Does Sponsorship Enhance Sport Organization Performance?

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While the literature on corporate sponsorship of sports has matured, relatively few studies have explored the results of sponsorship as related to the sponsored sport organization. Far more studies have focused on the returns to the sponsoring firm (e.g., Jensen, 2012; Olson & Thjømoe, 2009). However, the sponsorship exchange relationship is theoretically two-sided, in which each side contributes to the success of the other. While some recent work has modeled the monetary benefits to the sponsored team (e.g., Jensen & Cobbs, 2014; Wishart, Lee, & Cornwell, 2012), almost no research has attempted to gauge how corporate sponsorship ultimately influences the sponsored team or organization (Cobbs, Tyler, Jensen, & Kwong, in press, offer an exception). To fully understand the sponsorship exchange relationship, we need to investigate if sponsorship actually contributes to team performance. In this study, we test the relationship between the number and type of corporate sponsors of Formula One (F1) racing teams, and those teams’ performances on the track.

A resource-based perspective suggests sponsorship acts a mechanism for interorganizational exchange that enhances each party’s competitive position (Bergmann Lichtenstein & Brush, 2001). Basically, the sponsored team relies—in part or entirely—on sponsorship to access resources necessary for sporting competition and continued operation. As a result, sponsored entities such as sports teams frequently seek and secure many simultaneously sponsoring partners (i.e., brands) to maximize their incoming resource bundle (Cobbs, 2011). However, the resource-based view (RBV) of the firm provides the perspective that resources are heterogeneous distributed across firms and do not represent identical competitive potential (Barney, 1991). Cobbs and colleagues (in press) illustrated that performance-based sponsors (i.e., those highly related to the mode of sporting competition) and financial sponsors were more influential in the organizational survival of the sponsored team when compared to sponsors aligned with business operations (e.g., staffing, office equipment, logistics). Still, scholars have yet to provide evidence beyond anecdotes that sponsors can positively impact the competitive performance of the sponsored sports team. On the other side of the exchange relationship, Jensen and Cobbs (2014) demonstrated that team performance is highly influential in the amount of brand exposure received by team sponsors. Consequently, if sponsorship enhances team performance, a win-win cycle may exist where a sponsoring firm supports a team with resources—perhaps of a certain type—and the team rewards the sponsor with improved competitive performance that results in higher brand exposure for the sponsoring firm. While this sponsorship performance cycle is intuitively attractive, the relationship between sponsorship and team performance must first be explored to investigate its legitimacy.

To test this relationship, we use 48 years (1967-2015) of sponsorship and race results data in F1 motor racing. The data consist of 687 team years. Following the procedure of Cobbs and colleagues (in press), we parsed the F1 team sponsors into three categories. The performance-based category features sponsors in industries with high relatedness to motor racing (e.g., tire and automobile manufacturers and suppliers, lubricants, high technology firms). The operational category features sponsors in industries related to general business operations (e.g., accounting, banking, logistics, office furniture and equipment). Lastly, the financial category includes sponsors in industries unrelated to on-track performance or general business operations (e.g., food and beverages, fashion, movies and television). These financial sponsors are assumed to contribute primarily monetary resources to the teams, whereas in the other categories, sponsors also contribute non-monetary resources to team performance or business operations (Cobbs, Groza, & Pruitt, 2012). For each team in each year, we composed a count variable for performance (M = 5.2, SD = 5.7), operational (M = 2.1, SD = 3.2), and financial (M = 2.7, SD = 3.2) sponsors of the team. These measures served as our three independent variables of interest in a regression model that featured team points in the F1 annual season as the dependent variable. In addition to the three sponsorship variables, two other covariates were included in the model. To control for past team experience as related to competitive performance, we composed a cumulative drivers’ championships variable (M = 2.1, SD = 3.4) that counted the...
The number of drivers’ championships won in previous seasons by drivers piloting the team’s cars. To control for a change in the points system starting in 2010, we also employed a binary era variable in the main model that indicated seasons after 2009 (with ‘1’, otherwise ‘0’).

Results indicate a highly significant model (F = 113.5, p < .001) that explains close to half the variance in team points (adjusted R-squared = 0.45). All five independent variables are significant predictors (each p < .01).

Interpreting the coefficients, the control variables indicate that F1 teams historically earn 10 points in the current season for each past drivers’ championship won by the team, and teams competing after 2009 can expect to earn 114 more points than teams competing in 2009 and prior (due to the institutional change in the points system that occurred in 2010). Regarding the sponsor variables of interest, operational sponsors had the most surprising effect: each operational sponsor was associated with 4.7 less team points earned. However, this negative effect of operational sponsors somewhat supports the findings of Cobbs and colleagues (in press), where such sponsors had no discernible influence on team survival. Conversely, both performance and financial sponsors produced positive effects to team points. For each performance-based sponsor, teams earned 2.1 additional points. For each financial sponsor, teams earned 3.6 additional points.

Given the considerable effect of the 2010 era variable and the prior results of Cobbs et al. (in press) that demonstrated an effect of the change in F1 prize money distribution in 1996, we engaged in supplemental analysis by dividing our longitudinal data into three eras: 1967-1995 (Era1), 1996-2009 (Era2), and 2010-2015 (Era3). The story by era starts with all sponsor categories positive and significant for Era1 (adjusted R-sq. = 0.31). In Era2, only performance sponsors are significant, contributing 2.25 points per sponsor but the variance explained is considerably higher (adjusted R-sq. = 0.53). In Era3, only financial sponsors are a significant predictor of team points, but the coefficient is rather large at 20 points per financial sponsor (keeping in mind the points system inflation in this era).

This supplemental analysis may show an evolution in F1 from an early sponsorship era (Era1 above), when all sponsors influenced points; to a more performance-based era (Era2), when teams discerned how to utilize certain sponsors to improve performance; to the modern era (Era3), where the technology is highly developed and it is now an arms race to bankroll (financial sponsors) the equipment needed to compete on the track.

Overall, this study provides empirical evidence of the relationship between sponsors and team performance in motor racing. However, these findings are necessarily sport-specific and need to be further tested in other sporting contexts before a general model of a sponsorship performance cycle can be fully adopted.