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The Case for a Complete Model of Strategic Resource Utility in Sport and Entertainment Management

Theodore M. Hayduk III

Abstract
A complete model of strategic resource utility can be useful for managers in the sport and entertainment industry. In recent years, this industry has been characterized by rapid evolution, high fragmentation, and ubiquitous digitalization, which all highlight the importance of making rapid and informed strategic decisions. Thus, the complete model will help managers quantify their firm’s resource bundle and use a common language during the strategic decision making process. Two industry-specific examples are given to facilitate interpretation of the complete model.

Keywords: Strategic management, resources, sport, entertainment

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Executing proper business strategy requires a reimagined understanding of how resources are categorized and operationalized. Resources are the building blocks of competitive advantage and firm performance (Wernerfelt, 1984). Thus, firms that are able to accumulate and deploy resources efficiently and synergistically stand a better chance of succeeding than their counterparts who struggle in this area. After several years of robust discussion and inquiry, the topic of resources began to wane. Wernerfelt (1995) called for a more thorough mapping of the resource space, as resources “remain an amorphous heap to most of us” (p. 172), but resources would never again remain a focal topic from a theoretical standpoint.

Instead, managers’ and scholars’ efforts have become focused on more nuanced and esoteric firm constructs such as dynamic capabilities (Wang & Ahmed, 2007). These constructs are useful and insightful, as they help firms gain competitive advantage via the use of procedural, routine-based sequences that help managers acquire, combine, reconfigure, and deploy resources. Intuitively, however, the degree to which a firm can have “dynamic” capabilities rests in the dynamism of the resources from which they originate.

The downsides of this new focus on dynamic capabilities and similar constructs have become especially troublesome for managers who work in the sport and entertainment industries, where intangible assets are so integral to firms’ valuation (Cohen, 2011). Adding to this, previous work has highlighted the ephemeral nature of the sport and entertainment product, which further complicates the nature of doing business in these industries (Lieberman & Esgate, 2014).

The purpose of this manuscript is to show managers in the sport and entertainment industries how to find practical and empirical use for the complete model of strategic resource utility. The article is organized as such: first, the most relevant literature streams are discussed and some shortcomings of the resource-worthiness discussion are highlighted. Then, the complete model is proposed, indicating how it addresses those shortcomings. Next, a discussion of some implications for managers that work in these industries is provided. Finally, two industry case studies that are intended to facilitate interpretation of the model in a real-world setting are furnished.

The Resource Based View (RBV) of the Firm

Firm-level resources have long since been an interest to managers. Wernerfelt (1984) postulated that firms are essentially bundles of tangible and intangible resources. Furthermore, he asserted that these resources are (a) unevenly distributed throughout an industry, and (b) imperfectly immobile. From this, managers began to ask the question: which resources are most important to firm performance? Barney (1991) attempted to answer this question by proposing his Valuable, Rare, Inimitable, non-Substitutable (VRIS) framework. Should a resource meet these four criteria, he asserted, it would be likely to generate competitive advantage for
the firm. Peteraf (1993) followed this by proposing two additional requirements: \textit{ex ante} and \textit{ex post} limits to competition; meaning that barriers had to exist both before and after a firm acquired a resource in order to make that resource truly advantageous. On the surface, the aforementioned resource requirements seem to adequately characterize whether or not a certain resource is likely to be a source of competitive advantage for a firm. However, there are four limitations associated with using these criteria in a practical way.

The first weakness pertains to time. The VRIS criteria do not allow managers to address the temporal component of strategic resource accumulation and asset depletion. After all, resources cannot be instantaneously acquired or expended. For example, acquiring the best human resources is a process that takes months or even years. The temporal component is similarly underrepresented in some streams of the sport- and entertainment-related research. As examples, Funk et al. (2016) notes that a dearth of sport consumer behavior research utilizes data gathered at multiple time points, Filo et al. (2015) notes the same problem with sport and social media research, and Dimitropoulos and Vrondou (2015) echo these concerns for CSR research in sport. Doherty (2013) explains that sport management is a habitual borrower of theory from managerial-related parent disciplines. As modern-day best practice for organizational research methods involve "having a temporal appreciation of social phenomena and their interconnections" (Bryman & Bell, 2015, p. 49), it is perhaps a good idea for sport management to follow suit.

The second weakness pertains to construct definition. Strategic management research is plagued by a general confusion about construct validity, and a lack of methodological rigor in explaining and defining the constructs proposed (Boyd et al., 2013). This is no different for much of the terminology central to Barney’s (1991) VRIS framework, and rears its ugly head in three specific instances. First, the idea of “value” itself generates much debate and requires further discourse and clarification over the subsequent years (Barney, 1997; Peteraf, 1993; Peteraf & Barney, 2003). Second, Value and Rarity are intimately related as economic functions of one another. Rarity, or perceived rarity, almost always drives the Value attached to a resource or commodity. Third, Inimitability and non-Substitutability may have subtle scholarly distinctions, but are quite identical for practicing managers in the sport and entertainment industries, and thus have little practical utility. Managers in sport and entertainment must be able to make rapid, informed decisions and cannot realistically be expected to spend hours or days pontificating the delicate conceptual differences between many of academia’s constructs.

The third major weakness of the VRIS framework relates to its unquantifiability. This was made clear when famed strategist Michael Porter asserted that the VRIS framework allows firms to be hyperbolic about the state of their resources and, therefore, to prey on various stakeholder groups.
The shortcomings of the VRIS criteria relating to time, construct definition, and quantification become evident in many of the strategy assessments carried out in sport and entertainment—which are commendable, but which all display serious limitations. Such strategic assessments were carried out for a host of sport entities such as Starter, Inc. (Sack & Nadim, 2002), a university athletics program (Smart & Wolfe, 2000), and professional sport franchises (Mauws, Mason, & Foster, 2003). Other authors have turned this perspective on its nose, investigating whether a sport organization itself can be a strategic resource for nonsport firms (Amis, 2003; Amis, Pant, & Slack, 1997; Berrett & Slack, 1999; 2001). In the end, these represent little more than detailed narratives of firms’ successes and/or failures. Most rely on little to no empirical data, meaning readers must make subjective, situational conclusions about the strategic value of resources in sport organizations. Attempts have been made to quantify some resource characteristics in sport organizations (Smart & Wolfe, 2003; Walker & Mercado, 2015), but even these have shortcomings related to practicality of construct operationalization.

To summarize, it is evident that much of strategic management’s shortcomings have had trickle-down effects on sport management. It is time for a model of strategic resource utility that rectifies some of these concerns by giving sport researchers and managers a clear understanding of strategic resources.

The Complete Model

To begin, it should be noted that an alternate explication of the complete model of strategic resource utility was provided by Hayduck and Walker (2016). However, discussion of the model is appropriate here to facilitate and enhance understanding. Therefore, as a result of the weaknesses outlined above, a model of strategic resource utility is needed that meets several criteria:

(a) it must incorporate a temporal element
(b) it must avoid endogenous constructs
(c) it must avoid conceptually similar constructs
(d) it must include an explicit industry-level component
(e) it must be measurable, yet flexible
(f) it must be of use to practitioners

In order to begin this process, it will help to delineate some of the main concepts known to be true about resources. First, resources can be both tangible and intangible. Second, knowledge is a special kind of resource that deserves additional attention; in fact, knowledge can be split into two kinds: tacit and explicit. Tacit knowledge is informal “know-how” that is difficult to teach and verbalize, such as leadership skills and body language. Explicit knowledge, conversely, is highly codified and systematic, such as instruction manuals. Third, resources cannot be evaluated cross-sectionally, meaning resources should be thought of in terms of their ability to evolve over time. This ability (or inability) is termed a resource’s “dynamism” (or “rigidity”). Because these three concepts are not didactic, they
are placed on spectrums, and are arranged as they appear Figure 1. This creates a three dimensional array with eight elements. Each of the eight elements represents one of the eight categories of resources available to a firm. Proper interpretation of Figure 1 asks three sequential questions:

(a) How tangible or intangible is the resource of interest?
(b) What kind of knowledge is needed to make use of this resource?
(c) How dynamic or rigid is this resource?

Figure 1. The Complete Model of Strategic Resource Utility.

Finally, it should be noted that certain industries may not affect resource utility in the same ways. This is denoted in the model with the use of the dotted line, which separates the firm's internal environment from the rest of the external industry environment. For example, the sport and entertainment industries are becoming ever more digitized, fragmented, and rapid, meaning that differentiation is becoming increasingly important yet more difficult to achieve. Digital technologies and increased access to broadband connectivity have enabled sport and entertainment content to be instantly distributed anywhere in the world, and digital content's permanency means that it can be consumed and re-consumed at any time now or in the future. Moreover, the content can easily be captured, edited, and republished on any other digital platform—meaning sport and entertainment content can be distributed in miniature “bite-sized” formats for consumers who may only have a few sporadic minutes each day to get caught up with their favorite teams’ performances.
In this environment, intangible, tacit, dynamic (ITD) resources are perhaps most indicative of competitive advantage for these firms. Examples of ITD resources could include brand equity, image, corporate culture, relationships and professional networks, on-air talent, broadcast rights, and programming agreements. However, firms that compete in slow-cycle markets that rely on principles of cost leadership like routines, distribution channels, manufacturing, and logistics could find more utility for comparatively tangible, explicit, rigid (TER) resources. The same could be said for firms that compete in emerging markets or specialize in new product categories. Examples of TER resources include physical property, assembly plants, manufacturing equipment, distribution channels, infrastructure, protocol cataloguing, and raw materials.

Implications for Practitioners

For practitioners, the complete model is useful in a number of ways. The C-suite and boardroom can find use for the model, as it would allow them a different way to keep quantitative tabs on resource accumulation stocks and depletion flows. Many econometric methodologies exist to facilitate this process, which will certainly be of use to managers with backgrounds in finance, analytics, and operational forecasting. Managers with expertise in these areas may choose to operationalize these resource characteristics in a variety of forms by using internal data from balance sheets and financial statements. For example, “goodwill” and “intangible resources” are two popular line items that, as a percentage of total assets, would help managers conceptualize how much of their firm’s resource bundle is intangible in nature. The “property, plant, land, and equipment” (PPLE) line item would give corresponding insights about the tangible resources available to a firm. In a different vein, managers could operationalize resource dynamism using a plethora of liquidity indicators such as the current ratio, quick ratio, and cash ratio, as well as more advanced measures of liquidity like the Cash Conversion Cycle (CCC). Alternatively, the asset turnover ratio and various volatility measures could be used to assess resource dynamism. Finally, knowledge-based resources could be easily assessed with the use of internal questionnaires and surveys designed to measure how much of the firms’ knowledge assets are tacit and explicit, and what job roles are associated with each kind of knowledge being used. Measuring and interpreting these three resource characteristics in a collective way would help managers assess which categories of resources are most plentiful to their firm and which categories are scarce.

The model is also intended to be used in a more general way; managers can choose to adopt a qualitative approach. As mentioned earlier in the manuscript, this model is foremost intended to serve as a spatially oriented cognitive map for resources. It is intended to assign physical space to a previously unsystematic set of ideas and constructs. In that vein, resources can be placed roughly into each of the eight categories so that managers can get a visual representation of the palate available to them. When an entire top management team (TMT) or board of
directors is applying the same mental map and construct definitions in order to make a strategic decision, the best solution can be reached quicker and with more conviction due to the ease and efficiency of communication.

Naturally, the complete model is not indented to be used exclusively in the C-suite, and would certainly find equal utility at other organizational levels such as the business unit level, functional department level, and project team level.

Case Study 1

Having laid out the model and described some of its implications, it is perhaps best to show how this model manifests in the real world. The following example discusses the market for athletic apparel and sneakers.\(^1\)

The decades during and after the war years (approximately 1900–1960), were characterized by domestic manufacturing of clothes for people in the United States. During these early years, it was customary for brands to introduce between two and four lines of clothing per calendar year. However, the “fast fashion” business model that began to evolve in the 1980s and came into maturity in recent years has allowed these same brands to introduce new inventory on a weekly basis as opposed to a biannual or quarterly basis. This means that inventory turnover must now be considered in terms of hours and days as opposed to weeks, months, or quarters.

Brands are able to accomplish this by placing smaller orders of clothing and footwear in rapid succession from scores of manufacturers, as opposed to two or three massive orders per year from a handful of manufacturers. This format allows firms to be more adaptive to consumer preferences and more willing to experiment with new styles, patterns, and materials. On the other end of the value chain, the same brands are moving excess inventory out of the stores more rapidly thanks to firms that purchase overstock inventory wholesale for redistribution at discount prices.

Throughout the value chain, the “fast fashion” of athletic apparel and footwear is facilitated with resources that have been made more dynamic over the years. First, contractual agreements have been outsourced and their terms loosened—athletic brands now have the ability to toggle between many different manufacturers and distributors on a by-order basis, instead of being locked into an agreement for entire fiscal quarters or calendar years. Second, technology used at all points along the industry’s value chain has led to more readily available data about manufacturing rates, distribution strategies, and logistics times. This means that firms are allowed the flexibility to make up-to-the-minute decisions that ultimately bring products to highly targeted markets faster and more efficiently.

\(^1\)Information in this section originates form a number of sources, and the interested reader should refer to Cachon and Swinney (2011), Tokatli (2008), and Rosen (2002), among others, which further illuminate the themes discussed here.
While this industry has successfully dynamized its resource base on the whole, there is one resource that remains rigid and, therefore, represents a legitimate weakness for many firms that operate along this value chain. Human resources are perhaps the most important resource available to a firm, as people are the vessels containing all of the firms’ tacit and explicit knowledge. Many brands and their corresponding manufacturers have rightfully been subjected to scrutiny and criticism from human rights activists for their part in the perpetuation of unsafe working conditions and unfair wages. Unskilled and semi-skilled laborers in developing nations are incentivized to turn to a life of factory work amongst a host of unsavory alternatives. Workers are paid low wages for long hours in factories that are routinely characterized as structurally unsound. Furthermore, they are often taught only a single skill (to sew or to pour rubber molds, etc.) which limits their ability to progress, develop, and enhance their value to the firm. Hence, there seems to be little effort devoted to dynamizing the human resources that are responsible for much of the world’s athletic apparel and footwear production. A dynamic human resources pool is more able to cope with intra-firm uncertainty, evolving demands on skillsets, exogenous shocks to the industry, and many other forms of risk.

In order to dynamize their human resources, manufacturing firms and athletic brands may consider offering opportunities that facilitate professional and personal growth, such as higher wages, basic benefits packages, job training curriculums, community involvement, and employee reward programs. To use Porter and Kramer’s (2011) terminology, firms should adopt the shared value perspective, wherein they aim to correct the “root causes” of poverty and social injustice by investing directly in the physical and nonphysical infrastructure needs of the community where employees live. To be clear, this is not about corporate social responsibility (CSR). Rather, creating shared value eschews the old-world model of doing business, which requires clear tradeoffs between business success and social advancement. By implementing programs that create shared value, firms can hire and train a workforce that is capable of evolving right along with the industry they work in. The benefits of doing so are not unlike those documented by Henry Ford at the turn of the century. Establishing eight-hour workdays, paying fair salaries, building safe manufacturing plants, and training his workers at multiple points along the assembly line directly equated to a workforce that was able to change, advance, develop new skills, generate more value for the firm, and contribute to the overall progress of the entire industry. Not only was Ford’s existing workforce one of the most dynamic of its time, but the positive press it generated led to a backlog of tens of thousands of applications for employment. Ford could then select the most qualified, best-fitting people for his factory jobs as new spots opened up.

Having discussed the applicability of the complete model in a real-world setting, it should be clear that many other points of the sport and entertainment
value chain can be subjected to the same examination. Broadcast, cable, and digital/online sports media, professional sport leagues, participatory sport organizations, sporting goods manufacturing and distribution, technology-centric sport startups, and talent representation are all subject to examination using the complete model as a lens.

Case Study 2

To provide a degree of variety, a brief examination of the cable, broadcast, and digital content packaging and distribution industry is now presented. For the sake of clarity, in this manuscript, the term content packaging loosely refers to the various cable, broadcast, and Internet entities that capture and prepare content for distribution. Second, the term distributor refers to firms that actually facilitate the movement of various packaged signals via cable, airwave, or broadband infrastructure.2

In the early days of sport and entertainment content packaging and distribution, the industry was fairly straightforward. There existed only three major networks (ABC, NBC, & CBS). These networks brought radio and television content into consumers’ homes using an extensive network of physical infrastructure such as broadcast towers and cable landlines. Furthermore, the industry was significantly regulated by the government, which essentially created an oligopoly for content packaging. As various technologies facilitated the fragmentation of content consumption, the industry now finds itself in the midst of a seismic shift, as traditional subscribers turn to modern distribution outlets such as social media broadcasts (NFL games broadcast on Twitter), digitally native entities such as the Atlantic Coast Conference Digital Network, and over-the-top (OTT) providers such as Netflix, Hulu, Playstation Vue, Apple TV, SlingTV, and Google ChromeCast. Furthermore, the same content is being parsed down and redistributed in “bite-sized” consumption formats on social media outlets such as Facebook, Instagram, YouTube, and Twitter.

For traditional content packagers and distributors to survive during this shift, they will need to develop the tacit knowledge needed to thoroughly understand their consumers’ consumption preferences. Prior to this shift, most of the knowledge required to be successful in these industry segments was explicit—knowing how and where to install cable networks and broadcast towers, knowing how and when to transmit signals using this physical infrastructure, etc. Consumers were not given much latitude in their consumption practices, as the networks and cable providers held all of the bargaining power. However, as consumers are being given more choice in how, when, where, and on what medium they consume sports and entertainment content, packagers and distributors will need to redevelop their

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2Information in this section is sourced primarily from Gershon (2013), McDowell and Batten (2008), and Porter (1983).
knowledge resources to emphasize tacit knowledge. In the model, this involves “shifting” their knowledge resources from bottom to top along the y-axis.

These firms will need to know how to attract new customers, retain old ones, create interactive and engaging consumption experiences, and facilitate other aspects of a high-quality customer experience. These new demands place heavy emphasis on marketing and branding, public relations, human resource management, and research and development. Such functional units require more tacit knowledge than, for example, production and installation, purchasing, accounting, and finance.

Conclusion

This article advocates for the incorporation of a new conceptual model into sport and entertainment practice. The purpose of the model is to help managers identify the resources that are most associated with performance outcomes. The article discusses the reasons such a model is necessary, elucidates the basic components of the model, articulates the implications for managers, and brings the model to life using two real-world examples.

References


Strategic Resource Utility Model


