Firms Network and Growth of Fitness Clubs in China: Development of a Conceptual Understanding

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Global economic competition and the extreme changes in the patterns of industrial growth have led several firms to seek their own growth through firm networks such as strategic alliances, enterprise clusters, virtual enterprise, enterprise groups, chain network, partnerships, supply chain, outsourcing and other forms (Jarillo, 1988). This has resulted in the competition mode being transferred from firm-level to network-level of confrontation and cooperation. Firm network is considered to be an interorganization that lies between market and firm bureaucracy (Zenger & Hesterly, 1997) and thus has attracted more and more attention from practitioners and academics. Following this trend, fitness clubs as health and fitness services providers also attempt to secure external resources by cooperating with other organizations through forming different networks.

It can be argued that a greater understanding of the fitness industry can be garnered through an analysis of the networks within the industry. Accordingly, the present study classifies fitness club networks into two common types — (a) franchising fitness networks composed of fitness facilities dispersed in different regions which offer relatively standard and homogeneous services, and (b) the regional alliance of firms that provide heterogeneous services (e.g., fitness clubs, tennis courses, sports medicine clinics, etc.) but target the same consumers in a region.

Franchising Fitness club is a parent firm that allows local businesses to use its brand name and provides support such as transferring franchisor’s knowledge, providing necessary products, advertisements, and training for managers as well as fitness employees. As a hybrid organizational form (Norton, 1988), franchising has seen considerable growth in the Chinese fitness industry particularly since China’s entry into the World Trade Organization (WTO) in 2001 with a great deal of capital and advanced managerial expertise injection. And after several years of competition, there are just a few fitness franchises that command a large percentage of market volume, leaving behind a lot of other unknown brand names in the industry.

Another type of fitness clubs network, regional alliance, also appears in China. Particularly, stadiums or gymnasiums surrounding areas as sports landmarks have attracted sports-related firms to settle down. Fitness clubs cooperate with these firms in joint marketing or resources sharing. Moreover, several sports and leisure parks supported by the government also leads to fitness-related firms agglomeration because of preferential policy.

Given this trend and the Chinese culture, the present research investigates the dynamics of firm networks in the fitness industry in China. First, we offer a theoretical framework of fitness clubs networks (FCN) through integrating the social network theory (Scott, 2000), the resources based theory (Foss, 1997), and firm growth theory (Penrose, 1995). The sequential linkages among network forming, network resources, and corporate growth were applied specifically to fitness clubs to create the framework of FCN characteristics, FCN competitive advantages, and FCN growth. The core perspective is that the fitness clubs growth results from the characteristics of the firm network.

It is also noted that the FCN is composed of internal networks and external networks. The internal network for franchising clubs includes the relationships among fitness firms, stores, or clubs who are in the franchising system or cooperate as contracted. The external network represents the relationships among the fitness clubs, other entities that interact with the focal fitness club such as the clients, other businesses in the locality, educational institutions, government agencies, financial institutions, labor unions, and business rivals. The proposed framework also includes the relationships of both franchisor and franchisees with other organizations in their respective environments, and the interaction of these two environmental spheres. In addition, following Burt (1984), the proposed model employs two types of network analysis—relational analysis and positional analysis. Intensity is chosen as the typical attribute in the relational analysis while centrality, equivalency and density are considered in the positional analysis.

The above conceptual model is going to be tested and modified from the analysis of the data collected through interviews and questionnaires from a franchising network of the fitness clubs. Social network analysis-specific
software called UCINET (Borgatti et al., 2002) will be utilized to generate FCN characteristics. Regression analysis will be conducted to determine how the networks related to the fitness clubs growth.