Measuring business performance in sports. How the Balanced Scorecard approach can help sports organisations in operating along strategic objectives?[1]

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While performance measurement in the sports industry has a traditionally strong focus on sports results, commercial success of sports clubs needs to gain more ground. Sports results should generate market revenues, by satisfying customer needs, and allow continued investment in the further improvement of sports success (i.e. more funds for player transfers and wages). Club managers need to understand the complex relationship between on-field and off-the-field success, and identify critical success factors for achieving strategic objectives. The Balanced Scorecard approach provides a plausible framework for such analysis. Our paper explains the challenges of and opportunities for implementing a Balanced Scorecard system in non-profit organisations, and provides insights into its application in professional sport through an in-depth case study of a handball club in Hungary. We conclude by providing a model for managing sports organisations in line with strategic objectives, balancing stakeholder expectations for both sports results and commercial success.

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Introduction

There is a widely published academic debate about whether sports organisations have special objectives as opposed to economic entities in

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other industries. On one hand, there are certain characteristics of the business model of professional clubs in major sports that are not common in most other industries. E.g. in association football there are regional monopolies in cities/regions, many customers are very loyal to one club life-long, and cooperation between competitors is particularly strong at league and/or national level. On the other hand, no industry is fully in line with "typical standards" if such standards exist (Kynsburg 2011). The question remains whether the strategy development and implementation in the business of professional sports clubs should lie on fundamentally different basis than mainstream management approaches, or the differences can be reflected by a refined implementation of the same approaches.

This topic is further complicated in countries with smaller markets, as market mechanisms alone cannot provide a coordination model for sustainable operation of professional sports clubs (András 2003a, 2003b). Revenues from the market are simply not enough to cover the costs. While ticket sales, sponsorship, broadcasting fees and sundry items are more limited and less available as the spending power of customers is weaker, the cost side of the business is fairly globalised – player transfer fees and wages are inextricably intertwined across markets.

Nevertheless, there is growing interest in the role of sports in society, even in smaller markets. Governments play a crucial role in filling the financing gap to allow sustainable operations in sports. Hungary shows an extreme case in how government intervenes in a supposedly market-based economy. The central government has recently introduced a particularly resourceful support system that transfers a proportion of corporate income tax payments to financing the investments and operations of organisations in the most popular sports of the nation (association football, basketball, handball, water polo and ice hockey). This allows sports clubs to upgrade their facilities and build up a wider youth development scheme.

However, the source of government funding is naturally a topic of heated political debate, and it is in the sports organisations' interest to consider the longer term implications of current investments (Laki and Nyerges 2006). To put it more bluntly, government funding may dry out in a few years, and the long term sustainability of operations require investments that add value from a business perspective. How to add value in a market where sports clubs have no tradition in business-driven operations and the spending power of customer is limited?

On top of this problem there is the traditional complexity of double-value creation (Chikán 2008). Customers are first and foremost interested in consistently good sports results, while the owners are normally responsible for the financial feasibility of the venture so that their initial investment pays off. In smaller markets, due to the circumstances explained above, performance measurement has a traditionally strong focus on sports results. Even the owners, typically public entities, have an *ab ovo* interest in sustained sports success, as it is understood fundamental from a political point of view. However, the commercial success of sports clubs needs to gain more ground. Sports results should generate market revenues, by satisfying customer needs, and allow continued investment in the further improvement of sports success (i.e. more funds for player transfers and wages).

In summary, the context of strategy development of sports organisations in smaller markets is complex and ambiguous in multiple ways. How traditional management approaches may actually help organisational officials in directing the sports clubs towards long term success is a challenging question worth exploring.

The Balanced Scorecard (BSC) concept for managing strategic performance was originally developed for profit oriented organisations (see Kaplan and Norton 1997). However, more and more non-profit organisations are interested in it. While several BSC applications have been implemented in governmental, healthcare, and other non-profit organisations (Inamdar et al. 2002; Carmona and Gronlund 2003; McDonald 2012), there is a relative scarcity of academic articles dealing with the application of Balanced Scorecard in sports organisations (Alonso et al. 2009; Becsky 2011; Delaney 2008; Jones 2006). One of the early evidences of the Balanced Scorecard approach successfully applied in sports was at German top-tier football club VfB Stuttgart (IFUA Horváth & Partners 2004). The results of that implementation were claimed positive, in terms of supporting more informed and effective management decisions. However, Balanced Scorecard applications are still uncommon in sports organisations, and there are no synthesising studies on how successful the adaptation and implementation of the model has been.

Our paper aims to advance further in this excitingly daunting journey, by examining how the traditional Balanced Scorecard approach to strategic management may be applied in a Hungarian top-tier professional women handball club. In our case study analysis, we conducted in-depth interviews with club officials and assessed available factual information to cross-check the validity and reliability of findings. We also reviewed the available academic literature and secondary information from related applications in other markets. As a result, we drew up a suggested structure of the Balanced Scorecard for the club, and outlined the conditions by which the results may be generalized for other clubs in the region.

Methodology

In our current research project, we have used the case study method for analysing our subject of research. The case study method of research (Yin 2003) is suitable to explore relatively unknown fields of research, provide a rich description of empirical findings, as well as aim analytical generalisation from even a single case. In light of the inherent opportunities in applying this method, we are not willing to provide statistical generalisation of our analysis, but a more refined understanding of the initial propositions that come from previous research projects and relevant theories. This paper summarises the early results of a long-term research programme that aims to understand the performance measurement challenges of professional sports organisations in smaller markets, and make recommendations on improvement measures to support strategic goal achievement. The results of our initial research project are presented here, based on the analysis of a carefully selected handball club. The sample of our research interest was selected according to the sampling tactics recommended by Miles and Huberman (1994). Our selection of a top-tier Hungarian women handball club was made because handball is an increasingly successful sport in Hungary with a growing fan base and a developing commercial background. Also, more and more handball teams involve professionals with economics background in their management team, providing a favourable setting for refined applications of strategic management tools. While there are a few clubs both in men and women handball in Hungary that belong to the best of the world, we chose to focus on a team that is more typical for the average top-tier club. While the identity of the club has been agreed to remain confidential, we can reveal that it is a provincial club with a chance for winning medals in the championship in most of the seasons. Conclusions made from this single case may provide the basis of further research if results will be controlled for the potential differences between the current and future cases of analysis.

Our original proposition was that BSC can be applied to the company operating the professional handball club, without major structural adjustments, but with refined elaboration of the measurement tool along all four perspectives. We aimed to understand better the operation of the club and how the company is managed, in order to conclude on a refined proposition that could form the basis of future research projects on the subject.

Having studied the relevant literature of business performance measurement, Balanced Scorecard applications and analyses on the business of sports in different markets, we showed to company management a list of proposed structural approaches to the performance measurement challenge and asked them for comments and suggestions. This exercise was part of a range of in-depth management interviews, and we cross-checked our findings with available business performance data provided by the management.

Our intended outcome of the research project was a proposed structure for a Balanced Scorecard for the company, with key aspects identified for each perspective and a list of suggested performance indicators for further consideration. We did not, however, mean to prepare an actual Balanced Scorecard system, as this would reach beyond the scope of a scientific endeavour.

The framework for our current article does not allow the full description of the case study; hence the elaboration of the proposed Balanced Scorecard structure is explained in the following sections.

The role of the Balanced Scorecard in supporting strategic management

An appropriate performance measurement system plays a major role in management. It is essential for preparing decisions, provides information about operation and has a crucial role in motivation. It can only serve management effectively if it fits the external and internal environment (market environment, production system, leadership, corporate culture).

The impact of performance measurement on behaviour and strategy implementation has been studied since the 1970s (Skinner 1971, quoted in Neely et al. 1995). The need to deduce performance metrics from the strategy has been pointed out; however, this has not become typical in corporate practice for a long time. From the point of view of the strategy-implementation-supporting function of corporate performance measurement, another important milestone was the Balanced Scorecard (BSC) system, invented in 1990, under the leadership of Kaplan and Norton, and having become one of the best-known performance measurement systems by now (Kaplan and Norton 1997, 2002, 2004, 2005 and 2008). The French Tableau de Board performance evaluation system and the OVAR method and the SMART pyramid have principles similar to the BSC (Wimmer 2000). Let us mention the Business Navigator system of Skandia, developed in 1991, at almost the same time as the BSC, but which has not become so popular (differences between the two models are discussed in Ashton 2005).

The BSC is currently the most popular and well-known performance measurement system. According to the survey of the

Gartner Group (Neely and Bourne 2000) 40-50% of large companies in the US introduced the BSC. However popular the BSC system is, it has its shortcomings, and there are questions raised connected to the usefulness of the BSC in practice (Kenny 2003). The Gartner Group survey found that BSC execution is inadequate in 70% of companies, due to two main reasons: weak planning and problems of introduction. Often, the simplest indicator system which merely combines the financial and non-financial indicators is already called BSC, whereas the steps representing the “essence” of the method, such as the exploration of the causal relationships, are omitted. The implementation of the method will fail without resources, the information system and the commitment of managers. The conclusion is not that we have to forget this performance measurement system, but we have to understand the key elements of it more deeply and we have to apply adaptation in some cases.

The primary objective of BSC is to support strategy implementation. Organisations have to identify those steps which are crucial to achieve strategy goals; they have to identify the value drivers. Strategy goals and value drivers have to be linked to performance metrics, which are grouped in four perspectives: financial, customer, internal processes and learning and growth. These four perspectives are to be considered as a guideline and not a compulsory framework. No model has proved that these four perspectives are necessary and sufficient. The most important role of the four perspectives is to avoid the problems deriving from concentrating on only one measure or only one perspective. The decisive feature of the system is its balanced nature: it strikes a balance between short- and long-term objectives, it includes financial as well as non-financial indicators, external and internal indicators, objective indicators that are easy to quantify and subjective elements forecasting future performance. Most importantly, it balances the outcomes the organization wants to achieve and the drivers of those outcomes. When designing the system, one must always keep in mind that BSC is a tool promoting strategy implementation and not an operational control system.

More than a thousand measures are used to control the company processes; BSC, on the other hand, must include only the key performance indicators, that is how a strategic focus can be created. Based on experience, 20-25 measures are enough. The proportion of measures in internal processes is about 34%, the rates of other three perspectives are about equal (Kaplan and Norton 2002. 448), but filling the framework with the appropriate number of measures is not the correct approach - measures must be deduced from strategy.

The development of BSC does not end with the assignment of metrics to the objectives and key value drivers; cause-and-effect relationship are to be established to explain the relationship between lagging (backward looking) and leading (forward looking) indicators. This last step is often omitted (Ittner and Larcker 2004). Neely and Bourne (2000) noted that if companies do not work out the cause-and-effect relationships and gather measures with brainstorming, the logic between measures will remain hidden, the relationships cannot be seen and the trade-offs cannot be handled. Therefore more attention has to be paid to developing a strategic map. According to Kaplan and Norton (2002. 24) the strategic map is a logical and comprehensive scheme for the description of the strategy, in which the causal relationships show how intangible assets are being transformed into tangible (financial) performance. Samples of strategy maps (Kaplan and Norton 2005) provide help, but they substantiate a source of danger if managers omit the important steps of discussing strategic goals and identifying key value drivers, and they only take over a sample of strategy map which best suits their organisation.

The BSC is more than just another indicator system: it offers a systematic process for the implementation of corporate strategy and for feedback. The process of BSC development forces managers to clarify the strategy and to reach consensus. It fosters concentration on the most important business processes. It offers managers at various levels of the company hierarchy an easily understandable "language" for communicating the strategy. It links the strategic objectives with annual planning and resource allocation. Also, it provides an appropriate framework for the systematic review of the strategy, for feedback, strategic learning and continuous development.

Applying the Balanced Scorecard in non-profit organisations

The original concept was developed for profit oriented organisations, but more and more non-profit organisations are interested in it, because they also have limited resources, increasingly need control and face stronger competition. Since 1996, several BSC applications have been implemented in governmental, healthcare, and other non-profit organisations; for example, in the local government of Charlotte in the USA, in some federal agencies in the USA (Kaplan and Norton 2002), the court in Singapore, the Swedish Police (Carmona and Gronlund 2003), the United Way of South-Eastern New England (UWSENE), an organisation which collects and distributes donations (Kaplan and Atkinson 2003; Kaplan and Norton 2002), New Profit charitable venture capital fund (Kaplan and Norton 2002), as well as several healthcare organisations (Kaplan and Norton 2002; Zelman et al. 2006; McDonald 2012). Applying the Balanced Scorecard concept in the non-profit sector is widespread. Since there are not enough surveys of BSC application in sports organisations, reviewing the experiences of BSC adaptation in non-profit organisations can be useful.

Inamdar et al. (2002) conducted a survey in healthcare organisations, which concluded on the below benefits deriving from BSC applications:

1. The BSC development process forced executives to clarify and gain consensus on corporate strategy;

2. It increased the credibility of management. Board members were clearer about the measures and target results for which the CEO and other top executives would be held accountable;

3. The four perspectives of the method provided a framework for decision making. The cause-and-effect logic forced executives to think in ways that led to better decisions;

4. The BSC helped executives to focus on core business processes and launch initiatives to support these processes. The strategy was

brought down to the level of the front-line workers who could understand the value of their work and how it related to the organization's strategic objectives. It improved employees' morale;

5. The BSC linked strategy with resource allocation. It helped in balancing short-term financial goals with long-term investments for growth;

6. It supported greater accountability, especially when it was linked to managers' incentive plans. The Scorecard development process unfolded the strengths and weaknesses of the performance measurement system, pointed out the conflicts in priorities concerning costs, quality and services;

7. It enabled learning and continuous improvement.

Taliento and Silverman (2005) conducted surveys with executives with experience in both non-profit and for-profit organisations. They concluded that reaching goals and measuring output is more difficult in non-profit organisations. Clarifying strategy and the lack of consensus on strategic goals was often challenging. Measuring the organisations' performance was also challenging and innovative measures were needed. We can observe differences in the framework of BSC applied in non-profit organisations compared to profit oriented organisations. The four perspectives can be used, but in case of most non-profit organisations the financial perspective could not be on the top of the measures' hierarchy. It could not represent the basis for developing BSC, because achieving financial success was not their primary goal. An often used solution is that the customer perspective is placed on the top of hierarchy, but in some organisations identifying customers was also challenging. For example, who are the customers of donations distributors: donators, supported communities or the intermediary agencies?

The survey of Inamdar et al. (2002) in healthcare organisations identified the below barriers and challenges in connection with BSC implementation:

1. It was an incredible challenge for them to gain and sustain support for the long and difficult development and implementation processes;

2. Obtaining executive time and commitment was crucial. It caused a major shift in the way of thinking about strategy. Accepting the four-perspective framework was not easy, because the "culture did not value looking at measures in a balanced way." Measuring the learning and growth objectives was difficult to accept. Using a cause-and-effect logic was also difficult, because managers and employees were not accustomed to think about strategy in such a careful way;

3. Conflicting values existed and handling trade-offs was difficult. They realized that they did not have enough information about customer preferences, which situation could only be improved by conducting market research projects;

4. Extensive time (six months to one year) and effort was needed for planning the system; obtaining consensus about what was strategically important was especially time consuming;

5. Many organizations had previously attempted to implement business tools, but had not taken them to completion, so the workforce was sceptical and viewed the BSC as "just another fad". Fear of being measured caused serious resistance;

6. Organizations had to teach the workforce how to gather, analyze, and use data for the measures;

7. BSC has to be simple and understandable. It should be continually evolving and adjusting to new strategies.

Recommendations for the development of a Balanced Scorecard tool in sports organisations

There is a relative scarcity of academic articles dealing with the application of Balanced Scorecard in sports organisations. We have identified the following list of relevant materials: Alonso et al. 2009; Becsky 201; Delaney 2008; Jones 2006; IFUA Horváth & Partners 2004 and Kriemadis et al. 2008.

Based on the available literature and our discussions with company management, the initial question to ask is whether the management of sports organisations need a balanced performance measurement system to be developed. One of the early evidence of Balanced Scorecard in football was implemented in German top-tier football club VfB Stuttgart (IFUA Horváth & Partners 2004). The results of that implementation was claimed to be clearly positive, in terms of supporting informed and effective management decisions. However, Balanced Scorecard applications are still uncommon in sports organisations, and there are no studies on how successful the adaptation and implementation of the model has been. Presumably, a key obstacle to the proliferation of the model is the lack of information about the system and its potential benefits, and also the lack of commitment from management.

To answer the initial question about the aim of Balanced Scorecard implementation in sports organisations, the following arguments arise:

1. It puts pressure on management to clarify the strategic orientation and goals of their organisation, and to identify the steps to reach those goals;
2. It stimulates a multi-aspect approach to performance measurement;
3. Drawing up the cause-effect relationships requires an emphatic strategic mindset, and the operational interrelationships of organisational activities and processes are to be clarified. Different goals need to be interlinked;
4. It provides a common goal and communication tool for the management;
5. It can be linked to the annual planning and budgeting process;
6. Balanced Scorecard provides a formal framework for monitoring organisational performance;
7. The strategic learning process is fostered;
8. It can be used for motivational purposes.

Once the primary motives for implementing Balanced Scorecard are clarified, the next question is to clarify whether the fundamental structure of the concept needs to be adjusted for sports organisations. The standard Balanced Scorecard structure is generally applicable in any organisation, unless there are good reasons to add additional perspectives that drive management's attention to the strategically important aspects, without creating an overly complex tool. Based on our case study analysis, we have found a particularly important aspect that may be worth a separate category in BSC: sports performance. However, we have learned to understand that good sports performance is neither a goal in itself, nor an aspect to be separated from the core perspectives. We will explain its role in the sections that follow.

The ultimate purpose of sports organisations

Based on our case study and research of secondary sources, we understand that the ultimate purpose of sports organisations differs depending on the market environment. In large markets where there is strong commercial potential both domestically and globally, the ultimate purpose of sports organisations is similar to traditional businesses: satisfying customer needs by generating profits (Chikán 2008). However, this is only valid for a short list of sports leagues and clubs in the world: the major leagues in the US, English football, and a few significant leagues in Germany (football, handball, and possibly ice hockey). In most other cases, the traditional business considerations are intertwinned with strong public considerations, represented by the central or local government that generally support the investments and operations of sports. This is also the case in Hungary, as reflected by our case study.

In this publicly sensitive environment, the ultimate purpose of sports organisations is rather attracting the continuous attention of key stakeholders in a financially sustainable way. Attention is normally attracted by good sports performance, potentially supported by local traditions of long history. Perceived sports success (to be defined later) brings public benefits, in terms of the strengthened pride and feeling of belonging within the wider or local community. Financial sustainability, partly through exploiting commercialisation opportunities, is then needed so that the public support of operations may be limited to a level that can be relied upon regardless of the actual political regime.

As a consequence, the financial perspective of Balanced Scorecard may not be the ultimate perspective in the hierarchy of the measurement structure in sports organisations. Non-profit entities normally prioritise the customer perspective, and this is also our recommendation for sports organisations, based on our case study analysis.

Customer perspective

For professional sports organisations, there are different customer groups in different markets: on-site supporters, media consumers (television viewers or readers of on-line/printed newspapers), broadcasting companies, and commercial sponsors. Strategically, supporters are probably the most important, as their presence and active support positively influences demand from other customers (i.e. a livelier atmosphere in the arena creates a more marketable product for the media and sponsors). However, in smaller markets, like Hungary, the majority of the income of sports organisations originates from sponsors, whose interests in providing support may be both political and commercial.

There are fundamental aspects of the sports organisation’s performance from the customer perspective that are indifferent to most other businesses: market share (in the relevant geographical area), attendance, average consumer spend etc. These aspects reflect the general success of the organisation on each of its markets.

A specific aspect to the performance of sports organisation for the customers is sports success. It has special characteristics, with regards to it perceptual nature (Irwin et al. 2003; Bovinet 2004; Hanlon 2002). What matters for supporters is not just the number of titles per se, but how the team performs compared to pre-season expectations, the quality of the opponents, the current form of the team, traditions of the team, and quite a few other factors. This aspect is critical from a management point of view, not only because it is difficult to manage, but also because it is so fundamental to the ultimate purpose of the sports organisation: driving attention to the team. No other dimensions of the organisation’s performance can off-set customers’ disappointment with on-field performance.

The traditional service quality aspects of the customer experience may add value by e.g. providing more comfort in the arena on and off match days. Non-match day programming may provide significant addition to the business, both in terms of direct revenues and elaboration of the customers' bonds with the sports organisation and its brand. E.g. family events at weekends may bring women and children to the arena who would otherwise remain absent on match days. With positive impressions about the facility and the staff, they may be attracted to follow-up events, or, at least, they may follow media coverage of the team.

Relationship with the customers is a key driver of success itself. Regarding on-site supporters, the media and sponsors, sports organisation need to be equally conscious about developing long-lasting relationships that are robust enough to stand the test of the inevitable fluctuations in sports performance. Emotional bonds are considered normal between the team and its followers; sponsors however are less loyal (Doherty and Murray 2007), while the media is quite focused on following the best performing teams or the teams attracting the most attention.

Finally, the reputation and the brand name of the sports team also need to be managed, as they are among the key drivers of commercialisation. The intended and perceived image of the sports team may drive more attention to the organisation even when other factors of performance are below expectations.

Measuring the customer perspective elements of performance may include: attendance of the team's events in proportion of the total attendance of sports events in the city and its catchment area, annual increase in attendance, increase in average consumer spend, number of renewed sponsorship contracts, number of broadcasted matches in national media, customer feedback about the different aspects of match-day experience, number and attendance of non-match day events, customer activity on the electronic platforms of customer interaction (web page, social media sites etc.), feedback from image surveys.

Financial perspective

While customer perspective is prioritised in the Balanced Scorecard of sports organisations, the financial perspective also needs to gain emphasis, as the ultimate purpose of sports organisation may only be reached if the long-term support of financing sources and operational efficiency are ensured.

Revenue sources related to customer groups are the starting point of assessing the financial performance of sports organisations. Efforts to increase income from these sources are a most natural task of management. A more specific type of income source is grant received from central and/or local municipalities. These may appear in various forms ranging from sponsorship income, members' loans or non-refundable grants, and regardless of their accounting treatment, sports organisations normally interpret these as "income". In smaller markets, like Hungary, these payments (if accounted as income) may form a major part of total income for the sports organisation.

Other income sources, related to key customer groups, include income from ticketing, additional match-day spending, sponsorship, broadcasting, potentially merchandising and income from non-core events, like cultural events or concerts.

In traditional businesses, a key consideration for management is increasing the return on investment or the return on equity. However, these measures are problematic for sports organisations as most of them are loss making, while profit generation is not even considered a key strategic objective for them. All the more, their success can only partly be measured by financial indicators, as they have wider social objectives, as well as universal objectives like "attracting attention".

Another traditional aspect of financial performance measures are related to efficiency ratios. These normally apply also to sports organisation, as exploiting their resources to the fullest possible extent is in their strategic interest. The specific nature of efficiency measures applied in sports organisations arises from the diverse nature of their strategic objectives: not all their performance outcome has a market price (e.g. social benefits); hence aggregation of all measures may not be possible. More focused measures can be applied, e.g. gross margin on events, sports success related to total spending on players (Stocker 2012).

Finally, utilisation measures of the key assets are strongly linked to overall financial performance. The arena hosting the sport events is probably the most valuable asset to be utilised by sports organisations. These are normally not directly owned by the sports organisations, rather by the local municipality or related entities. While primary sports events, like championship matches, enjoy a clear priority when filling up the event calendar, arranging additional events, even of primarily commercial nature (e.g. cultural festivities or concerts) can contribute to the financial sustainability of sports organisations.

Internal business processes

This perspective considers fundamental operations that affect sports success and customer satisfaction. Furthermore, these processes impact the cost considerations of the financial perspective.

There are core activities in sports organisations that underlie all operations. First and foremost the production of sports performance has to be organised. This involves ensuring that the physical condition, mentality and technical skills of athletes are kept to a level providing the sound basis for on-the-field success. Furthermore, effective activities in the player market (except football, this normally does not involve transfer fees), and the establishment of youth development schemes may ensure the continuous supply of talent to support sports performance of the team.

Just as much as sports performance is crucial, sports organisations aim to ensure that their operations are sustainable through the successful commercialisation of their attention-driving potential. Services to be provided at the facilities where games are held, including, but not limited to consistently good quality of products, variety of options, safety and security for the supporters and their family.

The above perspective of strategic performance may be measured through a range of techniques that are to be developed in line with the specific strategy of each organisation. Examples include: goals scored, matches won, active wage ratio (i.e. the ratio of wages earned by players actually playing compared to the total wages of the squad), youth inclusion ratio (number of youth players coming through the ranks to play in the first team in the given season), as well as number of security incidents per game, average lead time at the food&beverage desks, customer satisfaction score from regular surveys.

Learning and growth

In order to instil a constant drive for innovation that supports the commercialisation of core activities, sports organisations need to develop their employees. The most critical role in a sports team are professional players – their performance (goals scored, matches and titles won etc.) lies at the heart of the core sports activity of the team and also the main driver of customer and public attention. How successful they are and how happy they are with their job are critical success factors for the organisation. Nevertheless, other employees, including the management, the coaching team, services and back office staff also play a role (e.g. seamless customer support, catering services, informing the supporters) with direct links to organisational success. If these links are clarified, communicated and the relevant performance measured, the organisation will be more efficient in goal achievement.

Innovations are based on people who are happy, trained and developing. How activities are organised (e.g. quicker access to the seats in the arena), how new service ideas (e.g. new programmes in the arena) and efficiency improving solutions (e.g. electronic ticketing) are implemented are major factors that differentiates more commercialised sports organisations from the rest.

For good decisions, management needs access to the relevant information about the sports organisation's activities, and any changes in the external environment of the business. How are other teams performing? How much revenues have we earned in the current season so far? How are our new signings performing? If management knows the answer to these and similar questions, the business of the sport organisation can grow more quickly (through changes in the line-up, adjusted pricing etc.) and any mistakes can be corrected in a timely manner (Késenne 2002).

Measuring the above elements of performance vary depending on the strategy of the given organisation. Examples include: number of renewed contracts, length of employment of service staff, customer feedback related to service experience, time needed to implement innovation projects, number of new programmes in a season, time needed for collecting relevant information for major management decisions.

Interrelationship of different perspectives

It is a typical mistake in implementing Balanced Scorecard that cause-and-effect relationships between measures remain undefined. In order to avoid this mistake, the business model of the company has to be understood, as well as the relationships between the four perspectives. Sports organisations need managers to pay special attention to how sports performance may be converted to revenues that provide finance for producing sports success in the future. There is no clear empirical evidence for a direct relationship between on-field and off-the-field success, hence the need for particular care with commercialisation.

Cause-and-effect relationships, hypothetical as they may be, are based on an understanding of the business model. E.g. if the sports organisation can manage to move up the championship table (customer perspective), this improves the satisfaction of sponsors (customer perspective), which in turn may induce an increased number of renewed sponsorship contracts (customer perspective). Ultimately, this will increase the level and proportion of market revenues (financial perspective). Perceived sports success (customer perspective), though subjective, implies improved customer satisfaction (customer perspective), which is expected to result in higher gate receipts (financial perspective) and sponsorship fees (financial perspective) (Wicker et al. 2012; MacDonald 2010 and Rascher et al. 2007).

What is needed for sports success? Evidence suggests that the quality of the playing squad (measured by market wages) is the most crucial success factor. Good players possess the required technical skills (internal processes perspective and through training also linked to learning and growth perspective) and are sufficiently motivated (learning and growth perspective). Players may be attracted from other clubs through improved payment terms (financial perspectives) or come through the ranks from the grass-roots system (internal processes perspective).

Competence in sports affairs (learning and growth perspective) is essential for sports success. However, commercial management competences (learning and growth perspective) are also necessary. This has an impact on services quality (internal processes perspective) and customer satisfaction (customer perspective), which normally translates into increasing gate receipts (financial perspective). Furthermore, sports success may be commercialised through additional market channels, e.g. broadcasting, sponsorship, commercial events, which also necessitate management competence.

Exploring cause-and-effect relationships is never easy. Sensitivity analysis, scenario analysis and model testing are often applied. These analyses are all the more challenging for sports organisations, in light of the non-market coordination aspects of operations and the various interlinks between value drivers. Exploring these complex interlinks may substantially help managers focus on the actual critical success factors. Ittner and Larcker (2004) recommend setting up a cause-and-effect model, as well as the collection of data to test the efficacy of the assumed model (e.g. through correlations, regression analysis). Also, regular refinement of the model is always needed.

Concluding remarks

Despite the fact that empirical studies have confirmed the relevance of the Balanced Scorecard tool for non-profit organisations, relatively few research articles have dealt with its application in sports organisations. Meanwhile, there is a growing need for management efficiency in the professional sports industry, as financial sustainability needs to be achieved in an ever-more competitive global marketplace. Our case study analysis confirmed the potential of Balanced Scorecard in the clarification of strategic goals, their interrelationship and the monitoring of strategic goal achievement. The first step for managers is to understand the Balanced Scorecard approach, and to clarify strategic objectives. This is ensued by the challenging task to assign performance indicators to strategic goals and value drivers. In our paper, we have made recommendations for the development of a Balanced Scorecard tool in sports organisations. While the development of a specific Balanced Scorecard for a particular organisation was not our intention, the generalisability of our results may be further improved by future case studies of other handball teams, and potentially also in other sports.

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