

However, a traditional problem that we find in literature is that the concept of value is already understood as economic value (Agle, Mitchell, & Sonnenfeld, 1999; Harrison &

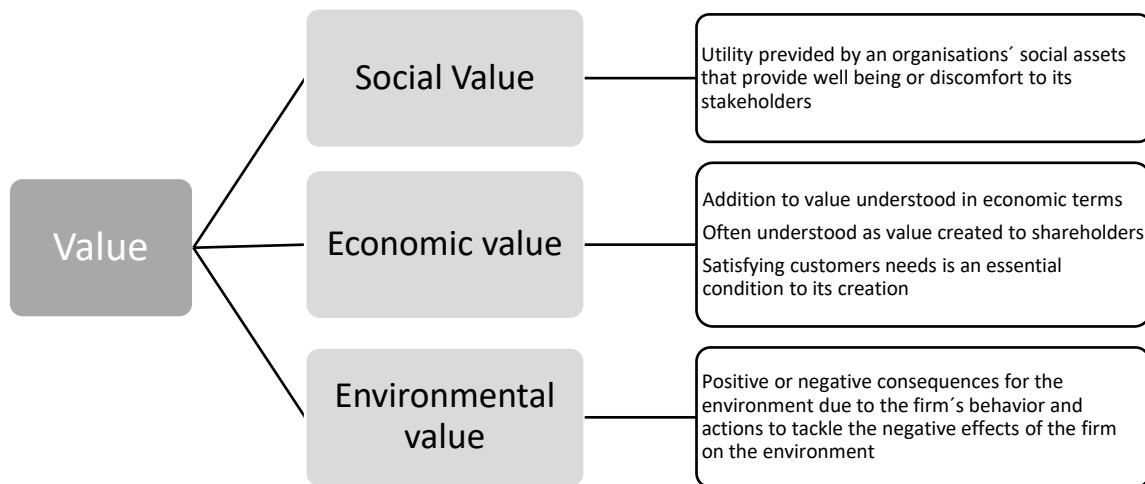
Wicks, 2013). Economic value represents the addition to value one can measure in monetary terms (Groth et al., 1996). There is no prospect of creation of economic value unless a company satisfies customer need. For example, customers derive benefit from purchasing a company's product or service and their purchase results in an increase in the value of the company. In general, it is assumed that economic value occurs when the following process happens: customers buy our products or services in order to fulfill their needs, customers pay us, and after covering all costs, the return remaining for the providers of capital is greater than the required rates of return, or greater than the cost of capital (Groth et al., 1996). Economic value is often associated to shareholder value, placing shareholders at the top in analysing the economic performance of a business. This shareholder value approach estimates the economic value of an investment by discounting forecasted cash flows by the cost of capital. These cash flows, in turn, serve as the foundation for shareholder returns from dividend and share price appreciation (Banerjee, 2000; Rappaport, 1986).

As regards environmental value, it would be the positive or negative value created by businesses in relation to their environment, in terms of the consequences for the environment of their actions towards the environment and the actions they adopt to redress the negative effects of them. This can comprise the total materials used other than water, the energy used, biodiversity, emissions (greenhouse gas emissions, for instance), total waste, etc. and the consequences for the company for not complying the laws (fines or prosecutions by courts) (Deegan & Gordon, 1996). In this respect, all the efforts by the companies to improve their environmental performance far and beyond the requirements of the law should be included (Buhr, 1998).

In this sense, one of the main challenges that society has faced has been the unsustainability of current systems of economic organization and behavior. As the engines of that organization and behavior, it is arguably the companies which owe the greatest accountability to society and about whom most (but not all) ecological reporting is concerned (Gray, 2006). The concern of many businesses about the effects of their activity in the environment is not new, but businesses are thought to have understood that the disclosure of the effect of their activity on the environment is helpful for them to attain legitimacy. In this respect, generally businesses are hopeful that this disclosure will help them alter the perceptions that some industries are "dirty" and "irresponsible", as a way to keep on counting on the support of their constituent groups and to avoid heavy fines or lawsuits from the authorities (Gray, Kouhy, & Lavers, 1995; Magness, 2006).

Hence, the following Figure 3.2 will reflect the three kinds of value that have been mentioned:

***Figure 3.2: Economic, Environmental and Social Value in Business***



Source: Own elaboration

According to Elkington (1997), the identification of the previous three dimensions of performance (social, economic, and environmental) would lead to a new accounting framework that incorporates these dimensions and that would be called “Triple Bottom Line” (from now on TBL). These dimensions are also commonly called the three Ps: people, planet and profits. However, one of the main weaknesses of this concept is that there is not any universal standard methodology for calculating the TBL nor any universally accepted standard for the measures that comprise each of the three TBL categories (Slaper & Hall, 2011), although this is a concept that has received extensive research in literature (Gimenez, Sierra, & Rodon, 2012; Kleindorfer, Singhal, & Van Wassenhove, 2005; Savitz, 2006), a circumstance that could make it easier the task of unifying criteria in the future. However, the discussion about the practicalities and the characteristics of the Triple Bottom Line, although interesting in academic literature, falls outside the scope of our Thesis.

As previously said, social value will be our main concept of interest in this Thesis. It is our understanding that social value comprises both economic and non-economic aspects, reflected in the concepts of “market social value” and “non-market social value” respectively. Social value refers to the utility created at present to the different stakeholders of the company and that are perceived by them, albeit each stakeholder might perceive each value dimension (whether it is economic, social or even environmental) with different intensity, as human beings are complex and might perceive each value dimension differently according to their preferences (Freeman, Stewart, & Moriarty, 2009). The main potential of our conception is that we believe that economic, social and environment aspects can be incorporated in a financial language, giving us the capacity to combine the different dimensions and show a more holistic picture of the value created by the organization (Lazcano et al., 2019).

Considering that we could define “value” broadly as anything that has the potential to be of worth to somebody, the term “utility” will be understood to reflect what a

stakeholder receives that actually has merit in the eyes of the stakeholder – it will be a function of the stakeholder's utility function, which expresses the stakeholder's preferences for particular types of value. All stakeholders have decisions to make in terms of whether the utility a firm provides to them is greater than what they give up from other opportunities. By this logic, firms that tend to make stakeholders better off will be ones that are able to retain their support and participation, and thereby the more likely they will be to thrive over time. Stakeholders themselves determine their own utility functions based on individual preferences, and these preferences come from perceptions regarding how transactions, relationships and interactions with the firm influence the utility they receive (Harrison & Wicks, 2013).

In essence, in the eyes of Argandoña (2011b), the theory of value creation from a stakeholder perspective should assume that:

- 1) All those stakeholders that create, capture value and/or take risks whether in their relationship with the business (owners, managers, employees), outside of it (consumers, suppliers) or receive the impact of business externalities and insufficient information (local communities, environment, future generations, society in general), should be considered stakeholders, at least when it comes to consider the process of value creation and division among stakeholders.
- 2) The maximization of value for consumers and suppliers of resources is not sufficient in order to reach a socially optimum point, because it leaves out (willingly or unwillingly) other relevant stakeholders.
- 3) The relationships between the stakeholders and the business should take into account not only the exchange of goods and services in return for a price, but also other variables, like the existence of alternatives (that restrict market power), the provision of information (and of those means to process and use it in a rational way) and the protection against negative externalities (if the affected party has no means to defend against them), etc.

With respect to the measurable outcomes of the firms that we could expect from a managing-for-stakeholder approach, we could include growth, efficiency and higher levels of innovation (among others). We cannot expect, therefore, that shareholder value will necessarily be maximized at any point in time. Consequently, while greater value may be created in the entire system through a managing-for-stakeholder approach, such value may be hard to detect by traditional shareholder return financial measures, because the value distributed to shareholders does not provide a complete picture of the value that is created. Inability to accurately measure total value created can act as a deterrent to implementing the managing-for-stakeholder's approach, because some stakeholders (i.e. managers, shareholders, creditors) may consider bottom-line profits as the most important or valid criterion of success. These stakeholders can put pressure on the firm to abandon its managing-for-stakeholder approach (Harrison, Bosse & Phillips, 2010). Hence, our development of alternative



metrics that measure social value creation for stakeholders apart from shareholder value creation aims to give an answer to the previous problem.

Hence, we should not forget the notion that much of the value stakeholders get from working with stakeholder-friendly firms may not be captured in economic measures. Even if economic returns are fundamental mainly to the firm's shareholders, most stakeholders want other things as well (Bosse, Phillips, & Harrison, 2009). Attention to those factors may prove critical to understanding why firms succeed over time, why stakeholders are drawn to (and remain with) some firms, and which firms do the most for their stakeholders (Harrison & Wicks, 2013). This is in line with the idea that firm performance could be defined as the total value created by the firm through its activities, which is the sum of the utility created for each of a firm's stakeholder, a conception which is in line with Freeman's (1984) idea that the corporation should serve the interests of multiple stakeholders.

Part of what holds the stakeholder cooperation together and generates utility for stakeholders is the presence of shared norms that go beyond strict self-interest. Most people operate within forms of happiness and reciprocation (Cropanzano & Mitchell, 2005; Fehr & Gächter, 2000; Rabin, 1993, 1998; Rawls, 2009), and even it has been argued that love is a motivating agent in organizations (Argandoña, 2011a), all of which may provide direct and indirect forms of value for stakeholders (Harrison & Wicks, 2013). Taking these factors into account, according to Argandoña (2011b) stakeholders could perceive value in the following six dimensions:

- 1) *Extrinsic values of economic nature (economic value)*: They are created by means of the collaboration of the employee, and they can be appropriated by one or another stakeholder, like the salaries of the employees or the profits captured by shareholders.
- 2) *Extrinsic immaterial values that the business gives*: for example, recognition, some kinds of formation, etc. These values do not belong to the economic value created, but they can be a kind of participation in the intangible values (for instance, the personal prestige derived from the fact of working for a prestigious company). They can complement the economic value (apart from the salary earned, the employee would like to get a positive recognition from the company he works for) or substitute it (an honorific distinction could be a way of compensation, instead of a pay rise) but we should not forget that compensations for employees cannot be substituted entirely for positive recognitions.
- 3) *Psychological intrinsic values*, like the satisfaction for the job done. They are created within the agent in question, and they do not belong to the creation of income nor can they be appropriated by the business or by other stakeholders. Nevertheless, they can contribute to the creation and destruction of it. They can be considered as (partial) substitutes of extrinsic values by the employees.

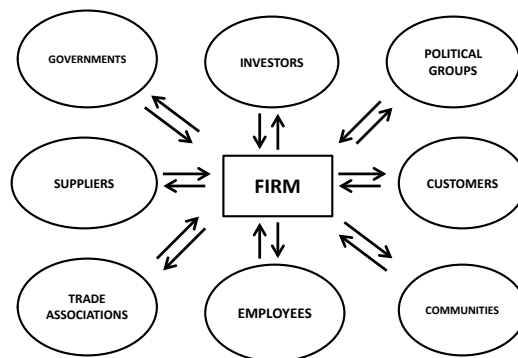
- 4) *Intrinsic values in the form of operative learning (acquisition of knowledge and capacities)*. They are created within the agent, and not within the company, but probably in close cooperation with other stakeholders. Moreover, they do not belong to the economic value created, but they can contribute to the creation of future economic value, and they can also be (partial) substitutes of it.
- 5) *Transcendental values that represent evaluative learning (acquisition of virtues and bad habits)*. They are created within the agent as a consequence of his or her decisions, and they modify his capacity to assess the consequences of those decisions on him and on other agents. They do not pertain to the economic value created, they can't be seized by the business, and the employee creates them within himself, without any previous expectation or intention of doing so. These values condition the capacity of the employee to make future decisions that would lead to the creation of all the previous values that we have mentioned. Therefore, they are necessary in order to develop adequately the future relationships between the business and the employee. In this sense, they can't be substituted by other types of values. Finally, it should be noted that these transcendental values belong to the ethics domain.
- 6) *Values that represent externalities (be they positive or negative)* that are perceived by different agents than those to whom we have a relationship or transaction. For instance, the interrelationships between the employee and the business can undermine the environment, or they can create knowledge that could have positive effects on other people, or could motivate corrupt actions on the part of third parties (bad examples), etc. These positive or negative values do not appear directly in the relationship between the business and the employee, but they have an impact over others by means of the evaluative learning that they provoke – a kind of knowledge that represents a way to internalize the effects of these values –.

These kinds of values are present in each and every relationship between the business and the stakeholders; they are created in more or less intensity in each action, quite usually without the interested parties being aware of that. They can be cumulative or with limits, or positive or negative. At the same time, they can lead to an increase or decrease in value creation in the long term, since operative and evaluative learning improve the capacity of the business and the people to create more extrinsic value. In this regard, if we develop the concept of “value”, the expression “creating value for more stakeholders” takes on a new sense that goes well beyond the extrinsic value of economic nature in order to include other types of value dimensions that stakeholders need in different proportions and for different “uses”, even if they do not know it (Argandoña, 2011b).

We should consider the possibility that part (if not all) of these values will be perceived to an extent by the stakeholders of the professional basketball clubs we seek to analyze. The most obvious value dimension perceived by stakeholders is the first one (the

economic one) by salaries and profits, but other dimensions of value of intangible character like emotional satisfaction, personal prestige of working for a company, satisfaction for the job done, acquisition of knowledge and capacities, etc could be important for basketball clubs' stakeholders. We should also clarify that these value dimensions should not be considered to work in isolation, given that what happens at one part of a system influences other dimensions as well (Freeman, Martin, & Parmar, 2007; Mathur, Price, & Austin, 2008). This system can lead to a dynamic of positive or negative reciprocity, depending on the value creation approach that the company has chosen. What emerges from this discussion is a picture of a firm at the center of a network of stakeholders whose behavior is influenced, in part, by the treatment that the firm gives to other stakeholders (Harrison & Wicks, 2013), as shown in the Figure 3.3 below:

**Figure 3.3: The Stakeholder Model: Firm – Stakeholder Relationships**



Source: (Donaldson & Preston, 1995, p. 69)

Within the previous value creation cycle shown in the Figure 3.3, if there is positive reciprocity, we could consider a case where employees believe they have received a good deal in terms of total value from a firm, compared with their opportunity cost. Those employees, according to the principle of reciprocity, are likely to give effort and loyalty above that which would otherwise be the case (Vandewalle, Van Dyne, & Kostova, 1995). Their behavior can result in products that are better or that are produced more cheaply, which leads the firm to augment its value proposition to customers. As value to customer increases, so does demand. Demand leads to growth in sales and profits, which provides more value to investors and profits that managers can reinvest, with part of that reinvestment going back to employees as value in the form of higher compensation. An important assumption to this cycle is that the firm will continue to incorporate distributional justice such that a portion of the incremental value will be distributed back to employees to reinforce their behavior (Harrison & Wicks, 2013).

On the contrary, the previous value creation cycle also supports negative reciprocity. We will begin with the customer. If managers, with the objective of enhancing their own welfare, reduce the value proposition to their customers either through unjustified price increases or reduction in the quality of the product, they will be transferring value from customers to the firm and ultimately to themselves (through other bonuses or other forms of compensation). Customers would recognize the reduced value and demand would drop. Without continuing through the rest of the cycle, it is easy to understand how eventually the total value created in the system would be reduced. If managers persist in this behavior they might reduce the value proposition to customers again, resulting in a loss of customer demand for products, which in turn would undermine future prospects for the firm (Harrison & Wicks, 2013).

Moreover, in order to weigh up the holistic value that a firm creates to its stakeholders, Harrison and Wicks (2013) presented a stakeholder-based perspective on firm performance that is derived from the value that a firm creates through its activities. It was based on the core ideas that all of the firm's legitimate stakeholders have customer-like power to engage or not to engage with a firm and that the utility that is created for one stakeholder is dependent, in part, on the behavior of the firm's other stakeholders. Furthermore, it also assumes that stakeholders determine their own utility functions. The amount of utility they receive from the firm influences whether they choose to engage with the firm and how they act when engaged in transactions with the firm.

The perspective draws our attention to four factors that emerge from a focus on stakeholders and the value they seek from their relations with the firm. The factors incorporate not only the tangible value stakeholders seek, but also consider the process and distribution of value (Harrison et al., 2010). The four factors are defined in terms of the perceived utility stakeholders receive from the firm, consistent with the idea that perception influences utility (Harrison & Wicks, 2013):

- 1) *Stakeholder utility associated with actual goods and services:* Perhaps the most obvious source of utility for stakeholders is found in the physical goods and services provided by the firm, where physical goods include financial remuneration in a variety of forms. Some of the value given up by consumers includes time and effort, as well as uncertainty regarding the extent to whatever is purchased will really provide the expected level of utility. A reasonable goal for the firm with regard to its customers is to create goods and services that are perceived as providing a highly positive ratio between the utility received and the value given up (Harrison & Wicks, 2013).

Similar thinking could be associated to all other stakeholders of the firm. Suppliers renounce goods and services as well as time and other resources, and are subject also to transaction uncertainties, in exchange for financial (and other forms of) payment. Financiers provide capital and face uncertainty in the hope that they will obtain financial returns from the organizations they invest. Employees give their time, efforts and other resources in exchange

for salaries and other firm-specific tangible benefits. Communities provide location and infrastructure, and frequently they also provide a large part of the work force in exchange for tangible benefits such as employment of its citizens, tax revenues and economic growth. Other stakeholders may also be included in the list depending on the situation of the firm (Freeman, 2001; Hill & Jones, 1992).

- 2) *Stakeholder utility associated with organizational justice*: It has been demonstrated that most people operate within norms of fairness and reciprocation (Cropanzano & Mitchell, 2005; Fehr & Gächter, 2000; Rabin, 1993, 1998; Rawls, 2009). The organizational justice literature examines several types of fairness. Distributinal justice means that actors believe that material outcomes received as results of transactions with another party are perceived as fair in comparison with the material outcomes received by other parties (Adams, 1965; Rabin, 1993). Procedural justice pertains to the fairness of the rules and procedures used to determine outcome distributions or allocations. In turn, interactional justice consists of two types of interpersonal treatment: interpersonal justice, reflecting the degree to which people are treated with politeness, dignity and respect by authorities or third parties involved in executing procedures, or determining outcomes. The second, labeled informational justice, focuses on the explanations provided to people that convey information about why procedures were used in a certain way or why outcomes were distributed in a certain fashion (Colquitt, Conlon, Wesson, Porter, & Ng, 2001). A firm that treats stakeholders respectfully would be considered interactional just (Harrison & Wicks, 2013).

In this respect, organizational justice is important to value creation as people reciprocate and they value being treated fairly. For instance, firms can succeed in raising group work norms and average effort by paying workers a gift of wages in excess of the minimum required, in return for their gift or effort above the minimum required (Akerlof, 1982; Yellen, 1995), even if from a purely economic perspective, a firm that pays more than the employee's opportunity cost would be wasting resources. Nevertheless, the reciprocation argument does not only apply to financial remuneration solely.

For instance, a firm might provide wage and benefits that satisfy, but do not exceed, employee expectations based on distributinal justice. However, employees might still receive utility from the firm that is worthy of positive reciprocity due to the way they are treated from the perspectives of both procedural and interactional justice. The same logic could be applied to the other firm's stakeholders. The key is to determine what matters to stakeholders and to provide them for an amount of utility that they perceive

as favorable (Barney & Hansen, 1994; Harrison et al., 2010). Negative reciprocity can have a negative impact on human behavior (Bewley, 1998).

Nonetheless, stakeholder theory can also provide a lens for understanding how the way a firm treats one stakeholder can influence relationships with other stakeholders (Freeman, Harrison, & Wicks, 2007; Rowley, 1997), on the basis of the phenomenon called generalized exchange. Generalized exchange involves multiple actors who are part of an integrated set of transactions in which reciprocations are indirect, in the sense that there is not a one-to-one correspondence between what actors take from and give to another actor (Ekeh, 1974).

Within generalized exchange, the actors put events in the context of other events that have happened over time. Stakeholders have memories and expectations. A firm may make a decision or pursue a course of action that is inconsistent with the desires or needs of a stakeholder at one point in time; however, that stakeholder can put that decision or action in the context of other decisions or actions that the firms have pursued in the past or are expected to pursue in the future. Generalized exchange explains why stakeholders are sometimes willing to sacrifice some of the value they receive if they believe it is in the best interests of the other stakeholders of the firm over time. For instance, employees may be willing to take a pay cut or suppliers may be willing to rewrite a contract as long as their views are considered and there is an expectation that their interests will be addressed in the future (Harrison et al., 2010). Generalized exchange, then, provides a partial answer to the question of why the whole of stakeholder relationships can be greater than the sum of its parts (Harrison & Wicks, 2013).

In the same way, trust is vital to both reciprocity and generalized exchange and is fostered by the presence of fairness in relationships among parties. Trust is understood as “the willingness of one party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (Mayer, Davis, & Schoorman, 1995, p. 712). Assuming bounded rationality, that is, a situation when beyond a certain level of complexity human logical capacity seems to cope (Arthur, 1994), a stakeholder is probably unlikely to exhibit behaviors such as incremental effort, generosity and loyalty unless there is some expectation that the firm can be trusted to reciprocate by distributing some of the additional value created back to that stakeholder in question. This additional value might come in the form of more or better tangible goods and services, which may include financial remuneration (distributional), greater consideration of the needs of the stakeholder in organizational decision processes (procedural) or simply better treatment during transactions (interactional) (Harrison & Wicks, 2013).

- 3) *Stakeholder utility associated with organizational affiliation*: Stakeholders also receive utility from affiliating with organizations that exhibit behavior that is consistent with things they value. In this way, they could identify with the firm. Social identity theory explains that the organizational identification is a specific form of social identification. It may provide an answer to the question: Who am I? If the firm embodies characteristics that are considered valuable by, for example, its employees, organizational affiliation can provide feelings of connectedness, esteem and empowerment (Ashforth & Mael, 1989).

As employees invest energy, effort, time and attention in the firm they develop feelings of “psychological ownership”, which provides a sense of responsibility, shared interest and motivation to work at high levels. This psychological ownership represents a bonding such that organizational members feel a sense of possessiveness toward the target of the ownership even though no legal claim exists. This sense of ownership manifests itself in the meaning and emotion associated with phrases that connote possessiveness such as “my job” or “our organization” (Vandewalle et al., 1995). Utility through affiliation can also be a source of esteem (supporting a company whose behavior seems virtuous or desirable) and satisfaction (actual happiness that stakeholders feel when interacting with an organization that exceeds what they might feel interacting with another business in the same way) (Harrison & Wicks, 2013).

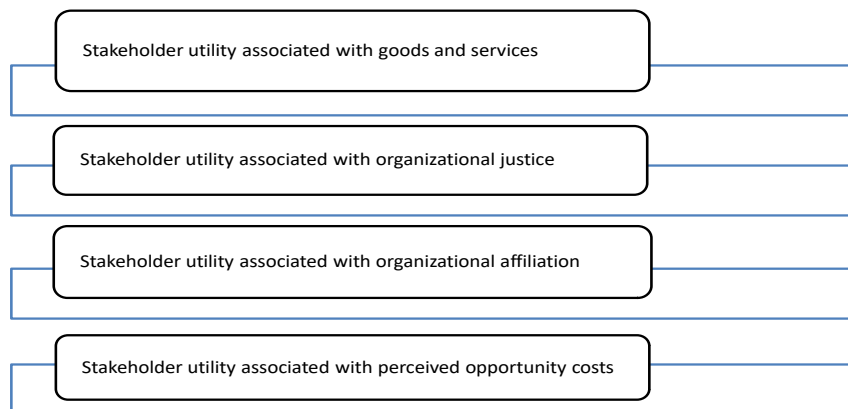
Utility through affiliation occurs, in part, through the ability of actors to obtain benefit from their membership in social networks, as social networks help building credible and trustworthy relationships among actors and they deter members of the network from behaving opportunistically due to the fear of reputation loss if they behave in that way (Lee, Lee, & Pennings, 2001; Nahapiet & Ghoshal, 1998; Portes, 1998). From a stakeholder perspective, conversation between different stakeholders and group affiliation can motivate stakeholders to care about one another’s interests and the success of the firm (Hartman & Phillips, 2011; Putnam, 2000). In fact, Hartman and Phillips (2011) suggest that affiliation can support collective action that benefits all stakeholders involved and serves the larger good they seek through their cooperation. Stakeholder desire for affiliation stimulates stakeholders to contribute to creating more value and discourages them from (opportunistic) behavior that undermines it (Harrison & Wicks, 2013).

- 4) *Stakeholder utility associated with perceived opportunity costs*: Embedded within each of the previous utility factors (goods and services, organizational justice and organizational affiliation) is the notion of opportunity costs (Kerins, Smith, & Smith, 2004). An opportunity cost is “the evaluation placed on the most highly valued of the rejected alternatives or opportunities” or

“the loss of other alternatives when one alternative is chosen” (Spiller, 2011, p. 595). Utility is based on perception, and perception is influenced to a great degree by whether stakeholders believe they are getting a good deal from the organization compared with what they might expect to receive through interactions with other firms that serve similar purposes. For instance, members of a firm’s community are likely to compare the amount of value they receive in terms of tax revenues or employment opportunities to other firms in the community of similar size and scope or even firms in other communities. Suppliers, customers, financiers and employees make similar comparisons (Harrison & Wicks, 2013).

In addition to the interconnectedness of the concept of opportunity costs with the three other factors, each of those factors overlaps the others to some degree. For instance, the way a firm treats a stakeholder with regard to justice and fairness influences their perceptions of the virtuousness of the organization (and thus ability from affiliation) and also the way the stakeholder feels about the tangible goods and services obtained from the relationship. Similarly, tangible utility from goods and services influences perceptions of justice (especially distributive justice) as well as utility from affiliation. Of course, utility from affiliation also influences stakeholder perceptions about the two other factors (Harrison & Wicks, 2013).

**Figure 3.4: Stakeholder utility factors according to Harrison and Wicks (2013)**



Source: Own elaboration from Harrison and Wicks (2013)

In our case, we believe that the previous framework has a great potential in our research, given that we theorize that various utility factors explained fit also our stakeholder value creation model. Obviously, we believe that stakeholder get utility from the procurement of goods and services by the organizations analyzed (Harrison &



Wicks, 2013), but we also defend other sources of stakeholder utility like utility associated to organizational affiliation, given that stakeholder value creation in all sorts of organizations is closely associated to the cooperation between different stakeholders (Dunham, Freeman, & Liedtka, 2006; Schneider & Sachs, 2017) and psychological ownership feelings (De Ruyters & Wetzels, 2000; Morrow, 2000; Wicker, Whitehead, Johnson, & Mason, 2016). We also believe that trust, an important factor to utility associated with organizational justice, is important to realize the co-operative potential in stakeholder relationships that will be helpful for value creation (Bosse et al., 2009; Jones, 1995; Schneider & Sachs, 2017). Concerning opportunity costs, we theorize that this factor is not as important in our research, given that the strong emotional implications and allegiances that professional sport clubs create among many of their stakeholders play an important role when keeping their loyalty towards the organization in turbulent or complicated times (Giulianotti, 2002; Kunkel, Doyle, Funk, Du, & McDonald, 2016).

In addition, previous factors of stakeholder utility identified by Harrison and Wicks (2013) can be combined with some of the value dimensions set down by Argandoña (2011b), specially the feeling of psychological ownership and the potential satisfaction and prestige for working in a company, the goods and services produced, the cooperation between different actors, the need of transaction and cooperation between stakeholders to fulfill each stakeholders' needs, etc. We predict that a significant part of these values will be perceived to an extent by the stakeholders of the professional basketball clubs and have an important influence on the social value created by the professional basketball clubs to their stakeholders.

However, the previous model also presents some potential disadvantages: it operates on the unrealistic assumption that both firms and their stakeholders will act responsibly with regards to the interests of others, avoiding the potential for opportunism that exist in all stakeholder relationships (Das, 2006; Williamson, 1973), in the sense that they will avoid doing things to promote their own interests at the expense of others (Harrison et al., 2010). For this to happen, there should be a strong system of incentives to avoid opportunistic behaviors from all parties, like a reduction of the possibilities of value-creating exchanges for all of those that have violated mutual trust (Sullivan, Haunschild, & Page, 2007).

Another potential criticism for the previous framework is that concepts like generalized reciprocity between stakeholders take a long time to cement. Similarly, confidence that one will be rewarded in the longer term is facilitated by assurance that the procedure by which decisions are made is itself fair and just. These considerations suggest that it may take a while to develop the type of relationship with stakeholders that will lead to a detailed understanding of their utility functions, which can then lead to value-creation opportunities. From an empirical perspective, researchers should be careful to examine performance outcomes after a sufficient amount of time has elapsed since a firm started exhibiting the behaviors described (Harrison et al., 2010).

In this respect, it is important to bear in mind that the context and personal perception of each person involved is important, given that stakeholders themselves determine their own utility functions based on individual preferences (Harrison & Wicks, 2013), consistent with Smith (1798) and Friedman (1962). Their preferences come from perceptions regarding how transactions, relationships and interactions with the firm influence the utility they receive (Harrison & Wicks, 2013). The motivations of human beings are complex and multi-faceted (Freeman et al., 2009). Given that stakeholders motivations are not stable and their preferences change as the alternatives available to them change as time goes by (Harrison et al., 2010), then it will be necessary for the organizations to continually use multiple sources of information about a stakeholder rather than on one source of information (Harrison & Wicks, 2013).

Finally, another inconvenient of the previous analysis is that it does not take into account those situations when a lot of value is distributed to certain stakeholders given their large amount of power or their superior capacity to appropriate the firm's rents (Coff, 1999; Harrison et al., 2010), thereby taking much of the profitability of the business. This situation is not alien to professional sport clubs in Europe, as players and sporting staff enjoy a powerful position and can absorb much of the profitability of the industry by means of higher salaries and retributions, while fans can also influence the way the business is run with their demand of success on the pitch that can force the club to make huge investments in players to reach competitive glory at the cost of the club's financial solvency (Anagnostopoulos, 2011; Senaux, 2008).

Having examined in depth the different dimensions and factors of stakeholders' utility perceptions, the next section will provide a description of the different definitions in literature about stakeholder concept, with an explanation about the definition that we will choose for the rest of the Thesis in order to identify stakeholders. However, previously we will focus on the different attributes that a stakeholder possesses in the eyes of managers (power, legitimacy and urgency), as these attributes will be helpful to understand the different criteria used later on to define a stakeholder.

### **3.3. The stakeholder concept: Meaning and perspectives**

#### **3.3.1. Stakeholder attributes: power, legitimacy and urgency**

When it comes to identify stakeholders, three different attributes are normally used to gain knowledge about the characteristics of stakeholders and to determine what kind of relationship a business should have with them: *power, legitimacy and urgency* (Mitchell et al., 1997).

- **Power:** Pfeffer (1992) added that it is "the potential ability to influence behavior, to change the course of events, to overcome resistance, and to convince people to do things that they would not do otherwise" (p. 29). Etzioni (1964) and Ihlen and Berntzen (2007) suggest a logic for the more precise categorization of power in the organizational setting, based on the type of resource used to exercise

power: coercive power, based on the physical resources of power, violence or restraint; utilitarian power, based on material or financial resources (for instance, the granting of money to employees for control purposes) and normative resources, based on symbolic resources like prestige and esteem, or love and acceptance.

- **Legitimacy:** Legitimacy is considered to be “the perceived validity of a claim to a stake” (Chinyio & Olomolaiye, 2010, p. 3). Whether or not that core of legitimacy is to be found in something “at risk”, or in property rights, in moral claims, or in some other constructs, articulations of “the principle of who or what really counts” generally are legitimacy based (Mitchell et al., 1997). When defining firm’s stakeholders, an implicit assumption has often been made that legitimate stakeholders are necessarily powerful, when this is not always the case (for instance, minority stakeholders in a closely held company), and that powerful stakeholders are necessarily legitimate, when it should not necessarily be like that (for instance, corporate raiders in the eyes of current managers) (Mitchell et al., 1997).
- **Urgency:** This attribute refers to the degree to which a claim demands immediate attention (Chinyio & Olomolaiye, 2010; Fernández Gago & Nieto Antolín, 2004; Mitchell et al., 1997). In the eyes of Agle et al. (1999), urgency is “a multidimensional notion that includes both criticality and temporality, with a stakeholder claim considered to be urgent when it is both important and delay in paying attention to it is unacceptable” (p. 508). Mitchell et al. (1997) believe that urgency exists only when two conditions are met: (1) when a relationship or claim is of a time-sensitive nature (by time sensitivity we understand the degree to which managerial delay in attending to the claim or relationship is unacceptable to the stakeholder), and (2) when the relationship or claim is important or critical to the stakeholder.

Finally, the possession, or the attributed possession, of one, two or three of the previous attributes will help managers evaluate the *salience* of stakeholders, defined as the degree to which managers give priority to competing stakeholders’ claims (Mitchell et al., 1997). Regarding stakeholder attributes, the following features of stakeholder attributes provide a preliminary framework for understanding how stakeholders can gain or lose salience in the eyes of a firm’s manager (Mitchell et al., 1997):

- 1) Each attribute is variable, not steady state, and can change across time for any particular entity or stakeholder-manager relationship.
- 2) The existence (or degree present) of each attribute is a matter of multiple perceptions and is a constructed reality rather than an “objective” one.

- 3) An individual or entity may not be “conscious” of possessing the attribute or, if conscious of possession, may not choose to enact any implied behaviors.

From our perspective, all the stakeholders identified in professional basketball clubs will be strategically important for the organization, possessing at least one of the previous attributes (power, legitimacy and urgency) up to an extent, in keeping with the ideas of both business management and sports management literature (Anagnostopoulos, 2011; Senaux, 2008). We theorize that all those stakeholder groups identified will be vital to the organization’s success and the particular set of threats and opportunities it faces at a particular point in time, in accordance with the position of Carroll and Buchholtz (2006). Moreover, we should not forget that each stakeholder is a part of the nexus of explicit and implicit contracts that constitutes the firm (Hill & Jones, 1992).

Nonetheless, we also agree that managers will play an important role in stakeholder identification (Cyert & March, 1963; Senaux, 2008). In this respect, managers are unique because of their position at the centre of this nexus of contracts. Managers are also the only group of stakeholders who enter into a contractual relationship with all other stakeholders, directly or indirectly, so they could be considered as agents of the rest of stakeholders although they are not strictly hired by them (Hill & Jones, 1992; Senaux, 2008). Then, given that the role of managers is to try to reconcile divergent stakeholders’ interests (Hill & Jones, 1992), their potential contribution to stakeholder identification and management could be very valuable for the stakeholder identification process. For the stakeholder identification process to be successful, though, we will have first to analyze the meaning of stakeholder concept and what it constitutes.

### **3.3.2. The stakeholder concept: definitions and criteria**

The debate in academic literature about what constitutes a stakeholder dates back a long time ago. The previous notion was evident in the case of Jones (1980), who made an early effort to define stakeholders groups in the context of Corporate Social Responsibility (named CSR). He asserted that “CSR is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract (Jones, 1980, pp. 59-60).” Therefore, the following questions should be answered: “What are these groups? How many of these groups must be served? Which of their interests are most important? How can their interests be balanced? How much corporate money should be allotted to serve these interests (Jones, 1980, p. 60)?”

Ever since the 1980-s decade, the stakeholder approach to understand the firm in its environment has been a powerful heuristic device that was intended to broaden management’s vision of its roles and responsibilities beyond the profit maximization to include interests and claims of non-stockholder groups. Stakeholder theory, in contrast, attempts to articulate a fundamental question in a systematic way: which groups are stakeholders deserving or requiring management attention, and which are not? In this section we examine how scholars have so far answered these central questions. Who is

a stakeholder, and what is a stake? Each and every criteria to define a stakeholder will be highlighted in black to stress its importance, and finally a definition of our own will be put forward, one that will be used for the rest of our research and that will be coined on the basis of other definitions quoted.

First of all, it is the view adopted by the existence and the nature of the **stake** that presents a main area of argument, as stakeholder theory attempts to articulate a fundamental question: which groups are stakeholders deserving or requiring management attention, and which are not? For that purpose, scholars have so far tried to answer these questions: who is a stakeholder, and what is a stake? (Mitchell et al., 1997). Carroll and Buchholtz (2006) determined that a stake is an interest or a share in an undertaking. The idea of a stake can range from simply an interest in an undertaking at one extreme to a legal claim of ownership at the other extreme. Such a right might be a legal right to certain treatment rather than a legal claim of ownership, such as that of a shareholder. Excluded from having a stake are only those who cannot affect the firm (have no power) and are not affected by it (have no claim or relationship) (Mitchell et al., 1997).

In order to clarify terms, first and foremost, it is a necessary condition that stakeholders should have some kind of relationship with the firm. Stakeholders should be agents who are in relationship with an organization (Mitchell et al., 1997). According to Freeman (1994), stakeholders are those participants in the value-creation activity of the business. Stakeholders can also be considered as “the **network of relationships** which the corporation is involved in with the employees, customers, suppliers, communities, businesses and other groups who interact with and give meaning and definition to the corporation” (Wicks, Gilbert Jr, & Freeman, 1994, p. 483). Likewise, Hill and Jones (1992) stated that stakeholders are “constituents who have a legitimate claim on the firm, established through the existence of an **exchange relationship** and who supply the firm with **critical resources** and in exchange each expects its interests to be satisfied” (p. 133).

For instance, shareholders provide the firm with capital. In exchange, they expect the firm to maximize the risk-adjusted return on their investment. Creditors provide the firm with finance and in exchange expect their loans to be repaid on schedule. Managers and employees provide the firm with time, skills and human capital commitments. In exchange, they expect fair income, good working conditions and a human treatment. Customers supply the firm with revenues and expect value for money in exchange. Public administrations provide businesses with the permissions and infrastructure to carry out their economic activity, and they expect businesses to abide by the law and to meet their obligations lawfully. This is the mechanism of the exchange relationship by which stakeholders’ legitimacy makes sense (Hill & Jones, 1992).

From another point of view, Langtry stresses that: “stakeholders are groups or individuals, who either are such that the firm’s decision to act, or decision to not act, have been or will be to a significant extent casually responsible for their level of **well being**, or else have some independently **moral or legal claim** on the firm which the firm’s

actions violate or respect” (Langtry, 1994, p. 443). **Legal rights** might include the right to fair treatment (e.g. not to be discriminated against) or the right to privacy (not to have one’s privacy invaded or reduced). A right might also be thought of as a **moral right**, when a person or group thinks it has a moral or ethical right to be treated in a certain way or to have a particular right protected (like fairness, justice and equity). In the same way, Clarkson (1995a) defined stakeholders as: “persons or groups that have, or **claim, ownership, rights, or interests** in a corporation and its activities, past, present, or future. Such claimed rights are the result of transactions with, or actions taken by, the corporation, and may be legal or moral, individual or collective” (p. 106).

For instance, an employee with a long experience in the company or a consumer who has paid a price for a product could invoke those moral rights in their relationship with the company (Carroll & Buchholtz, 2006). In the case of legal or moral rights, one potential downside is that ethical and moral conceptions could differ between different stakeholders or different countries and cultures, giving us a stakeholder definition that could be difficult to put into practice. A moral right can be subject to many interpretations, and legal rights can differ from one country to another (the right of privacy can be difficult to bring into force, specially with the worldwide scope of the Internet and the different legislations in Europe and the United States, for example) (De Terwangne, 2012). In the case of well-being, it is a subjective concept and sometimes subject to personal judgements (Agle et al., 2008).

Clarkson also pointed at the idea that the term stakeholder refers to “those who bear **risk** as a result of firm’s activities”, as “risk is at the root of all stakes, since without risk there is no stake nor can a stake be made” (Clarkson, 1995b, p. 2). This clarification means that “individuals or groups may claim an interest in a firm, but unless that claim is in a form that involves some kind of risk regarding the outcome of events, they are not stakeholders” (Clarkson, 1995b, p. 4). In this sense, Clarkson (1995b) observed that “the firm provides opportunities for persons or groups to acquire stakes in its future success, to assume some form of risk voluntarily by becoming stockholders, employees, customers or suppliers. By taking and using these stakes, the firm and its managers assume the responsibility of providing value in return” (p. 5).

This entails that, contrary to the notion of Freeman (1984) that stakeholders are “any group or person who could affect, or be affected by, the achievement of the objectives of an organization” (p. 46) that has prevailed among many scholars, the term stakeholder should not include every conceivable animate or inanimate object that crosses a manager’s path (Vidaver-Cohen, 1999). According to this framework, governments, competitors, terrorists, the media and activists who bear no personal risk from a firm’s activity fall outside the stakeholder designation and therefore require no reciprocal moral consideration (Vidaver-Cohen, 1999).

In the case of Clarkson (1995b), he observed that “responsible management will take knowledge of other groups or individuals that pose threats or create opportunities for the corporation but that is no reason to include them all as stakeholders” (p. 9). The previous consideration by Clarkson contrasts with the viewpoint of Freeman and Reed

(1983). They affirmed that while executives are willing to recognize that employees, suppliers and customers have a stake in the corporation, many are reluctant to consider the **adversary** groups as stakeholders. Therefore, if businesses are to formulate and implement strategies in turbulent environments, theories of strategies must allow the analysis of all external forces and pressures whether they are friendly or hostile (Freeman & Reed, 1983).

Regarding Starik (1994), he purports that in the definition of stakeholder: “there may be numerous levels of specificity as to what the term stakeholder means, depending on what the user is referring to. The range appears to be bounded in this case, on the one end, by those entities which can and are making their actual states known (sometimes called “**voice**”) and, on the other hand, by those which might be influenced by, or are potentially **influencers** of, some organization or another, whether or not this influence is perceived” (Starik, 1994, p. 90). In the case of Donaldson and Preston (1995), they pointed out that stakeholders are identified through: “the actual or potential **harms and benefits** that they experience or anticipate experiencing as a result of the firm’s actions or inactions” (p. 85).

In the same way, another definition of Freeman (2001) specifies that: “stakeholders are groups or individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions” (p. 41). In this sense, we should notice that the term “respect” is not equivalent to “not violate”. For example, if a firm does not violate the rights of the people in remote regions of the world that does not signify that it respects them: respecting rights involves taking them into account (Langtry, 1994). These definitions, as well as the previous ones by Carroll and Buchholtz (2006), Langtry (1994) and Clarkson (1995a), argue that a stakeholder has a moral claim on the firm. Nonetheless, the analysis of morality and its relation to the stakeholder conception falls outside of our definition of our Thesis.

Concerning those entities that can and are making their actual states known by means of “voice”, we face the risk to exclude those potential stakeholders who can’t make their voice be heard towards the managers, as managers determine who the stakeholders are on the basis of their subjective perceptions (Mitchell et al., 1997), as it has been previously mentioned. Concerning the harms and benefits that a stakeholder experiences or could experience, we face the problematic circumstance that stakeholders might not be fully aware of a future direct or indirect benefit or cost that they could be facing as a result of the firm’s activity, thereby posing an additional problem for this definition.

While the previous authors define the need to establish a relationship between the stakeholders and the harms and benefits they experience, there are those who place emphasis on the **power** of stakeholders over the firm. They are groups “without whose support the organization would cease to exist” or who “interact with the firm and make its operations possible” (Freeman, 1984, p. 31). Among these, it would be worth mentioning the employees, customer segments, certain suppliers, key government agencies, shareholders and certain financial institutions, to name but a few (Freeman &

Reed, 1983). The previous definitions by Starik (1994) and Brenner (1995) also point at the power of the stakeholders over the firm (and vice versa). Nonetheless, a definition of stakeholder based on power alone ignores that there are other attributes like legitimacy and urgency that are also taken into account by managers when it comes to pay attention to different stakeholders, like we have mentioned earlier. Powerful stakeholders are not necessarily legitimate, and at the same time there are powerful stakeholders whose claims are not necessarily urgent in the eyes of managers (Mitchell et al., 1997).

Concerning Edward Freeman (1984), he defined the term in a wide sense: “a stakeholder in an organization is, by definition, any group or person who could **affect, or be affected by** the achievement of the objectives of an organization” (Freeman, 1984, p. 46). This bi-directional approach is also employed in other definitions, like when they were defined as groups who “could impact or be impacted by the organization” (Brenner, 1995, p. 76) or who “are or might be influenced by, or are or potentially are influencers of, some organization” (Clarkson et al., 1994, p. 90). The definition of Freeman is certainly one of the broadest definitions in literature, for it leaves the notion of stake and possible stakeholders unambiguously open to include virtually anyone. In this definition the basis of the stake can be unidirectional or bidirectional –“could affect or be affected by”- and there is no implication or necessity of reciprocal impact, as definitions involving relationships, transactions, or contracts require (Mitchell et al., 1997).

Another perspective from which the definition of stakeholders has been treated has been that of the dependence between stakeholders and the organization in question. According to Freeman and Reed (1983), the stakeholders represent “any identifiable group or individual on which the organization is **dependent** for its continued survival” (p. 91). Freeman (1984) added, in a similar tone, that stakeholders are groups “**without whose support** the organization would **cease to exist**” or who “interact with the firm and make its operations possible” (p.31). Nonetheless, we believe that, contrary to the previous definitions of Freeman and Reed (1983) and Freeman (1984), the dependence between stakeholders and businesses is mutual, as both parties need each other for different purposes.

As it can be seen, there are a myriad of opinions about what constitutes a stakeholder. All of these definitions reflect different conceptions about the term that are really useful to gain an insight about the potential of the stakeholder concept and its applicability, and hence we will not put into question their validity. However, we think it necessary to put forward a definition of our own that reflects the relationship of mutual need and dependence between the stakeholder and the business in question, and that will serve as our reference for the rest of the research:

Stakeholders represent those groups or individuals that hold a relationship of mutual interdependence with businesses, in which businesses are expected to satisfy stakeholders’ demands as a way to obtain the support or at least the absence of hostility
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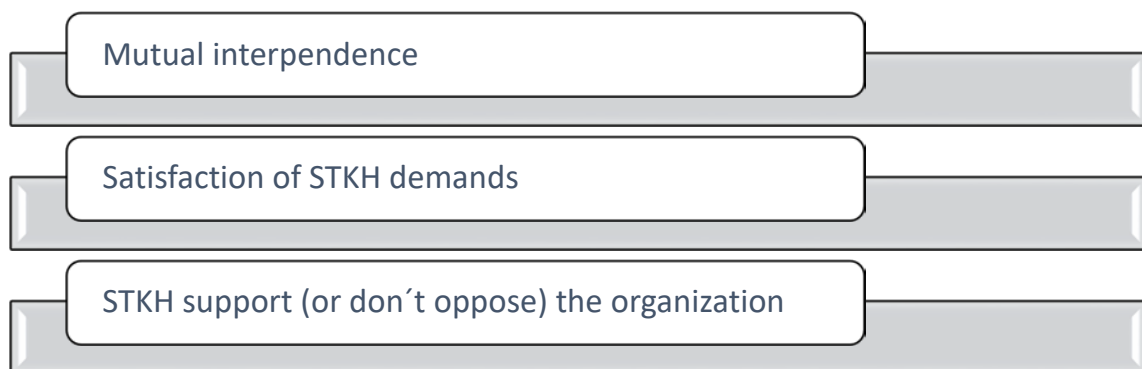


by stakeholders towards the business' activity, a necessary condition to ensure the survival and success of the organization.

Our definition matches the perspective of **mutual power-dependence** relationship already highlighted in some definitions about the stakeholder concept. For instance, Rhenman (1964) argued that stakeholders are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence. Ahlstedt and Jahnukainen (1971) highlighted that stakeholders are participants in a firm driven by their own interests and goals, and thus depending on it and for whose sake the firm is depending. In this sense, the willingness for cooperation remains a key aspect for both parties (firms and stakeholders) in order to help them attaining their respective objectives (Friedman & Miles, 2006).

In the next Figure 3.5, the most important previous definitions about stakeholders will be classified according to different criteria that reflect the different perspectives from which this concept has been analyzed, while also giving an account of some of the authors that came up with those definitions:

*Figure 3.5: Stakeholder definition chosen*



Source: Own elaboration

Once the different definitions about the stakeholder concepts have been analyzed, we will now focus on the classification and sorting of different types of stakeholders according to various criteria, justifying our choice concerning our preferred alternative among the most important classifications that will be examined.

### 3.4. Types of stakeholders

One of the most important tasks when trying to manage stakeholder relationships in a business is, obviously, the identification of stakeholders and their main characteristics; as a way to gather information about them, predict their behavior, identify their strategies and implement a strategy for managing these stakeholders (Chinyio & Olomolaiye, 2010). There are different types of stakeholder divisions, but among them

we have tried to choose, in our view, the most significant ones. At the end of the section, we will choose the stakeholder category that fits best our research and that we will use from now on. Hence, the stakeholders in a project can be divided into (Clarke, 1998; Leung & Olomolaiye, 2010; Newcombe, 2003; Sutterfield, Friday-Stroud, & Shivers-Blackwell, 2006; Winch, 2007):

- *Internal (or inside)* stakeholders, who are defined as those who have a contractual relationship with the client or a subcontract from another internal stakeholder. They usually enter willingly into the project coalition, and are, by definition, positive about the project even if they negotiate toughly for their share of value added by the project. Their claims are usually enforceable directly as breach of contract, since they provide finance or have a legal or contractual relationship with the project.
- *External (or outside)* stakeholders, as those who have direct choice as to whether the project goes ahead and may be either positive or negative about it. They are not normally engaged in transactions with the project, so they might not be considered essential to the survival of it. They rarely have directly an enforceable claim on the project and are therefore reliant upon regulators to act on their behalf, the mobilization of political influence either covertly or through public campaign, or, occasionally, direct action.

Another interesting division is that of *primary* and *secondary* stakeholders (Freeman et al., 2007):

- *Primary or definitional* stakeholders are those who are vital to the continued growth and survival of any business. Take away the support of any of these groups, and the resulting business is not sustainable. This is perhaps less clear in the case of the community, but in a relatively free society, if community interests are not satisfied, then activists go to government for relief, and the result will be increasing regulation that will menace the business itself. What stems from this idea is that there is a high level of interdependence between the corporation and its primary stakeholder groups.

Then, the corporation itself can be defined as a complex set of relationships between and among interest groups with different rights, objectives, expectations and responsibilities. The corporation's survival and continuing success depends upon the ability of managers to create sufficient wealth, value or satisfaction for those who belong to each stakeholder group, so that each group continues as a part of the corporation's stakeholder system (Clarkson, 1995a).

- *Secondary* stakeholders, on the contrary, are those groups that can affect our primary relationships. In this regard, it is necessary for the organization to look at the broader business environment on a routine basis and particularly those groups who influence our primary business relationships (Freeman et al., 2007).

The corporation is not dependent for its survival on secondary stakeholder groups. However, these groups can cause significant damage to the organization if they are disregarded (Clarkson, 1995a).

Therefore, management's level of accountability to a secondary stakeholder may be lower, but these groups may wield significant power and quite often represent legitimate public concerns, so they can't be ignored. Moreover, secondary stakeholders can quickly become primary ones. This often occurs by way of media or special-interest groups when the urgency of a claim (as in a boycott or demonstration) takes precedence over the legitimacy of that claim. At present, the media, with their 24/7 coverage of the news, have the power to transform a stakeholder's status rapidly. Therefore, it could be useful to think of primary and secondary stakeholders for discussion purposes, but we should understand how easily and quickly these categories can shift (Carroll & Buchholtz, 2006; Chinyio & Olomolaiye, 2010).

An additional division or differentiation between *voluntary* and *involuntary* stakeholder groups could be drawn, according to Clarkson (1995b) and Vidaver-Cohen (1999):

- *Voluntary* stakeholders are those capable of withdrawing from the firm any resources they have placed at risk. Penalty may be involved in such withdrawal, but a choice clearly exists. Since they can either withdraw or renew their stakes, they are of strategic importance to the corporation. The firm's moral obligation to these parties is fulfilled when they are reasonably satisfied with the gain in value – or the anticipation of gain – of their stakes.
- *Involuntary* stakeholders, conversely, are those exposed unknowingly to risk as a result of the firm's activities. They not only bear the burden of externalized organizational costs through no choice of their own, but often without the knowledge that they are doing so. The firm's moral duty to involuntary stakeholder group requires ensuring that risks and potential harms to involuntary stakeholders resulting from the corporations' activities and operations are minimized, and the potential costs of such risks internalized.

According to the variables of potential for cooperation and potential for threat, Carroll and Buchholtz (2006) distinguished four kinds of different stakeholders: *supportive*, *marginal*, *non-supportive* and *mixed-blessing* stakeholders.

- *Supportive* stakeholders: The supportive stakeholders are high on potential for cooperation and low on potential for threat. These are the ideal stakeholders. A strategy for the company here would be that of involvement through participative management or decentralization of authority.
- *Marginal* stakeholders: The marginal stakeholders are low on both potential for cooperation and potential for threat. The strategy here is for the organization to monitor the marginal stakeholder, in order to ensure that circumstances do not change and as a way to avoid later problems.

- *Non-supportive* stakeholders: The non-supportive stakeholders are low on potential for cooperation but high on potential for threat. The recommended strategy here is to defend against the non-supportive stakeholder.
- *Mixed-blessing* stakeholders: The mixed-blessing stakeholders are high on both potential for cooperation and potential for threat. A mixed-blessing stakeholder could become a supportive or a non-supportive stakeholder. The recommended strategy here would be to collaborate with the mixed-blessing stakeholder. The bigger the collaboration, the bigger chance there will be that this stakeholder will shift to the supportive side. Today, many companies are considering some of their stakeholders as mixed-blessing rather than non-supportive. These firms are trying to turn mixed-blessing stakeholders into allies by building alliances with them for mutual gain.

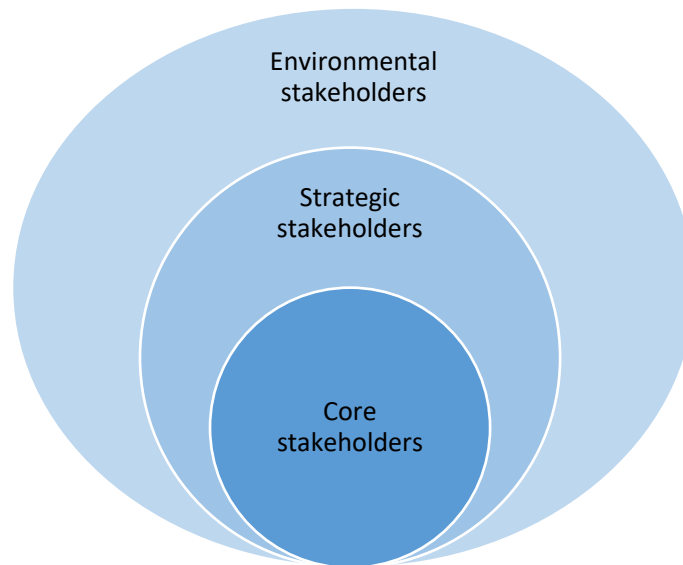
Therefore, managers should attempt “to satisfy minimally the needs of marginal stakeholders, and to satisfy maximally the needs of supportive and mixed-blessing stakeholders, enhancing the latter’s support for the organization” (Carroll & Buchholtz, 2006, p.105). Nevertheless, we should not lose sight that trying to shift stakeholders from the non-supportive to the supportive side is also important (Chinyio & Olomolaiye, 2010).

Apart from the previous sorting, there are other ways to categorize stakeholders. In an alternative scheme, stakeholders are thought of as being *strategic*, *core* or *environmental* (Carroll & Buchholtz, 2006):

- *Strategic* stakeholders are those stakeholder groups that are vital to the organization’s success and the particular set of threats and opportunities it faces at a particular point in time.
- *Core* stakeholders are a specific subset of strategic stakeholders that are essential for the survival of the organization.
- *Environmental* stakeholders are all others in the organization’s environment that are not core or strategic.

One could think of the relationship among these groups of stakeholders as a series of concentric circles with core stakeholders in the middle and with strategic and environmental stakeholders extending out from the middle (Carroll & Buchholtz, 2006). Graphically, it could look this way:

**Figure 3.6: Environmental, strategic and core stakeholders**



Source: Own elaboration

For the sake of clarity, our chosen categorization has been the one of core stakeholders. During the process of the identification of stakeholders, we will identify those strategic stakeholders that are essential for the survival of professional basketball clubs. This choice is in line with the definition of stakeholders that we have assumed, as under this conception stakeholders represent those groups or individuals that hold a relationship of mutual interdependence with businesses, in which businesses are expected to satisfy stakeholders demands as a way to obtain the support or at least the absence of hostility by stakeholders towards the business' activity, a necessary condition to ensure the survival and success of the organization. This perspective is shared by other stakeholder scholars who consider value creation as being embedded in the relational contributions among a central organization and its stakeholders (Donaldson & Preston, 1995; Jones, 1995; Parmar et al., 2010).

Although we have not discovered any work that has chosen to analyze core stakeholders of a professional sport organization, we believe that the relationship of mutual dependence between professional sport organizations and their stakeholders (particularly the communities that surround these organizations) has been proved evident in the works of many sports management theorists (Anagnostopoulos, 2011; Brown et al., 2010; Morrow, 2000, 2013; Senaux, 2008), thereby giving an empirical backing towards our stakeholder definition.

Once we have explained in detail the different types of stakeholders divisions that we consider as the most significant in business management and our choice for a particular type of stakeholder for our research in the sports management context, it is time to draw our attention to the wider picture of stakeholder theory in sports management. In the following section, we will analyze both the distinctive characteristics of professional sport clubs and their stakeholders on the basis of a stakeholder approach, while we also analyze other attempts in sports management concerning stakeholder management in

both sports events and professional sport clubs. Finally, we will introduce a brief conclusion explaining our approach to the previous works and the contribution to stakeholder theory that we intend to do in our project.

### **3.5. Stakeholder theory in sports management**

#### **3.5.1. Distinctive characteristics and social orientation of professional sport clubs**

One of the main characteristics that set professional sport clubs apart from non-sport companies is that they are deeply embedded in society, as their exposure to society and the attention the public gives them creates a strong pressure for these organizations in order to relate to their stakeholders, as these entities are considered to be important influencers in the cultural and social domain (Babiak & Wolfe, 2009; Smith & Westerbeek, 2007). Having said that, it is essential to note that literature considers that professional sport teams in Europe do not behave like their counterparts in North America, as in Europe sports clubs are thought to be non-profit organizations that could have other objectives instead of the profit maximization, like the maximization of sporting success or wins (Kessenne, 2000; Morrow, 2000; Sloane, 1971). In the European context, we can consider that clubs seek to maximize their performance under financial constraints, or more largely, to maximize their utility, which includes elements such as playing success, fame, attendance, etc. (Senaux, 2008).

This is due to the fact that, contrary to the US franchises, the majority of European sports clubs were developed originally as associations with a strong relation to their local community, a characteristic that has profoundly influenced the organization of these clubs, even if their degree of commercialization and professionalization has increased markedly in recent decades (Kelly et al., 2012; Kennedy & Kennedy, 2012; Senaux, 2008). In contrast, American sports franchises are more generally thought to take into consideration a profit maximizing objective that is in line with the traditional shareholder theory of the firm (Dougan & Snyder, 1994; Nicolliello & Zampati, 2016; Szymanski, 2003).

At the same time, another remarkable peculiarity of European sports clubs is that it is very difficult for them to leave their current locations to more lucrative markets, since they are deeply embedded in their local communities and also serve as a source of group identity for their fans and communities given that these organizations also provide a symbolic representation of other aspects of social or community life like geography, ethnicity, vocation and gender (Heere & James, 2007; Morrow, 2013; Slack & Shrivess, 2008; Szymanski, 2003). This is not the case of American sports franchises, as it is commonplace for them to move from one place to another for financial profitability considerations, under the supervision and control of professional leagues (Dougan & Snyder, 1994; Fort & Quirk, 1995; Siegfried & Zimbalist, 2000).

As previously explained in Chapter 2, the Spanish law establishes that these companies are Sporting Limited Companies which should have as their main objective the participation in sporting competitions with a non-profit orientation.<sup>46</sup> In the Spanish case, we cannot forget that the previous particularities of these organizations are determined by the fact that they were founded as associations in their inception, with members who paid an annual subscription and a club committee elected by the members for a term of office (normally for a four year term). These clubs were typically “multi-sport” organizations, running teams in different sport disciplines, and providing facilities for members to play as well as to watch sport. Frequently they received money from local governments, which saw them as providing a service to the community (Garcia-del-Barrio & Szymanski, 2009; Kelly et al., 2012).

In this respect, the social and/or emotional attachment created by clubs can have atypical financial or business implications for these organizations. For example, despite the high number of professional sport clubs in Europe which have been in administration in recent years, few clubs have actually ceased trading (Morrow, 2005). This situation can be attributed to the fact that the motivations and perceptions of different agents that support the club concerning the activity of the clubs are not based on financial reasons, as according to the explanations provided these organizations do not present a profit-seeking mission and they are quite often given the status of community assets (Barlow & Forrest, 2015; Castro-Martinez & Jackson, 2015; Heere & James, 2007).

Nonetheless, in recent decades the previous traditional stakeholder orientation in the running of professional sport clubs has been counterbalanced by the shareholder-centric focus that many professional sport organizations have been adopting, with the objective of maximizing shareholder value (Conn, 1997; King, 1997). This is due to the fact that professional sport clubs (specially from soccer) around Europe have seen their turnover increase dramatically with the funding coming from TV broadcasting rights, sponsorship deals and player transfer operations (Alonso & Guerrero, 2009; Ascari & Gagnepain, 2006).

This new orientation has ushered in a new era of business mentality in professional sport that is evident in different areas: the status of players, greater freedom of movement and bargaining power for players and changes in the ownership structure and governance of clubs (Kelly et al., 2012; Morrow, 2005). This success has appealed many rich businessmen around the world to try to invest in European sports clubs (notably in football), who have taken over these organizations with the aim of taking advantage of their global appeal and increasing revenues (Kelly et al., 2012).

Nonetheless, the aspiration by different actors to turn sporting entities into a purely commercial business has been put into question by the belief that sport is not like any other business (De Ruyters & Wetzels, 2000; King, 1997; Morrow, 2013). Professional sport in Europe has always been and continues to be a social business; economic in basis,

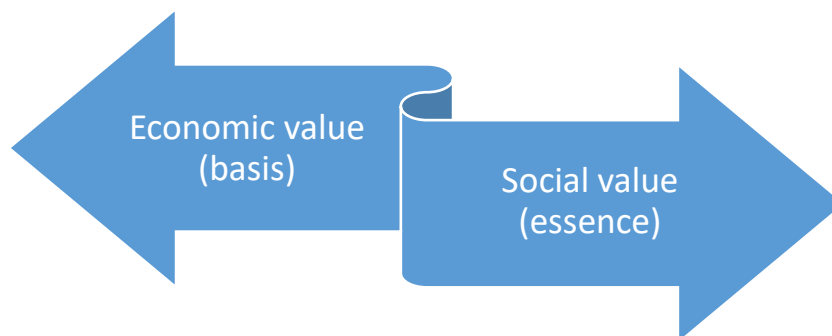
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<sup>46</sup> According to the article 2 of the Royal Decree 1251/1999 from the 16<sup>th</sup> of July of 1999, approved by the Spanish Government (Available in: <http://www.csd.gob.es/csd/estaticos/leg-infoinst/A27070-27080.pdf>).

but social in essence (Hamil, Michie, Oughton, & Warby, 2001; Kelly et al., 2012; Morrow, 2000, 2013; Nash, 2000b). In this regard, while professional sport clubs and sports management have been increasingly focusing on shareholder value maximization and the accountability towards shareholders, we consider that it is necessary to consider alternatives of more inclusive models of corporate behavior and governance that would take into account the interests of other stakeholders apart from shareholders (Carroll, 1979, 1991; Morrow, 2000; Porter & Kramer, 2006).

This is why an author like Morrow (2000) tried to shed light on the previous dilemma, and stated that professional sport clubs are social institutions, as various groups other than shareholders believe that de facto they have ownership rights in their club. Conflicts between stakeholders, however, are likely, particularly between supporters (who may or may not also be shareholders) whose objectives are essentially in terms of sporting results and shareholders (professional investors) who to a large extent are motivated by the prospect of a financial return (Morrow, 2000). The following Figure 3.7 illustrates the dichotomy of character that professional sport clubs have:

**Figure 3.7: Dichotomy of the nature of sports clubs**



Source: Own elaboration

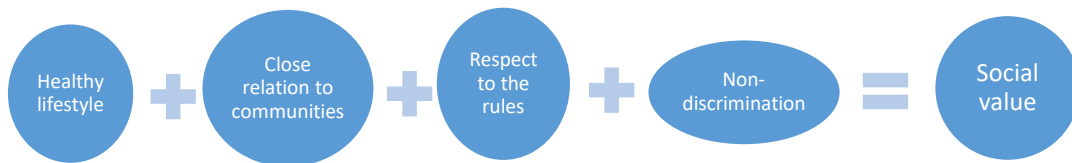
Considering the existence of different constituent groups (for instance, fans and supporters, communities and social agents or public administrations) that have an interest in the activity of the business and even support it for reasons not directly related to a tangible financial gain, we hold the view that shareholder theory does not adequately reflect the value creation process of Spanish professional basketball clubs. Therefore, it is necessary to look for another model that integrates the views of the different agents that perceive a social value out of these particular organizations. For this reason, we consider that a different approach to shareholder theory, like stakeholder theory, can help us analyzing the context of professional sport and its social orientation, as well as determining whether this theory can be applied to a wider analysis of the social value creation of these organizations.



### 3.5.2. Stakeholder theory in sports management and sports clubs

To start with, it should be taken into account that sport (in general) has several unique characteristics that can be employed as a tool to create value to stakeholders, from both sports clubs and sports events: rules of non-discrimination and access to sport, safety for all participants, absence of distorting elements to the sporting results like doping or betting, transparency in governance, politics of relationship with social communities, emphasis in the practice of sport as a necessary element for a healthy lifestyle, the importance of environmental protection and sustainable development, the possibility of offering a personal, social and physical development to the workers of the organization, and the provision of an accredited and qualified training to the employees of the club (Chalip, 2006; Lawson, 2005; Smith & Westerbeek, 2007).

**Figure 3.8: Positive characteristics of sport to create social value to stakeholders**



Source: Own elaboration

For all the previous reasons, sport as a discipline has the capacity to captivate and bring together the individuals in the communities and to create environments that contribute to social cohesion (Smith & Westerbeek, 2007). One example of the previous potential of sports to bring about positive changes on their stakeholders and the hosting cities and regions is the organization of sports events (Inoue & Havard, 2014; Liu, 2016; Parent, 2008; Schulenkorf & Edwards, 2012; Xue & Mason, 2011). In the same way, it follows from the literature that one of the most important contributions of these events is the economic impact in the form of the arrival of tourism, investment in infrastructures and bigger consumption in the cities and regions, as they are normally considered the most important point for evaluating an event's performance (Agha & Taks, 2018; Gratton & Henry, 2002; Misener & Schulenkorf, 2016; Preuss, 2005; Roche, 2002).

Sports events do also present other positive social impacts not directly related to financial parameters, such as the promotion of civic pride and enthusiasm among unhabitants, the increase and development of social cohesion, the adoption of healthy behaviors by means of the presence of sport, and the potential improvement of impoverished areas (Mao & Huang, 2016; Skinner, Zakus, & Cowell, 2008). These non-financial benefits should exceed the potential costs incurred when organizing these events, like cost overrun, over-indebtedness, traffic congestion and insecurity (Deccio &

Baloglu, 2002; Kim & Walker, 2012; Mao & Huang, 2016; Whitson & Horne, 2006). For these events to command the support of the population, the populations will need to perceive that the potential benefits that the sports event will bring will exceed the potential costs or disruptions that they will have to face during the event (Waite, 2003; Zhou & Ap, 2009). What is more, if the residents of the venue of a sporting event perceive that the real benefits have been bigger than the costs, they will be more willing to host this event, whereas their attitude would be the contrary if the costs have been higher than the benefits (Ritchie, Shipway, & Cleeve, 2009).

According to literature, the same positive outcomes can be derived from the activity of professional sport clubs, as sport organizations possess a range of resources like the passion and emotional engagement of their fans, the attachment of professional clubs in Europe to their local communities, the great level of attention from the public to their activity and performance, and the control and pressures of the public administrations and professional leagues to implement policies to relate to their stakeholders (Babiak & Wolfe, 2009; Barlow & Forrest, 2015; Brown et al., 2006; Castro-Martinez & Jackson, 2015; Giulianotti, 2002; Walters & Tacon, 2010). The previous factors are indicative of the fact that professional sport clubs are uniquely placed when it comes to create both economic and social value (Castro-Martinez & Jackson, 2015). Nonetheless, the fact that professional sport has been involved in controversial issues like corruption cases, indebtedness and financial difficulties by clubs in sports leagues and other questionable behaviors by professional sportsmen (like tax evasion cases or doping scandals) has been seen as a catalyst by clubs in order to adopt a closer approach towards stakeholders as a way to counterbalance these problems and thereby improve their corporate reputation (Anagnostopoulos & Shilbury, 2013; Blumrodt, Desbordes, & Bodin, 2013).

Taking all the previous aspects into account, literature has tried to focus on the role of the stakeholders in professional sport clubs by producing some interesting works. In the case of Breitbarth and Harris (2008), they argued that an increased awareness and integration of policies that wanted to integrate the demands of stakeholders fostered the competitiveness of soccer sector and created political, cultural, humanitarian and reassurance value for stakeholders. According to Zagnoli and Raddichi (2010), the most prominent finding of their work was that not only fans and supporters were crucial actors in implementing the sport service (attending to matches, for example), but that they also played an important role on influencing the choices and behaviors of the sports club and other stakeholders.

In fact, many of the stakeholders of the club co-participate in the sport service and create a constellation of relations that produce value by implementing the sport product. In this paper, another remarkable finding was that primary and secondary stakeholders were identified (Zagnoli & Raddichi, 2010). Among the primary stakeholders of the football club, Zagnoli and Raddichi (2010) found supporters, management, municipality, local community, owners, police headquarters, suppliers, sponsor, players and coaches, and media. Within the secondary stakeholders, they

identified families, government, grassroots football, customer advocate groups, ministry of the interior and other league's clubs (competitors).

One of the most important justifications in literature to justify stakeholder theory as an adequate theoretical framework to analyze professional sport clubs value creation is the need of cooperation between different actors to deliver a sport product and produce value, giving meaning to the existence of a competition and ultimately to the existence of clubs themselves (Kesenne, 2000; Michie & Oughton, 2005; Robert, Marques, & Le Roy, 2009). In the case of the media, their relationship with clubs could turn out to be one of win-win for both parties, since professional sport clubs are followed by a considerable public and at the same time the media can obtain more attention from many readers thanks to this coverage of sport clubs (Boyle & Haynes, 2002). Concerning public administrations, they are increasingly interested in the role of sport as a vehicle for the development of social communities and as an economic sector that is flourishing in the last decades, thereby introducing bigger regulations to ensure that these entities operate within a regulated space (Anagnostopoulos, 2011; Barajas, 2004; Ma & Kurscheidt, 2019), even subsidizing their activity for their social contribution (Barajas & Rodríguez, 2010; García & Rodríguez, 2003; Kesenne, 2000). Shareholders can also provide funds to clubs in order to contribute to these clubs' survival without an expectation of a financial return (Madden, 2015; Rohde & Breuer, 2016, 2017).

The previous framework describes a situation where different actors cooperate to ensure the existence of an organization that they perceive is creating them value in one way or another. In this sense, what is required for professional sport clubs is a structure that more fully captures both the economic and social aspects of contemporary sports clubs and allows for a more inclusive concept of ownership (Morrow, 2000). For the last decades, different professional leagues and public and private organisms have backed different stakeholder engagement initiatives by clubs, considering that the relationships with stakeholders are of critical importance to professional sport clubs given that the social significance of clubs is even greater than their financial importance, and that sport is inextricably linked to society, being uniquely positioned to tackle social issues of great importance; both aspects representing an integrative characteristic limited in commercial business organizations (Hamil & Morrow, 2011; Morrow, 2013; Smith & Westerbeek, 2007).

At this point, one initiative worthy of attention is "Supporters Direct", a football initiative set up by the British Government in 2000 as a way of intervening in the unequal relationship that exists between the relatively powerless supporters of football clubs and the private shareholders who have the organizational control of clubs. Primarily, the focus of Supporters Direct has been facilitating the establishment of mutual forms of ownership at football clubs by offering a helping hand in setting up supporters' trusts. There is a European dimension to it in that the model has been given the backing of the European football governing body, UEFA, which is encouraging its expansion across other European leagues (Kennedy & Kennedy, 2012). In fact, the advent of this grass-root movement led UEFA to oblige clubs to appoint a Supporter Liaison officer in order

to act as a key contact with supporters if clubs wanted to receive a UEFA license (UEFA, 2015). At the same time, UEFA has worked with other strategic partners in order to tackle specific issues like peace, reconciliation, football for everybody, non-violence, public health, and other issues (Walters & Tacon, 2010).

In the case of the UK, different football clubs have put into practice departments called “Football in the Community” within the club’s internal structure that are responsible of the relationships between football clubs and stakeholders in order to help clubs tackle different social needs in the community (Anagnostopoulos & Shilbury, 2013). In 2013, there were already 89 English football clubs that had foundations that had already set up one of these departments. These departments have gained more and more independence from clubs, obtaining financing from other sources than the club itself, notwithstanding that they try to align their policies and strategies with the objectives of the clubs (Anagnostopoulos & Shilbury, 2013; Bingham & Walters, 2013). Two examples of this tendency are Manchester City and Chelsea Football Club, two of the most popular clubs in England and Europe, who have set up their respective community programs “City in the Community” and “Building Bridges”<sup>47</sup> to address social issues by way of the power of football (Edensor & Millington, 2008).

In this sense, one of the most successful projects from English football has been the one called “Kicks Project”, launched by the English Premier League clubs and Sport England. The initiative is described as using the power of football and the value of sport volunteering to support hard-to-reach young people aged 12 to 19 in the most deprived local communities. The initiative’s remit is much broader than football, encompassing education, employability training and personal development opportunities (Richardson & Fletcher, 2018). Concerning professional basketball clubs, a similar policy has been adopted by the main international competition in Europe, Euroleague Basketball. This competition launched the “One Team” program with the objective of helping the participant clubs to engage with their stakeholders by means of meaningful policies and initiatives that will impact their lives in a positive way (Banda & Gutresa, 2015). This program is directed by the non-profit organization Euroleague Basketball Community Trust (EBCT) created in 2014. In this “One Team” program, the EBCT sets out the rules and norms of the program that the clubs should respect, but clubs enjoy significant autonomy in the implementation of it, as the values and traditions of each club are respected and the clubs are also given the initiative to identify the social issues that they want to tackle and the stakeholders that they want to pay attention to. A bilateral dialogue between clubs and their stakeholders is then necessary to ensure that stakeholders can communicate their interests and concerns to the clubs regarding the activities as a way to maximize the positive impact for stakeholders (Banda & Gutresa, 2015).

If we refer to the American context, then we will find that the National Basketball Association (NBA) League launched a program back in 2005 called “NBA Cares” under

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<sup>47</sup> Links: (<https://www.cityfootballgroup.com/cityzens/city-in-the-community/>;  
<https://www.chelseafc.com/en/foundation/building-bridges>)

which the NBA engaged to donate 100 million dollars the following five seasons in the domains of alphabetization, development of families and young people, and causes related to health. NBA teams participate individually in various programs that aim to encourage young people to develop a life-long love of reading. The NBA participates in reading activities at schools, libraries, community-based organizations, and more. Moreover, NBA Cares is dedicated to providing places where kids and families can live, learn or play. NBA Players serve as role models in the areas of sport, fitness, and nutrition, thereby encouraging children and their parents to make healthy lifestyle choices, while the game of basketball is used to teach values such as sportsmanship, respect, teamwork, and more (Filizöz & Fişne, 2011).

All the previous descriptive examples are useful for arguing that professional sport clubs' reality is very particular, and that their ethos is fundamentally social and oriented to stakeholders, thereby proving the validity of stakeholder theory as a theoretical lynchpin to analyze the social value creation of professional basketball clubs. Nonetheless, although it is evident that stakeholder theory is gaining increasing importance in sport management as a way to explain the complexity of organizational dynamics in sport organizations and the stakes of their different constituents, the previous works in sports management represent a partial framework about the stakeholders of sport organizations, a gap that we want to overcome as we aim to represent the holistic process of social value creation to stakeholders by professional basketball clubs, taking into account the core stakeholders, who are necessary both for the survival of the club and from a strategic point of view too (Carroll & Buchholtz, 2006).

### **3.6. Conclusions**

In sum, stakeholder theory, as a theoretical corpus, has gained insights from other theories of the firm (Clarkson et al., 1994), contending that firms have obligations to a wide range of different constituents. Moreover, this theory has tried to move away from the traditional conception that considers business as mere creators of economic value to another perspective that takes into consideration both the effects of businesses' activity in their stakeholders and the concerns and interests of them into the decision-making processes of the organization. We have been able to show the practicality and usefulness of stakeholder theory in the increasingly complex and challenging environments of both business and sports management.

The special characteristics of professional sport clubs make stakeholder theory particularly well-suited to study the value creation context of these organizations, characterized (among others) by different characteristics like their non-profit status (particularly in Europe) (Andreff, 2011; Barajas & Rodríguez, 2014; Franck, 2010, 2014), the interdependence between stakeholders and organization whereby stakeholders are an essential part of value creation by the club in question (Zagnoli & Radicchi, 2010), the need of cooperation between competitors (clubs) to deliver their main product (the

sports competition) (Holt, 2009), the high importance of enduring relationships with various stakeholder groups like local communities for the survival of the sports organization (Brown et al., 2010), fan loyalty and the high intensity of stakeholder activism (Biscaia et al., 2019; Couvelaere & Richelieu, 2005).

In this sense, the main potential of the application of stakeholder theory in the analysis of the social value created by professional basketball clubs is that it fits within the particular context of these organizations, where the cooperation between different actors with different interests and preferences is necessary for the survival of the organization and its success. For its part, this cooperation will make it possible for professional basketball clubs to create social value to their stakeholders, creating a utility that will prompt stakeholders to keep on supporting the clubs in times of sporting or economic turbulence. In accordance with the previous perspective, after analyzing the history and the different conceptions about what constitutes a stakeholder, we have come up and adopted a definition of our own, stressing the mutual interdependence of stakeholders and organizations, a perspective that takes into account the mutual power-dependence relationship between businesses and their stakeholders already highlighted in some definitions, like those of Rhenman (1964) and Ahlstedt and Jahnukainen (1971).

Other perspectives of stakeholder literature focusing on different aspects like the network of relationships, legal or moral claims, risk, influence and dependence in order to define what a stakeholder is are also worthy of mention, but in our case we believe that the mutual power-dependence perspective reflects best the reality of professional basketball clubs. Moreover, our preference for the analysis of core stakeholders in professional basketball clubs, defined as those stakeholders who are essential for the survival of the organization, would be logical with the stakeholder definition chosen, given the close relationship and interdependence between stakeholders and professional sport clubs (Miragaia, Brito, & Ferreira, 2016). We also assume that the core stakeholders that will be identified in Spanish professional basketball clubs will at least have one of the following features: power, legitimacy and urgency, in line with the works of Anagnostopoulos (2011) and Senaux (2008). The scarcity of studies adopting the concept of core stakeholders in professional sport organizations would add to the originality of our contribution to stakeholder theory.

Stakeholder theory has also demonstrated that the utility perceived by stakeholders is not always directly related to economic dimensions, given that there are other aspects not directly related to economic value that different stakeholders can perceive as valuable, like psychological ownership and trust towards a company and bonding with other people, as shown by Harrison and Wicks (2013). The presence of possible non-economic dimensions of value for stakeholders in professional sport clubs is determined by the distinctive characteristics of these organizations, like the presence of a range or resources like the passion and emotional engagement created by professional sport clubs, the attachment to their local communities, the great level of attention from the public, and the control and pressures of the public administrations and professional

leagues to implement policies to relate to their stakeholders (Babiak & Wolfe, 2009; Barlow & Forrest, 2015; Brown et al., 2006; Castro-Martinez & Jackson, 2015; Giulianotti, 2002; Walters & Tacon, 2010). These factors represent an incentive for the next step of the research, the determination of whether professional basketball clubs create social value to their stakeholders or not and the discovery of the social value dimensions perceived by stakeholders out of these organizations' activity.

In this regard, we espouse that professional basketball clubs should be managed following a normative perspective of stakeholder theory in the long term, given that we are convinced that all stakeholders from professional basketball clubs are people or groups with legitimate interests in procedural and/or substantive aspects of the corporate activity, while also considering that their interests are of intrinsic value (that is, having value on their own), irrespective of the fact that managing the wide community of stakeholders' interests would serve the organization for any instrumental purpose like increasing economic value created for shareholders. Although there is a possibility that clubs could try to adopt a instrumental approach in their management of stakeholder relationships specially in the short term due to specific circumstances like financial difficulties or sporting circumstances, we believe that this approach could be compatible with our normative perspective if the end in the long term was to create more value for all stakeholders in general and not for shareholders only. In sum, professional basketball clubs would need thereby to take into consideration the context of mutual interdependence with stakeholders and the need of mutual cooperation of the clubs with stakeholders and between the stakeholders themselves, as a way to keep on creating social value to their stakeholders.

## CHAPTER 4: SOCIAL VALUE QUANTIFICATION – METHODOLOGIES

### SUMMARY

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### 4. SOCIAL VALUE QUANTIFICATION – METHODOLOGIES

In this chapter, an analysis of different social value measurement methodologies will be provided to the reader, as a way to make a decision about which methodology we think that serves best the main purpose of our Thesis, that is, to design and apply an adapted social value quantification methodology to monetize the social value created by professional basketball clubs to their stakeholders. The chapter will start by an introduction explaining the importance of social value measurement at present, where a description about the reasons to explain the growing popularity of social value measurement methodologies for businesses will be provided, defending the adequacy of these instruments in organizations like professional sport clubs that rely heavily on the value-creation towards stakeholders as a way to ensure their support and the existence of the organization.

Afterwards, the main characteristics of social accounting as a discipline that aims to measure the wider social and environmental impacts that a business creates to its stakeholders and the potentials and challenges of this discipline will be reviewed, exploring the potential of the inclusion of social accounting within professional sport clubs, in order to reflect their role as community institutions and their particular value-creation context to their stakeholders. Afterwards, an overview of some of the most



well-known social value measurement methodologies will be provided, with a particular focus on six of them: the Economy of Common Good, the B Impact Assessment, the Global Reporting Initiative, the IC Model, the Social Return on Investment (SROI) and the Polyhedral Model (SPOLY). By analyzing the different methodologies characteristics and potential, we will make a decision about the most adequate methodology for the monetization of the social value of professional basketball clubs, comparing the strengths and weaknesses of each of the methodologies analyzed and explaining why we have decided to select the methodology in question.

In sum, apart from the analysis and description of the different social value measurement methodologies, the chapter will give the reader an idea about the possibilities that these methodologies offer in the context of sports management and more precisely in professional sport clubs. Moreover, this chapter will give the reader an idea about the procedure that will be applied to calculate the practical results obtained in the next Chapters 5 and 6.

#### **4.1. Introduction: Importance of social value measurement at present**

In recent decades, the conception about businesses as generators of purely economic value has been modified, in favor of a more holistic approach that considers them as economic social systems that carry out their activities in a social system to which they belong and with which they interact. These interactions take place not only by means of financial exchanges but also through physical, human and communication flows that produce knowledge, trust and reputation. The system of values achieved by the corporation as a system of economic transformation is reflected in the economic balance (Gazzola & Mella, 2012). Precisely due to the fact that the system of economic and financial values in the balance derive from monetary exchanges and reflect only the conditions of productive, economic and financial efficiency, the balance that contains such values has limits with regard to the information it conveys (Gazzola & Mella, 2012).

More precisely, the economic balance is not able to express the conditions for long-term success that derive from the non-monetary ties to the social environment. For example, the economic balance is not able to explicitly present the social and non-monetary benefits, those resulting from research and development activity, as well as the social benefits with regard to employment in a region (direct and induced), those benefits that involve the production and distribution of income among employees and investors, and the advantages – as well as disadvantages, in terms of pollution and the occupation of public areas – that have an impact on the life of the collectivity. All of this information is fundamental in evaluating the relationship between the firm and its macrosystem; however, it cannot be included in the corporate balance as understood in an accounting sense: as the representation of the system of values produced by the firm. Hence, when trying to get a bigger picture of a company's performance, we must be wary of the fact that the quality of the products and processes, which is fundamental to the creation of

economic value, is not in itself synonymous with the quality of the firm when the latter must be judged and appreciated on the basis of its social and environmental impact. Therefore, it is necessary to shift the attention from the creation of economic and financial value to the creation of social and environmental value by the organization as a social agent (Gazzola & Mella, 2012).

At the same time, it should not be forgotten that a distinction should be made between the value that a firm creates and its accounting-based bottom-line profitability. A firm with low accounting-based profitability may create a lot of value but allocate most of it to stakeholders such as customers, suppliers or employees during the normal course of the business. Alternatively, a firm with high profitability may either have a lot of value to distribute or may be under-allocating value to particular stakeholders. Accounting or shareholder-based measures are not sufficient to represent the total value created (Harrison et al., 2010).

While we expect that firms that manage for stakeholders will consistently provide good returns for their shareholders, we also realize that, by definition, these firms distribute value widely across their stakeholder networks, as stated in Chapter 4. Value can be distributed by means of higher wages or better benefits for employees or managers, better terms provided to suppliers, community service programs, safer or better products, enhanced services for customers or lower prices. Some of the measurable outcomes that should be evident from a managing-for-stakeholder-approach include growth, efficiency, and higher levels of innovation (Harrison et al., 2010). A firm that focuses not only on the quality of the product but also on the safety of its employees, the social impact of its activities and the use of ethically-correct procedures (Bowen, 1953) is creating value by gaining the trust of its workers, the market and the collectivity of reference (Gazzola & Mella, 2012).

Consequently, the renewed interest by scholars and practitioners in discovering the social and environmental impacts of business activities has paved the way for businesses interest in social value created for stakeholders. Although the term “social impact”, also referred as social value in literature (Emerson, Wachowicz, & Chun, 2000; Florman, Klinger-Vidra, & Jacinto Facada, 2016; Gibbon & Dey, 2011; Grieco, 2015; Maas, 2009; Nicholls, Lawlor, Neitzert, & Goodspeed, 2009; Rosenzweig, Clark, Long, & Olsen, 2004) can be defined in many different ways (Costa & Pesci, 2016; Emerson et al., 2000), the definition that we have chosen is that of Chapter 3 by Lazcano et al. (2019), who defined social value as the “utility provided by the set of social assets generated by an organization for the stakeholders or interest groups related to the organization” (p. 149). In general, all types of organizations –both for-profit and non-profit– create social impact (Gair, 2009; Grieco, 2015; Maas, 2009; Rosenzweig et al., 2004), a case particularly true for professional sport clubs, considered as social businesses where financial and sporting objectives are coupled with the aim of creating social value for stakeholders (Brown et al., 2010; Chen & Subijana, 2012; Morrow, 2013).

At present, the debate surrounding social impact and social impact measurements is gaining important momentum in Europe due to the increasing number of funders’ who

need to know whether their funds are making a difference in solving societal problems and due to non-profit organizations' desire to gain awareness regarding the outcomes and impacts of their activities. This pressure to demonstrate significant impact is increasing in all European countries due to diminishing public and private response and increasing competition for fund-raising (Costa & Pesci, 2016). Professional sport organizations have not been alien to this debate, given that there have been increasing calls by sports management experts to come up with new ways to reflect the social impact of professional sport clubs in stakeholders on account of the particular status of these organizations as social institutions and the particularities of the value creation context of these organizations that have been previously described (Brown et al., 2010; Morrow, 2000, 2013). Hence, in this chapter, a thorough analysis of the most important social value quantification methodologies will be conducted, and after a process of reasoning and justification the most appropriate methodology in our view will be chosen to its application into the context of professional sport clubs, the object of interest of this Thesis.

#### **4.2. Social Accounting and Social Value Assessment: Potentials and Challenges**

Traditionally, financial accounting has been the system employed to reflect the information about the activity of a business and the performance of a company in relation to the resources (physical, human, etc.) it employs (Gupta, 1969; Markman & Gartner, 2002; Ponikvar, Tajnikar, & Pusnik, 2009; Sueyoshi, 2005). The universal unit of performance measurement is financial, and accounting conventions have stabilized over time to support the production of regular, comparative and longitudinal data (Miller, 1994; Nicholls, 2009). Social accounting aims to overcome the previous limitations by proposing a new framework that combines an organization's economic and social value results into a single monetary concept of value creation (Ayuso et al., 2020; Lazkano & Beraza, 2019).

The concept of social accounting might be derived from the social and environmental impacts that are absent from conventional accounting practice which so far is restricted to financial and economic events. Social accounting covers information regarding the natural environment, employees' conditions and broader ethical issues which concentrate on customers and products, and local and international communities in the companies' reports. As a result, it could be said that social accounting covers areas which include ethical components and which address stakeholders' concerns. In other words, social accounting encourages companies to prepare accounts that not only focus on shareholders' interests but that also extend to other stakeholders (Koan, 2019).

In this sense, social accounting could be defined as the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within societies and to societies at large. As such it involves extending the accountability of organizations (particularly companies) beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such

an extension is predicated upon the assumption that companies do have wider responsibilities than simply making money for their shareholders (Mathews, 1997).

For this reason, companies find that reporting the value they are creating for their stakeholder groups could be a way to secure a “social contract” to maintain their reputation (Bebbington, Larrinaga, & Moneva, 2008; Carroll & Shabana, 2010). However, one of the main pitfalls of the discipline is that, in comparison to financial accounting, there is no universally recognized framework for social accounting (Deegan & Soltys, 2007; Gray et al., 1995; Hackston & Milne, 1996). In commercial settings, on the contrary, the main systems of performance reporting have become established in accounting standards via a combination of common practice and regulation that has largely evolved over the last hundred years (Hopwood, 1983; Nicholls, 2009).

However, whilst the “social” accounting movement has attempted to (re)connect corporate financial performance with its social and environmental context over the last decade (Elkington, 1997; Gray, 2002), there have been a number of problems with the reporting of the previous social and environmental value dimensions, like the few accounting conventions and the minimum of regulation around disclosure (Clotfelter, 1992; DiMaggio & Anheier, 1990; Edwards & Hulme, 1996; Nicholls, 2009). There are also other factors, like the issue of what is measured and reported (Nicholls, 2009). There is a big perceived difficulty in establishing the relationship between certain complex input factors (grants, volunteers, market income, social capital, etc.) and the social impacts that correspond to the mission objectives of such organizations (Kendall & Knapp, 2000).

In this respect, there is the question of how to measure what is reported. Up until now, there have been no standardized calculative mechanisms for social value creation, nor any comparative units of measurement. Within welfare economics it has been suggested that the value of a social good may be priced at what a beneficiary or consumer would be willing to pay for and this allows performance output to be compared with resource inputs (Clotfelter, 1992; Kendall & Knapp, 2000). Yet, such valuation fails to support the generation of effective performance data in contexts where there are no comparable proxy goods or services available to the market (Nicholls, 2009).

For example, how can a reduction in social exclusion via employment creation be quantitatively compared to the rehabilitation of a drug user? The importance of longitudinal reporting is also problematic: for instance, the assessment of the performance of an ex-offender rehabilitation unit is unlikely to be valid in time frames less than several years. Similarly, the value of life-saving interventions – such as those provided by many international aid agencies – could be seen as being priceless. The historic result of these reporting difficulties has been that resources are typically allocated to social purpose organizations based on trust, reputation, market positioning, or mission alignment between the source and recipient of the resources, rather than on disclosed performance (Nicholls, 2009).

In the case of non-profit organizations like social-purpose organizations (like charities, NGO-s and professional sport clubs), their social impact has traditionally been taken as largely self-evident due to their stated public mission focus and (dividend) non-distribution requirement (DiMaggio & Anheier, 1990). This has caused the social impact of such measures to be often unmeasured and typically subject to limited disclosure. This cognitive legitimacy “surplus” (Jepson, 2005; Lister, 2003; Suchman, 1995) that has been traditionally bestowed by society upon non-profit organizations has resulted in less demanding reporting regulations than for for-profit organizations (that do not have such a “surplus”), resulting in the reduction of their social accountability (Jepson, 2005) and threatening to undermine their performance impact since there is a reduced incentive to generate the data that could contribute to shape strategic innovation and future operational improvements (Nicholls, 2009).

However, the orientation towards public goods does not imply that non-profit companies should not undertake strategies to guarantee economic and social efficiency; on the contrary, they must constantly create economic value to guarantee their survival over time and to have funds for further investment (Costa & Pesci, 2016). In other words, in non-profit companies (like in professional basketball clubs), economic and financial efficiency are important because, for instance, profit margins can be applied as surpluses to be reinvested to support future activities; however, researchers are increasingly questioning the applicability of traditional performance measurement models suited for for-profit companies (e.g. profit margin, return on assets, return on equity, etc.) particularly in terms of their helpfulness (Ogden, 2009). Often, these ratios fail to capture the needs of mission-based performance, as economic and financial performance is often a means rather than an end for non-profit businesses (Costa & Pesci, 2016).

One clear example of these non-profit “double or triple bottom line” organizations (Dart, Clow, & Armstrong, 2010; Thompson & Doherty, 2006) are the professional sport clubs, given that their primary objective is anchored to the sporting success and the satisfaction of the different stakeholder groups, while their secondary objective would be the creation of economic wealth to self-maintain over time (Gammelsæter, 2010; Gómez et al., 2008; Sánchez, 2006). This secondary objective has been also termed a constraint (Andreas & Costa, 2014) or a means to an end (Dees, 1998). In the case of professional sport clubs, these organizations are constituted by a multitude of institutional logics which reflect the many groups that engage in them. The institutional logics are the socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality (Gammelsæter, 2010).

In fact, professional sport organizations are deeply ingrained in society (Anagnostopoulos, 2011; Morrow, 2000; Senaux, 2008), engaging with a wide diversity of resource inputs (actual and “in kind”, e.g. donations, grants, membership fees, volunteer time, government subsidies, commercial income, etc.) (Ascari & Gagnepain,

2006; Barlow & Forrest, 2015; Holt, 2007; Prigge & Tegtmeier, 2019), functioning in different institutional settings (market and non-market) and generating multiple, distinctive outputs (Nicholls, 2009), like community pride, psychological well-being, local unity, forming identities and fan loyalty (Castellanos, García, & Sánchez, 2011; Heere & James, 2007; Storm, Thomsen, & Jakobsen, 2017). In other words, these organizations operate in multiple social spheres (relations with the fans and supporters, local community, public administrations, social organizations, etc.) where different institutional logics prevail and hence they can mean different things to many different people (Gammelsæter, 2010). This situation calls for fuller and different pictures to be provided of professional sport clubs' performance, in particular broadening the scope of accountability to users beyond that provided by economic accounts, taking into account the social and community linkages of professional sport clubs (Morrow, 2013).

### **4.3. Social value measurement methodologies**

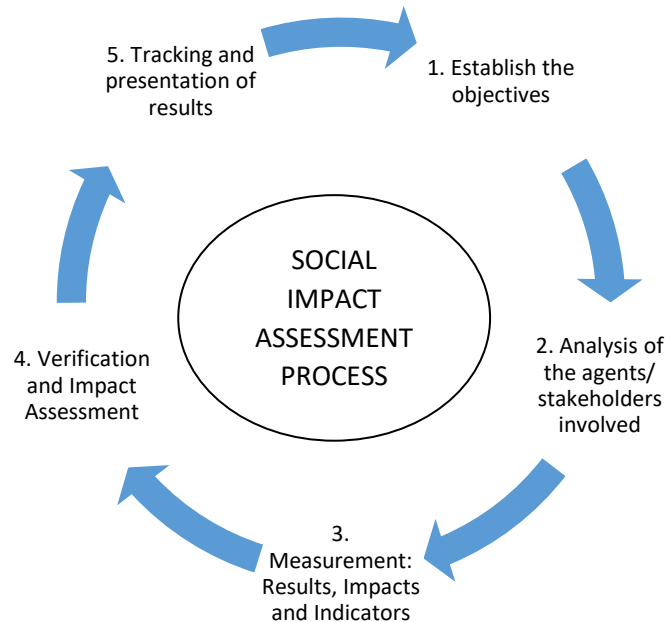
Concerning the conditions that an effective social impact measurement has to fulfill in order to be considered as an effective measurement system, we will mention the following (CE, 2015):

- *Relevant*, since it has to be related to the results that it measures.
- *Useful*, in a way that it responds to the needs of the interested parties, whether they are internal or external.
- *Easy*, not only in the way of conducting the measurement but also in the presentation.
- *Natural*, as it should arise from the normal flow from the activity to the result.
- *Precise*, not only in the form that it is conducted but also in the form that it is presented.
- *Understood* and accepted by all the parties involved.
- *Transparent and well explained*, in a way that the methodology by which it is explained and the relationship with the services and related results are clear.
- *Evidence-based*, so that it can be checked out and validated. In this manner, the methodology chosen will serve as a basis for a continuous improvement process.

At this point, it is essential to note that every process of social impact measurement is characterized by a series of generic steps, in which the majority of the methodologies that will be explained afterwards coincide, and that comprise five steps or phases. In the first place, it is necessary to establish the steps (AEF, 2015; CE, 2015) and to determine the scope of the impact analysis. Secondly, the different parts (stakeholders) and the extent of their implication within the project should be analyzed. Then, the results and relevant impacts ought to be measured by means of significant indicators. Afterwards, we should verify the impacts that are being produced and their value contribution to the involved stakeholders. Finally, it is vital to carry out a continuous tracking of the data

collected and to present the information internally or externally. Figure 4.1 attempts to summarize the previous process (Ayuso, 2018):

**Figure 4.1: Five steps of social impact assessment**



Source: (Ayuso, 2018, p. 5)

The academic debate has also focused on providing an answer to the question: what is it necessary to measure?

When trying to demonstrate the social value created by businesses (whether they are for-profit or non-profit businesses), one of the most recognized instruments that has been used for this purpose has been the “Impact Value Chain” or “Change Theory”, the key of this framework being that it tries to clearly separate inputs, outputs and outcomes, while putting forward predictions about the results (desired or not) that generate certain activities and about the impacts that those results bring about (Ayuso, 2018). The following example illustrates the concept of “Change Theory” (AEF, 2015; Ayuso, 2018; CE, 2015; Olsen & Galimidi, 2008; Rosenzweig et al., 2004):

The “Change Theory” of an organization could be, say, that the access to education is a key factor that impedes the poor people from getting out of poverty. Therefore, with the aim of tackling this problem, the organization decides to build education facilities around the world. When trying to calculate the impact of the activity of the organization, we would take into account the following concepts (AEF, 2015):

- *Inputs*: The resources (money, staff time, capital assets, etc.) required to operate the venture or organization. We could consider the financial resources (€ or \$), number of people in the project, etc.

Example: 50.000 € invested; five people working in the construction of the education facilities, etc.

- *Activities*: The concrete actions, tasks and works carried out by the organization in order to obtain products and results that would help achieving its objectives.

Example: Portion of land acquired to buy a new school; construction of the school.

- *Outputs*: Indicators and other measurable variables from the organization’s operations that management can directly measure. We could take into account the development of projects, construction of infrastructure, etc.

Example: Primary school built for 32 children.

- *Outcomes*: Specific changes in attitudes, behaviors, knowledge, skills, status, or level of functioning that result from enterprise activities, such as finding a job, avoiding getting sick, or reducing emissions by a certain amount. Outcomes could also be defined as the ultimate changes that one is trying to make to the world, as well as the intended and unintended side effects of the business.

Example: Number of children who have improved their access to education thanks to their attendance to the school (eight children), since the other twenty four children remained at home working for their families.

- *Impact*: The difference between certain outcomes for a sample exposed to an enterprise’s activities and the outcome that would have occurred without the venture or organization. In other words, it refers to the portion of the total outcome that happened as a result of the company’s activity, above and beyond what would have happened anyway.

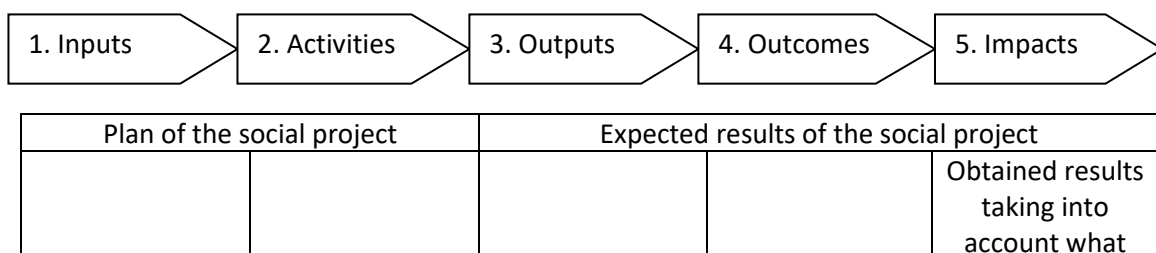
In social science, one needs what is called a “counterfactual” to compare to the experimental state in order to discern the effect of the dependent variable from among all other factors that could be causing a change. In the context of impact investing, impact may be determined by the outcomes of a company relative to an industry standard comparison.

Example: Two children who have improved their access to education, since the other six children who attended to school were already receiving education outdoors from other visiting teachers.

- *Goal Alignment*: The management process of evaluating whether outcomes or impacts met desired goals and determining what can be done to improve operations.

The following Table 4.1 provides an overview of the impact value chain:

**Table 4.1: Impact value chain**





Human and capital resources invested in the activities	Actual interventions in the project	Tangible products derived from the activity	Changes due to the activity	would have happened without conducting the activity in question
Monetary resources (€), number of people, etc.	Development of projects, building of infrastructures, etc.	Sold products, number of people that have received the information, etc.	Effects over the targeted population (e.g. increase in access to education)	Degree in which changes can be attributed to the activity in question. Other possible alternatives have to be taken into account (e.g. classes outdoors).
50.000 € / 5 people working on the project	Land purchased, built school	Construction of a new school with 32 places	Number of children who have improved their access to education: 8	Number of children who have improved their access to education without including those who already had an alternative: 2

Source: (AEF, 2015, p. 18)

In order to rigorously calculate the social impact that arises from the impact value chain, the results should be contrasted with the following (AEF, 2015; Ayuso, 2018; CE, 2015):

- What would have happened anyway had the organization not taken action (what is known as “deadweight cost”).
- The activities of other agents (what is known as “attribution”), since we want to isolate what can be attributed to our organization’s investment.
- The tendency of the effects of an intervention to decrease as times goes by (better known as “downfall effect” or “drop-off”).
- In which measure the results have displaced other equally positive effects that could have taken place (“displacement effect”).
- Unexpected consequences, whether they are positive or negative.

Currently, existing academic contributions to the study and definition of social impact measurements remain scant and heterogeneous; the majority of existing academic research describes a number of different methodologies adopted to evaluate social

impacts (Arvidson & Lyon, 2014; Arvidson, Lyon, McKay, & Moro, 2013; Bagnoli & Megali, 2011; Dillenburg, Greene, & Erekson, 2003; Gibbon & Dey, 2011; Nicholls, 2010). However, some works can be considered as starting points for guiding a deeper understanding of social impact studies and for providing a framework for social impact practices (Emerson, 2003; Nicholls, 2009). By means of the following tables, some of the methodologies that have been created during the last decades will be shown. These methodologies will be divided up in two different types (Florman et al., 2016):

- The “general” methodologies that measure the general social impact, focusing on at least two areas, be they social, environmental and economic (see Table 4.2).
- The “specific” methodologies that focus on one or two areas or sectors (for instance, the reduction of poverty or environment) and that serve only for the use of one organization or group in particular (see Table 4.3):

The following Tables 4.2 and 4.3 will describe these methodologies and evaluate them comparing them with different dimensions, like level of application, participation of interest groups, metrics generated, data requirements and effort required (Ayuso, 2018). The implications of these possibilities and limitations will serve as a reference point for us to determine which methodology fits best to measure the social value of professional basketball clubs in Spain, specially taking into account the particular nature of these organizations as explained previously.

**Table 4.2: Methodologies of general social impact assessment**

Name	Year launched	Areas of focus	Cost	Use	Institutional affiliation
Social Return on Investment (SROI)	1997	Economic, social and environmental	Free or paid	Broad array of companies employing adapted versions of the SROI	Originally developed by the Roberts Enterprise Development Fund (REDF)
Social Rating	1998	Social and ethical, financial	Free or charge	Microcredit donors and investors	Micro-credit Ratings International Ltd.
Social Impact Assessment (SIA)	1999	Economic, social and environmental	Free	Participants in the Global Social Venture Competition	Global Social Venture Competition (GSVC)
G4 Guidelines	2000 (G1 in 2000; G4 launched in 2013)	Economic, environmental and social	Free and charge <sup>48</sup>	Launched as a free online tool	Global Reporting Initiative (GRI)
Human Impact + Profit (HIP) Scorecard	2006	Human, social, environmental, economic	Charge	HIP Investor Inc. clients (investors, companies, funds, Governments, agencies, etc.)	HIP Investor, Inc.
Principles for Responsible Investment (PRI)	2006 <sup>49</sup>	Environmental, social and corporate governance	Fee or donation	From investors to NGOs, a variety of entities can become signatories after paying a fee or by making donations for this initiative	United Nations
GIIRS / B Rating System	2007	Social and environmental	Free and Charge <sup>50</sup>	B Lab members (Business networks, supply chain managers, governments and other entities)	B Lab
IRIS Metrics	2009	Social, environmental and financial	Free	Intended for Impact Investors as a free public good	Global Impact Investing Network (GIIN); founding partners: Acumen Fund, B Lab and The Rockefeller Foundation

Source: (Florman et al., 2016, p. 8)

<sup>48</sup> To register a report is free but a fee is charged in order to access other services.

<sup>49</sup> Reporting framework released in 2013. <http://www.unpri.org/whatsnew/pri-unveils-new-reporting-framework/>

<sup>50</sup> Free to access report, but there is a charge associated with the assessment.

**Table 4.3: Specific social impact assessment methodologies (listed chronologically by year launched)**

Name	Year launched	Areas of focus	Cost	Use	Institutional affiliation
Social Value Metrics	1999	Economic, social and environmental	Free and Donation	Root Capital in order to evaluate credit risk and social impact of loan applicants	Root Capital
Leadership in Energy and Environmental Design (LEED) Certification	1999	Environment	Charge	Applied by the US Green Building Council members	US Green Building Council
Balanced Scorecard	1999	Financial, customer, business process, learning and growth	Donation	New Profit and its partners and donors	New Profit Inc.
Trucost	2000	Environment	Charge	Trucost PCL and its clients	Trucost Plc
Accelerator /Compass Investment Sustainability Assessment	2000	Social, economic and environmental	Free and Charge	For AtKisson's use to evaluate corporations, cities, communities, organizations, foundations and other entities	AtKisson, Inc
Dalberg Approach	2001	Social and financial	Charge	Dalberg's clients (companies and other entities)	Dalberg Global Development Advisors (driven by McKinsey and Bain approaches)
Ecological Footprint	2003	Environment	Free and Charge <sup>51</sup>	Global Footprint Network (individuals, cities, countries, businesses, NGOs, among other partners)	Ecological Footprint
Progress Out of Poverty Index (PPI)	2005	Poverty	Free or Donation	Any company, organization or entity can make a donation	Grameen Foundation

<sup>51</sup> There is no charge to register a report, but clients are charged in order to access other services. To learn more, visit: [http://www.footprintnetwork.org/images/uploads/Partnership\\_Details\\_2014.pdf](http://www.footprintnetwork.org/images/uploads/Partnership_Details_2014.pdf)

Development Outcome Tracking System (DOTS)	2005	Development	Charge	IFC to evaluate its development portfolio	International Finance Corporation (IFC)
Environmental Performance Reporting System(EPRS)	2006	Environment	Charge	Applied by CalPERS on their limited partners, general partners, investors and portfolio companies	Environmental Capital Group for CalPERS
Financial, Impact, Innovation and Risk Management (FIIRM)	2009	Financial, social, environmental development	N/A <sup>52</sup>	Insurance, finance, healthcare companies in which LeapFrog invests	LeapFrog Investments
Product Social Impact Assessment (PSIA)	2013	Social	Free	Any company, entity or organization	Roundtable for Social Product Metrics

Source: (Florman et al., 2016, p. 11)

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<sup>52</sup> FIIRM is a proprietary tool and is, at this stage, only available for its developer, LeapFrog Investments.

When it comes to analyze the different models of social impact measurement, we should not forget that these frameworks have different purposes and approaches. For that purpose, we go on to analyze some of the different approaches that try to measure social value creation by businesses. The purpose of profiling and analyzing the approaches is to describe each one, and then explaining which one fits best with the purpose of our Thesis. Nevertheless, we should not neglect the fact that there is not any “right” or “wrong” methodology, for there is no perfect methodology when it comes to social value measurement (Tuan, 2008).

In a nutshell, the sorting of the methodologies chosen has been made on the basis of the following conditions: firstly, they had to be applicable to any kind of businesses, whether they are for-profit or non-profit. Secondly, these methodologies had to consist of evaluation processes that businesses (in theory) could put into practice by themselves (self-assessment), even if in practice the collaboration of external advisors would be recommendable. Finally, the information about the methodologies had to be publicly accessible, at least partially, in order to analyze its main characteristics (Ayuso, 2018).

For this reason, we have analyzed the following methodologies: the Economy for the Common Good, B Impact Assessment, Global Reporting Initiative (GRI), Capacity Index (IC) Model, Social Return on Investment (SROI) Model and SPOLY Methodology. In the following section, a description of the main characteristics and functioning will be provided, with a closing paragraph on our view about the adequacy to choose each methodology for our research on the social value created by professional basketball clubs in Spain.

#### **4.3.1. The Economy for the Common Good**

The Economy for the Common Good (ECG) is a comprehensive and coherent economic model and is practiced in hundreds of businesses, universities, municipalities and local chapters across Europe and South America. It represents an alternative to both capitalism and communism, as it emerges out of a holistic worldview and is based on “sovereign democracy”, (Felber & Hagelberg, 2017). This methodology was coined by the Austrian activist and writer Christian Felber, as a model that has five underlying goals (Felber & Hagelberg, 2017):

- 1) Reuniting the economy with the fundamental values guiding the society in general. The ECG encourages business decisions that promote human rights, justice and sustainability.
- 2) Transitioning to an economic system that defines serving the “common good” as its main goal. The business community and all other economic actors should live up to the universal values set down in constitutions across the globe. These include dignity, social justice, sustainability and democracy.
- 3) Shifting to a business system that measures success according to the values outlined above. A business is successful and reaps the benefits of its success not

when it makes more and more profits, but when it does its best to serve the public good.

- 4) Setting the cornerstones of the legal framework for the economy democratically, in processes which result in concrete recommendations for reforming and reevaluating national constitutions and international treaties.
- 5) Closing the gaps between feeling and thinking, technology and nature, economy and ethics, science and spirituality.

In the opinion of Felber and Hagelberg (2017), rewarding “good” behavior and making “poor” behavior more visible to the public and less profitable will lead to a general paradigm shift at all levels of the economy. We will see more cooperation among business partners. We will also see less uncontrolled, destructive growth, and companies will strive towards their optimal size. Business profits will increasingly be used to improve products, infrastructure, and working conditions and less for increasing dividends for investors which widen the social divide. A central concern of the Economy for the Common Good (ECG) is to end the confusion between means and ends in our economic system. Money and capital should no longer be the end or the goal of economic activity, but rather the means to reach a higher goal, namely to improve the Common Good (Felber & Hagelberg, 2017).

At the business level, the Common Good Balance Sheet measures the extent to which a company abides by key constitutional values. These include human dignity, solidarity, justice, sustainability, and democracy. This new balance sheet measures some twenty ethical indicators, for instance (Felber & Hagelberg, 2017):

- Do products and services satisfy human needs?
- How humane are working conditions?
- How environmentally friendly are production processes?
- How ethical is the sales and purchasing policy?
- How are profits distributed?
- Do women receive equal pay for equal work?
- To what extent are employees involved in core, strategic decision making?

So far, over 400 businesses have conducted a Common Good Balance Sheet. Business owners, managers, and interested workers go through a catalogue of indicators and describe their activities accordingly. If desired, certified ECG business consultants support the company in addressing these issues, gathering the information, and determining the degree to which the company abides by the social and environmental performance indicators. Finally, independent auditors examine and discuss the results and a Common Good Report is published. In the Common Good Matrix shown below (Table 4.4), all companies can reach a maximum of 1000 points. At present the average is around 300, which shows that companies across the board have room for improvement. If all companies scored 1000 points, we would have a near-perfect society: there would be no poverty or unemployment, a clean environment, gender

justice, peace, and engaged and motivated workers. This utopia is very far away, but we can begin today moving in that direction (Felber & Hagelberg, 2017).

As it can be seen, the Matrix of Common Good intertwines fundamental values – human dignity, cooperation and solidarity, ecologic sustainability, social justice and democratic co-determination and transparency – with the main stakeholders of the business: suppliers, financiers, ecologic sustainability, customers, and social and natural environment. The current version of the matrix shown gives way to 17 intersection criteria, by which the activities of a business are classified according to their positive contribution to the Common Good. Each criteria (indicator) is punctuated according to the actions that the business carries out and that go beyond the fulfillment of legal obligations (Ayuso, 2018).

The assessment follows a punctuation scale in terms of percentages from 0 to 100% and is divided in diverse development measures. Each one of the 17 criteria is assigned a maximum punctuation (between 30 and 90 points) and there are even negative criteria concerning detrimental behaviors for the Common Good, which add up to a number between 100 and 200 negative points for each criteria selected. It could be possible to ponder the punctuations of the different criteria in order to reflect the specific characteristics of a business (Ayuso, 2018). The different criteria used in the assessment of the Common Good Matrix are shown in the following Table 4.4:



**Table 4.4: Common Good Matrix** - Source: (Felber & Hagelberg, 2017, p. 8)

VALUE \ STAKEHOLDER	Human dignity	Cooperation and solidarity	Ecological Sustainability	Social Justice	Democratic co-determination and transparency
<b>A) Suppliers</b>	<b>A1: Ethical Supply Management</b> Active examination of the risks of purchased goods and services, consideration of the social and ecological aspects of suppliers and service partners (90 POINTS)				
<b>B) Investors</b>	<b>B1: Ethical Financial Management</b> Consideration of social and ecological aspects when choosing financial services; common good-oriented investments and financing (30 POINTS)				
<b>C) Employees, including business owners</b>	<b>C1: Workplace quality and affirmative action</b> Employee-oriented organizational culture and structure, fair employment and payment policies, workplace health and safety, work-life balance, flexible work hours, equal opportunity and diversity (90 POINTS)	<b>C2: Just distribution of labor</b> Reduction of overtime, eliminating unpaid overtime, reduction of total work hours, contribution to the reduction of unemployment (50 POINTS)	<b>C3: Promotion of environmentally friendly behavior of employees</b> Active promotion of sustainable lifestyles of employees (mobility, nutrition), training and awareness-raising activities, sustainable organizational culture (30 POINTS)	<b>C4: Just income distribution</b> Low income disparity within a company, compliance with minimum and maximum wages (60 POINTS)	<b>C5: Corporate democracy and transparency</b> Comprehensive transparency within the company, election of managers by employees, democratic decision making on fundamental strategic issues, transfer of property to employees (90 POINTS)
<b>D) Customers/ Products/ Services/ Business Partners</b>	<b>D1: Ethical customer relations</b> Ethical business relations with customers, customer orientation and co-determination, joint product development, high quality of service, high product transparency (50 POINTS)	<b>D2: Cooperation with businesses in same field</b> Transfer of know-how, personnel, contracts and interest-free loans to other business in the same field, participation in cooperative marketing activities and crisis management (70 POINTS)	<b>D3: Ecological design of products and services</b> Offering of ecologically superior products/services; awareness raising programs, consideration of ecological aspects when choosing customer target groups (90 POINTS)	<b>D4: Socially oriented design of products and services</b> Information, products and services for disadvantaged groups, support for value-oriented market structures (30 POINTS)	<b>D5: Raising social and ecological standards</b> Exemplary business behavior, development of higher standards with businesses in the same field, lobbying (30 POINTS)
<b>E) Social Environment:</b> Region, electorate, future generations, civil society, fellow human beings, animals and plants	<b>E1: Value and social impact of products and services</b> Products and services fulfill basic human needs or serve humankind, society or the environment (90 POINTS)	<b>E2: Contribution to the local community</b> Mutual support and cooperation through financial resources, services, products, logistics, time, know-how, knowledge, contacts, influence (40 POINTS)	<b>E3: Reduction of environmental impact</b> Reduction of environmental effects towards a sustainable level, resources, energy, climate, emissions, waste, etc. (70 POINTS)	<b>E4: Investing profits for the Common Good</b> Reducing or eliminating dividend payments to extern, payouts to employees, increasing equity, social-ecological investments (60 POINTS)	<b>E5: Social transparency and codetermination</b> Common good and sustainability reports, participation in decision making by local stakeholders and NGO's (30 POINTS)
<b>Negative criteria</b>	<ul style="list-style-type: none"> <li>* Violation of ILO norms (international labor standards) / human rights (-200 POINTS)</li> <li>* Products detrimental to human dignity and human rights (e.g. landmines, nuclear power, GMO's) (-200 POINTS)</li> <li>* Outsourcing to or cooperation with companies which violate human dignity (-150 POINTS)</li> </ul>	<ul style="list-style-type: none"> <li>* Hostile takeover (-200 POINTS)</li> <li>* Blocking patents (-100 POINTS)</li> <li>* Dumping prices (-200 POINTS)</li> </ul>	<ul style="list-style-type: none"> <li>* Massive environmental pollution (-200 POINTS)</li> <li>* Gross violation of environmental Standards (-200 POINTS)</li> <li>* Planned obsolescence (short lifespan of products) (-100 POINTS)</li> </ul>	<ul style="list-style-type: none"> <li>* Unequal pay for women and men (-200 POINTS)</li> <li>* Job cuts or moving jobs overseas despite having made a profit (-150 POINTS)</li> <li>* Subsidiaries in tax havens (-200 POINTS)</li> <li>* Equity yield rate &gt; 10% (-200 POINTS)</li> </ul>	<ul style="list-style-type: none"> <li>* Non-disclosure of subsidiaries (-100 POINTS)</li> <li>* Prohibition of a works council (-150 POINTS)</li> <li>* Non-disclosure of payments to lobbyists (-200 POINTS)</li> <li>* Excessive income inequality within a business (-150 POINTS)</li> </ul>

Indeed, companies with high balance sheet scores could be rewarded with tax benefits, lower tariffs, and priority in public procurement. As a result, ethical and environmentally friendly products and services would become cheaper than ethically questionable ones. Unlike today, where businesses are punished if they try to pay fair wages and protect the environment, responsible businesses in a common good economy would have an advantage in the marketplace. By reversing goals and means, the rules of the economy would be in line with human rights, justice and democracy. In this regard, the Balance of Common Good analyzes the level of alignment of business activities with the criteria of the Matrix of Common Good and that can be realized by any type of business, no matter its characteristics, activity, dimensions and legal form (Ayuso, 2018).

Apart from businesses, the Balance of Common Good can also be elaborated by public administrations. However, even if the assessment criteria take into consideration the perspective of the business stakeholders, they do not necessarily establish the participation of stakeholders in the assessment process. In any case, there are some situations in which the implication of stakeholders is necessary to get evidence that will document the fulfillment of Common Good Matrix criteria, like the participation of workers when assessing the criteria to measure the quality of a job position and the gender equality policies within the company. The necessary documentation to put into practice this qualitative methodology can be found online, by visiting the Common Good webpage<sup>53</sup> that explains in detail the principles set down by Christian Felber. It is up to the business to implement this methodology autonomously or by searching for external advisory by EBC consultants, in return for a fee. At the same time, a business can financially support the EBC movement (Ayuso, 2018).

Nonetheless, even if the Balance of Common Good offers an interesting approach to the quantification of social value, the main problem is that it does not offer the possibility of monetizing social value given that it is difficult to integrate with traditional financial accounting measures, and apart from that it does not consider the participation of the main stakeholders within the process of evaluation established in the previous Table 4.4. Our approach would be to take into consideration the stakeholders views when it comes to define the value dimensions that would lead to value measurement and monetization.

#### **4.3.2. The Global Reporting Initiative (GRI)**

The Global Reporting Initiative was created in 1997 under the initiative of the North American Coalition for Environmentally Responsible Economies (CERES) of Boston and the Tellus Institute. In 1999, the United Nations Environment Program (UNEP) joined as a partner to ensure an international perspective. The purpose of the GRI is to enable the diffusion of sustainability records. Its objective is to provide information guidelines to present a clearer vision of the human and ecological impacts of an enterprise. In

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<sup>53</sup> Link for the webpage for the Economy of the Common Good: <https://www.ecogood.org/en/>

addition, one of the GRI's main functions is to enable shareholders and other stakeholders to make well-informed decisions regarding investments and the purchasing of goods and services from the company. The ultimate objective of the guidelines is to create reports that complement - rather than substitute - companies' other reports, such as their financial reports. Thus, the GRI is a framework from which to judge records of sustainability. Furthermore, the GRI framework provides the opportunity to compare information and conduct benchmarking among the different organizations involved. Thus, the performance indicators of the GRI are directly related to each of the principles as reflected in its various content sections: economic aspects, environmental impacts, labor practices, human rights, social aspects and product responsibility (Marimon, del Mar Alonso-Almeida, del Pilar Rodríguez, & Alejandro, 2012).

Three striking innovations underlying GRI were: (1) to create the guidelines through collaborative efforts of a wide range of actors who had not previously thought of themselves as members of the same political or policy networks, and to do so in a maximally transparent internet-based manner; (2) to put in place a self-replicating, inclusive, multi-stakeholder international network for producing successive generations of the guidelines, which would assure their adaptability and long-term survival; (3) to create an organization serving as the steward of the guidelines, which they viewed as broadly shared public good, and the process by which they would continue evolving (Brown, De Jong, & Lessidrenska, 2009). GRI reporting could be considered as the most widely known set of voluntary guidelines for corporate sustainability reporting (Marimon et al., 2012), since it has entered the fabric of organizational non-financial reporting and become almost ubiquitous as the basis on which organizations should seek to report and as the intellectual framework through which economic, social and environmental impacts and sustainability should be articulated at the organizational level (Milne & Gray, 2013).

The GRI is a multi-stakeholder initiative whose stated goal is to encourage dialogue between corporations and stakeholders through firms' disclosure of information on economic, social and environmental performance. Firms need to report on: first, their profile (context information on profile, strategy and governance); second, their management approach (how they address relevant topics) and third, a series of performance indicators (comparable information on social, environmental and economic performance) (Vigneau, Humphreys, & Moon, 2015). The GRI has developed reporting norms on what to report and how to report, without any binding requirements. It is a voluntary standard, and as Willis (2003) stated "the Guidelines do not represent a code of conduct or a performance standard. They can, however, assist a company in reporting how it performs relative to such codes and standards (p. 235)". By providing reporting guidelines, the GRI aims at promoting organizational transparency and accountability as well as stakeholder engagement. The GRI also provides application-level information, as corporations can self-assess their reports (or get a third party assurance), based on the number of GRI indicators disclosed in their

reports. Depending on their disclosure level, corporations are awarded a level A, B or C (Vigneau et al., 2015).

The GRI presents the following guidelines for data compilation regarding performance indicators that must be reported: (1) reporting on trends, to consider previous, actual and future targets (short and medium term); (2) use of protocols, to give basic guidance for interpreting and compiling information; (3) presentation data, to show ratios or normalized data; (4) data aggregation, to determine the appropriate aggregation of data; and (5) the usage of generally accepted international metrics (e.g. kilograms, tons, liters) that are calculated using standard conversion factors (Marimon et al., 2012).

In this context G4, the fourth update of the GRI Sustainability Reporting Guidelines, was planned and developed. The aim of G4 is simple: to help reporters prepare sustainability reports that matter, contain valuable information about the organization's most critical sustainability-related issues, and make such sustainability reporting, understood as the reporting that helps organizations to set goals and to measure performance while managing change in order to make their operations more sustainable, a standard practice (Global Reporting Initiative, 2015).

Hence, the organization sustainability report presents information relating to material aspects, that is, those aspects for which impacts are identified as material by the organization. Material aspects are those that reflect the organization's significant, economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders. This material aspects and their consideration as economic, social or environmental impacts are analyzed in the Table 4.5 below. In this respect, the economic dimension of sustainability concerns the organization's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. It does not focus on the financial condition of the organization (Global Reporting Initiative, 2015). In this respect, although the GRI was originally intended to be a reporting guideline, over time, GRI has placed greater emphasis on reporting principles and less on providing specific templates and metrics to be used in reports. It is clear that the GRI is now providing more information about what to report (performance indicators) than how to report (protocol of reporting); placing importance on certain issues, such as materiality, stakeholder and social inclusiveness. As a result, companies are integrating these issues into their business practices (Vigneau et al., 2015).

In essence, although GRI opens up an interesting framework for assessing reporting practices according to their scope and quality, it does not offer the possibility of monetizing the social value outputs created by the organization, as we demand. Instead, the methodology gives each company a result according to the number of GRI indicators that it reports. What we seek is a methodology that allows the monetization of the impact of a business and the integration of the social and economic value created within a single measurement unit. Hence, we will not choose this methodology in our research to conduct the social value quantification of professional basketball clubs.

**Table 4.5: Global Reporting Initiative – Categories and Aspects in Impact Assessment**

Category	Economic	Environmental	Social				
Aspects	<ul style="list-style-type: none"> <li>● Economic Performance</li> <li>● Market Presence</li> <li>● Indirect Economic Impacts</li> <li>● Procurement Practices</li> </ul>	<ul style="list-style-type: none"> <li>● Materials</li> <li>● Energy</li> <li>● Water</li> <li>● Biodiversity</li> <li>● Emissions</li> <li>● Effluents and Waste</li> <li>● Products and Waste</li> <li>● Compliance</li> <li>● Transport</li> <li>● Overall</li> <li>● Supplier Environmental Assessment</li> <li>● Environmental Grievance Mechanisms</li> </ul>	<i>Social Impact Sub-Categories</i>	<i>Labor Practices and Decent Work</i>	<i>Human Rights</i>	<i>Society</i>	<i>Product Responsibility</i>
				<ul style="list-style-type: none"> <li>● Employment</li> <li>● Labor/Management Relations</li> <li>● Occupational Health and Safety</li> <li>● Training and Education</li> <li>● Diversity and Equal Opportunity</li> <li>● Equal Remuneration for Women and Men</li> <li>● Supplier Assessment for Labor Practices</li> <li>● Labor Practices Grievance Mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>● Investment</li> <li>● Non-discrimination</li> <li>● Freedom of Association and Collective Bargaining</li> <li>● Child Labor</li> <li>● Forced or Compulsory Labor</li> <li>● Security Practices</li> <li>● Indigenous Rights</li> <li>● Assessment</li> <li>● Supplier Human Rights Assessment</li> <li>● Human Rights Grievance Mechanism</li> </ul>	<ul style="list-style-type: none"> <li>● Local Communities</li> <li>● Anti-corruption</li> <li>● Public Policy</li> <li>● Anti-competitive Behavior</li> <li>● Compliance</li> <li>● Security Practices</li> <li>● Supplier Assessment for Impacts on Society</li> <li>● Grievance Mechanisms for Impacts on Society</li> </ul>	<ul style="list-style-type: none"> <li>● Customer Health and Safety</li> <li>● Product and Service Labeling</li> <li>● Marketing Communications</li> <li>● Customer Privacy</li> <li>● Compliance</li> </ul>

Source: (Global Reporting Initiative, 2015, p. 44)

### 4.3.3. B Impact Assessment

B Impact Assessment is a tool developed by B Lab Organization to assess the social and environmental performance of a business (Ayuso, 2018). B Lab is a non-profit organization that has promoted the B Corporation model, which refers to businesses that meet the highest standards of verified social and environmental performance, public transparency and legal accountability to balance profit and purpose. B Corps are accelerating a global culture shift to redefine success in business and build a more inclusive and sustainable economy.

In reality, the previous viewpoint stems from the conception that society's most challenging problems cannot be solved by government and non-profits alone. The B Corporation community works toward reduced inequality, lower levels of poverty, a healthier environment, stronger communities, and the creation of more high quality jobs with dignity and purpose. By harnessing the power of business, B Corps use profits and growth as a means to a greater end: positive impact for their employees, communities, and the environment.<sup>54</sup>

The B-Impact Assessment (BIA) is a free, comprehensive and industry-specific tool designed to measure the social and environmental impacts of a company. Taking the BIA will highlight the strengths of the company and let see where the company could improve across five aspects, called "impact areas" of the business: Governance, Workers, Community, Environment and Customers. The assessment balances reviewing the operational impact (day-to-day impacts of running the business) and impact business model (whether the intentional design of the company creates specific positive outcomes for one or more stakeholders). To progress with B Corp Certification, the company must reach, in the approximately 100 questions that make up the questionnaire, a total verified score of at least 80 points out of 200 available on the BIA (B Corps, 2018). Concerning the social impact measurement, the impact areas of BIA are the following (B Corps, 2018):

- *Governance*: The Governance section of the BIA evaluates a company's overall mission, ethics, accountability and transparency. It measures whether the company has adopted a social or environmental mission, and how it engages its employees, board members and the community to achieve that mission. This section assesses employee access to financial information, customers' opportunities to provide feedback, and the diversity of the company's governing bodies.
- *Workers*: The Workers section of the BIA assesses the company's relationship with its workforce. It measures how the company treats its workers through compensation, benefits, training and ownership opportunities provided to workers. The category also focuses on the overall work environment within the

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<sup>54</sup> Link for the webpage for the B-Corporation Movement: <https://bcorporation.eu/about-b-corps>

company by assessing management/worker communication, job flexibility, corporate culture, and worker health and safety practices.

- *Community*: Community portion of the BIA evaluates the company's supplier relationships, diversity and involvement in the local community. It also measures the company's practices and policies around community service and charitable giving, including whether a company's product or service is designed to solve a social issue, such as access to basic services, health, education, economic opportunity and the arts.
- *Environment*: The Environment portion of the BIA evaluates a company's environmental performance through its facilities, materials, emissions, and resource and energy use. Companies answer questions about their transportation/distribution channels and the environmental impact of their supply chain. The assessment also measures whether a company's products or services are designed to solve an environmental issue, including products that aid in the provision of renewable energy, conserve resources, reduce waste, promote land and wildlife conservation, prevent toxic or hazardous substances and pollution, or educate, measure and consult to solve environmental problems.
- *Customers*: The Customer section of the BIA comprises the measurement of the impact a company has on its customers by focusing on whether a company sells products or services that promote public benefit and if those products or services are targeted toward serving underserved populations. The section also measures whether a company's products or service is designed to solve a social or environmental issue (improving health, preserving environment, creating economic opportunity for individuals or communities, promoting the arts/sciences, or increasing the flow of capital to purpose-driven enterprises).

The evaluation makes use of the metrics of the Impact Reporting and Investment Standards (IRIS),<sup>55</sup> in conjunction with additional criteria to get to a global qualification of the company, as well as specific qualifications for the previously mentioned five different types. The metrics employed refer mainly to inputs, activities and products or services. There are more than 50 types of variations according to the business' size, industry and geographical location, with around 200 questions in total. Depending on these factors, each question will have a different proportion from one business to another (Ayuso, 2018).<sup>56</sup> At this point, it is necessary to clarify that, even if the BIA considers the impact created for the main stakeholders of the business analyzed, it does not establish the participation of these in the assessment process (Lazkano & Beraza,

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<sup>55</sup> IRIS is an initiative from the Global Impact Investing Network and represents the catalogue of reference metrics for impact investors. Impact investments are those investments carried out in businesses, organizations and funds, with the intention of creating social and environmental impact, apart from a financial return (Ayuso, 2018).

<sup>56</sup> Link for the webpage for the B-Corporation Movement: <https://bimpactassessment.net/es/como-funciona/preguntas-frecuentes>

2019). With regards to the data requirement, the procurement of internal data of the company turns out to be fundamental, specially the following data (B Corps, 2018):

- Payroll register/employee roster.
- Employee handbook.
- List of the “significant” suppliers. If there are more than 10 employees: top 80% of suppliers/vendors by dollar volume; if there are fewer than 10 employees: top 5 suppliers.
- Breakdown of revenue from the business various products and services.
- Profit and Loss statement.
- Any resource-use tracking (energy, greenhouse gas, water, etc.).
- Any sustainability or corporate social responsibility goals, reports, progress, or tracking documents.

After completing the BIA, B Lab will verify the score to determine if the company meets the 80-point bar for certification. Then, business representatives that have the responsibility to carry out the BIA will have to meet virtually with B Lab staff to review the completed BIA and submit confidential documentation to validate the responses. To maintain certification, B Corps update their BIA and verify their updated score every three years.<sup>57</sup> Table 4.6 below represents an example of a possible B Impact Certification table. Please take note that a median score is calculated out of the results of all businesses that have completed the B Impact Assessment, and that median scores will not add up to overall (Ayuso, 2018).

**Table 4.6: Impact value chain**

Summary	Company Score	Median Score
Environment	10	7
Workers	21	18
Customers	26	15
Community	47	17
Governance	11	6
<b>Overall B Score</b>	<b>115</b>	<b>63</b>

Source: Ayuso (2018)

In the case of B Impact Assessment, it presents a relatively straightforward methodology to quantify the social impact created for different stakeholders. Nonetheless, this methodology does not monetize the social impacts to stakeholders, neither do stakeholders take part in the process of determination of the questions that make up the B Impact Assessment questionnaire. Moreover, we do neither seek to assess whether the intentional design of the company creates specific positive outcomes for one or more stakeholders, instead we seek only to calculate the general social impact of the activity of the business and not to give a “pass” grade to the professional basketball

<sup>57</sup> Link: <https://bcorporation.eu/node/39535>



clubs analyzed, as the aim of our interpretation of results is purely descriptive and not normative.

#### **4.3.4. Capacity Index Methodology**

The Capacity Index (IC) developed by Garriga (2014), is a methodology to measure the social impact of social projects of businesses on the basis of the Capacity Theory coined by Amathia Sen (2002). The perspective of Sen (2002) is explained by his belief that human being's well-being and development is related to the things that people can really do or be (the capacities), understood as the real opportunities to choose and to live a life that is considered valuable according to the available resources, taking into account their psychological, social and environmental limitations. When providing a reasoning to choose the Sen's methodology, its defenders argue the following (EADA/Seres/Fundación ManPower Group, 2013):

- The information type is more complex and global, and the content of wellbeing is multidimensional. It takes into account the some previous limitations as personal (like the age or health), social (social norms and customs) and environmental (climate, geography, physical conditions) limitations.
- The Capacity Theory takes into account both the subjective aspects (assessment, satisfaction and perception of satisfaction) as well as the objective aspects (frequency, quantity and variety) of resources.
- The Capacity Theory of Amartya Sen possesses a solid economic foundation, having received the Nobel Prize of Economics in 1998, being validated by a plethora of studies about operationalization and quantification of capacities.

In reality the Capacity Theory makes it possible to build a Capacity Index, a human development index that is akin methodologically to the United Nations Program for Development (UNPD) that allows us the comparison between businesses and temporally (year after year). In this way, the Capacity Theory by Sen permits the evaluation of wellbeing and life quality with a bigger explanation power than those approaches that are based on resources, money, utility, satisfaction, goods and services. The Capacity Index is based on the concept of capacity that is defined as the alternative combinations that a person can do or be. In Sen's viewpoint, the concept of capacity is complex and multidimensional as it includes a series of interrelated elements like goods, goods' characteristics, conversion factors and different kinds of functioning (EADA/Seres/Fundación ManPower Group, 2013).

The starting point of the Capacity Theory is the goods and resources (money, time, features or goods) that an individual possesses. Under this approach the resources and goods have to be taken into account on the basis of the following elements (EADA/Seres/Fundación ManPower Group, 2013):

- Their characteristics, understood as the proprieties and specificities of the goods and resources.
- The limitations of the individual that can affect the usage and the exploitation of these goods and resources. These limitations can be personal (age or health), social (social norms or mores present in a society at a given point in time) and environmental (geography, climate or institutions). These limitations are also called the *conversion factors*, which are individual, social and environmental.

These conversion factors affect the individual when using his or her goods and resources, and they determine what a subject is capable of doing with these goods and resources. The idea is that a bike can't produce the same wellbeing to all the people: the welfare given by the bike will depend on the health of the person, the cognitive capacities of the person or the availability of roads in the country. The wellbeing produced by the bike will be different in each case; then the resource will not guarantee by itself the wellbeing of the individuals (EADA/Seres/Fundación ManPower Group, 2013).

Now then, bearing in mind the goods and resources and the conversion factors of the goods, the concept of stakeholder capability will consist of several interrelated concepts, mainly entitlements and functioning, each of which is important for stakeholder wellbeing or welfare, which also considers conversion factors. Following the argument of Sen (2002), capabilities are potential kinds of functioning. Functioning refers to beings and doings. The difference between functioning and capability will be similar to the difference between achievement and the freedom to achieve something, or the difference between outcome and opportunity (Garriga, 2014).

In other words, a functioning is an achievement, whereas a capability is the ability to achieve. Functioning is, in a sense, more directly related to living conditions, since they are different aspects of living conditions. Capabilities, in contrast, are notions of freedom, in the positive sense: what real opportunities you have regarding the life you may lead (Garriga, 2014). In this sense, different functionings and capabilities are mutually dependent; capabilities depend on existing functionings and both are important for understanding stakeholder welfare and behavior.

The conversion factors enable the consideration of a number of social features such as social norms and social interdependencies or constraints. In this sense, stakeholder welfare cannot be understood independently from concern for others or the actions from other stakeholders. There are also individual conversion factors that consider human diversity, that is, race, gender, ethnicity or geographic location. The capability approach explicitly acknowledges human diversity and Sen (2003) has criticized inequality approaches that assume that all people have the same types of utility functions or are influenced in the same way and to the same extent by the same personal, social and environmental characteristics (Garriga, 2014).

In this way, the Capacity Index Methodology will measure the capacities generated for the beneficiaries by the business. In other words, it tries to measure what the

beneficiary can be or what he or she can reach (different abilities and learnings) thanks to the organization. All the capacities that a person has will be called the “capability set”, the group of capacities, and reflects, according to Amartya Sen, the wellbeing and quality of life of a person. The IC model allows us to measure the social impact, of a social program as long as it meets the following criteria: it should last at least one year and the recipients should be clearly identifiable. At the same time, it is important to conduct a profound analysis about the social problem tackled and its causes, while establishing substantial objectives to find a solution for them by way of the program in question (Ayuso, 2018).

The IC model will gather data directly from the direct and indirect recipients of the social program. First of all, a series of semi-structured interviews with a selection of recipients will be carried out. In these interviews, the recipients are asked about the generation of capacities at the personal, familiar, social and professional level, and about the capacity’s main components (functioning and individual, social and environmental limitations). On the basis of this information, different questionnaires are elaborated for each kind of recipient (or stakeholder) with the aim of measuring the change in capacities attributable to the organization (Ayuso, 2018).

The aforementioned IC model will be based on the logic framework of the impact chain. First of all, determining the scope of the project will allow us to identify the objectives of the organization, its activities and the stakeholder groups targeted. Then, the activities carried out will be analyzed, alongside the outputs (known as the immediate results of those activities). Once the outputs have been identified, it will be time to check the outcomes, taken as the changes in the standard of living and wellbeing of the people owing to the outputs and that reach a longer period. With the results of the questionnaires a global capacity index will be calculated that sums up the capacities in a numeric value between 0 and 1 (Ayuso, 2018).

Finally, the social impact will be calculated. This social impact will measure the change produced among the recipients before the program (moment 0) and after the program (moment 1). The social impact should reflect the transition from moment 0 to moment 1 within the capability set, and on the basis of the following formula that is similar to the human development index from the Program of the United Nations for Development (PNUD) (EADA/Seres/Fundación ManPower Group, 2013):

$$\text{UNITED NATIONS INDEX} = I_q * I_q + 1 * I_q + 2 * I_q + 3 * \dots * I_q + n$$

q referring to the capacities, n being the number of capacities in total and I being the index of each capacity calculated according to the formula.

The capacity index has been calculated with a similar methodology to the PNUD but with different components (different capacities and functioning types) and information (direct questionnaire to the recipients). In this regard, the main differences with the Index from the Program of the United Nations for Development are the Primary research (questionnaires and direct interviews with the program’s recipients) and the methodology of Robenys about both capacity identification and measurement

(EADA/Seres/Fundación ManPower Group, 2013). The capacity index will have a range from 0 to 1, similar to the Index from the Program of the United Nations for Development.

$$\text{CAPACITY INDEX} = (\text{REAL VALUE} - \text{MINIMUM VALUE}) / (\text{MAXIMUM VALUE} - \text{MINIMUM VALUE})$$

Additionally, we could calculate the social savings (the quantity that the recipient will cease to pay to the government or to other stakeholders for the outcomes and capacities of the program) (Ayuso, 2018; EADA/Seres/Fundación ManPower Group, 2013). This process of assessment is sometimes easier (when the outcomes and capacities have a monetary value) and sometimes more difficult (social value). When the result does not have a monetary value a monetization process becomes necessary. The process of assessment implies giving a monetary value to things that do not have a market value. This implies a search of proxies and indicators, and this requires time, money and resources from the organization in question. In many cases this process is about “discovering” the price, something that is easier when costs are saved or income is increased (EADA/Seres/Fundación ManPower Group, 2013).

Once the improvement of the capacities within the recipients have been analyzed, we can assess the efficacy of the social program (by means of social indicators adapted to the context and to the problems tackled), and the efficiency of the inputs (by way of the calculation of the current net value of the investment that another organization should make to get the same result) (Ayuso, 2018). While the necessary information to quantify the inputs and outputs corresponds to the internal data of the organization, the primary data to calculate the outcomes and social impact stem from the interviews and questionnaires carried out to the recipients of the social impact. In case that the social savings, efficacy and efficiency of the program are calculated, secondary data coming from external sources will be required (indicators, financial proxies, etc.) (Ayuso, 2018).

The fact that the IC Model includes the monetization of the outcomes gives it a particular advantage over the previous methodologies described. The fact that the methodology takes into account the stakeholders opinions thanks to semi-structured interviews represents another positive aspect for this methodology, apart from the fact that it assumes that not all stakeholders will have the same utility functions. However, in these interviews the recipients of the program will be asked about the generation of capacities at the personal, familiar, social and professional level, and about the limitations of these capacities. For the purposes of the research, we are interested solely in the perception of social impact by stakeholders of the activity of professional basketball clubs, and not by the social impact related to the creation of capacities by a social program in particular. Hence, IC methodology will not be accepted for this research.

#### 4.3.5. Social Return on Investment (SROI)

SROI (better known as Social Return of Investment) is a term originating from return on investment (ROI) used by traditional investors. Among the main principles of SROI, we should highlight that SROI was developed from social accounting and that is based on seven principles. These principles underpin how SROI should be applied (Nicholls et al., 2009):

- 1) Involve stakeholders.
- 2) Understand what changes.
- 3) Value the things that matter.
- 4) Only include what is material.
- 5) Do not over-claim.
- 6) Be transparent.
- 7) Verify the result.

SROI describes the social impact of a business or nonprofits' operations in monetary terms, relative to the investment required to create an impact and exclusive of its financial return to investors. In other words, it is a monetization of the social benefits and costs relative to the financial costs of the company's operations. It is based on the net present value of these non-market impacts in dollar terms. It can be used on an ongoing basis to gauge success and inform the management of social value creation (Lingane & Olsen, 2004).

This methodology seeks to be a framework for measuring and accounting for the social value (understood as a combination of social, economic and environmental outcomes). In this sense, it seeks to reduce inequality, environmental degradation and improve wellbeing by incorporating social, environmental and economic costs and benefits. SROI measures change in ways that are relevant to the people or organizations that experience or contribute to it. It tells the story of how change is created by measuring social, environmental and economic outcomes and uses monetary values to represent them. This represents a ratio of benefits to costs to be calculated. For instance, a ratio of 3:1 indicates that an investment of 1 € delivers 3 € of social value (Nicholls et al., 2009).

The SROI measures the value of social benefits created by an organization, in relation to the relative cost of achieving those benefits, as illustrated below (Rotheroe & Richards, 2007):

$$\text{SROI} = (\text{Net Present Value} / \text{Net Present Value of Investment})$$

In this respect, we will refer to the six stages that involves carrying out an SROI analysis (Nicholls et al., 2009):

- 1) Establishing scope and identifying key stakeholders. It is important to have clear boundaries about what your SROI analysis will cover, who will be involved in the process and how.
- 2) Mapping outcomes. Through engaging with your stakeholders you will develop an impact map, or theory of change, which shows the relationships between inputs, outputs and outcomes.
- 3) Evidencing outcomes and giving them a value. This stage involves finding data to show whether outcomes have happened and then valuing them.
- 4) Establishing impact. Having collected evidence on outcomes and having monetized them, those aspects of change that would have happened anyway or are result of other factors that are eliminated from consideration.
- 5) Calculating the SROI. This stage involves adding up all the benefits, subtracting any negatives and comparing the result to the investment. This is also where the sensitivity of the results can be tested.
- 6) Reporting, using and embedding. Easily forgotten, this vital last step involves sharing findings with stakeholders and responding to them, embedding good outcome processes and verification of the report.

Despite the previous stages, we should clarify the traditional misconceptions about the SROI methodology, since these misunderstandings have not helped to understand the usefulness and the scope of the methodology's practicality (New Philanthropy Capital, 2010):

- Firstly, it has often been considered that SROI ratio "represents actual financial returns". In fact, it does not. The SROI ratio is the final point of an SROI analysis that represents the social value for each 1 € invested. This is how much stakeholders (including beneficiaries, the government, the employees, or the charity) value the service. It does not represent an actual financial return.

Some of the value a stakeholder puts on a service will be based on how it improves their emotional, social and physical well-being (e.g. feeling less lonely or in better health). Some of it will be based on cost-savings related to using fewer services (e.g. improvements to a patient's mental health mean he or she is less reliant on healthcare), and some of it will be based on expectations of higher income (e.g. the beneficiary earning a higher wage or reducing their debt or the government collecting more tax).

Lower spending on services and higher income can represent actual financial returns. Improved emotional, social and physical well-being are valued very highly by stakeholders and so this value is put into financial terms for the purpose of the SROI calculation, however they do not represent real cash savings. It is also important to note that a financial return to one stakeholder may be a financial loss to another stakeholder.

For instance, increasing access to benefits increases the income of the person receiving benefits, but also increases the cost to the taxpayer. It is standard in cost-benefit analysis

not to include cash transfers of this kind. However, it is often interesting to highlight the competing interests of different stakeholders, even if they cancel each other out.

- Secondly, the claim that “SROI is a way of measuring outcomes” is also wrong. Although the process of carrying out an SROI requires the measurement of outcomes, it does not itself say how these outcomes should be measured. Its principles state that outcomes should be measured in ways that are meaningful to stakeholders but what is meaningful will obviously vary from stakeholder to stakeholder. Suppose a charity is interested in measuring what difference it makes to a child’s esteem. What questions should it ask? To whom should it ask these questions? When should it ask these questions?

That SROI does not solve the measurement problem is not a criticism – SROI is not intended to prescribe measurement techniques. However, good measurement is crucial to a good SROI and more investment in helping non-profits is needed before SROI can reach its full potential. In the case of outcome valuation, generally three common methods are used for finding financial proxies to use in an SROI analysis (New Philanthropy Capital, 2010):

- Willingness to pay (WTP): The amount that consumers are willing to pay for a little more of a service or an outcome shows how much consumers value getting that little bit more of the service or outcome.
- Service costs. These values are based on how much the government pays in service costs. The value of an outcome corresponds to the service costs saved by the government, like hospital bed spaces saved due to better health.
- Market value. This is the cost of services on the open market, like the price of a flat or a team-building course. These costs are often lower than willingness to pay estimates as competition normally drives prices down below what people are willing to pay.

SROI, in sum, is a sophisticated technique that allows the projection of results, therefore capturing the value of accrued benefits which when compared to the level of investment produces the SROI ratio. The result of the SROI, as previously said, will be a ratio of monetized social value. However, there is much more to the story. The technique is designed to present a framework for exploring the social impact of an organization, combining both quantitative and qualitative approaches. It can therefore be used as the starting point in a debate on the creation of social value (Rotheroe & Richards, 2007).

Just take the case of a fictional company to illustrate this methodology. Let us imagine a non-profit basketball club from a town that organizes a match to collect food for families from needy backgrounds, thus reducing these families dependence on the food vouchers from the Government by 20% in the town in question. The outcome in question is the number of food vouchers that the Governments saves, whereas the money per voucher could be considered as the proxy to monetize the outputs. For the purposes of a simplified example, we assumed no negative social cash flows in the following steps (Lingane & Olsen, 2004):

1. Quantify non-financial impact of operations per unit

Example: 150 fewer food vouchers from the Government to families in need due to the club's initiative.

2. Translate into dollar terms per unit to achieve "social cash flows" (SCF-s)

The cost of each food voucher amounts to 500 €, meaning a \$75,000/year.

Annual social cash flow is: \$75.000.

3. Sum all SCFs for the horizon in question

There is currently no standard time frame for social return on investment projections. Five years is used since projections beyond this time are so uncertain as to be meaningless, and since this is typical for financial projections among startups.

4. Discount SCFs to present value

Discount each year's summed social cash flows by an appropriate discount rate. Document all assumptions. By way of example and for explanatory purposes, we will establish a discount rate of 20 %.

There is at present no market standard for determining the appropriate discount rate.

Social Cash Flow (SCF) Year 1	SCF Year 2	SCF Year 3	SCF Year 4	SCF Year 5	Net Present Value of SCF-s from Years 1 to 5
$\frac{75.000}{(1 + 0,2)^1}$	$\frac{75.000}{(1 + 0,2)^2}$	$\frac{75.000}{(1 + 0,2)^3}$	$\frac{75.000}{(1 + 0,2)^4}$	$\frac{75.000}{(1 + 0,2)^5}$	<b>224.295,89 €</b>

5. Finally, we will calculate both SROI and the Social Internal Rate of Return (also known as SIRR). Both concepts are approximated.

The SROI is calculated by means of the division between the Net Present Value of the SCF-s calculated in the previous table and the total investment made for the period of time considered.

Total Investment	Investment Year 1	Investment Year 2	Investment Year 3	Investment Year 4	Investment Year 5
(150.000 €)	66.549	45.768	18.449	10.163	9.071

Approximate Net Present Value of SCF-s from years 1 to 5: 224.295,89 €

Total Investment: 150.000 €

SROI: NPV of SCF-s/ Total Investment = 224.295,89 € / 150.000 € = 149,53%



In order to calculate the SIRR (Social Investment Return Rate), we should bear in mind that it is the discount rate at which all cash flows including investment sum to zero. It is preferred by some investors to the SROI. In the following calculations, it is represented with the character “x”:

SCF Year 1	SCF Year 2	SCF Year 3	SCF Year 4	SCF Year 5	SCF-s = Initial Investment → x= SIRR
$\frac{75.000}{(1+x)^1}$	$\frac{75.000}{(1+x)^2}$	$\frac{75.000}{(1+x)^3}$	$\frac{75.000}{(1+x)^4}$	$\frac{75.000}{(1+x)^5}$	x (SIRR) = 41,04 %

Result: Approximated SIRR = 41%

Although there are no universal standards for assessing value in the public or third sectors unlike the private sector, SROI as a practice originates from the concept of “economic value”, and therefore a “business case” for social policy interventions can be produced using this methodology of assessment. Critically, in arriving at a financial value for an intervention, attribution, deadweight, displacement and drop-off are accounted for in order to avoid over-claiming the worth of an intervention. SROI foregrounds the need for transparency in determining value and it is therefore necessary to undertake a careful assessment of impact via a sensitivity analysis (King, 2014).

To an economist, SROI looks like a cost-benefit analysis. Cost-benefit analysis is an approach to assessing the case for a particular project or course of action by weighing up the total expected costs against the total expected benefits. Both costs and benefits are expressed in financial terms. An example of a cost-benefit statement could be: “for every 1 € invested in a project 4 € of social value is created”. SROI can be thought of as special type of cost-benefit analysis where there is an explicit attempt to value costs and benefits from the perspective of stakeholders who are often excluded from investment decisions (New Philanthropy Capital, 2010).

However, cost-benefit analysis refers to a very broad range of approaches, comparing the costs of some particular action with its benefits and expressing both costs and benefits in financial terms. In the case of SROI, it can be seen as a particular approach to cost-benefit analysis with an emphasis on stakeholder involvement. SROI explicitly casts the net widely, involving stakeholders at every stage, from deciding what indicators to use to putting financial values on outcomes (New Philanthropy Capital, 2010).

Cost-benefit (CBA) and SROI analysis look exactly the same (“for every euro spent, Charity A creates X euro-s of social value”) and so an interested stakeholder would have to look at the process of the calculation to understand whether it really was a statement of SROI. Understanding the benefits to a wide range of stakeholders is a standard part of CBA as practiced by the government and other agencies. Nevertheless, in the CBA it is not standard to involve stakeholders in the same extent as in SROI (New Philanthropy Capital, 2010).

Whilst CBA mentions that the “Analysis of who is affected by a proposal”, undertaken as part of the appraisal, may be very useful in determining who should be consulted, there is a very strong explicit emphasis on stakeholders within SROI and the types of involvement they can have. Consultation with stakeholders and their importance is one of the strongest features of conducting an SROI. It appears within CBA, but it is given less emphasis (Arvidson et al., 2013). SROI, for its part, explicitly attempts to involve stakeholders at every stage through assessing how much stakeholders value the service (Millar & Hall, 2013).

Take the case of a decision about whether to close a leisure center for children. A standard cost-benefit analysis might conclude that the costs of running the leisure center outweigh the benefits in terms of income generated and may miss potential benefits to parents and children, because they have not been consulted during the analysis. On the contrary, a SROI analysis might conclude the opposite, given that the value to children and their parents of having a regular, local point of contact where children can gain confidence and create meaningful relationships with other children is taken into account (New Philanthropy Capital, 2010).

Another difference between both methodologies is that SROI is presented as one way that an organization may learn, and used to direct resources to areas with the greatest impact. On the contrary, CBA is more likely to be conducted by external agents who report on the efficacy of particular proposals or interventions. Again, this is not a difference that is inherent to the techniques themselves (Arvidson, Lyon, McKay, & Moro, 2010). The SROI process can vary from the social value created by an entire organization, or focus on just one specific aspect of the organization’s work (Millar & Hall, 2013; Nicholls et al., 2009). In this regard, there are two types of SROI (Nicholls et al., 2009):

- The evaluative alternative which is conducted retrospectively and based on actual outcomes that have already taken place.
- The forecast alternative which predicts how much value will be created if the activities meet their intended outcomes.

In this regard, SROI is interested in the level of efficiency of a certain intervention or policy within the organization, whereas our intention is to monetize the social impact of an organization considering all the outputs created by the organization. Moreover, whereas the main utility of SROI would be the help it provides on the decision-making regarding investments, our focus is on the improvement of the optimization of the social value created. Hence, SROI Methodology, albeit a fertile ground for the studies of social impact, will not be chosen for the analysis of social value creation by professional basketball clubs.

#### 4.3.6. Monetization of Social Value (SPOLY Methodology)

The SPOLY Methodology, better known as the “Polyhedral Model”, is a social value monetization model that was coined by the ECRI Research Group of the University of the Basque Country and the University of Deusto (Basque Country, Spain) as a result of the work of the aforementioned research group in conjunction with other social actors. The findings obtained have enabled an integrated social accounting model in which the social and economic value generated by the organizations for their stakeholders as a whole can be considered jointly (“blended value”). The model proposed is based on two major research frameworks (Retolaza et al., 2016):

- The analytic-synthetic method, which consists of splitting a problem into its elementary component parts, analyzing them separately and then integrating them into a relational model.
- Cost-benefit analysis, which entails outlining the costs and benefits of a project or policy initiative. As long as the benefits of a service or amenity exceed the costs at the margin, the service should be provided. Social benefits are measured by surplus, i.e. the difference between the cost of providing a good and the benefits that the people receive (Roest, Van Schie, & Venema, 2010).

In this regard, the SPOLY methodology rests on four basic assumptions:

- *Stakeholder theory*: Value creation activities and processes have to be understood based on the firm’s crucial relationships with its stakeholders (Parmar et al., 2010). Post, Preston and Sachs (2002) stated that “stakeholder view posits that the capacity of a firm to generate sustainable wealth over time, and hence its long-term value, is determined by its relationship with critical stakeholders (p. 9)”. As it has been said, the firm needs to satisfy stakeholder interests in order to create value to them. Then, this question should be asked: which interests need to be satisfied by the firm? For determining what is valuable and how value is perceived by the stakeholder, we should consider that value is a subjective concept, it is not a single phenomenon, it is multifaceted and can be different for each stakeholder group (Garriga, 2014).

Nonetheless, Freeman (2008) argued that even if it is true that stakeholder interests may conflict, their interests in the long-run must be shaped in the same direction if businesses are to create value for their stakeholders (Freeman, 2008). Creating value requires a joint effort by all stakeholders with implicit knowledge that their stakes are multifaceted and interconnected. These questions need to be adequately answered and addressed if we want to understand how firms create value (Garriga, 2014). The organization in question would be placed at the center of a network of stakeholders whose behavior would be influenced, in part, by the treatment that the firm gives to other stakeholders (Harrison & Wicks, 2013), as explained in Chapter 3.

- Another important tenet of the SPOLY model is the *phenomenological paradigm*. The aim of interpretative phenomenological analysis is to explore in detail how participants are making sense of their personal and social world, and the main currency for this study is the meanings particular experiences, events and states hold for participants. The approach is phenomenological in that it involves detailed examination of the participant’s life-world, it attempts to explore personal experience and is concerned with an individual personal’s perception or account of an object or event (Smith & Osborn, 2003). The goal of empirical phenomenological research is to describe the world as experienced by the participants of the inquiry in order to discover the common meanings underlying empirical variations of a given phenomenon (Baker, Wuest, & Noerager Stern, 1992).

The main reason why phenomenological paradigm is part of the model is due to the fact that different social value dimensions are established on the basis of the perceptions of recipients of that value, in this case the stakeholders. It therefore requires a flexible data collection instrument that makes it possible to obtain data suitable for phenomenological study –like personal accounts, diaries, structured or semi-structured interviews– that will make it easier to conduct a research with qualitative data (Smith & Osborn, 2003). The structural analysis of the information given will comprise these seven successive steps:

**Table 4.7: Structure of SPOLY analysis: steps**

Step	Statement	Description	Application
1	General reading of the description of each protocol	From the fact that the protocol description is as complete as possible and it does not contain spurious elements introduced clandestinely, surreptitiously or unconsciously, this time the effort will be to “immerse” in the mind map and it should be as intense as possible	Identify what respondents perceived as value generated by the organization
2	Delimitation of natural thematic units	Both this step as the fifth (identification of the structure) are the two poles of the same reality. Because of this, they are closely related	Grouping of all subject areas perceived values
3	Determining the theme that dominates each unit	In this way two things are done: firstly repetitions and redundancies in each unit are eliminated, thus simplifying its extension and all the protocol	Identify the value variable that focuses each of the thematic units
4	Expression of focus on scientific language	In this step, the researcher reflects on the core issues that have reduced the thematic units (that are still written in the full language of the subject), and expressed his content in an appropriate technical language or scientific language (psychological language, educational, sociological, etc.)	Define the indicators-oriented value variables

5	Integration of all central themes in a single descriptive structure	This step is the heart of the research and science, because during it, it is necessary to discover the basic structure(s) of the relations of the investigated phenomenon	Value variables matrix
6	Integrate all private structures in a general structure	The purpose of this step is integrated into one description, as comprehensive as possible, the richness of the content of the structures identified in the various protocols	Integration value of the variables within the polyhedral model
7	Final interview with the subjects studied	This final step will be to perform one or more interviews with each subject to let you know the results of the investigation and hearing their views or actions against them	Returning the result and obtaining feedback which improves the process

Source: (San-Jose & Retolaza, 2016, p. 37)

- Another important assumption of the model is that of *action research*, given that the ontological position is one that does not desire pure objectivity (or even consider it a possibility). Instead, the role of the researcher creates situation-specific findings, and knowledge is considered as inextricably linked with the interaction between investigator and participant. The investigator is seen as paramount to the very “creation” of knowledge and truth. Indeed, knowledge is created through the interaction of those with an understanding of the subject. This creates a pluralistic system whereby often conflicting, yet meaningful constructions are apparent. The resultant creation of “truth” is relative to the situation and subject to the dynamic nature of knowledge creation. This requires the social constructivist inquirer to be a “facilitator” of the process (Rotheroe & Richards, 2007).

In the opinion of Bradbury and Reason (2003), action research could be defined as: “a participatory, democratic process concerned with developing practical knowing in the pursuit of worthwhile human purposes, grounded in a participatory worldview. It seeks to reconnect action and reflection, theory and practice, in participation with others, in the pursuit of practical solutions of issues of pressing concern to people. More generally it grows out of a concern for the flourishing of individual persons and their communities (p. 156)”. Action research is a process of systematic inquiry that seeks to improve social issues affecting the lives of everyday people. Through repeated cycles of planning, observing and reflecting, individuals and groups engaged in action research can implement changes required for social improvement through a cyclical, dynamic and collaborative process (Hine, 2013).

According to Hine (2013), the action research cycle divides into five key steps: designing the study, collecting data, analyzing data, communicating outcomes, and taking action. When designing the study, researchers carefully refine the issue to be investigated, plan systematic processes of inquiry, and check the validity and ethics of the work. The second stage is where the researcher collects information from a variety of sources about a phenomenon of interest. Next, the

information is analyzed to identify key features of the issue under investigation. During the communication stage, the outcomes of the study are made known to the relevant audiences through the use of appropriate media or forums. Finally, and of critical importance to the action research cycle, the researcher takes action by using the outcomes of the study. These outcomes are used to work toward a resolution of the issue investigated.

- The other theoretical pillar of the SPOLY model is the assumption of *fuzzy logic*. Fuzzy logic is derived from the assumption that conventional approaches to knowledge representation (like semantic networks, frames, calculus, etc.) are based on bivalent logic. A serious shortcoming of such approaches is their inability to come to grips with the issue of uncertainty and imprecision. As a consequence, the conventional approaches do not provide an adequate model for modes of reasoning which are approximate rather than exact. Most modes of human reasoning and all of common sense reasoning fall into this category (Zadeh, 1989). As a case in point, we reason in approximate terms when making important decisions in life (like which route to take to a destination, how to approach a theorem or how much money to invest, etc.) (Zadeh, 1975).

Indeed, it could be argued, rather convincingly, that only a small fraction of our thinking could be categorized as precise in either logical or quantitative terms. Perhaps the simplest way of characterizing fuzzy logic is to say that it is logic of approximate reasoning. In this respect, fuzzy logic differs significantly from classical logical systems, as the latter do not provide an adequate representation of common sense knowledge, since such knowledge is by its nature both lexically imprecise and non-categorical (Zadeh, 1975, 1989).

As such, it is a logic whose distinguishing features are (I) fuzzy truth-values expressed in linguistic terms, like *true*, *very true*, *more or less true*, *rather true*, *not true*, *false*, *not very true* and *not very false*; (II) imprecise truth tables; and (III) rules of inference whose validity is approximate rather than exact (Zadeh, 1975). In fuzzy logic, exact reasoning is viewed as a limiting case of approximate reasoning, and everything is a matter of degree. Fuzzy logic also considers that any logical system can be “fuzzified”. Fuzzy logic differs from traditional logical systems both in spirit and in detail (Zadeh, 1989). Some of the principal differences between them are summarized in the following (Zadeh, 1989):

- Truth: In bivalent logical systems, truth can have only two values: true or false. In multi-valued systems, the truth value of a proposition may be an element of: a) a finite set; b) an interval such as  $[0,1]$ ; or c) a Boolean algebra. In fuzzy logic, the truth value of a proposition may be a fuzzy subset of any partially ordered set, but usually it is assumed to be a fuzzy subset of the interval  $[0,1]$  or, more simply, a point in this interval. The so-called linguistic

truth values expressed as *true*, *very true*, *not quite true*, etc., are interpreted as labels of fuzzy subsets of the unit interval.

- **Predicates:** In bivalent systems, the predicates are crisp, e.g. *mortal*, *even*, *larger than*. In fuzzy logic, the predicates are fuzzy, e.g. *tall*, *soon*, *swift*, *much larger than*. It should be noted that most of the predicates in a natural language are fuzzy rather than crisp.
- **Predicate Modifiers:** In classical systems, the only widely used predicate modifier is the negation: *not*. In fuzzy logic, there is a variety of predicate modifiers which act as hedges, e.g. *very*, *more or less*, *quite*, *rather*, *extremely*. Such predicate modifiers play an essential role in the generation of the values of a linguistic variable, e.g., *very young*, *not very young*, *more or less young*, etc.
- **Quantifiers:** In classical logical systems there are just two quantifiers: universal and existential. Fuzzy logic admits, in addition, a wide variety of fuzzy quantifiers exemplified by *few*, *several*, *usually*, *most*, *almost always*, *frequently*, *about five*, etc. In fuzzy logic, a fuzzy quantifier is interpreted as a fuzzy number or a fuzzy proportion.
- **Probabilities:** In classical logical systems, probability is numerical or interval-valued. In fuzzy logic, one has the additional option of employing linguistic or, more generally, fuzzy probabilities exemplified by *likely*, *unlikely*, *very likely*, *around 0,8*, *high*, etc. Such probabilities may be interpreted as fuzzy numbers which may be manipulated through the use of fuzzy arithmetic.
- **Possibilities:** In contrast to classical modal logic, the concept of possibility in fuzzy logic is graded rather than bivalent. Furthermore, as in the case of probabilities, possibilities may be treated as linguistic variables such as *possible*, *quite possible*, *almost impossible*, etc. Such values may be interpreted as labels of fuzzy subsets of the real line.

In the case of the creation of social value, we clearly find ourselves facing a system of fuzzy sets. Although this is a question that seems to require a yes or no answer, in fact the degree of truth depends largely on what is meant by social value, on the timing of the analysis and of the period of reference, and perhaps on even or who conducts the analysis. The question of how much value an organization generates is even fuzzier; a little, some, quite a lot, a lot, a very great deal or any other category than can be thought of.

In this sense, some aspects like determining the profits for the year or the value of an asset are an exercise between certain upper and lower bounds, which may not be clear. Concerning the social value the fuzziness is even greater, as the range of variability in the possible upper and lower bounds attributable to an output is generally far greater than in the accounting limits set in financial reporting standards. In the valuation of an asset the variability may be of 10, 15 or 20%, or in extreme cases, as much as 50%. What answer should be given if

the question is whether the creation of a new job can be assigned a value of 30.000 €? To answer and enable calculations to take place it is necessary to resort to the principle of gradual simultaneity, which can be expressed as follows: “a proposal can at one and the same time be true and false, on the condition that a degree is assigned to its truthfulness and a degree to its falseness” (Retolaza et al., 2016).

As a result of the fuzziness of social value, in the procedure for monetizing that value it is necessary to resort several times to instruments developed to work with fuzzy sets, particularly (1) in integrating similar variables into a single value variable; (2) in identifying outputs linked to a value variable; (3) in the relationship established between outputs and possible proxies for their monetization; and (4) in quantifying the value of the proxies selected. Since the biggest problem detected in the monetization of social value is the relationship between outputs and proxies, we will use the concept of affinity (Gil-Aluja, 1999), defined as groupings which are homogeneous at given levels, structured in an orderly fashion, that link items from two sets of different types, related by the essence of the phenomena that they represent (Retolaza et al., 2016).

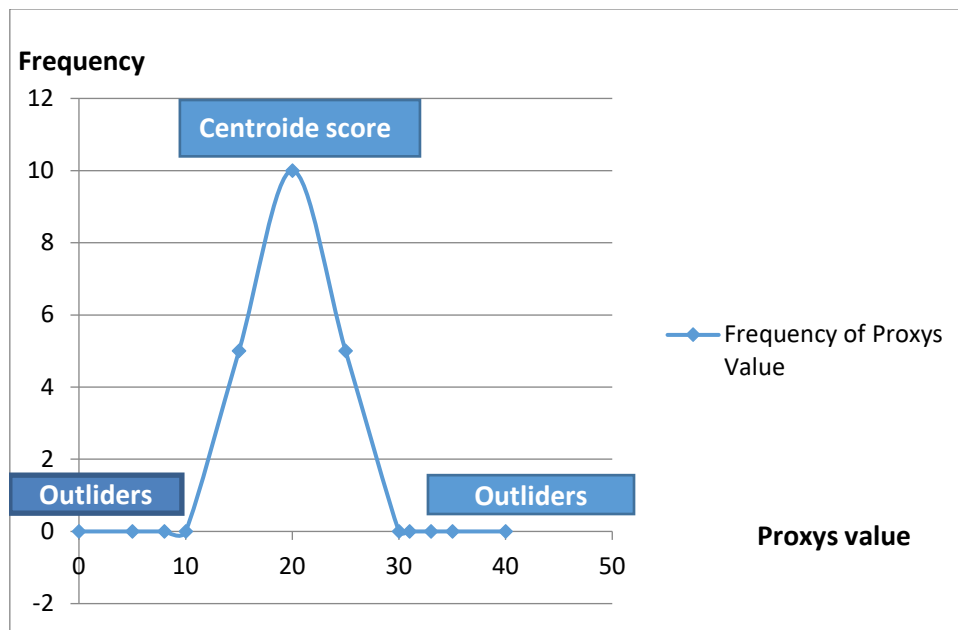
This concept of affinity comprises three aspects: the first is the fact that the homogeneity of each grouping is linked to the level selected. Depending on the demands for each characteristic (items in one of the sets) a higher or lower threshold level is set beyond which homogeneity is deemed to exist. The second aspect is the need for the elements in each set to be linked to one another by certain rules of nature in some cases or by human will, as in the case considered here. The third is the structure that constitutes some degree of order capable of permitting subsequent decisions, in this case concerning monetary quantification. The purpose of each grouping on the one hand, and the type and strength of the links between the elements in one set and those in the other on the other hand, determine all possible groupings (Retolaza et al., 2016).

The problem of assignation must be approached on the basis of the existence of three, normally finite, sets of physical and mental objects. The first includes the elements to be assigned, which in our case means the outputs generated for each value variables identified. The second contains the items assigned to them, which in our case means the proxies used to monetize each output; and the third contains the items on which the process of assignment is based, which in our case means essentially similarity, which is what can be called the “assignation criteria” (Retolaza et al., 2016).

The diagram below shows that in the case of a dispersal of values in the possible proxies selected, we choose as our centroe score the value that optimizes the centrality of the function of belonging (Retolaza et al., 2016). The quest for the central value of the proxy in question will help us giving a cautious monetary value to the proxy in question, an aspect that will avoid overestimating and underestimating the proxy-s´ values.



**Figure 4.2: Establishment of the value of a proxy**

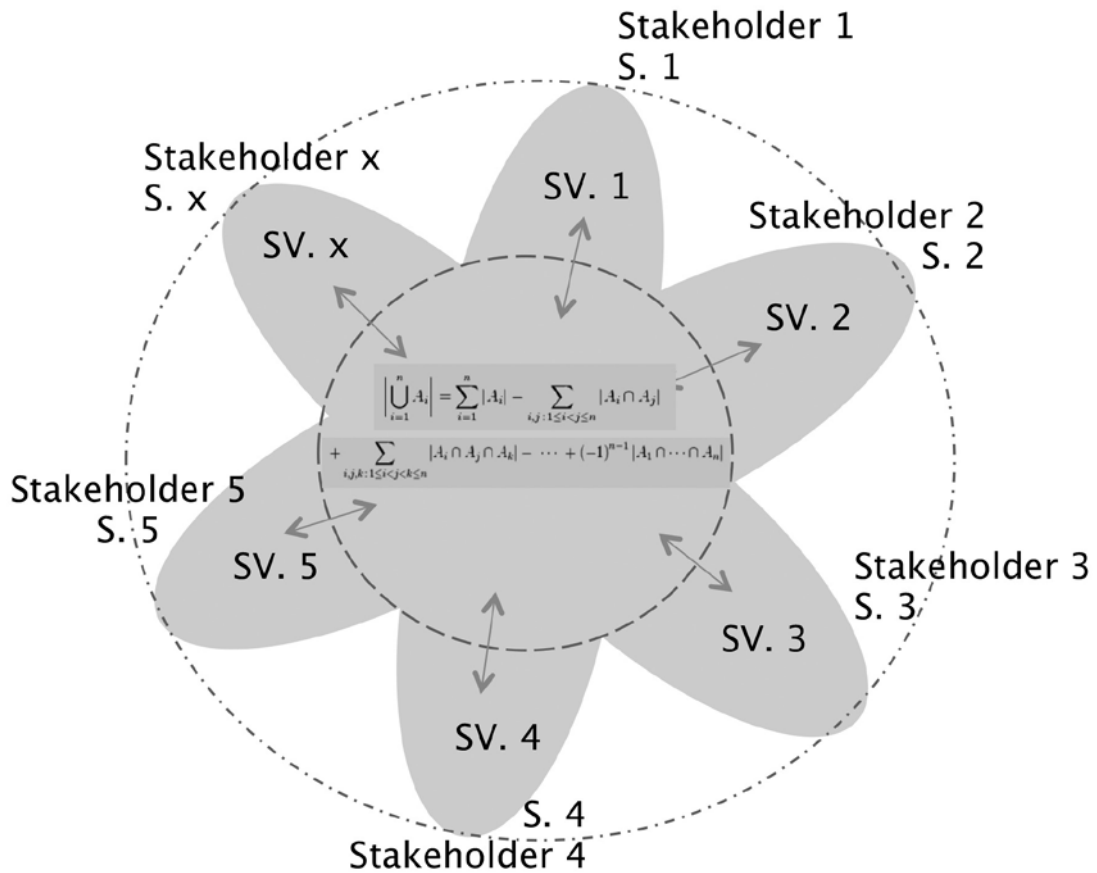


Source: (Retolaza et al., 2016, p. 25)

Having explained the main assumptions of SPOLY Methodology, it is worth remembering that one of the main conclusions is that each stakeholder might have its own value perceptions, that might be different from those of other stakeholders given that stakeholders themselves determine their own utility functions based on individual preferences (Harrison & Wicks, 2013), an aspect also evident in sports management field, where a plurality of stakeholders with a variety of motivations influence the environment and thus the governance of these organizations (Gammelsæter, 2010; Morrow, 2013; Zagnoli & Radicchi, 2010). Instead of defining the value dimensions based on a prior categorisation of the social good, the researcher approaches the phenomenon without interpretative criteria and lets the stakeholders themselves express about the value generation they perceive from the organisation. The resulting social value perceptions can be considered from a fuzzy logic perspective, which makes it possible to identify the entire social value created for the various stakeholders without having to assume that there is a single, objective value (Ayuso et al., 2020).

The following Figure 4.3 reflects the previous notions of SPOLY Methodology. In Figure 4.3, the different areas shaded in grey represent the social value created for each stakeholder. Whereas the inner circle represents the value shared by all stakeholders, the outer “petals” represent the values generated for particular stakeholders that do not match with those of other stakeholders. The total value generated by the organization corresponds to the total shaded area. Since the figure is a simplification, it does not show the value that is shared only partially among some of the stakeholders but not among all of them, but in the calculation these values are taken into account and quantified (Ayuso et al., 2020).

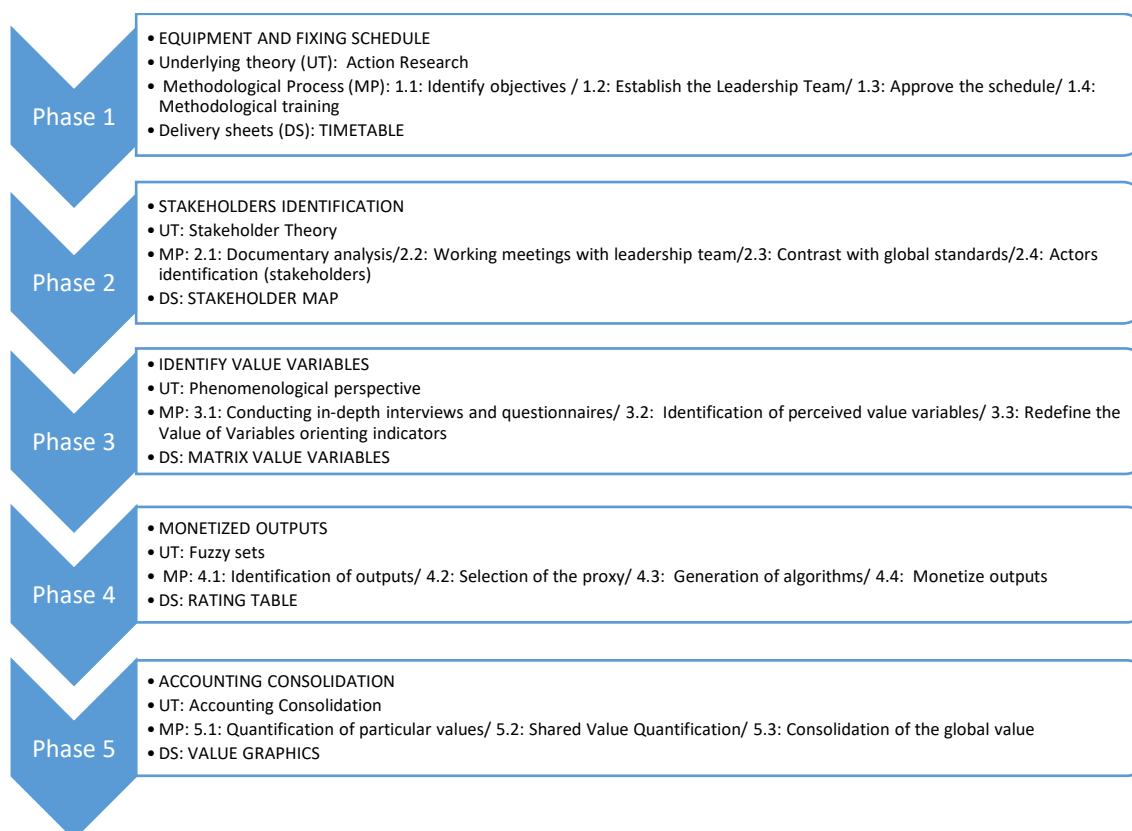
Figure 4.3: SPOLY Polyhedral Model



Source: (Retolaza et al., 2016, p. 40)

In addition, the model reveals the extent to which the interests of different stakeholders are aligned, based not on design but on results. If there is confluence between the shared value and the consolidated value then there is a greater alignment of interests among the stakeholders of the organization in question (Venkataraman, 2002), which means that the return perceived by each stakeholder is greater than when those values are very different from one another. It can be assumed that alignment of interests and increases in returns will help to align the resources (Peteraf, 1993) linked to each stakeholder. The SPOLY Polyhedral model can be seen as an underlying analysis model from which a process emerges that can be applied specifically to an organization. The Figure 4.4 below summarizes the research micro-process that is conducted to bring about the monetization of the social value generated by the organization.

**Figure 4.4: Steps of the SPOLY Model**



Source: (Retolaza et al., 2016, p. 41)

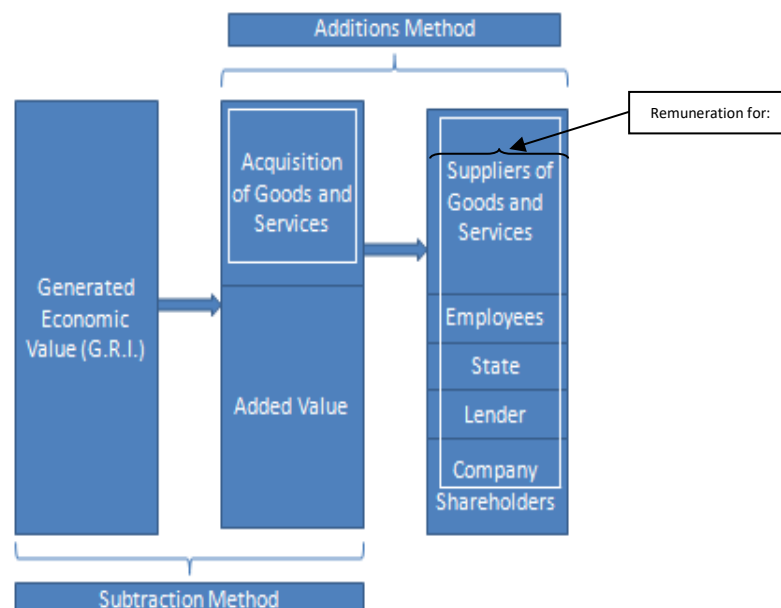
The stakeholder-centric Polyhedral Model solves the problem usually found in socio-economic impact analyses, which tends only to consider tangible costs and ignore other types of impact related to the various stakeholders or special interest groups (Emerson et al., 2000). However, if the model is to be applied on the basis of the usual approach in stakeholder theory (Freeman, 1984; Parmar et al., 2010) a one-to-one relationship must be assumed to exist between stakeholders and interests. In practice, this is not usually the case: within the same stakeholder group diverse, and even opposing, interests may coexist. Moreover, different stakeholders may share the same interests. Indeed, the same stakeholder may have different, and even divergent, interests depending on his or her point of view (Harrison & Wicks, 2013).

For the model to be inclusive with the pluralistic value creation landscape in the organization, the analyses conducted inductively in SPOLY Methodology show the existence of three ecosystems of social or blended value, i.e. (1) socio-economic value is the value generated for the whole of society by each company through their economic activity; (2) the socio-economic return generated for the public administration and that consists of the money that each company returns to the administration or government through either payments or savings; and (3) the specific social value created for these stakeholders (Lazcano et al., 2019). All of these will be explained in the next sub-section:

- Economic Value with Social Impact. Socio-economic value is the value generated for the whole of society by each company through their economic activity. To obtain this result, the added value of the company, the added value of the suppliers, and the value creation to clients are included. The main reason for this is that the companies have market value, they generate social actions with their activity, and a large amount of their activity involves participation in the market, which means that transactions occur and those transactions are captured with traditional accounting. Then, the first result is that traditional accounting is a useful system in which the main key factors are included. However, as shown by the specific social value, non-market values and non-transactional activities exist but are not included in traditional financial accounting, not because they are not performed but because they do not directly involve money or cash (Lazcano et al., 2019).

Concerning this first magnitude, there are two different values that are considered as adequate to calculate the social impact of economic activity (see Figure 4.5): the Cash Value Generated and Distributed espoused by the Global Reporting Initiative that takes into account the direct economic value generated (revenues) and distributed (operating costs, employee wages and benefits, payments to providers of capital, payments to governments and community investments). However, AECA considers value added as a more suitable indicator for two main reasons: on the one hand it reflects more closely the value contributed by a company, and on the other it facilitates the integration of results according to geographic, national and social criteria, as shown in the Figure 4.5 below (Retolaza et al., 2016).

**Figure 4.5: Economic value added versus value generated**



Source: (Retolaza et al., 2016, p. 45)

From a fuzzy logic perspective, in which there is no need for the existence of a unique value, the two indicators are considered as suitable and mutually complementary, even though the resulting values differ considerably. However, since the transformation rule is known both measures can be used to give a better view of the social value generated. Table 4.8 shows that CVAS is turned into Value Added by replacing income by value added in the economic value generated and at the same time subtracting operating costs from the economic value distributed (Retolaza et al., 2016).

**Table 4.8: Calculation of economic value with social impact**

	Variables	Description
Generated Economic Value	Income	Sales + net income from financial investments and sales of assets
Distributed Economic Value	Operating expenses	Payments to suppliers + non-strategic investments + easy payment
	Salaries and employees benefits	Total cash flows oriented to workers
	Payments to providers of outside capital	Payments to providers of financial services
	Expenses and investments with corporate purpose	Voluntary contributions and investments in social improvement
	Payments to money fund providers	Dividends + increase reserve funds
	Payment to administration	VAT + Corporate tax + Other taxes
	Payment to own equity providers	Changes in the price of the stock value

Source: (Retolaza et al., 2016, p. 45)

- **Socio-economic Return.** The second value to be calculated is the socio-economic return generated by organizations to public administrations. This is calculated mainly by applying cost-benefit analysis, subtracting any costs incurred by the administration in regard to the organization in question from the outcomes generated for the administration. In this case, the framework of the Polyhedral Model results in a particular case of generation of value for a specific stakeholder, i.e. the public administration (Retolaza et al., 2016). The return to the public administrations or government represents the money that each company returns to the administration, through either payments or savings. To obtain the result, we added what the company contributes to the administration, the social security contribution of the company plus the social security contribution of the worker, income tax, other taxes, and the value added tax (Lazcano et al., 2019). Table 4.9 below shows the full variables proposed to

calculate the socio-economic return by SPOLY Methodology creators (Retolaza et al., 2016).

**Table 4.9: Calculation of socio-economic return**

	Variables	Description
Economic value distributed to the administration	Payments to administration	VAT + Corporate Tax + Other taxes
	Saving administration (assuming no service)	Reduction of expenses that would be forced to incur the administration if the entity does not exist/ceased to exist
	Management savings in outsourcing	Differential input/output relationship with the entity contracted in connection with the second highest bid
Economic value provided by management	Subsidies	Administration pays contributions to the institution for various items
	Additional costs in hiring	Increased cost for a service/product contracted in relation to the best offer
	These negative externalities	Expenses that the administration is obliged to incur for the actions of the organization in the current year
	Anticipation of negative externalities in the future	Advance prorated future costs tendered by the current actions of the organization

Source: (Retolaza et al., 2016, p. 46)

It is possible to fall into a reductionist approach and consider Company and Administration to be comparable, in that the latter is chosen by the former and supposedly manages its interests; nevertheless, as the capacity of the Administration to meet all the needs and interests of the company is limited, the return value produced will always be lower than the social value generated for the various social groups of interest taken together (Retolaza, San-Jose, & Ruiz-Roqueñi, 2015).

- Specific social value. It is the social value distributed outside the market, and therefore free of price, or at least with a price that does not respond to the market. It is the value that an organization distributes to some of its stakeholders but in the absence of a monetary transaction, it is not reflected in the financial statements. Usually this value is only collected (when done), qualitatively. The main contribution of SPOLY Model is to incorporate this hidden value to the social value integrated (Lazcano et al., 2019). The steps for the calculation of specific value are described (Retolaza et al., 2016):

- (1) Involvement of the organization: step one comprises a shift from mere interest in the matter on the part of members of an organization to taking on board monetization of social value as an organization-wide challenge,

determining the members of the working team at the highest level and setting a calendar of actions.

- (2) Identification of stakeholder groups: a stakeholder map is used to identify all those groups for whom the organization could generate value and then determine what representatives of those groups will be asked to provide information.
- (3) Identification of value variables (VV), mainly by means of open interviews with representatives of various stakeholders.
- (4) Redefinition of value variables oriented towards indicators, which means turning the value variables obtained in colloquial terms into properly structured propositions for which comparative indicators can be drawn up.
- (5) Identification of the outputs of the organization, defined on the basis of the potential indicators for a variable. These must always comprise data from the organization itself.
- (6) Identification of the full set of social inputs used to calculate the net value generated. Inputs are quantified in terms of social and opportunity costs, mainly referring to public funding.
- (7) Identification of proxies that enable outputs and, if possible, inputs to be monetized using a process similar to that used in corporate accounting to calculate reasonable value. Any active market data will be obtained first and if, as tends to occur with social value items, no such data exists then the valuations drawn up by the public administration or those used in similar areas under inter-subjectively agreements will be resorted to.
- (8) Generation of algorithms for calculation that relate outputs with proxies in order to quantify the monetary value of each output.
- (9) Calculation in monetary terms of the social value generated, consolidating the overall value of the outputs identified.
- (10) Identification of non-quantifiable qualitative impacts. Not all outcomes can be quantified in monetary terms (at least we have not yet been able to do so), and in this step we will refer to these qualitative impacts that create value to stakeholders, although this can't still be monetized.

The sum of the three previous concepts (the economic value with social impact, the socio-economic return and the specific social value) will give as a result the integrated social value, that represents the set of social value generated and distributed by the company, both through market and non-market (Lazcano et al., 2019). The monetary integration of different value magnitudes in SPOLY Methodology will then reflect an amplified and holistic concept of value creation, where both the value distributed to different stakeholders (and not only to shareholders) and the non-economic effects of the activity of the organization over its different stakeholders will be reflected (Lazcano et al., 2019).

Once the different social value quantification methodologies have been explained in detail, the following section will sum up the main aspects of the different methodologies explained, while also justifying the choice of the methodology that we seek to apply into the professional basketball clubs in order to monetize the social value they create.

#### **4.4. Methodological choice**

##### **4.4.1. General review and comparison of social impact measurement methodologies**

As it can be seen, there is a variety of social impact measurement methodologies at the disposal of organizations, among which we have chosen the most significant ones in our opinion. The different methodologies analyzed needed to fulfill the following criteria: firstly, they had to be applicable to different organizations, be they mercantile or non-profit. Secondly, they should consist of social impact assessment methodologies that could be implemented by businesses themselves (by means of a self-assessment). The help and advice from external experts would be recommendable. Finally, the information about all these impact measurement methodologies should be publicly accessible, at least partially, in order to analyze the different characteristics of each methodology (Ayuso, 2018).

In light of the diversity of the social value measurement methodologies, businesses should choose the methodology that suits best their needs. In this sense, it is recommendable to determine the objective of the measurement task and the public to whom it will be referred to (management of the company, employees, investors, public administration, different social groups, etc.). The social value measurement could have two main objectives: the communication of the contribution of businesses to society and/or the help when making strategic decisions. Depending on the objective of the measurement (and the resources invested) we could define the level of application and the scope of the measurement, and then choose the most adequate methodology. The selection of the methodology will determine the degree of participation of all stakeholders, the indicators employed and the data sources (Ayuso, 2018).

Initiating a social impact measurement process is not easy and requires a considerable amount of human resources, financial resources, and also time. In order to overcome this difficulty, the implementation of the process can be made progressively, starting by an application to a project, program or activity and extending the scope of the methodology as time goes by. The employment of different indicators and metrics already present at businesses, and the progressive definition and systematization of the collection of new indicators is also necessary (Ayuso, 2018). Concerning the general comparison of the different methodologies, the following Table 4.10 sums up the most important aspects already highlighted from all the social value measurement methodologies. The different methodologies analyzed will be reviewed on the basis of their most important aspects, namely their objective, their analysis level, their approach



to quantification, the benefits of the methodology, the application level, the temporal perspective, the discount of flows, the level of dialogue with stakeholders and the main utility of each methodology. The description provided in the Table 4.10 will serve as a basis to choose the methodology that will be applied in the social value monetization of professional basketball clubs afterwards.

**Table 4.10: Overview of Social Value Assessment Models**

<i>SOCIAL ACCOUNTING SYSTEMS</i>	<b>Economy of Common Good</b>	<b>B Impact</b>	<b>Global Reporting Initiative (GRI)</b>	<b>Capacity Index (IC) Model</b>	<b>Social Return on Investment (SROI)</b>	<b>Social Accounting (SPOLY)</b>
Objective	Establish a rating in relation to the value that companies bring to the stakeholders	Establish a rating in relation to the value that companies bring to stakeholders	Report on the impact that the organization has on the relevant variables for its stakeholders	Measure the capacities created in individuals thanks to the social programs of organizations.	Evaluate investment  Analyze internal efficiency	Measure generated social value of an organization during a period  Analyze relative social efficiency
Analysis Level	Business Activity	Business Activity	Presence of triple bottom line impacts in corporate reports: economic, social and environmental	Social Project	Social Project	Business Activity
Quantification of values	Points-based analysis (positive and negative)	Points-based analysis	They are quantified but not monetized	Monetary Value-based analysis	Monetary Value-based analysis	Monetary Value-based analysis
Benefits	They are defined deductively, standardized, and weighted for each company.	They go beyond profit, they consist of a range of indicators that the promoter group considers to contribute to the social good	Inform the stakeholders about social and environmental risks, as well as the value generated in these areas. It allows comparative monitoring in relation to previous years and companies in the same sector	It permits the evaluation of wellbeing and life quality with a bigger explanation power than those approaches that are based on resources, money, utility, satisfaction, goods and services.	Consider all kinds of impacts (social, economic and environmental)  Identifies the potential negative effects of the intervention  Use financial proxies to estimate the value of profits that are not easily monetized	It incorporates the entire socio-economic impact  Report social benefit as monetary value  It uses financial proxies to estimate the value of the total profit
Temporal Perspective	Retrospective	Prospective	Retrospective	Retrospective	Prospective	Retrospective

<i>SOCIAL ACCOUNTING SYSTEMS</i>	<b>Economy of Common Good</b>	<b>B Impact</b>	<b>Global Reporting Initiative (GRI)</b>	<b>Capacity Index (IC) Model</b>	<b>Social Return on Investment (SROI)</b>	<b>Social Accounting (SPOLY)</b>
Discount of flows	No. Points-based analysis.	No. Points-based analysis.	No	No	Possible future cash flows are considered	No; past value is used.
Dialogue with stakeholders	No	No	Yes	Yes	Yes	Yes
Main utility	Orientation to public intervention (incentive, limits)	Facilitate business transformation  Orientation to public intervention	Fundamentally communication and, to a lesser extent, review of the strategy	Understand social value as the change in capacities in a person due to a social program.	Establish priorities for investment decisions	Understand the social value generated by the company in a period  Options to include in strategy and advanced management purposes

Source: Adapted from (San-Jose, Mendizabal, & Retolaza, 2020)

Regarding the objectives of the company, the Economy of the Common Good and the B Impact Methodologies aim to establish ratings with respect to the value that companies bring to the community, GRI reports on the impact that the organization has on its relevant stakeholders, IC Model assesses the capacities created in individuals thanks to social programs conducted by businesses, and SROI and SPOLY analyze businesses' efficiency from a social perspective, although SROI evaluates a particular investment of the company and SPOLY measures the social value created by a company during a certain period. Concerning the application levels, the majority of methodologies (Common Good, B Impact and SPOLY) focus on businesses, whereas SROI and IC focus on social projects. GRI, on the contrary, focuses on the presence of triple bottom line magnitudes (economic, social and environmental) in corporate reports.

Concerning the quantification of value, half of the methodologies (IC Model, SROI and SPOLY) quantify the value monetarily, while the Economy of the Common Good and the B Impact Assessment are based on the points assessment. In GRI, the values are quantified but not monetized. As regards the benefits of each methodology, at the Economy of the Common Good the value is defined deductively and measured in a standardized manner. At the B Impact, the value is defined by a range of indicators that the creators of the methodology consider to be representative of the value created. GRI informs stakeholders about social and environmental risks, whereas IC Model measures the wellbeing and life quality of the recipients of a social program with a bigger explanation power than those methodologies based on more tangible resources.

With respect to the temporal perspective used, the majority of the methodologies measure impact retrospectively, excepting B Impact and SROI, that measure impact prospectively. The dialogue with stakeholders is another crucial point in the assessment of the methodologies, given that the majority of the methodologies consider stakeholder dialogue at least in one stage of the methodology implementation, except the Economy of Common Good and B Impact Assessment. Finally, the main utility of the Economy of the Common Good and the B Impact models are oriented to public intervention, while the GRI focuses on communication of the social impacts of the organization. SROI is a tool to help in the decision-making of investments, while IC Model attempts to measure social value as the change in capacities of a person as a result of a social program. SPOLY aims to understand the social value created by a company to its stakeholders in a period through the monetization of market and non-market magnitudes.

Having established the main characteristics of each of the methodologies described, right now we will go on to justify our choice for one of the analyzed methodologies in order to conduct the social value monetization in the professional basketball clubs chosen. This justification will help the reader to understand the rationale behind the decision.

#### 4.4.2. Choice of SPOLY

Taking into account the previous features of the social impact measurement methodologies, we have decided to choose SPOLY as our preferred alternative to carry out the social value quantification of professional basketball clubs in Spain. In our estimation, we think that the features of the methodology chosen fit well with the characteristics of the organizations analyzed, the professional basketball clubs in Spain, and that the results obtained will lead to a better understanding of the holistic value created by these businesses to their stakeholders. The four central tenets over which the SPOLY methodology rests also give us an explanation about our preference for this methodology in this particular case:

- The *stakeholder theory approach* in the SPOLY methodology is fundamental for us, given the stakeholder-value creation orientation of professional sport clubs, and the importance of stakeholder voice in the management of professional sport clubs. We believe that SPOLY methodology is particularly suitable for professional sport organizations in Europe, as these organizations are stakeholder-value oriented (Kelly et al., 2012; Kesenne, 2000; Morrow, 2000; Sloane, 1971), and at the same time they realize that they need to create value for their stakeholders to continue existing. Therefore, the term “social value creation for stakeholders” would be taking a new sense that goes well beyond the extrinsic value of economic nature in order to include other types of value dimensions that stakeholders need in different proportions and for different “uses” (Argandoña, 2011b).

The motivations of stakeholders of professional basketball clubs to keep supporting these institutions could be linked to the social value they perceive, a value that takes on many forms and that can differ from one stakeholder to another (Brown et al., 2010), like the psychological welfare experienced when seeing your team win, the generation of local pride, creating friendships, sharing friendships with other supporters, the transmission of positive values to society, the service these teams make to their community, the promotion of the city and the region by these organizations, to name but a few (Kesenne, 2000; Senaux, 2008; Martínez-Lemos, 2015).

This is in line with the conception of basketball (as well as football and other sports) as a social business (Kelly et al., 2012; Morrow, 2000), given that clubs are social institutions as well as financial and sporting ones, something that dates back to their origins as one of the principal agents through which collective social identities were created and reinforced.

Given these factors, it is perhaps surprising that a socially-oriented business, such as basketball in Spain, has not taken the issue of reporting the social value of its clubs as businesses more seriously (Brown et al., 2010). Although there is now

fairly extensive, and increasingly sophisticated, reporting of the intervention programs with different stakeholders conducted by professional sport clubs (Anagnostopoulos & Shilbury, 2013; Banda & Gutresa, 2015; Walters & Chadwick, 2009; Walters & Tacon, 2013), there has not been a similar attempt to quantify and monetize the social value created by the professional sport clubs to their stakeholders. The regulation of the game focuses almost exclusively on their financial performance as private companies without any analysis of local, social, stakeholder or community impacts of these organizations as we might see in other sectors (Brown et al., 2010).

Hence, the mutual interdependence between professional sport clubs and stakeholders (Gammelsæter, 2010; Senaux, 2008; Zagnoli & Radicchi, 2010), and the particularities of the process of social value creation in professional sport clubs like the importance of emotional attachment and loyalty (Couvelaere & Richelieu, 2005), make the consideration of stakeholder theory within the SPOLY Methodology particularly adequate for the purposes of this research.

- Taking into account the importance of finding out the different social value dimensions created by professional basketball clubs to their stakeholders, the *phenomenological paradigm* is particularly suitable for this task, as we will try to explore the meanings that particular experiences, events and states hold for participants. Through one-to-one interviews based on a semi-structured basis as explained in the previous chapter, we will explore the personal experience and the individuals' perception or account of an object or event (Smith & Osborn, 2003). In this way, we will get a more reliable idea of the social value dimensions created by the clubs to their stakeholders, since the recipients of the phenomenon in question will be the agents who will determine their value perceptions and not the researchers from an external perspective.
- Given that we, as researchers, are aware that we cannot achieve a pure objectivity in our findings, as we cannot truly divorce ourselves from subjectivity, we consider that the fact that SPOLY methodology makes use of the tenets of *action research* is a strong argument speaking in favor of this methodology. As previously mentioned, in action research knowledge is created through the interaction of those with an understanding of the subject, and the creation of "truth" is relative to the situation and subject to the dynamic nature of knowledge creation (Rotheroe & Richards, 2007).
- Taking into account that the monetization of social value will allow us to identify the value perceived by various stakeholder groups and individuals, one of the most important problems we face is whether we can classify certain outputs as social value or not. Considering that the various outputs can be considered as

social value or not depending on the criteria of the evaluator, perspectives like the common good that provide a single answer to social value creation seem really difficult. Thereby, we can clearly say that even if the monetization seems to bring us back to a binary logic (yes or no), the answer by the recipient depending on what is meant by social value and the timing of the analysis are key to determine whether a business creates social value or not.

As a result of the *fuzziness of social value*, in the procedure for monetizing that value it is necessary to resort several times to instruments developed to work with fuzzy sets, particularly (1) in integrating similar variables into a single value variable; (2) in identifying outputs linked to a value variable; (3) in the relationship established between outputs and possible proxies for their monetization; and (4) in quantifying the value of the proxies selected. Since the biggest problem detected in the monetization of social value is the relationship between outputs and proxies, we will use the concept of affinity (Gil-Aluja, 1999), defined as groupings which are homogeneous at given levels, structured in an orderly fashion, that link items from two sets of different types, related by the essence of the phenomena that they represent (Retolaza et al., 2016).

We thereby approach the problem of assignation on the basis of the existence of three, normally finite, sets of physical and mental objects. The first includes the elements to be assigned, which in our case means the outputs generated for each value variables identified. The second contains the items assigned to them, which correspond to the proxies used to monetize each output; and the third contains the items on which the process of assignment is based, which in our methodology means essentially similarity and can be called the “assignation criteria” (Retolaza et al., 2016). We consider that the most prudent course of action, taking into account the fuzziness of social value, is by adopting the criteria of calculating the proxies by choosing the possible maximum and minimum values for the proxies (Kaufmann, 1988). The mechanisms used have been the same ones employed in accounting to obtain reasonable values: first, the market price, if any; second, shadow pricing; and third, plausible indicators of value.

The previous mechanism is consistently used during all the process, as the next chapters will show. The aforementioned criteria will allow us not overestimating the social value created to organization, thus ensuring that results are more reliable. Moreover, when it comes to determine the outputs and their proxy-s as a basis for their quantification afterwards, we cannot forget the importance of the process of validation of both outputs and proxy-s undertaken with experts on the field (in this case, sports management). In this case, the usage of a Likert scale could help in the validation process to determine the adequacy of the outputs and proxy-s chosen in sports management.

The previous are the original steps of the calculation of specific social value in SPOLY Methodology. Nonetheless, taking into account the particularities and specificities of

professional sport clubs mentioned before it will be necessary to design and adapt the SPOLY Methodology to the particular situation of professional basketball clubs, hence in this Thesis we will create a stakeholder map following the main tenets of Bryson (2004) in Chapter 5 that will be validated by the answers of stakeholders in the interviews with them. Moreover, a validation of the indicators and proxy-s identified for each specific value variable will be conducted by experts in the field of sports management, both practitioners and members of the academia, in Chapter 6. This last validation will be based on an assessment by the experts of the adequacy of the indicators and proxy-s in question by way of a Likert scale from 1 to 5. In this way, we expect to give more reliability to the results obtained and to the potential applicability of the outputs and proxy-s in other similar organizations.

In comparison with the other methodologies analyzed, our main reason to choose SPOLY Methodology has been that it permits the integration of social and economic value, allowing its comparability in different businesses, given that it measures the social value created by an organization to its stakeholders within a period (generally a year) using financial proxies that have been created after a process of dialogue with stakeholders and that have been validated by different experts in the sports management field. The monetization contributes to transparency by identifying and clarifying outputs related to social value, while also helping comparative analysis by simplifying the valuations of stakeholders and their decision-making processes. Moreover, the possibility to complement the data from social accounting with financial data reflects that the value generated by the business through the market transactions is crucial to integrate the results within the strategic policy of the organization and to orient it to management purposes.

In this regard, other methodologies like SROI or IC Methodology also try to monetize the social impacts created by a company, but only taking the social projects and not the business activity in its entirety when it comes to calculate social impacts. In the case of the Economy of Common Good and the B Impact Assessment, they conduct a points-based analysis to measure the social impact of a business activity, while GRI focuses on providing information guidelines to present a clearer vision of the human and ecological impacts of an enterprise. Moreover, SPOLY Methodology avoids the additional complications of calculating the future social cash flows as in SROI Methodology, like establishing a discount rate to figure out these social cash flows. The fact that an extensive stakeholder dialogue takes place throughout the entire process adopting a phenomenological perspective, thereby considering the perceptions of stakeholders, is another point in favor of SPOLY Methodology.

However, we should not forget that SPOLY Methodology has also limitations, and that the monetization of the social outputs perceived by stakeholders does not mean that all of these outputs are easy and straightforward to monetize. It is possible that we could find that certain outputs are very difficult, if not impossible, to monetize at present. In this regard, we should take heed of the advice given by Albert Einstein, that famously pointed out once that “not everything that can be counted counts, and not everything



that counts can be counted” (McKee, 2004, p. 153). In this respect, the possibility to quantify the emotional value by means of a Likert questionnaire emerges as an alternative to complement the monetary results obtained in SPOLY Methodology. Furthermore, the objectification and weighting of social value, as in traditional accounting, requires some international standardized rules, which do not as yet exist. The development of social accounting is undoubtedly the main future research line (Retolaza et al., 2015).

## **CHAPTER 5: UNDERSTANDING AND MAPPING SPANISH BASKETBALL CLUBS' STAKEHOLDERS: THEIR PARTICULARITIES AND MOTIVATIONS**

### **SUMMARY**

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### **5. UNDERSTANDING AND MAPPING SPANISH BASKETBALL CLUBS' STAKEHOLDERS: THEIR PARTICULARITIES AND MOTIVATIONS**

In this chapter, the aim is to create a stakeholder map of professional basketball clubs, by which we will be able to show that these organizations create a broader social value for a wide range of stakeholders, not only for shareholders, hence we consider that it is useful to consider these stakeholders' perceptions of social value creation when assessing the value creation of these organizations. As an introduction to the chapter, we will highlight the importance of building a stakeholder map for professional basketball clubs on the basis of stakeholders perceptions, considering that other works have analyzed the importance of stakeholders in professional sport clubs but without taking into account the stakeholders' perspectives (Anagnostopoulos, 2011; Esteve, Di Lorenzo, Inglés, & Puig, 2011; Miragaia et al., 2016; Senaux, 2008). Our stakeholder map for professional basketball clubs, constructed by using mainly grounded theory methodology, while also taking into account the principles of phenomenology when interviewing stakeholders' representatives, will take into account the stakeholders' perspectives and opinions that were not reflected in the previous works mentioned.

As a starting point, particular attention will be paid to the methodological process followed, justifying the choice for grounded theory and the coding processes adopted. Then, the choice of participating teams will be justified on the basis of the type of sampling chosen to select the teams while also providing the reader with details about the teams analyzed (their main characteristics like their budget, average attendance to their matches and history) and a general description about the interview process with the clubs' representatives and stakeholders (number of interviews and average length of them all). Then, the Bryson process conducted to identify the potential stakeholders of the clubs will be described, in addition to the sampling technique used to select the sample of interviewees, including data about the interviews held with different stakeholder groups (including their gender, profession and length of the interviews). Afterwards, we will analyze the tools used to validate the results obtained in the chapter, and we will end the methodology section by describing the semi-structured interviews used and the questions asked.

In the next section, the results obtained will be presented. The different coding processes employed will be discussed in depth: open, axial and selective coding, respectively. By means of open coding, we will identify the main social value dimensions of stakeholders on the basis of the quotes of the interviews with the stakeholders. Then, by axial coding, we will link the value dimensions identified previously in open coding with the types of value that they represent: relational, epistemic, functional and emotional. Finally, by selective coding we have been able to confirm a stakeholder map for professional basketball clubs that identifies the stakeholders that perceive a social value from the activity of the club, while also describing the main characteristics of each stakeholder group.

Finally, we will discuss the results obtained, with a particular reference to the value dimensions perceived by each stakeholder, while also comparing the characteristics of stakeholders of non-sport businesses and those stakeholders of professional basketball clubs. The chapter will end up with some concluding remarks about the implications of the results obtained for this research and for the future.

## **5.1. Introduction**

As we have mentioned in Chapter 3, even if sports clubs nowadays are highly professionalized entities, their characterization as businesses is problematic, as basketball has always been and continues to be a social business; with economic instrumental need, but with a social purpose (Morrow, 2000, 2005). Then, it is necessary to take into consideration the social aspects that set basketball apart (as a sport) from a purely economic activity. In this way, the strong relation of clubs to local communities (Kelly et al., 2012; Senaux, 2008), the non-profit nature of these organizations (García & Rodríguez, 2003; Kesenne, 2000), the fact that professional sport clubs in the European level do tend to adopt an utility or sporting win-maximization model (Andreff &

Staudohar, 2000; Barajas & Rodríguez, 2014; Garcia-del-Barrio & Szymanski, 2009; Leach & Szymanski, 2015; Madden, 2015) and the simultaneous dynamic of cooperation and competition between clubs to offer a marketable product to the public (Dobbs, 2010; Lardo, Trequattrini, Lombardi, & Russo, 2015; Robert et al., 2009), makes us theorize that European professional basketball clubs are special organizations that are managed with the main objective of fulfilling multiple stakeholders' interests (Morrow, 2000).

This is in line with other works in business management that have highlighted the importance of recognizing the interests of other interest groups in the objectives of the company apart from the financial value maximization for shareholders (Donaldson & Preston, 1995; Freeman, 1984), given that the activity of a business affects (positively or negatively) a wide range of constituents (Clement, 2005). As stated in Chapter 3, our focus is on core stakeholders, defined as those stakeholders who are essential for the survival of the organization (Carroll & Buchholtz, 2006). Hence, the dependence of the organization towards the stakeholders is the main criteria that we will use to define who a stakeholder is.

Accordingly, the aim of this chapter is to identify and establish the particularities of the stakeholders of professional basketball clubs in Europe by mapping the stakeholders and comparing them with the stakeholders of non-sport companies (referred to as "NsP" businesses or companies) from a stakeholder value-creation point of view, a perspective that has been missing in other similar works previously (Anagnostopoulos, 2011; Senaux, 2008), and in line with the secondary objective 4. This effort will help provide an understanding of the particularities of professional basketball clubs from the viewpoint of value creation. The question is not only what the club creates or should create for stakeholders or what interests the club should cover, but also what value it generates for its stakeholders (phenomenon). Although just a change of perspective, this shift could alter the definition of the stakeholder map and, above all, the particularities of the stakeholders, as analyzing a phenomenon with a different prism could yield different results.

To achieve this aim, 49 interviews were conducted according to Bryson's methodology (2004), a methodology that was adapted for the application to sport clubs. Based on the answers from the representatives and the stakeholders of the clubs, a stakeholder map reflecting the particularities of professional basketball clubs has been built and compared with the traditional map for NsP companies developed by Freeman (1984).

To start off the process, firstly we conducted nine interviews with representatives of two teams that play in the Spanish ACB League. The process was carried out in a collaborative way in which both the club and the researchers took part in an active way, proposing the possible stakeholders, modifying the maps and coming to an agreement about the stakeholders that the club had.

Later on, thanks to those representatives we got in touch with, we interviewed persons and groups that represented the “potential” stakeholders of teams that we had previously identified, MT1 and MT2, after obtaining the acceptance and permission of them all to participate in the project. We arranged 40 interviews in total (20 interviews with stakeholders from MT1 and 20 interviews with stakeholders from MT2). The answers of these stakeholders confirmed that Spanish professional basketball clubs create value to a wide range of stakeholders and that these stakeholders could perceive that a social value (which goes well beyond the economic value) is being created for them by these clubs at present.

In this sense, the literature has revealed the importance of stakeholders in the context of nonprofit sports clubs (Anagnostopoulos, 2011; Esteve et al., 2011; Miragaia et al., 2016; Senaux, 2008). Senaux (2008) described the interests of stakeholders based on classic stakeholder theory (Freeman, 1984), using power and legitimacy as the main criteria. In the same way, Anagnostopoulos (2011) analyzed the salience of sports clubs’ stakeholders in order to establish to which stakeholders clubs should pay attention to. Moreover, other authors, such as Esteve et al. (2011), focused on analyzing the relationship of stakeholder management with financial performance, concluding that better stakeholder management leads to better financial performance. Miragaia et al. (2016) came to the conclusion that within the vast universe of stakeholders, sports clubs need to identify those who are truly important because the financial and non-financial contributions that clubs receive are dependent on the ongoing relationships with these stakeholders.

While the previous studies all focus on understanding how clubs pay attention to stakeholders (in the club’s own interest), the perceptions of the stakeholders themselves have been neglected. In our case, we will introduce a new perspective by assessing the perceptions of stakeholders via a grounded theory analysis by which a stakeholder map of professional basketball clubs will be built on the basis of the value perceptions by means of different coding stages. However, when conducting our interviews with stakeholders we will adopt the tenets of phenomenology to describe the participants’ perceptions as they have lived them in order to obtain an accurate description of the phenomenon of social value creation by professional basketball clubs to their stakeholders.

This process will make it possible to identify the particularities of stakeholders based on their personal perceptions, thus giving stakeholders a voice to claim the value created by the club. Furthermore, this perspective establishes the whole set of core stakeholders as the target for value creation by the organization beyond the economic value. This new approach can reveal whether Spanish basketball clubs and European leagues in general are aligned with the creation of value for stakeholders.

This chapter contributes to our Thesis and to theory about stakeholders in sport clubs by establishing a different view, taking into account stakeholders' perceptions of the

social value created for them. Similar, singular and entirely different stakeholders to those of NsP companies will be identified. The perceived created values are determined by the contribution to the community and not by the maximization of shareholder value. In the end, the results support an argument for changing or at least complementing the performance assessment model for European sport clubs, which is currently focused on financial magnitudes, with another model that also takes into account the different dimensions of value created for stakeholders.

In the next section, we set out to explain in depth the methodology approach used in the chapter, with a special attention to the process design, and the sampling of participating clubs and interviewees.

## **5.2. Methodological Approach**

### **5.2.1. Methodological process design**

In this chapter, the methodology chosen will be qualitative. More precisely, grounded theory. The objective in grounded theory is to develop theory from the data, which is encompassed in a core category and related categories and concepts (McCann & Clark, 2003). In those subjects that have not been sufficiently treated and thereby formal theories do not exist, grounded theory is an adequate methodology. Grounded theory is rooted in the symbolic interactionist school of sociology. Symbolic interactionism focuses on the meanings of events to people and the symbols they use to convey that meaning (Blumer, 1986). Basic to the development of meaning is the human ability to have a self-concept and to communicate with self (Baker et al., 1992).

Grounded theory is a systematic, qualitative process used to generate a theory that explains, at a broad conceptual level, a process, an action, or interactions about a substantive topic (Moghaddam, 2006). It is a qualitative methodology which obtains its name from the practice of generating theory from research which is “grounded” in data. It will answer the questions of “what was going on in an area?” by generating either a substantive or formal theory – theory related to a case and developed inductively from empirical data to reach an abstract level (Moghaddam, 2006; Star, 1998). For that end, grounded theory researchers observe social interactions, listens to what informants say about themselves and others, reads what other researchers have written, and even thinks about his or her past experiences. In other words, everything to grounded theorist is data, and data are usually obtained through a combination of such diverse data collection methods as participant observation, interviews with informants, reading the literature on the study question, and self-reflection (Baker et al., 1992).

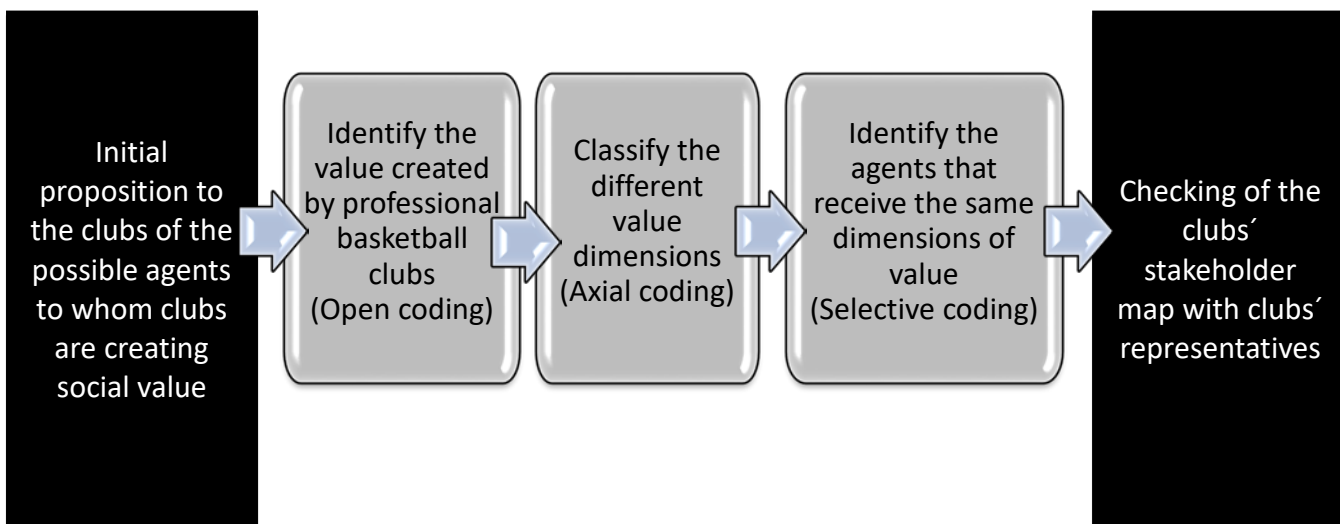
Within grounded theory methodology, data collection and analysis occur simultaneously as analytical interpretations, and discoveries shape ongoing data collection (Connell & Lowe, 1997). When the data are collected, they should be analyzed concurrently by

looking for all possible interpretations. This involves employing particular coding procedures. At the heart of grounded theory analysis is the coding process. Coding consists of naming and categorizing data. The nature of coding in grounded theory requires going back to the data for diverse pieces of information at different times. Coding is defined as the analytic process through which data are fractured, conceptualized and integrated to form theory (Moghaddam, 2006). Its aim is to recognize, develop and relate the concepts that are the building blocks of theory.

The aim of this qualitative methodology is to generate theory from an investigation that is “data-driven” (Moghaddam, 2006). By means of an open codification process we have searched for elements or dimensions of value that two Spanish professional basketball clubs create to their stakeholders. Then, by means of an axial coding process, we have categorized these value dimensions in four different categories, borrowed from the literature (Sweeney & Soutar, 2001). Finally, by using selective coding we have been able to establish a standard stakeholder map for a professional basketball club. The initial proposition of the agents that had to be interviewed and the final proposition about the stakeholder map obtained were conducted under the supervision of leading figures of the boards of interviewed clubs.

The process has been summed up in Figure 5.1:

**Figure 5.1: Creation of stakeholder map - Methodological process**



Source: Own elaboration

### 5.2.2. Sampling of participating basketball clubs (purposeful sampling)

At the beginning of the study, preliminary sampling decisions were made about recruitment of participants and setting (McCann & Clark, 2003). By choosing two different teams from the competition the aim was to ensure the canvassing of a wide

range of stakeholder identities, experiences, expectations and relationships relative to the social value perceived from the activity of these clubs (Giulianotti, 2005). In this regard, in order to select the clubs analyzed we have used a “purposeful sampling” technique, a technique widely used in qualitative research for the identification and selection of information-rich cases for the most effective use of limited resources, and that involves identifying and selecting individuals that are specially knowledgeable about or experienced with a phenomenon of interest (Palinkas et al., 2015; Patton, 2002). The type of purposeful sampling strategy chosen has been the “extreme or deviant case strategy” that involves selecting cases that are rich in information because they are unusual or special in some way (Draucker, Martsolf, Ross, & Rusk, 2007).

Within qualitative research, selecting cases that illustrate high and low performance or bigger and lower size is not a new practice (Pettigrew, 1990; Walters & Chadwick, 2009). In this context, the selection of extreme cases can make sense given the limited number of cases that can usually be studied, as the process of interest will be “transparently observable” by the researchers (Eisenhardt, 1989; Pettigrew, 1990). In this regard, the selection of two completely different cases can enhance our understanding about the nature of the phenomenon that is analyzed (Eisenhardt & Bourgeois, 1988), our case being the analysis of the social value creation by professional basketball clubs to their stakeholders and the specificities of the stakeholders of these organizations.

The reason why the Spanish competition has been chosen is because it is considered the most powerful national league in the European continent, according to the Eurohoops website specialized web’s ranking from 2018 and 2019, as explained in Chapter 2.

Within the ACB League, we have selected two clubs with very different characteristics, as it will help us extend our study to the rest of teams of the ACB League in the future, given that both organizations are sufficiently representative of the different clubs that take part in the competition. In this regard, two clubs were contacted to explain them what the project was about, and the analyzed clubs (MT1 and MT2) gave their approval to cooperate during the research and to share their data.

On the one hand, MT1 represents a top or a leader team; then, this club is one of the three largest budgets in the competition, it has been competing in the highest category since the creation of the ACB League, and it regularly competes in the international European championship. Moreover, this basketball club has won several championships.

On the other hand, MT2 has a small size and it finishes usually in the bottom of the competition. This club has usually one of the lowest budgets in the ACB League and its history in the ACB Championship is relatively recent. Additionally, MT2 has never won any championship in the elite, nor has it ever played any international European competition.



The “extreme or deviant case” purposeful sampling strategy leads to a very clear pattern recognition of the central constructs, relationships, and logic of the focal phenomenon. In this regard, a “polar type” study could pave the way for an extension of the conclusions of a study to a broad range of organizations (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). The fact that the European context is characterized by a diversity of different sports clubs, stakeholders and their motivations due to different political and market conditions (Dietl et al., 2012; Nash, 2000a) was another reason why this approach could be applicable to a European context where a competitive split occurs between top and weaker teams (Pawlowski et al., 2010) that threatens public interest in the competition (Kesenne, 2000), and hence the incentive for teams to exist and keep on creating social value for their stakeholders (Morrow, 2013).

The characteristics of the clubs analyzed and the general details about the interviews are shown in the following Table 5.1:

**Table 5.1: Interview data sheet**

Characteristics/Aspects of the Clubs & Interviews	MT1	MT2
<i>History</i>	>50 years of existence	Between 15-20 years of existence
<i>Budget in 2018 (estimated by press)</i>	Around 14 million €	2,4 million €
<i>Average Attendance in 2018 (League’s official data)</i>	9.683 people	3.169 people
<i>Participation in Competitions</i>	European competitions & ACB League	ACB League
<i>Club’s representatives</i>	- International and institutional general manager of the club	- Managing director of the organization - President of the club (only in first interview)
<i>Number of interviews</i>	Five	Four
<i>Usage of recorder</i>	Yes (excepting in the first interview)	Yes (excepting in the first interview)
<i>Transcription of interviews</i>	Yes	Yes
<i>Interview 1 (Contents/ Duration)</i>	- Project presentation → Club wants to participate - 52 minutes	- Project presentation → Club wants to participate - 54 minutes
<i>Interview 2 (Contents/ Duration)</i>	- Information about the club’s characteristics + Brainstorm potential stakeholders - 47 minutes	- Information about the club’s characteristics + Brainstorm potential stakeholders - Proposal of final stakeholder map - 33 minutes
<i>Interview 3 (Contents/ Duration)</i>	- Questions about the previous meeting + Brainstorm new stakeholders - 26 minutes	- Questions about the previous meeting + Agreement about the stakeholder map - 13 minutes

<i>Interview 4(Contents/ Duration)</i>	- Proposal of final stakeholder map - 28 minutes	- Final doubts about the stakeholder map - 7 minutes
<i>Interview 5(Contents/ Duration)</i>	- Agreement about the stakeholder map + Final doubts about stakeholder map - 11 minutes	
<i>Club's Interviews total &amp; average length</i>	<b>Total Length:</b> 164 minutes <b>Average Length:</b> 32,8 minutes	<b>Total Length:</b> 107 minutes <b>Average Length:</b> 26,75 minutes
<i>Number of interviews with stakeholder groups</i>	Suppliers: 2 Employees: 3 Shareholders: 1 Customers/ Users: 5 Communities/ Social Agents: 3 Media: 1 Sporting Associations: 2 Public Administrations: 3 <b>Total Interviews:</b> 20 <b>Total Length:</b> 288 minutes <b>Average Length:</b> 14,4 minutes	Suppliers: 2 Employees: 3 Shareholders: 1 Customers/ Users: 7 Communities/ Social Agents: 3 Media: 2 Sporting Associations: 1 Public Administrations: 1 <b>Total Interviews:</b> 20 <b>Total Length:</b> 276 minutes <b>Average Length:</b> 13,8 minutes

Source: Own elaboration

In this first phase that focused on stakeholder identification, we talked with the international and institutional general manager of MT1 and the managing director of MT2. Both of them were contacted by e-mail, and after giving their approval to participate in the first reunion we proceeded to identify the potential stakeholders of both clubs in the subsequent reunions. In the case of MT1, five reunions were held with an average length of 32 minutes. Concerning MT2, four interviews were held with an average length of 26 minutes each. The meetings were conducted in the headquarters of the club, within the personal offices of each of the persons interviewed.

In this sense, it was the club's task to think about the contact persons that were possibly representative of stakeholders. Then, we the researchers had to write down a consent document that explained the objectives of the research and what we needed from each stakeholder. Afterwards, the clubs contacted the stakeholders and sent them this document in order to seek their approval. Finally, the totality of contacted people accepted to be interviewed. 40 interviews with stakeholders were conducted (20 for MT1 and 20 for MT2). The average length of the interviews was around 14,1 minutes. All the interviews were conducted in Spanish over a period of 4 months (from January to April 2018) and recorded by means of a recorder. Then, they were transcribed verbatim into a document.

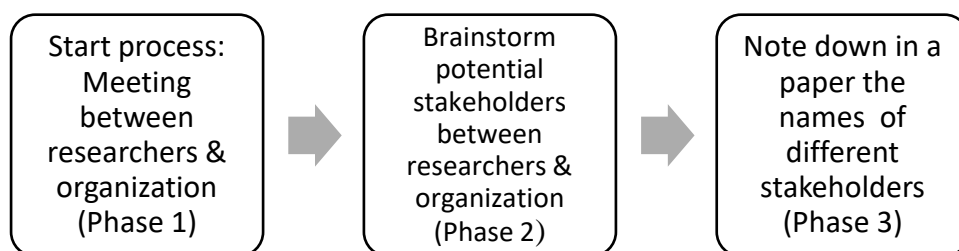
### 5.2.3. Data collection process: Sampling of interviewees (nested sampling) and positionality of researchers

When contacting the clubs with the aim of identifying the clubs' stakeholders to create a stakeholder map, we put into practice the 3 steps proposed by Bryson (2004):

- First of all, a meeting was arranged with the club's representatives in order to explain the project in general and to find out whether they would be willing to participate (this pertained to the Phase 1 of Bryson). During this process, the clubs were informed about why and how the research was to be carried out, and whether this study would be of value to the organization.
- Once the clubs' representatives showed their interest in participating, we started the interviews with them in order to commence with the process of the identification of stakeholders. In the first interview, we as researchers wanted to know more about the particularities of the club in comparison with other organizations from the ACB League. Once this question was answered by the clubs representatives, we had an idea of who the potential stakeholders were and we started the brainstorming process (this was the first part of the second phase of Bryson).
- In the subsequent interviews, we modified the preliminary stakeholder map working in close cooperation with the clubs representatives that we interviewed. In this way, we obtained a preliminary standard stakeholder map that we expected to confirm later on with the findings obtained from the stakeholders' social value perceptions identified during the interviews (this was the second part of the second phase of Bryson).
- When we reached an agreement with the clubs interviewed about the potential stakeholders they had, we noted down the name of each stakeholder in order to identify in the future their interests and perceptions about the activity of the club (this step represented the third phase of Bryson).

In our particular case, obviously we have taken into account the specific circumstances of our research, especially due to time constraints, by dividing the process in different subparts that we tried to match with Bryson's procedure (as shown in Figure 5.2 below):

**Figure 5.2: Bryson's process of stakeholder identification**



Once we finished the Bryson process of stakeholder identification, we went on to interview the stakeholders' representatives of both professional basketball clubs to find out whether they perceived a social value from the activity of the professional basketball club. In this regard, the data was collected by a semi-structured interview guide with the aim of asking the stakeholders about the social value that they perceived from the activity of the basketball club. Semi-structured interviews are conducted using a loose structure of open-ended questions which define the area to explore and which the respondent can answer in his or her own words (Meadows, 2003).

In this respect, the interview is considered as one of the main methods of data collection in qualitative research given that it provides a situation where the participants' descriptions can be explored, illuminated and gently probed (Wimpenny & Gass, 2000). When interviewing the representatives of stakeholders, we have applied the principles of the descriptive phenomenological methodology. In the phenomenological studies, participants are required to reflect on the experience that they have lived. It aims to transform lived experience into a textual expression of its essence (Grocke, 1999). For a phenomenological study to be valid, it is a necessary condition that researchers strip away before the beginning of the study any preconceptions that they could have about the phenomenon of interest (Wimpenny & Gass, 2000).

This can be achieved by the researcher if he or she adopts a neutral and open attitude to the reality of others during the interactions with the objects of research and if he or she has an interest towards the stories of other people (Wimpenny & Gass, 2000; Wojnar & Swanson, 2007). An important tenet of phenomenology is the assumption that the meaning of unraveled experiences may only be unraveled through one-to-one transactions between the researchers and the objects of research. These transactions must involve attentive listening, interaction, and observation to create a representation of reality more sophisticated than previous understandings (Husserl, 1970; Wojnar & Swanson, 2007).

For this reason, we have created a structured interview guide (Wimpenny & Gass, 2000) that comprises the following questions for the representatives of the stakeholder groups identified:

- (1) Could you please indicate the main points in which you believe that (the club) creates social value? Can you give me an example?
- (2) Could you identify any characteristics that could increase the social value generated or perceived? Can you give me an example?
- (3) Can you think of any indicators that could be used to identify the social value generated?
- (4) Would you like to add any comments or ideas of your own concerning the social value generated or not generated by the organization in question?
- (5) Would you like to add something more?

The previous interview plan has been structured in accordance with the principles set down by Seidman (1991): it begins by establishing the context of the interviewees experience (question 1), through to a construction of the experience (questions 2, 3 and 4) and finally a reflection of the meaning it holds (request of examples and questions 5 and 6). As it can be seen, this interview follows a structured plan, but at the same time the progression of the interview will still be influenced by the nature of the relationship or interaction that occurs, so it gives certain flexibility to both the interviewer and interviewee to adapt it according to the circumstances (Wimpenny & Gass, 2000). Nested sampling was performed to select the sample of interviewees based on the main interviews. “Key informants, who are selected from the overall set of research participants, often generate a significant part of the researcher’s data” (Onwuegbuzie & Leech, 2007, p. 247). Then, with the aim of comparing subgroups, at least three cases were established per subgroup (Onwuegbuzie & Leech, 2007). The characteristics of the sample of the interviewees and the description of the interviews are reflected in the following Table 5.2:

**Table 5.2: Sample characteristics**

Interview number	Stakeholder group	Club	Gender	Profession	Interview time
1-5	Employee	MT1	MALE (M)	Institutional general manager of MT1	*5 interviews in total – Stakeholder identification (Average length: 32 minutes)
6-9	Employee	MT2	M	Managing director of MT2	* 4 interviews in total – Stakeholder identification (Average length: 27 minutes)
10	Communities & Social Agents	MT1	M	President of an Association against Cancer	10 minutes
11	Sporting Associations	MT1	M	President of the Basketball Regional Association	11 minutes
12	Communities & Social Agents	MT1	M	University Teacher of the Sports and Health Faculty of the University of the	13 minutes

				Basque Country (UPV/EHU)	
13	Employees	MT1	M	Employee of the club's sports and leisure centre	12 minutes
14	Customers & Users	MT1	M	Coach of the player's academy	9 minutes
15	Public Administrations	MT1	FEMALE (F)	Responsible of the Department of Sport and Culture of the City Council	14 minutes
16	Shareholders	MT1	M	Shareholder of MT1 and Director of the Foundation of MT1	12 minutes
17	Employees	MT1	M	Institutional general manager of MT1	17 minutes
18	Media	MT1	M	Owner of a local newspaper	12 minutes
19	Customers & Users	MT1	M	Father of an Academy Player	10 minutes
20	Customers & Users	MT1	M	Coach of the player's academy	10 minutes
21	Sporting Associations	MT1	M	Member of the Financial Department of the League	41 minutes
22	Public Administrations	MT1	M	Responsible of the Department of Sport and Culture of the Regional Government	16 minutes
23	Communities & Social Agents	MT1	M	Chairman of the business association of the region	8 minutes

24	Customers & Users	MT1	M	Fan and Season ticket-holder of MT1	6 minutes
25	Suppliers	MT1	M	Supplier of electrical power for MT1	27 minutes
26	Customers & Users	MT1	M	Sponsor of MT1	12 minutes
27	Customers & Users	MT1	M	Sponsor of MT1	18 minutes
28	Employees	MT1	M	Member of the technical staff of MT1	12 minutes
29	Public Administrations	MT1	F	Responsible of the Department of Sport and Culture of the Province's Government	18 minutes
30	Communities & Social Agents	MT2	F	Teacher from a Secondary School that took part in the social program of MT2	21 minutes
31	Media	MT2	M	Sports journalist of a local radio	13 minutes
32	Customers & Users	MT2	M	Public relations of a local magazine that is a sponsor of MT2	12 minutes
33	Customers & Users	MT2	M	Sponsor of MT2	8 minutes
34	Communities & Social Agents	MT2	M	Responsible of a local race for children	11 minutes
35	Suppliers	MT2	M	Responsible from a local printing house	7 minutes
36	Customers & Users	MT2	M	Sponsor of MT2	21 minutes

37	Employees	MT2	F	Volunteer of the club	12 minutes
38	Employees	MT2	M	Volunteer of the club	13 minutes
39	Employees	MT2	M	Marketing director of the club	5 minutes
40	Shareholders	MT2	M	Minority shareholder of the club	8 minutes
41	Customers & Users/ Employees	MT2	M	Responsible of MT2's basketball school for children	35 minutes
42	Communities & Social Agents	MT2	M	Teacher of a school that participated in the social program of MT2	13 minutes
43	Suppliers	MT2	M	Supplier of snacks and beverages to MT1	6 minutes
44	Communities & Social Agents	MT2	M	Director of a school that participated in the social program of MT2	13 minutes
45	Customers & Users	MT2	M	Fan and season ticket-holder of MT2	14 minutes
46	Media	MT2	M	Journalist on a local newspaper of MT2	28 minutes
47	Public Administrations	MT2	M	Responsible of the Department of Sport and Culture of the Regional Government	16 minutes
48	Customers & Users	MT2	M	Coach of one of the formation	11 minutes



				basketball teams that collaborates with MT2	
49	Sponsors	MT2	M	Sponsor of MT2	9 minutes

Source: Own elaboration

Regarding the issues of validity of the research, it should be mentioned that validity in qualitative research is achieved in a very different manner than in quantitative studies (Grocke, 1999). The basis for establishing trustworthiness is to show that the work is well grounded, and to make transparent the premises that are being used (Grocke, 1999). In order to ensure that the research was trustworthy, tools like *epoche* (the examination of bias), peer debriefing, member checking, prolonged engagement with descriptions and “indwelling” the experience were used during the research (Creswell, 2007; Grocke, 1999; Thompson, Grocke, & Dileo, 2017).

1) *Epoche* refers to the examination of the bias of the researcher group. The aim of the examination is to make explicit any assumptions or preconceptions of the researcher. The most important point is that the researcher’s biases should not negatively influence the interview process or the analysis of data. The analysis showed that researchers had not shown assumptions or preconceptions before the research started. The authentication of the researcher’s analysis was made through the verification procedure, whereby the participants identified anything of the experience which was left out, or even suggested a change of wording if the researcher did not understand the meaning accurately or reflect it correctly.

2) *Peer debriefing*. In this validation method, the researcher takes stages of the analysis to a peer group for feedback. The researchers presented the findings that led to this chapter in different symposia and workshops, where they were advised by experts that issues of validity had to be dealt with in order to demonstrate the methodological robustness of the findings. The process was completed with continuous discussions with the directors of the Thesis about the adequacy of the methodology chosen.

The previous experts gave their approval with the following questions in mind: Are the findings grounded in the data? Are inferences logical? Is the category structure appropriate? Can inquiry decisions be justified? What is the degree of researcher bias? What strategies were used for increasing credibility? Are the findings up-to-date and reliable enough to explain the phenomenon in question? Does the research make a meaningful contribution to the field? (Creswell & Miller, 2001).

3) *Member checking (also called “participant verification”)* of the reduction and distilled essence of the experience. In this study, participants were all people who were able to understand the questions and to respond to them with concrete examples. At the same time, they were not afraid of providing any additional example or clarification if they were required to.

4) *Prolonged engagement with the descriptions*, which involved repeated reading and revising of the interview material. As the interview process unfolded, the interview protocols were revised to make sure that nothing important was left out. A period of several days was necessary during the research to come to an agreement about the key aspects mentioned by the interviewees and the codification of the interviews. The process of description of the phenomenon identified was a dynamic one, since the data of interviews was continuously revisited and researchers asked continuous questions to themselves with the aim of improving the interviews.

5) The researchers also tried to “*indwell*” the experience of the participants, with the aim of creating a trustworthy and distilled essence of that experience. This is brought about by an active indwelling of the interview material, until it is known by the researcher. As a result of this process, the essential nature of the phenomenon was felt and understood by the researchers. All the participants of the study provided rich and thick descriptions of their experience in the context of the study about the social value they perceived from the professional basketball clubs, and each time the descriptions were read and the experience was distilled, we began to be “inside” the experience of the respondents.

With this vivid detail, the researcher(s) help readers understand that the account is credible. Rich description also enables readers to make decisions about the applicability of the findings to other settings or similar contexts (Creswell & Miller, 2001). In the case of this research, a thick and detailed description of the interviews has been provided by way of the detailed account of the data about the interviewees and the interviews (gender, relationship to the clubs, time employed in the interviews) and by the quotes employed that reflected the feelings of the interviewees about the phenomenon in question (the creation of social value by professional basketball clubs).

In this respect, we tried to remain as objective as possible in qualitative research, while being sensitive of the issue of our potential subjectivities to reduce them as much as possible (Thompson et al., 2017). In this sense, the researchers have applied abstract understanding controlled by the triangulation system based on using different researchers’ analysis, corroborating with real data of clubs and confirming our findings with managers (Creswell & Miller, 2001; Denzin, 2009). A neutral and open attitude to the reality of the interviewed stakeholders was adopted during the interactions with the objects of the research to mitigate as much as possible the influence of preconceptions about the phenomenon.

Once the methodological approach has been explained in depth, we will now move on to explain the empirical findings from the interviews to stakeholders.

## 5.3. Findings

### 5.3.1. Phase One: Open coding

Concerning the open coding level, it consists of breaking data apart and delineating concepts to stand for blocks of raw data (Corbin & Strauss, 2008). At first, preliminary themes emanating from the first reading of the data were mentioned. Furthermore, the study purpose and interview guide were referred to in the process of coming up with initial themes (Corbin & Strauss, 2008; Hasaan, Kerem, Biscaia, & Agyemang, 2016a). Open coding involves the wide-ranging fracture of data by isolating significant incidents such as events, issues, processes or relationships and labeling them using respondent or researcher expressions. Open codes are termed substantive codes because they codify the substance of the empirical data so that it can be sorted and organized. Open coding stays close to data and provides a more literal reduction of it (Connell & Lowe, 1997).

Raw data are analyzed, initially using line-by-line coding, to break down the data. Whenever the researcher becomes more familiar with the data and the concepts and categories being identified, coding can be done by sentence and, at times, by paragraph (McCann & Clark, 2003). Coding might start with a full transcription of an interview, after which the text is analyzed in an effort to recognize key words or phrases which connect the participant's description to the experience under study (Moghaddam, 2006). This procedure is associated with primary concept development which consists of "identifying a chunk or unit of data (e.g. a passage of text of any length) as belonging to, representing, or being an example of some more general phenomenon" (Spiggle, 1994, p. 493). If a new concept or category is identified, then the researcher reverts to line-by-line coding. Line-by-line coding during the initial period of data collection forces the researcher to concentrate on the data and avoid undue influence about the field of enquiry (McCann & Clark, 2003).

In our research, once the interviews were completed, the answers were analyzed word-by-word, searching for concepts that were repeated across the interviews and that related to the perceptions about the social value that is created by professional basketball clubs currently. Some answers by all the supposed stakeholders and the analysis of all of them are reflected in the following paragraphs:

#### 5.3.1.1. Volunteers.

Volunteers are, according to the representatives of both clubs, the main differentiation element of the workforce of basketball clubs in comparison to other kinds of organizations. The following themes emerged from the interviews with volunteers:

- Creation of an emotional bonding with other people:

*"In the end, one of the main advantages of the volunteer work in our club is that you can set up a relationship with other volunteers and even players and members of the board*

*of the club. The players treat us with great respect and they even talk to us to cheer us up. If you compare it to another popular sport like football the relationship between the different members of the club is much closer (Interview 37, from now on I37)."*

*"One player even invited us to their home to have a drink as a token of his gratitude towards us for our hard work (I38)."*

Volunteers interviewed have not engaged with the club for financial reasons. One of the points they highlight the most is that they have even set up friendships with other volunteers, an aspect that helps them keeping their motivation high to continue being volunteers.

- Sense of membership towards the club:

*"I became a volunteer when the team got promoted to the First Division approximately ten years ago. I have had many responsibilities: helping spectators find their seat in the arena, organizing games for children during the half-time of the matches, handing over clubs' magazines to the fans, etc. After so many years working for the club as a volunteer, I feel really identified with the club, since I have a great relationship with members of the club's board and other volunteers (I38)."*

*"When the season ends, I decide whether I will continue being a volunteer next year or not, and I always come to the decision that I want to continue because I feel really comfortable. The fact is that I always make this decision without anybody convincing me of doing so, something that reflects my commitment towards the club. The fact that at the end of the season we are given a recognition for our work by the president of the club and other workers of the club is a very important thing for us as volunteers (I38)."*

As a result of the previous emotional bonding, creating a dynamic of strong corporate identity and ensuring that the key values of the club are internalized and transmitted to the public is essential to create a sense of membership toward the club.

- Financial support:

*"It is a disinterested job. However, even if the financial situation of the club is far from ideal, they continue paying you 10 € to cover your expenses. If volunteers didn't receive that quantity I would keep doing my job anyway, but I take it as recognition of our contribution to the club (I38)."*

To the extent possible, the volunteers also receive from the club different kinds of compensation that are measurable in economic terms (tickets for the matches, discounts in the pubs of the arena, official t-shirts, etc.).

5.3.1.2. *Workers (administrative workers, players and sporting staff).*

With respect to employees in professional basketball clubs, both MT1 and MT2 distinguish three different groups: administrative workers, players and sporting staff. This division brings to mind the traditional division between workers of administrative and productive departments of NsP companies (Taylor, 1919). However, these groups are not very different between themselves, except for the fact that in the opinion of MT1's institutional general manager:

*"the administrative workers do not have a daily relationship with players and with the development of the competition (I3 with MT1's international and institutional general manager)".* The following themes emerged from the interviews:

- Creation of contacts:

*"Apart from being my main source of income, my employment for the club gives me the possibility to set up different contacts at the business domain in our province, while also giving me useful experience for my professional future (I39)."*

- Excitement:

*"This project's main characteristic is the continuous excitement it creates among many people. The day when this business does not arise these positive feelings, then it will be another different thing for us (I28)."*

The social and sporting project of the club creates satisfaction among many people. Without these positive feelings, the club would not be able to survive.

### 5.3.1.3. Suppliers.

As MT2's managing director stressed, *"our suppliers perceive our organization as a good instrument to increase the knowledge of their brand and their products among society (I6)".*

In this respect, the rise in popularity of professional sport and the positive effects of linking a company with these organizations, like increasing brand awareness and association with positive qualities (Donlan, 2014; Martinez & Janney, 2015), have prompted firms to become official providers for professional sport teams. The following themes were obtained from the interviews:

- Association with the club's positive values:

*"We like having a business relationship with an organization that shares with us important values like respect for the rules, teamwork, effort, professional development, attainment of objectives, etc. In fact, these values are commonplace in the dairy running of our business. We have conducted studies that clearly show that our identification as suppliers of MT1 helps us to attain a good image in society. Apart from it, we know that we are linked to a team that belongs to the Spanish and European top-flight thanks to their good management, so that gives us a good reputation in the market (I25)."*

A good reputation in the market is considered vital for the suppliers interviewed. If they are associated with the clubs' positive values, then the more likely they will be to transmit this intangible value to their current and other potential customers.

- Possibility of exploring new business opportunities with other suppliers:

*"As suppliers of this club, the fact that the club offers us the possibility to advertise us as suppliers for no extra cost is advantageous, since it gives us a prestigious image and opens up the possibility of finding new clients at an affordable cost in markets where our presence is not well-known by other organizations (I25)."*

In general, suppliers believe that the other suppliers they meet through the club share their same positive values, so this intangible dimension can facilitate contacts with other businesses, especially in regional markets where the supplier or the organization in question is not well known by other businesses.

#### 5.3.1.4. Shareholders.

The main motivation of the shareholders of a sporting organization could be that of "psychological welfare" in terms of creating an emotional bond with the organization and helping the club when it is in need, or even feeling part of the club's success (Morrow, 2000).

The following theme arose:

- Creation of an emotional bond with the club:

*"I did not buy shares hoping that I would get any financial return. You just do it for the emotional pleasure of identifying with the set of values that this club represents, like effort, work and sacrifice. My main motivation for buying shares of the club was that the club was in a difficult situation at that time (I40)."*

*"My goal was to help the organization raising capital when it needed it the most, and I thought that as a fan it was my duty to take a step forward and get involved in the project more intensely, since I perceive that a real fan has to support his or her club through thick and thin (I40)."*

*"This organization is more than a club. When you come to the arena each and every match, you are able to find out that this club means something special to many people, since it is a source of pride for the fans and a wider social community. Then, you buy shares of this project with the aim of helping this club maintain its emotional significance among a lot of people (I16)."*

As it can be seen, shareholders do not get dividends for their investment in the club, so the possibility of creating an emotional bond with the organization is what pushes them to make this investment.

#### 5.3.1.5. Fan communities.

MT1's institutional general manager asserted that *"our objective is not only to have the best players on the court, but to have the best players on the court while our arena is packed. If you want to offer a great sporting competition, you have to attract as many people as you can to your stadium (I1)."*

The following themes related to customers and users emerged:

- A good way to meet like-minded people:

*"The trips that are organized when MT1 plays an important match at the European level are a great way to make new friends and to enjoy the experience with people who have your same interests (I24)."*

*"We as an important fan group from the club have created bonds with other fan groups of rival teams with the objective of enjoying together our passion towards basketball in great harmony. The possibility of building bridges between fans of different teams is one of the reasons why we are so proud of being fans of MT2 (I45)."*

One of the differences with football, according to this fan interviewed, is the almost nonexistence of hooliganism or violence between the different teams' supporters. This interviewee, in fact, explained that they have lunch with fans of other teams during the match days.

- Great atmosphere among the fans during the matches of the team:

*"Every time that our team plays a match on the road we as fans tend to accompany the team, and the atmosphere during the matches between our fans and other team's fans is extraordinary. This circumstance makes me think that we as fans get a good value for the money that we invest in MT1 (I24)."*

Like in the case of volunteers, fans do often await for the match of the weekend of their team to have a good time and socialize with other people they might have known in basketball, even from other teams.

#### 5.3.1.6. Sponsors.

In the case of sponsors, both the tangible aspects and the intangible benefits of being associated with the basketball club should be highlighted (Junghagen, 2018). These values have emerged in the different interviews held:

- Contribution to the development of positive values:

*"Basketball is inextricably linked to emotions, and our business sells emotions to people. Then, our association with these emotions by means of our sponsorship deal with the*

*club is logical, as it permits to transmit a set of values that we consider to be positive (126)."*

The sponsorship of a professional basketball club offers businesses an alternative channel to advertise their products while luring specific potential consumers with the emotional influence of a specific organization.

- Opening up new business opportunities with other businesses:

*"With the help of MT1's club for sponsors, we are able to be in relation with other sponsors of the club. What is more, we are able to explore joint business opportunities by discussing our projects and by setting up trips to foreign countries to know potential new markets that we could explore. The help of MT1 is vital in this process, since their club for sponsors launches different initiatives like the aforementioned trips, conferences for sponsors and a dinner every three months (127)."*

*"One of the things that we value the most from MT2 is that, even in the most complicated moments, they have tried to give importance to all the sponsors from the project. They have organized activities with different sponsors like conferences, different activities during the match-days with the names of the sponsors, etc. We hope that this level of collaboration will intensify in the future, since we are really satisfied (136)."*

Sponsors, in the case of both clubs, have the opportunity to get to know each other by means of the business encounters that both clubs organize to exchange experiences and forge new relationships between businesses.

#### *5.3.1.7. Player academies.*

The professional club is the last level of a sporting structure that begins in the player academies. The club is the reference for the rest of the lower levels (Mills, Butt, Maynard, & Harwood, 2014).

The emerged themes related to sport academy are:

- Helping other basketball clubs in the community to set up basketball teams:

*"Our club is focused on the formation of young girls. We do not make any kind of exclusion on the basis of the lack of talent to play basketball. MT2 provides us with material necessary to run our activities (sporting material, clothes, coaches, etc.), and apart from that they always bring in one or two players of the main team of MT2 to help us reach a wider audience and attract more young girls to play basketball with us (148)."*

Among the objectives of both clubs was to support the formation of basketball teams for teenagers, specially focusing on female teams. The clubs give material to the associations that want to create the teams, as well as know-how with coaches and



referees and extra support by sending club's players to their activities to attract more children to basketball.

- Imparting empowering values to children thanks to sport:

*"Our final objective is not to recruit children that will play for the main roster when they are adults, as it happens with our younger talents. Our main goal is to teach basketball and values related to basketball to as many children as possible, irrespective of the talent they have (I41)."*

*"The main advantage of having a strong relationship to MT2 is that they are a good vehicle of integration for all people, but especially for women. One of the main advantages is that MT2 shows our girls how to overcome difficulties and face adversity with a positive attitude, something which is a very important lesson for life indeed (I48)."*

Undoubtedly, the messages of the club have a great influence on children and especially on girls. This could be seen as a positive influence for tackling issues like gender inequality and women empowerment, which are of the utmost importance nowadays.

#### 5.3.1.8. Communities.

Communities include organizations like schools, universities and economic associations (associations of businessmen from the region, chamber of commerce).

Understanding the relationship between clubs and geographical communities is essential, as professional sport clubs in Europe normally have origins in their communities and are important parts of them (Morrow, 2013).

The following theme emerged from the interviews:

- Communication of positive social messages by the club:

*"The activity consisted of bringing two players from MT2's main roster to different schools from our region, with the objective of communicating a message about the importance of cooperation, respect and teamwork when it comes to achieve different goals in life. At present, it is of great importance to place emphasis on these principles, since society is becoming more and more individualistic. We, as a school, are very satisfied with the activity (I42)."*

*"Children have a great time speaking to their idols. Moreover, due to their great popularity these athletes find it very easy to get their message across to our children, since kids and teenagers pay a great deal of attention to the messages of athletes (I44)."*

*"The main contribution of MT1 to our association is the great help that they provide us in the tackling of a disease like cancer. Last year, the club set up a fund-raising event during one of the matches and the money that they raised was allocated to the*

*association. The club has always been open to send their players and coaches to our initiatives. Apart from that, their help is important for us since we fund research against cancer (I10)."*

As in the case of customers and users, the communication of positive social messages by the club is welcomed by teachers and directors of the schools that participate in the educational programs, as a way to fight against anti-social behaviors among young people.

#### *5.3.1.9. Associations linked to social causes.*

Clubs can be linked to social causes both with the activity of their respective social foundations and/or by cooperating with other social organizations that carry them out by taking advantage of the positive social image of clubs (Anagnostopoulos & Shilbury, 2013).

The following themes emerged from the interviews:

- The collaboration of the team gives visibility to different social causes and problems: *"The foundation organizes charity campuses for people with few resources or who are at risk of suffering social exclusion. They cooperate with the program called "One Team" set up by the Euroleague, in an initiative that aims to integrate children whose mothers work in prostitution. These children come to our campuses with great motivation, since it normally represents their only beacon of hope in their lives (I17)."*

As previously mentioned, the cooperation of clubs can be really helpful when raising awareness about different challenges that society faces (gender equality, anti-social behaviors, racism, bullying, etc.).

#### *5.3.1.10. Media.*

The level of attention paid by the media to the activity of the club on a daily basis (match days on weekends, training sessions during the week, interviews with players and coaches, etc.) is really important (Boyle & Haynes, 2002). MT1's international and institutional general manager also stated that *"our relationship is of mutual gain, as the club needs to appear on the media and the media needs to inform about the club to increase their sales (I2)".*

The following themes were raised in interviews with the media:

- Increase in commercial advertising in the newspaper, thanks to the club's activity: *"One of the reasons why the publication of news related to MT2 is so important is because it plays in a top-level league against rivals of top quality, and that creates a lot of interest on the part of the public. People feel really attracted to the club because it has an emotional influence over them, and you have to take into account that basketball*

*is the second most popular sport in our province only after soccer, so that is testimony to the interest that basketball creates in our environment. In fact, the number of our newspapers sold increases during and after match-days (I46)."*

*"Thanks to the previous inflow of information during and after match days, the number of businesses that are willing to advertise themselves in our newspaper increases during those special occasions. Then, we want MT1 to be successful, since their success will bring us more readers and commercial appeal (I18)."*

The fact that clubs create a huge interest from people with different characteristics (gender, age, points of view, etc.) is an asset that newspapers want to exploit to attract more customers. The attention paid by the public to the team's information leads advertisers to pay important sums of money in exchange of advertisement in the media.

#### *5.3.1.11. Sporting associations.*

Both clubs have relationships with sporting associations. These organizations, such as the leagues and federations, represent the interests of the competitors in the sports industry. In this sense, one of the most remarkable characteristics of sports leagues is that the participating teams become involved in a dynamic of "coopetition."

Cooperation and agreement between the participating teams are essential to market the competition under certain conditions and set down the rules of the leagues (Kesenne, 2000).

The following themes emerged from the interviews:

- The league is stronger thanks to the presence of these clubs:

*"The value of a professional sport league stems from the addition of the value of each one of its participants. All the participating teams add or detract value from the League. A team can add value to a League if it creates positive news like winning trophies, signing better players, bringing more people to their stadiums, getting more revenues and profits, etc. On the contrary, a team could represent a negative value to the League if it is involved in controversial aspects like excessive indebtedness, a difficult financial situation, doping scandals, bad behavior of their players on and off the court, etc. In this sense, we can proudly say that the presence of MT1 and MT2 creates a positive value for the competition given their contribution to the competition and its goodwill (I21)."*

If the participating team is competitive, fills the arena and has a good financial standing, then they will create value to the league, having a direct impact on the prestige of the competition and the clubs' income.

#### *5.3.1.12. Public administrations.*

Public administrations play a key role in Spanish professional sport, as they guarantee these organizations many privileges like access to public resources, delayed payments to the tax office and subsidies (Ascari & Gagnepain, 2006).

The interviews with public administrations highlighted the following themes:

- Promotion of the city and region in both Spain and Europe:

*“MT1 creates a social value that goes well beyond the economic value they create. From this perspective the club represents our city in Europe with a great success, thereby creating a great tradition of basketball in our city that brings a lot of people to the stadium each and every week (I15).”*

*“Whenever MT1 plays an important tournament in a European competition, we accompany them and we set up an information point for all the interested people about the attractiveness of our province as an ideal destination for tourists (I29).”*

Whenever MT1 plays in a final in another city, MT1 creates a tourism stand to promote the city and the region for potential visitors with the help of public administrations.

- Facilitating social cohesion thanks to the club’s activity:

*“The existence of a basketball team like MT1 creates a feeling of friendship and a positive atmosphere among people with different ideas, personalities, religions and social conditions that is positive for the social cohesion of the territory (I29).”*

As in the case of customers and users, public administrations argue that professional basketball clubs are good instruments to integrate people from different beliefs and to promote positive values.

### **5.3.2. Phase Two: Axial coding**

This technique is also known as theoretical or Level II coding (McCann & Clark, 2003). In this technique, data are put back together in new ways after open coding, by making connections between categories. This is done by using a coding paradigm involving conditions, context, action/interactional strategies, and consequences (Kendall, 1999). In axial coding, data are put back together in a different way, through categorizing the data and making links between a category and its subcategories. Concepts are elevated to provisional categories. A category is a classification of concepts, arising through a process of constant comparative analysis, grouping or clustering concepts together in a higher order, more abstract concept. The process requires inductive and deductive thinking, asking questions, and proposing and making comparisons with the data. Overall, a more concentrated and abstract approach takes place than in open coding (McCann & Clark, 2003).

This paradigm model is an organizing scheme that connects subcategories of data to a central idea, or phenomenon, to help the researcher think systematically about how categories of data relate to each other (Kendall, 1999). It is possible to think of the coding process as a form of pyramid at the base of which is open coding. Through systematic analysis and constant comparison of data the next stage is to reduce the number of codes and to collect them together in a way that shows a relationship among them. This stage relates to axial coding and the creation of concepts. Axial coding is the appreciation of concepts in terms of their dynamic interrelationships. These should form the foundation for the creation of the theory. The focus on axial coding is to construct a model that details the specific conditions that give rise to a phenomenon's occurrence (Moghaddam, 2006). Strauss and Corbin (1998) believe that the purpose of axial coding is to reassemble data that were fractured during open coding.

At this axial coding stage, we took the dimensions identified in previous open coding stage and categorized the value dimensions according to five types of social value: emotional, epistemic, functional and relational. Emotional value represents the utility derived from the feelings or affective states that consuming a certain product or service generates, in this case the sports team (Kunkel, Doyle, & Berlin, 2017; Sweeney & Soutar, 2001). Regarding epistemic value, we could define it as the utility derived from the capacity of a certain organization's activities (in this case, the professional basketball team) to arouse curiosity, provide novelty and satisfy a desire for knowledge (Haddock, Millar, & Pritchard, 2009; Kunkel et al., 2017; Pritchard, 2007). Functional value represents the utility derived from the perceived quality and expected performance of sport team games (Kunkel et al., 2017; Sweeney & Soutar, 2001). Relational value would refer to the utility created by the organization to its stakeholders as the activity of the club provides individuals with the opportunity to connect with other relevant social groups, thereby creating bigger social bonding and enhanced peer group acceptance for stakeholders (Kunkel et al., 2017).

Mainstream literature has adapted comprehensive multi-dimensional approaches to examine consumer value perceptions (Sweeney & Soutar, 2001). Following these categories and according to the information obtained in the previous phase, the previous social value dimensions were classified, as the Table 5.3 shows:

**Table 5.3: Dimensions of social value identified in interviews – Axial coding**

<b>Stakeholder Groups</b>	<b>Value dimensions identified in interviews</b>	<b>Type of Value</b>
<i>Volunteers</i>	Creation of an emotional bond with other people	Emotional value
	Sense of membership towards the club	Relational value
	Financial support	Functional value

<i>Workers</i>	Creation of contacts	Relational value
	Source of income	Functional value
	Excitement	Emotional value
<i>Suppliers</i>	Association with the club's positive values	Relational value
	Possibility of exploring new business opportunities with other suppliers	Functional value
<i>Shareholders</i>	Creation of an emotional bond with the club	Emotional value
<i>Fan communities</i>	A good way to meet like-minded people	Relational value
	Great atmosphere among the fans during the matches of the team	Emotional value
<i>Sponsors</i>	Contribution to the development of positive values	Emotional value
	Opening up new business opportunities with other businesses	Functional value
<i>Players academies</i>	Helping other basketball clubs in the community to set up basketball teams	Epistemic value
	Imparting empowering values to children thanks to sport	Emotional value
<i>Communities</i>	Communication of positive social messages by the club	Emotional value
<i>Associations linked to social causes</i>	The collaboration of the team gives visibility to different social causes and problems	Emotional value
<i>Media</i>	Increase in commercial advertising in the newspaper thanks to the club's activity	Functional value
<i>Sporting Associations</i>	The league is stronger thanks to the presence of these clubs	Functional value
<i>Public Administrations</i>	Promotion of the city and region in both Spain and Europe	Functional value
	Facilitating social cohesion thanks to the club's activity	Emotional value

Source: Own elaboration

### 5.3.3. Phase Three: Selective coding

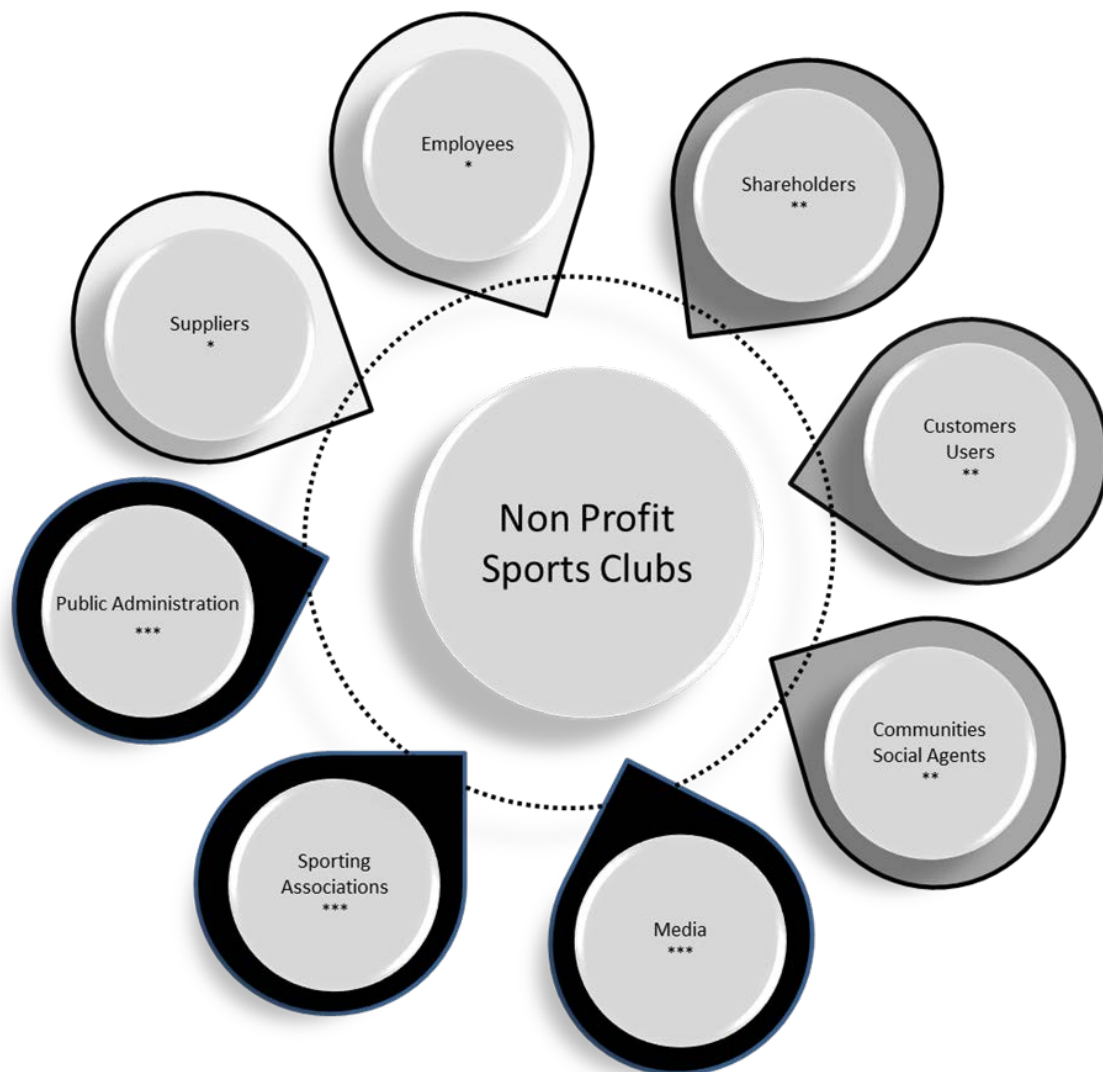
The process of selective coding, also known as Level III coding, aims to identify a core or overarching category, and attempts to establish links between this and other categories (Charmaz, 1990). It is the process by which categories are related to a core category ultimately becoming the basis for grounded theory. Through selective coding the categories are integrated and developed into the theory (Moghaddam, 2006). Selective coding is one means through which this is accomplished (Stamp, 1999). Strauss and Corbin (1990) consider selective coding as the process of selecting the central or core

category, systematically relating it to other categories, validating those categories, and filling in categories that need further refinement.

At the selective coding phase, considering that the “core category” (the central phenomenon that needs to be theorized about) is the social value creation by professional basketball clubs, we have established and systematized the standard stakeholder map for professional basketball clubs, on the basis of the different value dimensions identified. Stakeholders like shareholders and communities receive an emotional value from the activity of the club. The same happens in the case of those stakeholders that perceive emotional value in conjunction with other values like workers and public administrations. Some stakeholders make financial contributions to clubs for different kinds of value, like the sporting associations for participating in the league for their TV rights, the sponsors for advertising their companies and the public administrations for their promotion of the city and region and their commitment to positive values (respect, cooperation, gender equality, etc.).

Concerning the elaborated stakeholder map, it differs from the standard stakeholder map for a non-sport businesses (NsP) company (Freeman, 1984). In Figure 5.3, the eight core stakeholders are differentiated by three signs: one asterisk (stakeholders who are similar to the stakeholders of NsP companies), two asterisks (stakeholders who are both similar to and distinct from the stakeholders of NsP companies) and three asterisks (stakeholders who do not have any similarity with the stakeholders of NsP companies).

**Figure 5.3: Stakeholder map for professional basketball clubs**



Source: Own elaboration

The following stakeholders of professional basketball clubs are similar to those of NsP organizations:

#### *5.3.3.1. Employees (one asterisk)*

Regarding the situation of the players and sporting staff in a professional sport club, one of their main particularities in comparison with NsP businesses is that a huge competition exists between different clubs in order to attract the most talented players (Senaux, 2008), as teams (especially in Europe) tend to pursue a win maximizing objective instead of merely financial gain maximization (King, 1997). This situation, in turn, helps us understand why the wages of players represent the biggest proportion of expenditures incurred by the teams (Morrow, 2013; Nicolliello & Zampati, 2016). In this sense, players are very specific assets who have great freedom of movement and bargaining power (Senaux, 2008).



Nonetheless, one of the most important particularities of non-profit professional sport clubs is the importance of the work of volunteers, especially during the delivery of the central product that clubs offer –match days-. The strong commitment of volunteers that make their workforce available in positions such as coaches, trainers, officials or even administrators (Heinemann, 1984) represent a substantial force for the non-profit sports sector (Madella, 2003). Hence, one of the distinctive characteristics of non-profit sports clubs is the labor-intensive character and the strong demand for volunteers given their relatively low cost. This makes non-profit sports organizations have a distinctive economic and labor structure (Vos, Breesch, & Scheerder, 2012).

According to Vos et al. (2012), volunteer work could be defined as an activity which is done under the authority of non-profit organizations, something that fits with the conception of Spanish professional basketball clubs (Martínez-Lemos, 2015). A distinctive feature of volunteer work is that the volunteer workers do not receive any form of monetary pay for the services they provide, albeit volunteers can be given a limited amount of money to reimburse their expenses (Vos et al., 2012).

In the case of Cuskelly, Hoye and Auld (2006), one of the main considerations of his work was that volunteers work could be divided between four different dimensions: free choice to volunteer (whether the volunteer has the ability to choose freely to engage in this activity or if he or she has been obliged to do so), level of remuneration (no remuneration, reimbursement of expenses or low pay), structure or context within which the volunteer's activity is performed and intended beneficiaries (benefitting or helping strangers, benefitting or helping other friends or relatives, or benefitting oneself as well). Hence, volunteering is defined as "an activity which takes place through not for profit organizations or projects and is undertaken: to be of benefit to the community and the volunteer; of the volunteer's own free will and without coercion; for no financial payment; and in designated volunteer positions only (Cuskelly et al., 2006, p. 5)."

This previous point is related to the motivations of volunteers, whose motivations are complex and multifaceted (Cuskelly et al., 2006; Winniford, Carpenter, & Grider, 1997). Davies (1998) argued that a number of "generic" motives are identified like: social contact, helping others, filling time, gaining recognition, meeting the expectations of others, helping achieve goals of organizations, personal enrichment, developing skills, fun and enjoyment, having a sense of accomplishment, self-expression and improving self-image (Cuskelly et al., 2006).

The previous results were preceded by those of Clary and Snyder (1991). They argued that people act to satisfy important socio-psychological goals, and thereby they identified four distinct functions for volunteer work: expression of value (to act on the belief of the importance of helping others), understanding or knowledge (a need to understand others), social (to engage in volunteering to meet the voluntary expectations of salient others) and ego-defensive or protective (to relieve negative feelings through service to others) (Cuskelly et al., 2006).

#### *5.3.3.2. Suppliers (one asterisk)*

The main concept that defines relationships between suppliers and businesses is value in exchange, by which suppliers exchange a valuable good in the marketplace for money (Vargo, Maglio, & Akaka, 2008). In professional basketball clubs, suppliers of normal supplies (water, lighting, sporting material, etc.), as well as of other services (catering, security checks at the entrance of the arena, pubs in the arena, etc.) obtain an improvement of their image and of their relationships with the rest of the social agents of the territory.

There are other stakeholders that exhibit certain similarities with the stakeholders of NsP while also possessing certain particularities:

#### *5.3.3.3. Shareholders (two asterisks)*

Shareholders are a group which should also be analyzed. Even if shareholders are identified as important stakeholders in both the NsP and the basketball club map, it should be noted that their motivations could be different. In the Spanish context the law sets down that these companies are Sporting Limited Companies which should have as their main objective the participation in sporting competitions with a non-profit orientation, in accordance with the Royal Decree 1251/1999 approved by the Spanish Government that is still in force in Spain. This is one of the reasons why there are no Spanish clubs listed in the Stock Exchange (Barajas & Rodríguez, 2010).

The objective of shareholders of NsP for-profit entities seems to be profit maximization (Friedman, 1962), as organizations pay dividends to their shareholders in exchange of their financing. On the contrary, the main motivation of the shareholders of a sporting organization could be that of a “psychological welfare”, in terms of creating an emotional bonding with the organization and helping the club when it is in need, or even feeling part of the club’s success (Morrow, 2000; Wicker et al., 2016; Zuber, Yiu, Lamb, & Gandar, 2005).

#### *5.3.3.4. Customers and users (two asterisks)*

Within this group we would include the participants of basketball activities, player academy, fan community and sponsors of the club, although these groups present certain differentiated aspects among themselves. In this respect, it should be added that the meaning of customers and users in professional basketball clubs is different than in NsP companies, since customers and users are agents who participate in the sporting activity developed by the organization.

Having said that, it should be noted that the main difference between the fan community of a sports club and the customers from NsP businesses is that generally there is an implicit exclusivity in the purchase of products by fans towards a team as a

consequence of their loyalty (Kunkel et al., 2016), as it is likely that the dedicated fan of a sports club will only attend to his or her club's matches and will only buy its merchandise (Morrow, 2000). In the case of NsP businesses, generally the quality and the price of the product or service in question are key factors for customers when making decisions (Harrison & Wicks, 2013).

Furthermore, fans do not simply purchase the product that the club offers to them (a competition between teams), but they also buy what they themselves imaginatively help creating: the spectacle of support. In essence, fans are an integral part of the commodity that the clubs ask themselves to buy as customers since they are agents who participate in the sporting activity developed by the organization (King, 1997).

In this sense, MT1's institutional general manager asserts that: *"our objective is not only to have the best players in the court. Our objective is to have the best players in the court while our arena is packed. If you want to offer a great sporting competition, you have to attract as many people as you can to your stadium (11)."*

With regards to sponsors, their degree of similarity with the fans is evident, as they are providing a vital support for the organization, both financially and emotionally by associating their image to the club (Bouchet, Doellman, Troilo, & Walkup, 2015; Komskienè & Bobinaitè, 2015), since these companies perceive that the professional sport club is a vehicle to commercialize themselves by way of a partnership with a well known organization (Cornwell, Jahn, Xie, & Suk Suh, 2018; Junghagen, 2018). In the case of both clubs, they also work closely in the transmission of sport's positive values thanks to the basketball activities like the basketball courses they organize on holidays for children of all ages.

Concerning their basketball academies, both teams try to support talented young children to develop their skills by offering them the possibility to play in competitions for children and teenagers from an early age, in the hope that one day they could have the potential to reach the main squad in the elite.

#### *5.3.3.5. Communities/social agents (two asterisks)*

In the case of NsP businesses, legitimacy theory has been a tool used to justify their interplay with their communities, as this theory explains social and environmental disclosures to communities, in the belief that a social contract exists between society and the organization and that in any way, the organizations which damage that contract need to repair or reconstruct it in a way so as to obtain society's approval (Shocker & Shethi, 1973).

Within the communities and social agents who are stakeholders of the professional basketball clubs we would include organizations like schools, universities, economic associations (association of businessmen from the region, chamber of commerce,

former players of the club) and associations linked to social causes (gender equality, disabled people, fight against poverty, social inclusion, etc.). The enduring relationship between clubs and geographical communities (Brown, Crabbe, & Mellor, 2008) could be understood due to the fact that professional sport clubs in Europe have normally had its origins in the community and they are an important part of it (Morrow, 2013). The bond between clubs and the geographical communities where they were created is proved in the Spanish ACB League by the fact that ever since its inception in 1983 there have been no team relocations, a characteristic that is common in both the Spanish and European landscape, as already mentioned in Chapter 2.<sup>58</sup>

A clear example of involvement of basketball clubs with their nearest community is the Foundation that MT1 created. As the foundation is inextricably linked with the club, the club can't be understood without the foundation and vice-versa. According to MT1's institutional general manager this foundation *"has a social impact with the community that surrounds our team by organizing educational, cultural and social implication activities"* (I3). In this regard, it should be noted that both clubs organize a wide range of these activities as a way to strengthen their engagement with their social environment.

In the same way, the director of the Foundation of MT1 added that the Foundation has been involved in different activities like: *"the organization of a popular celebration to raise money in favor of the association against cancer, the collaboration with associations in favor of disabled people and the visit of our players at the end of the year to different hospital"* (I16). MT2's marketing director told us that: *"last year, we sent 40 boxes of merchandising related to the club to a charity association in Africa. By way of this donation, that included t-shirts, jumpers, rucksacks and trousers of the club, the charity association could provide these children from Senegal with up to date equipment in order to withstand the effects of extreme weather"* (I29).

Finally, the distinctive stakeholders of professional basketball clubs are described:

#### 5.3.3.6. *Media (three asterisks)*

It is an important external agent when treating the information about a company (traditional press like newspapers, TV, radio; but also social media). Attention by the *media* is increasingly important nowadays (Zyglidopoulos, Georgiadis, Carroll, & Siegel, 2012).

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<sup>58</sup> The only case of a team relocation in Spain happened in 2007, when the president and owner of the football team Granada 74 that belonged to the fourth-tier of Spanish football (Third Division) took over the team Ciudad de Murcia SAD from the second-tier of Spanish football League (Second Division) and relocated it from Murcia to Granada, adopting the name and the badge of Granada 74 (Acuña Gómez, 2017). In Europe, relocations are rare, the only case of this kind found in literature being that of British football club of Wimbledon, that moved to the English city of Milton Keynes back in 2003 (Noll, 2003).

Nevertheless, when talking about the press, they are a particular stakeholder for the professional basketball clubs, as they pay a level of attention towards the activity of the club on a daily basis (match days on weekends, training sessions during the week, interviews to players and coaches, etc.) that is rarely replicated in other businesses.

Two explanations to this situation could be mentioned: the emotional attachment of spectators to the teams and athletes due to their passion and emotion and the fact that elite sport has been transformed in a spectacle, as enjoyment from playing has become subordinate to the crowd-pleasing moves and contrived weekly entertaining style (Gantz & Wenner, 1995).

At the same time, MT1 and MT2 have felt it necessary to adapt to new times and interact with fans through social media (Abeza, O'Reilly, Séguin, & Nzindukiyimana, 2015), a tool which allows clubs, teams and employees to increase their interactions for a relatively low cost (Pegoraro, 2010; Watanabe, Grace, Soebbing, & Pegoraro, 2017; Watanabe, Yan, & Soebbing, 2015). This highlights the increasing importance of Internet as a tool to communicate with their environment in the business strategy of these organizations (Hur, Ko, & Valacich, 2007).

In the opinion of MT2's managing director: *"according to our data, we have over 40.000 followers in our different social media accounts (Facebook, Twitter, Instagram, etc.)"* (I39). The importance of social media is also evident in the case of MT1. The international and institutional general manager of the club speaks in this way about social media: *"it is an important tool for us, given that we have approximately 185.000 followers in different social media (Facebook, Twitter, Instagram, and Chinese social media)"* (I2).

#### 5.3.3.7. *Sporting associations (three asterisks)*

Both clubs do have relationships with *sporting associations*. These organizations represent the interests of the competitors in the sports industry, like the leagues and federations.

In the case of NsP businesses, it should not be forgotten that the relationship between competitors has been an issue of interest in business management literature (Porter, 1979; Porter & Millar, 1985; Utterback & Suarez, 1993). One of the most remarkable characteristics of sports leagues is that the participating teams get involved in a dynamic of "coopetition", where they engage in a process of simultaneous cooperation and competition at the same time (Tsai, 2002). On the one hand, we should ask ourselves: if there would be no sporting competition between the teams, would there be an incentive for them to exist? The logical answer would seem to be no. Therefore, it is a necessary condition to cooperate and to reach an agreement between the participant teams so as to market the competition under certain conditions and to set down the rules of the leagues regarding roster limits, salary caps and the transfer of players, among others (Fort & Quirk, 1995; Kesenne, 1996, 2000).

In the case of MT1 and MT2, they relate to local, regional, national and international federations, as well as private leagues (ACB in both cases and European competitions too in the case of MT1). In this respect, *“our relationship with our competitors take place within the framework of private competitions” (I6)*, as MT2’s managing director clarifies. This happens to be the case in the Spanish competition, where MT1 and MT2 are members of the Spanish ACB League. In the case of MT1’s institutional general manager, he stressed that: *“the relationship with our competitors is necessary to give our competition a strategic direction, as we need to agree upon the bylaws of the competition and other important issues like the calendar of the season (I2).”* MT2’s managing director also states that: *“the agreement among the majority of the teams stands for a binding condition for the approval of regulations within the league (I6).”*

#### *5.3.3.8. Public administrations (three asterisks)*

In the case of a free market economy, the state has the power to coerce its businesses and citizens, mainly by means of taxes. At the same time, it can help its industries by means of: public subsidies, control over their new rivals, affecting substitute and complementary products and price-fixing (Stigler, 1971). Moreover, governments do take the responsibility to protect consumers and society (Polonsky, 2008).

In the case of professional basketball clubs in Spain, their involvement goes further as we should not lose sight of the fact that public administrations do subsidize the activity of professional basketball clubs in different ways like leasing the local sports arena in advantageous conditions, giving direct subsidies to increase the budget of the teams, furnishing them with a favorable tax treatment, letting them restructure their debt with the public administrations, etc. (Barajas & Rodríguez, 2010). In the Spanish context, the help of public administrations has turned out to be crucial when helping these teams survive in times of huge indebtedness or financial crisis by the clubs, as we have explained in Chapter 2.

Therefore, both clubs, MT1 and MT2, want to have excellent relationships with public administrations (whether they are local, regional or national). This is why the clubs try to foster values of tolerance, gender equality and non violence that governments try to address.

## **5.4. Discussion**

The present chapter continues the work of Senaux (2008) and Anagnostopoulos (2011) by identifying the stakeholders of sport clubs, but goes further by also identifying the value for stakeholders based on their own perceptions. In this chapter, it should be highlighted that the key findings, the stakeholder map of professional basketball clubs (Figure 4.3), has been developed on the basis of Table 4.3, where the different value dimensions created by these organizations and identified by stakeholders themselves

are shown, according to a grounded theory study that focuses on the personal reality of the participant stakeholders as they define it. This is the most significant change in comparison to other works, where the perspectives of stakeholders are not taken into account explicitly.

The continuous process of validation employed in this chapter (by eliminating any kind of researchers' preconceptions, checking answers with participants and continuously revising the interview output among the researchers) was crucial for obtaining credible, sophisticated and robust results.

The most noteworthy conclusion is that all stakeholders perceive a social value from the activity of professional basketball clubs in different dimensions, and not only economic. Concerning employees, one of their most distinctive characteristics is the large number of volunteers employed by Spanish clubs, a situation that resembles that in other European countries (Vos et al., 2012). The main value dimensions identified by volunteers have been the creation of an emotional bond with other people, a sense of membership toward the club and the financial support by the club. These findings are consistent with those of Clary and Snyder (1991) and Cuskelly et al. (2006), who suggest that psychological and emotional benefits play a pivotal role in determining the reasons why volunteers choose to perform their jobs. The motivations for the employees, for their part, are the creation of contacts and the excitement they feel.

For suppliers, the association with the club's positive values and the possibility of exploring new business opportunities with other suppliers were key themes. This finding is consistent with those of Donlan (2014) and Martinez and Janney (2015), who indicate that the benefits of linking a company with sports organizations include increased brand awareness and association of the company with the positive qualities of the organization.

With respect to shareholders, they value the creation of an emotional bond with the club. Shareholders in professional sport clubs, by providing equity to the organization, perceive a emotional dividend for supporting their club (Prigge and Tegtmeier, 2019). This investor fans may be so passionate about their team that mere ownership provides all of the value in their investment.

In terms of customers and users, fans provide the clearest explanation for the team's existence, given the strong emotional support and loyalty that they show toward the clubs. Fans show their passion during the matches (Hasaan, Kerem, Biscaia, & Agyemang, 2016b). The possibility of meeting like-minded people and the great atmosphere created during the matches were the dimensions of value identified by fans, thus validating the literature. The group of customers and users also includes sponsors and player academies. Sponsors mentioned the following value dimensions: the contribution to the development of positive values and opening up new business opportunities with other businesses. In the case of player academies, helping other

basketball clubs in the community set up basketball teams and imparting empowering values to children, thanks to sport, are the most important value dimensions. These value dimensions help us to understand the importance of sport as a vehicle to develop a sense of identity and belonging (Storm et al., 2017).

With respect to the stakeholder group of communities and social agents, the communication of positive social messages by the club was mentioned as a value dimension by community members, like schools, universities and economic and social associations. The messages of athletes and teams have the potential to reach many people (Hasaan et al., 2016b). These value dimensions confirm the important role of teams in their communities (Morrow, 2013).

With regard to the media, they identify the increase in commercial advertising in the newspaper, thanks to the club's activity. Then, both parties consider their relationship a win-win, as both the media and the team increase their audiences and turnover (Boyle & Haynes, 2002).

Sporting associations are a very particular stakeholder, as they fall within the scope of the cooperation dynamic set up by the clubs. The main value dimension expressed by the leagues and federations was the strength of the leagues, thanks to the presence of these clubs. This perception of the national competitions further argues in favor of the dualism of cooperation and competition as a distinctive characteristic of sports management (Holt, 2009; Robert et al., 2009; Lardo et al., 2015).

Finally, public administrations are really important in the survival of teams, as they subsidize the activity of the teams based on the perceived positive effects of the teams' activities in society, like promoting the city and region in both Spain and Europe, and also facilitating social cohesion. Public administrations must emphasize these positive social outcomes and emotional benefits to justify public involvement in funding professional sport clubs (Barlow & Forrest, 2015; Storm et al., 2017).

To summarize, we explain in Table 5.4 below the summary of the previous characteristics of each and every stakeholder in both NsP businesses and professional basketball clubs in order to distinguish more easily the particularities of each stakeholder. The stakeholders are represented with the same symbols than in Figure 5.3 (one, two and three asterisks). In addition, we have highlighted the most important dimensions of social value from the activity of the club that the stakeholders have identified during our interviews with them.

***Table 5.4: Characteristics of NsP companies & professional basketball clubs' Stakeholder Groups***



	<b>Stakeholders of NsP Businesses</b>	<b>Stakeholders of Professional basketball Clubs &amp; Dimensions of social value</b>
<i>Employees(*)</i>	Division between workers for the creation of a product or a service & administrative workers in exchange of a salary (Taylor, 1919)	<b>Great importance of volunteers in the workforce of clubs</b> <ul style="list-style-type: none"> <li>• Emotional bonding with other people</li> <li>• Sense of membership towards the club</li> <li>• Financial support by the club</li> <li>• Creation of contacts</li> <li>• Excitement</li> </ul>
<i>Suppliers (*)</i>	Relation limited to exchange (service or product vs. money) (Vargo et al., 2008)	<b>Increased brand awareness and association with the positive qualities of the organization for suppliers</b> <ul style="list-style-type: none"> <li>• Association with the club's positive values</li> <li>• Exploring new business opportunities with other suppliers</li> </ul>
<i>Shareholders (**)</i>	Profit maximization objective (dividends) (Friedman, 1962; Groth et al., 1996)	<b>Perception of an emotional dividend for supporting the club</b> <ul style="list-style-type: none"> <li>• Creation of an emotional bonding with the club</li> </ul>
<i>Customers/ Users (**)</i>	Price, product and service quality are essential aspects for the choices made by consumers (Harrison & Wicks, 2013)	<b>Loyalty by customers towards the club in question</b> <ul style="list-style-type: none"> <li>• The possibility of meeting like-minded people (Fans)</li> <li>• Great atmosphere created during the matches (Fans)</li> <li>• Contribution to the development of positive values (Sponsors)</li> <li>• Opening up new business opportunities with other businesses (Sponsors)</li> <li>• Helping other basketball clubs in the community setting up basketball teams (Player Academy)</li> <li>• Imparting empowering values to children, thanks to sport (Player Academy)</li> </ul>
<i>Communities/ Social Agents (**)</i>	A social contract exists by which businesses need to obtain society's approval to continue operating (Shocker & Shethi, 1973)	<b>Important role of teams in their communities</b> <ul style="list-style-type: none"> <li>• Communication of positive social messages by the club</li> </ul>
<i>Media (***)</i>	- Attention by the media is important nowadays (Zyglidopoulos et al., 2012)	<b>Constant coverage and attention from the media → Growing importance of social media</b>

		<ul style="list-style-type: none"> <li>• Increase of commercial advertising during match-days</li> </ul>
<i>Sporting Associations</i> (***)	- Competitors try to obtain competitive advantages against each other (Porter, 1979; Porter & Millar, 1985; Utterback & Suarez, 1993)	<b>Delivery of sports service → Need of cooperation between competitors – cooperation</b> <ul style="list-style-type: none"> <li>• The League is stronger thanks to the presence of MT1 and MT2</li> </ul>
<i>Public Administrations</i> (***)	- Governments can help and control industries (Stigler, 1971) & protect consumers and society (Polonsky, 2008)	<b>Subsidizers of clubs in Spain → Essential for survival of teams</b> <ul style="list-style-type: none"> <li>• Promotion of the city and region in both Spain and Europe</li> <li>• Facilitating social cohesion thanks to the club's activity</li> </ul>

Source: Own elaboration

Once having analyzed in depth the empirical findings of the chapter, we will now focus on the concluding remarks that will sum up the most important aspects covered throughout the Chapter 5.

## 5.5. Concluding remarks

Although the activities of professional sport clubs have an important economic relevance, their purpose is fundamentally social. This chapter adopts a new perspective regarding the social value creation by asking the stakeholders themselves about their social value perceptions. On the basis of the answers of stakeholders in our interviews with them, we were able to confirm the stakeholder map for professional basketball clubs. The main advantage of this approach is that stakeholders' perceptions are taken into account when it comes to define who the stakeholders of the organization are, in comparison to the works of Anagnostopoulos (2011) and Senaux (2008).

To that end, the stakeholder map created for professional basketball clubs shows that both the number of stakeholders and their interests differ between NsP and sport organizations. The empirical analysis in this study proved that compared with NsP organizations, sport clubs have three additional stakeholders: the media, sporting associations and public administrations. Furthermore, there are significant nuances of the characteristics of stakeholders of basketball clubs compared with NsP companies, the most important of which is emotional bonding.

In addition, this stakeholder map created from the perceived value by stakeholders demonstrates that it is not possible to manage these sport clubs solely according to purely economic criteria. Therefore, a new management model is necessary. This model should take into account the distinctive characteristics of sport clubs management, like

its emotional implications for stakeholders, its connection to the local community and the competition paradigm with other competing clubs.

Non-economic aspects associated with basketball clubs such as image, emotional value, social activities with the community or territorial identification could then be vital. Our findings could lead to clearer communication about the contributions of sport clubs to society.

All of these lines of evidence support the need for the development of sport social measures to evaluate the contributions to stakeholders of this type of sports organization. The efficient use of this stakeholder map and ongoing value detection will help creating value for stakeholders and could represent a means of approaching the interests of stakeholders from their own point of view.

Finally, further generalization of this map to other leagues and clubs would require confirmation in a larger sample. Therefore, subsequent studies will validate these results with a larger sample of basketball clubs, as well as samples of clubs from other sport disciplines (like soccer, handball, baseball, etc.).

## CHAPTER 6: SOCIAL VALUE MONETIZATION PROCESS IN TWO CLUBS

### SUMMARY

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### 6. SOCIAL VALUE MONETIZATION PROCESS IN TWO CLUBS

In this new chapter, the SPOLY Methodology will be applied to the two professional basketball clubs from the ACB League analyzed. The identification of the main social value variables that clubs create to their stakeholders and the subsequent monetization of the social value created by professional basketball clubs to stakeholders will serve to validate the applicability of SPOLY methodology in these organizations, taking into account the particularities and distinguishing features that set these businesses apart like their stakeholder-orientation, the importance of the emotional value in their relationship with stakeholders, and their role as vehicles to tackle different social issues like gender equality, poverty, etc. (Anagnostopoulos & Shilbury, 2013; Kelly et al., 2012; Morrow, 2000; Zuber et al., 2005).

In this respect, the findings from the previous chapters will play a pivotal role in the development of the new chapter and the results and conclusions that will be obtained. At the introduction of the chapter, a detailed explanation will be provided about the process followed to apply SPOLY Methodology into the professional basketball clubs

analyzed. An overview of the purpose of the analysis, the kind of methods used throughout the chapter to gather the necessary evidence, the sources of information and the assessment of the validity of the research will be provided, among other aspects. All these aspects are essential to offer the reader guidance on the most significant aspects of the research.

After the introduction, the process of implementation of the SPOLY Methodology will get started. The presentation meetings with the clubs will be explained, and afterwards we will focus on the specific social value quantification procedure. The specific social value is referred to the social value distributed outside of the market to stakeholders, generally without a monetary transaction (Lazkano & Beraza, 2019). Particular attention will be paid on the identification of the social value variables on the basis of the value dimensions identified in the interviews with stakeholders in Chapter 5. By establishing the specific social value variables, we will move on to one of the most critical parts of the process, the decision about the outputs and proxy-s that will be representative of the social value variables identified and the validation of these outputs and proxy-s by experts of the sports management field, both from the academic and professional field.

Once the outputs and proxy-s for each specific social value variable are validated, the results of a SERVQUAL questionnaire that asks to different fans of one of the clubs analyzed, MT2, about their level of satisfaction in their relationship with the club in different aspects, apart from the level of importance that they feel the emotional value of the club has in comparison with to the economic value that the club creates. When the findings related to SERVQUAL questionnaire are explained, our focus will be on the quantification of the specific social value of MT1 and MT2 on the basis of the outputs, proxy-s and algorithms identified previously. The results obtained will also serve to calculate the specific social value created for each stakeholder.

Afterwards, the social value with economic impact will be calculated. This is the value that an organization generates or distributes to the entire company by means of its business activity. It consists of the Value Added, net salaries, social security contributions, personal taxes, corporate taxes and taxes, VAT and the income from clients. The market social value will be added to the non-market or specific social value in order to obtain the integrated social value, the magnitude that will indicate the holistic value creation of professional sport clubs. In order to have a more accurate magnitude, the public funding received will be detracted as a way to obtain a net integrated social value. The magnitudes calculated will be compared to the public funding and the budget of each club, with the objective of getting a general picture of the social value creation of both clubs and the main characteristics of the creation of social value.

## 6.1. Methodology of analysis

Following with the application of the SPOLY Methodology, we will make use of the data collected from the 49 interviews held with clubs and their stakeholders that has been reflected in Chapter 5, as a reference to determine the value variables that will be the basis for establishing the indicators and proxy-s that will be useful to achieve the quantification of the social value created by professional basketball clubs to their stakeholders. The data pertaining the indicators and proxy-s will be gathered with the cooperation of clubs and stakeholders, apart from the analysis of secondary data like the official sites of clubs, the press and the ACB League. The feedback given by clubs and stakeholders will serve to improve the process, while also adapting the aims of the research to the reality of these organizations, leading to a continuous transfer of knowledge between clubs, stakeholders and researchers.

The research took place between December 2017 and October 2019. For that to happen, we have analyzed two clubs from the competition, as stated in Chapter 5, by means of a purposeful strategy involving an “extreme or deviant case strategy” involving a selection of cases rich in information given their rarity (Draucker et al., 2007). The selection of different clubs of very different characteristics in terms of budget, fanbase and sporting results is not new in sports management (Giulianotti, 2005), as explained in Chapter 5. The election of different cases will involve, as expressed previously, the use of one or more different cases with the objective of creating theoretical constructs, propositions and a theory of empirical evidence obtained from case studies (Eisenhardt & Graebner, 2007).

The case studies will represent empirical valuable descriptions about a certain phenomenon that are typically based on a variety of data sources (Eisenhardt & Graebner, 2007; Eisenhardt, 1989). In this sense, case studies emphasize the real world context in which phenomena occurs, by means of data collection like interviews, questionnaires, files and direct observations (Eisenhardt, 1989). Concerning the methods employed in the research, the study could be seen as descriptive, since our objective is to demonstrate that the concepts of theory are happening in the real world, by showing a chain or a network of causes and effects, connecting influencing factors with the criterion (Blessing et al., 1998). The analysis of both the structure of global professional basketball and the stakeholder theory in business and sport management had descriptive purposes. The inductive-deductive method will refer to the capacity to discover behavior patterns in an apparently chaotic set of observations (Michalski, 1983), and it will be applied in the identification of the stakeholders to whom professional basketball clubs are creating social value (as previously done in Chapter 5) and in the forthcoming identification of the main social value variables that clubs create to their stakeholders. Concerning the analytic-synthetic method, synthesis will be a movement from causes to effects or consequences (from simple to complex), whereas analysis is a movement from the more particular (or specific) to the more universal (De Jong, 2010). The analytic-synthetic method will permit the monetization of the social

value created by professional basketball clubs to stakeholders by establishing the necessary outputs and proxy-s for that end, by means of the information gathered in interviews with stakeholders.

One of the defining characteristics of the process followed, though, is that it can also be exploratory, given that the SPOLY model is in a continuous progress, and has not yet been consolidated and agreed upon by all the different actors in academia (Retolaza et al., 2016). When applying the SPOLY methodology, one of the most important issues has been the validation of the process in order to ensure that the results obtained are valid, trustworthy and can be applied to the discipline of sport management. In this chapter, we have sought to validate the quantitative results obtained by asking different experts from the sports management field like academics and practitioners from different professional sport clubs and other organizations about their opinion of the indicators and proxys identified for each value variable in the respective clubs. In this way, the validation of distinct agents throughout the Thesis (clubs, stakeholders and sports management experts from the academia and practitioners) will make the results obtained more robust and trustworthy in the eyes of third parties, letting us establish more meaningful conclusions in the end.

The technical sheet sums up the previously explained aspects:

**Table 6.1: Technical sheet**

Purpose of the research	- Design and apply the adapted SPOLY Polyhedral Model into the professional basketball clubs analyzed to monetize social value.
Research methods	- Descriptive, inductive-deductive & analytic-synthetic methods.
Unit of analysis	- Select under the previously detailed criteria (history, fanbase, budget, etc.) two teams of the ACB League that will permit us to put into practice SPOLY Polyhedral Model in Public Administration.
Geographical range	- Spain's basketball First Division (ACB League), with a potential application to the European professional basketball leagues.
Universe	- Professional basketball clubs.
Sample	- Two teams of the ACB League.
Evidence gathering methodology	- Interviews in depth with stakeholders using the central tenets of phenomenology (Chapter 5). - Analysis of the interviews of data using the tenets of grounded theory and phenomenology (Chapter 5).
Sources of information	- Internal: documentation (official reports of the clubs, information in the clubs' websites, other internal documents, etc.). - External: information on the press and documents from Public Administrations.
Assessment of the rigour, validity and quality of the methodologic quality	- Qualitative validity tools used for value dimensions and stakeholder map (epoché, peer debriefing, participant

	verification, prolonged engagement and indwelling the experience) – explained in Chapter 5 – - Quantitative validity of results, achieved by the validation through the scoring of social value indicators and proxy-s by experts of academia and professionals related to sports management.
Period of completion	- Between December 2017 and October 2019.

Source: Figure adapted from San-Jose & Retolaza (2016, p. 110)

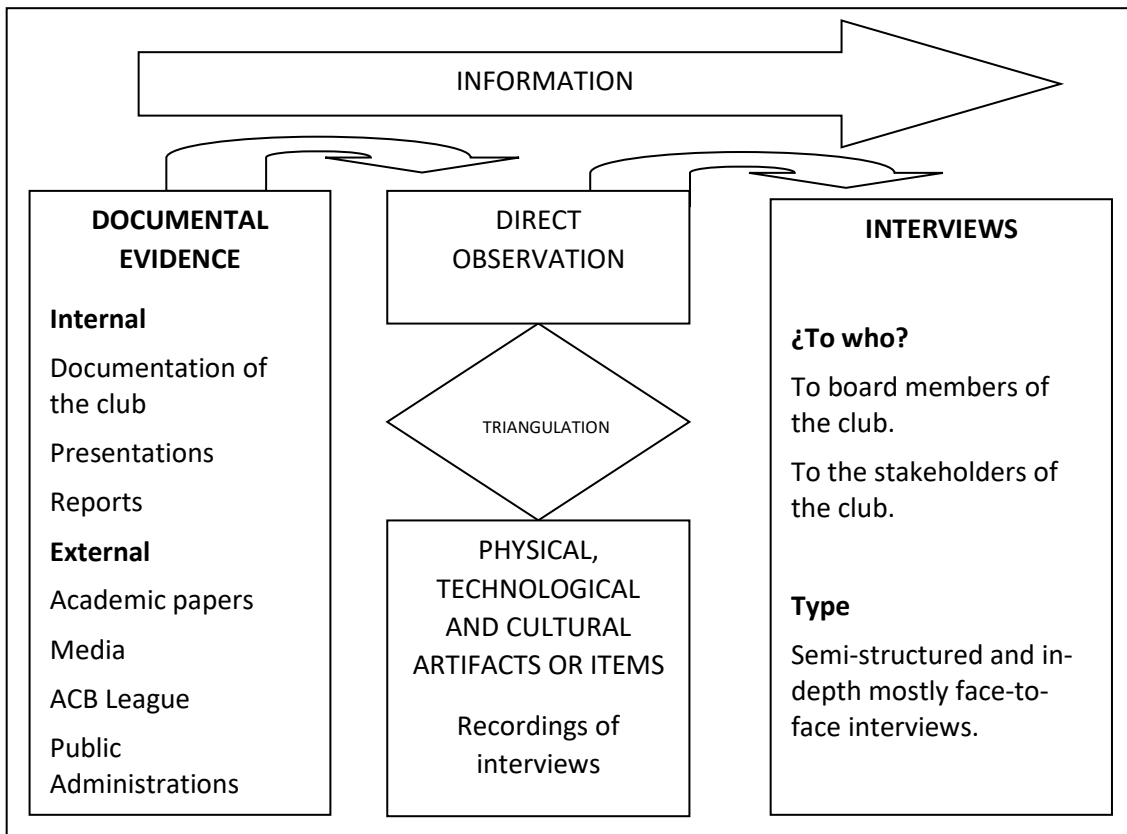
When it comes to collect evidences from the interviews, we should highlight the importance of the process of triangulation. This process makes use of interviews and pre-existing informations from internal sources like official websites, reports and internal information, with other sources like information from media as a way to increase confidence in research data, creating innovative ways of understanding a phenomenon, revealing unique findings, challenging or integrating theories, and providing a clearer understanding of the problem (Thurmond, 2001). The convergence or agreement between different information sources will enhance our belief that the results obtained are valid and not a mere artifact (Jick, 1979).

In this regard, before starting our research within the clubs we searched for documental evidence about social value creation in professional sport clubs by way of an analysis of both clubs' documentation, reports or presentations, as well as external data like academic papers, the media, public administrations or the ACB League. After presenting our project to the clubs and getting the green light from them, we proceeded to interview the board members of the clubs to agree a preliminary stakeholder map, and with that information in mind we interviewed the stakeholders of the club (after obtaining the approval of them all to participate) in a format of semi-structured interviews, as explained in Chapter 5. The findings obtained in the final stakeholder map validated the previous documental findings in the preliminary stage.

The process of triangulation followed has been summed up in the following Figure 6.1:



**Figure 6.1: Process of Triangulation**



Source: Own elaboration

In this regard, the usage of action research methodology is essential, as it will permit the researchers, in participation with others, to find practical solutions to the issue that we seek to investigate (Bradbury & Reason, 2003). In this way, by demonstrating that professional basketball clubs in Spain create social value to their stakeholders, we do not only want to make these organizations and their stakeholders aware of the social value creation process, but also about the potential of the SPOLY Methodology to integrate social value within the ethos and soul of the organization itself. For that purpose, we advocate for the integration between the information about economic and social value by using a common measurement unit, that is, the monetary unit (in this case the euro). Money, being a common unit, is a useful and widely accepted way of conveying value (Nicholls et al., 2009). This can permit us to quantify those outputs that have been considered as intangible and very difficult to assess since there is not a direct economic exchange involved in the outputs created by the company in question (Nicholls et al., 2009).

In this sense, during our interviews with clubs representatives, they all showed, on behalf of the clubs, their interest in knowing and communicating the social value created by clubs to their stakeholders, as traditionally clubs have associated social value to a qualitative dimension that could not be quantified. MT1’s international and institutional general manager remarked that they were open to applying this process since “we are a club that embraces constant development and new ideas like this” (I2). The president

of MT1, during the first interview, asked with interest: “how can we apply this process into the club?” (I6). For that purpose, both clubs were particularly open on knowing the process followed to discover those outputs and proxy-s used to quantify the social value created, as clubs perceive that integrating their social value with the economic value from their financial reports will permit them to show their holistic value they are creating while also comparing both dimensions of value.

Nonetheless, the stakeholders interviewed also showed their interest in the methodology, given that most of them considered that social value creation should be the main objective of the organization and the main guiding principle of its activity, apart from the participation in sporting competitions. The minority shareholder of MT2 interviewed stated: “the main social value that I perceive is the emotion of competing for reaching a high position, or at least feeling identified with the values they represent” (I40). During the meeting with the marketing director of the club MT2 in which data for the quantification of the outputs was obtained from the clubs, he admitted that up until now, they didn’t quantify systematically the amount of outputs that they have been creating to stakeholders as they traditionally thought that it was very difficult to give them a monetary value. Undoubtedly, the motivation and positive reception by clubs and their stakeholders has made it easier to undertake this project.

## **6.2. Test of employment of SPOLY Methodology**

### **6.2.1. Implication of the organization**

In October 2017, we got in touch with both MT1 and MT2. We sent them the information necessary to know about our project, and both organizations’ representatives told us about their interest to set up a meeting in order to let us explain in depth what we wanted to achieve. Concerning MT1, our first meeting took place the 5<sup>th</sup> of December of 2017. In this case, the meeting was held with the international and institutional general manager of the club. In the case of MT2, the first meeting was held the 11<sup>th</sup> of December of 2017, with both the president of the club and the managing director of the organization present at the meeting. Both meetings were successful, and after all our explanations both organizations showed their interest to take part in the project. This was a crucial step, since the characteristics of the SPOLY model (its usage of the tenets of action research and phenomenology) made it absolutely vital to get the acceptance of the organizations that we wished to analyze in order to carry forward the research.

In both meetings, we outlined the characteristics of the SPOLY methodology and some of the data that we would require to carry out the analysis. The representatives of the clubs, for their part, told us that previously the clubs had elaborated different studies to highlight the social benefits that the clubs were thought to create, like their promotion of the city and region, their involvement in social causes, their participation in the national or international basketball elite competitions, their transmission of positive

values to children, etc. Nonetheless, the main characteristic of all these reports were elaborated internally by the clubs, the participation of stakeholders in all these processes being minimal or even non-existent, leaving out the voice and opinion of the main recipients of the clubs' value creation. In this way, the value perceptions were established unilaterally by the club and thereby lost the valuable testimony by stakeholders. Hence, the main conclusions that were obtained from the interviews with the clubs were then the following:

1) Both clubs' representatives agreed that social value creation was a fundamental justification of their activity. They agreed that if they did not create social value to their stakeholders their existence would be threatened.

2) However, at first, both professional basketball clubs were a little bit skeptical about the possibility that this research could bear fruit. This was because they had considered for a long time that social value for stakeholders was really difficult to quantify and because they had never come across a systematic methodology like SPOLY. Nonetheless, the fact that the methodology was tested before in other organizations from different sectors and with different objectives (whether they were for-profit and non-profit) was a positive aspect for both clubs' representatives.

3) In comparison to other cost-benefit analyses that had been previously carried out to assess the economic impact of these clubs in their communities, the most important thing for clubs was that our approach considered the voices and opinions of stakeholders concerning the social value created to them by including aspects of grounded theory and phenomenology. This circumstance, they hoped, would lead to more trustworthy and reliable results and would improve the possibilities of creating more social value to their stakeholders.

After obtaining the approval of the clubs to go ahead with the project and identifying afterwards the standard stakeholder map for professional basketball clubs as explained in Chapter 5, we proceeded to identify the social value variables of non-market social value for both clubs on the basis of the social value dimensions perceived by stakeholders in the interviews with them that lasted from January to April 2018. Having identified and quantified the non-market social value, we will proceed to quantify the market social value for the 2017-2018 season on the basis of data from financial reports of both organizations. Once both non-market and market social value are identified, they will be incorporated into the integrated social value that will be made up of non-market and market social value.

### **6.2.2. Identification of Specific Social Value Variables of non-market social value**

The definition of value variables of non-market specific social value is probably the most complex stage of the process, and one of the most crucial when obtaining the final results. Taking as a reference the value dimensions identified in Chapter 5 during the open coding phase, synonymous expressions were integrated, with the objective of

turning those value dimensions into social value variables. The majority of social value dimensions identified have been linked to these value variables on the basis of the degree of perceived similarity of each value dimension with each other, as it will be seen below. It should be noted that each value dimension can be identified in two or more value variables at the same time:

### **1) Activities with Associations dedicated to Social Causes**

Description: Activities carried out with Social Associations where clubs launch different initiatives, like giving children from poor backgrounds the opportunity to play for free in the basketball academy, or giving away tickets to matches for free to people from disadvantaged communities so that they can make social bonds with other people and have a good time.

Corresponding social value dimensions: "Association with the club's positive values" & "Contribution to the development of positive values" & "Imparting empowering values to children thanks to sport" & "Communication of positive social messages by the club" & "The collaboration of the team gives visibility to different social causes and problems" & "Facilitating social cohesion thanks to the club's activity".

Theme: SOCIAL CAUSES.

### **2) Funds given to Social Causes**

Description: This is a specific social variable for MT1, as the club gives funds directly to Social Associations in favor of different social causes (fighting against rare illnesses, poverty and social exclusion, in favor of cultural associations, etc.).

Corresponding social value dimensions: "Communication of positive social messages by the club" & "The collaboration of the team gives visibility to different social causes and problems" & "Facilitating social cohesion thanks to the club's activity".

Theme: SOCIAL CAUSES.

### **3) Various gifts and discounts for fans**

Description: Gifts and discounts in different forms (discounts for tickets, merchandising and in the arenas' pubs) given to fans and season ticket holders.

Corresponding social value dimensions: "Sense of membership towards the club" & "Creation of an emotional bond with the club" & "Excitement".

Theme: GIFTS.

### **4) Helping the fans accompanying the team to matches on the road**

Description: Involvement of the club in giving the fans advantageous conditions to help them accompany the team to matches on the road, by negotiating with bus companies and other teams reduced prices for the clubs' fans.

Corresponding social value dimensions: "A good way to meet like-minded people" & "Great atmosphere among the fans during the matches of the team."

Theme: FANS.

#### **5) Formation activities**

Description: Formation given to different groups (players from the player academy that are trying to become professional players, children from the basketball school) in different formats (training sessions during the academic year, the Easter break and the summer, celebration of international campuses, etc.).

Corresponding social value dimensions: "Helping other basketball clubs in the community to set up basketball teams" & "Imparting empowering values to children thanks to sport" & "Communication of positive social messages by the club" & "The collaboration of the team gives visibility to different social causes and problems" & "Facilitating social cohesion thanks to the club's activity".

Theme: FORMATION.

#### **6) Information created to the Media**

Description: Value created to the media in the case of MT1 by means of the commercials that businesses create in the space dedicated to cover the information of the club (both in press and radio).

Corresponding social value dimensions: "Increase in commercial advertising in the newspaper thanks to the club's activity."

Theme: MEDIA.

#### **7) Value created to the volunteers of the club**

Description: This is a specific social value variable for MT2, as the club makes use of a great deal of volunteers to carry out its activity. These volunteers receive a symbolic retribution for their work during match-days, where they help people finding their seat and handing over leaflets and brochures from the club. At the end of the season, they are given merchandising by the club as a token of gratitude for their cooperation with the club.

Although salaried employees receive a bigger salary in comparison to the volunteers, the fact that both groups share similarities like the emotional value they feel when relating to the club while obtaining an economic reward (although on a different scale) makes us consider the inclusion of the social value dimension of "Source of income" within this specific social value variable.

Corresponding social value dimensions: “Creation of an emotional bond with other people” & “Sense of membership towards the club” & “Financial support” & “Source of income”.

Theme: EMPLOYMENT.

#### **8) Boost to sporting values**

Description: Donation of sporting material to other amateur clubs for children and young people in order to give sporting values a boost, and encouraging teamwork and cooperation between stakeholders.

Corresponding social value dimensions: “Association with the club’s positive values” & “Contribution to the development of positive values” & “Imparting empowering values to children thanks to sport” & “Communication of positive social messages by the club” & “Possibility of exploring new business opportunities with other suppliers” & “Opening up new business opportunities with other businesses”.

Theme: SPORT VALUES.

#### **9) Indirect consumption during the match-days**

Description: Consumption during the match-days in pubs and restaurants close to the arenas that increases the activity in these businesses.

Corresponding social value dimensions: “Promotion of the city and region in both Spain and Europe”.

Theme: ECONOMIC ACTIVITY.

#### **10) Emotional value**

Description: A common social value variable in both clubs, the emotional value has been mentioned in almost all the interviews that we have carried out with different stakeholders. The big importance given by the stakeholders to this value makes us think that this is the main source of value they perceive, as it comprises different motivations (sense of pride and belonging to a social community, happiness when the team succeeds, creation of a social bonding between people from different backgrounds, etc.). However, even if the monetization of this value is very difficult, we consider that the presence of this value variable is necessary in the list of value variables.

Corresponding social value dimensions: “Creation of an emotional bond with other people” & “Creation of contacts” & “Association with the club’s positive values” & “Creation of an emotional bond with the club” & “Contribution to the development of positive values” & “Communication of positive social messages by the club” & “The league is stronger thanks to the presence of both clubs”.

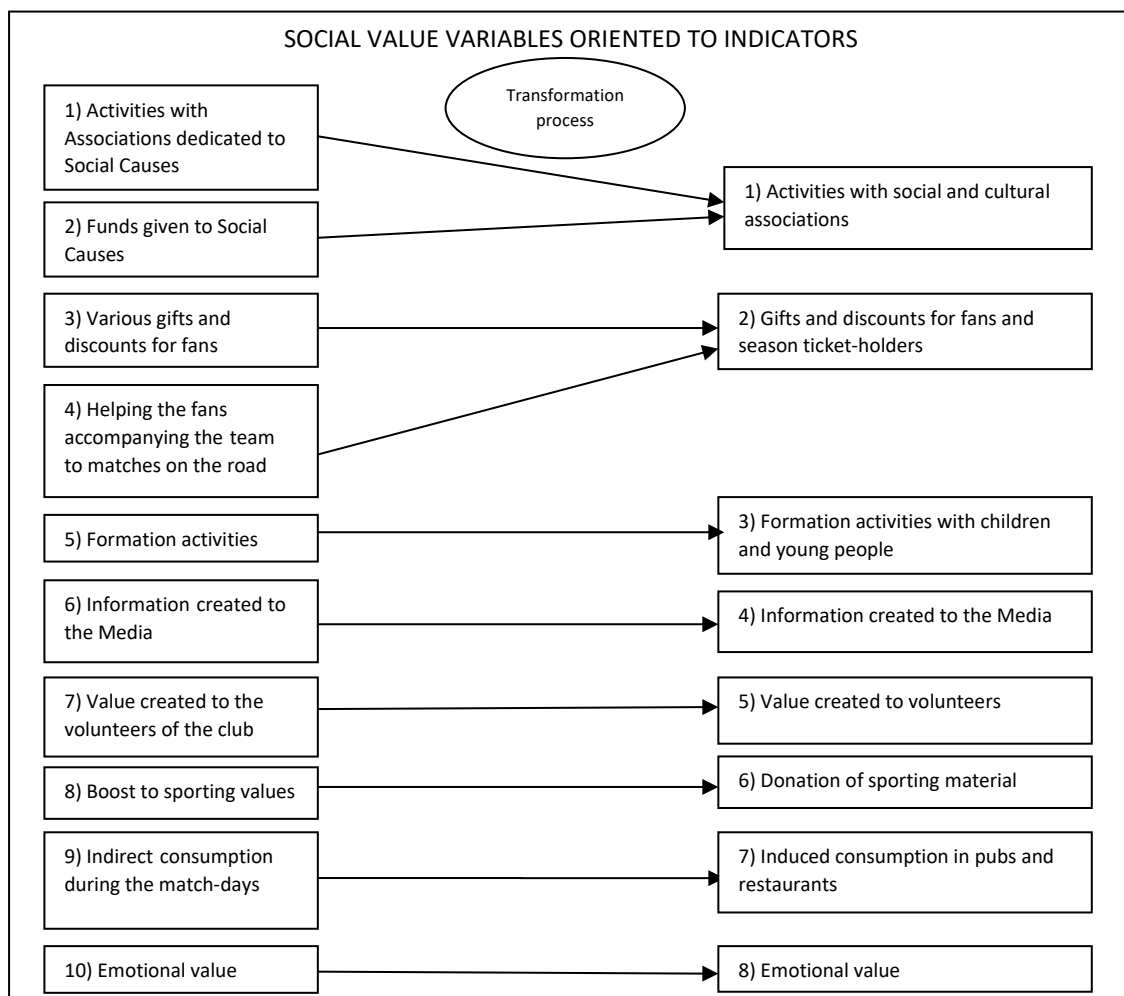
Theme: EMOTIONAL.

As it has been seen, the majority of value variables identified are common for both clubs. Nonetheless, there are particular value variables for each club, like “Information created to the Media” in MT1 and “Value created to the volunteers of the club in MT2”. All these aspects will be reflected in the following section, where the process of social value calculation and quantification will be explained in depth.

### 6.2.3. Identification of Outputs and Proxy-s from Specific Social Value Variables

Taking into account the previously identified non-market social value variables, we went on to transform them by means of a joint cooperation with the clubs analyzed into definitive social value variables oriented to indicators that could be afterwards linked to outputs that are measurable and that could be quantified in monetary terms by proxy-s. The reduction of social value variables that has taken place will simplify the process and make it easier to present the results afterwards. The following Figure 6.2 shows the process of transformation of the value variables into social value variables:

**Figure 6.2: Transformation process into social value variables oriented to indicators**



Source: Own elaboration adapted from San-Jose & Retolaza (2016, p. 137)

After drawing up this list of value variables, they were given the approval by the contacted managers of both clubs, as a previous and necessary step for the determination of the corresponding indicators and proxy-s. The value variables will be presented in the following Table 6.2. The value variables that have a (\*) sign are exclusive to one of the teams:

**Table 6.2: Social value variables oriented to indicators in MT1 and MT2**

Number	Social value variables oriented to indicators in MT1	Social value variables oriented to indicators in MT2
1	Activities with social and cultural associations	Activities with social and cultural associations
2	Gifts and discounts for season ticket-holders	Gifts and discounts for season ticket-holders
3	Formation activities with children and young people	Formation activities with children and young people
4	Information created to the Media (*)	Value created to volunteers (*)
5	Donation of sporting material	Donation of sporting material
6	Induced consumption in pubs and restaurants	Induced consumption in pubs and restaurants

Source: Own elaboration

As it can be seen, the majority of social value variables are similar from one team to another. Nevertheless, there is one variable in each club (information created to the media in the case of MT1 and value created to volunteers in the case of MT2) that are different from one team to another. In the case of MT1, the media that covers information about the club stressed that thanks to the activity of the club the advertisers paid a considerable amount of money to the media, benefitting the media considerably. Concerning MT2, even if during the interviews the media mentioned that they covered the information of the club and that the activity of the club attracted interest, they also told us that the contribution of the club's information to their turnover was really low, so we didn't consider this value variable in the case of MT2.

In the case of MT2, the value created to volunteers was considered important by the volunteers themselves, as the club created value to them in different dimensions (symbolic payments to cover their expenses in match-days, free tickets given to them, a gift at the end of the season to thank them for their contribution). By contrast, in MT1 the structure of workers is more professionalized and there are no volunteers working for the club. Then, this leads to our consideration of the value created to volunteers as a specific social value variable for MT2.

Having established the social value variables for both clubs, the indicators associated to the social value variables from each club that we will seek to monetize afterwards were identified in the following Tables 6.3 and 6.4. During a process of brainstorming that



happened after the author checked the answers of stakeholders from the interviews and the relevant documentation of the club (official websites of the club and the ACB League, documentation of the club, press articles, etc.), the following indicators were included in a list. As it will be seen, the list of indicators chosen changes from one team to another, an aspect that reveals different strategies for value creation by both clubs, owing to the specificity of the relationships between the organization and its stakeholders in each organization. The fact that both MT1 and MT2 validated the indicators was crucial, given that we needed to ensure that these indicators represented the value variables and that these organizations could provide us with the data to quantify the indicators.

In the case of MT1, the list of indicators identified for the club's social value variables are the following:

**Table 6.3: Indicators for Social value variables in MT1**

No.	Variables oriented to indicators	Indicators
1	Activities with social and cultural associations	A. Funds given directly to social associations (for cultural, social and sporting activities).
		B. Price not charged to social associations for sending players to their events to promote social causes.
		C. Price not charged to social associations for using the club's image to promote the social causes they defend.
		D. Price not charged to children in difficult situations for playing in the basketball school of the club and for attending to one match.
		E. Value of free tickets to the matches given away by the club to different social associations in order to invite people from needy social backgrounds.
2	Gifts and discounts for season ticket-holders	F. Discounts to ticket-holders of the club in the club's official store.
		G. Average price of a journey to accompany the team in a European match.
		H. Discount to ticket-holders of the club in other commercial establishments.
3	Formation activities with children and young people	I. Market price paid by children and teenagers for attending the basketball school.
		J. Market price paid by children and teenagers for attending a campus of the club.
		K. Market price not paid by players from the player academy.
		L. Grants paid to players from the player academy.
		M. Salary per hour of the players that go to schools.
4	Information created to the Media	N. Price charged by a local newspaper for advertising in the section for news about the club.
		O. Price charged by the main local radio station to businesses that want to advertise themselves during the broadcast that covers matches of MT1.

5	Donation of sporting material	P. Approximated value of the donation of sporting material to amateur clubs and other associations.
6	Induced consumption in pubs and restaurants	Q. Approximate increase in € of the pubs close to the arena during match-days.
7	Emotional value (not quantified)	M. Emotional wellness and attachment created to stakeholders by the club and its activity.

Source: Own elaboration

As it can be seen, in the previous Table 6.3, the majority of indicators are identified for the first three social value variables oriented to indicators. Concerning the “Activities with social and cultural associations”, we can see that the team does not charge market prices to the social associations for using the club’s image in activities that promote social causes (fight against poverty or gender equality, among others). Regarding the “Gifts and discounts for season ticket-holders”, it reflects the effort of the club to gratify its fans and season ticketholders by giving them discounts and advantages (by travelling with the team for free or buying merchandising of the club for a lower price). Concerning the “Formation activities with children and young people”, the different formation activities carried out by the club (forming prospects in the player academy, organizing basketball schools for amateur children and sending players to the schools of the province for delivering positive social messages) have been taken into account.

The next social value variables, albeit equally important for creating value, do not include as many indicators. “Donation of sporting material” represents a similar concept to the “Activities with social and cultural associations”, although the only difference is that there is not a direct transfer of funds to the amateur clubs but a donation of sporting material from the professional club to amateur clubs instead. The “Information created to the Media” reflects that the club generates value to the media by creating news that will have a commercial appeal for advertisers (in the press or in the radio). A similar rationale is applied in the case of pubs that are close to the stadium or arena of the clubs analyzed, in the “Induced consumption in pubs and restaurants”, since the activity of the club attracts fans to these pubs and restaurants before and after the matches and creates an additional consumption that represents an economic gain for these businesses.

In the case of MT2, the list of indicators identified for the club’s social value variables are the following:

**Table 6.4: Indicators for Social value variables oriented to indicators in MT2**

No.	Variables oriented to indicators	Indicators
1	Activities with social and cultural associations	A. Average salary per hour received by players who take part in social activities of the club.
		B. Discounts on free tickets to the members of different social and cultural associations.

2	Gifts and discounts for fans and season ticket-holders	C. Discounts to fans in the price of tickets to different matches.
		D. Discount in the price of a journey (ticket and bus) to fans for accompanying the team to a match on the road.
		E. Discount in € in merchandising for season ticket-holders.
		F. Average difference in price between VIP seats and normal seats for season ticket-holders.
3	Formation activities with children and young people	G. Market price charged to children and teenagers for attending the basketball school of the club.
		H. Market price charged to children and teenagers for attending a campus of the club during holiday breaks.
4	Value created to volunteers	I. Symbolic retribution paid to volunteers per match.
		J. Merchandising given away by the club to volunteers for their contribution.
		K. Price of the match tickets given freely to volunteers.
5	Donation of sporting material	L. Approximated value of the donation of sporting material to amateur clubs and other social associations.
6	Induced consumption in pubs and restaurants	M. Approximate increase in € of the pubs close to the arena during match-days.
7	Emotional value (not quantified)	N. Emotional wellness and attachment created to stakeholders by the club and its activity.

Source: Own elaboration

As it can be seen in Table 6.4, there are fewer indicators for MT2 than for MT1 in the previous table 6.3. Concerning the “Activities with social and cultural associations”, we can see that the team mainly gives tickets for free or at a reduced price for the matches of the team to those members of different social associations (against diseases like cancer, or cultural associations of the city) from the province. Regarding the “Gifts and discounts for season ticket-holders”, the indicators are similar to those of MT1, the only exception being that the club offers the possibility to some season ticketholders of having the opportunity to occupy a VIP seat in one of the matches of the season. Concerning the “Formation activities with children and young people”, the club does not form directly prospects in a player academy, instead it cooperates with other amateur basketball teams from the province to convince their best young players to compete for MT2 one day depending on their competitive evolution. The club also organizes a basketball school during the year and campuses on holidays for children of all ages, irrespective of their ability to play basketball.

The main peculiarity of MT2 in relation to MT1 is reflected in the fourth value variable of “Value created to volunteers”, as stated previously in this chapter and also in Chapter 5. MT2 creates value to volunteers in many ways, like paying them a symbolic retribution, giving away official merchandising of the club at the end of the season and

offering them free tickets for the matches. The workforce of volunteers is vital for MT2 as they coordinate various activities necessary in the stadium during the match days (checking the entrances of spectators or preparing the seats, for instance). The other two variables identified, “Donation of sporting material” and the “Induced consumption in pubs and restaurants” have the same indicators than in MT1. Concerning the “Information created to the Media”, even if the club gained attention from the media, in comparison to MT1 this was not translated into bigger revenues for companies in question, so this value variable has been exclusive to MT1.

In the previous tables, the last social value variable identified has been the emotional value. Emotional value, as stressed in Chapter 5, refers to the utility derived from the feelings or affective states that consuming a certain product or service generates, in this case the sports team (Kunkel et al., 2017; Sweeney & Soutar, 2001). The emotional value is one of the most important dimensions of value that has been highlighted by the majority of the stakeholders in the interviews. For that purpose, in the following section we will explain the way we have undertaken the measurement of the emotional value among the fans of one of the teams analyzed (MT2) in order to assess their perception and satisfaction concerning the activity of the club, a very important aspect for the club (Biscaia et al., 2019). The emotional value and its importance for fans will be discussed later on in this chapter.

For all the social value variables identified, we have also recognized their corresponding indicators, as well as their algorithms, outputs and proxy-s to calculate the specific or non-market social value created to the stakeholders of each club. In this sense, we have also specified the stakeholder groups (and even subgroups in some cases) that perceive the social value in each one of the value variables. By output we understand the result obtained by the organization in relation to the indicators identified in each variable. The output should refer to data that the organization (the clubs, in this case) possesses, either because the organization keeps track of the data or because it wants to set up an information system for the future. By proxy-s we understand those magnitudes that allow the monetary quantification of outputs. Normally, there is no single proxy, but several. When choosing the most suitable proxy, the simplest method involves choosing the proxy that most resembles the generated output. The process is similar to the fair value applied in traditional accounting. After identifying the calculation algorithm, a value is identified for the proxy and a total monetary value to each variable is calculated (Ayuso et al., 2020; Lazkano & Beraza, 2019; San-Jose, Retolaza, & Bernal, 2019). The value variables for specific social value in MT1 and MT2, and their outputs, proxy-s and algorithms are shown in the following Tables 6.5 and 6.6:

**Table 6.5: Algorithms in MT1**

Number	Stakeholders that perceive the value	Outputs	Proxy-s	Algorithms
1.A	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS EMPLOYEES		Funds given directly to social associations (for cultural, social and sporting activities)	
1.B	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS EMPLOYEES	No. of activities of social associations with a non-profit objective in which MT1 sends their players for free to promote social causes	Minimum price not charged to social associations for sending players to promote social causes in favor of these social associations	No. of activities x Minimum price not charged
1.C	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS EMPLOYEES	No. of activities of social associations with a non-profit objective in which MT1 permits them to use the club's image to promote these social causes	Price not charged to social associations for using the club's image to promote the social causes they defend	No. of activities x Price not charged to social associations
1.D	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS EMPLOYEES	No. of children in difficult situations who are playing for free in the basketball school of the club	Price not charged to children in difficult situations for playing in the basketball school of the club and for attending to one match for free	No. of children in difficult situations x Price not charged
1.E	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS EMPLOYEES	No. of free tickets to the matches given away by the club during the season to different social associations in order to invite people from needy social backgrounds	Average price of those free tickets to the matches given away by the club to different social associations	No. of free tickets given away during the season x Average price of those free tickets
2.F	CUSTOMERS & USERS			Discounts to ticket-holders of the club in the club's official store

Number	Stakeholders that perceive the value	Outputs	Proxy-s	Algorithms
2.G	CUSTOMERS & USERS	MT1 fans who have benefitted from the offer to travel with the team to an European match	Average price of a journey to accompany the team in an European match	Fans benefitted x Average price of a journey
2.H	CUSTOMERS & USERS	MT1 season ticket-holders who have benefitted from the offer by the club to sign up for a gym without paying any inscription fee	Market price of the inscription on the gym	MT1 season ticket-holders who made use of the offer x Market price of the inscription of the gym
3.I	EMPLOYEES CUSTOMERS & USERS PUBLIC ADMINISTRATIONS	Playful players who attend the basketball school	Market price paid for attending the basketball school	Playful players who attend the basketball school x Market price charged to them
3.J	EMPLOYEES CUSTOMERS & USERS PUBLIC ADMINISTRATIONS	Number of children who attend to the campuses of MT1 during holidays	Market price charged to children who attend to a basketball campus	No. of children who attend to campuses x Market price charged to children
3.K	EMPLOYEES CUSTOMERS & USERS PUBLIC ADMINISTRATIONS	Future prospects who play in the players academy	Market price not paid by future prospects for the trainings in the players' academy	No. of future prospects x Market price not paid by future prospects
3.L	EMPLOYEES CUSTOMERS & USERS PUBLIC ADMINISTRATIONS			Grants paid to players from the player academy
3.M	COMMUNITIES & SOCIAL AGENTS EMPLOYEES PUBLIC ADMINISTRATIONS	No. of hours spent by players visiting schools transmitting a message of positive social values for free	Salary per hour of the players of the basketball team	No. of hours spent by players in schools x Salary per hour of players
4.N	MEDIA CUSTOMERS & USERS	Approximate number of matches that MT1 plays at home during the season	Market price charged by a newspaper to businesses that want to advertise themselves in the newspaper's sport section dedicated to information about club in the matches	No. of matches at home by MT1 x Market price charged to businesses by the newspaper

Number	Stakeholders that perceive the value	Outputs	Proxy-s	Algorithms
4.O	MEDIA CUSTOMERS & USERS	No. of commercials during a season in the local radio station during the matches broadcasted	Market price charged by the main local radio station to businesses that want to advertise themselves during the broadcast that covers matches	No. of commercials in the broadcasts of matches during a season in the local radio station x Market price charged to businesses for their advertisements
5.P	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS SPORTING ASSOCIATIONS			Value of the donation of sporting material to amateur clubs and charity associations.
6.Q	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS	No. of matches that MT1 plays at home during the season	Increase in € of the pubs close to the arena during match-days	No. of matches that MT1 plays at home during the season x Increase in € of the pubs close to the arena during match-days
7.R	SUPPLIERS EMPLOYEES SHAREHOLDERS CUSTOMERS & USERS COMMUNITIES & SOCIAL AGENTS MEDIA PUBLIC ADMINISTRATIONS			Emotional wellness and attachment created to stakeholders by the club and its activity

Source: Own elaboration

**Table 6.6: Algorithms in MT2**

Number	Stakeholders that perceive the value	Outputs	Proxy-s	Algorithms
1.A	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS EMPLOYEES	Number of hours spent by players of MT2 visiting schools transmitting a message of positive social values for free	Salary per hour of the players of the basketball team	Number of hours spent by players at schools * Salary per hour of players
1.B	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS	Number of tickets to the matches sold at a reduced price by the club during the season to different social associations and particular social groups in order to invite people from different social backgrounds to enjoy basketball	Discount in € applied to those tickets to the matches given away by the club to different social associations and particular social groups	Number of free tickets sold at a discount during the season to social associations * Discount in € applied to each ticket
2.C	CUSTOMERS & USERS	Number of tickets to the matches and meal deals sold at a reduced price to season ticket-holders by the club during the season	Discount in € applied by the club to those match tickets and meal deals in the arena to season ticket-holders	Number of free tickets sold at a discount during the season to season ticket-holders * Discount in € applied to each ticket
2.D	CUSTOMERS & USERS	MT2 fans who have benefitted from the offer by the club to travel with the team to a match on the road at a reduced price	Discount in € applied to those tickets and buses to go to the matches applied thanks to the negotiation by the club	MT2 fans who have benefitted from the offer * Discount in € applied to tickets and buses
2.E	CUSTOMERS & USERS	Number of articles of the official merchandising of the club sold at a discount to season ticket-holders as a part of a promotion	Discount in € applied to those tickets to season ticket-holders	Number of merchandising articles sold at a discount * Discount in € applied to each merchandising articles
2.F	CUSTOMERS & USERS	Number of season ticket-holders who have benefitted from the offer to watch a match live from the VIP seats at a discount	Average difference in price between VIP seats and normal seats for season ticket-holders	Number of season ticket-holders who have benefitted from the offer * Average difference in price between VIP seats and normal seats



Number	Stakeholders that perceive the value	Outputs	Proxy-s	Algorithms
3.G	EMPLOYEES CUSTOMERS & USERS PUBLIC ADMINISTRATIONS	Number of children who attend the basketball school of the club	Market price charged to children for attending the basketball school of the club	Number of children that attend to basketball school * Market price charged to children for attending the basketball school
3.H	EMPLOYEES CUSTOMERS & USERS PUBLIC ADMINISTRATIONS	Number of children who attend the basketball campuses of the club held during holiday breaks	Market price charged to children for attending the basketball campuses of the club held during holiday breaks	Number of children who attend basketball campuses * Market price charged to children
4.I	EMPLOYEES (Volunteers)	Number of volunteers working for the club during the season	Symbolic retribution paid to volunteers per match	Number of volunteers * Symbolic retribution
4.J	EMPLOYEES (Volunteers)	Total units of merchandising of the club given away by the club to volunteers for their contribution	Value in € of the merchandising given away by the club to volunteers for their contribution	Total units of merchandising given away to volunteers * Value in € of each piece of merchandising given to volunteers
4.K	EMPLOYEES (Volunteers)	Number of tickets given away by the club to volunteers during the season	Price of the match tickets given freely to volunteers	Number of tickets given to volunteers * Average price of the tickets
5.L	CUSTOMERS & USERS PUBLIC ADMINISTRATIONS			Approximated value of the donation of sporting material to amateur clubs and other social associations
6.M	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS	Number of matches that MT2 plays at home during the season	Approximate increase in € of the pubs close to the arena during match-days	Number of matches that MT2 plays at home during the season * Approximate increase in € of the pubs close to the arena during match-days

Source: Own elaboration

#### 6.2.4. Validation of Outputs and Proxy-s by Experts

Once the social value variables oriented to indicators have been established in both clubs, we have proceeded to validate the outputs and proxy-s for each social value variable on the basis of the opinions of experts from the sports management field, both from the academia and from the professional field. Our procedure of validation consisted of sending the outputs and proxy-s to different members of the academia and professionals that were experts on sports management (7 experts from the academia and 6 experts from sports management). We ask these experts whether they thought that a professional basketball club could create social value or not with each output or proxy. By means of a Likert scale ranging from 1 to 5, respondents had to express whether they completely disagreed (choosing 1) or completely agreed (choosing 5) with the outputs and proxy-s established for each value variable. The logic consisted on the assumption that the bigger the number chosen by the respondents, the more agreement they showed towards the output or proxy in question.

In the following Table 6.7, the position of the respondents of the validation process of outputs and proxy-s are explained:

**Table 6.7: Description of respondents from the validation process of specific social value outputs and proxy-s**

Respondent	Position
Respondent 1 (R1)	Lecturer at the University of the Basque Country UPV/EHU (Basque Country, Spain) specialized in Accounting issues and lecturer of the Master program of Sport Management at the same institution.
R2	Lecturer at the University of the Basque Country UPV/EHU (Basque Country, Spain) specialized in Accounting issues and lecturer of the Master program of Sport Management at the same institution.
R3	Lecturer at the University of La Laguna ULL (Canary Islands, Spain) in Applied Economics and researcher on Sports Management issues.
R4	Researcher at the University of Pompeu Fabra (Catalonia, Spain) on Sports Management issues.
R5	Lecturer at Coventry University (United Kingdom) on Sports Management issues.
R6	Lecturer at the University of the Vigo (Galicia, Spain) and interested in Sports Management issues.
R7	Lecturer at the University of Oviedo (Oviedo, Spain) and researcher in Sports Management issues.
R8	Former general manager of a team of the ACB League.
R9	Former president of a team that played in the ACB League.

R10	General manager of a team currently participating in the ACB League.
R11	Director of the financial department of a team currently participating in the ACB League.
R12	CEO of a team currently participating in the ACB League.
R13	Member of the advisory board of a team currently participating in the ACB League.

Source: Own elaboration

When assessing each output and proxy in the document, the respondents were given the opportunity of writing down any doubt or question they had concerning each output and proxy. Their answers were registered and a mean was calculated between all the answers registered. The criteria employed to consider an output or proxy as directly valid was that the combined mean should at least tally a result of 3,50 or higher, whereas a result tallying a figure between 3,00 and 3,49 was subject to a revision and passed if no better output or proxy was proposed by respondents. Finally, if an output or proxy tallied a mean below 3,00 then it was subject to a major revision and considered to be eliminated if no alternative output or proxy was found for the process of quantification.

The answer from the respondents to each of the indicators has been the following:

**Table 6.8: Assessment of the specific social value indicators by respondents - Source: Own elaboration**

Specific Social Value Variable	Value Indicator	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	MEAN
1. Activities with cultural and social associations	Donation of funds to cultural, social and charity activities to different associations with a non-profit objective.	5	4	5	5	5	5	5	5	5	5	4	4	3	4,62
	Social activities in which club players have participated for free during the season.	5	2	5	5	5	5	5	4	5	5	5	5	5	4,69
	Activities in which social associations have made use of the clubs' image for free to promote social causes.	5	3	5	2	5	5	5	5	3	5	4	5	5	4,38
	Children in a difficult situation that have taken part for free in the clubs' basketball school.	5	4	5	5	5	5	4	5	5	5	5	5	5	4,85
	Tickets given away during the season to different social groups.	4	5	5	5	3	5	4	4	4	5	5	5	5	4,54
2. Gifts and discounts to fans during the season	Official products sold at a discount during the season.	4	1	5	2	3	4	1	3	2	2	5	5	4	3,15
	Fans that have enjoyed special discounts when accompanying the team to matches on the road.	3	2	5	2	4	4	1	3	3	2	5	1	5	3,08
	Season ticket-holders benefitted by the discounts in other commercial establishments thanks to the agreements of the club.	3	1	5	2	5	4	1	3	3	2	5	4	5	3,31
3. Value created to the volunteers that work for the club during the season	Volunteers that work for the club during the season.	-	4	-	1	3,5	5	2	4	4	4	5	5	5	3,86
	Free tickets to the matches given away to the volunteers during the season.	5	5	5	5	4	5	2	4	4	3	5	5	5	4,38
	Gifts offered to all the volunteers that have worked for the club during the season.	3	-	5	5	4	5	2	2	2	3	3	4	5	3,58
4. Formation activities to children during the season	Number of children that attend to the basketball school of the club during the season.	5	5	5	5	5	5	5	5	2	5	5	5	5	4,77
	Number of children that attend to the basketball campuses organized by the club on holidays during the season.	4	4	5	5	5	5	5	4	2	5	5	5	5	4,54
	Players from the clubs' basketball academy that have been given grants by the club.	4	4	5	5	5	5	5	3	3	5	5	5	3	4,38
	Time in hours dedicated by players from the main team to social and educational activities of the club.	5	4	5	1	5	5	5	3	3	5	5	5	3	4,15
5. Information created to the media	Generation of advertisements in those spaces dedicated to the clubs' information in the media.	3	-	4	1	5	5	1	3	1	4	5	5	2	3,25
6. Donation of sporting material	Donation of sporting material by the club to other amateur clubs or social associations.	4	4	5	5	5	5	5	2	5	4	3	3	2	4,00
7. Induced consumption in pubs and restaurants close to the arena during the match-days	Number of pubs and restaurants close to the clubs' arenas that enjoy an increase in income during match-days.	3	1	4	4	5	2	1	4	3	4	4	5	3	3,31
8. Emotional value	Emotional value created.	4	5	-	-	5	5	-	4	5	5	5	5	-	4,78

Regarding the indicators, the majority of them have obtained a score bigger than 3,50, leading to their direct validation. In this respect, those indicators from the social value variables “Activities with cultural and social associations”, “Formation activities to children during the season” and “Emotional value created” have got the best marks in the assessment. In the first variable, the indicator “Children in a difficult situation that have taken part for free in the clubs’ basketball school” got the best mark, with a mean of 4,85, with all the experts giving this indicator a mark no lower than 4. R1 remarked that “this indicator is very adequate, but there should be a tracking of the well-being of the children and a constant communication with them by visiting them at their homes, by inviting them to different events, etc.” R8 also asserts that “this indicator reflects a great way to help these children by means of the transmission and socialization by means of sport.”

Concerning the “Formation activities to children during the season”, the indicator with a highest mark by experts is the “number of children that attend to the basketball school of the club during the season”. The majority of marks are given a 5, leading to a mean of 4,77. For R1, “this indicator is important from every point of view: promotion, future, environment.” R8 highlights that “this indicator represents a good idea that should be implemented and that all clubs should take into consideration.” R10 adds that “this is one of the main cornerstones of our activity, since we have been educating children thanks to sports values ever since the inception of the club.” The only negative mark the indicator received came from R9, who thought that “this is more a business activity than a social activity by the clubs.”

During the interviews with MT1’s international and institutional general manager (I2) he explained that “we as a club have a responsibility to form children by means of the different types of activities we organize: basketball schools, campuses and championships.” The contact with children takes place through different ways, with the objective of teaching them positive values while also convincing them to play basketball in order to help them build some kind of emotional connection with the club.

As regards the emotional value, the majority of respondents give it a really high mark of 4,78. Hence, the emotional value is seen as a good value indicator for the clubs by the experts consulted. R1 tells that “this is an intangible value that it is very difficult to measure but that is very important for fans. Questionnaires would be a good solution in this respect.” Literature considers that fans’ emotional bonding with the club determines their behavior with respect to the club and can provide a very important reason to justify the existence of the club in times of uncertainty (Giulianotti, 2005; Llopis-Goid, 2014). Nonetheless, the main problem is to come up with an effective way to measure the previous value dimension, since it is very difficult to monetize a value that is often referred as intangible.

On the contrary, the value variable with worst marks has been that of “Gifts and discounts to fans during the season”. The indicators “Official products sold at a discount during the season”, “Fans that have enjoyed special discounts when accompanying the team to matches on the road” and “Season ticket-holders benefitted by the discounts in

other commercial establishments thanks to the agreements of the club” obtain a mean worth 3,15, 3,08 and 3,31 respectively, meaning that we will have to subject the indicators to a revision and accept them if no better output or proxy was proposed by respondents. In the case of the indicator “Official products sold at a discount during the season” the main concern by R7 is that “it seems more related to a business activity than to the creation of social value.” On the contrary, for R1, “this is an adequate indicator” to reflect the social value created.

The same concerns are raised in the similar indicator “season ticket-holders benefitted by the discounts in other commercial establishments thanks to the agreements of the club”. R9, like in the previous indicator, defended that “this indicator reflects a limited social value”, while R12 defends that “these discounts exist in professional basketball clubs.” In the case of the indicator of “Fans that have enjoyed special discounts when accompanying the team to matches on the road”, the arguments were similar. R9 argued that “the social value is limited, as the main interest is to boost the competitive options of the team when they have to play a very important match on the road.” R1 argues that “the trip should be paid to those fans that show a minimum percentage of attendance to the matches at home.”

All the previous remarks share a common concern that clubs could make use of these discounts only to gain an economic advantage out of their fans and supporters. However, when asking the respondents about the alternative indicators that they would propose to better reflect the social value variable identified, they did not come up with any alternative. Therefore, we revisited the interviews to the fans (the stakeholders who perceive the social value variable) of both clubs, and we found that the MT2 fan interviewed (I45) highlighted: “we as the main fan group were relocated to better seats in the arena by the club as a way to recognize our effort as fans. We appreciate the great effort made by the club, since we are aware that they are losing money because they have offered us the opportunity to occupy those seats at a discount.” Hence, in light of the previous evidence, we will keep the previous two indicators, given that we have not found better alternatives and the fans themselves have confirmed that, apart from perceiving a social value out of the indicators, the club was making an important financial sacrifice to keep the fans on board and to give them the opportunity to enjoy basketball.

Another indicator with a global mean between 3,00 and 3,50 was that of “Generation of advertisements in those spaces dedicated to the clubs’ information in the media”, getting an overall mean of 3,25. Some of the experts have showed their criticism on the grounds that “this is only a commercial value” (R9), “this is more a commercial value than a social value” (R4), “it is difficult to create interest by advertisers in basketball due to the presence of football” (R8), “is this a social value or just a normal transaction between the advertisers and the media?” (R7). They did not propose any alternative indicator, so we checked out again the answers of the interviews to the media and found that in I18 the owner of a local newspaper told us that “the activity of MT1 creates a lot of interest by the public, so if my newspaper covers the information about the club then

the more likely we will get to attract more readers and get more advertisers. This is a very important aspect.” In I31 the sports journalist of a local radio also confirmed that “if we broadcast one match of MT2 or organize a podcast about MT2 then the advertisers will pay for putting their commercials there.” Hence, it has been confirmed that the media (specially the local media) has a lot of interest in the activity on the club, and that they pay a quantity to the media for including their advertisements in the information about the club. Therefore, we will keep the aforementioned indicator in the quantification.

The indicator “Number of pubs and restaurants close to the clubs’ arenas that enjoy an increase in income during match-days” was also put into question by experts. The average mean is 3,31. Although there have been positive marks, those who have given a poorer mark came up with arguments whether “is this a social or economic value?” (R7) or “I see it as a good economic contribution for some businesses, but is this really a social value?” (R10). When we revised the data gathered to quantify the indicators and proxy-s, the international and institutional general manager of MT1 told us that when a decade ago they had to leave their current arena momentarily due to the improvement works to another provisional arena at the city center they received a request by the association of pubs and restaurants to stay playing at their provisional arena due to the increased business activity brought by the fans during the match days in the bars and restaurants. This tendency was confirmed when we asked the owners of two pubs surrounding the current arena, and they told us that they received lots of clients before and after the matches that led to an increase of the pubs income. According to the previous evidence, we have chosen to keep this indicator in the monetization process.

As it can be seen, in general the experts have been supportive of the list of indicators chosen. All the indicators have obtained a mean of at least 3,00, and those indicators obtaining a mark between 3,00 and 3,50 have been revisited. After revising the answers from stakeholders and a period of reflection, the decision made was to keep the indicators, as it was considered that they were adequate to reflect the specific social value created to stakeholders.

Having analyzed the answers of the experts about the indicators of specific social value, the answers from the experts regarding the proxy-s were the following, as shown in Table 6.9:

**Table 6.9: Assessment of the specific social value proxy-s by respondents** – Source: Own elaboration

<i>Social Value Variables</i>	<i>Proxy-s</i>	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	MEAN
1. Activities with cultural and social associations	Quantity in € donated to these associations for social causes.	3	3	5	5	5	4	5	1	3	4	4	4	4	3,85
	Price that would be charged by the clubs for sending their players to these social associations if the activities had a commercial purpose instead (like the advertisement of a product).	2	1	2	2	5	4	3	3	1	4	5	5	2	3,00
	Money raised by social associations in those campaigns in favor of social causes where the image of the club has been used for free.	5	2	3	2	5	5	5	2	2	4	5	5	1	3,54
2. Gifts and discounts to fans during the season	Price not charged to those children in difficult situations for playing in the club's basketball school.	2	-	5	5	5	5	5	1	5	4	5	5	3	4,17
	Discount in € applied to tickets.	3	5	5	5	4	5	4	4	5	4	5	5	3	4,38
	Discount in € applied to the price of each product.	2	1	5	5	4	5	1	4	5	3	5	5	4	3,77
	Discount in € applied to each fan.	2	2	5	5	4	5	1	3	5	3	5	5	4	3,77
	Discount in € applied to season ticket-holders in those commercial establishments.	2	1	5	5	5	5	1	2	5	3	5	5	4	3,69
3. Value created to the volunteers that work for the club during the season	Quantity in € paid per match by the club during the season.	4	4	2	1	3,5	2	1	1	3	3	5	1	1	2,42
	Standard price of tickets given to volunteers.	5	5	5	5	4	5	1	3	5	3	5	5	1	4,00
	Approximated value in € of those gifts.	3	-	5	5	4	5	1	3	3	3	5	5	1	3,58
4. Formation activities to children during the season	Price paid by children for attending to basketball schools.	2	-	3	5	5	5	1	3	4	4	5	5	3	3,75
	Price paid by children for attending to the club's campuses.	3	-	3	5	5	5	1	3	5	4	5	5	3	3,92
	Quantity paid in grants to each player.	4	4	3	5	5	5	5	1	4	4	5	5	4	4,15
	Average salary per hour of players.	1	4	5	1	5	4	5	2	-	4	2	5	1	3,25
5. Information created to the media	Price applied by the media to the advertisers in the spaces dedicated to the information about the club.	5	-	4	1	5	4	1	3	3	4	5	5	2	3,50
6. Donation of sporting material	Value in € of the donation of sporting material.	4	4	5	5	5	5	5	2	4	4	5	5	2	4,23
7. Induced consumption in pubs and restaurants close to the arena during the match-days	Increase in € of the pubs and restaurants income.	3	1	5	5	5	5	1	4	-	4	5	5	3	3,83
8. Emotional value	Degree of emotional wellbeing of the stakeholders as a result of the club's activity.	5	5	-	-	5	5	5	4	4	4	5	5	5	4,73



In comparison to the validation of indicators, the results of the mean are lower in the case of proxy-s. It seems that the experts find it harder to accept the proxy-s adopted as adequate monetizing tools for the indicators identified previously. Nevertheless, as it can be seen the majority of the proxy-s have obtained a mean superior to 3,50. The proxy-s with a better mark are the “Degree of emotional wellbeing of the stakeholders as a result of the club’s activity”, “Discount in € applied to tickets”, “Value in € of the donation of sporting material”, “Price not charged to those children in difficult situations for playing in the club’s basketball school” and “Quantity paid in grants to each player”.

In the case of the “Discount in € applied to tickets”, R8 thought that “the cost of this initiative can be assumed by the club” and R9 commented that “this is a public data”. Concerning the “Value in € of the donation of sporting material”, R1 points out that “this is a good proxy, but be careful with the measurement.” Regarding the “quantity paid in grants to each player”, according to R1, “the quantity paid in grants is a good indicator”. In the opinion of R8, clubs “should adopt grants as a common practice in order to develop education and formation among young people.” Concerning the “Price not charged to those children in difficult situations for playing in the club’s basketball school”, R8 thinks that “this discount would greatly benefit those children that take advantage of this initiative.”

Those proxy-s that have obtained a mean between 3,00 and 3,50 are the “Average salary per hour of players” and the “Price that would be charged by the clubs for sending their players to these social associations if the activities had a commercial purpose instead (like the advertisement of a product)”. In the first proxy, R13 indicates that “these engagements (of social and educational character) are included within the contract.” R9 indicates that “the cost of these initiatives is part of the contracts of players.” R6 added that “the cost per hour of a player is difficult to calculate. The value of playing a match in a competition is bigger than the value of training.” Concerning the second proxy, R4 answered that “I don’t know if the price exists and I doubt if it would be adequate to consider it.” R7 agrees with the previous statement, stating that “it is very difficult to estimate this proxy”. R10 thinks that “the cost should be zero.”

In the case of the proxy of the “Price that would be charged by the clubs for sending their players to these social associations if the activities had a commercial purpose instead (like the advertisement of a product)”, two of the experts proposed as proxy-s the usage of “a market price for participating in commercial events” in the case of R6 and “the market price for sending a player to a commercial event” in the case of R3. Hence, we will keep the proxy identified for MT1 in the value variable 1.B and apply it too to the case of MT2, if possible. Concerning the proxy of the “Average salary per hour of players”, we agree with the observations that establishing an arbitrary price on the basis of the hours and salaries of players is arbitrary, given that the time that players spend playing the matches is more costly for the club than the time that they spend in the social engagements established by the club, as players get paid for their contribution

to the team in the competition. Hence, we will eliminate this proxy and the corresponding indicator from the calculations.

Finally, the proxy that gets a mean below the minimum threshold of 3,00 is the one of “Quantity in € paid per match by the club during the season to the volunteers”. The experts have their objections especially because “the point of being a volunteer is that you do not get any compensation” according to R13, a similar point raised by R4, who argues that “volunteers should not obtain any financial compensation”. The alternative proposed by R6 argues that “the value should refer to the cost per hour of hiring an employee by the club”, an opinion that is shared by R3. R6 explains that “the volunteers are giving up the value of a salary in the market for engaging with the club as volunteers, so it makes sense to consider the proxy of the market value instead of the payment that the club can make”. Hence, we will take into consideration this alternative proposed by the experts, and hence establish as a proxy the minimum salary established by the Spanish Government in the year 2018.

In the validation of proxy-s, one of the most remarkable results was the high valuation of emotional value, with a mark of 4,73. Plenty of remarks by experts showed the importance of emotional value for the success of the club and to ensure the survival of the organization, like “people perceive basketball with a lot of passion” (R8), “sport is passion” (R9), “this is a very important aspect for the image and the survival of the club” (R1) and “emotional value might be referred to a feeling of identification with a community, pride, etc.” (R10). Immediately, the following remarks were mentioned: “emotional value is crucial, but how can you measure it?” (R4) and “questionnaires should be made to measure the emotional value” (R1). Undoubtedly, measurement of emotional value is one of the most challenging and trickiest parts for any researcher.

### **6.3. Social Value Quantification Process – SPOLY Methodology**

#### **6.3.1. SERVQUAL Questionnaire – Fan satisfaction & importance of emotional value**

According to the neoclassical view of the economy, business activity can be characterized as being controlled by *homo economicus*, considered as cold and calculating human beings whose only objective is to accumulate financial wealth (Sánchez Martínez, 2012). However, human beings are social creatures that also respond to non-financial incentives. The emotions of each person also affect the decisions he or she makes depending on intrinsic and environmental factors. Research has shown that the different stakeholders that are part of the company (like shareholders, customers or workers) can obtain satisfaction from other aspects not related to the increase of their financial wealth. Among the factors that can increase the satisfaction of an individual, we could find the reduction of poverty, care of the environment, improvement of social conditions or sharing a common feeling with other people (Sánchez Martínez, 2012).

Some studies reflect that in some cases certain stakeholders like customers are even ready to pay a bigger price for those products that give them an emotional satisfaction as they find that a organization and its products fit with their ideas or emotions (Kranz & Castelló, 2005; Paz, Sáez, & Llorente, 2011). In this regard, one of the strategies that has been considered as a key to success in businesses has been the delivery of high service or product quality (Parasuraman, Zeithaml, & Berry, 1985, 1988). Customers' perceptions of quality, in this regard, are considered as the key evaluator when it comes to measure a service or a product's quality (Kalaja, Myshketa, & Scalera, 2016).

When it comes to measure the satisfaction of customers with the performance of a company when delivering its services, the usage of SERVQUAL questionnaire can be a good alternative (Kalaja et al., 2016). Service quality has a significant effect on customer satisfaction, and satisfaction in turn has a positive relationship to purchase intentions and customer loyalty (Connor, Shewchuk, & Carney, 1994; Cronin Jr & Taylor, 1992). In the case of professional sport clubs, supporters can be thought of being the most similar stakeholder to customers. Although we are aware of the problems derived from referring to supporters as customers, like the role of supporters in creating the product they buy – the spectacle of support – and the strong sense of attachment that fans feel towards the club (King, 1997; Morrow, 2000), the importance of supporters satisfaction and its linkage with emotional value are vital factors for professional sport clubs to ensure their success and survival as organizations (Benkraiem, Le Roy, & Louhichi, 2011; Bernile & Lyandres, 2011; Morrow, 2000).

Taking into account that Westbrook and Reilly (1983) define customer satisfaction as “an emotional response to the experiences provided by and associated with particular products or services purchased, retail outlets, or even molar patterns of behavior such as shopping and buyer behavior, as well as the overall marketplace” (p. 256) and “an emotional response triggered by a cognitive evaluative process in which the perceptions of (or beliefs about) an object, action, or condition are compared to one's values (or needs, wants, desires)” (p. 258). We can then deduct that SERVQUAL Methodology, in its quest of assessing customer satisfaction (Parasuraman et al., 1988); can also be a first step to reflect the emotional perceptions towards the club perceived by the respondents in question, in this case the fans and supporters of professional basketball clubs.

The SERVQUAL questionnaire has been used in a variety of studies to assess the customer's service expectations and perceptions of the provider's performance. The original SERVQUAL contains 22 pairs of sentences using a seven-point Likert scale, on five service quality dimensions which are (Kalaja et al., 2016):

- 1) Tangibles: The appearance of physical facilities, equipment, appearance of personnel, and communication material.
- 2) Reliability: The ability to perform the promised service dependably and accurately.
- 3) Responsiveness: The willingness to help customers and provide prompt service.

4) Assurance: The knowledge and courtesy of employees and their ability to inspire trust and confidence.

5) Empathy: The caring, individualized attention the employees provides to customers.

Items representing various facets of the 5 service-quality dimensions were generated to form the initial item pool for the SERVQUAL instrument. Roughly half of the statement pairs were worded positively and the rest were worded negatively, in accordance with recommended procedures for scale development (Churchill Jr, 1979). A seven-point scale ranging from “Strongly Agree” (7) to “Strongly Disagree” (1), with no verbal labels for scale points through 2 to 6 accompanied each statement. Negatively worded statements are identified by a minus sign within parentheses in the appendix (Parasuraman et al., 1988).

SERVQUAL, in this regard, can be defined as a concise multiple-item scale with good reliability and validity that retailers can use to better understand the service expectations and perceptions of consumers and, as a result, improve service. The instrument has been designed to be applicable across a broad spectrum of services. As such, it provides a basic skeleton through its expectations/perceptions format encompassing statements for each of the five service-quality dimensions. The skeleton, when necessary, can be adapted or supplemented to fit the characteristics or specific research needs of a particular organization, in this case, the professional sport clubs (Parasuraman et al., 1988).

The usage of SERVQUAL questionnaire aims to be a first step towards a deeper knowledge about the importance of emotional value for fans in professional basketball clubs and their satisfaction towards these organizations. It does not represent a real measurement of these dimensions. The main intention was not to judge the activity of clubs and the degree to which they provided satisfaction to their fans, but instead to find out the degree of importance for fans of the emotional value and satisfaction, in order to gain deeper knowledge about whether the satisfaction and emotional value played a role in the attachment of fans towards the clubs in question.

The first club that was contacted was MT2, back in March 2018. We explained them the logic behind SERVQUAL and convinced them about the importance of this questionnaire for the reasons stated in the previous paragraph. Once the club validated and gave the green light to the questions after 2 months in which we adapted SERVQUAL questionnaire for professional sport organizations, the club sent their fans a link to the Google Drive file where we had included the questionnaire. The course of action was that after sending the questionnaire for the first time to all the potential respondent’s e-mails, a reminder would be sent two times within a margin of two weeks after each e-mail delivery to remind the potential respondents of the questionnaire. The questionnaire was sent 3 times in total to the fans by the club. The responses by the fans were received from May to July 2018, and 185 responses were registered in total.

Once the process delivered satisfactory results in MT2, we went on to contact MT1. We followed the same course of action than in MT1, obtaining the approval and the

validation of the questionnaire by MT1's representatives. However, the process was delayed at the end of 2019, and when the questionnaire was about to be sent by MT1 to the fans at the first term of 2020, the health crisis caused by covid-19 hit hard Spain and all the competitions in which MT1 participated were suspended. In anticipation of the possibility that the suspension of competitions could affect the answers of the respondents of the SERVQUAL questionnaire and thereby the results obtained, MT1 and the researchers came to an agreement in order to put off the delivery of the questionnaire online until 2021. The questionnaire will be sent once this Thesis is finished.

In Table 6.10, we will include the statements from the SERVQUAL questionnaire adapted to the reality of professional basketball clubs, and the corresponding quality and satisfaction dimensions of each of the questions. The statements with a negative wording will include a (-) sign. The quality and satisfaction dimensions that have been included are those identified previously by Kalaja et al. (2016):

**Table 6.10: SERVQUAL Questionnaire adapted to professional sport clubs**

<b>SERVQUAL Questionnaire - Questions</b>	<b>Quality and satisfaction dimensions</b>
Question 1 (Q1). The club's arena and its facilities are renewed and adequate.	Tangibles
Q2. The club's arena and its facilities are visually attractive.	Tangibles
Q3. The equipment of the club's players (t-shirts, sneakers and other outfit) is visually attractive.	Tangibles
Q4. The visual appearance and facilities of the club are adequate for the needs of the club.	Tangibles
Q5. The club delivers its initiatives in due time and in an appropriate manner.	Responsiveness/ Reliability
Q6. When one of the season ticketholders or a fan has any problem, the club solves it.	Reliability
Q7. The business hours of the club in relation to the season ticket-holders and the fans are inadequate (-).	Responsiveness
Q8. The club knows well the interests of its season ticket-holders.	Assurance
Q9. The club is disinterested in giving a personalized attention to its season ticket-holders (-).	Empathy
Q10. The workers and volunteers of the club do not pay a personalized attention to its season ticket-holders (-).	Empathy
Q11. The club does not know the needs of its season ticket-holders (-).	Assurance
Q12. The club is concerned about the interests of its season ticket-holders.	Assurance
Q13. The club can be trusted.	Assurance
Q14. The club conducts its communications with the season ticket-holders in a diligent manner.	Responsiveness
Q15. The club avoids engaging with its season ticket-holders and its fans (-).	Responsiveness
Q16. The personnel and volunteers of the club respond slowly to the problems that can arise (-).	Responsiveness
Q17. The attitude of the personnel and volunteers of the club is not always the most adequate to help the season ticket-holders and the fans (-).	Responsiveness
Q18. The personnel and volunteers of the club are too busy to respond to the demands of season ticket-holders and the fans (-).	Responsiveness
Q19. The personnel and volunteers of the club create confidence towards the club.	Assurance

Q20. I feel safe in my interactions with the club.	Assurance
Q21. The personnel and volunteers of the club are polite.	Assurance
Q22. The players of the club are polite.	Assurance

Source: Own elaboration

The respondents had to answer to every statement marking one answer from 1 to 7 in the Likert scale, according to their personal opinion and perception about the accuracy of each statement on the questionnaire, ranging from “Strongly Agree” (7) to “Strongly Disagree” (1), while no verbal labels for scale points through 2 to 6 accompanied each statement.

**Table 6.11: Answers to the SERVQUAL questionnaire**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Q1	45 (24,3%)	38 (20,5%)	27 (14,6%)	24 (13%)	32 (17,3%)	13 (7%)	6 (3,2%)
Q2	40 (21,6%)	33 (17,8%)	37 (20%)	32 (17,3%)	23 (12,4%)	17 (9,2%)	3 (1,6%)
Q3	1 (0,5%)	5 (2,7%)	14 (7,6%)	28 (15,1%)	56 (30,3%)	64 (34,6%)	17 (9,2%)
Q4	34 (18,4%)	36 (19,5%)	37 (20%)	30 (16,2%)	27 (14,6%)	17 (9,2%)	4 (2,2%)
Q5	1 (0,5%)	1 (0,5%)	7 (3,8%)	29 (15,7%)	51 (27,6%)	64 (34,6%)	32 (17,3%)
Q6	3 (1,6%)	0 (0%)	4 (2,2%)	30 (16,2%)	43 (23,2%)	68 (36,8%)	37 (20%)
Q7 (-) (183)	22 (12%)	40 (21,9%)	21 (11,5%)	25 (13,7%)	25 (13,7%)	32 (17,5%)	18 (9,8%)
Q8 (184)	3 (1,6%)	12 (6,5%)	14 (7,6%)	57 (31%)	54 (29,3%)	34 (18,5%)	10 (5,4%)
Q9 (-) (183)	39 (21,3%)	45 (24,6%)	25 (13,7%)	33 (18%)	20 (10,9%)	16 (8,7%)	5 (2,7%)
Q10 (-) (183)	37 (20,2%)	63 (34,4%)	19 (10,4%)	23 (12,6%)	19 (10,4%)	15 (8,2%)	7 (3,8%)
Q11 (-) (183)	29 (15,8%)	49 (26,8%)	38 (20,8%)	33 (18%)	24 (13,1%)	6 (3,3%)	4 (2,2%)
Q12 (183)	1 (0,5%)	13 (7,1%)	10 (5,5%)	37 (20,2%)	53 (29%)	57 (31,1%)	12 (6,6%)
Q13	0 (0%)	4 (2,2%)	8 (4,3%)	26 (14,1%)	44 (23,8%)	65 (35,1%)	38 (20,5%)
Q14	1 (0,5%)	4 (2,2%)	14 (7,6%)	22 (11,9%)	51 (27,6%)	69 (37,3%)	24 (13%)
Q15 (-)	31 (16,8%)	56 (30,3%)	35 (18,9%)	29 (15,7%)	22 (11,9%)	7 (3,8%)	5 (2,7%)
Q16 (-)	35 (18,9%)	66 (35,7%)	32 (17,3%)	21 (11,4%)	18 (9,7%)	9 (4,9%)	4 (2,2%)
Q17 (-)	36	68	29	25	13	8	6

	(19,5 %)	(36,8 %)	(15,7 %)	(13,5 %)	(7 %)	(4,3 %)	(3,2 %)
Q18 (-)	41 (22,2 %)	60 (32,4 %)	35 (18,9 %)	25 (13,5 %)	17 (9,2 %)	4 (2,2 %)	3 (1,6 %)
Q19	2 (1,1 %)	3 (1,6 %)	6 (3,2 %)	28 (15,1 %)	46 (24,9 %)	74 (40 %)	26 (14,1 %)
Q20	0 (0 %)	5 (2,7 %)	5 (2,7 %)	22 (11,9 %)	46 (24,9 %)	75 (40,5 %)	32 (17,3 %)
Q21	1 (0,5 %)	1 (0,5 %)	4 (2,2 %)	16 (8,6 %)	31 (16,8 %)	80 (43,2 %)	52 (28,1 %)
Q22 (184)	1 (0,5 %)	1 (0,5 %)	3 (1,6 %)	12 (6,5 %)	23 (12,5 %)	80 (43,5 %)	64 (34,8 %)

Source: Own elaboration

Regarding the first four questions, the authors were not really satisfied with the club's *tangible* services, probably due to the fact that MT2 played in a bullring, far away from the city centre, and because the access to the premises was not as well prepared as in other arenas from the Spanish competition. One of the fans interviewed during the phase of the interviews confirmed that: "the club would benefit enormously from the construction of a new sports arena, given that playing in the bullring of the city is very uncomfortable for the fans and for the players too. It is not an adequate facility for the club (I45)." The only question that received a positive feedback was the one about the attractiveness of the players' outfit. Concerning the *reliability* of the club, the club is thought by its fans to deliver its initiatives in due time and in an appropriate manner while also solving the problems. Concerning the *responsiveness* of the club, the majority of the respondents agree that the club tries to engage with fans and season ticketholders, responding to fans in due time and solving the problems that might arise properly. The only question where there is a certain disagreement is about the adequacy of the business hours of the club, with an almost even distribution across the scale of responses.

As regards the dimension of *empathy*, the SERVQUAL questionnaire aims to know whether the club gives a personalized attention to the fans or not. The two questions with negative wording asked to discover the perceptions of the fans indicate that the majority of respondents consider that the club gives a personalized attention to its fans. However, in comparison to the other dimensions, the opinions are more plural, with more people having a negative perception of the club. Regarding the dimension of *assurance*, the majority of respondents have answered that the club knows the interests of fans and is concerned about them. The respondents also perceive that they feel safe when dealing with the club and that all the employees (administrative employees, volunteers and players) are polite towards them. The previous results are in line with one of the opinions expressed by one of the fans of MT2 who said during the interviews from Chapter 5: "one of the most important things of the activity of the club is that they are ready to help you with every problem that you might have. The fans and supporters

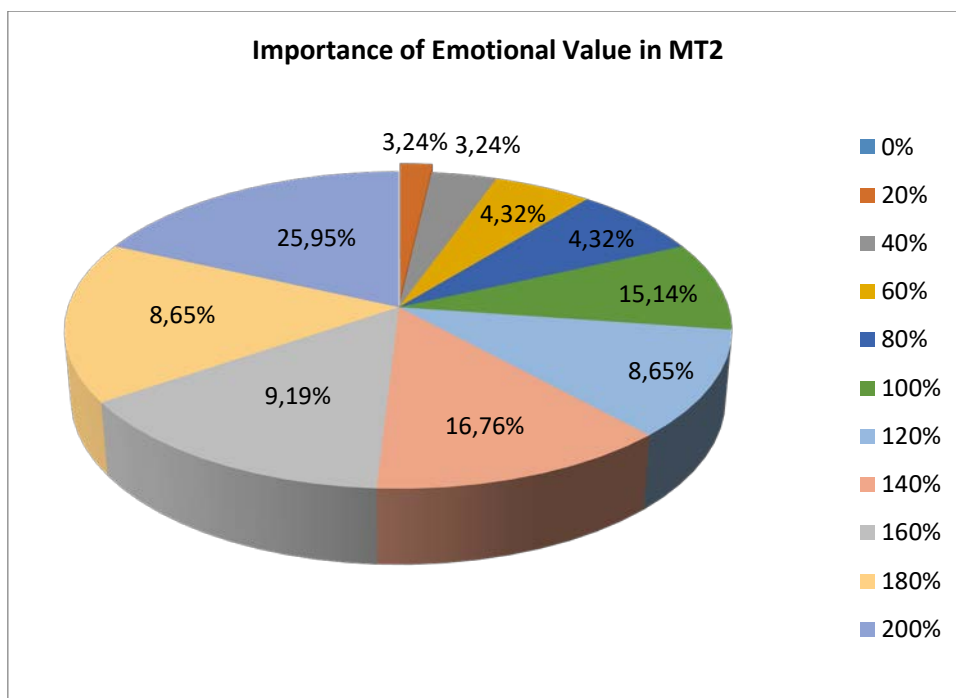
really appreciate this. They give you a hand in everything you need. There is a strong sense of familiarity in this club (I45).”

In order to complete the questionnaire, the respondents were asked about the level of importance that the emotional value of the club creates for society in relationship to the economic value of the organization. The respondents can make a choice between 11 different levels: 0% (the emotional value of the club to society is zero), 20%, 40%, 60%, 80%, 100% (the emotional value of the club is equally important than the economic value), 120%, 140%, 160%, 180%, and finally 200% (the emotional value is much more important than the economic value of the club).

The circular graph that shows the previous proportions concerning the importance of emotional value in MT2 is as follows:

As it can be seen from the Graph 6.1, the respondents have quite a positive opinion of the emotional value that MT2 creates. 84,34 % of the respondents think that the emotional value that the club creates is at least equally important to the economic value (at least a 100 %), and 69,20 % believe that the emotional value is higher than the financial value (120 % or more). One of the most remarkable figures is that 25,95% of the respondents answered that they consider that the emotional value is much more important than the economic value. The previous findings are an example of the particular nature of professional basketball clubs as entities in which supporters have a special relationship with the organization, way beyond the consumption of products or services, involving an emotional engagement that represents a very powerful asset when facing times of distress and adversity (Kennedy, 2012; Walsh & Giulianotti, 2001).

**Graph 6.1: Importance of Emotional Value in MT2**



Source: Own elaboration



### **6.3.2. Quantification of specific social value in MT1 and MT2**

Once the outputs and proxy-s of the specific social value variables oriented to indicators have been validated by sports management experts and the emotional value has been measured, we will proceed to quantify the social value variables on the basis of the outputs, proxy-s and the algorithms that have been validated or modified in those cases where objections have been raised. The calculations will be explained in depth in the following Tables 6.12 and 6.13:

**Table 6.12: Specific Social Value calculation and quantification – MT1 Season 2017/2018**

No.	Stakeholders that perceive the value	Explanations of the calculations	Algorithms and Results
1.A	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS EMPLOYEES	- The club paid 3.000 € straight away to a race in favor of a cultural cause.	<b>3.000,00 €</b>
		- The association against cancer from the region raised 2.514 € during one of the trips of the fans to support one of the initiatives of the club.	<b>2.514,00 €</b>
- The club hands over the image of the players to promote social causes for different associations. This involves players raising awareness of a wide range of social issues (rare diseases, addictions, fight against poverty, equality, etc.). If a sponsor or another for-profit businesses tried to contact the club to hire the image of players for advertising their products, the club would charge them with 5.000 € on average (depending on the promotion).		16 activities x 5.000 € = <b>80.000,00 €</b>	
- They give a charity organization the opportunity to advertise themselves in one side of the official playing t-shirt of the club. With this initiative, the club is offering a space for free to an association, instead of charging them the full price that would be applied to other sponsors.		<b>400.000,00 €</b>	
- The club offers social associations the usage of the image of the club to promote social causes with a non-profit orientation and thereby to raise money. Different social associations have carried out 16 activities in total, helping these associations raise 6.000 € in average per activity.		6.000 € x 16 activities = <b>96.000,00 €</b>	
- MT1 offers a group of disadvantaged children the possibility to play in the basketball school for children created by MT1 for free. They are able to gain different values (rapport, discipline, respect, good habits, etc.). The price that other children would have to pay for signing up is 380 €.		45 children x 380 € (price not charged) = <b>17.100,00 €</b>	
- MT1 offers the children of the aforementioned program the possibility to attend one game of the team during the season for free. The average price of a ticket of one match is approximately 37,00 € (the cheapest ticket is worth around 7,00 € and the most expensive ticket is worth 67,00 €).		45 children x 37,00 € = <b>1.665,00 €</b>	
1.E		- MT1 gives away 500 tickets per match to the province Government for free, and the province Government distributes them for free to different social associations and local governments as a way to bring closer the club to society as a whole and to different social groups. The club pays a minimum of 32 matches per season at home. The total number of tickets given away per season is then: 500 tickets per match * 32 matches at home = 16.000 tickets. We include the previous standard price (37,00 €) in the calculations.	16.000 tickets x 37,00 € = <b>592.000,00 €</b>
VARIABLE 1 (TOTAL VALUE) =			<b>1.192.279,00 €</b>

No.	Stakeholders that perceive the value	Explanations of the calculations	Algorithms and Results
2.F	CUSTOMERS & USERS	- The club offers its season ticket-holders the possibility to obtain a 10% discount in the official store of the club. Considering that the club's official store obtained a revenue worth around 300.000 € during the 2017-2018 season, and that the purchases by the season ticketholders of MT1 represented 60% of that revenue (180.000 €), then we can infer that 180.000 € represent the 90% of what the club would have obtained had not it applied the discount, that is, 200.000 €.	<b>20.000,00 €</b>
2.G		- The fans have the opportunity to travel with the club to other European cities when MT1 plays an European match. During the season, the club offers the possibility to 16 fans to accompany the team for free to these matches, after being chosen by draw from all the ticket-holders of MT1. In order to calculate the value created with these trips to the fans, we take the amount of the most expensive journey (780 €) and the cheapest journey (250 €).	16 fans benefitted x 515 € (Average price of a journey) = <b>8.240,00 €</b>
2.H		- The club launched a special offer some years ago for those season ticket-holders that wanted to become members of the gym and sporting facilities that MT1 owns. Those ticket-holders that wish to become nowadays members of the sporting facilities do not have to pay any membership fee when they register. The number of season ticket-holders that during the 2017-2018 season took advantage of the initiative was approximately 320, and the membership fee that the previous season ticket-holders of MT1 do not have to pay is 399,00 €.	320 season ticket-holders * 399,00 € = <b>127.680,00 €</b>
VARIABLE 2 (TOTAL VALUE) =			<b>155.920,00 €</b>

No.	Stakeholders that perceive the value	Explanations of the calculations	Algorithms and Results
3.I	CUSTOMERS & USERS PUBLIC ADMINISTRATIONS EMPLOYEES	- There are 300 playful players (children and teenagers) who play in the basketball school of MT1. We calculate the value created to them by multiplying the number of those players times the market price charged to them (380 €).	<b>114.000,00 €</b>
3.J		- The foundation of the club organizes different campuses for children and teenagers who want to play and learn basketball while also doing other activities (sports, learning English, etc.). The foundation organizes different campuses during Easter and Summer holidays. The data for each campus are as follows: * Basketball International Summer campus: 370 participants who were charged 400 € each * Mini-basketball International Summer campus: 29 participants who were charged 360 € each * Basketball Summer campus for local players: 321 participants who were charged 90 € each * Easter campus about basketball: 158 participants who were charged 65 € each	<b>197.600,00 €</b>
3.K		- These are teenagers who have possibilities of becoming professional basketball players in MT1, and in this case their education and their training expenses are covered entirely by MT1. The fact that the players from the MT1's player academy do not pay any kind of fee to enter into the academy is really important for the groups of parents of players, as players from other player academies that are rival to MT1 have to pay a fee to compete. In our case, we have taken the fee charged by one of the player academies that are rivals to MT1 as a proxy to quantify the value created to the players of the player academy of MT1. This fee is worth 255 €. The number of players from the player academy was 52.	52 players x 255 € <b>= 13.260,00 €</b>
3.L		- The players from the MT1 player academy also get a grant by the club to cover their particular expenses. The global amount per season paid by the club is around 320.000,00 €.	<b>320.000,00 €</b>
<b>VARIABLE 3 (TOTAL VALUE)</b>			<b>644.860,00 €</b>

No.	Stakeholders that perceive the value	Explanations of the calculations	Algorithms and Results
4.N	MEDIA CUSTOMERS & USERS	- One of the newspapers that cover the information about MT1 charge a special price for advertisers in that section, between 455 and 505 €. The advertisements are displayed in approximately half of the matches that MT1 plays each and every season, then if we take the number of official matches that MT1 played during the 2017-2018 season (79 in total), we take 39 matches as the output.	39 matches x 455 € = <b>17.745,00 €</b>
4.O		- The main local radio station was asked about the advertisements that are broadcasted during the matches of MT1. During the narration of the matches, according to the radio station 10 minutes are dedicated to commercials. The advertisements with a lower price are those of 20 seconds. Therefore, we calculate that in 10 minutes time (600 seconds) there will be 30 advertisements approximately. We will then take the number of matches that the team played during the season and that were broadcasted (79) and multiply the number by 30 advertisements: 79 matches * 30 advertisements per match: 2.370 advertisements in total. The radio station charges 42 € for a 20-second commercial (this is the lowest price possible).	2.370 advertisements during the season * 42 € per advertisement = <b>99.540,00 €</b>
<b>VARIABLE 4 (TOTAL SCORE)</b>			<b>117.285,00 €</b>
5.P	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS SPORTING ASSOCIATIONS	- The club makes a donation of sporting material to other amateur clubs and charity associations dedicated to social causes worth around 110.000 € during the 2017-2018 season.	<b>110.000,00 €</b>
<b>VARIABLE 5 (TOTAL SCORE)</b>			<b>110.000,00 €</b>
6.Q	COMMUNITIES & SOCIAL AGENTS (Pubs and restaurants) / PUBLIC ADMINISTRATIONS	- There are two main pubs close to the arena that see an increase in their turnover during the match-days caused by fans that go to these pubs before or after the match to take a sandwich or a drink. We asked these pubs about the average increase in turnover during the matches: <ul style="list-style-type: none"> <li>• In the case of Pub Number 1, their average increase of turnover per match is between 200 and 300 €. We take the middle figure as a proxy, 250 €.</li> <li>• In the case of Pub Number 2, their average increase of turnover per match is around 250 €.</li> </ul> The approximate number of matches that MT1 plays at home during a season (32 matches -16 matches of the European competition and 16 matches of the ACB League-). This will be the proxy that will be multiplied to the previous outputs.	<b>16.000,00 €</b>
<b>VARIABLE 6 (TOTAL SCORE)</b>			<b>16.000,00 €</b>
<b>TOTAL CONSOLIDATED SPECIFIC SOCIAL VALUE OF MT1 FOR THE SEASON 2017-2018= VARIABLES 1 + 2 + 3 + 4 + 5 + 6</b>			<b>2.236.344,00 €</b>

**Table 6.13: Specific Social Value calculation and quantification – MT2 Season 2017/2018**

No.	Stakeholders that perceive the value	Explanations of the calculations	Algorithms and Results
1.A		- The proxy “Average salary per hour of players” has been removed after the assessment of experts.	
1.B		- Tickets were offered at a reduced price to the members of the “Spanish Association Against Cancer” for a match in February 2018. Approximately 7.290 tickets were offered by the club to the members, and the tickets were offered at a discount of 80% in comparison to the average price of a ticket for this match. In this case, the price was worth 3 € (in comparison to the average tickets worth 15 €). We will take the number of tickets as the output, while we consider as a proxy the discount offered in each and every ticket (12 €).	7.290 tickets * 12 € = <b>87.480,00 €</b>
1.B		- MT2 set up an initiative to give away 100 tickets to each school where players went to transmit socially positive messages to children (respect, healthy habitudes, the value of team work, etc.). During the weeks where MT2 played at home, the club’s players visited 2 schools from the province, and at the end of the talk they gave 100 tickets for the participating children. The output weighed will be then the number of tickets given to children with this initiative during the season: 17 matches played at home during the year * 2 schools visited each week that the week played a match at home * 100 tickets given away = 3.400 tickets in total. The proxy will be the average price of the tickets: 15 € in general.	3.400 tickets x 15 € = <b>51.000,00 €</b>
1.B		- The kids that participated in a popular race in the city were offered the possibility to attend for free to a match in November 2018. The number of free tickets that were offered to participating children was 3.500 approximately (output). The discount applied was of 100% of the original average price (15 €).	3.500 tickets x 15 € = <b>52.500,00 €</b>
1.B		- The teenagers that participated in the previous popular race in the city were offered the possibility to attend for free to the previous match too. The number of free tickets that were offered to participating teenagers was 500 approximately (output), given that the number of	500 tickets x 15 € = <b>7.500,00 €</b>

		participating teenagers was much lower than the number of kids. The discount applied was of 100% of the original average price (15 €).	
1.B		- Tickets at a more reduced price were offered at a lower price to two local cultural associations for a match against one of the top teams of the League in late January 2018. These two cultural associations were offered 2.651 tickets at a more reduced price (output). The discount offered to the previous group was worth 6 € over the average ticket of 15 €. Then, we will use the discount as a proxy.	2.651 tickets * 6 € discount for students = <b>15.906,00 €</b>
1.B		- Tickets at a more reduced price were offered at a lower price to people under 18 years old for the same match against one of the top teams of the League in late January 2018. According to the estimates of the club, this group was offered 2.651 tickets for a reduced price. The discount applied was worth 9 €.	2.651 tickets * 9 € discount for students = <b>23.859,00 €</b>
1.B		- MT2 offered students who were capable of certifying that they were studying at that particular point in time the possibility of buying tickets for a reduced price for a match in late March 2018. The discount offered was worth 9 € over the standard average price (15 €). Therefore, the students had to pay 6 € only. The discount will then be considered our proxy. The tickets offered to the students were 6.604 in total, according to the data by the club.	6.604 tickets * 9 € discount for students = <b>59.436,00 €</b>
1.B		- MT2 handed over tickets at a reduced price to those members of the province's basketball federation for a match of MT2 at home in late April 2018. The discount offered was of 9 euro, so that would be our proxy. The number of tickets sold offered to this association amounted to 3.108 too.	3.108 tickets * 9 € discount = <b>27.972,00 €</b>
1.B		- In the same match of late April 2018, the club offered unemployed people the possibility of getting tickets for them and their family for a reduced price of 23 € (the average offer of tickets for families is worth 45 €). Then, our proxy refers to the discount made to unemployed people for family tickets (22 €). The number of tickets offered is the same than the previous promotion, given that the club had capacity constraints in the arena and launched this offer at the same time than the previous one.	3.108 tickets * 22 € discount = <b>68.376,00 €</b>
VARIABLE 1 (TOTAL VALUE)			<b>394.029,00 €</b>

No.	Stakeholders that perceive the value	Explanations of the calculations	Algorithms and Results
2.C	CUSTOMERS & USERS	- Season ticket-holders were offered the possibility of taking free tickets to a match at home in December 2017. During the 2017/2018 season, the club had 1.565 season ticket-holders, according to the club's official data (although the capacity of the arena is around 11.000 spectators). The output would be the tickets offered to the season ticket-holders (1.565), whereas the proxy would be the average cost of a ticket saved (15 €).	1.565 tickets * 15,00 € saved = <b>23.475,00 €</b>
2.C		- Season ticket-holders of MT2 were offered the possibility of attending to one of the two matches of MT2 at home in December 2017 accompanied by a friend or a family member by taking advantage of the special offer of the club that allowed them to take one extra free ticket. The tickets offered to them were 1.565 (one for each season ticket-holder), whereas the proxy is the 15 € saved of the average price of a ticket.	1.565 tickets * 15,00 € saved = <b>23.475,00 €</b>
2.C		- In the previous promotion, MT2 season ticket-holders were also offered the possibility of taking a snack and light refreshment for a reduced price in the same match of December 2017. The 1.565 fans were offered that possibility (output) and the discount applied was of 1,50 € over the original price (proxy).	1.565 meals * 1,50 € = <b>2.347,50 €</b>
		- The season ticket-holders of MT2 were offered the possibility of buying VIP tickets for a reduced price in a match at home in March 2018. These tickets were offered at a discount of 25 € (proxy), and the tickets that were offered were approximately 230 (output). In order to calculate the number of seats offered, we calculate the average number of VIP seats that are sold per match (250 seats) and compare them with the total number of VIP seats (480 seats). Then, the approximate unoccupied VIP seats per match are 230.	230 seats * 25,00 € = <b>5.750,00 €</b>
2.C		- The season ticket-holders of MT2 were offered the possibility of buying free tickets to a match at home in April 2018. The 1.565 season ticket-holders had the possibility of taking advantage of the special offer, given that the attendance to that match was of 4.038 people, according to the club's official data, and the capacity of the arena is of 11.000 spectators. The output would be the tickets offered to the season ticket-holders (1.565), whereas the proxy would be the average cost of a ticket saved (15 €).	1.565 tickets * 15 € saved = <b>23.475,00 €</b>
2.C		- The attendants to the next-to-last game of the season at MT2's home arena were offered the possibility to buy tickets for the last match of the season with a 50% discount. Considering that the attendants to the next-to-last game of the season were 4.205 people, and that the capacity of the	4.205 tickets * 7,50 € = <b>31.537,50 €</b>



	<p>arena is around 11.000 seats, we will take 4.205 people as an output, given that if they chose to take advantage of the promotion they would all have the possibility to do so.</p> <p>Concerning the proxy, we will adopt the discount in € to the price of the standard tickets. The discount is worth 7,50 € (50% of the average price of 15 € for a standard ticket).</p>	
2.C	<p>- For the last match of the season, MT2 offered their season ticket-holders the possibility of buying VIP tickets for half of the price. The discount offered (our proxy) was of half of the price (the VIP ticket costs 50 € per match, while the discount was of 25 €). The approximate number of VIP seats offered was of 230 seats (the calculations to obtain this figure are shown above).</p>	<p>230 seats * 25 € discount = <b>5.750,00 €</b></p>
2.C	<p>- For the last match of the season, MT2 also offered the possibility to season ticket-holders of buying tickets for a significant price reduction. The discount offered was of 10 € (our proxy), while the output was of 1.565 tickets offered. In this regard, we should bear in mind that the attendance to the last match was of approximately 4.110 people, so that means that there were almost 6.900 seats that were not occupied, so the usage of this output makes sense as there were enough unoccupied seats.</p>	<p>1.565 tickets * 10 € saved = <b>15.650,00 €</b></p>
2.C	<p>- For the last match of the season, MT2 also offered their season ticket-holders the possibility of buying popcorn in the pub of the arena for half of the price. The discount offered (our proxy) was half of the price of popcorn (3 €). Then, our proxy is worth 1,50 €.</p> <p>The output is, obviously, the number of season ticket-holders that season (1.565 people).</p>	<p>1.565 season ticket-holders * 1,50 € discount = <b>2.347,50 €</b></p>
2.D	<p>- The club, during the season 2017-2018, offered its fans the possibility to travel to a nearby city to watch MT2 play a derby on the road. The club put at the fans' disposal a bus for a price worth 10 € (a discount of 2,30 € over the price of a normal line). Moreover, thanks to the negotiation of the club with the other team the fans of MT2 could get their tickets for the match at a price of 15 € (with a discount of 3 € in comparison to the average price of the tickets of the rival team, that are priced at 18 €).</p> <p>The number of fans of MT2 that took advantage of this promotion were 100 people (our output). Our proxy will be the discount offered to them (2,30 € discount in the bus ticket and 3 € discount for the tickets of the rival team).</p>	<p>(100 fans * 2,30 € discount on bus tickets) + (100 fans * 3 € discount on match tickets) = <b>230,00 € + 300,00 € = 530,00 €</b></p>
2.D	<p>- The club, during the season 2017-2018, offered its fans the possibility to travel to a city to watch MT2 play in another city. As in the previous case, the club put at the fans' disposal a bus for a price worth 40 € (a discount of 10 € in comparison with a case where the fans would have had to hire the bus by themselves). Moreover, thanks to the negotiation of the club with the other team the fans</p>	<p>55 fans of MT2 * 25,00 € = <b>1.375,00 €</b></p>

	<p>of MT2 could get their tickets for the match for free (with a discount of 15 € in comparison to the average price of the tickets of the rival team). Then, the global discount obtained by the fans is of 25 € (10 € from the bus and 15 € from the tickets). This will be our proxy.</p> <p>The total number of MT2 fans that were able to take advantage of this promotion were 55 (our output).</p>	
2.D	<p>- The club, during the season 2017-2018, offered its fans another opportunity to travel to a city to watch MT2 for a special reduced price. The fans who travelled to this match were 60, and they obtained a 15 € discount (a price of 15 € instead of 30 €) in their match tickets thanks to the negotiation between MT2 and the rival team.</p>	<p>60 fans of MT2 * 15,00 € = <b>900,00 €</b></p>
2.E	<p>- The club offered the season ticket-holders various discounts on the club's official merchandising for children in different articles of clothing. In this case, the outputs identified were the number of articles of children clothing that were offered and the proxy was the discount offered. The articles offered at a discount rate to the season ticket-holders during the 2017-2018 season were the following:</p> <ul style="list-style-type: none"> <li>• 5 t-shirts for children were offered at a discount of 20 € → Value created: 5 t-shirts * 20 € discount = 100 €</li> <li>• 25 t-shirts for children from the second t-shirt of the club were offered at a discount of 20 € → Value created: 25 t-shirts * 20 € discount = 500 €</li> <li>• 25 t-shirts for children from the warm-up t-shirt of the club were offered at a discount of 20 € → Value created: 25 t-shirts * 20 € discount = 500 €</li> <li>• 50 technical t-shirts for children were offered at a discount of 8 € → Value created: 50 t-shirts * 8 € discount = 400 €</li> <li>• 100 cotton t-shirts for children were offered at a discount of 2 € → Value created: 100 t-shirts * 2 € discount = 200 €</li> </ul>	<p>100 € + 500 € + 500 € + 400 € + 200 € = <b>1.700,00 €</b></p>
2.E	<p>- The club offered the season ticket-holders various discounts on the club's official merchandising in different articles of clothing. In this case, the outputs identified were the number of articles of clothing that were offered and the proxy was the discount offered. The articles offered at a discount rate to the season ticket-holders during the 2017-2018 season were the following:</p> <ul style="list-style-type: none"> <li>• 100 t-shirts were offered at a discount of 4 € → Value created: 100 t-shirts * 4 € discount = 400 €</li> <li>• 100 t-shirts from the second t-shirt of the club were offered at a discount of 4 € → Value created: 100 t-shirts * 4 € discount = 400 €</li> </ul>	<p>400 € + 400 € + 400 € + 120 € + 110 € + 245 € + 180 € + 270 € + 12 € + 400 € + 250 € + 30 € + 40 € = <b>2.857,00 €</b></p>

	<ul style="list-style-type: none"> <li>• 100 t-shirts from the warm-up t-shirt the club were offered at a discount of 4 € → Value created: 100 t-shirts * 4 € discount = 400 €</li> <li>• 20 t-shirts from the official equipment of the club were offered at a discount of 6 € → Value created: 20 t-shirts * 6 € discount = 120 €</li> <li>• 20 official tracksuits of the club were offered at a discount of 5,50 € → Value created: 20 t-shirts * 5,50 € discount = 110 €</li> <li>• 70 official pullovers of the club were offered at a discount of 3,50 € → Value created: 70 pullovers * 3,50 € discount = 245 €</li> <li>• 150 cotton t-shirts of the club were offered at a discount of 1,20 € → Value created: 150 cotton t-shirts * 1,20 € discount = 180 €</li> <li>• 150 technical t-shirts were offered at a discount of 1,80 € → Value created: 150 technical t-shirts * 1,80 € discount = 270,00 €</li> <li>• 15 bonnets were offered at a discount of 0,80 € → Value created: 15 bonnets * 0,80 € discount = 12,00 €</li> <li>• 500 scarves were offered at a discount of 0,80 € → Value created: 500 scarves * 0,80 € discount = 400,00 €</li> <li>• 250 basketball balls were offered at a discount of 1,00 € → Value created: 250 basketball balls * 1,00 € discount = 250,00 €</li> <li>• 20 rucksacks were offered at a discount of 1,50 € → Value created: 20 rucksacks * 1,50 € discount = 30,00 €</li> <li>• 40 rucksacks were offered at a discount of 1,00 € → Value created: 40 rucksacks * 1,00 € discount = 40,00 €</li> </ul>	
2.F	<p>- During the season, 20 MT2 season ticket-holders are chosen by the club by way of a draw in order to offer them the opportunity to watch one match for free in those VIP seats that are close to the playing court and that have a better visibility. Then, this means that during a season 340 season ticket-holders will have the possibility to live this experience (20 season ticket-holders per match * 17 matches during the season).</p> <p>The proxy selected will be the difference in price per match between the season ticket in a “normal” seat and a VIP seat. The season ticket in a VIP seat is priced at 698 € (41,06 € per match) whereas the season ticket in an average seat is priced at 280 € (16,47 € per match). The difference then will be 24,59 € (41,06 € - 16,47 €).</p>	<p>340 VIP tickets during the season * 24,59 € = <b>8.360,60 €</b></p>
VARIABLE 2 (TOTAL VALUE) =		<b>149.530,10 €</b>

No.	Stakeholders that perceive the value	Explanations of the calculations	Algorithms and Results
3.G	CUSTOMERS & USERS PUBLIC ADMINISTRATIONS	<p>- The club offers children the possibility to learn how to play basketball while having fun at the same time by means of the different campuses that it organizes during the year. The club organizes a basketball school during the academic year.</p> <p>As an output, we will adopt the number of participating children in those campuses, whereas as a proxy we will take the market price charged to the children for participating in the campuses. By multiplying both figures, we will obtain the social value created:</p> <ul style="list-style-type: none"> <li>• Basketball school: 85 children participated during the 2017-2018 season, and they were charged 161 € in total. Value created: 85 children * 161 € = 13.685,00 €.</li> </ul>	13.685,00 €
3.H		<p>- Apart from the basketball school that the club organizes, the club also hosts the following campuses during the holiday breaks: Christmas, Easter and Summer. The outputs and proxy-s considered are the same than in the basketball school described previously.</p> <ul style="list-style-type: none"> <li>• Christmas basketball campus: 25 children participated during the 2017-2018 season, while being charged 75 € in total. Value created: 25 children * 75 € = 1.875,00 €.</li> <li>• Easter basketball campus: 25 children participated during the 2017-2018 season, while being charged 85 € in total. Value created: 25 children * 85 € = 2.125,00 €.</li> <li>• Summer basketball campus: 60 children participated during the 2017-2018 season, while being charged 175 € in total. Value created: 60 children * 175 € = 10.500,00 €.</li> </ul>	1.875,00 € + 2.125,00 € + 10.500,00 € = <b>14.500,00 €</b>
<b>VARIABLE 3 (TOTAL VALUE)</b>			<b>28.185,00 €</b>

No.	Stakeholders that perceive the value	Explanations of the calculations	Algorithms and Results
4.I	EMPLOYEES	<p>- The volunteers of the club get paid a symbolic quantity of 10 € per match to cover their expenses. The amount of volunteers is 20 on average. Considering that MT2 plays 17 matches per year, we would multiply each amount in order to know the approximate amount that is paid by the club. However, given that the proxy of “Quantity in € paid per match by the club during the season to each volunteer” has not been validated by experts, instead we have chosen the proxy of the “cost per hour of hiring an employee by the club” recommended by experts. To calculate this proxy, we have taken the minimum wage per day as established by the Spanish Government in 2018 (the year of the analysis), and we have calculated the minimum wage per hour. The monthly minimum</p>	14,28 € per match * 17 matches * 20 volunteers = <b>4.855,20 €</b>

		salary in Spain was set in 2018 at 858,60 €. <sup>59</sup> This meant that the daily minimum salary was worth 28,62 € (858,60 € divided by 30 days). We would then divide the previous amount by 8 hours (3,57 €) to get the minimum wage per hour, and then multiply it times 4 hours (the amount of time volunteers work for the club per match). We would then get our proxy worth 14,28 €, the minimum salary per match that fans are giving up in the job market for volunteering for the club.	
4.J		- The volunteers of the club also get free access to the arena, so they do not pay any ticket. We obtain the average price of a ticket (15 €) and then we multiply this amount by the number of volunteers and by the number of matches, as done previously.	15 € saved per volunteer * 17 matches * 20 volunteers = <b>5.100,00 €</b>
4.K		- As a token of gratitude, the club gives away one pullover of the club from the official merchandising of the organization to the volunteers at the end of the season. The market price of a pullover of the club is 35 €. Given that each volunteer receives one pullover, we multiply 20 pullovers in total per 35 €.	20 pullovers * 35 € = <b>700,00 €</b>
<b>VARIABLE 4 (TOTAL SCORE)</b>			<b>10.655,20 €</b>
5.L	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS	- The club makes donations of sporting material to different social associations and amateur sport clubs during the year. The club made more or less 60 donations during the year, with an average value per donation worth 40 € approximately.	60 donations * 40 € = <b>2.400 €</b>
5.M	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS	- MT2 donated part of its stock of equipment for children to other children from Senegal. They sent a stock of 800 kits to a charity association working in Senegal, and the value of each equipment is worth 60 €. The social value created is: 800 kits * 60 € = 48.000 €. The club also donated 800 official rucksacks from the club to this charity association in Senegal. The average value of each rucksack is worth 15 €. The social value created is: 800 rucksacks * 15 € = 12.000 €.	48.000,00 € + 12.000,00 € = <b>60.000,00 €</b>
<b>VARIABLE 5 (TOTAL SCORE)</b>			<b>62.400,00 €</b>
6.N	COMMUNITIES & SOCIAL AGENTS PUBLIC ADMINISTRATIONS	- There is one pub and a gas station close to the arena that see an increase in their turnover during the match-days caused by fans that go to their facilities before or after the match to take a sandwich or a drink. We asked these pubs about the average increase in turnover during the matches (our proxy). Then, we take as an output the approximate number of matches that MT2	8.500,00 € + 2.040,00 € = <b>10.540,00 €</b>

<sup>59</sup> Reference: (<https://datosmacro.expansion.com/smi/espana>).

	<p>plays at home during a season (17 matches, as this club does not play an European competition like in the case of MT1) and multiply these two figures to obtain a monetary value:</p> <ul style="list-style-type: none"> <li>• In the case of Pub Number 1, their average increase of turnover per match is of approximately 500 € (our proxy). Then, we multiply both amounts: 500 € * 17 matches = 8.500 €.</li> <li>• In the case of the gas station, their average increase of turnover per match is around 120 €. By multiplying both figures, we obtain: 120 € * 17 matches = 2.040 €.</li> </ul>	
VARIABLE 6 (TOTAL SCORE)		<b>10.540,00 €</b>

<b>TOTAL CONSOLIDATED SPECIFIC SOCIAL VALUE OF MT2 FOR THE SEASON 2017-2018 = VARIABLES 1 + 2 + 3 + 4 + 5 + 6</b>	<b>655.339,30 €</b>
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Source of all previous tables: Own elaboration

Concerning the results of specific social value in both clubs, the amount of specific social value created by MT1 (2.236.344,00 €) is 3,41 times higher than the result of MT2 (655.339,30 €). In the case of MT1, the majority of the result is explained by the score in Variable 1 “Activities with cultural and social associations” that represents approximately 53% of the total score. The initiatives with social associations, public administrations, and certain social groups like disadvantaged children are very important to explain the figure of Variable 1. With respect to MT2, the majority of the result in specific social value is explained by Variable 1 “Activities with cultural and social associations” that represents 60,12% of the total score with a total sum of 394.029,00 €. In this respect, the club has made extensive efforts to offer tickets at a discount or even for free to different social associations and groups (participants of a local race, members of social associations, certain social groups like students and unemployed people).

The previous results show us the importance of social activities in the process of social value creation by MT1 and MT2. According to the president of an association against cancer of the province (I10), the relationship with MT1 “gives us the possibility of communicating our activities to the public, and the main contribution of MT1 consists of increasing the visibility of the association and to raise awareness of cancer. By not hiding the reality we are able to give an added value to our patients and their families.” The idea of the club as an important social agent was highlighted by the MT1’s Foundation Director (I16), who claimed that “the idea of the club is to keep on working in all the social issues that it is currently addressing (gender equality, poverty, etc.)”

A teacher from a secondary school that took part in the social program of MT2 that we interviewed (I11) told us that “the club gave our students all the tickets that they wanted to give them the opportunity to go to watch a match of MT2”. The responsible of MT2’s basketball school for children (I41) stressed that “we would like that more people would feel identified with our club in terms of turnout to the arena”. The fact that the majority of the specific social value (more than 80%) is created through advantageous conditions in tickets for certain social associations, groups and season ticketholders confirms the previous statements in I11, and goes on to show that the club is aware of the importance of reaching a wider public and attracting more people to the arena in order to build up an emotional connection with the surrounding community. The fact that the average attendance to the matches of MT2 is one of the lowest of all the ACB League can also be an incentive for the club to engage into these practices.

Another value variable with similar total figures in both MT1 and MT2 is “Gifts and discounts to fans during the season”. The club creates value through the discounts offered to fans and season ticketholders through selling products at a discount worth 10 % for season ticketholders at the club’s official store, and through the discounts at the trips to the clubs’ matches and in other commercial establishments to season ticket-holders. The total value is worth 155.920,00 €, the relative value of this value variable being 6,97% out of MT1’s total specific social value creation. The fans and season ticketholders seem really satisfied with the treatment of the club towards the fans and

season ticketholders, given that the fan interviewed in MT1 (I24) told us that “the treatment of MT1 towards the season ticketholders is very good.” In this regard, the club seems to be conscious of the importance of their fans, since the general manager told us during the second interview with him (I2), “the sporting show is not only about having the best players on the court. It is about having the best players on the court while your arena is packed. We do not sell our product and expect the people to buy it automatically, but instead we sell our product in a very active manner.”

The situation is similar in MT2, since “Gifts and discounts to fans during the season” is the second value variable with the highest result in MT2. The value created to fans and especially to season ticketholders that contribute to the club is calculated. For one of the MT2’s fans interviewed, “the club offers our fan group a discount for sitting closer to the court, an aspect that we tremendously appreciate as we know that they are losing money so that we feel more comfortable (I45).” For MT2’s managing director, “the season ticketholders are looked after as they make a contribution throughout the year and therefore you try to organize different initiatives to keep their loyalty (like extra free tickets, access to VIP seats, etc.).” The total amount is worth 149.530,10 €, representing 22,81 % of the total specific social value of MT2.

Another similarity between both clubs is the absolute value of “Induced consumption in pubs and restaurants close to the arena during the match-days”. Regarding the value of “Induced consumption in pubs and restaurants close to the arena during the match-days”, it is very reduced (16.000 €) in comparison to the other value variables. There are only two pubs close to the stadium, and when calling both restaurants in order to obtain the estimate of their increase in revenue during the match-days, they told us that since they are close to an industrial park and the majority of their customers come from other businesses during the week, the increase in turnover does not have a significant impact in their business. In MT2, the value is worth approximately 10.540 € and 1,60% of all the total non-market value. When consulting the pub and gas station that were close to MT2’s arena and that potentially benefitted from the activity of the club during match days about the impact on their revenue during match days, they confirmed that when the club started playing at that venue a decade ago many fans came to buy food and beverages, but the poor sporting results from the last years has meant that the influx of fans to the arena is lower and hence the impact in their turnover has been reduced.

Another value variable that tallies similar results in both clubs is the “Donation of sporting material”. According to the president of the basketball regional association (I11), the association “has an agreement with MT1 by which MT1 cooperates with the association in different ways”. The figure of the donation is worth 110.000 €, approximately 5 % of the social value created. In MT2, the club donates different material (sweatshirts, tracksuits, rucksacks, and suitcases) to a local community in Senegal worth in total 60.000 € approximately. Apart from that, the club makes donations of sporting material to different social associations and amateur sport clubs during the year. The club made more or less 60 donations during the year to local, with an average value per donation worth 40 € approximately, totaling 2.400 €. The total



score of the value variable being 62.400 €, this value variable represents 9,52% of the total result.

The differences start in Variable 3 “Formation activities to children during the season” where the value created to children that go to basketball schools, campuses and to the players from player academies that receive grants is quantified. In MT1, the grants are especially important in this respect, given that they represent almost half of the score of the value variable in question. The total score of the value variable amounts to 644.860 €, a proportion of 28,83 % over the total result of MT1. Concerning the value created by means of formation activities, a father of one of the academy’s players (I19) told us that “I find it valuable that my children enjoy playing basketball and are happy. The team work, the friendships and relationships that children and teenagers create, the relationships among parents, etc. are aspects of important value for them.” Hence, it comes as no surprise that the club’s formation activities are an important driver of social value creation. In MT2, this value variable totals 28.185,00 € and a percentage of 4,30%. The main aim of the basketball school of MT2, as told by the responsible of MT2’s basketball school for children (I41) “is to attract as many children to play basketball as we can, irrespective of their talent.” The number of children participating in those activities was around 200, but the intention, according to the interviewee, is to increase this number. In this respect, the fact that MT1 pays grants to its academy players from abroad to study and play in the city and the number of campuses and players that play in the campuses organized by the club throughout the year helps explaining the differences in results for this value variable.

Another difference comes in the value variable of “Information created to the media”. This value variable could only be quantified in MT1, given that in MT2 the media coverage was much more reduced and the media interviewed told us that the indicators and proxy-s value were minimal and not significant in any way (in fact, the calculations showed that the value of this value variable in MT2 was lower than 300 €). Hence, we chose not to include this value in MT2. In the case of MT1, this value variable is worth in total 117.285,00 €, with a percentage around 5,3% of the total specific social value. The media are aware of the importance of sports for the readers, as the owner of the local newspaper interviewed (I18) told us in this way: “there is a big correlation between the success of the (local) media and the sporting success of MT1.”

The final difference between both clubs corresponds to the specific value variable of “value created to volunteers” in MT2. The value created to volunteers is worth 10.655,20 €, standing at approximately 1,62 % of the total value created. Nonetheless, as explained in Chapter 5 the volunteers perceive value in diverse dimensions, like the creation of an emotional bond with other people or the sense of membership they feel towards the club. One of the volunteers interviewed (I37) told us that “in the end, one of the main advantages of the volunteer work in our club is that you can set up a relationship with other volunteers and even players and members of the board of the club”.

However, we can't ignore that the process of monetization does not include any reference to the emotional value in these organizations, a value dimension that has been proved vital in the previous questionnaire of SERVQUAL carried out by asking different MT2 fans. We are aware that the monetization of emotional value remains a complicated task, although we remain hopeful that future research will find a way to integrate the different dimensions of value created by organizations, namely social, economic and emotional.

At this point, the previous calculations will allow us to calculate the specific social value created to each one of the stakeholders. In the following tables we will reflect the value variables that are perceived by each stakeholder based on their answers in the interviews, as a way to know which value variables correspond to each stakeholders when calculating the specific social value perceived by each stakeholder. The social value variables that create a value for each stakeholder are marked with a (●) symbol:

**Table 6.14: Social Value Variables perceived by each stakeholder as social value creation (MT1)**

MT1	Suppliers	Employees	Shareholders	Customers & Users	Commun. & Social Agents	Media	Sport Associations	Public Administrations
1: Activities with social and cultural associations		●			●			●
2: Gifts and discounts for season ticket-holders				●				
3: Formation activities with children and young people		●		●				●
4: Information created to the Media				●		●		
5: Donation of sporting material					●			●
6: Induced consumption in pubs and restaurants					●			●
7: Emotional value <sup>60</sup>		●	●	●	●			●

Source: Own elaboration adapted from (San-Jose & Retolaza, 2016, p. 95)

**Table 6.15: Social Value Variables perceived by each stakeholder as social value creation (MT2)**

MT2	Suppliers	Employees	Shareholders	Customers & Users	Common. & Social Agents	Media	Sport Associations	Public Administrations
1: Activities with social and cultural associations					●			●
2: Gifts and discounts for fans and season ticket-holders				●				
3: Formation activities with children and young people				●				●
4: Value created to volunteers		●						

<sup>60</sup> Please take note that this value variable has not been monetized.

5: Donation of sporting material					•			•
6: Induced consumption in pubs and restaurants								•
7: Emotional value		•	•	•	•			•

Source: Own elaboration adapted from (San-Jose & Retolaza, 2016, p. 95)

As it can be seen, the stakeholders have different value perceptions. One of the most striking conclusions from the results is that in general the same stakeholders in both clubs perceive equally all the common social value variables oriented to indicators. Apart from that, the emotional value is perceived by the majority of the stakeholders, as reflected in Table 5.3 from Chapter 5. In the case of Shareholders, taking into account that their main source of value is emotional and that their investment does not yield any financial profit for their pockets, we can safely say that the emotional value represents the majority (if not all) the value they perceive from the professional basketball clubs.

There are two stakeholders in which there is no specific social value associated to them: the Sport Associations and the Suppliers. Concerning the Sport Associations, the value created to them by the clubs is reflected in the money they pay to the clubs every season in exchange of TV broadcasting rights and their participation in sporting competitions. This value is part of the economic value with social impact, included in the concept of value mobilized by clients that is equal to the global sales figure of the clubs obtained from their financial reports. In the case of Suppliers, the main source of value created to them comes from the share of the exchange of both clubs with their Suppliers that is distributed by these Suppliers to other economic agents by way of different concepts (wages, personal income tax, social security payments, and other taxation) and that we will calculate later on.

Having clarified the previous aspects, the social value variables that have been quantified in both clubs will be shown in the following tables of the next section. We will then sum all the amounts of each variable in order to obtain the specific social value for each stakeholder, as shown in the following Table 6.16:

**Table 6.16: Quantification of Specific Social Value for each Stakeholder – MT1**

STAKEHOLDERS THAT PERCEIVE SOCIAL VALUE	VALUE VARIABLES WHERE THE STAKEHOLDERS PERCEIVE A SOCIAL VALUE	SPECIFIC SOCIAL VALUE CREATED TO EACH STAKEHOLDER
EMPLOYEES	1 + 3 + 7	1.192.279,00 € + 660.662,20 € = <b>1.852.941,20 €</b>
COMMUNITIES & SOCIAL AGENTS	1 + 5 + 6 + 7	1.192.279,00 € + 110.000,00 € + 16.000,00 € = <b>1.318.279,00 €</b>
PUBLIC ADMINISTRATIONS	1 + 3 + 5 + 6 + 7	1.192.279,00 € + 660.662,20 € + 110.000,00 € + 16.000,00 € = <b>1.978.941,20 €</b>
CUSTOMERS & USERS	2 + 3 + 4 + 7	155.920,00 € + 660.662,20 € + 117.285,00 € = <b>933.867,20 €</b>

MEDIA	4 + 7	117.285,00 € = <b>117.285,00 €</b>
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Source: Own elaboration

Concerning MT1, the three stakeholders that perceive the most value are the Public Administrations, the Employees, and the Communities and Social Agents. The value perceived commonly from the “Activities with social and cultural associations” by Employees, Communities and Social Agents, and Public Administrations is clearly the main explanation to the previous figures. In the case of Employees and Public Administrations, according to the interviews “Formation activities with children and young people” creates value to them, a circumstance that brings up the figures of perceived specific social value in both stakeholders. The same variable was perceived by the Customers and Users, pushing upwards the social value perceived by this stakeholder group.

**Table 6.17: Quantification of Specific Social Value for each Stakeholder – MT2**

STAKEHOLDERS THAT PERCEIVE SOCIAL VALUE	VALUE VARIABLES WHERE STAKEHOLDERS PERCEIVE SOCIAL VALUE	SPECIFIC SOCIAL VALUE CREATED TO EACH STAKEHOLDER
EMPLOYEES	4 + 7	10.655,20 € = <b>10.655,20 €</b>
COMMUNITIES & SOCIAL AGENTS	1 + 5 + 7	394.029,00 € + 62.400,00 € = <b>456.429,00 €</b>
PUBLIC ADMINISTRATIONS	1 + 3 + 5 + 6 + 7	394.029,00 € + 28.185,00 € + 62.400,00 € + 10.540,00 € = <b>495.154,00 €</b>
CUSTOMERS & USERS	2 + 3 + 7	149.530,10 € + 28.185,00 € = <b>177.715,10 €</b>

Source: Own elaboration

Concerning MT2, the value variables that create most value are the “Activities with social and cultural associations” for Communities and Social Agents and Public Administrations; and the “Gifts and discounts for fans and season ticket-holders” in the case of Customers and Users. The involvement of the club in social activities (specially their promotions to give discounts in tickets to cultural associations and other social groups) and the importance of the gifts and discounts they give to their fans and season ticket-holders are the main explanations to understand these results. In this way, Public Administrations and Communities and Social Agents are the two stakeholders that perceive a bigger specific social value from the activity of the club.

### 6.3.3. Calculation of the Economic Value with Social Impact for MT1 & MT2

#### 6.3.3.1. Calculation of Value Added in MT1 & MT2

Once the specific social value has been calculated, we will calculate the economic value with social impact. The first step to calculate this value will be to determine in both clubs

the Value Added. As stated in Chapter 4, the concept of Value Added takes a special importance here, given that we will try to calculate the value that the business creates (on the basis of the income obtained by the organization) and then distributes to its different agents (work factor, capital factor, state) or retains for itself (value retained by the organization). In order to calculate these magnitudes, first of all we have to look at the financial statements of both MT1 and MT2, in order to obtain the data necessary to calculate the value added.

**Table 6.18: MT1's Profit and Loss Account Season 2017-2018 (As for the 30th of June of 2018)**

CONTINUED OPERATIONS	(in €)
<b>1. Global sales figure by the organization.</b>	<b>15.495.669,14 €</b>
a) Sales.	15.495.669,14
b) Public subsidies attributed to the surplus of the year.	
<b>2. Variation of stocks of finished or half-finished products.</b>	
<b>3. Works performed by the organization to its own assets.</b>	
<b>4. Suppliers.</b>	<b>-524.442,20</b>
a) Expenditure in Suppliers.	-524.442,20
b) Consumption of raw materials and other consumable materials.	
c) Works realized by other businesses.	
d) Deterioration of commodities, raw materials and other supplies.	
<b>5. Other operating income.</b>	<b>0</b>
<b>6. Expenditure in salaries.</b>	<b>-9.821.276,02</b>
a) Salaries and similar expenditures.	-8.184.320,02
b) Social charges (Personal Income Tax + Social Security).	-1.636.956,00
c) Provisions.	0
<b>7. Other operating expenditures.</b>	<b>-4.427.319,83</b>
a) External services.	-4.427.319,83
b) Other taxes.	0
c) Losses, deterioration and variation of provisions as a result of business operations.	0
d) Other common expenditures.	0
<b>8. Amortization of fixed assets.</b>	<b>-252.055,85</b>
<b>9. Attribution of subsidies regarding fixed assets and others.</b>	<b>0</b>
<b>10. Excess of provisions.</b>	<b>0</b>
<b>A.0) OPERATING RESULT (1+2+3+4+5+6+7+8+9+10)</b>	<b>470.575,24</b>
<b>11) Deterioration and Result of the sale of fixed assets and other non recurring assets.</b>	<b>0</b>
<b>A.1) TOTAL OPERATING RESULT (1+2+3+4+5+6+7+8+9+10+11).</b>	<b>470.575,24</b>
<b>12. Financial income.</b>	<b>73.233,06</b>
<b>13. Financial expenditure.</b>	<b>-332.206,71</b>
<b>14. Variation of reasonable value.</b>	<b>0</b>
<b>15. Differences in foreign currency exchange (net).</b>	<b>0</b>
<b>16. Deterioration and result for the sale of financial instruments.</b>	<b>0</b>
<b>A.2) FINANCIAL RESULT (12+13+14+15+16).</b>	<b>-258.973,65</b>
<b>A.3) RESULT BEFORE TAXES (A.1+A.2).</b>	<b>211.601,59</b>
17. Corporate Tax.	

<b>A.4) RESULT OF THE YEAR (A.3+17).</b>	<b>211.601,59 €</b>
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Source: Own elaboration

**Table 6.19: MT2's Profit and Loss Account Season 2017-2018 (As for the 30th of June of 2018)**

<b>CONTINUED OPERATIONS</b>	
<b>1. Global sales figure by the organization.</b>	<b>1.285.286,25 €</b>
a) Sales.	1.285.286,25 €
b) Public subsidies attributed to the surplus of the year.	
<b>2. Variation of stocks of finished or half-finished products.</b>	
<b>3. Works performed by the organization to its own assets.</b>	
<b>4. Suppliers.</b>	<b>-72.955,92</b>
a) Expenditure in Suppliers.	-72.955,92
b) Consumption of raw materials and other consumable materials.	
c) Works realized by other businesses.	
d) Deterioration of commodities, raw materials and other supplies.	
<b>5. Other operating income.</b>	<b>1.264.704,46</b>
<b>6. Expenditure in salaries.</b>	<b>-1.179.690,11</b>
a) Salaries and similar expenditures.	-959.690,11
b) Social charges.	-220.000,00
c) Provisions.	
<b>7. Other operating expenditures.</b>	<b>-838.776,24</b>
a) External services.	-838.776,24
b) Other taxes.	0
c) Losses, deterioration and variation of provisions as a result of business operations.	0
d) Other common expenditures.	0
<b>8. Amortization of fixed assets.</b>	<b>-137.690,05</b>
<b>9. Attribution of subsidies regarding fixed assets and others.</b>	<b>108.805,75</b>
<b>10. Excess of provisions.</b>	<b>8.612,87</b>
<b>A.0) OPERATING RESULT (1+2+3+4+5+6+7+8+9+10)</b>	<b>438.297,01</b>
<b>11) Deterioration and Result of the sale of fixed assets and other non recurring assets</b>	<b>0</b>
<b>A.1) TOTAL OPERATING RESULT (1+2+3+4+5+6+7+8+9+10+11)</b>	<b>438.297,01</b>
<b>12. Financial income.</b>	<b>0</b>
<b>13. Financial expenditure.</b>	<b>-73.742,87</b>
<b>14. Variation of reasonable value .</b>	<b>0</b>
<b>15. Differences in foreign currency exchange (net)</b>	<b>0</b>
<b>16. Deterioration and result for the sale of financial instruments.</b>	<b>0</b>
<b>A.2) FINANCIAL RESULT (12+13+14+15+16)</b>	<b>-73.742,87</b>
<b>A.3) RESULT BEFORE TAXES (A.1+A.2)</b>	<b>364.554,14</b>
<b>17. Corporate Tax.</b>	<b>-57.940,55</b>
<b>A.4) RESULT OF THE YEAR (A.3+17)</b>	<b>306.613,59 €</b>

Source: Own elaboration

Having completed the aforementioned profit and loss account from MT1 and MT2, the data from the previous documents will serve us to calculate the value added by the clubs

during the 2017-2018 season. In the first table, we will calculate the gross value added that has been created by the organizations during the 2017-2018 season, considering the income created during the period (taken from the global sales figure by the organization) and subtracting it by the expenditure on suppliers and external services. The financial income earned during the year has also been considered on the table.

**Table 6.20: MT1's Value Added Creation Statement Season 2017-2018 (direct or subtractive methodology) (As for the 30th of June of 2018)**

		% (over the income)
<b>Income created by the business during the period 2017-2018</b>	<b>15.495.669,14</b>	
Global sales figure by the organization	15.495.669,14	100,0%
±Variation of stocks of finished or half-finished products	0	
+Works performed by the organization to its own assets	0	
+Other operating income (without considering subsidies to operations)	0	
<b>To be deducted: cost of those factors acquired to other businesses</b>	<b>-4.951.762,03</b>	<b>32,0%</b>
-Operating consumptions (without considering the deterioration of materials)	-524.442,20	3,4%
a) Suppliers	-524.442,20	
b) Consumption of raw materials and other consumable materials	0	
c) Works realized by other businesses	0	
-Other operating expenses ( (without considering neither the deterioration of materials nor taxes)	-4.427.319,83	28,6%
a) External services (including renting to other businesses)	-4.427.319,83	
d) Other common expenditures	0	
<b>= Gross value added by the organization</b>	<b>10.543.907,11</b>	<b>68,0%</b>
+ Subsidies to operations incorporated to the result of the business.	0	
+ Attribution of subsidies regarding fixed assets and others	0	
±Results of the sale of fixed assets and other non recurring assets	0	
a2) Losses of fixed assets	0	
b) Results for the sale of fixed assets	0	
c) Other unusual results	0	
d) Negative difference of business combinations	0	
+Financial income	73.233,06	0,5%
±Variation of reasonable value in financial instruments	0	
±Differences of currency Exchange (net)	0	
<b>= Gross Value Added created by the organization</b>	<b>10.617.140,17</b>	<b>68,5%</b>

Source: Own elaboration

**Table 6.21: MT2's Value Added Creation Statement Season 2017-2018 (direct or subtractive methodology) (As for the 30th of June of 2018)**

		% (over the income)
<b>Income created by the business during the period 2017-2018</b>	<b>2.549.990,71</b>	
Global sales figure by the organization	1.285.286,25	50,40 %
±Variation of stocks or finished or half-finished products	0	
+Works performed by the organization to its own assets	0	
+Other operating income (without considering subsidies to operations)	1.264.704,46	49,60%
<b>To be deducted: cost of those factors acquired to other businesses</b>	<b>-911.732,16</b>	<b>-35,8%</b>
-Operating consumptions (without considering the deterioration of materials)	-72.955,92	-2,9%
a) Consumption of commodities	-72.955,92	-2,9%
b) Consumption of raw materials and other consumable materials	0	
c) Works realized by other businesses	0	
Other operating expenses ( (without considering neither the deterioration of materials nor taxes)	-838.776,24	-32,9%
a) External services (including renting to other businesses)	-838.776,24	
d) Other common expenditures	0	
<b>= Gross value added by the organization</b>	<b>1.638.258,55</b>	<b>64,2%</b>
+ Subsidies to operations incorporated to the result of the business.	0	
+ Attribution of subsidies regarding fixed assets and others	108.805,75	4,3%
±Results of the sale of fixed assets and other non recurring assets	0	
a2) Losses of fixed assets	0	
b) Results for the sale of fixed assets	0	
c) Other unusual results	0	
d) Negative difference of business combinations	0	
+Financial income	0	
±Variation of reasonable value in financial instruments	0	
±Differences of currency Exchange (net)	0	
<b>= Gross value added created by the organization</b>	<b>1.747.064,30</b>	<b>68,5%</b>

Source: Own elaboration

As it can be seen, the Gross Value Added is very different from one organization to another. The income generated is higher in MT1 than in MT2 (a proportion of 6 to 1 approximately), as well as the operating expenses (5,90 times higher in MT1 than in MT2). Although the disparity is also evident in the gross value added quantity (9.598.907,11 € to 1.711.214,47 €), the gross value added percentage in relation to the total income is similar (68,0 % to 67,1 %). This entails that the gross value added created by the organization is much higher in MT1 than in MT2 (10.617.140,17 and 1.820.020,22 € respectively), although the percentages remain similar in this case too (68,5 % to 71,4 %). The previous results are testimony to the different dimensions of both organizations, given that MT1 shows much bigger in both revenue and expenditure generation in its business than in MT2.



Once we have obtained the Gross Value Added created by both organizations, it is necessary to calculate the Gross Value Added distributed by the organization to its different agents (work factor, capital factor, state) or retains for itself (value retained by the organization). Again, this data has been taken from the profit and loss account of MT1. Then, by taking the salaries we have calculated the distribution to the work factor, with the financial expenditures we have figured out the distribution to the capital factor (the absence of dividends also determines this result), the taxes paid by the business (the social charges in the profit and loss account) represent the distribution to the state, while the amortization of fixed assets and the part of the profit destined to reserves (the whole profit due to the absence of dividends) represent the gross value retained by the organization. The sum of the previous concepts represents the Total Value Added Distributed by the organization.

**Table 6.22: MT1's Value Added Distributed Statement Season 2017-2018 (indirect or additive methodology) as for the 30th of June of 2018**

		% (over the total value distributed)
<b>Distribution to the work factor</b>	<b>6.220.083,22</b>	<b>58,6%</b>
6a) Salaries [Salaries and Similar Expenditures in Profit and Loss Account – Social contributions paid by workers – Personal income tax]	6.220.083,22	
6c) Provisions for retributions to employees	0	
<b>Distribution to the capital factor</b>	<b>332.206,71</b>	<b>3,1%</b>
<b>Own capital</b>		
Dividends	0	
<b>Foreign capital</b>		
Financial expenditures	332.206,71	
<b>Distribution to the State</b>	<b>3.601.192,80</b>	<b>33,9%</b>
<b>Tax Office</b>		
7b) Taxes	0	
6b) Social security paid by the business ( <i>approximate data given by the club</i> )	1.636.956,00	
6c) Social contributions paid by workers	572.902,40	
6d) Personal income tax	1.391.334,40	
17. Taxes over profits	0	
<b>Retained by the organization</b>	<b>463.657,44</b>	<b>4,4%</b>
Amortization of fixed assets	252.055,85	
Losses of stocks, raw materials and other provisions	0	
Losses, deterioration and variation of provisions as a result of business operations	0	
Excess of provisions	0	
Deterioration of fixed assets	0	
Deterioration of financial instruments	0	
Part of the profit destined to reserves	211.601,59	
<b>TOTAL VALUE ADDED DISTRIBUTED</b>	<b>10.617.140,17</b>	<b>100,0%</b>

**Table 6.23: MT2's Value Added Distributed Statement Season 2017-2018 (indirect or additive methodology) as for the 30th of June of 2018**

		% (over the total value distributed)
<b>Distribution to the work factor</b>	<b>729.364,48</b>	<b>41,7%</b>
6a) Salaries [Salaries and Similar Expenditures in Profit and Loss Account – Social contributions paid by workers – Personal income tax]	729.364,48	
6c) Provisions for retributions to employees	0	
<b>Distribution to the capital factor</b>	<b>73.742,87</b>	<b>4,2%</b>
<b>Own capital</b>		
Dividends	0	
<b>Foreign capital</b>		
Financial expenditures	73.742,87	
<b>Distribution to the State</b>	<b>508.266,18</b>	<b>29,1%</b>
<b>Tax Office</b>		
7b) Taxes	0	
6b) Social security paid by the business ( <i>approximate data given by the club</i> )	220.000,00	
6c) Social contributions paid by workers	67.178,31	
6d) Personal income tax	163.147,32	
17. Taxes over profits	57.940,55	
<b>Retained by the organization</b>	<b>435.690,77</b>	<b>24,9%</b>
Amortization of fixed assets	137.690,05	
Losses of stocks, raw materials and other provisions	0	
Losses, deterioration and variation of provisions as a result of business operations	0	
Excess of provisions	-8.612,87	
Deterioration of fixed assets	0	
Deterioration of financial instruments	0	
Part of the profit destined to reserves	306.613,59	
<b>TOTAL VALUE ADDED DISTRIBUTED</b>	<b>1.747.064,30</b>	<b>100,0%</b>

Source of all previous tables: Own elaboration

Comparing the Tables 6.22 and 6.23 of distributed added value, we will notice that the distribution to the state and to the capital factor present similar proportions in both organizations (33,9% and 3,1% for MT1 and 29,1% and 4,2% for MT2). This is because both clubs do not pay a significant amount of their value added to financial expenses, whereas the inexistence of taxes over profits in MT1 is explained by the fact that the club got to an agreement with the tax authorities to delay payments from previous seasons where the club's operations returned a deficit.

Both MT1 and MT2 distribute the majority of its added value to the work factor through salaries, although in a different proportion (58,6% in MT1 and 41,7% in MT2), the other big difference being the different percentages of added value retained by the organization (4,4% for MT1 and 24,9% for MT2). The difference in both the figure and the proportion of salaries relative to added value can be explained by the different sporting status of both organizations, the salaries being an important predictor of the

competitive strength of a sports club (Barajas & Rodríguez, 2010; Hall et al., 2002). In the case of the value added retained by the organization, the fact that MT2 has had a negative equity and has tried to obtain a profit to offset the losses of previous years can explain the different proportion of value retained by the organization, an aspect that could also be behind the lower proportion of value added distribution through salaries by MT2.

Once we have calculated the concept of value added in both clubs, we will take the following Tables 6.24 and 6.25 with the following data that is necessary to calculate the Social Value with Economic Impact in both clubs:

**Table 6.24: MT1's Main Financial Magnitudes (I) Season 2017-2018**

Description	Indicator	Source	Total Figure
Income	$\sum$ Global sales figure by the organization	Profit and Loss Account	15.495.669,14 €
Salaries	$\sum$ Expenditure in salaries	Profit and Loss Account	9.821.276,02 €
Social Security	$\sum$ Social security paid by the business + Social contributions paid by workers	Value Added Distributed Statement	2.209.858,40 €
Income Tax	$\sum$ Personal income tax	Value Added Distributed Statement	1.391.334,40 €
Value Added Tax (VAT)	$\sum$ (Input tax – Output tax)	Information given by the club	1.638.949,00 €
Taxes	$\sum$ Taxes + Corporate Tax	(Information not disclosed by the club)	X
Result	Profit (or loss) of the year after taxes	Result of the Year (Profit and Loss Account)	211.601,59 €
Value Added	Total Value Added Distributed	Table of Total Value Added Distributed	10.617.140,17 €
Net Salaries	$\sum$ Expenditure in salaries - $\sum$ Expenditure in Social security - $\sum$ Income tax paid	Profit and Loss Account & Value Added Distributed Statement	6.220.083,22 €
Amortizations	$\sum$ Amortization of Fixed Assets	Profit and Loss Account	252.055,85 €
Financial Expenditure	$\sum$ Financial Expenditure	Profit and Loss Account	332.206,71 €

Source: Own elaboration

**Table 6.25: MT2's Main Financial Magnitudes (I) Season 2017-2018**

Description	Indicator	Source	Total Figure
Income	$\sum$ Global sales figure by the organization	Profit and Loss Account	1.285.286,25 €

Salaries	$\sum$ Expenditure in salaries	Profit and Loss Account	1.179.690,11 €
Social Security	$\sum$ Social security paid by the business + Social contributions paid by workers	Value Added Distributed Statement	287.178,31€
Income Tax	$\sum$ Personal income tax	Value Added Distributed Statement	163.147,32 €
Value Added Tax (VAT)	$\sum$ (Input tax – Output tax)	Information given by the club	-75.274,00 €
Taxes	$\sum$ Taxes + Corporate Tax	Financial statements	57.940,55 €
Result	Profit (or loss) of the year after taxes	Result of the Year (Profit and Loss Account)	306.613,59 €
Value Added	Total Value Added Distributed	Table of Total Value Added Distributed	1.747.064,30 €
Net Salaries	$\sum$ Expenditure in salaries - $\sum$ Expenditure in Social security - $\sum$ Income tax paid	Profit and Loss Account & Value Added Distributed Statement	729.364,48 €
Amortizations	$\sum$ Amortization of Fixed Assets	Table of Total Value Added Distributed	137.690,05 €
Financial Expenditure	$\sum$ Financial Expenditure	Profit and Loss Account	73.742,87 €

Source: Own elaboration

The previous tables show that the figures for each concept are very different from one organization to another. As explained previously, MT1 presents a much bigger income than MT2 and hence this fact allows them to pay much higher salaries, thus having a direct effect on the figures of social security and income tax. Although the income tax figures have not been disclosed by MT2, it is evident that the figure in MT1 will be higher than in MT2 given that the gross salaries paid in MT1 are significantly higher than in MT2. The amortizations in both clubs are similar. With all the previous figures, we have obtained the following magnitudes:

**Table 6.26: MT1's Main Financial Magnitudes (II) Season 2017-2018**

Social Security + Income Tax + Value Added Tax (VAT) + Taxes	5.240.141,80 €
Value Added Tax + Value Added	12.256.089,17 €

**Table 6.27: MT2's Main Financial Magnitudes (II) Season 2017-2018**

Social Security + Income Tax + Value Added Tax (VAT) + Taxes	432.992,18 €
Value Added Tax + Value Added	1.671.790,30 €

Source of all previous tables: Own elaboration

The global figure obtained by the sum of the social security, income tax, value added tax and corporate tax in MT1 is 12,10 times higher than the one obtained in MT2. The second magnitude of the following table (Value Added Tax + Value Added) will serve us

later on to calculate the Social Value with Economic Impact, a concept by which we will calculate the Integrated or Global Social Value created by the club. The figure of the magnitude is 7,33 times higher in MT1 than in MT2.

### 6.3.3.2. Calculation of the Value Mobilized by Suppliers for MT1 & MT2

As previously said in Chapter 4, part of the social value is generated through economic or trading operations. Part of this value is created by means of the operations of the organization with suppliers, as suppliers distribute part of the value created by their operations with the organizations analyzed (MT1 and MT2) by way of different concepts (wages, personal income tax, social security payments, and other taxation). In this sense, firstly we have taken all the global magnitudes from the list of suppliers facilitated to us by both clubs, and in this way we have calculated some ratios (or repercussion indexes) that would afterwards serve us to calculate the Value Added created by the operations of the business with suppliers.

As it can be seen, in the first two tables we take the main financial magnitudes of suppliers as for 2018 (like operating income, number of employees, corporate tax, operating profit, salaries, value added, etc.) thanks to the SABI database that tracks the main financial data of the main businesses in Spain and Portugal. Once we have the financial magnitudes, we calculate different ratios that will reflect the proportion of these financial magnitudes in relation to the operating income of suppliers. As it can be seen, firstly the four main concepts (corporate tax, operating profit, salaries and value added) are compared with the global operating income of suppliers. This will allow to obtain the repercussion indexes for all the previous four concepts, and then these repercussion indexes will be employed later on to calculate the value mobilized by suppliers that will be part of the social value with economic impact. In the following tables, the way to calculate suppliers' ratios is explained:

**Table 6.28: MT1's Suppliers Main Financial Magnitudes (I) Season 2017-2018**

Concepts	Total Amount (in thousands €)	Ratio	
Operating Income of Suppliers	38.698.164.226 €		
Number of Employees of Suppliers	147.670 employees		
Corporate Tax paid by Suppliers	882.594.258 €	Repercussion Index of Corporate Tax paid by Suppliers = (Corporate Tax/ Operating Income)	0,023
Operating profit paid by Suppliers	6.131.416.015 €	Repercussion Index of Operating Profit paid by Suppliers = (Operating Profit/ Operating Income)	0,158

Salaries paid by Suppliers	5.585.510.796 €	Repercussion Index of Salaries paid by Suppliers = (Salaries/ Operating Income)	0,144
Value Added created by Suppliers	15.482.329.411 €	Repercussion Index of Value Added paid by Suppliers = (Value Added/ Operating Income)	0,400

Repercussion Indexes	Results
Salaries	0,144 €
Value Added	0,400 €
Operating Profit	0,158 €
Corporate Tax	0,023 €

**Table 6.29: MT1's Suppliers Main Financial Magnitudes (II) Season 2017-2018**

Concept	Formula	Concept
Average Salary Cost by Suppliers	(Salaries/ Number of Employees) * 1000	37.824.276 €
Average Gross Salary by Suppliers	Average Salary Cost – (Average Salary Cost * 30% -Average Income Tax in Spain in 2018 -)	26.476.993,01 €

**Table 6.30: MT2's Suppliers Main Financial Magnitudes (I) Season 2017-2018**

Concepts	Total Amount (in thousands €)	Ratio	
Operating Income of Suppliers	1.927.495.770 €		
Number of Employees of Suppliers	5.654 employees		
Corporate Tax paid by Suppliers	23.620.159 €	Repercussion Index of Corporate Tax paid by Suppliers = (Corporate Tax/ Operating Income)	0,012
Operating profit paid by Suppliers	93.590.274 €	Repercussion Index of Operating Profit paid by Suppliers = (Profit of the year after taxes/ Operating Income)	0,049
Salaries paid by Suppliers	242.811.178 €	Repercussion Index of Salaries paid by Suppliers = (Salaries/ Operating Income)	0,126
Value Added created by Suppliers	505.724.808 €	Repercussion Index of Value Added paid by Suppliers = (Value Added/ Operating Income)	0,262

Repercussion Indexes	Results
Salaries	0,126 €

Value Added	0,262 €
Operating profits	0,049 €
Corporate Tax	0,012 €

**Table 6.31: MT2's Suppliers Main Financial Magnitudes (II) Season 2017-2018**

MT2 SEASON 2017/2018 – MAIN FINANCIAL MAGNITUDES OF SUPPLIERS (II)		
Concept	Formula	Concept
Average Salary Cost	(Salaries/ Number of Employees) * 1000	42.945.026 €
Average Gross Salary	Average Salary Cost – (Average Salary Cost * 30%)	30.061.518,38 €

Source of all previous tables: Own elaboration

All the ratios show bigger figures in MT1 than in MT2. All the magnitudes analyzed (salaries, value added, operating profits and corporate tax) are much bigger in MT1 than in MT2, as well as the operating income. This is translated into bigger repercussion indexes for MT1 than for MT2, with 0,144 € of salaries, 0,400 € value added, 0,158 € operating profits and 0,023 € corporate tax per 1 € of operating income in MT1. In MT2, the figures are lower, with 0,126 € of salaries, 0,262 € value added, 0,049 € operating profits and 0,012 € corporate tax per 1 € of operating income in MT2. This means that the money in MT1 will have a bigger multiplier effect in MT1 than in MT2.

Once we have obtained the main repercussion indexes, our intention is to calculate the Value Added created indirectly through our economic operations with our Suppliers, by taking a similar approach than in the calculation of the Value Added created by the clubs, the difference being that in this case we will take into account the previous repercussion indexes and different proxy-s that reflect the Spanish context (like the average income tax in Spain is worth 30% of the gross salary, the VAT applied is worth 21% of the value of goods and the total proportion from Salaries paid to Social Security is 28% in Spain).

**Table 6.32: MT1's Suppliers Main Financial Magnitudes (III) Season 2017-2018**

Description	Indicator	Source	Total Figure (in thousand)
Purchase to Suppliers	$\sum$ Expenditure in Suppliers + External Services	Profit and Loss Account	4.951.762,03 €
Salaries induced to Suppliers	$\sum$ Purchase to Suppliers * Repercussion Index of Salaries	Global data from MT1 Suppliers	714.714,01 €
Social Security induced to Suppliers	( $\sum$ Salaries of Suppliers) * Proxy of Social Security in Spain (28%)	Global data from MT1 Suppliers	200.119,92 €
Income Tax induced to Suppliers	( $\sum$ Salaries of Suppliers) * Proxy of Income Tax in Spain (30%)	Global data from MT1 Suppliers	214.414,20 €
Value Added Tax (VAT) induced to Suppliers	$\sum$ Purchase to Suppliers * Repercussion Index of Value Added * Proxy of Value Added Tax in Spain (21%)	Global data from MT1 Suppliers	416.030,34 €

Taxes induced to Suppliers	$\sum$ Purchase to Suppliers * Repercussion Index of Corporate Tax by Suppliers	Global data from MT1 Suppliers	112.935,51 €
Results induced to Suppliers	$\sum$ Purchase to Suppliers * Repercussion Index of Operating Profit by Suppliers	Global data from MT1 Suppliers	784.567,27 €
Value Added induced to Suppliers	$\sum$ Purchase to Suppliers * Repercussion Index of Value Added by Suppliers	Global data from MT1 Suppliers	1.981.096,84 €
Net Salaries induced to Suppliers	Salaries induced to Suppliers – (Social Security induced to Suppliers + Income Tax induced to Suppliers)	Global data from MT1 Suppliers	300.179,89 €

**Table 6.33: MT1's Suppliers Main Financial Magnitudes (IV) Season 2017-2018**

Induced values to Suppliers	Total Result
Social Security + Income Tax + Value Added Tax (VAT) + Taxes	943.499,97 €
Value Mobilized by Suppliers = Value Added + Value Added Tax (VAT)	2.397.127,18 €

**Table 6.34: MT2's Suppliers Main Financial Magnitudes (III) Season 2017-2018**

Description	Indicator	Source	Total Figure (in thousand)
Purchase to Suppliers	$\sum$ Expenditure in Suppliers + External Services	Profit and Loss Account	911.732,16 €
Salaries induced to Suppliers	$\sum$ Purchase to Suppliers * Repercussion Index of Salaries	Global data from MT2 Suppliers	114.853,05 €
Social Security induced to Suppliers	( $\sum$ Salaries induced to Suppliers) * Proxy of Social Security in Spain (28%)	Global data from MT2 Suppliers	32.158,85 €
Income Tax induced to Suppliers	( $\sum$ Salaries induced to Suppliers) * Proxy of Income Tax (30%)	Global data from MT2 Suppliers	34.455,91 €
Value Added Tax (VAT) induced to Suppliers	$\sum$ Purchase to Suppliers * Repercussion Index of Value Added * Proxy of Value Added (21%)	Global data from MT2 Suppliers	50.235,11 €
Taxes induced to Suppliers	$\sum$ Expenditure in Suppliers * Repercussion Index of Corporate Tax by Suppliers	Global data from MT2 Suppliers	11.172,66 €
Results induced to Suppliers	$\sum$ Expenditure in Suppliers * Repercussion Index of Operating Profit by Suppliers	Global data from MT2 Suppliers	44.269,49 €
Value Added induced to Suppliers	$\sum$ Expenditure in Suppliers * Repercussion Index of Value Added by Suppliers	Global data from MT2 Suppliers	239.214,83 €
Net Salaries induced to Suppliers	Salaries induced to Suppliers – (Social Security induced to Suppliers)	Global data from MT2 Suppliers	48.238,28 €



	Suppliers + Income Tax induced to Suppliers)		
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**Table 6.35: MT2's Suppliers Main Financial Magnitudes (IV) Season 2017-2018**

Induced values to Suppliers	Total Result
Social Security + Income Tax + Value Added Tax (VAT) + Taxes	128.022,54 €
Value Mobilized by Suppliers = Value Added + Value Added Tax (VAT)	289.449,94 €

Source of all previous tables: Own elaboration

The results show that the Value Mobilized by Suppliers in MT1 is 8 times bigger than in MT2. The fact that the expenditure of suppliers and the ratios are higher is very important in this regard. The figure of salaries induced to suppliers in MT1 is 6 times the figure in MT2, having a direct effect on both the social security and income tax to suppliers, that are significantly bigger in MT1 too. The sum of social security, income tax and the VAT and corporate tax induced to suppliers is 7,3 times bigger in MT1 than in MT2 (943.499,97 € to 128.022,54 €). Finally, the results show a much bigger Value Mobilized by Suppliers in MT1 than in MT2 (2.397.127,18 € to 289.449,94 €). This, in turn, will have a significant effect when calculating the social value with economic impact and thus the integrated value.

#### **6.4. Calculation and Presentation of Results for MT1 & MT2**

In the previous tables, we have reflected the social value creation in both MT1 and MT2, divided into the different magnitudes that we have been referring to in this chapter. Now, we will calculate the Integrated Social Value of both clubs for seasons 2017-2018, taking into account both the social value with economic impact and the specific or non-market social value created by both clubs. As it can be seen, the social value with economic impact is made up of the following figures: the combination of Value Added and VAT created by the organizations, the indirect value created through the activity with suppliers, and the value mobilized by clients (in other words, the global sales figure by the clubs obtained from the profit and loss account of the season). This social value with economic impact will then be added to the specific social value created to stakeholders, and in this way we will obtain the integrated social value.

However, we must be wary of the fact that for the integrated social value to be a more trustworthy and reliable magnitude, we have to deduct both the public funding received by the club during the season and the duplications of value that have been quantified in both social value with economic impact and specific social value. In this way, we will obtain a net integrated social value free of both concepts that can distort the results in some way. This method of calculation will be used in both clubs equally.

When it comes to calculate the duplications of value in MT1, the identified duplications have been the 3.I and 3.K concepts from specific social value. In the case of 3.I, the value created by the club to 300 playful players who play in the basketball school of MT1 is already reflected in both the value mobilized by clients and the specific social value. This is also the case of concept 3.K that represents the different campuses for children and teenagers who want to play and learn basketball while also doing other activities. Concerning the public funding received, the city council and the province government have given to the club 945.000 € in total for the 2017-2018 season, according to the official information by both public institutions.

**Table 6.36: MT1 Duplications and Public Funding Received (2017-2018 Season)**

CONCEPTS	TOTAL FIGURE
DUPLICATION: 3.I CONCEPT OF SPECIFIC SOCIAL VALUE	114.000,00 €
DUPLICATION: 3.K CONCEPT OF SPECIFIC SOCIAL VALUE	197.600,00 €
TOTAL DUPLICATIONS IN MT1 (SUM OF PREVIOUS CONCEPTS) =	311.600,00 €
PUBLIC FUNDING RECEIVED DURING THE 2017-2018 SEASON	945.000,00 €

**Table 6.37: MT1 Social Value Results Season 2017-2018**

CONCEPTS	TOTAL FIGURE
+ (VALUE ADDED + VAT)	12.256.089,17 €
+ VALUE MOBILIZED BY SUPPLIERS	2.397.127,18 €
+ VALUE MOBILIZED BY CLIENTS	15.495.669,14 €
= SOCIAL VALUE WITH ECONOMIC IMPACT	<b>30.148.885,49 €</b>
+ SPECIFIC SOCIAL VALUE	<b>2.236.344,00 €</b>
= INTEGRATED SOCIAL VALUE	<b>32.385.229,49 €</b>
- PUBLIC FUNDING	-945.000,00 €
- DUPLICATIONS	-311.600,00 €
= NET INTEGRATED SOCIAL VALUE	<b>31.128.629,49 €</b>

**Table 6.38: MT1 Social Value Ratios Season 2017-2018**

Financial Profit or Economic Value (Season 2017-2018)	211.601,59 €
Public Funds Received by MT1 (Season 2017-2018) – Data Obtained From Public Administrations –	945.000,00 €
Club’s Budget (Income of The Season 2017-2018)	15.495.669,14 €
Revenues from Season Ticketholders (Season 2017-2018)	1.746.555,00 €
Box Office Revenues (Season 2017-2018)	1.690.825,00 €
Approximate Sponsor Revenues of the Season (9 % of The Club’s Budget On Season 2017-2018)	1.394.610,22 €
Social Value Created To Clients (Sum of the Previous Three Concepts)	4.831.990,22 €

Integrated Specific Social Value (Social Value Created to Clients + Specific Social Value)	7.068.334,22 €
RATIO	
Economic value/ Public funding	22,39 %
Economic value/ Club's budget	1,37 %
Specific social value/ Public funding	236,65 %
Specific social value/ Club's budget	14,43 %
Integrated specific social value/ Public funding	747,97 %
Integrated specific social value/ Club's budget	45,61 %
Social value with economic impact/ Public funding	3190,36 %
Social value with economic impact/ Club's budget	194,56 %
Integrated social value / Public funding	3427,01 %
Integrated social value/ Club's budget	209,00 %
Net integrated social value/ Public funding	3294,03 %
Net integrated social value/ Club's budget	200,89 %

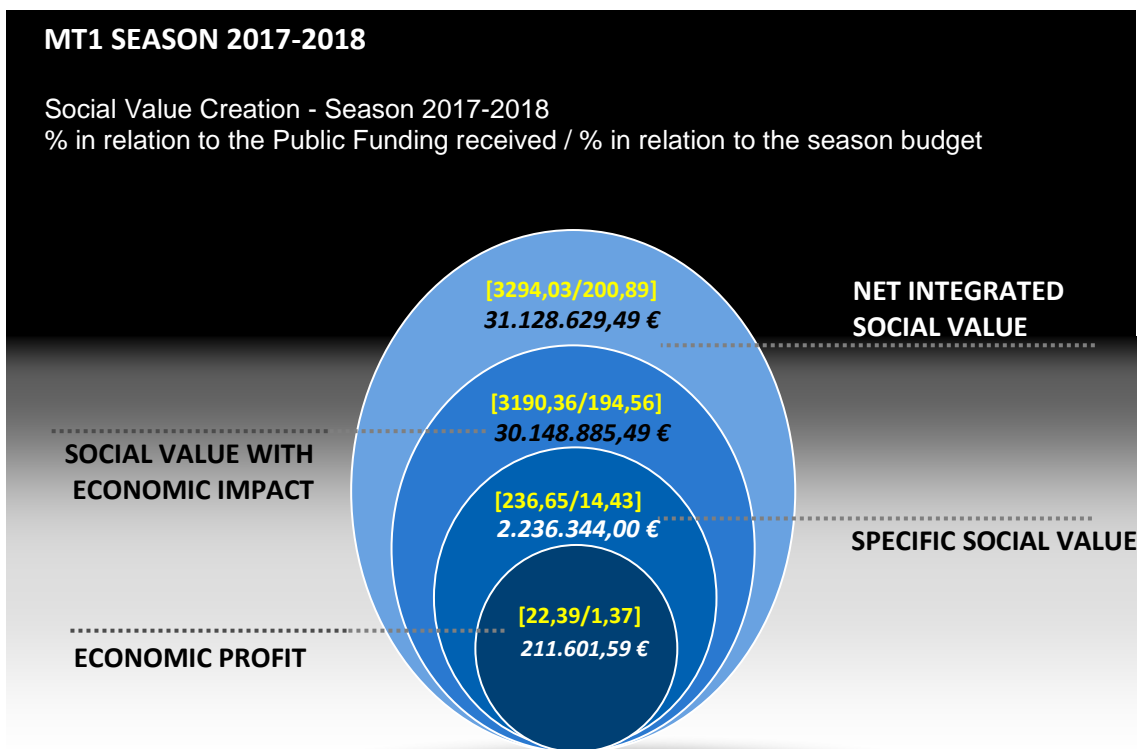
Source of all previous tables: Own elaboration

In the case of MT1, their creation of specific social value is 7 times superior to their economic profit of the year. As mentioned earlier in the description of specific social value, the high perceptions of value from Public Administrations, Employees, and Communities and Social Agents are the key to understand this figure. Concerning the social value with economic impact, the high value created to clients and the value added obtained mean that the social value with economic impact is 13 times superior to the specific social value created. Concerning the net integrated social value, the total figure is almost 147 times the economic value. As it can be seen, the proportion of social value created is much higher than the economic value, a magnitude that in itself accounts for a limited proportion of the holistic value created by the organization.

As regards the ratios obtained, we can find that the Specific Social Value is more than 2 times superior to the public financing received during the season (236,65 %, more precisely) but only represents 14,43 % of the total budget. For the purposes of the ratio, we have coined a new concept, the integrated specific social value, that combines the specific social value with all the social value created to clients (payments from sponsors, season ticketholders and box office revenues). The ratios show that the integrated specific social value is 7,47 times superior to the public funding received (747,97 %) but covers only 45,61 % of the season's budget. Concerning the social value with economic impact, the ratios are even more noticeable, since the total figure represents an even bigger proportion in relation to the public financing received (3190,36 %) and the club's season budget (194,56 %). Concerning the integrated social value and the net integrated social value (deducting the public funding), it follows the trend of the previous case, by totaling two ratios that amply surpass both the clubs' public financing received (3427,01 % and 3294,03 % respectively) and the budget (209,00 % and 200,89 % respectively). The economic value's ratios, in this case, pale into insignificance in comparison with the previous social value magnitudes (22,39 % in relation to the club's public financing and 1,37 % in relation to the club's budget).

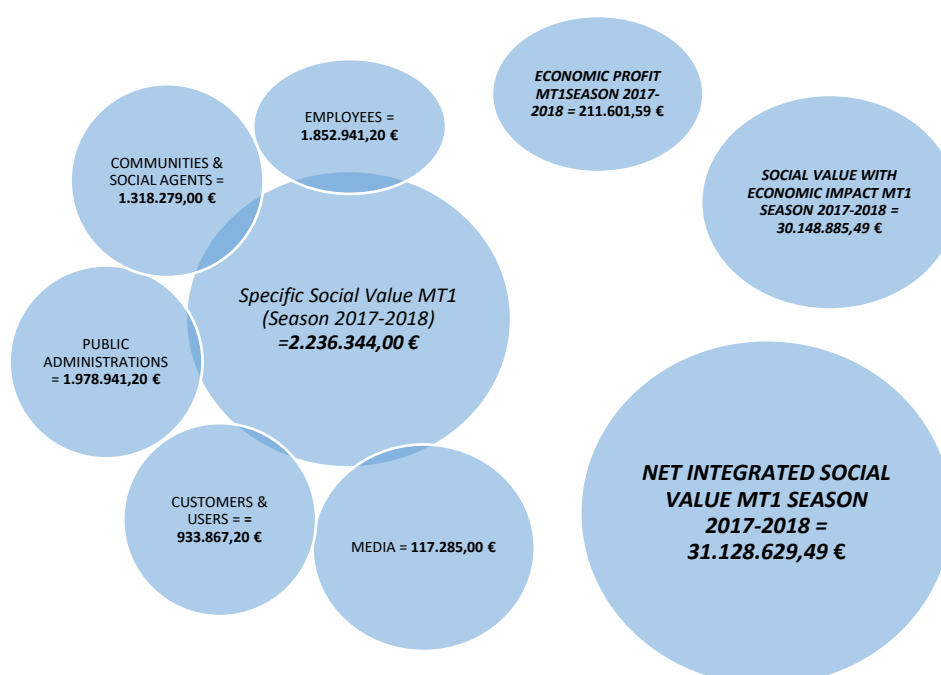
In MT1, the result of the ratio between specific social value and the budget is below 100%, totaling 14,43 %. Concerning the ratio between the net integrated social value and the club's budget is around 200 %, and in the net and the gross integrated social value the ratio is equal to 209,00% and 200,89 %. As it can be seen, the net integrated social value is twofold the budget of the club, whereas in the case of specific social value the specific social value is on the region of the 15 % of the budget. In the case of MT1, one of the possible reasons of this situation could be that the emotional value might complement part of the specific social value (although we have not been able to measure the emotional value like in MT2 for the reasons stated previously) and that MT1 creates social value mainly by market magnitudes.

**Figure 6.3: SPOLY Methodology – MT1**



Source: Own elaboration

**Figure 6.4: Social Value Creation Perspective – MT1**



Source: Own elaboration

Concerning the calculations for MT2, when it comes to calculate the duplications of value, the identified duplications have been the 3.G and 3.H concepts from specific social value. As in the case of MT1, the value created by the club to the children and teenagers who play in the basketball school of MT2 is already reflected in both the value mobilized by clients and the specific social value, in the 3.G concept. This is also the case of concept 3.H that represents the different for the value created to children and teenagers who participate in the campuses that MT2 organizes on holidays for them. Concerning the public funding received by the club, the city council and the province government have given to the club 1.108.000 € for the 2017-2018 season according to the official information by both public institutions.

**Table 6.39: MT2 Duplications and Public Funding Received (2017-2018 Season)**

CONCEPTS	TOTAL FIGURE
DUPLICATION: 3.G CONCEPT OF SPECIFIC SOCIAL VALUE	13.685,00 €
DUPLICATION: 3.H CONCEPT OF SPECIFIC SOCIAL VALUE	14.500,00 €
TOTAL DUPLICATIONS IN MT1 (SUM OF PREVIOUS CONCEPTS) =	28.185,00 €
PUBLIC FUNDING RECEIVED DURING THE 2017-2018 SEASON	1.108.000,00 €

**Table 6.40: MT2 Social Value Results Season 2017-2018**

CONCEPTS	TOTAL FIGURE
+ (VALUE ADDED + VAT)	1.671.790,30 €
+ VALUE MOBILIZED BY SUPPLIERS	289.449,94 €
+ VALUE MOBILIZED BY CLIENTS	1.285.286,25 €

= SOCIAL VALUE WITH ECONOMIC IMPACT	<b>3.246.526,49 €</b>
+ SPECIFIC SOCIAL VALUE	<b>655.339,30 €</b>
= INTEGRATED SOCIAL VALUE	<b>3.901.865,79 €</b>
- PUBLIC FUNDING	-1.108.000,00 €
- DUPLICATED VALUE	-28.185,00 €
= NET INTEGRATED SOCIAL VALUE	<b>2.765.680,79 €</b>

**Table 6.41: MT2 Social Value Ratios Season 2017-2018**

Financial Profit or Economic Value (Season 2017-2018)	306.613,59 €
Public Funds Received by MT2 (Season 2017-2018) – Data Obtained From Public Administrations –	1.108.000,00 €
Club’s Budget (Income of The Season 2017-2018)	2.549.990,71 €
Revenues from Season Ticketholders (Season 2017-2018)	200.000,00 €
Box Office Revenues (Season 2017-2018)	75.000,00 €
Approximate Sponsor Revenues of the Season (9 % of The Club’s Budget On Season 2017-2018)	950.000,00 €
Social Value Created To Clients (Sum of the Previous Three Concepts)	1.225.000,00 €
Integrated Specific Social Value (Social Value Created to Clients + Specific Social Value)	1.880.339,30 €
RATIO	
Economic value/ Public funding	27,67 %
Economic value/ Club’s budget	12,02 %
Specific social value/ Public funding	59,14 %
Specific social value/ Club’s budget	25,69 %
Integrated specific social value/ Public funding	169,70 %
Integrated specific social value/ Club’s budget	73,73 %
Social value with economic impact/ Public funding	293,01 %
Social value with economic impact/ Club’s budget	127,31 %
Integrated social value / Public funding	352,15 %
Integrated social value/ Club’s budget	153,01 %
Net Integrated social value / Public funding	249,61 %
Net Integrated social value/ Club’s budget	108,46 %

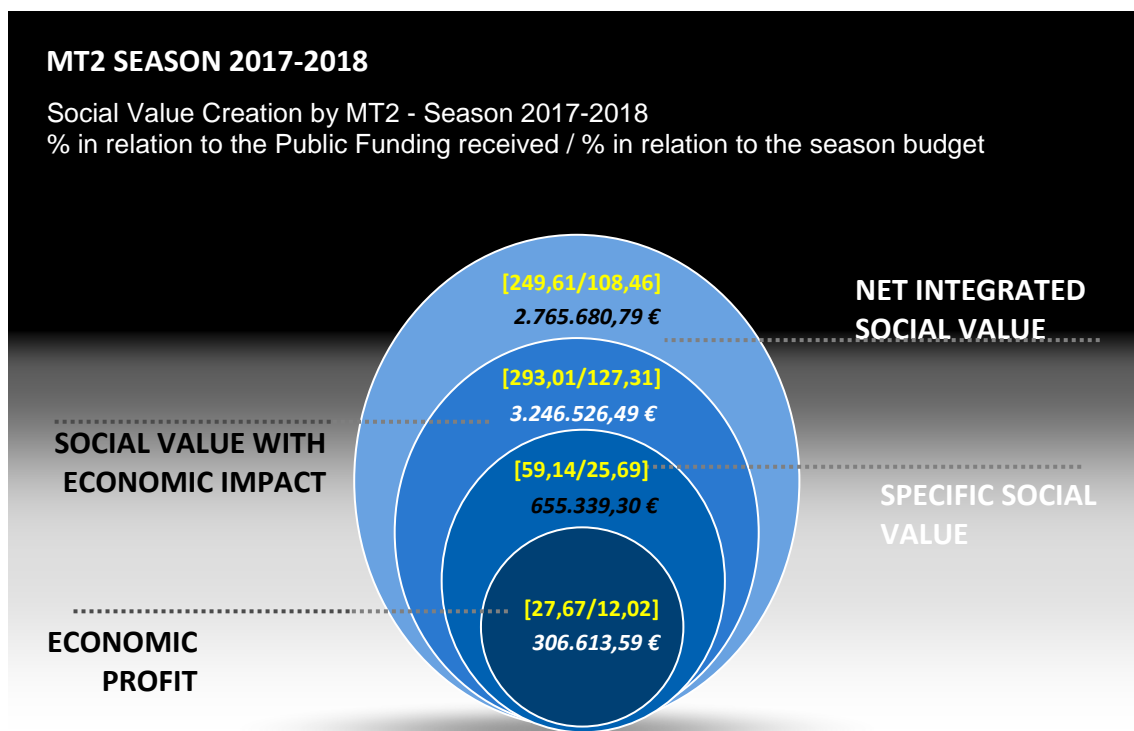
Source of all previous tables: Own elaboration

In the case of MT2, the figures are not as big as in MT1. The disparity in the competitive level between both clubs, as one of MT1 belongs to the European elite whereas MT2 is a team under threat of relegation to the second division, can be an important factor to explain these results, given that MT1 plays more matches than MT2 during the season, thus driving up both their social value with economic impact by means of more revenues from sponsors, ticketing and TV deals, and also other parts of specific social value, namely the value created to the media through more interest by advertisers in those spaces dedicated to the club’s information in both newspapers and radio stations. In MT2, the specific social value figure is 2 times superior to their economic profit of the year. The highest value perception figures come from Public Administrations, Communities and Social Agents, and Customers and Users. Concerning the social value with economic impact, it is almost 5 times superior to the specific social value created. Concerning the net integrated social value, it is 9 times the economic value. As in MT1,

the proportion of social value created is higher than the economic value, reinforcing the argument that economic value cannot by itself explain the total value created by the organization.

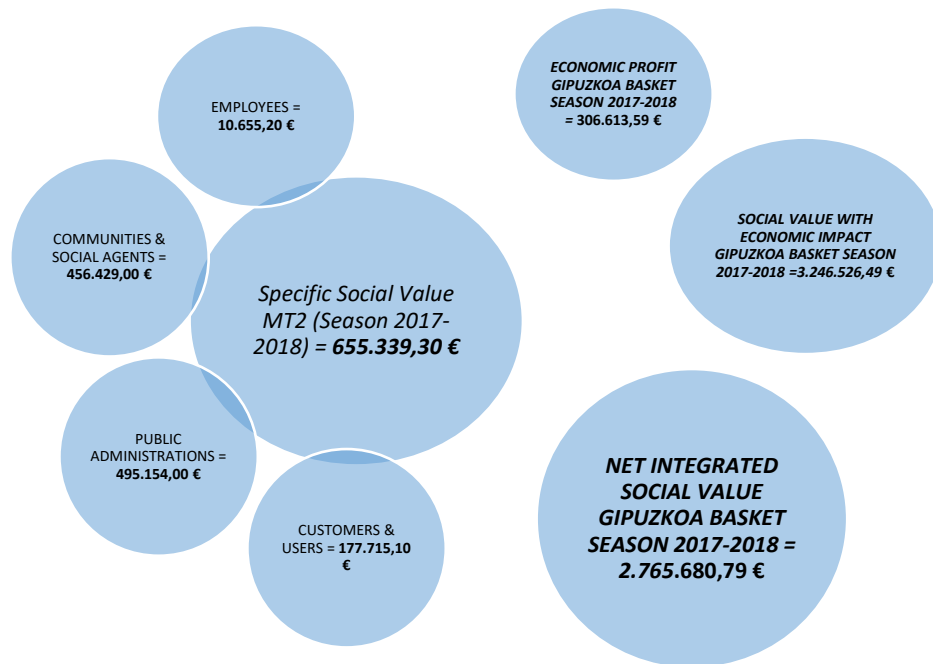
Concerning the ratios, the Specific Social Value is 59,14% of the public financing (236,65% in MT1) and 25,70% of the total budget (14,43% in MT2). In the case of public financing, the ratio is significantly lower than in MT1, and although the ratio with the total budget is higher, it does not represent a huge improvement in comparison to MT1. Regarding the integrated specific social value, it is 169,70% of the public funding received (747,97% in MT1) and 73,73% of the club’s budget (45,61% in MT1). For the social value with economic impact, it is 293,01% in relation to the public funding (3190,36% in MT1) and 127,31% of the club’s season budget (194,56% in MT1). In the case of the integrated social value and the net integrated social value, it follows the trend of the previous case, as both ratios score more than 100% of the public funding (352,15% and 249,61% respectively, when in MT1 the ratio was 3427,01% and 3294,03%) and the budget (153,01% and 108,46%, whereas in MT1 the values were 209,00% and 200,89 % respectively). The economic value’s ratios, in this case, pale into insignificance in comparison with the previous social value magnitudes (27,67% for club’s public financing -22,39% for MT1- and 12,02 % in relation to the club’s budget - 1,37% for MT1-). As it can be seen, in general both organizations results show clear differences in absolute and relative terms in both market and non—market social value creation.

Figure 6.5: SPOLY Methodology – MT2



Source: Own elaboration

**Figure 6.6: Social Value Creation Perspective – MT2**



Source: Own elaboration

The graphs in both organizations show that the holistic value of professional basketball clubs is made up of different elements. We first have the specific social value created to each stakeholder, then we have the total sum of specific social value, and finally we have the social value with economic impact. The sum of both the specific social value and the social value with economic impact lead to the integrated social value created by the organization.

## 6.5. Conclusions

The main conclusion from this chapter is that the adapted SPOLY Methodology has been successfully applied to two professional basketball clubs. The application of the designed and adapted SPOLY Methodology has shown that the both clubs create a holistic social value that can be monetized. The results indicate that economic value by itself is not sufficient to explain the entire value creation by the professional basketball clubs, and that the concept of integrated social value can be a good way to integrate both non-market and market dimensions of value creation to stakeholders like communities and social agents, customers and users, public administrations, the media, suppliers, employees and sporting competitions, apart from shareholders. The process followed has gone on to show that the interaction and cooperation of the stakeholders between themselves and with the club is a very important tool for these organizations to continue creating social value.



This chapter has followed the process started in previous Chapter 5, where the stakeholder map was created on the basis of Bryson's methodology and confirmed by the answers of the core stakeholders identified, with a meticulous process where firstly the specific value variables have been determined on the basis of the answers of stakeholders from Chapter 5, with a validation process from 13 sports management experts, both professionals and academics. The majority of the marks given by the sports management experts in question have surpassed the minimum mean of 3,50 to consider the indicator or proxy valid. 14 out of the 19 indicators were validated straight away as they obtained a mean of 3,50 or more, while the rest obtained a mean between 3,00 and 3,50, meaning that they were analyzed to check whether they could be improved in any way. Regarding the proxy-s, 16 out of the 19 indicators were approved after obtaining the minimum mean of 3,50, 2 other indicators were checked again given that they obtained a mean between 3,00 and 3,50, and one of the indicators that obtained a mean below 3,00 was removed and replaced by another indicator proposed by the experts. The process of validation of the outputs and proxy-s makes the previous process more robust methodologically, and the findings more credible and trustworthy.

One of the value dimensions that was identified in the previous Chapter 5 was the emotional value created by the clubs to their stakeholders. The majority of stakeholders told us during the interviews that the club was creating a social value to them, and that this was in some cases the main driver to keep on supporting the club in spite of difficult times. In order to gain deeper knowledge about the importance of emotional value for fans in professional basketball clubs and their satisfaction towards these organizations, a SERVQUAL questionnaire has been conducted in MT2. The results of the questionnaire have been satisfactory, with a general perception of satisfaction from fans towards the service that they are offered by the club. The results also show that 84,34 % of the respondents think that the emotional value that the club creates is at least equally important to the economic value and 69,20 % believe that the emotional value is more important than financial value. Although we remain prudent, we stress that the effort of adaptation of the questionnaire to the reality of professional sport clubs and the sample of respondents (185 respondents) have been important to reflect the importance of emotional value for fans, in line with the findings of Chapter 5.

Another important conclusions of the chapter is that both clubs create social value to their stakeholders, although in a different scale. Whereas MT1 has created, according to our calculations, the ratio between specific social value and the public funding is worth 236,65% in MT1 and 59,15% in MT2, and the ratio between specific social value and the budget is worth 14,43% in MT1 and 25,70% in MT2. For the social value with economic impact, it is 3190,36% in MT1 and 293,01% in MT2 in relation to public funding and 194,56 % in MT1 and 127,32 % in MT2 in relation to the club's season budget. In the case of the net integrated social value, the results are 3294,03% in MT1 and 249,61% in MT2 in relation to public funding, whereas in relation to the club's budget it is 200,89% in the case of MT1 and 108,46% in MT2. The different size, sporting objectives and social repercussion of the activity might explain the superior ratios of MT1 in comparison to MT2.

In conclusion, we believe that the results of this chapter, in conjunction with those results obtained in Chapter 5, have gone on to show that both professional basketball clubs have an eminently social character, and that the dynamic of social value creation they pursue considers the need of mutual interdependence between the stakeholders and the clubs, and that the economic value they create is a means to create more social value to stakeholders, and not an end by itself. The entire application of the adapted SPOLY Methodology into professional basketball clubs has shown that professional basketball clubs in the Spanish and European context are social organizations and that they are intrinsically stakeholder-oriented, in line with the idea defended by other works in the literature (Chen & Subijana, 2012; Morrow, 2000).

## CHAPTER 7: CONCLUSIONS & CONTRIBUTIONS OF THE RESEARCH

### SUMMARY

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### 7. CONCLUSIONS & CONTRIBUTION OF THE RESEARCH

In this last chapter, the most important conclusions about the Thesis will be presented, as well as the main limitations and the future research lines that can be developed due to this research. In this regard, this research contributes to the field of stakeholder theory and its relationship with sports management, from a perspective that has not been sufficiently treated; that of the monetization of social value created to stakeholders by professional basketball clubs, therefore this is why we consider this research to be the first step of a long way forward. This work has proved the eminent social character and stakeholder orientation of professional basketball clubs in Spain. Despite the differences between the organizations analyzed, it has been shown that both clubs create social value to a wide range of stakeholders and that the existence of this value is the main key that explains the activity of these organizations and their relationship with stakeholders.

#### 7.1. Conclusions

In the introduction chapter we established six secondary objectives that would serve to answer the main objective of the research. In the following section, the main answers to the different research secondary objectives will be answered:

Secondary Objective 1 – Analyze the characteristics of Spanish professional basketball and compare them with European and American models.

**Conclusion 1.** The situation of American and European professional sport leagues are very different and determine decisively the philosophy of the competition and the participating teams. Whereas the American main basketball league is a closed league where promotion and relegation does not exist and where leagues put in place redistribution mechanism to try to foster competitive balance (like a salary cap for all the teams, a draft system for young players and a redistribution of revenues), the European national competitions (among which we can find the Spanish ACB League) present an open system where promotions and relegations are the norm and where redistribution mechanisms between stronger and weaker teams are not usual.

Apart from the previous characteristics, the European basketball leagues are characterized by a more active role in the formation of young players (whereas in the USA professional teams tend to recruit directly from US college system), and a bigger identification with the territory, team relocations being rare in the European framework. Moreover, European professional basketball clubs do follow a win-maximization objective, in comparison to the NBA where teams tend to pursue a profit maximizing objective.

**Conclusion 2.** The legal changes in Spanish professional basketball competitions undertaken in the 1980-s decade have had a crucial influence in the legal and economic framework of Spanish professional basketball clubs. Clubs are obliged to consider more strongly their financial situation and their legal structure if they want to take part in the elite, as the governing bodies have increasingly put in place more stringent conditions to ensure that the teams present an adequate professional structure and respect their legal and financial obligations, with the objective that professional competitions offer a better product to the public and ensure fair competition.

**Conclusion 3.** The Spanish and European professional basketball business model suffers from a financial loss on a yearly basis. This deficit is generally covered by private investors and public administrations that seek to invest in basketball for reasons not directly related to financial profit. Reasons like prestige, passion, promotion of the city and region, support of sporting values, synergy effects or the importance of clubs' rivalries are among the reasons why previous agents would be willing to invest in professional basketball clubs in Europe. This circumstance goes on to show that the European professional basketball clubs' present a non-profit orientation that determines their mission and personality, as well as their objectives and relationships with stakeholders.

Secondary Objective 2 – Define the concept of value from an ample perspective that will allow considering different stakeholders to whom the organizations create value.

**Conclusion 4.** Thanks to the cooperation between different actors, professional basketball clubs create value for their stakeholders. In the case of the sporting leagues and federations, the cooperation between clubs is a necessary condition to organize a competition between teams, thereby representing a dynamic of value creation based on "coopetition" that is characteristic in professional sport. Concerning the media, the mutual cooperation between the media and the clubs can be beneficial for both parties, as the club will benefit from more exposure to the public and the media will likely get more readers. With respect to the public administrations, they can build a positive relationship with these organizations if clubs promote both positive social messages and the region or city where they play. All these aspects, among others, show the particular dynamics of value creation of these companies.

**Conclusion 5.** Professional sport clubs present a particular dynamic of value creation not directly related to financial aspects. The psychological and emotional attachment of fans and social communities, the positive messages that a club can send to its environment

like the respect to the rules or the need to adopt healthy habits through sport and the non-discrimination towards gender or racial issues, and the increase in social cohesion can be determinant aspects by which professional sport clubs can create a wider value to the different stakeholders that make up the organization.

**Conclusion 6.** The concept of value, long considered to be mainly associated to economic magnitudes like profit or income, is a complex concept. In our investigation, a more holistic conception of value is defended, one that encompasses utility created by social assets generated by the organization (in this case, the professional basketball clubs) to their stakeholders, considering that social assets are those elements perceived by stakeholders that provide them with well-being or discomfort by way of both economic and non-economic aspects.

Secondary Objective 3 – Make a critical revision of the different social value quantification methodologies and choose the best one to monetize the social value of professional basketball clubs.

**Conclusion 7.** The methodologies considered and analyzed for social value measurement have been the Economy of the Common Good, Global Reporting Initiative (GRI), B Impact Assessment (BIA), Capacity Index (IC) Model, Social Return on Investment (SROI) and SPOLY Methodology. Our intention was to choose that methodology that focused on the monetization of social value and that considered an integration of both economic and non-economic value dimensions, adopting an holistic perspective.

The Balance of Common Good, although taking into account the perspective of different stakeholders, does not monetize social value. GRI, although offering an interesting analysis for assessing reporting practices according to their scope and quality, does not monetize the social value neither. The previous problem is also evident in BIA, as it quantifies the social impact for stakeholders but does not monetize social impact in question. IC Model, although monetizing the impacts of the company, does only evaluate the generation of capacities of the recipients of a program, and not specific outputs during a year as we are interested. In the case of SROI, although being a methodology that monetizes impacts, it does only monetize the social impact of an organization considering all the outputs created by an investment.

**Conclusion 8.** Although all of the previous methodologies present interesting insight and perspectives into the analysis of social value, we have chosen SPOLY Methodology for its focus on monetization of social value and its holistic perspective based on the integration of both economic and non-economic value dimensions. However, a process of adaptation of the SPOLY Methodology has been necessary in order to design and apply the adapted SPOLY Methodology into the professional basketball clubs, by way of the confirmation of the stakeholder map of these organizations due to the answers of the stakeholders in the interviews that confirmed that they perceived a social value out of the activity of the organizations, and the approval given by experts to the majority of the specific social value outputs and proxy-s that were identified throughout the

process. The successful implementation and adaptation of the SPOLY Methodology into the clubs have increased the robustness and validity of the results obtained afterwards.

Secondary Objective 4 – Identify the stakeholders to whom professional basketball clubs are creating social value.

**Conclusion 9.** Professional basketball clubs create value to a wide range of stakeholders. In this regard, the stakeholder map of these organizations presents certain differences with respect to non-sport companies. The stakeholders of professional basketball clubs can be divided in three types: those stakeholders that are similar to the stakeholders of non-sport companies (employees and suppliers), those stakeholders who are both similar to and distinct from the stakeholders of non-sport companies (shareholders, customers and users, and communities and social agents) and the stakeholders who do not have any similarity with stakeholders of non-sport companies (media, sporting associations and public administrations).

**Conclusion 9.1.** Regarding the stakeholders that are similar to the stakeholders of non-sport companies, we have the employees, where there seems to be a division between administrative workers and those that work in the production of the good or the service in question, in this case the sporting staff, the only exception being the important role of volunteers in professional basketball clubs. Regarding suppliers, the relationship is focused on the exchange of goods or services in exchange of money, like in non-sport organizations.

**Conclusion 9.2.** There are also those stakeholders of professional basketball clubs that share similarities and differences with those of non-sport companies. Firstly, although shareholders need to pay a quantity of money for buying shares of the club, they tend to make this investment for emotional reasons related to loyalty towards the organization rather than for financial gain. Customers and users, like shareholders, do also feel a loyalty towards the club not seen in other non-sport organizations. The bond between clubs and their surrounding communities and social agents is defined by the origins in the community of the club and the eminently social character of these organizations. As it can be seen, the distinctive aspects of these stakeholders in professional basketball clubs is the strong emotional value that they perceive.

**Conclusion 9.3.** Regarding the distinctive stakeholders for professional basketball clubs, the activity of professional basketball clubs receive more attention from the media than non-sport companies, an aspect that indicates the strong interest by the public in the activity of these organizations. Sporting associations are also vital because by these organisms clubs maintain a behavior characterized by co-competition in which they compete against each other on a sporting tournament but at the same time they agree on the rules of the competition in different respects to offer a marketable product to the public, an aspect rarely seen in non-sport companies. For its part, the role of public administrations in Spanish professional basketball teams is really important, since they subsidize, directly or indirectly, the activity of the clubs, as they consider that these

organizations transmit positive values to society like team work, promotion of the region and solidarity, among others.

Secondary Objective 5 – Identify the main specific social value variables that clubs create to their stakeholders.

**Conclusion 10.** All the previous stakeholders perceive different social value dimensions in their relationship with the clubs, and this value is holistic and multifaceted. While the measurement of the economic dimension of social value is more straightforward given the existence of an economic transaction between the organization and the stakeholders in question, we have to find a similar consensus in the measurement of non-market social value that includes different types of value (emotional, epistemic, functional and relational), given the traditional lack of a market transaction in the process of specific social value creation by the organizations. Therefore, it is necessary to find a consensus among different sport management experts to determine whether clubs can create non-market social value through the creation of different outputs that represent the different specific social value variables perceived by stakeholders.

**Conclusion 11.** There is a high degree of consensus between the external sports management participating experts about the adequacy of the outputs that correspond to the specific social value variables identified. The vast majority of outputs proposed have been validated by the experts. The children that participated in the formation activities related to basketball and the emotional value created by the clubs obtained the best marks among all outputs. There was no output that obtained a mean lower than 3,00 and that was thereby removed from the list. Hence, the validation of the previous data shows that the outputs chosen are in keeping with professional basketball clubs and that they are adequate to represent the specific social value variables identified.

Secondary Objective 6 – Monetize the social value created by professional basketball clubs on the basis of a set of indicators.

**Conclusion 12.** In order to monetize the specific social value variables, we have been able to identify proxy-s or monetary estimations to give a value to the previously validated outputs. The identified proxy-s have then been validated by the sports management experts consulted, and they have overwhelmingly backed the majority of the proxy-s as adequate monetary estimators of the value of the respective outputs, with only one proxy being outright rejected with a mean lower than 3,00. As same as in the outputs, the emotional value was given a high mark by experts, showing the importance of this value in the case of professional sport organizations. The discount in € to tickets and the donation of sporting material were also given a high mark by experts. The validation of the proxy-s have allowed us to monetize the specific social value created by professional basketball clubs, visualizing a value creation to stakeholders that was not reflected in financial statements.

**Conclusion 13.** In this regard, professional basketball clubs have the necessary information to give a value to the outputs and proxy-s and thereby to monetize the

specific social value of the clubs. Hence, the availability of data by the clubs has been a very important aspect to ensure the successful completion of the research and the monetization of social value created by these organizations. The obtained information about the clubs has been adequate and sufficient, and the clubs have shown a very proactive attitude throughout the process, with a great degree of collaboration towards the research and always showing a particular interest to furnish the researchers with solid and reliable data.

Main Objective – Design and apply an adapted social value quantification methodology to monetize the social value created by professional basketball clubs to their stakeholders.

**Conclusion 14.** The SPOLY Methodology has been successfully designed and adapted to the reality of professional basketball clubs from the ACB League, while successfully applied to two particular clubs from the competition presenting very different characteristics at their polar extremes. We understand that the efforts of adaptation of SPOLY Methodology to the reality of professional basketball clubs, by means of the double validation of both the standard stakeholder map by the answers of stakeholders and the specific social value indicators by sport management experts and the usage of official data from clubs for the monetization of social value, have produced significant and meaningful results.

**Conclusion 15.** In this sense, the main social contribution of this research has been to determine that professional basketball clubs present a number of particularities in comparison with non-sport organizations when it comes to determine the value that they create to their stakeholders. Apart from the value created to shareholders (that is often negative in economic terms), value is also created to a variety of stakeholders that are shown in the standard stakeholder map that has been validated by the answers of stakeholders. The stakeholder map presents differences in comparison with other non-sport organizations, and is accompanied by a list of social value variables and their corresponding outputs and proxy-s that has been validated by a group of sport management experts and that allows the monetization of the holistic social value.

Among the distinctive value dimensions identified, we can find the emotional attachment that they create, their identification with local communities, the level of attention that their activity creates among the media, the need of a close cooperation between competing clubs to organize a competition and ensure their survival and their close relationship and cooperation with public administrations. By showing this distinctive process of social value creation, clubs can develop their own narrative and stress the importance of measuring their value creation using more adapted tools and metrics in comparison with non-sport organizations.

**Conclusion 16.** As regards the main academic conclusion of the research, we should stress the importance of the process of design and adaptation of the SPOLY Methodology into the reality of professional basketball clubs, an aspect that has allowed us to apply the aforementioned methodology into these organizations and monetize



their social value. The process of contacting the clubs, the identification of a stakeholder map and its subsequent confirmation by means of the interviews with stakeholders, the creation of a list of value variables and its corresponding outputs and proxy-s from the interviews with stakeholders, the validation of the previous magnitudes from experts, and the final verification of the availability of that data in clubs to conduct the monetization go on to show that the process followed has been methodologically rigorous and sound.

In this respect, the previous design and adaptation of the SPOLY Methodology into a sector that presents distinctive characteristics like professional sport has permitted both to improve the SPOLY Methodology and to show that the SPOLY Methodology can be applied and adopted to other sectors and organizations that do not strictly follow the profit-maximization objective. Therefore, the process followed will open the way for a future adaptation and design of the SPOLY Methodology in other fields that will increase the practical application of the methodology in question.

The Table 7.1 sums up the previous correspondence between the objectives of the Thesis and the conclusions:

**Table 7.1: Correspondence between objectives and conclusions**

OBJECTIVES	CONCLUSIONS
Secondary Objective 1 – Analyze the characteristics of Spanish professional basketball and compare it with European and American models.	1. 2. 3.
Secondary Objective 2 – Define the concept of value from an ample perspective that will allow considering different stakeholders to whom the organizations create value.	4. 5. 6.
Secondary Objective 3 – Make a critical revision of the different social value quantification methodologies and choose the best one to monetize the social value of professional basketball clubs	7. 8.
Secondary Objective 4 – Identify the stakeholders to whom professional basketball clubs are creating social value.	9. 9.1. 9.2. 9.3.
Secondary Objective 5 – Identify the main social value variables that clubs create to their stakeholders.	10. 11.
Secondary Objective 6 – Monetize the social value created by professional basketball clubs on the basis of a set of indicators.	12. 13.
Main Objective – Design and apply an adapted social value quantification	14.

methodology to monetize the social value created by professional basketball clubs to their stakeholders.	15. 16.
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Source: Own elaboration

## 7.2. Limitations and future lines of research

Despite the results and conclusions obtained from the research, the present study shows a series of limitations that need to be mentioned and highlighted in order to interpret the obtained results correctly and to maximize the potential of the research. Concerning the framework of the analysis, the results obtained have been calculated for the 2017-2018 season. It remains to be seen whether the results obtained would follow the same trend if the analysis was conducted for more seasons as well.

This study has been focused on two organizations from the Spanish ACB League that present different characteristics. Obviously, we have not been able to make the monetization of the rest of the 16 teams that play in the League, so the main limitation is to know whether the difference in the results obtained between MT1 and MT2 will also happen in the rest of the clubs of the league. This application of the adapted SPOLY Methodology to the other organizations that take part in the competition will permit to know whether the differences in social value will be replicated in other clubs presenting the same characteristics of competitive and budgetary disparity.

Regarding the emotional value, although it has been considered as a very important value by the majority of fans from MT2 thanks to the SERVQUAL questionnaire that was conducted in MT2, the main limitation has been the impossibility to find a methodology to monetize this emotional value reliably. Hence, the monetization of the emotional value remains a challenge in research, and represents a great potential, due to the importance given by stakeholders from professional sport clubs to the existence of this value in order to justify their support to the organization in question.

Concerning the emotional value, future research should investigate whether there is any possibility of coming up with a methodology that will allow to monetize the emotional value. Considering the importance of emotional value for the stakeholders of professional basketball fans, a methodology that would monetize this value would have the potential to integrate the monetary value obtained with the social and the economic value that have been described previously, giving an ample perspective of the value creation of these organizations.

In this sense, the current work represents the first research on the sports management field about the monetization of social value generated by two professional sport organizations, and it could pave the way for the generalization to other sports apart from basketball, like football, handball or rugby, to name but a few. Although there can be many similarities between different sports, especially in the European framework,

like the stakeholder orientation, the attachment to local communities and the non-profit status of the professional sport organizations; the different popularity, history and economic landscape of the clubs and the leagues recommend a cautious approach to the application of adapted SPOLY Methodology in other sports.

Finally, more research could be made about the ways by which professional basketball clubs could take advantage of their creation of social value and integrate stakeholders into their social value creation, like issuing bonds for their fans and supporters that would serve to focus on those initiatives that create the most social value for their stakeholders, or by engaging into crowd-funding initiatives that would serve to know whether some of the stakeholders would be willing to pay a premium for helping the team and thus perceive more social value. In this regard, these ideas should integrate not only the fans and those attendees to the teams' matches, but also other stakeholders like communities and social agents that despite not being as passionate towards the club can also consume the public goods that the club offers. In the same way, clubs should keep on organizing different actions to create value, like social interventions, community outreach initiatives, etc.

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