Understanding the Formation of Inter-organizational Linkages in China: The Case of the NBA

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In recent years, China has attracted an influx of foreign investment. In the context of sport, the NBA has identified China as an opportunity to expand its business interests. To build up national identity through sports, the Chinese sports regulatory system was “centralized” and monopolized by the government from the national level down to province, then to the regional level. Although China initiated its economic reform in the past decades that to a large extent facilitates the reform of Chinese sports regulatory system towards market-oriented direction, a reduction in terms of the government’s control over sports remains questionable. Under these circumstances, the NBA has incorporated a linkage strategy by which it establishes cooperative relationships with a number of organizations, especially with those who could help it access key government agencies and achieve necessary supports from them. To this point, it has seen some success as evidenced by a 12-arena project approved by the Chinese government, which plans to locate a NBA-run Chinese league in the near future (France-presse, 2009). In order to establish these stadia, the NBA has been able to form strong links to different stakeholders in China. The purpose of this paper is to examine how the NBA has been able to form inter-organizational linkages in China to further its goals of expansion into the Chinese market.

Studies examining the inter-organizational linkages in the context of sport organizations primarily focus on how non-profit and/or public sport sectors seeks financial support through linking with commercial sectors (Alexander, Thibault & Frisby, 2008; Babiak, 2003; Babiak & Thibault, 2008, 2009; Barnes, Cousens, & MacLean, 2007; Thibault, Frisby, & Kikulis, 1999; Thibault & Harvey, 1997). Only a few studies have examined how professional sport organizations (e.g. NBA) build up linkages with corporate partners (Cousens, Babiak & Bradish, 2006; Cousens, Babiak & Slack, 2001). Thus, studying the NBA in China fills a gap within the literature. Therefore, the current study examines the logic of the NBA’s strategy in the context of Chinese sport market and how it gains support from the Chinese government for its expansion plan.

Inter-organizational linkages are used to establish cooperative relationships. Oliver (1990) proposed a theoretical framework that identifies six contingencies underpinning inter-organizational linkages: necessity; asymmetry; reciprocity; efficiency; stability; and legitimacy. In these categories, necessity reflects a legal or regulatory requirement or mandate from higher authorities, such as government agencies or legislation, to which an organization anticipate the consequences of non-compliance and then find forming certain linkages with other organizations a best choice (Babiak, 2003, 2007). Organizations enter into linkages with other organizations for the reason of the second category Asymmetry because it has a desire to exercise power or control over one another or its resources. Noticeably, a power approach to determine the formation of inter-organizational linkage to the extent shows its dependence on resource availability. Babiak (2007)’s work has identified that the less resources available, the more organizations seek to control over the organizations that hold it. Reciprocity is defined as “a desire to pursue common or mutually beneficial goals or interests (Babiak, 2007).” The factor is based on resource dependence and exchange approaches (Babiak, 2003, 2007; Oliver, 1990). A basic assumption behind this argument is “most organizations are unable to generate these essential resources on their own. They must interact with other organizations and their environment to ensure resource availability (Fenell, et al., 1987).” Efficiency is internal-oriented determinant (Oliver, 1990). Unlike other determinants, its function in linkage formation is to improve internal issues, rather than the desire to exercise power or control over external resources, comply with the mandated requirement of a higher hierarchy, or the will to achieve a win-win situation. In other words, if an organization anticipates the possibility of increased return on assets, reduction in unit costs, waste, cost per client in a form of linkage (Babiak, 2003, 2007), there is a reason for this organization to partner with any organizations that may help it improve organizational efficiency. In terms of Stability, a linkage within various organizations appears to be an adaptive response to environment uncertainty, such as uncertain external competitors or uncertain financial sources. Legitimacy is rooted in the institutional theory (DiMaggio & Powell, 1983). Institutional perspective assumes that institutional environments impose pressures on organizations to adjust their activities or output. Linkage formation will increase their legitimacy and lead them to appear to be in agreement with the prevailing
rules, requirements, and norms of their business environment as a means of acceptance, survival, or increased reputation, image, prestige (Barringer & Harrison, 2000; Oliver, 1990, 1991).

Data regarding global expansion strategies of the NBA and the Chinese context surrounding the expansion of professional sport organization were primarily collected from official press documents of the NBA, newspaper articles from both the US and China (The New York Times, The Wall Street Journal, Sports Business Daily, People’s Daily, and China Daily), and other related media reports obtained from ProQuest database. After the collection work, a qualitative context analysis was used to assess these data. The first step was to narrow down the data and select those documents typically related to Chinese market. Secondly, codes were developed based on the Oliver (1990)’s categories that have been described above. In addition, relevant examples, such as viewpoints expressed in the interviews or metaphors used in the data, that illustrate the definition or meaning of six categories are also identified. The last step was to place these data into corresponding code to identify the ways that the NBA uses to link with other organization and the attitude of the Chinese government in respond to this issue.

Since the analysis of the resultant data is ongoing, I do not discuss the findings here. However, I believe that this paper has practical implications. China will continue to be an emerging market for foreign sport organizations. Although each has its own background, a common hurdle these foreign sport organizations face is dealing with the Chinese government. Examining how the inter-organizational linkages the NBA have been established to minimize the conflicts with the Chinese government can be used as a good reference for other professional sport organizations who expect to explore their businesses into China.