

# SPONSORSHIP SALES IS NOT ONLY A SPORT, BUT AN INSTITUTIONAL BUSINESS AS WELL: EVIDENCE FROM TWO PROFESSIONAL FOOTBALL CLUBS IN LATIN-AMERICA

LAS VENTAS DE PATROCINIO NO SON SOLO UN DEPORTE, SINO TAMBIÉN UN NEGOCIO INSTITUCIONAL: EVIDENCIA DE DOS CLUBES DE FÚTBOL PROFESIONALES EN AMÉRICA LATINA

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## Abstract

The purpose of this paper is to identify the impact of institutionalization, legitimacy, learning behaviors, and other organizational characteristics on the efforts made by sport clubs signing sponsorship contracts. An exploratory comparison of two professional football clubs, playing in the First Division, of Costa Rica and Chile was performed. Using a narrative methodology, the Costa Rican team was analyzed through observation during a two-year collaboration period, and the Chilean team was analyzed through in-depth interviews and an analysis of the historical literature. The analysis revealed that organizational behaviors impact the clubs' amount of sponsorship contracts and multi-season contracts. It also revealed that institutionalization and legitimacy work as a first latter in the relationship, and that by themselves it should be considered a marketing tool. Additionally, it was observed that both learning behaviors and resource seeking strategies contribute to successfully sign sponsorship contracts, but a baseline level of legitimacy and institutionalization should exist. Drawing on Institutional Theory, Ecology, and Organizational Learning a clear role model was evidenced within the ecosystem of two professional football clubs, each on a different Latin American country. These behaviors, which up to our knowledge has never being analyzed before, yielded and sustained legitimacy, while showing a direct effect on sponsorship single-season and multi-season contracts.

**Keywords:** Institutional Theory, Ecology, Resource Dependence, Organizational Learning, Sponsorship, Marketing, Football, Soccer.

## Resumen

El propósito del artículo es identificar el impacto que tiene la institucionalización, la legitimidad, los comportamientos de aprendizaje y otras características organizacionales, sobre los esfuerzos que realizan los clubes deportivos al intentar firmar contratos de patrocinio. Se realizó comparación exploratoria de dos clubes de fútbol profesional, uno chileno y el otro costarricense. Utilizando una metodología narrativa, el club costarricense fue analizado por observación, a lo largo de un período colaborativo de 2 años, mientras que el club chileno se analizó utilizando entrevistas a profundidad y una revisión de literatura histórica. El análisis reveló que los comportamientos organizacionales tienen un impacto en la cantidad de contratos de patrocinio, tanto de una temporada como de varias temporadas. Se devela que la institucionalización y la legitimidad son un primer paso en este tipo de relaciones, y que por sí solas, se consideran una herramienta de mercadeo. Adicionalmente, se observa que, tanto el aprendizaje organizacional, como las estrategias de consecución de recursos contribuyen en el proceso de firma de contratos de patrocinio, no obstante, debe existir un nivel básico de legitimidad e institucionalización. En concordancia con la Teoría Institucional, la Ecología y el Aprendizaje Organizacional, se evidencia un claro patrón de comportamiento de estos dos clubes profesionales, cada uno dentro de su entorno. Estos comportamientos, que hasta donde sabemos nunca se han analizado antes, produjeron y mantuvieron legitimidad, al tiempo que mostraron un efecto directo en la firma de contratos de patrocinio de una o varias temporadas.

**Palabras Clave:** Teoría institucional, ecología, dependencia de recursos, aprendizaje organizacional, patrocinio, mercadeo, fútbol.

## Introduction

Sport institutions have several different ways to generate their earnings; ticketing, broadcasting rights, merchandising, player transactions and sponsorships to mention the most common ones. Although fans are most of the time the emphasis of investigation, this dissertation will focus our attention on the B2B perspective, more specifically the sponsorship sales.

According to CNBC, with figures obtained from the World Advertising Research Center (WARC), sponsorships are becoming relevant for the industry, representing US\$65.8 billion deals during 2018 (Handley, 2018). This represents a 4.9% increase compared to 2017, and it is expected to continue rising in the future. The majority of these funds are allocated to clubs with higher brand equity and exposure (Wetzel, et al., 2018), keeping “smaller” clubs in a scarcity situation.

Long-term sponsorship contracts are rare (Bailey, 2012), and the norm within the industry is that sport clubs send proposals while sponsors receive proposals

(Athanasopoulou & Sarli, 2015; Douvis, et al., 2015). Athanasopoulou and Sarli (2015) mention that only in cases of very successful clubs, sponsors are the ones making the first approach. Multi-season contracts are very important; they give stability, allowing sales representatives to focus their time in new deals, while trying to establish long term relationships with their current sponsors (Reilly et al., 2018).

Rules, norms, and processes most of the time are imposed by higher level institutions, while clubs create formal organizational structures as reflections of rationalized institutional rules (Meyer & Rowan, 1977). Governments require tax payments, social security, municipal taxes, patents, permissions, public services, and sometimes forms and documents from other institutions, such as anti-drug organizations and local sports committees. National Football Associations asks for proof of contracts with players, A-licensed trainers, approval for stadiums, paid security on event days, private insurance for players, workers, referees and fans, infrastructure and field norms, and protocols for events and meetings. The International Federation of Associated Football (FIFA) has its own requirements, although most of them are enforced through the local National Football Association<sup>1</sup>.

Abidance is mandatory, and no excuses are accepted, or else government institutions will punish clubs through regular law sanctions and football associations through loss of games and/or points. Punishment is coercive enough for clubs to comply with regulations, while many of them struggle to avoid entering in a probation situation. This dissertation identifies this as a new institutionalism, where legitimacy is basically a source of inertia to justify specific practices (Selznick, 1996).

More recently, it has been suggested that organizations replicate actions from the environment according to the way they perceive those events (Ericksson-Zetterquist, 2019), and that institutional pressures are regularly the foundations of change (Annosi & Brunetta, 2017). Organizations, no matter their size, age, location or industry, tend to behave in an institutionalist manner (Carter & Spence, 2019), and despite the fact that some areas such as operations usually lower their efficiencies, organizations are still avid to move into institutionalized behaviors (Lo & Yeung, 2018). These lead us to the first research questions in our study.

*RQ1A – Does legitimacy and institutionalization guide professional football clubs' organizational behaviors?*

*RQ1B – Does these behaviors enhance professional football club's efforts signing sponsorship contracts?*

Sponsors are additional participants in the football ecosystem, and in relation to club's economic survival, they represent a source of sustainable income (Athanasopoulou & Sarli, 2015). Nonetheless, sponsors add extra pressure to sport clubs, for example public banks in Costa Rica request documentation proving that the club is up to date with all government and football association requirements, which ensures that legitimacy is important within the sport industry.

Although sponsors are commonly seen on team jerseys, for “smaller” clubs it is harder to sign big contracts, as “bigger” clubs usually guarantee a broader audience on television networks (Cuoghi, 2017). An additional disadvantage for “small” clubs is that the pre-empting rule of brands wishing to sign multi-season contracts in order to

<sup>1</sup> Asociación Nacional de Fútbol Profesional (ANFP) in Chile and, Unión de Clubes de Fútbol de la Primera División (UNAFUT) in Costa Rica.

have the competitor out of the respective exposure, is only applicable for “big” clubs (Bouchet, et al., 2017), while smaller clubs must deal regularly with single-season deals which increases the effort needed every new season (Athanasopoulou & Sarli, 2015).

Additionally, not all companies are interested in spending advertising budget through sport sponsorship, which creates scarcity of resources. Sponsorship as of 2015 represented only 7% of the amount of money spent on advertisement (Douvis et al., 2015). Although it is common to see one single company’s logo in the jersey of several teams, or in several stadium billboards, for example PF<sup>2</sup> in Chilean First Division clubs or Kolbi<sup>3</sup> in Costa Rican teams, those companies have a specific budget, having the chance to allocate it into one single club or divide it within several. They even have the chance to allocate it to broadcasting or the Association directly, delivering no direct income to any club.

It has been suggested that a key point for some potential sponsors is the fit between their clients and the club’s fans (Douvis et al., 2015). Although there are no established KPI’s for sponsorships, brand awareness and exposure are regularly used due to their simplicity and easy-to-build metrics (Cuoghi, 2017). Sport clubs deal with the issue of differentiating within their competitors but at the same time matching with their sponsors. On the other hand, most of their exposure is given by match-day events, which indeed represents exposure for their rival as well, leading us to our second research question.

*RQ2 – Does emulation and differentiation behaviors co-exist within professional football clubs to enhance their efforts signing sponsorship contracts?*

Clubs strive to obtain sponsorship contracts and build B2B relationships as this could represent stability for their operational competence (Misener & Doherty, 2014). Organizations can actually learn from their own experiences or from the experiences of third parties (Levitt & March, 1988) but at the end they learn somehow how to proceed. Central American football clubs tend to watch and learn from their counterparts in Mexico, while South American clubs do the same with Brazilian clubs. Sport clubs deal with this situation on a regular basis, and this led us to our final research question;

*RQ3 – Does learning behaviors within professional football clubs enhance their efforts signing sponsorship contracts?*

## Literature review

### *Institutionalization and legitimacy in sports*

Organizations within an industry tend to look like each other, even though they try to find ways into differentiation (Powell, 2016). Differentiation in the sport industry is sometimes a matter of geographical means, sometimes ethnic, a combination of both, and other types of distinctions. In Chile for example, Colo Colo<sup>4</sup> (32) , Universidad de Chile (18) and Universidad Católica (13) represent 62% of titles (TVN, 2018) and 76% of the fans in the nation (Correia, 2016). In Costa Rica, Deportivo Saprissa (34),

2 PF is a Chilean food manufacturer.

3 Kolbi is the government telecommunications company in Costa Rica.

4 In parenthesis () the amount of local league championships obtained as of January 2019.

Liga Deportiva Alajuelense (29) and Club Sport Herediano (27) represent 84% of all champions and add up to 88% of the fans (Calvo & Obando, 2018). Differences in the number of fans, attendance to events and broadcasting audience are relevant in order to sign contracts (Borrissier Roldan & Solanellas Donato, 2018; Cuoghi, 2017). In any league, “bigger” clubs compete in the same division with other “smaller” clubs for championships, points, and international tournament qualifications, but also avoiding relegation, increasing stadium attendance and what is more relevant for this study, signing sponsorship contracts.

Having legitimacy among other participants in the industry, with regulatory organizations and with the general public will contribute, as survival in the long term is placed on jeopardy in the absence of legitimacy (Danisman, Hinings, & Slack, 2006). Clubs can proceed with branding practices that contrast them with the norm, but these efforts should never cross the line of losing legitimacy (Ertimur & Coskuner-Balli, 2015). Legitimacy is so important for survival, that isomorphism processes are basically a norm no matter the industry you are in. Isomorphism could be imposed by coercive means, mimetic processes or simply by normative matters (Powell, 2016). In South Korea for example, it was shown that social responsibility was part of the isomorphism clubs experienced (Joo, et al., 2017), and although initially social responsibility was perceived as a cost, in the long run it had a positive impact in the clubs overall image.

Clubs policies are normally based on the interplay between internal discussions and external influence (Skille, 2011). When a sport club is part of a school for example, things can be more complicated, as forces for change include competitive pressures, association requirements, economic conditions, turbulent environment, alumni, parents and fans (Welty Peachey & Bruening, 2011). This becomes relevant in our study as the two cases analyzed are; one club first being officially linked to a university but then separated, and a second team where the exact opposite occurred.

Organizations tend to see rules as myths to obtain the legitimacy, even if those rules make them loose coordination and control (Meyer & Rowan, 1977). Clubs around the world submit their contracts to both local and international associations as if they were public institutions. This places clubs in a vulnerable situation, as competitors know precisely how much they are paying their players and when their contracts expire. Teams know that sometimes the punishment could be cheaper than the accomplishment of the rule, but legitimacy and long-term survival makes them prevail under the script.

Although it is suggested that institutional theory is somehow an iron cage as stated by DiMaggio (1993), the truth is; evolution is permitted. Organizations do evolve and change, but this transformation is normally a response to changes in the environment and most often due to changes in other organizations within the industry (Zajac & Westphal, 2004). In sport business, relegation systems are motives of instant change. Clubs once in First Division (FD) should adapt immediately to Second Division (SD) and vice versa. It could be argued that an entrepreneurial institutionalization is forced for these clubs, were fast pace institutionalization is a remedy to legitimize their activity in the brand-new market (Bruton, et al., 2010).

Therefore, all institutions being the same could be virtuous for all participants. Nonetheless, it is argued that the higher the performance imperative within a field, the more likely the institution as a generic concept will be deinstitutionalized and the more likely it is to be appropriated and customized in order to gain inimitability and thus have a competitive advantage (Gilmore & Sillince, 2014). So, there is always room to differentiate institutions, for example you can expect to find different ice

cream flavors in different ice cream shops; however drawing on institutional theory, it is highly probable that you will find vanilla ice cream on most of their menus. In the end, adaptation of institutional based values and norms among individual actors from both integration and differentiation perspectives (Danisman, et al., 2006) support the idea that sport clubs change as time passes but keep some common elements among themselves.

### ***Resource seeking strategies in sports***

This study argues that resource seeking strategies are needed in the club's intention for prevailing over time, especially for "smaller" ones, which cannot compete outside the pitch against "big" clubs. However; if "smaller" clubs combine different resources efficiently and work these pieces together, they can improve their chance of survival. Minimizing dependency could be worked through mergers, joint ventures or political actions (Hillman, et al., 2009), clubs have done this in the past by negotiating broadcasting contracts as a group.

Usually the number of broadcasters available to negotiate is low, which gives them more power when negotiating. Similar situation happens with sponsors, especially in Latin America, where most of them prefer to be in the "big" team jerseys. This could be assumed as a power imbalance in the environment, and the idea of some clubs, or all of them negotiating together with possible sponsors creates a solution that could be named interdependence (Casciaro & Piskorski, 2005).

If financial resources were to come by winning the national championship or qualifying for an international cup or competition, most small market clubs would see their survival chances diminish (Frick & Wallbrecht, 2012). Frick and Wallbrecht (2012) focused their investigation in the relegation system most leagues around the world use. A poor performance is usually punished with relegation and since being relegated is associated with a dramatic decline in revenues, avoiding relegation becomes a goal for many clubs. "In line with the organizational ecology literature, club experience, previous club performance and market size affect survival in a statistically significant and economically relevant sense" (Frick & Wallbrecht, 2012, pg.1).

In professional sports, playing in FD rather than a lower division is synonymous to being in the market of goods and services or having no market presence at all. Younger firms (seen as recently promoted clubs) are systematically exposed to higher risks of market exit in professional football, which is often referred to as liability of newness in organizational ecology (Oberhofer, et al., 2015). Therefore, short term management usually appears, as every year one or more participants disappear from the market. Oberhofer (2015) stated that experience seen as the amount of years playing in FD plays an important role on survival, clubs allocate all resources needed to prevail in FD as much as they can.

### ***Learning behaviors in sports***

Professional football clubs are immersed in an intense market, with beginnings and endings coming fast. This is especially true for those "sport entrepreneurs" or newcomers from other divisions. Special learning behaviors could be an answer to explain the process; "Organizations are seen as learning by encoding inferences from history into routines that guide behavior" (Levitt & March, 1988, pg.320).

Organizations are constantly looking for insights that could help them grow, succeed or sometimes just survive. They are even willing to collaborate with all kinds of stakeholders in order to maintain legitimacy, opening themselves to community and loosing part of their control (Desai, 2018). Confronting different scenarios like

playing to avoid relegation, to obtain a championship or to compete in both local and international fronts, demand different governance models. Efficiency demands that governance alternatives should be adapted to match the problems they are trying to solve, considering cost benefits (Nickerson & Zenger, 2004), and in the case of clubs, their season objectives.

Clubs strive to have a look into their competitors, and counterparts in other latitudes in order to adapt to their environment as soon as possible. Exploring into new ways of doing things is not a premise though, but exploitation is, due to the short-term pressures mentioned before. Refining exploitation more rapidly than exploration, are likely to become effective in the short run but self-destructive in the long run (March, 1991), although sometimes clubs have no other chance.

Learning processes has significant impacts on the development of intellectual capital (Megheirkouni, 2017) and is congruent with the idea of experience being an important input for a clubs' survival. "Despite the implicit and tacit understandings of organizational activities acquired through diffusion processes, taking data and information and translating it into actionable knowledge for organizational members require organizational learning mechanisms to be developed and utilized" (McCullough, et al., 2016, pg.6). Professional sport leagues are a particularly different industry. Leaders can arise on the playing field, sitting on the bench, or in a managerial position (Rowe, et al., 2005), and it is of the utmost importance for an institution to identify how to take advantage and learn from these leaders.

Sport clubs try through benchmarks to adopt well perceived actions made by their counterparts (Villaseca, 2018). If two or more clubs negotiate contracts together once, and the solution resulted in a better treatment for them, a structural inertia could work out. High levels of structural inertia are consequences of selection processes rather than a prediction for selection (Hannan & Freeman, 1984). This means that a good practice could simply be adopted by another or all participants, as they could perceive that staying out of the negotiations could impact them negatively.

Activities of organizations and their outcomes are given by the environment they are in (Pfeffer & Salancik, 1978). Pfeffer and Salancik (1978) argue that regulatory institutions exist in part to dominate and in part to prevent domination, stating that interdependence is needed for organizations to achieve their goals. Nowhere else is it truer than in sports, where clubs compete against each other, but they need each other as well, as there could be no tournaments with only one team.

Learning could also be a problem, as ambiguity, lack of experience, constant search for legitimacy and lack of resources could guide clubs into adopting an unsuccessful inefficient model. For example, Brazilian football league has been suggested to operate with low Technical Efficiency (Barros, et al., 2010), and still, the Brazilian league is seen by other leagues in Latin America as a model to be mirrored.

## Conceptual Background

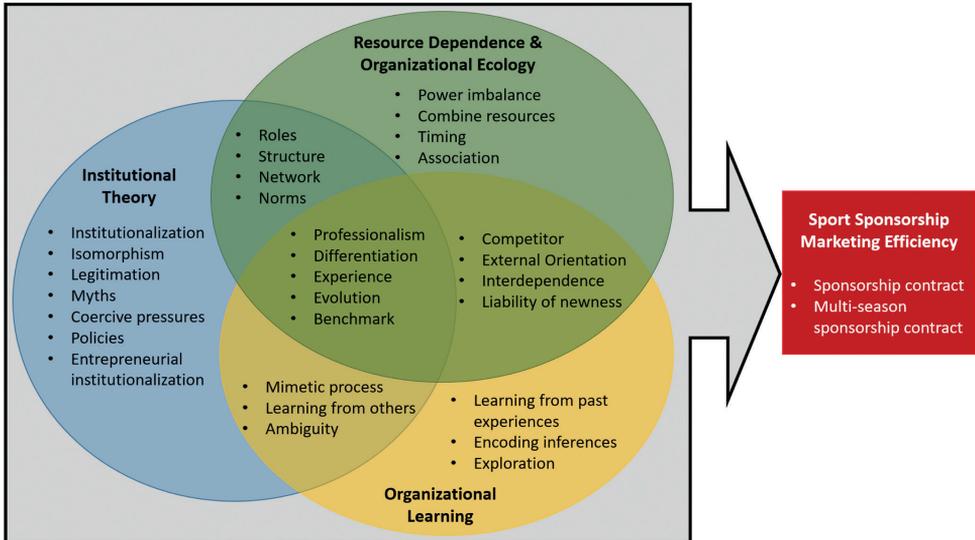
Clubs need to keep within the stablished rules and norms coming from the government or sport entities, for both legitimacy and survival. In this run, clubs are trying to obtain incomes through sponsorship contracts, and if obtained, they will allocate resources into different fields according to what they perceive are the best way to invest their budget, either learned from within or from third parties.

Drawing on institutional theory, ecology (resource dependence), and organizational learning we propose to analyze the research questions with the model presented in

**Figure 1.** Institutional theory, ecology and organizational learning within the

sports sponsorship process.

In the model proposed, institutionalization along with legitimation and other



organizational characteristics are deemed relevant for clubs, as multi-level punishments arise when operating outside the rules, leading to sanctions for clubs. In the second latter, clubs use learning behaviors to adopt what is apparently effective. At the same time, resource seeking strategies drives them to work out some solutions in a “joint venture” manner, and negotiate benefits in conjunction with competitors, or simply compete for those resources having clear both power imbalance and mutual dependence (Casciaro & Piskorski, 2005).

Many resources for clubs in Chile and Costa Rica come from B2B relationships, as ticket sales represent less than 20% of their budget, and for “smaller” clubs this percentage is even weaker. Therefore, the sport platform offered for sponsor exposure is very important, in other words, B2B relations could be the difference in pursuit for survival (Brooks, 1994).

Drawing on institutional theory, it is expected to see clubs 1) following institutionalization behaviors and 2) entering legitimation processes. Regarding ecology and resource dependence, it is expected to have clubs 1) performing benchmark processes to emulate how other clubs gather resources and 2) at the same time performing differentiation behaviors as a resource seeking strategy. Finally, drawing on organizational learning it is expected to see clubs 1) performing learning behaviors from their previous experiences and 2) from third parties, either in the same league or abroad. The impact of these actions should be reflected in the amount of sponsorship contracts signed. With higher levels of accomplishment, multi-season sponsorship contracts should arise.

## Method

Qualitative methodologies are useful to have a deeper comprehension of the means and definitions of a situation, seen from the eyes of the implicated individuals

(Salgado Lévano, 2007). It is also helpful to understand where it all began, when it started and how was the current status quo accomplished (Noy, 2003). Within the vast options that qualitative investigation gives, the one chosen for the current study is the narrative methodology.

Narrative methodology allows researchers to analyze circumstances as accurate representations of real knowledge, from genuine experiences from those individuals who lived the situations in the first person (Arndt & Tesar, 2019). Within social sciences, narrative is now considered a mature qualitative methodology (Mainil & Platenkamp, 2010) that could be accurate in order to understand the meaning of why something is happening rather than just what is happening (Michie, 2013).

This investigation analyzed two professional football clubs, both playing in the respective FD of their countries. Club Deportivo Unión Española (UE) in Chile and Club de Fútbol Universidad de Costa Rica (UCR) in Costa Rica. This clubs were chosen due to their similarities and circumstances that make them comparable. Both clubs have below 1% of the market share of fans in their respective league (Correia, 2016; Rodriguez et al., 2019). UCR was officially linked to Universidad de Costa Rica until 2016 when this affiliation was terminated by the University. UE on the other hand had no link to any institution until 2008, when it was acquired by Universidad SEK.

UE has won 7 First Division championships (the last one in 2013), 1 Primera B, 2 Copa Chile, 1 International Tournament, 5 National Tournaments and 3 Friendly Tournaments (Española, 2018). On the club's official website, relevant data includes participation in 75 complete seasons in FD (uninterrupted since 2000), 11 participations in Copa Libertadores de America (latest appearance 2017), 2 times participant in Copa Sudamericana (most recent participation 2018) and 1 Recopa Sudamericana de Clubes (1970). UCR has won 1 FD championship (1943), 3 SD titles (last one in 2012), and 1 Phillips Cup (1955). UCR has played uninterrupted in the Costa Rican FD since 2013.

Analysis for UE was made through in-depth interviews to Baltasar Villaseca (June 20th, 2018 and July 8th, 2018), Product Manager of UE. Also, data analyzed online and references to the book "Soy de la Unión" (2014) which goes over the club's history from a fan's perspective. Results were then shared with Villaseca (2018) who in turn confirmed them on July 25th, 2018. In the case of UCR, the main input is through observation, as the researcher worked closely with the club since 2016, including marketing duties, sponsorship sales and participation in Unión de Clubes de Fútbol de la Primera División UNAFUT meetings and gameday events. Also, input from different websites are considered.

Actions taken that show typical organizational behaviors will be gathered and analyzed. Outcomes will be shown in two aspects, number of sponsors in every season and multi-season contracts distinguished. As it was previously stated, playing in SD or a lower league has a major negative impact on a sport club. Therefore, the timeframe of the analysis will be done for the recent period in which both teams have been in their respective FD. UE has been playing in FD since 2000 and UCR since 2013, consequently our analysis will include the period between 2013 and 2018.

## Results and Discussion

Due to practical constraints, this paper cannot provide a comprehensive review of all the topics contained within the three theories chosen to analyze the sponsorship process. Nonetheless, the results of this study indicate that there are clear organizational behaviors that, up to some extent, impact the sponsorship process.

Strong evidence of institutionalization, legitimacy, learning behaviors and resource seeking strategies were found, and are discussed in the following section.

### ***Institutionalization and legitimacy in professional football clubs***

UCR suffers from a two-front burden, as they have all the normal regulations all other clubs have in Costa Rica in addition to the one brought on by the public university; Universidad de Costa Rica. This extra burden was compensated with additional monetary resources given by the public university; however, some of their regulations were stricter than those applied by other institutions. During 2015, an official audit made by the university discovered some inconsistencies in the accounting books. Punishment imposed; no budget will be allocated to the club starting in 2016. This placed the team in a complicated situation as this budget accounted for almost 50% of the UCR monthly expenses.

During this period, UCR tried many ways to raise the missing “sponsorship” capital, but the incident was so publicly diffused that no new contracts were signed, and some of the ones standing were placed in jeopardy. After months of uncertainty, a solution presented itself externally, a private company with Colombian capital, Con Talla Mundial (CTM) accepted to assume the administration of the club on May 2017.

Although economically it represented a solution in the short term, the rupture in the relationship with the public university, and the newness of CTM in the market represented an instant problem of legitimacy. All sponsors on the jersey broke their contract, and only a couple with sideline advertising billboard contracts remained. CTM and UCR, started all over again the institutionalization and legitimation process.

Many companies like banks, agencies and other institutions request that the club show proof of being up to date with tax payments and social security prior signing any contract. Same thing happens with the UNAFUT, who requested the accomplishment of their own specific sport requests, plus all government related requisites. Although this means tons of work for the club, who has a short number of administrative employees, some contracts were signed, most of them with companies that usually sign sponsorships with all FD teams.

During 1970's UE won 3 titles and 3 second places and the 1980's were also good years for the club. Nonetheless, some of that success placed in danger the financial situation of the team during the 1990's. “...each victory from the previous decades seem now like a cheerful and careful traffic towards the institutional cliff” (Hidalgo, 2014, pg.155). Price for legitimacy was highly payed years after with the first and only relegation of UE in 1997.

Nowadays, UE responds to different pressures from ANFP, FIFA and CONMEBOL (regional football confederation), but ANFP channels all the pressures (Villaseca, 2018). Security systems and policies are followed for gameday events as requested both by ANFP and local police departments. Recently, UE received a punishment from Tesorería General de la República, were the broadcasting contract was seized (Española, 2018). This contract represents the most important source of funds, and this seizure represents a budget gap of almost US\$1.4MM. The immediate impact was the club's inability to sign new players for the 2018 season and the doubts it generated within the fans and general public. UE is now working out a way to reclaim legitimacy, before current contracts are placed on risk and new ones could be signed.

### ***Resource seeking strategies in professional football clubs***

UCR is constantly performing a benchmark process to identify those companies giving sponsorships to other clubs in FD. This is a simple way to know which

companies are open to this type of advertisement. Problem is, other clubs are doing the same thing. This means that if UCR signs a contract with a brand-new entity in the market, other clubs will try to sign contracts with that same company, and the budget allocated to UCR could diminish for upcoming seasons. An example of this is that in the 2017 season, UCR was the first and only team to sign broadcasting contract with the Mexican channel Multimedios. For the 2018 season two additional clubs signed with Multimedios, AD Santos and AD San Carlos (Calvo & Obando, 2018).

Likewise, when UCR sees a new sponsor on another team's jersey or billboard, immediately a meeting with that company is requested and organized. Signing a contract is not guaranteed, and even if you are successful and sign a contract it will usually be for less economical resources than the contract signed by the first team that reached out the sponsor. At the same time, other clubs will try to organize a meeting with that same entity, making timing extremely relevant (Carroll & Harrison, 1994).

Although some efforts have been initiated to create clusters of clubs to negotiate contracts as a group, no official success can be exemplified. UNAFUT itself is the only entity who has signed contracts in name of all clubs, but an individualistic behavior is still present in Costa Rican teams.

UE is constantly working out meetings with current sponsors and incentivize the contracts to be at least for 2 seasons (Villaseca, 2018). It is important to have multi-season contracts as this is the way to have stability in resources. Villaseca (2018) says UE is working on ROI reports for the sponsors to somehow make tangible their investment in the club. This initiative is focused on showing brand equity to the sponsors and incentivize multi-season contracts.

There is a limitation imposed by ANFP and Scotiabank, as there is a contract between the association and this bank that impacts on clubs, as they are inhibited to sign any type of agreement with any other bank (Villaseca, 2018). Although banks are normally willing to invest on sponsorships, this action in Chilean football limits the available resources. Villaseca (2018) mentions that some companies usually like to be involved in football sponsorship, and therefore are "must" meetings and interactions from time to time, like Cristal<sup>5</sup>, PF and Gato<sup>6</sup>. Competition with other clubs is tough, as resources for sponsorships from these entities are limited and should be allocated between all the options they have in the market.

### ***Learning behaviors in professional football clubs***

Benchmark performed by UCR is not only on sponsorship means, actions driven by the administration have been placed on protocol gameday events too. For example, the inclusion of kids in the kickoff ceremony, or bringing a band to play music during the game, which most of the time was accomplished through relations made with local elementary and high schools. Although assistance during events with this type of arrangements increased, no direct effect on sponsorship sales could be linked to this type of actions.

Other activities are also placed in practice just because other clubs are doing the same. For example, taking some of the local games to different stadiums in order to have better ticketing, to the extreme in which some local games were played in the opponent's stadium. The most relevant example was the semifinals of the 2014 season, were both games of the leg were played in the Saprissa stadium. Although

<sup>5</sup> Local brewery

<sup>6</sup> Local winery

this action did work in the short term to obtain resources, in the long run it could be detrimental with the fans, as some identity could be lost.

CTM, is learning on a fast pace from their experience administrating a club in Colombia (Deportes Quindío), and by emulating other Costa Rican clubs within the UNAFUT. In the meantime, they have been clear stating that funds allocated to the operation of UCR were underestimated, and that a couple extra years placing additional resources to the team will be needed before operations could be done entirely with sponsors and ticketing.

On the other hand, UE has a Spaniard background as their founders and current ownership and stakeholders are from Spain. Most of them try to emulate Real Madrid actions, although difficult due to differences between both clubs (Villaseca, 2018). Villaseca (2018) also mentions that locally, some actions taken by CD Universidad Católica (UC) are emulated as they are perceived to be the best managed team in Chilean FD.

UE tries not to compete directly with “big” Chilean teams like UdC, CC or UC, instead creating its own brand equity and showing value to current and potential sponsors (Villaseca, 2018). It is important to notice, that even though UE has a differentiation strategy, due to the industry type and the inevitable closeness clubs within the same league have, the book “Soy de la Unión” mentions these three clubs constantly (Hidalgo, 2014), proving the impact these teams have on the learning process of UE, and most likely all other clubs in the league.

### ***Impact on sponsorship contracts***

Clubs are constantly struggling in their day to day marketing efforts in order to sign long term sponsorship contracts, stability is hard to obtain especially for “smaller” clubs (Oberhofer et al., 2015). Having legitimacy is crucial for these clubs, as it is essential not only for compliance towards football associations, agencies and government offices, but also helps sign contracts or renew them. Clubs, like any other institution, need to change over time due to different kinds of pressures, but it is important to proceed with transparency in order to accomplish changes without losing legitimacy (Welty Peachey & Bruening, 2011).

Table 1 shows the sponsors that both UE and UCR had between 2013 and 2018. It is divided by sponsors on jersey and those on sideline billboards. Notice that sponsors in jersey are also in billboards but are not duplicated in the table. Additional lines were added to distinguish changes in administration and institutional relationship with upper level institutions.

**Table 1.** Sponsorship evolution of UCR and UE, 2013 – 2018

	2013	2014	2015	2016	2017	2018
Jersey Sponsor	UCR Banco Nacional - La Tres - Kolbi - Repretel - Monarca - Pedregal	Banco Nacional - La Tres - Kolbi - Repretel - Monarca - Pedregal	INS - BCR - Repretel - Kolbi - La Tres - Monarca - Pedregal	INS - Repretel - Kolbi - ProSport - Electrolit	Multimedios	Multimedios - Genesis - Stadium Source - Saeta
	UE SEK - Joma - VTR - PF	SEK - Joma - VTR - Bruno Fritsch - Toyota - PF	SEK - Joma - VTR - Bruno Fritsch - Toyota - PF	SEK - Kappa - Bruno Fritsch - Toyota - PF	SEK - Kappa - Bruno Fritsch - Toyota - PF	SEK - Kappa - Bruno Fritsch - Toyota - PF
Billboard Sponsor	UCR Sem U - Lab UCR - Grupo Mutual - CICAP - Tecnoprint - Papa Johns - Peugeot - Seguros Magisterio - PLS - CORESA - Studmark - Vida Plena - Centrum	Sem U - Lab UCR - Grupo Mutual - CICAP - Tecnoprint - Papa Johns - Peugeot - Seguros Magisterio - PLS - CORESA - Studmark - Vida Plena - Centrum	Sem U - Lab UCR - Grupo Mutual - CICAP - Tecnoprint - Papa Johns - Peugeot - Seguros Magisterio - PLS - CORESA - Studmark - Vida Plena - Centrum	Sem U - Lab UCR - Grupo Mutual - Municipalidad D. - Bancredito - G. Guadalupano - Electrolit - Papa Johns	Sem U - Lab UCR - Grupo Mutual - Municipalidad D.	Sem U - Lab UCR - Grupo Mutual - Municipalidad D. - Subway
	UE Coca Cola - Seper - Redgol - ADN	Coca Cola - Seper - Redgol - ADN	Coca Cola - Seper - Redgol - ADN	Coca Cola - Seper - Redgol - ADN	Coca Cola - Seper - Redgol - ADN	Coca Cola - Seper - Redgol - ADN - Hexacore
Institutional Sponsor	UCR Universidad de Costa Rica	Universidad de Costa Rica	Universidad de Costa Rica	None	None	None
	UE NA	NA	NA	NA	NA	NA
Administration	UCR Board of Directors	Board of Directors	Board of Directors	Board of Directors	Con Talla Mundial	Con Talla Mundial
	UE Universidad SEK	Universidad SEK	Universidad SEK	Universidad SEK	Universidad SEK	Universidad SEK

Sem U: Semanario Universidad, Lab U: Laboratorio Clínico de la Universidad de Costa Rica, Municipalidad D.: Municipalidad de Desamparados,  
G. Guadalupano: Grupo Guadalupano, BCR: Banco de Costa Rica, PLS: Penny Lane Sport.

Billboard sponsors should be understood as ONLY billboard sponsors, as jersey sponsors are also billboard sponsors.

Clearly the sponsorship situation was impacted in UCR when the affiliation with Universidad de Costa Rica ended. After one season of administration by the board of directors, CTM started their management process, and results on sponsorship were impacted immediately. From seven jersey sponsors and thirteen billboard sponsors in 2015 (last year of partnership with UCR) to one jersey sponsor and four billboard sponsors in 2017 (first year of CTM management). CTM struggles with low budget and a race towards legitimacy as soon as possible.

In their second season as administrators, some legitimacy was gained, some learning applied, and resource seeking strategies implemented. This resulted in three additional jersey sponsors and two additional billboard sponsors. Still short from numbers shown back in 2015, but on track to have better figures in the future.

Long-term contracts are unusual for UCR; none of their sponsors have advertised on their jersey for all five years analyzed, and only two sideline billboard sponsors had a contract every year. This was most likely impacted by all the administrative changes the club has endured. UCR had five multi-season contracts with sponsors before these changes; however, after all these administrative modifications UCR only has one multi-season jersey sponsorship contract. A change in leader succession had a direct impact on the team's performance, both on and off the field (Rowe et al., 2005). Therefore, UCR needs continuous hard work on the proposed model in order to achieve stability through more and better multi-season contracts.

On the other hand, UE started administration under Universidad SEK back in 2008, therefore by the first year shown in table 1, management had already six years to work out, at least partially, all the organizational behaviors discussed in this dissertation. Precisely in 2013 UE won their most recent FD championship. Two sponsors are present in all five seasons on jersey, four sponsors have multi-season contracts on jersey and four additional ones have multi-season contracts on sideline billboards. Since 2016, all jersey and billboard sponsors sign multi-season contracts.

Immediate actions should be taken in order to maintain this behavior, avoiding any possible implication due to the sanction imposed by Tesorería General de la República. As it happened previously to UCR in their relationship with Universidad de Costa Rica, and the difficulties of UE back in 1997 and 2007, it is important to have strong perceived legitimacy and proof of institutionalization.

## Conclusions

Evidence show that institutionalization, legitimacy, resource seeking strategies and learning behaviors are imperative in club survival. Success on signing sponsorship contracts depend not only on winning games and championships, but on the correct application of relevant organizational tasks.

Current findings suggest that in general, legitimacy is deemed important for clubs to both, maintain current sponsors and sign new contracts, therefore institutionalization is a major issue in their everyday workflow. Once acquired, high levels of legitimacy and institutionalization are suggested to be enough for clubs to sign a base amount of sponsorship contracts. On the other hand, when these characteristics are lost, current contracts are placed on jeopardy, and new ones become elusive.

Benchmarking play an important role within professional football clubs, as they use it to keep track on institutionalization, and to emulate what "successful" clubs are doing. This behavior, guide clubs to enter a mimetic process, and sometimes, a bundling effect, where two or more clubs proceed in conjunction. Aligned with

resource-dependence theory; sponsorship process in Latin-America is a 'close-circle', where some actors (sponsors and clubs) are recurrent, therefore making networking and personal background a valued input for those people (clubs) in-charge of selling sponsorships. While emulating other clubs seem as a logic answer, distance and environment characteristics could make this practice contraindicated. Evidence from the current study suggests that successful practices in one country could have no impact in another one, for example CTM success in Colombia had no effect on their initial efforts made in Costa Rica. The same practice but using another club from the same league as a role-model showed a positive impact, as for example UE adopting or emulating UC practices in Chile market.

Findings in this report are subject to at least three limitations. First, we should make clear that the present study is exploratory in nature, and that by doing so we encourage other scientists to proceed with additional investigations. Second, the sample is small as only 2 clubs were analyzed. One possible solution to this issue could be analyzing all clubs within a league or more clubs from different leagues. Finally, the measurement is given by number of sponsors and the implication of multi-season against single season contracts. This leaves out the hard money perceived from contracts. One contract could represent in dollars the same amount that other 2 or maybe 3 different contracts. Nonetheless, our measures are adequate to answer our questions but in-depth analysis with money could help comprehend better the situation.

### ***Managerial Implications***

For practitioners is important to notice that regulations from government and sport entities are not only merit of compliance, but a marketing tool itself. Companies willing to have sport sponsorship as part of their brand exposure strategy will most probably sign contracts with those clubs that prove to be institutionalized and enjoy a certain degree of legitimacy. It is also important that even though institutionalization is imperative for clubs to obtain sponsors, it is not enough to obtain and maintain multi-season contracts. Sponsorship sales agents should start their sales-meetings and presentations confirming club's institutionalization and legitimacy, and clubs themselves should enhance this through their communication channels.

Changes in ownership structure for example, are subject to speculation and doubts from institutions and general public. Therefore, making the process publicly available through media, and keeping all stakeholders aware of the changes, while maintaining institutionalization, could help clubs keep their legitimacy, and therefore enhance their sponsorship process. In the dynamic environment of sports, where clubs are now subject to mergers, acquisitions, joint-ventures and such, this study gives light on how clubs should proceed.

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### **Declaración de conflicto de interés**

Los autores del presente manuscrito manifiestan que no existen conflictos de interés con ninguna entidad o institución, ni de carácter personal en esta publicación.

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