Griffith Business School

SPONSORSHIP DECISION-MAKING AND MANAGEMENT: AN ACCOUNTING PERSPECTIVE

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Doctor of Philosophy

By

Deborah Delaney
BBus (Acc), MCom, CA

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Sponsorship Decision-Making and Management: An Accounting Perspective

Abstract

This thesis reports on a study that has examined the sponsorship decision-making process in Australian organisations. The broad objectives of the thesis are to develop an understanding of the process of sponsorship decision-making, the factors affecting this process and the role management accounting plays in the investment decision-making process.

Three empirical phases have been undertaken in the study. The first phase comprised a case study in a large public sector institution (an Australian university). The second phase involved the conduct of exploratory interviews with managers responsible for sponsorship in a number of Australian organisations. The third empirical phase involved the administration of a survey questionnaire to managers responsible for sponsorship decision making in Australian organisations.

The study’s more significant findings include:

(1) There appears to be scope for the application of more sophisticated sponsorship decision-making processes in Australian companies.

(2) In the case study organisation studied, it appeared that the only real significant sponsorship management role for accounting concerned the budgetary identification of funds allocated to sponsorship and monitoring of funds expended. The sponsorship decision-making approach in the case study organisation can be best described as intuitively-based.

(3) The exploratory interview findings suggest that the role of accounting and involvement of accountants in the sponsorship decision-making process tends to be negligible. Consistent with the case study findings, budgets were found to be mainly used in a planning and control capacity. This finding was supported by the survey phase of the study, where it was observed that the most prominent budgetary role in the context of sponsorship management is “expenditure authorisation”.
(4) Some support has been found for a proposed relationship between formalisation of the sponsorship decision-making process and the contingent factor environmental uncertainty.

(5) No support was found for a proposed relationship between sophistication of the sponsorship decision-making process and the contingent factors of strategy, size, environmental uncertainty, risk and trust.

(6) Support was found for a proposed relationship between intuition in the sponsorship decision-making process and the contingent factors of strategy, risk and trust.
Originality Statement

I declare that this thesis has not previously been submitted for any other degree or diploma in any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Deborah Delaney
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CHAPTER 1
INTRODUCTION

1.1 Introduction

“Sponsors are becoming much more sophisticated and commercially demanding of their sponsorship investments.” Meenaghan (1991, p.39).

“Sponsorship has to stand up and be counted.” Masterman, (2007, p.70).

It is a well-accepted tenet of the marketing discipline that sponsorship represents an important and unique component of an organisation’s integrated marketing strategy. Sponsors are now demanding a demonstrable return on investment. This accountability focus begins with the question of whether to sponsor at all. Despite the simplicity of this notion, there is a relative paucity of research in both the marketing and accounting literature addressing the sponsorship investment decision-making process. Management accountants appear to see sponsorship, in the same manner as all marketing costs, as a discretionary cost. From a marketing perspective, sponsorship expenditure involves large amounts of money initially for the sponsorship fee and then for sponsorship exploitation.

The broad aim of this thesis is to develop an understanding of the sponsorship decision-making process in an Australian context. A particular focus of the study concerns investigating the role of management accounting in providing information and techniques to facilitate the sponsorship decision making and management process. The study has been pursued using by employing both qualitative and quantitative research methods.

1.2 Motivation

The primary motivation for this study stems from the paucity of research attention directed to the investment decision-making process in sponsorship. It is increasingly recognised that the field of marketing must become more financially accountable
It was observed by Stewart (2006) that marketers must justify their actions, for example resource allocation, in a similar manner to managers in other parts of an organisation. Within the marketing literature, studies concerned with sponsorship have noted the increasing need for accountability and for a return on investment to be determined (Kuzma, Shanklin and McCally, 1993; Pope and Voges, 2000; Stotlar, 2001; Sweet, 2002; Stotlar, 2004).

For many corporations, sponsorship has become essential to their continued existence. They are increasingly using sponsorship as a significant avenue of marketing activity. This development poses several interesting accounting issues. Sponsorship can be viewed as a form of investment and therefore it is expected that the use of accounting based investment appraisal techniques and other management accounting methodologies could be drawn upon in the sponsorship investment decision-making process.

The thesis can also be seen as a response to the paucity of research into the interface between sponsorship and management accounting. From an examination of the sponsorship literature, it is apparent that there has been no study investigating sponsorship as an investment decision, despite the increasing importance for companies to justify their sponsorship in terms of economic return (Abratt and Grobler, 1989; Kuzma, Shanklin and McCally, 1993; Pope and Voges, 2000; Stotlar, 2001; Sweet, 2002; Stotlar, 2004). The sponsorship literature has emphasised the importance of corporate objective setting as well as identifying the objectives of the sponsorship itself to ensure that the sponsorship can “give you what you want” (Stotlar, 2004). From a marketing perspective, a number of researchers have proposed sponsorship selection processes (Irwin and Askimakopoulos, 1992; Masterman and Wood, 2006; Pitts and Stotlar, 2007). These processes include reference to financial investment, but fail to develop a process by which financial decisions can be made.

This thesis was also motivated by calls in the literature for research and writing of knowledge that can build a better understanding of sponsorship. In particular, the
literature has failed to provide guidance on methods for analysis of the sponsorship investment. The next section outlines the study’s objectives.

1.3 Research Objectives

The specific research objectives pursued in the study are presented in Table 1-1. This table also provides an indication of the research orientation used in the pursuit of each objective. A description of the content of each chapter of the thesis is provided in the next section.

Table 1-1 Overview of Research Objectives

<table>
<thead>
<tr>
<th>Objective Number</th>
<th>Research Objective</th>
<th>Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>To appraise the potential for management accounting usage in sponsorship decision making.</td>
<td>7, 8, 10</td>
</tr>
<tr>
<td>2</td>
<td>To describe the nature of sponsorship budgeting processes.</td>
<td>7, 8, 10</td>
</tr>
<tr>
<td>3</td>
<td>To investigate different forms of sponsorship decision-making.</td>
<td>7, 8, 10</td>
</tr>
<tr>
<td>4</td>
<td>To appraise the roles of budgeting in the sponsorship decision-making process.</td>
<td>7, 8, 10</td>
</tr>
<tr>
<td>5</td>
<td>To develop and test propositions concerning contingent factors relating to sponsorship decision-making.</td>
<td>9, 10</td>
</tr>
</tbody>
</table>

1.4 Thesis Structure

Table 1.2 provides an overview of the structure of the thesis. Chapters 2, 3, 4, and 5 provide a review of the most pertinent literature. Due to the paucity of research in this area and the exploratory nature of much of the qualitative and quantitative phases of the research, this study draws from a wide range of disciplines. In addition, given the novelty of the topic it was seen as prudent to base this thesis on existing research and instruments.
Chapter 2 reviews the main advertising and sponsorship theories informing the study. This chapter serves two roles for the thesis. Firstly, it places the study in the marketing context by reviewing the most pertinent aspects of the advertising literature. Secondly, it informs the study by providing insights into the sponsorship management process.

Table 1-2 Thesis Structure

<table>
<thead>
<tr>
<th>Chapter Description</th>
<th>Chapter</th>
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<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Literature Review</td>
<td>Chapters 2, 3, 4, 5</td>
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<tr>
<td>Research Methods Review</td>
<td>6</td>
</tr>
<tr>
<td>Empirical Phase 1 Qualitative Case Study</td>
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<tr>
<td>Empirical Phase 2 Qualitative Interviews</td>
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<tr>
<td>Empirical Phase 3 Proposition Development</td>
<td>9</td>
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<tr>
<td>Empirical Phase 3 Quantitative Variable Measurement and Data Analysis</td>
<td>10</td>
</tr>
<tr>
<td>Conclusion</td>
<td>11</td>
</tr>
</tbody>
</table>

Chapter 3 examines a number of decision-making and accounting theories informing this thesis, as it would appear this literature has the potential to provide significant insight into sponsorship decision-making. This chapter places the study in the context of the decision-making research by reviewing this aspect from the finance, management accounting and strategic management perspective. It also informs the study by exploring research conducted in other fields of intangible investment specifically intellectual property, automated machine technology and marketing assets.

Chapter 4 provides an overview of theories potentially relevant to appraising the sponsorship decision-making process namely: contingency theory, agency theory and trust theory.
Chapter 5 concludes the literature review phase of the thesis by considering the essentially normative literature relating to roles of the budget. The large volume of research relating to the budgetary process and its role within an organisation provides valuable insight when conceiving of a budget’s role in sponsorship decision-making and management.

Chapter 6 draws on the earlier chapters to further develop the research objectives pursued in the study. In addition it outlines the relative merits of the research methods used and the motivation for their use in the three empirical phases undertaken. The theory supporting interview methods is also described. Finally, grounded theory is described as a distinctive strategy in the interview research phase due to its exploratory nature.

Chapter 7 is the first chapter providing empirical findings. The first phase of the empirical study involved the conduct of an exploratory case study in a large public sector institution (an Australian university). The chapter provides an overview of the case study research method, followed by presentation of the case study findings.

Chapter 8 describes the findings of the second empirical phase of the study. This phase of the study involved the conduct of exploratory interviews in a broad cross-section of Australian companies.

Chapter 9 is the first of two chapters describing the study’s final empirical phase that involved a survey. The chapter presents three models to be appraised and tested followed by a discussion of the propositions underlying the models. The subsequent sections provide an overview of questionnaire design issues.

Chapter 10 is the second chapter pertaining to the survey phase of the study. It provides an overview of the variable measurement and the data analysis conducted. Initially, the chapter discusses the variable measurement of each of the variables. Following this, data preparation and screening conducted is discussed. A description of the multiple regression analysis findings is then presented.
Chapter 11 is the final chapter of the thesis and provides an overview of the study’s main findings, its contributions and shortcomings, as well as recommendations for future research.

1.5 Conclusion

This chapter has introduced the thesis concerned with investment decision-making in sponsorship. The motivations of the study and the research objectives are presented together with an outline of the overall thesis structure. The next chapter is the first of four outlining the most pertinent literature.
CHAPTER 2
THE ADVERTISING AND SPONSORSHIP LITERATURES

2.1 Introduction

The overriding objective of this chapter is to provide an overview of the sponsorship literature. Given the close association between sponsorship and advertising, and also the fact that much of the normative sponsorship literature refers to advertising, a brief overview of the advertising literature is initially provided to give context to the subsequent sponsorship literature review. In the review of the advertising literature, attention is directed towards recommended ways of setting an advertising budget, ways that the success of advertising can be appraised, and a brief review of themes addressed in empirical research on advertising.

With respect to that part of the chapter more exclusively focussed on the sponsorship literature, initially the definition and characteristics of sponsorship will be examined. The development of the nature of sponsorship over time and the impact of environmental factors on its growth are noted. Secondly the way in which sponsoring fits into strategic planning and overall communication planning will be discussed. Sponsorship activities are generally viewed to be more effective when they are coordinated with other marketing communications and promotional activities. The motivations and objectives of management in relation to sponsorship activities and other marketing communication will be analysed. The measurement of sponsorship effectiveness will then be investigated as part of an exploration into the link between communication and sponsorship objectives and the effectiveness of sponsorship and its associated marketing communications. Finally some of the evolving themes in the sponsorship literature will be discussed to illustrate the vast array of sponsorship issues and research directions that are suggested in the literature.

Three papers in particular have significantly affected the design and content of the literature search reported here. Firstly, a substantial cross-disciplinary overview of the state of the sponsorship literature was undertaken by Cornwell and Maignan (1998).
All papers referred to in the Cornwell and Maignan study were consulted during the preparation of the literature review presented here. A subsequent review of the literature was undertaken by Walliser (2003). This extended the work of Cornwell and Maignan (1998) and included reference to several European studies published in foreign languages. Only the papers referred to by Walliser that have been printed in English have been reviewed for this study. A further significant study is Thjomoe, Olson and Bronn’s (2002) examination of the decision-making process surrounding sponsorship activities in Norway. The structure used by Thjomoe, Olson and Bronn (2002) has been adopted herein to facilitate the discussion of sponsorship definition and motivations, coordination and integration with other marketing communications and the measurement of sponsorship effects.

Cornwell and Maignan’s (1998) work was of particular significance to this thesis as it provided an interdisciplinary review of sponsorship research conducted worldwide. Cornwell and Maignan examined and critically assessed the following five research streams: being the nature of sponsorship; managerial aspects of sponsorship; measurement of sponsorship effects; strategic use of sponsorship; and legal and ethical considerations in sponsorship. This study can be viewed as ground-breaking as it was the first systematic review of sponsorship research in what is clearly a growing area of literature.

Walliser (2003) extended and updated Cornwell and Maignan’s (1998) review. Walliser’s review was broader as it encompassed Anglo-Saxon studies on sponsorship published prior to 1996 as well as studies from across Europe together with English speaking countries. This study provided an account of the evolution and current state of sponsorship research worldwide and highlights new research directions which are a particularly valuable resource for this thesis. In the six years following Cornwell and Maignan’s (1998) work, there is clear evidence of substantial advances made in research concerned with appraising sponsorship effects and strategic sponsorship management. A particularly valuable distinguishing facet of this study was the fact it provided a review of studies written in a language other than English. This signifies that it not only updated the literature but provided a much more comprehensive overview than had previously been attempted.
Thjomoe, Olson and Bronn’s (2002) study represents the first empirical research that draws on a sample of large businesses to examine how businesses involved in sponsorship define sponsorship, how much they spend on sponsorship, where it is spent, the motivations for sponsoring, and how their sponsorship activities are managed. A rigorous survey was undertaken based on the literature highlighted by Cornwell and Maignan (1998). This survey instrument has been drawn upon in developing empirical instruments used in this, and the findings informed the development of the propositions advanced in Chapter 9.

2.2 The Advertising Literature

As just noted, in this section those aspects of the advertising literature that are most pertinent to this study are reviewed. Initially the review focuses on suggested approaches to determining how an advertising budget should be set. It then moves to consider how the success of advertising expenditure can be appraised and concludes with a review of the main themes considered in empirical advertising research.

2.2.1 Justifying advertising expenditure (or setting the advertising budget)

2.2.1.1 Definitions and the nature of advertising

The first printed advertisement in English appeared around 1472. Since then the development of advertising has been unpredictable and dynamic. At the beginning of the 1900s advertising was defined as “salesmanship in print, driven by the reason why” (McDonough, 1993). The nature and scope of the business environment and advertising has changed markedly since this time, not least due to the advent of radio, television, and the internet. More recently, the generally accepted definition of advertising is a “paid non-personal communication from an identified sponsor using mass media to persuade or influence an audience” (Wells, Burnett and Moriarity, 2006, p.6).

Wells et al. (2006) identify three basic functions performed by advertising. Firstly, it assists the consumer in decision-making by providing relevant product and brand information. Secondly, it highlights incentives such as convenience, quality, and price to new customers to encourage them to switch brands, and thirdly it reminds and
reinforces the decision-making of current customers as to why they purchase the advertised brand.

Advertising is important for both new and well-established businesses as it enables them to build customer loyalty and corporate image consistent with the development of goodwill (Dhalla, 1978). This idea is supported by White and Miles (1996) who see one objective of advertising as the increase in a firm’s stock of intangible assets such as brand equity. This building of goodwill will ultimately enhance the mutual reinforcement of the “consumers’ experience of the brand and the added values built by previous advertising” (Jones, 1995). Advertised products may not be functionally superior, however in the mind of the consumer, advertising can give a brand added value (Arens, 2002).

Advertising should be viewed as just one element in a marketing plan. The American Marketing Association (in Wells et al., 2006, p.62) defines marketing as:

“the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, and services to create exchanges that satisfy the perceived needs, wants, and objectives of the customer and the organisation.”

A marketing plan therefore seeks to create a competitive advantage for the business by convincing consumers that its product meets their needs better than a competitor’s product (or service). In addition, a marketing plan forms part of the strategy by which the objectives of a business’s mission are achieved.

Marketing communication refers to the techniques used to communicate with target markets. It includes advertising, personal selling, sales promotion, public relations, direct marketing, point of sale, promotion and packaging. As a result of a move in strategy from product-based to consumer-centred marketing strategies, businesses have been forced to co-ordinate these communication activities to produce a structure called the marketing communication mix. It appears there is an increasing trend towards the adoption of an integrated marketing communications strategy (McArthur and Griffin, 1997; Schultz and Kitchen, 1997).
A recurring issue discussed in the literature concerns whether advertising is essentially an investment or an operating expense (Dhalla, 1978, White and Miles, 1996). The view of advertising as an investment is supported by others. For example, Danaher and Rust (1994) suggest that if advertising is seen as a cost, then it can be subjected to efficiency-motivated cost cutting initiatives that will instigate reduced advertising spend. Arens (2002) also views advertising as a long-term investment in future profits, which should be assessed for wastefulness, as with any expenditure.

In terms of the marketing communication mix, advertising can thus be seen as an investment in future sales. Advertising objectives, frequently stated in terms of sales targets are seen as the main goal of the marketing campaign, however other factors also affect sales. Advertising may play a different role in different markets, in the short and long-term, and at different stages of the adoption cycle and product life cycle (Ray, 1982; Aaker, Bahra and Myers, 1992; Helgesen, 1992). Colley (1962) maintains that consumer and industrial goods manufacturers set such vague and obscure objectives such as “to increase sales” that it is no wonder that return on these cannot be reliably measured. Helgesen (1992) found in his study that the definition of advertising objectives was made difficult by a lack of well-defined marketing objectives. He suggested that ineffective company decision-making procedures may exist which allow decision makers to escape control.

In their interviews of marketing managers, Low and Mohr (1999) found that research is continually being conducted to develop tools designed to explain and predict sales response to advertising and sales promotion expenditure. Their findings suggest that although knowing the optimal amount to spend is important, it is also necessary to create a corporate environment to allow the desired level of spending to occur. In order to provide a useful decision tool, models should incorporate managerial judgement, corporate objectives and long-term outcomes.

2.2.1.2 The advertising budget

The advertising budget is set on an often arbitrary and political basis affected by tradition and the current financial status of the company (Wells et al., 2006). In general, companies led by financial managers are less likely to allocate a large amount
of money to advertising and require justification of the budget requested. On the other hand, companies led by marketing-oriented managers are more likely to be generous in their approval of advertising budgets as they can see them as a long-term investment.

There are five main textbook methods used to determine the advertising budget (Batra et al., 1996; Arens, 2002; Wells et al., 2006). The main methods are historical (based on past expenditure), bottom-up (based on the cost for each objective), percentage-of-sales method, competitive methods (based on competitor expenditure levels), and all you can afford.

These techniques used in setting advertising budgets can be classified as either primarily judgement-oriented or primarily data-oriented (Ray, 1982; Lynch and Hooley, 1990). Judgement-oriented techniques use an arbitrary basis to allocate funds according to the best judgement of the executives. Data-based techniques using the task-objective approach is the preferred option outlined in the theoretical literature (Ray, 1982; Bigne, 1995; Batra et al., 1996; Kotler, 2008). A survey conducted by Lynch and Hooley (1990) confirmed the increasing trend towards the regular usage of sophisticated database budgeting techniques. Lynch and Hooley believed that this increase in sophistication of budget-setting techniques would continue and be enhanced by improvements in evaluation techniques.

In advertising it is difficult to make a direct link between the advertising dollar invested and the return on that investment in dollar terms and also its impact on shareholder value, due to the large number of factors that potentially affect consumer behaviour. This lack of concrete measures results in managers using rules of thumb, intuition, and other incomplete frameworks to guide decision-making (Danaher and Rust, 1994; Mergy and Lade, 2001). Danaher and Rust (1994) developed a mathematical formula that determines the optimal level of media spending by considering the maximization of advertising profitability, productivity and return on investment.

This model was further developed by Mergy and Lade (2001) who suggest that the key to understanding the performance of advertising is the adoption of the resources
allocation process that is driven by strategy and provides an overview of the likely return on advertising investment. This process does not replace the analytical methods discussed above but complements it. Economic profit can be used as the financial measure for analysing advertising strategy. Using this method, all costs of executing an advertising strategy, including capital costs, are taken into account and weighed against the profit generated. The fundamental difficulty with such an approach concerns achieving a reliable measurement of expected changes to revenue and economic profit expected from the implementation of a particular advertising campaign.

Lilien and Little (1976) suggested that the marketing budgetary process is comprised of two stages. Firstly the total marketing budget is set, and then a decision is made as to the extent of the budget to be allocated to advertising. This idea was further developed by Guiltinan and Paul (1982) who viewed the marketing budgetary process as a four-stage process. Initially a ‘base-line budget’ such as last year’s budget is set and adjusted for factors such as percentage of expected sales, maintaining competitive parity and individual product requirements. Based on marketing objectives, methods are chosen and tested followed by evaluation of the proposed programmes using mathematical models and tests where required. Finally, the budget may be revised based on the test results and the impact of other marketing programmes.

Piercy (1987) noted several interesting implications of the qualitative research conducted by Wills and Kennedy (1982). These included the decline of the influence of the marketing department on budget size in large companies, the influence of organisational structure on budget size and the uncertainty of the starting point in putting total figures on the budget. Hanmer-Lloyd and Kennedy (1981), as a result of their qualitative research, suggest three models of the marketing budget process. Firstly bottom-up budgeting, where the initiative lies with the brand manager, secondly bottom-up/top-down, where there is negotiation between senior managers and marketing and product managers, and thirdly top-down/bottom-up where the initiative lies with senior management. They found that the first approach, bottom-up, was used extensively in the 1960s and 1970s but was rarely used by 1981. By the time of their 1981 study, decision-making was more centralised and involved non-marketing functions earlier in the process.
2.2.1.3 Advertising evaluation

The 1990s were seen as an era of greater accountability where strategic planning and an in-depth understanding of marketing were essential. Kotler (2008) sees good planning and control of advertising as being dependent on measures of advertising effectiveness. Helgesen (1992) notes that although the industry believes that advertising is an effective marketing tool, there have been few systematic efforts designed to demonstrate these effects. Inattention to the evaluation of promotional programmes is seen in part to be due to the difficulties in isolating the effects of these activities on sales and other measures of performance (Jizba and Fleming, 1993). In line with this, Ray (1982) questions whether the results of such studies can be generalised, as each advertising campaign should be planned and evaluated in the context of the environmental factors apparent at a particular time.

The growing emphasis on accountability in advertising means that advertising expenditures are evaluated on financial criteria in a similar manner to other expenditures. Traditionally there has been a lack of information to demonstrate that advertising is generating an optimal return or whether the advertising budget is at the correct level for the desired return (Danaher and Rust, 1994). The development of more sophisticated measures of effectiveness were assisted by technological developments that enabled the media to report how a particular advertisement affected actual purchase, brand switching and customer development (Wells et al., 2006).

Research examining the variables that influence the effectiveness of a company’s marketing and advertising plan are summarised by Arens, (2002) and support a relationship between advertising and profits and between sales and profit. In consumer goods marketing, increases in market share as measured by profitability are closely related to increases in the marketing budget (Balasubramanian and Kumar, 1990). Additional advertising will result in a sales increase to a point where rate of return plateaus and declines.

In conclusion, it is apparent that companies spend large amounts of money on marketing and advertising each year despite the difficulties encountered in measuring the effectiveness of that expenditure. There are a number of accepted methods for
setting the marketing and advertising budget that are increasing in sophistication. As these budgeting techniques improve in line with demands for greater accountability, it would appear there will be on-going attempts concerned with better determining the performance of advertising expenditure.

2.3 The Sponsorship Literature

Initially the nature of sponsorship will be examined. Secondly, how sponsoring fits into strategic planning and overall communication planning will be discussed. Issues surrounding the measurement of sponsorship effectiveness will then be investigated to determine the link between communication and sponsorship objectives and the effectiveness of sponsorship expenditure and its associated marketing communications. Finally, evolving themes in the sponsorship literature will be discussed.

2.3.1 Justifying sponsorship

2.3.1.1 Definitions and motivations

A significant amount of sponsorship activity is in connection with sports sponsorship. Corporate sponsorship of sport is argued to be a phenomenon that began in 1975 with the largest single growth in sport sponsorship occurring between the 1976 Montreal Olympic Games and the 1984 Los Angeles Olympic Games (Meenaghan, 1991; Sandler and Shani, 1993; Stotlar, 1993). Despite the increasing volume of sponsorship research that was triggered by this development, there is no single generally accepted definition of sponsorship (Cornwell and Maignan, 1998). The difficulties in definition arise due to confusion with concepts such as charity, patronage and philanthropy as well as the loose use of the term to describe a variety of arrangements between companies providing a resource and events or organisations that benefit from the resource provided (Sandler and Shani, 1993).

Sponsorship was once defined as charity or patronage used to achieve a “tingly feeling” (Kiely, 1993, p.9). Sponsorship is different from charity or patronage, however, because of its commercial orientation (Witcher, Craigen, Culligan &
Harvey, 1991). In both charity and patronage the party making the donation is seeking benefits other than those directly associated with a profit motive (Meenaghan, 1991).

A list of categories for which sponsorship can be used includes books, exhibitions, education, expeditions, cultural activities, local events and films (Jefkins, 1984). Abratt, Clayton and Pitt (1987) note that these areas have specialised needs, often limited appeal and sponsors are not appealing to a mass audience but more trying to achieve a heightened awareness in a particular community.

Meenaghan (1983) defines commercial sponsorship as “an investment, in cash or in kind, in an activity, in return for access to the exploitable commercial potential associated with that activity”. It is important to note that commercial sponsorship results in a commercial benefit to the sponsor. This differentiates it from altruistic sponsorship where the benefits accrue to society through a philanthropic activity.

Hansen and Scotwen (1995) view Meenaghan’s (1983) definition as being deficient in that it does not explain the two-sided nature of sponsorship. These two sides are the sponsors’ financial support of the person or organisation being sponsored and also the communication relating to this. This two-sided facet is important in terms of the cost of sponsorship in that it implies that both the expense of the direct support of the sponsorship programme and the expense of communications related to this programme should be included. Cornwall and Maignan (1998) support this two-activity view noting that firstly, a sponsor pays a fee to a sponsee for the right to associate itself with an activity and secondly, the sponsor has a right to establish a marketing association. Skinner and Rukavina (2003) similarly describe sponsorship as an activity that puts buyers and sellers together.

In this way commercial sponsorship can be seen as similar to advertising. The feature that distinguishes sponsorship from advertising is the involvement of a second party (the party being sponsored), and the commercial dimension distinguishes sponsorship from altruism (Speed and Thompson, 2000). Where a sponsored activity forms part of the main commercial function of the sponsoring body, the sponsorship becomes a straightforward example of promotion or advertising (Marshall and Cook, 1992).
Sandler and Shani (1989) define sponsorship in terms of the provision of resources in exchange for a direct association with an activity or event and that this direct association can be used by the organisation “to achieve either their corporate, marketing or media objectives” (p.10). This definition states that to be a true sponsorship, support must be given directly to the activity and not to a distribution channel. Other definitions (Abratt et al., 1987; Gilbert, 1988) allow for the inclusion of teams and individuals.

For the purposes of this study, the working definition of sponsorship is based on a reconciliation of the definitions referred to in this discussion and specifically that of Sandler and Shani (1993, p.38), Abratt and Grobler (1989, p.352) and Gilbert (1998). The following working definition draws significantly on Pope (1996, p.31) with changes made to incorporate legalistic terms:

Sponsorship is the provision of resources (e.g. money, people, equipment) by an organisation (the sponsor) directly to a second party which can be a company, authority or individual (the sponsee), to enable the latter to pursue some activity in return for benefits contemplated in terms of the sponsor’s promotion strategy, and which can be expressed in terms of corporate, marketing and media objectives.

2.3.1.2 Management of sponsorships

Consideration of sponsorship as a promotional activity is a recent development. As already noted, in the past, sponsorship has been regarded as a philanthropic activity. A need has now arisen to recognise it as a marketing investment rather than as a philanthropic disbursement. Hoek, Gendall and West (1990) suggest that companies undertaking sponsorship have three critical decisions to make: what are the objectives of the sponsorship? who should be the sponsee? who will maximize their ability to achieve these objectives and how much to spend on the sponsorship? In addition it would appear logical that having invested a sizable quantum of money that an attempt will be made to evaluate the effectiveness of the sponsorship programme and assess whether the objectives have been met.
The levels of sophistication of a sponsorship programme are detailed by Thjomoe et al. (2002) using the framework established by Meenaghan (1991). At its most simple level, a donor gives money to a sponsor in order to gain attention for their product or organisation. At a more sophisticated level, the sponsoring organisation sets more specific goals and is interested in gaining a return on investment. Finally, at a highly sophisticated level, the sponsor is energetically involved and controls the way the sponsored activities are conducted. It has been noted that goal setting, coordination and effect measurement will increase the level of sophistication of the sponsorship programme (Cornwell and Maignan, 1998).

As a result of the findings in their study, Abratt and Grobler (1989) developed a model of sponsorship success. This model comprises a seven step process, as outlined in Table 2.1:

<table>
<thead>
<tr>
<th>Steps</th>
<th>Processual Description</th>
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<tbody>
<tr>
<td>One</td>
<td>Set measurable objectives with a bias towards quantifiable objectives.</td>
</tr>
<tr>
<td>Two</td>
<td>A specific person needs to be made responsible for the evaluation of the sponsorship. The sponsorship will include various promotional mix elements and someone needs be responsible for bringing the different areas such as marketing, public relations, sales and management together to pursue an overall corporate strategy.</td>
</tr>
<tr>
<td>Three</td>
<td>The promotional mix elements to be involved must be determined. These include advertising, personal selling, sales promotion and publicity/public relations. Once this has been decided, objectives can be categorised into each mix element.</td>
</tr>
<tr>
<td>Four</td>
<td>Gaps can then be identified in terms of relevance and measurability and whether each mix element has specific objectives.</td>
</tr>
<tr>
<td>Five</td>
<td>Time periods for evaluation must be set. These may be before, during or after the sponsorship, or a combination thereof. They should include more than one period to enable benchmarking to occur.</td>
</tr>
<tr>
<td>Six</td>
<td>The relevant measurement technique must be chosen. This will be made easier where well-defined and measurable objectives have been determined in Step One.</td>
</tr>
<tr>
<td>Seven</td>
<td>Finally, the results obtained are compared to the objectives set to determine the success or otherwise of the sponsorship programme.</td>
</tr>
</tbody>
</table>
A four-stage process for the execution of sponsorship was also proposed by Pitts and Stotlar (2007). The first stage addresses the need to sponsor as part of the integrated marketing programme. Stage two involves a set of steps for review and selection, and stages three and four are concerned with implementation, exploitation and evaluation. Masterman and Wood (2006) also proposed a sponsorship planning process. It involves three key stages: organisational marketing decisions, sponsorship selection decisions, and sponsorship planning and implementation.

The sponsorship processes discussed above support the model presented as Figure 2.1. This represents a variant of the model proposed by Irwin and Askimakopoulouos (1992) which represents a “management by objectives decision-making process”. In this process, sponsorship activities are linked to corporate objectives and evaluation and implementation techniques are included to allow for the continual monitoring of the sponsorship program. The framework established by this model has been used as the basis for the discussion of the sponsorship literature conducted herein.

2.3.1.3 Objective setting

An important component for an effective sponsorship programme is that sponsorship objectives be clearly defined and developed to ensure that future evaluation is possible. These objectives should be derived from corporate policy (Meenaghan, 1983; Irwin and Askimakopoulouos, 1992; Thwaites and Carruthers, 1998; Pitts and Stotlar, 2002; Skinner and Rukavina, 2003; Shank, 2005). Sponsorship can achieve multiple corporate and brand objectives as well as target distinct markets. Objectives can be categorised as both pro-active (including increasing awareness and improving company and product image) and also re-active, e.g., pre-empting competitors (Otker and Hayes, 1987).
Figure 2-1  A Financially-oriented Adaptation of Irwin and Askimakopoulas’ Six-Step Approach to Sponsorship Management

<table>
<thead>
<tr>
<th>Decision-making from a financial perspective</th>
<th>A six-step approach to sponsorship management</th>
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<tbody>
<tr>
<td>Definitions and Motivations Management of Sponsorships</td>
<td>CORPORATE MARKETING PLAN REVIEW</td>
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<tr>
<td>Objective Setting</td>
<td>SET SPONSORSHIP OBJECTIVES</td>
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<td>Budgeting</td>
<td>ESTABLISH EVALUATION CRITERIA</td>
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<td>Sponsorship Selection</td>
<td>Cost Positioning Targeting</td>
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<td>Coordination and Integration Management</td>
<td>Communication Strategy/Competition Event Management</td>
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<td>Measuring Sponsorship Effectiveness</td>
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<td>Proposal Screening Proposal Grading Selection</td>
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<td>SPONSORSHIP IMPLEMENTATION</td>
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<td>POST-SPONSORSHIP EVALUATION</td>
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Adapted from Irwin, R. L. and Askimakopoulas, M. K. (1992)
The objectives of sponsorship can be corporate and/or brand focused Meenaghan (1991). Gardner and Shuman (1988, p.44) define sponsorship in terms of:

“investments in causes or events to support corporate objectives (for example, by enhancing corporate image) and marketing objectives (by increasing brand awareness)”.

Corporate objectives focus on increasing public awareness of the company and changing the corporate image. Awareness and image related objectives can be achieved at both the corporate and brand level. Brand objectives relate to the use of the marketing communications mix as a cost-effective medium to promote brand awareness and brand image-related objectives.

Sandler and Shani (1993) divide objectives into three groups based on Meenaghan’s groupings; broad corporate objectives, marketing objectives and media objectives. Media objectives relate to obtaining access to cost-effective media coverage and specific target markets. A number of researchers have noted that corporate image is the major objective to benefit from sport sponsorship (Armstrong, 1988; Witcher et al., 1991; Javalgi, Traylor, Gross and Lampman, 1991; Pope, 1996). Other noted reasons for sponsorship include: pursuing advertising objectives (Meenaghan, 1983), the enhancement of a long-term marketing plan (Edwards, 1991), and a combination of interrelated corporate objectives (Mullin, Hardy and Sutton, 1993).

It has also been noted that sponsorship can improve a company’s image by showing it to be socially responsible and willing to contribute in a non-business way to the community (Mescon & Tilson, 1987; Abratt & Grobler, 1989), enhance the profile and image of specific products (Gardner and Shuman, 1987; Mescon & Tilson, 1987; Hoek et al., 1990), provide media coverage as a less expensive alternative to advertising, improve sales and help activities or groups in which they have a personal interest (Meenaghan, 1983). Polonsky, Sandler, Casey, Murphy, Portelli and Van Velzen (1996) noted that this is more likely to be the case in small businesses, as the decision-maker would have greater direct control over promotional spending.
Hansen and Scotwin (1995) consider the motive for sponsoring as not always being commercially-based, but sometimes for idealistic reasons. Some other reasons include:

- Personal interest held by the owner or CEO, (e.g. European soccer teams).
- Extending personal relationships both with employees and important people outside the firm.
- Sponsorship may be the only way to get media coverage e.g., tobacco manufacturers (Meenaghan, 1993).
- Direct sales e.g., sole rights for selling beverages at an event.

Irwin and Sutton (1994) found that the relative importance of the objectives relating to position enhancement to be the most important. The objectives included in this term include increased target market awareness and increased sales-market share. These objectives highlight a shift to more specific business-orientated outcomes that focus on increasing sales and communicating with defined populations. This is supported by Cornwell (1995, p.14) who sees sponsorship as a “market driven, bottom-line orientation that seeks recognition and tangible results”.

Sponsorships can provide companies with a mechanism to gain cost-effective exposure for a product, associate a product or company name with an event, and provide companies with high visibility where the event has large media coverage. “Companies get into sponsorship because they can expect a return on the bottom-line” (Ukman, 1984, p.21).

This examination of sponsorship objectives suggests some commonality across companies. The formulation of objectives enables the sponsor to focus their thinking when making the decision to sponsor and also provides a benchmark when appraising the success of the sponsorship.

2.3.1.4 Coordination and integration

Sponsorship activities have been found to be more effective when they form part of an integrated marketing communication activity (Meenaghan, 1991; Cornwell and Maignan, 1998; Thjomoe et al., 2002). That is, where sponsorship activities are co-
ordinated and integrated with other marketing and promotional activities conducted by an organisation, they are more likely to achieve the goals and objectives of that sponsorship (Masterman, 2007). Otker (1988, p.77) noted that sponsorship requires “close cooperation” between sponsorship and marketing elements such as advertising, sales promotion, publicity and product PR, to achieve its greatest potential.

The view proposed in Figure 2.1 that objectives should flow from the corporate marketing plan presupposes the existence of such a plan and also that sponsorship is part of the overall corporate marketing plan. It has been identified that an important component of an effective sponsorship programme should include consideration of how sponsorship fits into the communications mix. Although a definition of sponsorship can be agreed upon from the literature, the line between sponsorship and other forms of promotional communications can be unclear (Cornwell and Maignan, 1998). Cunningham, Taylor and Reeder (1993) note that:

“the term ‘event marketing’ encompasses event sponsorship; however it is also used to describe the integration of the marketing mix elements, especially the promotional mix elements, around an event theme for the purpose of reaching strategic marketing objectives” (p.408).

Commercial sponsorship should be viewed as an element of the marketing communications mix, as several objectives can be achieved within a single campaign (Meenaghan, 1983). Sponsorships blur the line between promotion, advertising and public relations (Wells et al., 2006). In addition, sponsorship can form part of the market mix which comprises price, product, distribution and marketing channels. Abratt et al., (1987) found that companies view sponsorship as a means of communicating with two markets, i.e., the spectator and the participants, simultaneously. As a result, there needs to be an integration of different forms of sponsorship and other communication areas such as public relations and advertising (Otker, 1988; Meenaghan, 1991; Parker, 1991; Thwaites and Carruthers, 1998). Pope and Voges (1994) concluded that sponsorship is a means of utilising different parts of the communications mix rather than representing a separate element of the mix. The literature indicates that companies accept sponsorship as part of the marketing communications mix and forms part of the master marketing plan (Witcher et al., 1991; Clow and Baack, 2004; Smith and Taylor, 2004).
Otker (1988) includes in his definition of sponsorship the element of “exploitation of an association”. That is, he sees commercial sponsorship as using other marketing communications media forms to achieve the full potential of the sponsorship. He also sees that there is a need for a clear objective for what the desired outcome of the sponsorship is. The exploitation of the association in terms of marketing is further emphasised by Cornwell (1995, p.15) who defines “sponsorship-linked marketing” as “the orchestration and implementation of marketing activities for the purpose of building and communicating an association to a sponsorship”. This notion supports the importance of active promotion of the relationship with the organiser of the event or activity for there to be any marketing communication value from the sponsorship.

Hence it is the objective of the marketing department to consider each of these functions to determine the marketing method that will enable the achievement of the objectives of the organisation. In the sponsorship selection process, a potential sponsor must consider its own objectives and strategy that may relate to its desire to present a credible and acceptable corporate profile (Cornwell and Maignan, 1998). The evaluation process should ensure the sponsorship arrangement is appropriate, for example association with tobacco and alcohol may be deemed inappropriate. Meenaghan (1983) found that as a promotional tool, sponsorship is considered to be a superior promotional medium as it can be used to directly impact the community.

Although sponsorship is clearly different from advertising, it is essential for there to be close co-operation with all the elements of marketing communication in order to effectively exploit the sponsorship agreement. Jones and Dearsly (1989, p.257) state that sponsorship is different from advertising:

“not in the visual or auditory impact of the name or logo, but in the more subtle effects generated by the acceptance that money paid for the sponsorship produces positive benefits for sport, individual or the community”.

Sponsorship has become popular also due to the belief that when compared to traditional advertising, it is a more cost-effective marketing communication tool. (Meenaghan, 1991; Hoek, Gendall and Sanders, 1993) Thomas (1985) sees sponsorship as the “soft sell” of advertising, stating its main objective is to imprint a brand name. Hastings (1984) states that there is a danger of perceiving sponsorship as
a ‘cheap form of advertising’. Although both advertising and sponsorship are forms of purchased marketing communications sharing similar objectives, they differ in terms of potential objectives and audience characteristics. Marshall and Cook (1992) found that companies were unsure of the exact role of sponsorship. Although companies appear to believe that sponsorship provides access to specific target audiences and enhances corporate image, there was no reason provided for this belief.

Sponsorship can be differentiated from advertising by the need to leverage the initial investment with additional promotional expenditure (Thwaites and Carruthers, 1998). Witcher et al. (1991) suggest that the true cost of sponsorship is probably twice as much as the direct cost of the sponsorship itself, as a result of the costs of promotional back-up, entertainment and other supporting activities. There is no clear rule as to what a sponsorship cost includes and it has been suggested that back-up and other associated expenses can be as much as three times the actual subsidy (Otker, 1988).

Traditionally sponsorship costs have related to marketing department expenditure however a survey conducted by Witcher et al. (1991) found public relations is the more important area. Much of the expenditure of a sponsorship activity relates to public relations using sponsorship to target their own markets including potential investors, financiers, shareholders and other interested parties. Public relations has been described as “an operation function which includes all forms of planned communication, outwards and inwards, between an organisation and its public for the purpose of achieving specific objectives concerning mutual understanding.” (Jefkins, 1984). As a result, there will be a need for the marketing and public relations departments to co-ordinate their activities and work together. Scott and Suchard (1992) found that an important medium by which corporate sponsorship objectives can be met is client hospitality.

It appears that implementation practice is inconsistent. This is perhaps not surprising, given the range of industries, types of companies and management styles evident in the cross-section of companies that make sponsorship expenditures.
2.3.1.5 Sponsorship selection

The department responsible for sponsorship is often the subject of a large number of requests for sponsorship and hence the need to develop an effective mechanism for prioritising is necessary (Schoch, 1994; Copeland et al., 1996; Thwaites and Carruthers, 1998). Meenaghan (1998) suggests that sponsors require a selection model to provide guidance for sponsorship choices and this should be combined with a rigorous evaluation process to replace previously used “gut feel” approaches (Kohl and Otker, 1985; Armstrong, 1988; Kraak and Olivier, 1997). A sponsorship proposal becomes attractive to a sponsor where it includes “sole sponsorship, clean image of the sport or event, television or media coverage, scope for generating sales, facilitation of corporate hospitality, and fit with the corporate or brand positioning” (Thwaites and Carruthers, 1998, p.209).

A number of selection methods have been developed in the literature. These include the Sponsorship Worksheet (Ensor, 1987), which considers media-based criteria prior to the sponsorship agreement being formalised; the Evaluation Profile Sheet (Jackson and Schmader, 1990), which presents a rating scale of corporate objectives versus perceived sponsorship outcomes, and the Rating Scale for Sponsorship Selection (Meenaghan, 1983), which includes a large and comprehensive set of criteria for selection. All of these mechanisms for selection appear to have inherent weaknesses, as they omit sponsorship objectives and evaluation criteria identified in the literature (Irwin, 1992; Pope, 1996).

Hoek et al. (1990) suggest that sponsorship budget allocation decisions usually relate closely to the objectives set. There is an absence of studies in this area relating specifically to sponsorship and hence it is suggested that either subjective or advertising methods such as percentage of sales, “all-you-can-afford” or task and objective (Aaker and Myers, 1992) should be used. Lapin (1987) in Abratt and Grobler (1989) say that the initial sponsorship fee is the beginning of the support that sponsorships require. This support includes promotions, additional advertising, incentive programmes, sampling, publicity, and merchandising. Sponsorship therefore encompasses more than one part of the promotional mix.
Mescon and Tilsen (1987) claim that companies are looking for a tangible return for their sponsorship contribution because of the market-driven strategic management bottom line approach that is now being emphasised. Companies are measuring the effectiveness of their sponsorship in terms of how well objectives are being met and how much it contributes to the competitive edge of the businesses (Abratt and Grobler 1989).

2.3.1.6 Measuring sponsorship effectiveness

It has been suggested that sponsorship may not be worth evaluating, however this appears to be the result of limited evaluation measures reported in practice and the issue of not knowing how to carrying out the evaluation. The results of a 2004 European Sponsors Survey indicate that sponsors do not know how effective their sponsorship is (Redmandarin, 2004). Dolphin (2003) questions whether the true cost of sponsorship is too difficult to determine and therefore evaluation of its effectiveness cannot be accurate.

Despite this, a review of the sponsorship literature reveals that the need to set objectives is considered to be of prime importance. These objectives need to be set prior to the commencement of a sponsorship programme in order that the most appropriate sponsorship activity can be selected and also so that an evaluation of that sponsorship can be made (Marshall and Cook, 1992). It appears important that sponsorship decision-makers should identify the purpose of the sponsorship (Stotlar, 2004). McDonald (1991) argues that with proper objective setting and planning with a view to what is the desired response to the sponsorship, we can lay the basis for evaluation. Stotlar (2004) developed a sponsorship evaluation model that is based on the assumption that the most appropriate measure of effectiveness emanates from whether the specific marketing objectives of the organisation were met.

The achievement of brand awareness objectives focussing on exposing the brand to a maximum number of consumers has been the focus of much of the literature. This includes the evaluation of effectiveness using tools such as recall and recognition. Image is commonly measured using tracking, measures of awareness, familiarity, and favourability.
Gwinner (1997) focussed on the effects of sponsorship on brands, with particular emphasis on image transfer, that is, the image people have of the sponsor is affected by the sponsorship. He suggested that an event’s image can be assessed using qualitative methods such as in-depth interviews, focus groups, and projective techniques. In order to assess image changes, these techniques should be implemented on a regular basis. Further, he argues that image associations are more likely when a link exists in the consumer’s mind between the event and the brand. Sponsors must assess whether this image transfer will influence a potential customer’s attitude towards the brand and their intention to purchase.

Meenaghan (1983, 1991) developed five main methods of measuring and evaluating sponsorship effectiveness which are largely consistent with Hansen and Scotwin’s (1995) view. They suggested that sponsorship effectiveness could be evaluated at four different levels:

1. Exposure (e.g. number of viewers per second on television),
2. Attention in terms of brand or company awareness (e.g. measures of recall and recognition),
3. Cognition (e.g. sponsorship association tests),
4. Behaviour (e.g. sales figures, market share).

It is interesting to note that measurement of media exposure is a dominant method of sponsorship evaluation, despite researchers noting a trend away from media as an objective (Marshall and Cook, 1992; Sandler and Shani, 1993; Pope and Voges, 1994). Mescon and Tilson (1987) include the following as specific techniques for evaluating the effectiveness of sponsorship:

- Extent of media coverage, number of programme participants and sales volume increases.
- Pre and post programme awareness studies to determine the effects of their events on corporate image, product recognition and corporate objectives.
Measuring the sales effectiveness of sponsorship is problematic, as prior and simultaneous marketing communication efforts can also affect sales. Other variables in the business environment such as competitor activity or changed economic conditions will also have an effect on sales. Despite these difficulties, evaluation techniques such as monitoring guest feedback and utilising the opinion of senior management can be particularly effective where the sponsorship is philanthropic (Mescon and Tilson, 1987; Meenaghan, 1991; Hock et al., 1993).

As the level of sophistication in sponsorship grows, so does the importance of sponsorship evaluation. Feedback provided by the sponsee to the sponsor can enable the sponsor to appraise return on its investment in terms of all facets of the sponsorship agreement it entered into, including brochures, signage, media attention, ticket sales. The sponsor should assess the effect of these on its business in terms of the objectives it set, such as increased brand awareness resulting in increased sales (Skinner and Rukavina, 2003).

Miles (1987) suggests companies should put effort into making the sponsorship work by putting effort into the promotion before, during and after the event. Sponsorship therefore cannot be evaluated solely on the basis of objectives, as this ignores the additional activities that occur. Evaluation should also include advertising, public relations, quantitative data and management perceptions (Fitch, 1986).

In line with an increased emphasis on profitability, corporate objective setting and the importance of the communication mix, evaluation of sponsorship’s effectiveness has become a focus point. Copeland, Frisby and McCarville (1996) noted evaluation as perhaps the greatest single weakness in the sponsorship process. The difficulty in measurement stems primarily from the problems of separating the effect of the sponsorship programme from the effect of other programmes within the communications mix (Hansen and Scotwin, 1995; Masterman 2007).
2.3.2 Main sponsorship empirical studies conducted

2.3.2.1 Objective related studies

Empirical studies reported on in the literature can be categorised as dealing with macro-level issues, such as which companies sponsor events and what their objectives are, or dealing with micro-level issues such as sponsorship’s effect on the consumer (Sandler and Shani, 1993).

A number of researchers have investigated what objectives sponsors set by providing sponsors with a set of objectives and requesting them to rank them in order of what motivated sponsorship expenditure (Otker, 1988; Hoek et al., 1990; Marshall and Cook, 1992; Kuzma et al., 1993; Polonsky et al., 1996). Hoek, Gendall and West (1990) conducted a survey of 19 New Zealand companies requesting that they rank objectives from most to least important. The objectives were found to be ranked as follows: improving goodwill, enhancing image, increasing awareness, improving profitability, management interest and staff recruitment. Polonsky et al. (1996) conducted a similar study in an Australian survey of smaller organisations. He found ten main objectives that can be collapsed into three broader objectives: creating and enhancing brand, product or corporate image and increasing the customer base. This is consistent with the findings of Scott and Suchard’s (1992) survey of larger organisations.

Abratt et al. (1987) found in their survey of 45 sponsoring companies that the most important reasons for sponsoring were potential television coverage, promoting corporate image, potential media coverage, name awareness, potential of spectators as consumers/customers, and the promotion of public relations with customers and potential customers. Following their survey of 91 supermarket executives, Gardner and Shuman (1987) show that sponsorships are used to achieve a wide set of objectives, including community relations, brand awareness, company image, and corporate responsibility. They found that consumer firms are more likely to sponsor events and that this sponsorship interacts with other forms of promotion and marketing. They also found that companies surveyed believe that sponsorship works although there is little hard data collected to assess the effectiveness of the
sponsorships. Philanthropic sponsorship has been found by d'Astous and Bitz (1995) to have a more positive impact on corporate image than commercial sponsorship.

Scott and Suchard (1992) identified that media coverage is not a major factor motivating Australian managers in their expenditure on sponsorship. Sponsorship expenditure is intended to improve company and product awareness and to increase market share. Performance and client relationships are identified to be of major importance affecting the proportion of the promotional budget allocated to sponsorship. Scott and Suchard (1992) analyse this contention by saying that the client hospitality potential remains regardless of the media coverage afforded, while large events provide exposure and hence may not require specific media coverage to achieve brand awareness.

Gardner and Shuman’s (1987) survey found that companies considered corporate objectives to be most important. Witcher et al. (1991) surveyed 54 large commercial organisations and found that for two-thirds, corporate image was the main reason for sponsoring. Other objectives of importance included promotion of brand awareness, television, radio and press exposure. Marshall and Cook (1992) found that only 53% of companies surveyed had any formal objectives for their sponsorship activity, although it was noted that they were not asked to list those objectives.

Although communication objectives have been found to be important, Hoek et al. (1993) found that behavioural outcomes such as increased sales and generating prospects have increased in significance. They suggest that this indicates a belief that image is a means through which an increase in sales can be achieved. This finding is consistent with that of Irwin and Sutton (1994) who found the objectives comprising position enhancement to be the most important. The objectives included in this term include increased target market awareness and increased sales/market share and indicates a shift to more specific business-orientated outcomes that focus on increasing sales and communicating with defined populations.

Thjomoe et al. (2002) conducted a telephone survey of 144 Norwegian companies to gain insight into the decision-making process of managers responsible for sponsorship activities. They found that large firms have developed sponsorship goals consistent
with Meenaghan’s (1991) high level stage, however there is less evidence that firms follow through on these goals with careful planning, coordination and research. They did not support the contention that sponsorship was for the ego gratification of top management and found that although large amounts of money were devoted to sponsorship activities, there is little accounting for these amounts.

The results of Thjomoe et al. (2002) also highlight a paradox in that most companies claim satisfaction with the results of the sponsorship, but are not sure what the results are. They found there is a perception that there is no effective means of measuring sponsorship, even if the firm had a budget for it. They also found that marketing has the leading responsibility for sponsorship decisions. There is also a lack of coordination between various sponsorship activities and a lack of coordination in using the name of the sponsor in marketing and/or product packaging.

Since the research of Sandler and Shani (1993), further studies have been conducted into the micro level issues they identified. The findings of Pope and Voges (1994) support the contention that objective is synonymous with motive. They further concluded that sponsors enter into agreements to pursue the objectives of product awareness, corporate image and to reach a specific market and believe that sponsorship has led to increased sales.

Sandler and Shani’s (1993) survey findings also show that although consumers favour sponsorship, this may not translate into immediate purchase behaviour. This supports the emphasis of companies on corporate objectives in that this positive attitude will translate into goodwill, but not necessarily a purchase intention. This led Sandler and Shani (1993) to conclude that sponsors should consider long-term objectives. In connection with research showing that purchase intention (Sandler and Shani, 1993) and improved corporate image (Gross et al., 1987; Kuzma et al., 1993) represent sponsorship objectives, Pope and Voges (2000) found a relationship between intention to purchase and sponsorship activities, brand exposure and attitudes towards the brand and corporate image.
Results of empirical studies provide strong support for the normative literature which indicates that the main objectives of sponsorship are to create and enhance brand, product or corporate image and increase the customer base.

2.3.2.2 Co-ordination and integration studies

The study by Polonsky et al. (1996) found that although similarities existed between small and large organisations, in small organisations sponsorship may have been undertaken on an ad hoc basis rather than as an integrated part of the marketing communications mix. This contradicts earlier findings (Shanklin and Kuzma 1992, Sandler and Shani 1993), suggesting that sponsorship activities are becoming more integrated in the marketing promotional mix. Hoek et al. (1993) found that sponsorship consisted of a variety of activities primarily oriented towards achieving a communication objective. These studies are supported by the normative literature which argues that companies should integrate their sponsorship into the marketing communication mix in order to gain maximum benefit (Meenaghan, 1991; Witcher et al., 1991, Quester and Thompson, 2001). The discrepancy in Polonsky et al.’s finding may be due to the difference in the size of the companies surveyed, as the smaller firms may not have the necessary resources and expertise to support a full range of promotional activities.

Abratt and Grobler (1989) conducted a survey to establish how companies evaluate their sponsorships. The most important reason to sponsor was found to be promotional activity predominantly achieved through media coverage. The most important element of the promotional mix was public relations/publicity, with advertising also noted as being important. Objective setting was found to be a clear prerequisite for overall promotional evaluation and for evaluation of the individual mix elements. Witcher et al. (1991) found in their survey that the public relations personnel are the most important in handling sponsorship, with marketing being of great importance. Their survey indicates that generally sponsorship is not an integrated part of the marketing mix. This finding appears to be inconsistent with the findings of Shanklin and Kuzma (1992) and Sandler and Shani (1993).
From these studies it appears to be generally accepted that sponsorship forms part of the marketing communications mix which includes public relations and advertising.

2.3.2.3 Performance related studies

The ability of a sponsorship arrangement to achieve its stated objectives, including the most commonly quoted objectives of improved corporate and product image, has been questioned by researchers (Otker and Hayes, 1987, Otker, 1988, Rajaretnam, 1994). Despite the difficulties in evaluating success, attempts have been made to study the effects of sponsorship on different aspects such as brand awareness, corporate and product image, and the effect of a player’s personality on product image. An overview of studies into how sponsors appraise sponsorship effectiveness is presented in Table 2.2.

Many studies have attempted to measure short-term impact, i.e. the impact at the time of and immediately after the event has occurred. It is also important to measure long-term effects to know whether adequate returns are being earned for the investment in the sponsorship (Rajaretnam, 1994). Abratt, Clayton et al., (1987) and Shalofsky and di San Germano (1985) suggest a number of reasons for the lack of evaluation of sponsorship. They suggest that sponsorship is relatively new and an absence of a need to undertake formal evaluation. In addition, they suggest that companies are unsure of what to measure, and that no evaluation may relate to avoidance of dealing with a disappointing result (Stotlar, 2004).

Although the literature seems to concur that it is essential to marry the sponsorship evaluation to objectives, there appears to be no one accepted way by which this is done. In making the sponsorship investment decision, it would seem to be difficult to identify what factors provide a return. It is also difficult to estimate a return for these factors for initial investment analysis.
<table>
<thead>
<tr>
<th>Author</th>
<th>Research method</th>
<th>Main finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Otker and Hayes (1987)</td>
<td>Empirical (World)</td>
<td>The study of the association between a sponsor and an event showed small but positive image effects. It was difficult to isolate the influence of the sponsorship as there was “too much noise”.</td>
</tr>
<tr>
<td>Armstrong (1988)</td>
<td>Empirical (World)</td>
<td>Seventeen case studies were conducted to measure the impact of sponsorship. Results showed that on the whole companies believed the sponsorship was worth the money spent, even if it is only for brand awareness. A lack of effectiveness with respect to global marketing and the use of support activities to support the sponsorship were also noted.</td>
</tr>
<tr>
<td>Strong (1988)</td>
<td>Survey</td>
<td>Survey of 17 multinationals found only a minority attempted to use evaluative techniques to assess the effectiveness of their sponsorship program</td>
</tr>
<tr>
<td>Abratt and Grobler (1989)</td>
<td>Survey (South Africa)</td>
<td>Survey found that 61% of companies have a set evaluation procedure with media exposure being the most evaluated activity. The evaluation process is necessitated by the large amount of money invested, and although this occurs in the majority of companies, a more systematic approach needs to be taken.</td>
</tr>
<tr>
<td>Witcher et al. (1991)</td>
<td>Empirical (UK)</td>
<td>One third of organisations surveyed used no methods to evaluate sponsorship effectiveness. Of those that did evaluate effectiveness, the methods used included gauging customer reaction, systematic measurement of public awareness and media coverage surveys.</td>
</tr>
<tr>
<td>Marshall and Cook (1992)</td>
<td>Empirical (U.K)</td>
<td>Sponsors are uncertain as to how to evaluate their sponsorship investment</td>
</tr>
<tr>
<td>Hoek, Gendall and Stockdale (1993)</td>
<td>Empirical (NZ)</td>
<td>Few companies appear to undertake systematic evaluations of their sponsorships. As there is difficulty determining the variables to be measured, managers rely on intuition as a means of evaluation.</td>
</tr>
<tr>
<td>Rajaretnam (1994)</td>
<td>Empirical (India)</td>
<td>A case study showed that the impact of sponsorship is greater than advertising on awareness, brand preference, and corporate image. Product advertising had a greater impact on product image. Noted that most research designs using continuous tracking find it difficult to isolate the effects of sponsorship, as other individual marketing activities are always present.</td>
</tr>
<tr>
<td>Hansen and Empirical</td>
<td>Sponsorship effects measured in terms of recall, recognition and image changes were examined in</td>
<td></td>
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<tr>
<td>Author</td>
<td>Research method</td>
<td>Main finding</td>
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<tr>
<td>Scotwin (1995)</td>
<td>(Denmark)</td>
<td>an experiment. Sponsorship was found to be a meaningful marketing tool when there is a need for generating increased awareness of the company or brand. Sponsorship was also found to be more efficient for lesser-known brands.</td>
</tr>
<tr>
<td>Kerstetter and Gitelson (1995)</td>
<td>Empirical (US)</td>
<td>The research found that there was confusion between sponsors and advertising. Sponsors found it difficult to identify themselves in the “message clutter” created by advertising.</td>
</tr>
<tr>
<td>Cornwell, Pruitt, and van Ness, (2001)</td>
<td>Empirical (US)</td>
<td>Analysed the share price impact of sponsoring the drivers of a car race. The analysis showed that sponsorship can increase the financial value of the sponsor firm especially where the sponsors have a logical or matched tie to the sponsored activity.</td>
</tr>
</tbody>
</table>
2.3.3 Other studies

2.3.3.1 Sponsorship mechanisms

The tangible basis of the sponsorship agreement is formed by the mechanism of sponsorship, which is the vehicle or instrument, by which the sponsorship is conveyed, for example, signs and promotional displays (Pope and Voges, 1994). Crowley (1991) surveyed a group of sponsors to gain an understanding of the relative importance of each mechanism to them. He found that the most important mechanisms used to exploit sponsorship opportunities were, in descending order of importance; media coverage, event title, guest entertainment, exposure to attendance, perimeter advertising, heart-of-action identification, exposure to participants and advertising theme.

In a survey conducted by Pope (1992) reported in (Pope and Voges, 1994) the mechanisms offered were found to include signs on vehicles and equipment, perimeter advertising, naming rights, client entertainment, personal endorsements, identification in public relations material and communications, promotional displays and provision of equipment. Pope found the most frequently used sponsorship mechanism was client entertainment, followed by signs on vehicles and equipment, with the least used being the provision of equipment. He suggests that the reason for the difference in ranking with that of Crowley (1991) may be the difference in sponsor type.

2.3.3.2 Longevity

Pope and Voges (1994) found that the majority of sponsorships ran for five years or less, with most being three to five years. This supports the finding of Armstrong (1988) that less than one-third of sponsorships were over five years old with nearly two-thirds of sponsorships running three years or less. The length of the sponsorship relationship was found to be a determining factor in justifying the continuation of the agreement (Gross et al., 1987), and the termination of this relationship may adversely affect the sponsor’s image (Sleight, 1989). Based on survey data analysis, Pope and
Voges (1994) reported three areas as being important to longevity: mechanisms of sponsorship used, objective setting, and sponsor motives.

In investigating the investment decision regarding a sponsorship, the issue of duration of agreement would appear to require consideration.

2.3.3.3 Budgeting

Limited research concerning the process by which sponsorship expenditure budgeting decisions are made has been found (Cornwell and Maignan, 1998). It has been found that in a company with a high level of experience in evaluating and implementing sponsorships, sponsorship decisions are likely to be made by operational middle managers rather than as part of a strategic decision (Burton, Quester and Farrelly, 1998).

Marshall and Cook (1992) found that for most companies, sponsorship was an intrinsic part of the marketing department and in some cases formed up to 20% of the marketing expenditure. In his case study, Armstrong (1988) found that the larger the company, the smaller the proportion of its total advertising/promotion budget that will be assigned to sponsorship. The study by Hoek et al. (1990) where the managers responsible for sponsorship management in 19 companies were interviewed, found that consistent with sponsors emphasis on profitability, these companies used a fixed approach to budget setting, with most using the percentage of sales allocation method.

From the limited amount of research conducted in this area, it appears that little is known of the decision-making process regarding the investment in sponsorship. As the decision is important, it appears worthy of investigation.

2.4 Conclusion

From the above discussion it is apparent that there has been much written on the subject of sponsorship. Studies have shown that the sponsorship objectives, selection process, and organisation and control of the sponsorship are determined by the type of company engaging in the sponsorship, the sponsorship area (e.g. sports, arts, or other
area), and the sponsored activity (Wallisser, 2003). Little research has been carried out in the area of budgeting processes, and internal corporate audiences, and only a small research effort has been made in the area of holistic evaluations of the sponsorship management process (Cornwell and Maignan, 1998) and cross-national comparisons of sponsorship management (Quester, Farrelly and Burton, 1998). These areas would appear to represent potentially fruitful lines of future accounting research, highlighting the novel contribution of the study reported herein.

With increasing levels of sponsorship expenditure, it is becoming increasingly important for companies to justify their sponsorship investment in terms of economic return. The acquisition of sponsorship by many corporations has become essential to their continued existence. From the sponsor’s perspective, it is evident that Australian companies are increasingly using sponsorship of sporting teams and events as a significant avenue for promoting their corporate objectives.

This development poses several interesting accounting issues. Sponsorship can be viewed as a form of investment; therefore the incidence of accounting involvement in sponsorship decision-making has probably grown in a manner commensurate with increased sponsorship activity. It would be anticipated that this accounting involvement would lie in the areas of analysis of the initial investment decision and setting and controlling the budget. There may be some scope for accounting’s involvement in appraising ‘sponsorship spend’ effectiveness. There is little evidence of research in this area, and therefore it appears to be a potentially fruitful line of academic research. In the next three chapters other literary perspectives pertinent to the study are outlined.
CHAPTER 3
THE INVESTMENT DECISION-MAKING LITERATURE

3.1 Introduction

This chapter provides a review of a number of theories informing this thesis. Initially decision-making theory is examined from both an individual and organisational perspective. The investment decision-making theory is then examined from a multi-disciplinary perspective. It provides a theoretical basis for the hypotheses relating to decision-making in the sponsorship context presented in Chapter 8.

Organisational decision-making is fundamental to this thesis as it provides a theoretical basis for the decision-making process in a sponsorship management context. Therefore, rather than integrating decision-making theories with other theories discussed in this chapter, it has been reviewed independently. The theory as to how decisions are made then provides a foundation upon which to examine the literature relating specifically to how the investment decision-making process is carried out. Given the paucity of research relating to the decision-making process in sponsorship it is useful to turn to other literatures to provide some insight into the processes we expect to find.

The investment decision-making process is a well-studied area of organisational behaviour. The sponsorship investment decision is highly significant as it involves the commitment of large amounts of resources, both in terms of dollars invested and in terms of commitment by the organisation to a particular strategy. The implications for the success of the organisation are therefore far reaching.

Initially, the decision-making theory is examined in terms of behavioural decision theory (BDT) and organisational decision-making theory (ODM). The investment decision-making process will then be examined in terms of the three main perspectives put forward in the accounting literature namely finance, management accounting, and strategic management. Finally, the literature relating to the decision-making process in other intangibles, namely intellectual capital, research and
development, training and automated machine technology (AMT), are examined. These are considered to be relevant as they provide insights into how the investment decision literature relating to other types of intangibles has developed and will assist in the development of theory in the sponsorship context.

3.2 The Decision-making Literature

How decisions are made has received a significant amount of academic attention. Behavioural decision-making theory (BDT) focuses on the decision-making of individuals and can be contrasted with organisational decision-making (ODM), which is primarily concerned with how decisions are made in organisations. Shapiro (1997) identifies five characteristics that distinguish organisational decision-making from individual decision-making. Organisational decision-making involves a greater amount of ambiguity and unclear preference, is embedded in a longitudinal context, places greater importance on incentives, repeated decisions are more frequent and conflict is ever-present.

Initially in this section, BDT will be discussed with respect to insights gained from research conducted using a BDT framework. It is to be expected that sponsorship management systems provide information for organisational decisions such as the allocation of resources. As these types of decisions are made in the context of the organisation, an overview of ODM will then be presented.

3.2.1 Behavioural decision-making theory (BDT)

BDT focuses on the cognitive aspects of individual decision-making, that is, how individuals evaluate or make judgements. Characteristics and perspectives in BDT research have been identified by Hogarth (1993) and include:

1. Judgement can be modelled
2. Bounded rationality
3. The task involved in decision-making is more important than the individual
4. Level of aspiration/reference points
5. Use of heuristic rule
Central to both BDT and ODM research is Simon’s (1957) notion of limited or “bounded rationality”, noted by Hogarth as the second characteristic. Bounded rationality was proposed by Simon as a contrary perspective to the predominant view held at the time of rational decision-making. Rational decision-making was developed from economic theories of utility maximization and sees decisions being made in smooth sequential steps.

3.2.2 Organisational decision-making theory (ODM)

ODM research, as noted by Young and Lewis (1995), has received minimal attention from accounting researchers and in particular from management accountants. The majority of decision-making research in the accounting area has focussed on individual decision-making, discussed in the preceding section, with research on ODM occurring primarily in the field of auditing (Sutton and Hayne, 1997).

Decision-making is considered to be one of a manager’s primary activities (Miller, Hickson and Wilson, 1996). Research on decision-making in organisations has focussed on the process of decision-making and the factors impacting on this process which will potentially affect the outcomes of these decisions. Decisions are affected by ambiguity, uncertainty, future rewards, past decisions, power and conflict, amongst other pressures. Decision-making occurs within an organisational context which ensures that decision makers are not autonomous. Constraints are imposed through rules, policy guidelines and the setting of goals.

The following sections will examine the principal approaches developed for the study of decision-making in the ODM context. The models identified by Koopman and Pool (1991) will be used as a basis for discussion. These are:

1. The rational model
2. The information model
3. The organisational model
4. The garbage can model
5. The political model
6. The participation model
7. The dynamic phases model, and
8. The model of meaning.

In addition, an intuitive model will be examined as an approach to decision-making in the organisational context. Research has shown the use of intuition in decision-making to be a widely used approach.

3.2.2.1 The rational model

The rational model of decision-making parallels the modelling of individual decision-making in that decision makers are required to search for all possible options, compare, evaluate them and finally select the optimal option (Butler, Davies, Pike and Sharp, 1993). Mintzberg, Raisinghani and Theoret (1976) see the decision-making process as involving a number of stages which can be summarised as: the initial recognition of an opportunity, setting of objectives, searching for information, creating solutions, evaluating the solutions, choosing the optimal solution, gaining authorisation and implementation. This view sees decision-making as a logical process predicated on the principle that individuals are utility maximisers, and as such will make rational decisions and choose optimal solutions. It is also based on the principle that if individuals make rational decisions, then so will groups within organisations.

Butler et al. (1993) see these models as appropriate for investment decisions that are routine, occur frequently and generally made at lower organisational levels. They suggest, “the answer will more or less fall out of the figures” with some fairly limited judgment required. These kinds of decisions include programmed or routine decisions which tend to be of an operational rather than strategic nature (March and Simon, 1958; Simon, 1960); computational where formulae exist for the solution to a problem; and synoptic decisions where decision makers can map out accurately the cause-effect relations of a problem (Lindblom, 1959). Koopman and Pool (1991) suggest that the rational model is only useful in situations where there is one decision
maker, one quantifiable goal, all solutions are known, and the best solution can be calculated.

3.2.2.2 The information model

An extension of the rational model of decision-making is termed the information model and is based on Simon’s (1957) notion of bounded rationality. The information model considers the confines placed on decision-making by limits on time and money, incomplete information, and the amount of information a decision-maker can process. It accepts that within these constraints an optimal decision cannot always be achieved (Butler et al., 1993). These limitations create a degree of uncertainty which Simon suggests is dealt with by firstly considering existing rules and policies that might apply to the decision at hand before searching for a solution. This view is consistent with Nutt’s (1984) finding that the majority of solutions to complex strategic problems were found via an “historical process”, where solutions that were used in the past were adopted.

3.2.2.3 The organisational model

The concept of incremental decision-making or ‘muddling through’ is based on the premise that not only is there individual limitations inherent in decision-making, but in organisations a number of other limitations exist (Lindblom, 1959). Often the goals of an organisation are not clear, these goals regularly change over time, and the decision-making process is open to the influence of a number of contextual factors. These aspects of ODM make choosing the optimal solution inherently difficult.

Lindblom’s incrementalist model suggests that decision-making takes place in small consecutive stages where goals are often specified and refined during the process. He showed that decision-making processes in organisations are not sequential or linear, but are better described as iterative, with periods of amendment and reconstitution. This notion is consistent with Quinn’s (1978) development of logical incrementalism.
3.2.2.4 The garbage can model

Perhaps the most radical of all ODM models is the view of organisations as organised anarchies, referred to as the garbage can model (Cohen, March and Olsen, 1972; Cohen and March, 1974). This model was developed based on the study of decision processes in universities by Cohen et al. (1972), as universities are considered to be archetypical organised anarchies.

Butler et al. (1993) identified four streams of garbage can decision-making as problems, solutions, participants and choice opportunities. Choice opportunities arise when a problem and solution are matched, and a decision is made and implemented. These four elements stream into an organisation and if they collide with another and are a match then a decision is made. While this model assumes a certain randomness in these four elements within an organisation, there is still an underlying pattern and structure to the decision-making process that can be modeled once the dimensions are understood. Butler (1991) suggests that “as a structure for resolving uncertainty, the garbage can provides tremendous decision-making capacity” (p.55).

3.2.2.5 The political model

The ODM models discussed so far have been criticised by researchers for failing to consider politics and power, and how these constructs affect the decision-making process (Eisenhardt and Zbaracki, 1992). The political model of ODM focuses on the political aspects of organisational life and thereby overcomes these criticisms. From the political perspective, an organisation is viewed as an arena where participants possess conflicting goals. Decision-making is seen as dealing with conflict and negotiating a course of action, which will lead ultimately to a consensus of opinion (Bacharach and Lawler, 1986). Dutton (1998) extends this idea and sees an organisation’s overall agenda as largely being determined by power.

Butler et al. (1993) provide examples of types of processes involved in the political process of decision-making. These include bargaining, guile, coalition building and biasing. Where bargaining is used, individuals will compete for resources to achieve the best deal for themselves, guile refers to the use of information – including a range
of disclosure from failure to disclose all relevant information to lying – where people support each other on an issue such as with the development of networks coalition building occurs, and finally biasing occurs when an individual can set the rules by which decisions are made. For the purpose of making a decision, decision makers must come together and negotiate through their differences (Cyert and March, 1963).

3.2.2.6 The participation model

Participation in ODM has been a topic of great interest to academics. The extent to which participation in decision-making is permitted and facilitated, both between and within groups, increases the amount of knowledge and skill involved in the decision-making process. Participation is generally considered to have positive effects such as increased quality and greater acceptance of decisions.

The findings of studies in this area have been mixed, however. Although it is generally accepted that participation in decision-making increases the effectiveness of decisions, or results in greater acceptance of decisions made, there appears to be no conclusive evidence to support this (Locke and Schweiger, 1979; Wagner and Gooding, 1987; Heller, Drenth, Koopman and Rus, 1988). Koopman and Pool (1991) suggest that “participation is generally useful only if it makes a functional contribution (in terms of utilising expertise or promoting acceptance) to the decision-making” (p.28).

Research findings relating to participation in decision-making have shown that the nature of participation – that is, whether it is informal or formal with established rules and policies for participation – is related to the rationale behind the participation (Strauss, 1982). The degree of participation has been shown to be positively related to the outcomes of satisfaction and performance (Graham and Verma, 1991; Wagner, 1994).

A recent study by Black and Gregersen (1997) considered the relationship between degree of participation and decision-making processes with satisfaction and performance. It was found that participation in the decision process of generating alternatives, implementation planning and evaluating results were positively related to
satisfaction, and participation in generating alternatives and implementation planning were significantly related to performance. Schuster et al. (1997) also found some support for a positive link between improved organisational performance and participation by employees in decision-making processes.

From a management accounting perspective, participation has been studied as a contextual factor of budget setting in a number of contingent studies. The main focus of these management accounting studies has been how to alleviate dysfunctional budget-related behaviour and give the budgetee a sense of budget ownership through participation in the budgetary process (Brownell, 1982, 1983; Brownell and Hirst, 1986; Brownell and Merchant, 1990; Brownell and Dunk, 1991; Dunk, 1989; Mia, 1989). While the findings of these studies have been mixed, generally the results have suggested that the relationship between managerial performance and budgetary participation is moderated by task uncertainty and job difficulty.

3.2.2.7 The dynamic phases model

A number of models have been developed that consider the decision-making process as comprising a series of phases or steps, as occurs in the rational models of Minztberg et al. (1976) and Koopman and Pool (1991). While some models see decision-making as a series of six or seven steps, other models reduce the number of phases by summarising them and reducing them into a smaller number of categories.

Perhaps the most pivotal and comprehensive studies of decision-making processes in organisations are the Bradford Studies (Hickson et al., 1986), where 150 decisions in 30 English companies were investigated. While not directly proposing a phase model of ODM, the studies did examine how decisions were made using a broad contingency framework. Three kinds of processes were found, with the sample being relatively evenly split between the three. These processes were called ‘sporadic’, ‘fluid’ and ‘constricted’. Sporadic processes are subject to bursts of activity and delays, and are characterised by above-average delays, impediments, scrutiny and duration. Meetings are informal and decisions are authorised at the highest level after some negotiation. Fluid processes, on the other hand, are depicted as being more flowing with fewer delays, more formal meetings, and with a much shorter duration.
than sporadic processes. There is less variation in information as it comes from fewer sources. Constricted processes are a hybrid of the sporadic and fluid processes. Decisions pass through the organisation in a more constricted manner, and tend to involve a central figure who considers a wide variety of information before coming to a decision.

Another important finding of the Bradford studies was that the process by which a decision is taken is dependent primarily on the degree of politicality and complexity of the matter to be decided. That is, the amount of influence from both within and outside the organisation, and how variable, problematic, and unusual the subject matter is are all factors that will shape the decision process. The researchers found that of the 150 decisions studied, the most complex and political decisions were treated in a sporadic manner, the least political but only slightly less complex decisions tended towards a fluid process, and the least complex and political decisions were undertaken within a constricted process.

3.2.2.8 The model of meaning

The model of meaning focuses on the context or environment in which decision-making occurs. Koopman and Pool (1991, p. 31) suggest that “the model of meaning directs attention to the manner in which problems are defined and the amount of consensus”. The authors use the example of an automation process, which management would consider as a technical issue, but which a trade union would view as an issue relating to employment opportunities and quality of work.

O’Connor (1997) also discusses the need to consider the contextual ‘embeddedness’ of decisions. He discusses decisions in terms of narratives and argues that ODM can be understood as the interweaving of multiple, ongoing, and unending narratives. The important focus of a contextual perspective of ODM concerns fitting the decision into the ongoing events that make-up the decision makers’ experience.

Laroche (1995) argues that decision-making in organisations is best understood as a social representation. He sees how decisions create meaning for what happens in organisations, and the influence they have on members’ behaviour and understanding,
as the focal point. This perspective is similar to the interpretive approach to management accounting research presented in the previous sections. In a related argument, Brunsson (1990) suggests that ODM should not be solely considered in terms of the choice of the best alternative, nor as an agent that enables mobilisation of organisational action. Brunsson argues that two further roles for ODM exist. Firstly, decision-making also allocates responsibility and legitimacy to organisations and its decision makers. When decision processes are used to cope with uncertainty, Brunsson suggests that the decision makers are clearly identified and are allocated responsibility for the decision by organisational members – “people hold others responsible if they believe that they have made decisions influencing events and if they think of those decisions as choices” (p. 50). Secondly, the legitimisation role occurs when decisions, whether acted upon or not, are visible to the external environment and reflect the norms and values of external constituents. As Brunsson argues, “… if these decisions reflect external norms, they can serve as independent instruments for external legitimisation” (p.55). This view is consistent with the institutional perspective that has been applied in management accounting research.

3.2.2.9 The intuitive model

Research has shown that management base their decisions on intuition when considering strategic investments in a context characterised by a high degree of uncertainty (Agor, 1986; Langley, 1990; Butler et al., 1993; Van Cauwenbergh et al., 1996). Agor (1986, p.6) says that intuition is “a product of both factual and feeling cues”. Although intuition and financial analysis are not mutually exclusive, it is important to find a balance between them when making strategic investment decisions. Important strategic investment decisions are rarely made on the basis of detailed financial analysis, but rather are matters of judgement based on past experience and management’s vision or beliefs (Donaldson and Lorsch, 1983; Butler et al., 1993).

Agor (1986) found that intuition is used by managers where there is a high degree of risk, analytical data is of little use, there is little precedent, and where there is no obvious preferred solution (p.9). Van Cauwenbergh et al. (1996), in support of earlier studies by Mares (1991) and Butler et al.(1993), found that the basic elements for
evaluating a strategic investment proposal includes both rational factors such as formal financial assessment and intuitive judgement. Although formal analysis is important, information for decision-making is also often taken from many informal sources and is used to allow the solution to the decision to evolve (Issack, 1978; Eisenberg, 1984; Simons, 1987).

Research shows that although intuition is prominent in the initial stages of formulation and evaluation of the investment, a financial analysis and formal justification are required to substantiate the selection decision (Van Cauwenbergh et al., 1996; Guilding, 2003). It would be expected that intuition would play a major role in the development of a sponsorship proposal. Once that sponsorship proposal has been developed and put to senior management for ratification, it is expected that emphasis would be placed on financial analysis and formal justification.

3.2.2.10 Other issues relating to ODM research

More recently, researchers have examined further factors relevant to organisational decision-making. These factors include: style of leadership (Chen, Lawson, Gordon and McIntosh, 1996; Peterson, 1997; Larson, Foster-Fishman and Franz, 1998); information sharing (Larson, Foster-Fishman and Keys, 1994; Cruz, Boster and Rodriguez, 1997; Gigone and Hastie, 1997; Kim, 1997; Larson, Foster-Fishman and Franz, 1998; Winquist and Larson, 1998); group diversity (Maznevski, 1994; Pate, Watson and Johnson, 1998); and decision implementation (Bourgeois and Brodwin, 1984; Nutt, 1986, 1995, 1998; Giles, 1991; Owens, 1993).

Leadership style has been found to be an important aspect of group decision-making. Generally, leadership style has been examined in terms of two styles: participative and directive. Participative leaders have been described as actively including all members in the decision-making process, are cautious in expressing their opinions, emphasise the importance of quality decision-making and the consideration of a range of alternatives. In comparison, directive leaders are less likely to include all members, often make their opinions known at the outset, de-emphasise the need for consensus and consider fewer solutions (Janis, 1982; Hollander and Offerman, 1990). The findings of studies in this area suggest that leadership style has an important impact
on decision quality (Larson et al., 1998), and that groups with participative leaders make better quality decisions (Chen et al., 1996). Peterson (1997) found that poorer decisions were made by groups with directive leaders due to the leader’s impact on the process of decision-making and not due to their directiveness towards one particular outcome.

In ODM, the sharing of information is an important area of consideration. Findings from studies in this area show that groups tend to focus on ‘shared’ information (i.e., information that is known by all members); decisions made by groups also tend to favour shared information (Larson et al., 1998); decision quality is affected by the amount of unshared information discussed and not shared information (Winquist and Larson, 1998); and increased decision-making effectiveness has been found in groups with a greater proportion of unshared to shared information (Cruz et al., 1997). Findings have also suggested that more effective decisions are made in homogenous rather than diverse groups, due to the problems of interaction between group members (Wanous and Youtz, 1986). While this may be the case, Maznevski (1994) argues that highly diverse groups have the potential to make effective decisions.

Miller et al. (1996) suggest that implementation of decisions is one step in models of the decision-making process that is either disregarded or is simply assumed to occur after the final choice phase. Previous research has shown that not all decisions lead to implementation or action (Brunsson, 1990). In situations where action is initiated, Nutt (1995) concluded that implementation approaches are often used that do not match the particular situation. Giles (1991) suggests that for successful implementation, ownership of the original strategy is crucial; Owen (1993) argues that setting clear objectives is necessary; and Miller et al. (1996) advocate that a ‘champion’ is helpful.

Nutt (1986) also adopted a similar approach and studied management tactics used to implement planned changes. In a further study, Nutt (1998) considered the relationship between these four approaches and managers’ leverage and the amount of resistance faced from key stakeholders. It was found that intervention was the most successful implementation approach, irrespective of situational factors. The most unsuccessful approaches of persuasion and edict were also used most often.
3.3 The Accounting Literature

Corporate investment decision-making theory and practice can be viewed from a multi-disciplinary perspective. This notion was developed by Dempsey (2003) who identified within the accounting literature three main perspectives namely Finance, Management Accounting and Strategic Management. The latter two are of particular relevance to the proposed research, however all three perspectives are discussed here.

3.3.1 The finance perspective

Dempsey sees research emphasizing an economic theoretical perspective as having a finance orientation. Research conducted within this tradition continues to develop more sophisticated and more realistic quantitative models of investment decision-making. Examples of quantitative models developed include the capital asset pricing model (Jensen, 1972; Ross, 1978) and real options theory (Dixit and Pindyck, 1994; Pinches, 1998).

3.3.1.1 Capital asset pricing model

The development of the business organisation as a combination of divisions resulted in a situation where divisional managers were increasingly delegated decision-making responsibility. Scapens (1982) found that divisional managers often held substantial influence over the capital invested in their division. As a result, management established a number of practices utilising financial criteria to ensure that divisional performance was linked to the firm’s utilisation of resources. With this use of accounting systems to control authorisation of expenditure came methods of analysis of return on investment using ‘hurdle’ financial rates of return (Johnson, 1994). The use of accounting-based management decision-making tools promoted this concept of “scientific financial management” (Johnson and Kaplan, 1987). From this assertion was developed the Capital Asset Pricing Model (CAPM) (Ross, 1987; Ryan, 1982).

An objective of capital budgeting is to maximise the expected return by management on the allocation of resources. CAPM offers an alternative to this by maximising the expected return to shareholders by accepting investments that increase share value
(Copeland and Weston, 1988; Dyson and Berry, 1998). Management do this by comparing the cost of undertaking a project with the value the stock market places on the project to calculate a required rate of return for the project. In other words, management’s key financial decisions must provide investors with a rate of return at least equal to other opportunities that are available (Dempsey, 2003). Management is required to identify investment opportunities where the expected cashflows, discounted by this required rate of return, produces a positive Net Present Value (Modigliani and Miller, 1958).

The DCF can be adjusted for risk, but the issues of limited investment budgets and the implications for the consideration of other projects are more difficult to factor into the equation. It fails, moreover, to incorporate management’s ability to adapt to changing market conditions and new information which may result in an investment being deferred, expanded or abandoned. In reality, the realisation of cash flows will differ from what was originally projected and management may wish to deviate from the original investment plan. The flexibility and strategic value aspects of projects cannot be properly captured by a DCF technique because of their dependency on future uncertain events.

The cost of capital is of fundamental importance to the capital budgeting process. CAPM is being increasingly challenged in the academic literature as a valid method for estimating the cost of equity capital, due to a disagreement about what is a reasonable value for the risk market premium, which is the key input to the CAPM (Jagannathan and Meier, 2002; Campbell, Lo and MacKinlay, 1997; Kothari, Shanken and Sloan, 1995; Fama and French, 1992; Banz, 1981). Although CAPM is still a widely used tool, research has shown that in practice, organisations use agency costs and asymmetric information between shareholders and financial decision makers in addition to cost of capital to determine the discount rate (Stein, 2001). Organisations appear to be acknowledging the shortcomings in the application of CAPM and are incorporating other mechanisms to ensure they are making decisions based on relevant information (Jagannathan and Meier, 2002).

Risk simulation and decision tree analysis (Hertz, 1964, Hertz and Thomas, 1983) offer a tool for judging a project’s risk class and its effect on cash flow distributions.
In this approach, the uncertain distribution of the decision criterion is combined to form a probability distribution of the decision criteria using a simulation. Risk simulation provides an intrinsic risk picture of the project to enable management to better understand the single project. It does not provide management with an insight into how this single project fits into the broader management strategy and portfolio of projects. Hertz and Thomas (1983) suggest that risk simulation be combined with CAPM to better understand a given project.

3.3.1.2 Real options theory

Myers (1987) recognised that most traditional DCF methods have inherent limitations when it comes to valuing projects with significant operating or strategic options. He suggests that in these cases, option pricing is most likely to provide a superior decision-making tool. Trigeorgis and Mason (1987) support this, suggesting that option valuation can be seen operationally as an economically corrected version of decision tree analysis.

The real options approach to capital budgeting recognises that these types of managerial flexibility involve the possession of options. Dyson & Berry (1988) describe an option as “a right, but not an obligation to do something” (p.288). A call option is the right to buy an asset on or before a given date for a price and can be demonstrated as the delay in the start of a project with the exercise price being the capital cost of investment in the project. On the other hand, abandoning a project is an example of a put option where there is a right to sell an asset on or before a given date for an agreed price. Financial investment analysis under the real options theory entails a base case for NPV followed by the valuing of the options.

The major problem is that of how to value the options. Early literature has made a significant theoretical contribution to the real options theory, however the focus on individual options has resulted in limited practical use. One such practical application of real options is in flexible manufacturing (Aggarwal, 1991; Kulatilaka and Trigeorgis, 2001). The acknowledgement of the complexity of real life situations and the interaction of real option values has resulted in research of real options which may be more useful in the application of this theory.
3.3.2 The management accounting perspective

The investment decision-making literature in management accounting has largely adopted a capital budgeting orientation. A number of studies using the survey research method have attempted to document capital budgeting practice (Trahan and Gitman, 1995; Lamminmaki, Guilding and Pike, 1996; Pike, 1996; Kester, Chang, Echanis, Haikal, Isa, Skilly, Tsui and Wang, 1999) and to generalise prior research findings to given populations (Aggarwal, 1980; Sangster, 1993; Pike, 1996). In addition, a number of studies have used field research methods (Carr and Tomkins, 1996; Van Cauwenbergh, Durinck, Martens, Lavaren and Bogaert, 1996; Harris, 1999). It is claimed capital budgeting procedures have become more formalised and sophisticated (Pike, 1983, 1988; Klammer and Walker, 1984; Scott and Petty, 1984; Northcott, 1991).

Capital budgeting can be seen as a process that begins with a definition of an investment proposal, proceeds to a full proposal and ultimately to a senior management decision whether to invest (Butler et al., 1993). Where a highly “systematic study of issues” is undertaken, the capital budgeting process can be interpreted as being formalised (Langley, 1990, p. 17). Numerous methods of financial analysis can be employed to appraise the worthiness of a proposal. Techniques such as net present value, internal rate of return and profitability index, consider risk-adjusted discounted cash flows for a project while other less sophisticated techniques include accounting rate of return and payback period (Van Cauwenbergh, et al., 1996).

The use of formal financial criteria is seen as supporting the investment decision-making process rather than determining the decision outcome. It is noteworthy that there is little evidence supporting the view that the use of discounting techniques will result in superior performance (Haka, Gordon and Pinches, 1985; Butler et al., 1993). Langley (1990, 1991) questioned the significance of formal analysis for the assessment of investment proposals. Her research (1991, p.92) however did indicate a role for formal analysis with respect to social interaction in decision-making. This
supported the suggestion by Brunsson (1989) that although it is useful for the organisation to present itself as a rational decision maker, this is just an illusion.

Management accounting has traditionally used qualitative case study research to examine how organisations allocate capital and the nature of formal and informal capital budgeting processes. This research highlights the difficulties in aligning formal, quantitative systems of investment analysis such as the use of NPV theory with the practical application required to be consistent with an organisation’s strategy (Slagmunder, 1997; Carr and Tomkins, 1998; Arnold and Hatzopuolos, 2000; Seal, 2001). This dissatisfaction with a narrow focus on quantitative accounting control systems led to the development of a strategic management orientation within the literature (Carr, Tomkins and Bayliss, 1994). Studies classified in this area have a strategic emphasis with the goal of strengthening the firm’s position in the marketplace and creating a competitive edge. Many of the benefits of strategic investment decisions are intangible and hence these studies promote the consideration of qualitative factors in addition to quantitative analysis (Porter, 1981, 1985).

A recurring theme running through research into the decision-making process identifies the trade-offs between computational and inspirational decision-making (Butler et al., 1993). The computational approach is, as its name implies, a step-by-step approach to planning based on the use of calculations to identify an optimal solution. The inspirational approach implies the assessment of incomplete information and the making of the decision before full assessment of the situation can be undertaken. In whatever manner the decision is made, management should evaluate the strategic fit of the project or investment opportunity. The financial evaluation involves the analysis of the expected results from committing significant resources and will affect the strategic investment decision and ultimately impact on profit and shareholder value (Harris, 1999).

Strategic investment appraisal has been consistently placed as one of the steps in the strategic management processes (Quinn, Mintzberg and James, 1987). Kerin and Peterson (2004, p.1) state that the strategic marketing management process consists of five interrelated analytical processes:

1. Defining the organisation’s business, mission, and goals
2. Identifying and framing organisational growth opportunities
3. Formulating product-market strategies
4. Budgeting marketing, financial, and production resources
5. Developing reformulation and recovery strategies

The first three of these are essential in the development of organisational strategy. At the fourth phase the manager is seeking to quantify these strategies in financial terms. The budget, expressed in terms of the operating budget and financial budget, is seen as an integral part of the process of strategic marketing management. These budgets essentially show revenues and expenses and the effect on the organisation’s cash position that each strategy will have. In addition to budgeting, managers need to utilise financial analysis in consideration of strategies in terms of cost behaviour and the impact of different strategies on profit. A number of decision-making tools are available covering a short-term focus, including contribution analysis such as breakeven and sensitivity analysis, as well as a longer-term focus, including discounted cash flow techniques such as net present value.

Empirical research has challenged the theoretical view of decision-making by questioning where the real decisions are made in organisations (Bower, 1988). It has been suggested that decisions are made early in the appraisal process before DCF has been completed. Northcott (1995) expresses the view that managers operationalise their project in an unsophisticated and unsystematic manner in order to override the system and get the answer they want. It can be assumed that the role of the divisions is to provide information to enable authorisation of the capital budget and final decisions regarding projects to be made by group executives (Mills and Herbert, 1987). The huge amounts of money involved in many investments (Eisenhardt, 1989) render the concept of authorisation using a pre-determined capital budget unworkable. By utilising these financial tools, the manager is able to assess the impact on the organisation of the marketing strategy both in terms of the cost and benefits of the initial investment and the subsequent budgetary and cash flow affects.
3.3.3 The strategic management perspective

The term ‘strategic management accounting’ (SMA) was conceived by Simmonds in 1981, but to date there is limited agreement on what the term means (Lord, 1996; Bhimani and Kershtvarz, 1999; Guilding, Craven and Tayles, 2000; Roslender and Hart, 2003; Cadez and Guilding, 2008). This supports the claim by Tomkins and Carr (1996) that SMA is ill-defined and lacks a general conceptual framework. Despite the definitional problems associated with SMA, Shank and Govindarajan (1988) have suggested that SMA will provide the framework for decision-making overtaking management accounting. The emphasis of SMA has been for management accountants to take an external focus to gain information to assist in the strategic operations of the business. This strategic process, it has been suggested, may have the potential to stop the ‘fall’ of management accounting and provide the managers with relevant accounting information (Johnson and Kaplan, 1987; Johnson, 1992).

The theme of competition is highlighted in the writings of other commentators (Porter, 1980, 1985; Ohmae, 1982; Henderson, 1989). Ohmae (1982) sees “business strategy as all about competitive advantage” (p.5). Other researchers define strategy in terms of marketing and the environment (Herbert and Deresky, 1987; Stahl and Grisby, 1991), and the final goods market (Bromwich, 1990, 1992; Wilson, 1995). Guilding et al. (2000) see SMA practices as exhibiting one or more of the following characteristics: an environmental and/or marketing orientation, a competitor focus, and a future-looking, long-term orientation. A more focussed view of SMA taken by Roslender and Hart (2003) defines SMA as “a generic approach to accounting for strategic positioning, defined by an attempt to integrate insights from management accounting and marketing management within a strategic management framework” (p.5). Cadez and Guilding (2008) support, from a contingency perspective, that there is no universally appropriate SMA system. They found that factors such as company size and strategy have a significant impact on the success of the application of SMA.

From examination of the definitions of SMA it would appear reasonable to assume that the sponsorship investment decision-making process would fall within the scope of SMA. Sponsorship investment has an external focus that is directed towards
creating a competitive advantage, collaboration would appear to be required between management accounting and marketing management; and finally sponsorship has a future-looking, long-term orientation.

Researchers have identified a number of strategic management accounting practices. These include brand-management accounting (Guilding and Pike, 1994; Roslender and Hart, 2004), competitor accounting (Simmonds, 1981, 1986; Moon and Bates, 1993; Guilding, 1999), strategic costing and pricing (Simmonds, 1982; Shank and Govindarajan, 1988, 1991, 1992, 1993; Foster and Gupta, 1994), and attribute costing (Bromwich, 1990). Of these, brand-management accounting is most applicable in the sponsorship investment context and will be discussed further here.

Brand-management accounting has been examined by a number of researchers including Guilding and Pike (1994), Guilding and Godfrey (1995), and Cravens and Guilding (1999, 2000, 2001). The study by Guilding and Pike (1994) found that greater benefits were perceived to be gained from brand-value accounting by marketing managers than by accounting and finance managers. In particular, strategically oriented propositions gained greater support than operationally oriented ones. This conclusion was supported by subsequent research by Cravens and Guilding (1999, 2000, 2001). Marketing managers were again reported to be more interested in brand-value accounting than their finance and accounting counterparts, but interestingly, companies with a short-term and low market orientation showed more interest. In contrast, Cravens and Guilding (2000) found that companies using a market orientation strategy are more likely to use brand-valuation accounting.

Implementation of SMA practices in organisations is not well supported by research. As a result of her findings, Lord (1996) suggests that “perhaps the widely touted ‘strategic management accounting’ is but a figment of academic imagination” (p.364). She found little involvement of management accountants in SMA practices, with this largely being the province of marketing managers. Guilding et al. (2000) concluded that “there appears to be negligible use of the term ‘strategic management accounting’ in organisations and practicing accountants have a limited appreciation of what the term means” (p.113). These finding are supported by the research findings of Roslender and Hart (2003), Szendi and Shum (1999). Other studies have found that
traditional management accounting techniques have higher rates of adoption than new techniques (Chenhall and Langfield-Smith, 1998 and Adler, Everett and Waldron. 2000).

This review of the accounting literature from finance, management accounting and strategic management accounting perspectives highlights that there is overlap between these three areas, particularly with respect to the integration of strategy within management accounting. The following section examines research into decision-making in the marketing asset contexts.

3.4 Investment in Marketing Assets

Recent research has shown that managers believe that intangible assets are critical to a company’s value, as it is intangible assets that often represent the source of true competitive advantage (Barth, 1998; Andriessen and Tissen, 2000; Barsky and Marchant, 2000; Leadbetter, 2000; Litman, 2000; Ratnatunga, 2002; Ratnatunga, Gray and Balachandran, 2004). Sponsorship gives rise to an intangible asset in terms of increased brand awareness and corporate image. The decision-making process for investment in marketing assets can therefore be used to provide context in the sponsorship area.

Foster and Gupta (1994) noted that the cost management and management accounting literatures have paid scant attention to planning and analysis of marketing costs and as a result there is minimal integration between the accounting and marketing literatures. A number of major themes arise from this which affect the way that sponsorship decision-making occurs. Firstly, there is an inherent difficulty in analysing and estimating marketing costs due to their differences from manufacturing costs. Marketing costs are traditionally considered to be discretionary and treated for accounting purposes as period costs. In addition, marketing costs tend to be more flexible in nature and can be tailored to meet changes in conditions in a relatively short time period. Secondly, it continues to be difficult to determine the effectiveness and efficiency of marketing expenditure primarily due to the tentative causal relationship between costs and benefits. Finally, significant expenditure is made to enhance the value of marketing assets that are considered an intangible asset.
Intangible marketing assets such as a brand name are treated as period costs and analysis of such costs occurs over a short-term time horizon. In many cases these are large expenditures where the benefit to be derived extends over a long time horizon. Intangible marketing assets have been defined using a number of classifications including marketing expertise and relations with customers (King, 1973). Piercy (1986) added to this market share, brand loyalty, logical expertise and marketing organisation. A list of marketing assets that researchers claim to be subject to inappropriate accounting treatment includes advertising, entry barriers, brands, trademarks, information systems, product line, new product development, customer service, customer protection, reputation, image, sales territory, markets, market share, geographic area, loyal dealer organisation and channel control (Wilson, 1986; Guilding and Pike, 1990). Guilding and Pike (1990) note the degree of overlap between intangible marketing asset groupings exacerbates the problem of adequately accounting for them.

Foster and Gupta (1994) note that the marketing environment is undergoing major change with growing demands for justification of proposed marketing expenditure and for marketing personnel to become more accountable for their costs. This underscores the need for managers who oversee sponsorship expenditure ensuring they are generating and protecting competitive advantage and creating a marketing asset.

One of the major intangible marketing assets has been identified as brand equity. Six major methods of valuation of brand equity have been proposed in the literature and summarised by Simon and Sullivan, (1993) however there is little agreement as to their relative strengths and weaknesses (Lipman, 1989). The first valuation option developed by Mahajan, Rao and Srivastava (1990) measures brand equity under conditions of acquisition and divestment and is based on the premise that the organisation will utilise the brand assets. The second technique is based on brand loyalty measured through elasticity of demand. This technique has a number of limitations associated with measurement bias. The third option typically utilises surveys of customer preference, attitude or intent to purchase to assess the influence of the brand name on customer evaluation. In the fourth option, the value in establishing a product with a new name is assessed. This option ignores the value of
brand equity in current use from existing products. An earnings multiplier is utilised in the fifth valuation technique. Finally, the valuation technique proposed by Simon and Sullivan (1993) uses objective market-based measures and incorporates the effect of market size and growth. These valuation methods demonstrate that brand equity can be viewed from a marketing or financial perspective.

In the same vein, Montameni and Shahrokhi (1998, p.279) identified six general approaches to assessing the value of brand equity identified by Aaker (1991, p.22) and Kapferer (1992, ch 11). These valuation approaches are based on:

1. marketing and research and development costs
2. premium pricing
3. market value
4. consumer factors
5. future earnings potential
6. replacement cost valuation.

Ratnatunga, Gray and Balachandran (2004) conducted a research study to value organisational capabilities for a strategic military unit and a reporting framework to report tangible and intangible asset combinations in an organisation’s financial statements. They argue that such a model is relevant for internal reporting of value-creating information, even though it may not be suitable for use in external reporting. The Capability Economic Value of Intangible and Tangible Assets (CEVITA) measure is seen as a practical way to visualise and value the intangible asset capability and is also useful in the budgeting process (Ratnatunga and Ewing, 2005).

In takeover activity, brand valuation has played a significant part, even though the balance sheet specifically excludes this as an asset (Murphy, 1990). The measurement of this intangible asset is therefore of importance not only for external parties but also for managing their strategic value (Ratnatunga, et al., 1994).

3.5 Conclusion

This chapter has provided an overview of the decision-making and accounting literatures pertinent to this thesis. Firstly, a review of the decision-making literature at
both an individual and organisational level was conducted and it was noted that sponsorship decision-making can be seen to be aligned with these decision making realms. As this thesis concentrates on examining the organisational decision-making process, research relating to organisational decision-making models has been overviewed. An additional model of organisational decision-making, referred to as the intuitive model, was included as it appears to be of particular relevance in the sponsorship context.

Next, the organisational decision-making research was identified within the accounting literature from finance, management accounting and strategic management perspectives. Finally, a review of research conducted in the fields of other intangible investments was conducted to explore whether findings can enlighten research into the sponsorship context. Specifically, the intangible investment in intellectual property, automated machine technology and marketing assets was examined.

This chapter has provided significant insight into decision-making theories developed within the accounting context and it would appear that significant insights into the sponsorship decision-making context can be derived from this theory. Although investment in marketing assets has been examined extensively, the sponsorship context has not been considered separately, despite the very large amounts of money invested in this area. In addition, the strategic nature of sponsorship decisions lend themselves to the application of management accounting and strategic management theories. This shortcoming in the literature highlights the degree to which this study offers a valuable contribution to the knowledge of the sponsorship investment decision-making process. In the next chapter, a number of theories relevant to the sponsorship decision-making process will be examined.
CHAPTER 4
THE CONTINGENCY, AGENCY AND TRUST LITERATURES

4.1 Introduction

In this chapter a number of theories informing management accounting research that are considered pertinent to this study have been examined. An overview is given of theories potentially relevant to the sponsorship decision-making process, namely: contingency theory, agency theory and trust theory.

4.2 Contingency Theory

Contingency theory has traditionally been used in the study of management accounting and in particular management control systems. Management control has been defined as “the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of organisations’ objectives” (Anthony, 1965). Management control systems (MCS) have been described as processes for influencing behaviour to attain organisational objectives (Flamholtz et al.1985) and are premised on the behaviour of managers who will adapt their organisations to changes in contingencies to attain fit and improved performance (Chenhall, 2003). Iriji (1965) suggests that management accounting information used by managers serves as a qualitative expression of organisational goals and is used to promote rationality in decision-making.

A critical review of contingency based studies conducted over the past 20 years has been conducted by Chenhall (2003). These studies have appraised the effectiveness of MCS by examining factors including technology (McNair, Mosconi and Norris, 1988; McNair and Mosconi, 1989), environmental uncertainty (Hopwood, 1972; Bruns and Waterhouse, 1975; Gordon and Miller, 1976; Otley, 1978; Waterhouse and Tiessen, 1978; Hirst, 1981; Merchant, 1981; Gordon and Narayan, 1984; Govindarajan, 1984, 1988; Brownell, 1987), organisational structure (Child, 1972; Bruns and Waterhouse, 1975; Gordon and Miller, 1976; Waterhouse and Tiessen, 1978; Merchant, 1981; Chenhall and Morris, 1986), size (Khandwalla, 1972; Bruns and Waterhouse, 1975;

As with any theory, contingency theory has been the subject of criticism. Chenhall (2003) for example, notes a criticism of contingency theory due to its reliance “on traditional, fundamentalist theories and it has not applied more interpretive and critical views” (p.159). This supports the view of Covaleski et al. (1996) who claim that contingency theory presents “a deterministic, ahistorical view of organisations which provides limited insight as to the mediating processes of organisations” (p.8).

As noted by Chenhall (2003), Covaleki et al. (1996) further claim that “any attempt to amalgamate different theories and approaches is unlikely to attain a true synthesis as one theory inevitably subsumes others” (p.160). Cadez and Guilding (2008) suggest that some “contingency studies” should be describes as “congruence studies” as they generally fail to appraise conditional associations. This criticism is added to by Gerdin and Greve (2008) who show that the theoretical meaning of some commonly used statistical techniques lack clarity.

Despite these criticisms, contingency theory provides a useful method of explaining organisational governance. Covaleski et al. (1996) suggest that:

“ … this explicit concern for issues of coordination and control, in turn, has provided important contributions to managerial accounting research in our understanding of such issues as the design of information and control systems, budgeting and strategic planning” (p.8).
Chenhall (2007) suggests that an integrated framework that combines structure and process might lessen the confusion resulting from the many research theories relating to contingencies. He further supports the search for generalisable findings that can enhance organisational performance. Researchers have continued to apply a contingency framework in a number of contexts including: Lamminmaki’s (2008) examination of the antecedents of accounting system involvement in hotel outsourcing and control; Revellino and Mouritsen’s (2009) investigation of the relations between control and innovation; Boulianne’s (2009) summarisation of contexts in which information system design and e-business is effective; and Bisbe, Batista-Foguet and Chenhall’s (2007) finding that it is essential to have sound conceptual specification of research constructs prior to their use in models.

The widespread use of contingency theory in management accounting research makes it a useful theoretical basis for the examination of variables affecting the sponsorship decision-making process. The three variables of size, uncertainty and strategy have been identified as being important variables in the sponsorship context and will be discussed further in the following sections.

4.2.1 Size

Despite few studies explicitly considering size as a contextual variable, research findings (Bruns and Waterhouse, 1975; Merchant, 1981; Libby and Waterhouse, 1996; Guilding, 1999) support the view that size is positively associated with accounting sophistication (Otley, 1978; 1980; Chenhall, 2003). Bruns and Waterhouse (1975) identified two forms of control as being associated with organisation size: for large firms, administrative control and for small firms, personal control. Large firms were characterised by administrative controls that took the form of sophisticated technologies, formalised operating procedures, high levels of specialists and work related rules. Merchant (1981) supported this research concluding that large, diverse firms were more centralised, had a sophisticated, participative budgeting process and had more formalised communications channels. Hoque and James (2000) found that company growth may cause issues with communication and control which will result in more sophisticated accounting and control processes.
Chenhall (2003) notes that size has been measured in several ways: profits, sales volume, assets, share valuation and employees. The measure selected depends on the element of context and the dimensions of MCS being studied. MCS studies have mostly used number of employees to define and measure size. Pugh (1968, 1969) found that the number of employees correlates with net assets. Khandwalla (1972) argues that where planning, budgeting and structural modifications are being considered, forecast sales are the best indicator of size. Chenhall (2007) further argues that sales and assets might be a more appropriate measure where the study is examining the effect of environment on the effectiveness of customer-focussed accounting.

It is notable in Chenhall’s recently updated review of contingency theory (2007) that he introduces no new references to empirical studies that appraise size as an independent variable. Summarising the implications for size and its association with MCS, Chenhall (2007) offers three propositions:

1. Large organisations are associated with more diversified operations, formalization of procedures and specialization of functions.
2. Large organisations are associated with more divisionalized organizational structures.
3. Large organizations are associated with an emphasis on and participation in budgets and sophisticated controls.

Appraising for a relationship between size and sophistication of the sponsorship decision-making process appears appropriate as it provides an opportunity to assess whether the association documented in the literature is evident in the sponsorship decision-making context.

4.2.2 Uncertainty

Extensive research has been conducted on uncertainty in the environment and particularly in relation to the effects of uncertainty on organisational structure (Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Perrow, 1970; Galbraith, 1973; Chapman, 1997 and Hartmann, 2000). Environmental variables including turbulence (risky, unpredictable, fluctuating, ambiguous), hostility (stressful, dominating,
restrictive), diversity (variety in products, inputs and customers) and complexity (rapidly developing technologies) have been researched (Khandawella, 1977). The level of uncertainty in the environment has also been examined in relation to the fit to organisational structure (Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Galbraith, 1973; Drazin and Van de Ven, 1985).

Chenhall (2007) has distinguished uncertainty from risk. He suggests that with risk a probability can be attached to a particular event, whereas where there is uncertainty probabilities cannot be assigned and the elements of the environment may not be predictable. In recent research (Chapman, 1997; Hartmann, 2000) the importance of uncertainty as a variable in contingency based research has been stressed.

In strategic investment, decision-making uncertainty results from both a lack of information and knowledge as well as perceived changes that are difficult to assess (Van Cauwenbergh et al., 1996). Aharoni (1966, p.37) suggests that uncertainty relates not only to the consequences of the various investment options, but also to what the alternatives themselves may be.

Butler et al. (1993) explore the view that uncertainty must exist where a decision regarding a course of action is to be made. Two dimensions of uncertainty require consideration; ‘ends uncertainty’ and ‘means uncertainty’ (Thompson and Tunden, 1956; Thompson, 1967). Ends uncertainty results from different interests being involved in the decision-making process, this is often termed ‘politicality’ (Hickson et al., 1986). Means uncertainty relates to the technical issue of how to achieve the ends which themselves may be uncertain.

Research has confirmed that a more “open, externally focussed, non-financial style of MCS” is needed where there is uncertainty (Chenhall and Morris, 1986; Gul and Chia, 1994; Govindarajan, 1984, 1986; Ezzamel, 1990; Merchant, 1984, 1990). It was proposed by Chapman (1998) that in conditions of uncertainty, accounting should play a role in the planning process with considerable interaction between managers and the accounting personnel to ensure that the plan is revised for changing conditions.
Granlund and Lukka (1998) noted the pressures placed on an organisation as including economic causes, coercion from institutions, the need for appropriate social conduct, and the tendency to mimic practices of other successful practices in the market place. These changing attributes of the environment are particularly relevant in a sponsorship environment where not only the financial and economic environment exerts pressure on strategy, but also the actions taken by organisations’ competitors and consumer expectations must be considered.

In addition to environmental uncertainty, behavioural uncertainty (the inability to monitor activities) also exists in sponsorship agreements (Widener and Selto, 1999). The broad nature of the sponsorship contract and its long-term nature generally mean that it is difficult to foresee events affecting the trading relationship and this uncertainty gives rise to the potential for unsatisfactory performance of the contract and the potential for opportunistic behaviour. Milgrom and Roberts (1992) note that as the length of time for contract completion increases, so does uncertainty. They summarise the implications of uncertainty in terms of transaction cost economics as:

“Uncertainty about the conditions that will prevail when a contract is being executed together with the complexity of the task, make it impossible, or at least uneconomical, to determine in advance what should be done in every possible contingency, so the contract that is written will generally be less determinate than in a simpler setting. Rather than specifying how much of what is to be delivered when, the contract may specify who has the right to make decisions and within what limits” (p.32).

Summarising the implications for uncertainty Chenhall (2007, p173) offers three propositions concerning the external environment and MCS:

1. The more uncertain the external environment, the more open and externally focused the MCS.
2. The more hostile and turbulent the external environment, the greater the reliance on formal controls and emphasis on traditional budgets.
3. Where MCS focused on tight financial controls are used, in uncertain external environments, they will be used together with an emphasis on flexible, interpersonal interactions.
Chenhall (2007) notes that the distinctions between external environment dimensions noted in his three propositions are important to MCS design. Different theories are required to address each environmental dimension which makes clear specification of the environment of interest essential. Although considerable research exists, there is a difficulty in interpreting this body of work because of the use of different measures of the same environmental constructs (Gordon and Narayanan, 1984; Chenhall and Morris, 1986).

Where there is greater uncertainty, contracts designed to govern such transactions as a sponsorship will tend to be more incomplete. It would be anticipated that reliance will be placed on the relationship between the parties to ensure performance of the agreement.

4.2.3 Strategy

An overview of the research in the management control literature into management control systems and strategy has been conducted by Langfield-Smith (1997). This search for a relationship between the elements of the MCS and strategy has been the subject of significant interest (Khandwall, 1972; Miles and Snow, 1978; Merchant, 1985; Govindarajan and Gupta, 1985; Simons, 1987; Abernethy and Brownell, 1999; Guilding, 1999; Bouwens and Abernethy, 2000).

Strategy has been defined in many ways. Johnson (1987) recognised that strategic decisions are at various levels of the organisation. These are concerned with the “long-term direction of the organisation, the scope of the organisation’s activities, the matching of the organisation’s activities to its environment and resource capabilities, the allocation of major resources within the organisation, and consideration of the expectations and values of the organisation’s stakeholders” (Langfield-Smith, 1997, p.209). Earlier research by Andrews (1980) sees corporate strategy as being concerned with “the way resources are focussed to convert distinct competencies into competitive advantage” (p.18). In addition, Goold and Quinn (1990) describe a system of strategic controls where competitive benchmarks are developed and non-financial performance measures set to specifically link short-term performance to long-term strategic goals.
Recent research has noted that managers can position their organisations in particular environments through the use of “strategic choice” (Chenhall, 2003). This appears particularly pertinent to the sponsorship decision-making process where strategic choice would appear to be of high importance in achieving a competitive advantage. Further, the long-term nature of sponsorship investment lends itself to the use of non-financial performance measures to monitor the sponsorship activity in the short-term.

Although it appears from descriptions of strategy formulation and implementation that this is a deliberate and streamlined process, strategic decisions are often made as part of a messy and ambiguous process (Langfield-Smith, 1997; Mintzberg, 1987; Quinn, 1980). As a result, formal control systems may impose constraints and a measure of discipline that may be counter-productive in terms of strategy implementation (Goold and Quinn, 1990).

It was proposed by Hambrick (1980) that strategy could be made operational by using one of four approaches: textual description, partial measurement, multivariate measurement, and typologies. The first three approaches are seen as being difficult to use in empirical research, however typologies are noted as a way to “bring order to an incredibly cluttered conceptual landscape” (Hambrick, 1984, p.28). Typologies are “comprehensive profiles of different strategic types” (Langfield-Smith, 1997, p.211). Four major typologies have emerged in the literature: prospector/analyser/defender (Miles and Snow, 1978) product differentiation/cost leadership (Porter, 1980) entrepreneurial/conservative (Miller and Friesen, 1982) and build/hold/harvest (Gupta and Govindarajan, 1984).

The typology developed by Miles and Snow (1978) looks at business strategy and focuses on the rate of change. At one end of the spectrum are defenders who maintain a narrow product range and small amounts of product or market development. By contrast, at the other end of the spectrum are the prospectors who are constantly engaged in marketing and research and development, continually searching for market opportunities and striving to maintain industry leadership. The strongest characteristics of the defender and prospector are combined to form the analyser which evidence suggests represents the midpoint of the continuum (Shortell and
Zajac, 1990; Doty, Glick and Huber, 1993; Anderson and Lanen, 1999). Based on these definitions, it is expected that a prospector would be more likely to engage in sponsorship activities than would a defender. A prospector is constantly seeking new opportunities to market their products and to create an advantage for their organisation.

Porter’s (1980) typology includes the strategies of cost leadership, differentiation and focus. These strategies focus on providing a basis for achieving a sustainable competitive advantage. The strategy of cost leadership implies that an organisation’s aim is one of low cost that may be achieved through economies of scale or superior technology. A differentiation strategy is achieved by providing customers with additional product value such as quality, dependability, service and flexibility. Where a focussed strategy is employed, the company identifies and focuses on a market niche using either cost leadership or differentiation.

By comparing the typologies of Miles and Snow (1978) with that of Porter (1980), it can be seen that the differentiation strategy is aligned with the prospector strategy and the cost leadership strategy is aligned with the defender strategy. In a sponsorship context, it is expected that companies following a differentiation and prospector strategy would be more prone to sponsor, as organisations are using this tool to get their product/service noticed in the market.

The categories “conservative and entrepreneurial” were developed by Miller and Friesen (1982) and focus on degree of product innovation. Entrepreneurs are aggressive in their pursuit of innovation and can be likened to the prospector strategy described by Miles and Snow (1978). It would be expected that organisations engaged in sponsorship activities would pursue innovation in order to differentiate their product in the market and achieve a competitive advantage.

The focus of the build/hold/harvest classification introduced by Gupta and Govindarajan (1984) and developed by Langfield-Smith (2006), is on strategic mission, that is, it looks at the trade-off between market share growth and the maximisation of short-term earnings. A build strategy seeks to improve market share and competitive position that may result in lower short-term earnings. This strategy is
aligned most strongly with the prospector and differentiation strategies, as it is generally achieved where the firm has some competitive superiority as would be expected in an organisation extensively engaged in sponsorship. Further studies have found that cost control, specific operating goals and product differentiation are more appropriate for organisations with conservative, defender and cost leadership strategies, than those with entrepreneur, prospector and product differentiation strategies (Simons, 1987; Dent, 1990; Chenhall and Morris, 1995).

More recent notions of strategy have investigated the role of MCS in change and innovation, including examination of the movement from harvester to prospector orientations (Abernethy and Brownell, 1999); strategic resources (Amit and Schoemaker, 1993), the styles of management that encourage change (Kanter, 1994), and the impediments to change of any resource allocation process (Quinn, 1985). Chenhall (2007) has expressed concern that the measurements used in studies concerning strategy have mixed the measures of environment with organisational attributes.

Summarising the implications for strategy, Chenhall (2007) offers four propositions concerning strategy and MCS (p185):

1. Strategies characterised by conservatism, defender orientations and cost leadership are more associated with formal traditional MCS focused on cost control, specific operating goals and budgets and rigid budget controls, than entrepreneurial, build and product differentiation strategies.

2. Concerning product differentiation, competitor focused strategies are associated with broad scope MCS for planning purposes, and customisation strategies are associated with aggregated, integrated and timely MCS for operational decisions.

3. Entrepreneurial strategies are associated with both formal, traditional MCS and organic decision making and communications.

4. Strategies characterized by defender and harvest orientations and following cost leadership are associated with formal performance measurement systems, (including objective budget performance targets), compared to more prospector strategies that require
information, open MCS characterized by more subjective long-term controls and interactive use of budgets focused on informal communications.

4.3 Agency Theory

Agency theory provides a theoretical framework in areas such as sponsorship investment where one party, the principal (represented in this case by the sponsor organisation manager), assigns work to another party, the agent (represented in this case by the sponsee manager). The theory attempts to identify contractual problems that may occur when agents act opportunistically and in a self-interested manner that does not align with the interests of the principal (Berle and Means, 1962; Jensen and Meckling, 1976; Guilding, 2003).

Agency theory has been applied in research examining conflicts of interest and incentive issues and is particularly useful in identification of organisational settings where such conflicts of interest exist (Eisenhardt, 1989; Bohren, 1998; Lambert, 2001). Four factors contributing to the rise of a principal-agent conflict have been identified by Lambert (2001) and are of particular interest in the sponsorship context. These are:

1. the principal and agent may have conflicting risk perspective
2. the agent may use his work situation in an opportunistic manner to divert resources for his own personal benefit
3. a difference in the time horizon perceived to be relevant
4. an opportunity for effort aversion by the agent.

In attempting to manage such conflicts with agents, issues are exacerbated where information asymmetry, which arises where one party can access information unavailable to the other party, exists in favour of the agent. Where the agent has the benefit of information asymmetry, a principal can incur two costs: (1) costs of monitoring and (2) costs of metering (Williamson, 1985; Sharma, 1997). Monitoring costs relate to costs incurred in monitoring an agent’s behaviour whereby the principal will impose sanctions on the agent where they are seen to be acting in ways that are detrimental to the principal. Where such costs are considered too high, as may be the
case where a sponsor is not involved in the management of the sponsorship, greater emphasis is placed on metering the outcomes of the agent’s actions.

The two approaches of behaviour monitoring and outcome metering can be distinguished by the transference of risk to the agent which occurs in outcome metering. In the metering approach, where importance is attached to outcomes, the agent is exposed to the risks related to uncontrollable factors such as economic downturn and new competitors, which may affect measured performance. Despite the potential performance impacts of these conflicts, it is a fundamental premise of agency theory that the cost of monitoring and metering by the principal should not exceed the benefits derived from appraising the agent’s performance. Research has shown that despite taking actions to influence the performance of the agent, principals can be at the mercy of agents (Bazerman, Neale, Valley, Zajac and Kim, 1992; Kesner, Shapiro and Sharma, 1994).

Jensen (1983) identified two streams of agency theory being principal-agent and positivist (cited by Eisenhardt, 1989). Principal-agent researchers are concerned with a general model based on theoretical deduction and mathematical proof, and concern the identification of efficient contracts in relation to uncertainty, risk aversions, information and other variables. Positivist research identifies and describes a relationship where goal incongruence exists and governance controls are established to regulate self-interested behaviour by the agent. Where complete information exists, it is most efficient to have a contract based on behaviour. Conversely, where information is incomplete and behaviour is difficult to assess, an outcome-based contract is most appropriate. This relates to the behavioural uncertainty attributes of sponsorship projects.

Lambert (2007) claims that, agency theory has become attractive to accounting researchers as it allows for the consideration of conflicts of interest, incentive issues, and mechanisms for controlling incentives in modelling. It therefore assists management accounting when assessing information, accounting and compensations systems as well as the design of systems for these areas. Further, Lambert defends agency theory, stating that criticisms are associated with the method of modelling the agency relationship rather than the agency framework per se.
4.4 Trust Theory

The concept of trust has been recognised as constituting a key element of investment decision-making (Kay, 1993; Mukherji and Nagarajan, 1996; McAulay, 1996; Tinsley, O'Connor and Sullivan, 2002). Arrow (1972) suggests that “virtually every commercial transaction has within itself an element of trust” (p.357). Trust is especially important in alliances and partnerships because a firm is reliant on its partner’s performance and therefore is vulnerable to the course of action chosen by that partner (Kumar, 1996). Strategic alliances or partnerships are formed in the sponsorship environment aimed at achieving the strategic objectives of the parties involved. By co-ordinating their activities, the partners can pursue mutual objectives and achieve success (Kanter, 1994; Doz, 1996). Partner cooperation has been defined by Das and Teng (1998) as “the willingness of a partner firm to pursue mutually compatible interests in the alliance rather than act opportunistically” (p.2). It has been noted that for a strategic alliance to develop and succeed, organisations need to develop a sense of trust regarding each other’s reliability (Ring and Van de Ven, 1992).

Recent research has examined trust in various ways, for example the concept of trust has been extended to investment decision-making (Mukherji and Nagarajan, 1995), trust has been related to efficiency within the firm (Chami and Fullenkamp, 2002), the effects of trust at different organisational levels has been examined (Fang, Palmatier, Sheer and Li, 2008) and the use of “commitment and trust relationships” as a framework for understanding corporate investment activity (Dempsey, 2003).

The objective of management control systems is to establish an adequate system of controls to ensure that the desired level of performance is attained. As noted by Merchant (1984, p.10) “Good control means that an informed person can be reasonably confident that no major, unpleasant surprises will occur.” However, in most agreements it is virtually impossible to monitor every detail and therefore a level of trust between partners is required. Das and Teng (1998) differentiate between trust defined as “a positive expectation about others’ motives” and control as “the process of regulating others’ behaviour to make it more predictable” (p.510). They conclude
that control mechanisms have an impact on trust levels and that the relationship between trust and control is important in generating confidence and co-operation in a strategic alliance.

Johansson and Baldvinsdottir (2003) drew on earlier research (Argyris 1952; Hopwood, 1972; Otley, 1978; Ross, 1994; Tomkins, 2001) and examined the role of information in the establishment of trust. They found that where information is to be used in the performance evaluation process “trusting the accountants as well as trusting the accounting figures” is essential (Johansson and Baldvinsdottir, 2003, p.232).

The behavioural impact of accounting on trust has also been identified (Seal and Vincent-Jones, 1997). Researchers have noted that trust has been destroyed rather than created through the use of formal accounting and contracting procedures that quite precisely document obligations and performance (Blau, 1964; Fox, 1974; Broadbent, Dietrich, and Laughlin, 1996). Neu (1991) contends that “when high levels of trust exist, there is no need for contract …” (p.247) however further studies suggest that trust and formal contracting are not mutually exclusive (Vincent-Jones and Harries, 1996; Deakin, Lane and Wilkinson, 1997). It is suggested therefore that ideally formal accounting and contracting should be supportive of a co-operative and trusting relationship (Seal and Vincent-Jones, 1997).

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Schoorman, Mayer and Davis (2007) noted in their study that the specific relationship between supervisor and subordinate in the workplace and the issues of power and information asymmetry make this relationship and the trust it produces somewhat unique. In line with this, other researchers (McEvily, Perrone, & Zaheer, 2003; Sitkin & George, 2005) suggest that the interplay of trust, risk and control systems is an area warranting further research. New directions in trust research have also been suggested that include the effect of time, the role of affect and emotion, trust violations and repair, and cross-cultural issues.

The importance of multilevel and cross-level perspectives has led to a call for research examining trust across levels of organizational analysis (e.g., Rousseau, Sitkin, Burt, & Camerer, 1998). In addition, there is a need to understand trust both within and between organizations as methodological difficulties can arise in the absence of a clear multilevel conceptual model (Currall & Inkpen, 2002).

4.5 Conclusion

The objective of this chapter has been to provide an overview of the main theories informing this thesis, namely contingency theory, agency theory and trust theory. The selection of these theories does not preclude the fact that other theories may also inform the understanding of the sponsorship decision-making process. A complete review of all potentially relevant theories is beyond the scope of this thesis. It is recognised that no theory is all encompassing, however the three theories described here appear to have particular relevance to the sponsorship decision-making process.

Contingency theory is based on the premise that the diversity of organisational design cannot be explained through a single model. The type of management accounting system in place in an organisation will be contingent on those contextual variables peculiar to that organisation. The survey phase of this study will involve a contingent approach with an organisational level focus emphasising those variables considered most relevant to sponsorship decision-making. These include size, uncertainty, and strategy.
Agency theory and trust theory have a different focus to contingency theory. Agency theory is concerned with the contractual relationship between principals and agents and focuses on managers’ incentives and motivations. This relationship is further examined from a trust perspective where an organisation relies on a partner’s performance and therefore is vulnerable to the course of action chosen by the partner. In a sponsorship context, an agency relationship exists in contractual terms, however, it is envisaged that much trust will exist between the partners, to ensure that each performs in accordance with the expectations of the other party.

The next chapter presents the final of the four chapters outlining the literary context of this study. This chapter will examine the literature relating to roles of the budget.
CHAPTER 5
THE ROLES OF THE BUDGET

5.1 Introduction

The objective of this chapter is to examine the essentially normative literature relating to the roles of the budget. Although many marketing managers would argue that sponsorship decisions should be viewed as investment decisions, anecdotal evidence suggests that funds are allocated to sponsorship programmes as part of the annual budgeting process. Developing an appreciation of the budgetary roles will lay the basis for examining which roles are most apparent in the context of sponsorship management.

Management accounting is often defined in terms of providing information for decision-making (Emmanuel and Otley, 1985, Langfield-Smith, Thorne and Hilton, 2003; Horngren, Harrison, Bamber, Best, Fraser and Willett, 2006). The principles of decision analysis apply to organisations in a complex manner, in that managerial decisions affect a number of departments and must be coordinated and interrelated to achieve the objectives of the organisation as a whole. It is important therefore to examine the long-range or strategic planning process, as well as to consider how short-term planning including budgeting occurs within this process (Drury, 2004). Decision-making is also an important part of the control process, as it involves the identification and analysis of alternative courses of action, and the selection of the best alternative.

Initially in this chapter, an organisation’s planning and control process will be considered to provide a context in which a meaningful appreciation of the nature of budgeting can be gained. The role of both short-term and strategic planning will be examined and the function of control will be separately discussed. Finally, having placed the budgetary process within the context of planning and control, the literature relating to the roles of the budget will be considered.
5.2 The Planning and Control Functions

For an organisational strategy to be implemented, an organisation must develop plans to provide the direction for the organisation, and a control system to ensure that operations are proceeding according to plan and that the objectives set are being met (Langfield-Smith et al., 2003). The organisation’s formal planning and control system is designed for providing useful information for managers within the organisation (Chenhall and Morris, 1986; Chenhall, 2003; Naranjo-Gill and van Rinsum, 2006).

This information system is generally described as an information feedback system (Bedeian and Giglioni, 1974; Green and Welsh, 1988; Simons, 1991) whereby strategies are developed by senior management and form the basis of plans communicated downwards to other levels of management. Formal systems are then used to monitor actions and outcomes as compared to plans and feedback to senior management (Simons, 1991). This view is supported by Otley (1978) who noted that although planning and control are treated as separate, this is an artificial separation as planning is itself a control process and control requires a plan. Horngren and Foster (1991) agreed stating “Planning and control are so strongly interlocked that it seems artificial to draw rigid distinctions between them. Managers certainly do not spend time drawing such rigid distinctions.” (p.6).

While the overlap between planning and control is recognised, the two constructs are discussed separately below, in order to distinguish their features.

5.2.1 Planning

Planning involves the setting of goals and deciding on a course of action to achieve goals (Hansen and Mowen, 2005; Horngren, et al., 2006). In order to examine its specific characteristics, planning can be broken down into long-term and short-term.

Long-term planning may be defined as “a systematic and formalised process for directing and controlling future operations of an organisation towards desired objectives for periods extending beyond one year.” (Sizer, 1989, p.186).
Senior management usually undertake long-term planning by establishing long-range objectives and a strategic plan for achieving them. Such planning decisions have a future orientation and generally require the generation of specifically tailored management accounting information. As the future environment is unknown, long-range planning rests on the assumption that a formalised plan is better than no plan at all and may impact favourably on the future development of a business. The planning process is central to management accounting in most organisations. Buckley and McKenna (1972) see this process as “the influencing of management behaviour by setting agreed performance standards, the evaluation of results and feedback to management in anticipation of corrective action where necessary” (p.137).

Research relating to management accounting systems has increasingly examined a strategic orientation to planning by the firm (Shank and Govindarajan, 1993; Kaplan, 1994; Simons, 2000; Ittner and Larcker, 2002; Chenhall, 2005). An early definition of strategy provided by Chandler (1962) utilises the basic concepts of organisational planning by describing strategy as “the determination of basic long-term goals and objectives of an enterprise, and the adoption of courses of action, and the allocation of resources necessary for carrying out these goals” (p.13)

It is noted that in a budgeting context operational planning is generally referred to, with the view that this may lead to strategic planning, however different authors use different labels and inferences when discussing the term ‘planning’ (Simons, 1995; Ekholm and Wallin, 2000; Horngren et al., 2003; Merchant and van der Stede, 2003; Hansen and Van der Stede, 2004).

While strategic plans are estimated in broad terms, short-term plans are set out in more detail as part of the annual budgeting process. Budgeting is considered to provide a great contribution to management because it forces management to plan. These short-term plans, often referred to as tactics are concerned with these means of achieving the strategy (Guilding, Cravens and Tayles, 2000; Mintzberg, 1988). The budget is an important mechanism for communicating these short-term plans using the parameters set by the long-term plan and “must accept the environment of today, and the physical, human and financial resources at present available to the firm.” (Sizer, 1989, p.187).
Hansen and Van der Stede (2004) proposed four reasons to budget: performance evaluation, operational planning, strategy formulation and communication of goals. Recent research has supported the importance of the planning function provided by the annual budget (Gurton, 1999; Haka and Krishnan, 2005; Sivabalan et al., 2005). As part of the management control system, planning is used together with control.

5.2.2 Control

Control systems are the information processing systems comprising tools, techniques and behaviours that are used to assist in control (Langfield-Smith et al., 2003). Control is achieved by a business when its plans and objectives are achieved. The major control tool of management accounting in almost all organisations is the budget (Armstrong, Marginson, Edwards, and Purcell, 1996; Ekholm and Wallin, 2000; Merchant and Van der Stede, 2003). Control systems are used by managers both on a day-to-day basis to intervene in management decision-making as well as a primary tool to manage by exception (Simons, 1991).

Management accounting therefore plays a central role in the control process as it measures financial performance and represents a single dimension (money) by which to measure the results of diverse activities. Emmanuel and Otley (1985) describe the role of accounting information as an “important control tool because it provides one of the few quantitative integrative mechanisms that are available” (p.29).

Bruns and Waterhouse (1975) identified two control strategies, being administrative and interpersonal, which influence budgetary behaviour. Administrative controls such as budgeting are designed and implemented to achieve both efficiency and accountability (Abernethy and Stoelwinder, 1995). These controls place importance on the achievement of plans developed in the budgeting process and involve participation by managers within formal lines of communication (Merchant, 1981, 1984). Interpersonal controls include both behavioural and output controls. Using behavioural controls, such as the use of supervision, involves specifying behaviours for individuals that will result in the achievement of specified objectives. Output controls on the other hand, include financial controls such as budgeting where targets
are set and measurement is made of whether the individual achieves this target. Macintosh and Daft (1987) support these control strategies and note that:

“…the package of formal controls in an organisation typically includes: accounting reports, the budget, formal hierarchy and supervision; job descriptions; rules and standard operating procedures; statistics for measuring performance; organisational structure; employee performance appraisal systems; and corporate culture (Lawler, 1976; Flamholtz, 1983).” (p.50).

Having discussed the mechanisms of planning and control and highlighted the importance of the budget, the roles of the budget within organisations will now be discussed.

5.3 Roles of the Budget

The organisational and behavioural effects of budgetary control systems have been the subject of much accounting research (Argyris, 1952; Stedry, 1960; Hofstede, 1968 Hopwood, 1973; Otley, 1978; Briers and Hirst, 1990; Abernethy and Brownell, 1999; Hansen et al., 2003; Hansen and Van der Stede, 2004; Sivabalan, Booth, Malmi and Brown, 2007). The early researchers investigated the link between management control systems and competitive environment and technology (Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Perrow, 1970; Galbraith, 1973). This led to later research examining relationships between contingent variables such as environment, strategy, and size, intervening variables particularly the extent of participation, and the success of the budgeting system. A large body of this research is primarily focussed on the dysfunctional consequences of budget use in the context of planning and performance evaluation (Hartmann, 2000; Hope and Fraser, 1997, 2003; Marcino, 2000; Jensen, 2001; Hansen, Otley and Van der Stede, 2003; Hansen and Van der Stede, 2004). An overview of the literature relating to budgetary control systems has been provided by a number of researchers including Otley (1980), Briers and Hirst (1990), Chapman (1997), Langfield-Smith (1997), Shields and Shields (1998), Chenhall (2003) and Hansen et al. (2003).

Although much of this research focuses on investigation of the characteristics and consequences of budgetary control systems, the need to use budgets has been largely
assumed. Based on the normative budgetary roles described in earlier textbooks and research (Lyne, 1988; Emmanuel and Otley, 1985; Horngren and Foster, 1991; Drury, 2004), Guilding and Pike (1994) distilled eight budgetary roles and implications. These are performance evaluation, communication, co-ordination, motivation, planning and forecasting, modifier of perceived organisational reality, political, and authorisation. The importance of budgets as a management tool continues to be noted in managerial accounting textbooks. It is described in terms of performing the roles of planning, co-ordinating, communicating, motivating, controlling and performance evaluation (Emmanuel, Otley and Merchant, 1990; Langfield-Smith, 2003; Drury, 2004; Horngren, Foster and Datar, 2006).

In the next section the roles of the budget, as distilled by Guilding and Pike (1994), will be discussed individually. These are summarised in Table 5.1 together with the roles as supported in recent textbooks and research. It can be noted that all authors support the use of the first four budgetary roles of performance evaluation, communication, co-ordination, and planning and forecasting, while motivation is supported by four of the authors and the latter three (modifier of perceived organisational reality, political and authorisation) are not largely discussed.

5.3.1 Performance evaluation

A manager can evaluate the performance of an individual, department or activity by comparing actual results with either the budget or past performance (Horngren, Foster and Datar, 2006). The budget is often the only quantifiable point against which performance can be measured, as the company’s operations and markets may change over a given period. Hope and Fraser (1997, 1998, 1999, 2003) questioned the usefulness of budgets in performance evaluation because of the inability of the budget process to support “a flexible and responsive management approach” (1997, p.1).
Table 5-1  Budgetary Roles referred to by Guilding and Pike (1994), recent management accounting textbook editions and Hansen and Van der Stede (2004)

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Much of the prior research in management accounting has assumed that budgets serve the traditional role of performance evaluation (Abernethy and Brownell, 1999; Hansen and Van der Stede, 2004). Initial studies suggested that the effectiveness of control systems is dependent on the way superiors use the information generated by them and not just by their technical sophistication (Hopwood, 1972; Otley, 1978). Recent empirical studies using the contingency approach maintain that organisational performance depends on the degree of fit between various components of the organisation including control systems, technology and management style (Van de Ven and Drazin, 1985; Harrison, 1993; Donaldson, 2001). Hirst (1981) claims that where there is a high level of task uncertainty, dysfunctional behavioural outcomes will result if a high reliance is placed on accounting performance measures. Marketing is specifically noted as being a function characterised by high task uncertainty and a changing environment (Ratnatunga, Pike and Hooley, 1989; Ramaseshan, 1990; Foster and Gupta, 1994). This suggests there may be limited relevancy of the performance evaluation role of budgets in the context of sponsorship management.

Hopwood (1972, 1973) was concerned with the adverse effects of an over-reliance on accounting-based performance measures. He focussed on three styles of evaluation

1. non-accounting style, where the budget plays an unimportant part in performance evaluation;
2. profit-conscious style, where the manager does not rely solely on budget data;
3. budget-constrained style, where an individual’s performance is measured with an accounting emphasis in terms of ability to meet budget in the short-term.

Similar evaluation styles have been noted by other authors (Labovitz, 1969; Salter, 1973; Keeley, 1977) with their ‘formula based’ being akin to Hopwood’s ‘budget constrained style’ and ‘subjective’ being akin to the ‘non-accounting’ style. Much of the research investigating the association between budgeting and performance evaluation have focussed on this aspect of an individual’s performance (Argyris, 1952; Otley, 1978; Hope and Fraser, 1997; Wallander, 1999; Jensen, 2003).
The adverse effects associated with budget-based performance noted by Hopwood (1972) include:

1. promotion of budgetary slack which may bias the budget
2. management of short-term plans to ensure the budget is met
3. manipulation of results to ensure that the budget is met.

These negative aspects of budgeting have continued to be supported in the more recent literature (Schmidt, 1992; Hope and Fraser, 1997, 2003; Elkolm and Wallin, 2000; Jensen, 2001; Hansen et al., 2003) including in a report by Neely, Sutcliff and Heyns (2001) listing the 12 most cited weaknesses of budgetary control.

Substantial research effort has been directed at understanding the performance evaluation style labeled RAPM (Reliance on Performance Measures). This construct emphasises “those performance criteria which are quantified in accounting and financial terms, and which are prescribed as budget target” (Harrison, 1993, p. 319). The RAPM literature provides a framework for the analysis of other information such as balanced scorecards and shareholder information for the purpose of performance evaluation (Kaplan and Norton, 1996; Hartmann, 2000). Chenhall (2003) criticises RAPM for its lack of definition and ambiguity.

A problem exists when the budget becomes the dominant measure of performance, as although the budget is likely to be met, this may be at the expense of long-run performance (Emmanuel and Otley, 1985). A challenge therefore exists in using the budget as a performance evaluation tool due to the multiple and often conflicting short and long-term objectives of the organisation.

### 5.3.2 Communication

In order to function effectively, an organisation must establish specific lines of communication so that all areas of the organisation are fully informed of its objectives, plans and policies. These plans and objectives must not only be fully understood, they need to be accepted by all departments and functions. The budget, as a means of communication, is an effective way in which to communicate a consistent set of plans to the organisation as a whole (Parker, 1978; Drury, 2004;
Horngren et al., 2006). Communication of goals was found by Hansen and Van der Stede (2004) to be a long-term and often strategic reason for organisations to budget.

As a means of communication, budgets are often used, together with reward systems, to gain the commitment of lower-level management to these plans (Abernethy and Brownell, 1999). In this way, budgets can be used in an “interactive” role (Simons, 1991, p.49) to facilitate an exchange of ideas and as a dialogue between different levels of management.

Organisational structure plays an important part in the use of the budget as a communication tool (Bruns and Waterhouse, 1975; Ouchi, 1977; Gordon and Narayanan, 1984; Goold, 1991). In a centralised organisation there will be other more direct channels of communication, signifying the budget plays a less significant communication role. In a decentralised organisation, however, the budget can be used as a communication and co-ordination tool to aggregate the information relevant to different levels of the organisation’s hierarchy. The increase in communication capabilities occurs in ‘flatter’ more organic structures because functional barriers are broken down encouraging more informal communications both within each level of management and between levels (Mintzberg, 1983; Abernethy and Lillis, 1995; Abernethy and Brownell, 1999).

With respect to the accounting-marketing interface, it is a widely held view that communication is poorly developed (Rayburn, 1981; Wilson and Bancroft, 1983; Simmonds, 1986, Ratnatunga, Pike and Hooley, 1989; Guilding and Pike, 1994). This signifies there may be weak communication between marketing and accounting personnel when a sponsorship decision is being made.

Budgets can aid the communication process both formally, through the movement of information through the organisation, and informally by visibly documenting the goals and plans of the organisation (Bruns and Waterhouse, 1975). Where co-operation and liaison exist between different areas of the organisation, control will be improved (Emmanuel and Otley, 1985).
5.3.3 Co-ordination

The budgeting process provides a formal mechanism by which communication and co-ordination can take place (Langfield-Smith, et al., 2003). Budgets enable managers in different parts of the organisation to coordinate their activities more consistently by bringing the actions of different parts of the organisation together in a common plan. It emphasises the need for managers to examine the impact of their decisions in terms of the relationship between their operations and those of other departments, as well as the organisation as a whole.

A recent study by Sivabalan et al. (2007) found coordination of resources to be a major reason for organisations to budget. They also found that in a less predictable environment firms regard the use of budgets for coordinating activities as being less important.

In general, co-ordination is discussed together with communication and therefore there is very little literature considering it as a separate role. Despite this lack of recent research, co-ordination is considered to be an important role of the budget.

5.3.4 Planning and forecasting

Recent research relating to planning has largely been discussed earlier in this chapter. To ensure a complete understanding of the roles of the budget it will be briefly discussed here together with forecasting.

Forecasting refers to the prediction of events over which the organisation has no control. A plan on the other hand takes into the consideration forecasts and assesses those controllable factors to try to shape the future. Planning ensures that managers consider future operations and anticipate problems with the aim of reasoned judgement as opposed to expediency when assessing potential future problems. Although major long-term plans will have been determined as part of the strategic planning process, annual budgeting leads to a refinement of such plans in terms of detailed implementation. Budgets quantify a plan of action and as such force managers to plan.
Forecasts, for example of general economic conditions, technological changes, customer preferences, are incorporated into budgets. Computerised budgeting models are frequently utilised to test the plan of action in terms of predictions of profit, cash flow and asset structure and hence provide management with a decision-making tool. The financial consequences of the budgetary process provide a general planning tool and in addition provide a means of communicating this plan to the organisation.

The prediction of activity levels, or forecasting, is necessarily seen as a prerequisite to budget preparation. Once this activity is completed, the budget can be formulated consistent with forecasts. In a study of managerial attitudes by Lyne (1988), he found that forecasting future performance was noted as being the primary role of budgets. It is interesting to note that the role of planning was assumed to be part of forecasting within this study.

Planning is considered to be a major reason to budget by recent researchers (Hansen et al., 2003; Hansen and Van der Stede, 2004; Sivabalan et al., 2007). Recent research has focussed to a large degree on an organisation’s ability to make use of the management accounting system including the role of the budget, to adapt to changes in the operating environment (Abernethy and Brownell, 1999). It should be noted that the ‘beyond budgeting’ approach suggested by Hope and Fraser (1997, 1998, 1999, 2003) supports the need for budgets in a planning role. It is the uncertain nature of forecasting that gives rise to the notion that budgets should be set to achieve targets that are both strategic and financial.

5.3.5 Motivation

Budgets may serve as a means of motivating managers to achieve organisational objectives. A budget provides a benchmark of what an organisation requires a manager to achieve and as such can be seen to influence a manager to perform in line with organisational objectives. If managers have actively participated in the budget setting process, the budget can provide a strong motivating tool for them to actively manage their department in line with the budget. Alternatively, if the budget is set in a dictatorial manner by top management, managers may see it as a threat giving rise to
resentment and non-compliance. In addition, extrinsic rewards such as performance bonuses may be attached to budget achievement, thereby increasing the motivational effects.

Budgets should be designed to represent challenging targets with an element of risk of non-performance (Hofstede, 1968; Onsi, 1973; Merchant, 1985; Lukka, 1988; Dunk, 1993; Hope and Fraser, 1998; Van der Stede, 2000). If fault or blame is assigned when budgets are not met, managers are likely to build a risk factor into the budgets. Therefore there is likely to be conflict between the motivating role and the role of planning and forecasting. The motivational role of budgets can be summarised in terms of the achievability of budget targets and the subsequent motivational effect of a quantified target.

Critics of the use of traditional budgets (Hope and Fraser, 1997, 1998, 2000, 2003; Neely et al., 2001) in terms of their use in performance evaluation, question therefore the budget as a toll for motivation of individual managers. It is argued that in a more competitive environment, rewards should be based on company and unit-level performance rather than on budgets and other historical reports. Recent research has shown only limited support for motivation role of budgeting.

5.3.6 Modifier of perceived organisational reality

Many theorists have supported the less technically orientated role of the budget as a modifier of perceived organisational reality (Wildavsky, 1979; Burchell, Clubb, Hopwood, Hughes and Naphiet, 1980; Cooper, Hayes and Wolf, 1980; Bruns and Kaplan, 1987; Covaleski and Dirsmith, 1988). Hopwood (1984) identified the budget as having influence in shaping the patterns of power “What is accounted for can thereby shape the patterns of power and influence both within the organisation and without …” (p.178)

Budgets have also been found to influence management’s perception of what is important. It was noted by Ridgeway (1956) that requiring the reporting of certain types of information caused organisational members to view this information as being important. This finding has been widely supported in further research (Lerner and
Rappaport, 1968; Iriji, 1975; Prakash and Rappaport, 1977; Burchell et al., 1980; Dirsmith and Lewis, 1982).

In addition, the use of budgetary information can be used to influence the criteria by which information is used and evaluated in decision-making. Burchell et al. (1980) note the influence of the budgeting, planning and reporting processes in helping “to shape what is regarded as problematic, what can be deemed a credible solution and, perhaps most important of all, the criteria which are used in their selection” (p.17). This is supported by Cooper et al. (1981) who state that:

“Internal accounting systems, by what they measure and who they report to, can effectively delimit the kind of issues addressed and the way in which they are addressed. They reflect the status quo, the appropriate and acceptable ways of doing things and talking about the issues” (p.182).

This criticism of budgets is widely supported in the more recent research which does not recognise this as a role of the budget (Hope and Fraser, 1997, 1998, 2000, 2003; Ekholm and Wallin, 2000; Jensen, 2001; Neely et al., 2001).

5.3.7 Political

Another less technically oriented role distilled by Guilding and Pike (1994) is the political role associated with budget setting and control. The political model arises out of the use of the budget for objective setting and resource allocation. It is based on the idea that within an organisation there are a number of interests “who are potentially competing for resources and attention” (Butler, Davies, Pike and Sharp, 1993, p.13). In an extreme view, this may mean that an individual may deliberately act in a way that ensures that a decision is made in their favour (Butler, Hickson, Wilson and Axelson, 1977). As a result, the manager responsible for development of budgets, including the setting of objectives and decisions relating to the allocation of scarce resources, is placed in a powerful decision-making position (Wildavsky, 1964, 1975, 1979). Wildavsky (1975) maintained that “The bonds between budgeting and ‘politicking’ are intimate. Realistic budgets are an expression of practical politics. The allocation of resources necessarily reflects the distribution of power” (p xii).
This use of the budgetary process to support an individual’s own agenda is also supported by Hopwood (1984) who comments that “by making visible what was previously unknown, it can open up different areas of the organisation for examination and debate” (p.177). Further, Hickson, Butler, Cray, Mallory and Wilson (1986) describe how a manager, when in command of certain information, can use it to reopen an issue at such a time as the manager feels is appropriate. There is a danger therefore when an overemphasis on the political role leads to neglect of the rational aspects of the budgeting process.

The appearance of rational action by using budgeting to allocate resources is particularly useful where organisations must justify their actions in the face of uncertainty and scarce resources (Meyer and Rowan, 1977). This is supported by Pfeffer (1981) who suggests that the budgetary process legitimises subjective decision-making through the use of an apparently objective mechanism.

The political role of the budget is criticised in research as it may lead to budget games and dysfunctional behaviour and hence is not largely supported as a functional role of the budgetary system (Hofsted, 1967; Onsi, 1973; Merchant 1985; Lukka, 1988; Neely et al., 2001; Hansen, Otley and Van der Stede, 2003).

### 5.3.8 Authorisation

A manager may be given formal authorisation for a specified level of expenditure through final approval of the budget. The authorisation role of the budget is most commonly found in the context of discretionary expenditure, such as research and development and advertising (Emmanuel and Otley, 1985). The view that accounting-based controls are the most important organisational controls over discretionary expenditure is supported by Merchant (1985). Further, Brunsson (1990) views the budget’s authorisation role as being closely associated with responsibility accounting.

This role can be seen as limiting the resources available to an activity with importance being highlighted by the negative view of budget overruns. There are unfortunate side effects of over-strict budget control (Argyris, 1952) and hence the responsibility structure must be designed to suit the organisational characteristics. The difficulties
and uncertainties involved in drawing up a budget mean that if it is strictly implemented, a budget may be met however actions taken may not be in the best interests of the organisation.

The authorisation role of budgets has been largely ignored in recent research, however it is likely to be an important role in the context of discretionary expenditure such as sponsorship.

5.3.9 Budgetary roles summarised

It is evident from the above that budgets fulfil multiple roles and the reasons organisations use budgets are not determined in isolation of one another (Moores and Yuen, 2001). As suggested by Hope and Fraser (1997, 1998, 2000, 2003) no single set of budget data can serve all the reasons to budget in an organisation. For example, budgets used for performance evaluation may be set artificially low to ensure they are met and hence will not be set at the challenging level required for motivational purposes. In addition, other more strategic information may be reported to take account of changing and highly competitive environments.

In a marketing/sponsorship environment, a budget is generally considered to be a discretionary expense. It is therefore expected that the authorisation role may be of importance as the budget is seen as an authority to spend and hence this may be linked to the communication of what is required and co-ordination of the sponsorship investment. As a budget is unlikely to serve all the functions for which it is required, the essential purpose of a budget must be identified and a degree of balance struck by those responsible for it.

5.4 Conclusion

From the above discussion, it is apparent that the budget is an integral part of organisational planning and control. Although organisations engage in strategic or long-term planning and short-term planning in the form of budgets, it is the budgetary process that is the focus of a large volume of research. Budget data is widely used and it is therefore important to examine the role it plays in organisations. In this
chapter the roles of the budget of performance evaluation, communication, co-
ordination, motivation, planning and forecasting, modifier of perceived organisational
reality, political and authorisation have been considered. Sponsorship decision-
making involves both strategic goals of an organisation and short-term plans to put
those goals into action. It is notable that the sponsorship management process takes
place in an environment of uncertainty and is generally regarded as a discretionary
expenditure (Ratnatunga, Pike and Hooley, 1989; Ramaseshan, 1990; Emmanuel et
al., 1990; Foster and Gupta, 1994).

This traditional view of budgetary roles has been challenged by Hope and Fraser
referred to as ‘beyond budgeting’ that questions the usefulness of budgeting. They
argue that in recent times, knowledge and intellectual capital have grown, but budgets
“were never designed to manage intangible assets” (1999, p.17). Hope and Fraser
question the relevance of budgets in three main areas: their bureaucratic nature, their
failure to meet the management needs in a competitive environment, and the
encouragement of dysfunctional budget games. Other recent research (Hansen et al.,
2003; Hansen and Van der Stede, 2004; Sivabalan, Malmi, Matolcsy, and Brown,
2005, Lynne and Dugdale, 2007) has argued that companies still use and value
budgets irrespective of other factors impacting the organisation. In reconciling with
the earlier work of Hope and Fraser, both Hansen et al. (2003) and Lynne and
Dugdale (2007) note that organisations may use budgets as a management tool in the
absence of using them for performance evaluation.

Refereed journals provide little recent research concerning budgetary roles. In their
study, Hansen and Van der Stede (2004) suggest that the reasons organisations budget
relate to a need for operational planning and performance evaluation (short-term) and
communication of goals and strategy formulation (long-term). This supports a
number of the roles discussed in leading modern management accounting texts and
provides a strong suggestion of continued acceptance of the many roles that a budget
performs.

When considering sponsorship investment, it is expected that these factors would be
particularly relevant in the budgetary process. Accordingly, in this study an appraisal
will be made of the differing degrees of importance of the generally accepted budgetary roles in the context of sponsorship decision-making. The budgetary roles investigated in this study are performance evaluation, communication, co-ordination, planning, forecasting, motivation and authorisation. The next chapter moves us closer to the study’s empirical phase as it outlines issues associated with applying research methods.
CHAPTER 6
RESEARCH METHODS

6.1 Introduction

This study has been conducted in three phases comprising an exploratory case study, a series of exploratory interviews and a quantitative phase involving a mailed questionnaire survey. The study therefore uses both qualitative and quantitative research methods.

This chapter overviews theory pertaining to the research methods utilised. The next section will outline the relative merits of qualitative and quantitative research methods and the motivation for the use of each in the different stages of the research conducted. Subsequent sections will overview issues relating to interview methods, suggested approaches to interviewing and consider grounded theory as a distinctive strategy in qualitative research. The final section will describe the research methods selected for this thesis and discuss the reasons for selection of each method.

6.2 Research Methods

A number of qualitative and quantitative techniques are available for the researcher in seeking to understand how management decision-making occurs. These include surveys, interviews, case studies and experiments. The section below describes the link between quantitative and qualitative research methods and examines the theory underlying each of the two methods.

6.2.1 Quantitative versus qualitative analysis

The basic difference between quantitative and qualitative analysis lies in the process of measurement and therefore any study can include one or both of these types of analysis and in any proportions (Punch, 2005). Indeed, Fielding and Fielding (1986) advocate the use of both quantitative and qualitative analysis and provide examples of how a combination of the two methods can work in practice. According to Punch
(2005) the type of research analysis should be determined primarily by the objective of the research, that is, what the researcher is trying to find out. This should then be considered together with the context, circumstances and practical considerations of the study. Initially, substantive issues relating to what we are trying to find out will dictate methodological choices.

Quantitative analysis has mainly been based on positivism whereby the research searches for cause and effect through methods that provide data that can be statistically analysed (Atkinson and Shaffir, 1998). As Tesch (1990) points out, the process of constructing concepts and measuring variables is inherently positivistic. On the other hand, qualitative analysis, referred to by Easterby-Smith, Thorpe and Lowe (2002) as the new paradigm, “focuses on the way people make sense of the world” (p.29) and is seen as an interpretive approach (Habermas, 1970). The distinct tradition in the literature relating to social science research advocating the use of multiple methods supports the complementary nature of the two methods (Jick, 1983).

Easterby-Smith et al. (2002), refer to Abrahamson (1983) when noting that the use of several different methods in the same study prevents the research becoming method bound: the strength of every method is flawed in some way and therefore research design can be strengthened by the use of multiple methods (Gill and Johnson, 2002). Triangulation is therefore used in this research study through the use of more than one research method. Miles and Huberman (1994) note that Rossman and Wilson (1984, 1991) see a triangulation approach as assisting elaboration, confirmation, richer details and initiation of new lines of thinking.

Abernethy, Chua, Luckett and Selto (1999) review and critically evaluate three papers that apply distinct empirical research methods. The three papers representing these areas are: laboratory (Shulz, 1999), survey (Roberts, 1999) and field methods (Lillis, 1999). Abernethy et al. (1999) state that the first important question concerns whether the research method is appropriate for the research project. Secondly they note that the achievement of the key research goals of construct validity, internal validity and external validity will only be achieved by a trade-off when choosing between and within research methods.
The complementary nature of quantitative and qualitative analysis is emphasised by Mason (1994) who notes that they should be combined to take advantage of the “richness of qualitative findings, and the potential rigour and increased credibility of the quantitative findings.” (p.136)

6.3 Quantitative Analysis

Quantitative research focuses on empirical information where measurement turns data into numbers to help make comparisons. Quantitative analysis is inherently positivistic (Tesch, 1990) in that it assumes that ‘reality’ is there to be discovered and that it operates according to “rational, logical reasoning” (Cavana, Delahaye and Sekaran, 2001, p.186). On this basis, it follows that quantitative research is structured around objective and precise measurements, statistical analysis and verifiable results. The survey method is one of the most common applications of quantitative research design in the social sciences (Roberts, 1999). Surveys collect data about the same specific characteristics from many cases and allow the study of relations between the variables of interest. In analysis of data collected, statements are made about ‘naturally occurring’ variations between variables (de Vaus, 1992).

Smith (2003) addresses considerations for survey research in terms of design and planning issues, pilot testing, data collection and measurement error. This structure will be used for discussion of the survey method in the following sections. In addition, the advantages and limitations of the method will be discussed.

6.3.1 Design and planning issues

Three main issues need to be considered in relation to questionnaire design. These relate firstly to the wording of questions, secondly to planning issues including categorisation, scaling and coding of variables following receipt of questionnaire responses, and finally the general appearance of the questionnaire (Cavana et al., 2001).

When considering the wording of questions, a number of factors need to be considered. Firstly, it is necessary to consider the nature of the variable being
examined in terms of whether it is subjective, that is where the respondents’ beliefs, perceptions or attitudes are to be measured, or objective, for example age and education. Secondly, at the planning stage it is essential to determine whether the respondents targeted are from the population in general or are a specific group, for example, a chief financial officer or sponsorship manager. The more specific the group, the more essential it is to ensure that the use of terms and the frame of reference is appropriate for the culture of the group. It has been suggested by Roberts (1999) that an extensive review of questionnaires used in similar studies should be conducted in order to develop the ‘best’ instrument and that where the instrument is adapted or original, that pilot testing be conducted.

Thirdly, the form of the question and question type need to be considered. Where closed questions are posed, Likert-scale, yes/no and tick-a-box formats are appropriate. The closed question allows the respondent to make quick choices amongst the options provided, and allows for easy coding of the responses for analysis. Conversely, open type questions require a narrative response and room must be left for the answer. Many questionnaires that use predominantly closed questions end with one or more open-ended questions that enable additional comments to be made on topics covered in the instrument. Responses to open-ended questions must be edited and categorised to allow for data analysis.

The sequence of questions in the instrument has been the subject of debate in the literature. Parker (1992) suggests that short and easy questions should be placed at the beginning and end of the questionnaire with the meatiest questions placed in the middle to encourage completion of the document. This funnel approach where the respondent is led from easy questions of a general nature to more specific, difficult questions is also recommended by Festinger and Katz (1966). Bryman (2001) suggests that personal questions be left to last with early questions being relevant to the research topic. The survey length is also a consideration. The optimum length is dependent on the subject matter, but should be no more than four pages for the general population (Smith, 2003) and as a rule of thumb, questions should not exceed twenty words or one full line in print (Horst, 1968, Oppenheim, 1986).
The final consideration in planning and design is sample selection. This will be considered in Chapter 8 in relation to the survey conducted in this project.

6.3.2 Pilot testing

To ensure that the survey questionnaire is capable of generating the required response from the intended audience, pilot testing is required. The pilot instrument should be an advanced draft of the questionnaire and be sent to a reasonable sample of respondents from the target audience to gauge the instrument’s viability. In many cases where a sample from the target audience is used, this would use up a significant part of the target audience hence depleting the respondents for the study. In many cases, pilot testing is therefore carried out using academic colleagues or graduate students who have experience in the area and have been excluded from the sample. A pilot study will enable the reliability and validity of the measures to be evaluated.

6.3.3 Data collection

Mail survey questionnaires have a major advantage in that they can be sent to a large target audience in a wide geographical area. Smith (2003) focuses on a number of considerations to be made in collection of this data.

1. A relevant and up-to-date mailing list must be used. In many cases sponsorship by an associated professional body will provide an up-to-date mailing list in exchange for mention of that body or the presentation of survey findings to their members. It is also possible to purchase mailing lists. This is generally more expensive and a less reliable option due to possible maintenance issues with the data.

2. Specific named respondents should be used. Dillman (2000) suggests that surveys should be addressed using both a name and position and that those addressed to ‘the manager’ or an unnamed individual will remain unanswered. Further, Dillman suggests that the survey questionnaire be accompanied by a covering letter on headed notepaper and signed by a person of importance, and include the relevance of the study to the respondent, clear instructions, and a guarantee of confidentiality.
3. A reliable means of recording replies must be established. Issues relating to coding of replies for analysis should be addressed in the planning stages.

4. The issue of aggregated results to the respondents may provide incentive for respondents to complete the questionnaire. Smith (2003) states that where response is the main objective, stamped addressed envelopes are preferable. The sending of three follow-up reminders, including a thank-you reminder, a replacement questionnaire and finally a telephone follow-up is suggested, while being mindful of holiday periods and busy periods in a business cycle (Dillman, 2000).

5. A lack of response is a major issue in survey research. Where response rates are low, the researcher must be aware of the issue of validity of the findings and the potential for bias due to the small sample size. Non-response raises the issue of whether there are systematic differences between non-respondents and those who responded.

6.3.4 Measurement error

In design of a research instrument, the two main technical criteria are reliability and validity. Reliability refers to two areas relating to consistency: consistency over time and internal consistency. Consistency over time is addressed by the question “if the same instrument was given to the same people, but at a different time, to what extent would they get the same scores?” (Punch, 2005, p.95). Internal consistency measures the homogeneity of the items in the measure of a construct or whether the items “hang together as a set” (Cavana et al., 2001, p.211).

In order to achieve validity and reliability in variable measures, it is suggested that multi-item scales should be used in preference to single-item scales (Smith, 2003). This is because the complexity of many constructs can be addressed by asking more than one question. By including a number of related items, it can be ensured that individual questions have not been misunderstood. A number of measures have been established to measure reliability and validity. One such measure commonly used to test for inter-item consistency reliability, particularly in a newly-developed
instrument, is Cronbach’s Alpha Coefficient. This will be discussed in Chapter 8 in relation to the survey conducted.

The issue of validity in relation to survey research refers to the ability of an instrument to measure the concept we set out to measure (Cavana, et al., 2001). It is important to ensure that the items in the instrument are clear and understandable, that they measure the concept described in the relevant research literature, and tap the concept as theorised. Validity can be established using factor analysis, correlational analysis and the multitrait, multimethod matrix. These will be discussed in detail in Chapter 10.

6.3.5 Advantages and limitations of the survey method

The most widely used survey data collection technique is the mailed questionnaire. There are some major advantages in using this technique. Firstly, the mailed questionnaire can be sent to a sufficiently large sample to reduce sampling error to an acceptable level. Secondly, there is a low administration cost, in terms of both time and money, when using a mailed questionnaire, particularly where the sample is large in size and geographically dispersed. Thirdly, due to the anonymity of the mailed questionnaire, the respondent may provide a more candid response. It should be noted, however, that there is the potential for the questionnaire respondent to reply in a ‘socially desirable’ way. Finally, the mailed questionnaire eliminates the potential for interviewer bias that may occur in telephone and face-to-face interviews.

The survey method, including the mailed questionnaire, has been criticised from a number of perspectives. Low response rates, which may result from respondents’ lack of motivation to complete and return the mailed questionnaire, lead to the possibility of biased results, low quality responses and are very disappointing to the researcher, (Punch, 2005, Kerlinger, 1986). Mailed questionnaires are viewed as being frequently weak in measurement, scaling and instrument development (Brownell, 1995). These points are also noted by Roberts (1999) who in her paper addresses the following criticisms of survey research:

1. it collects a lot of data and provides limited theoretical value;
2. it uses highly structured questionnaires, restricting the research and raises questions as to the validity and reliability of the instrument;
3. it collects data containing measurement error leading to issues of low validity and unreliability;
4. it cannot prove causal relations between variables.

Roberts (1999) maintains that good techniques in questionnaire design and mailout procedures mitigate all these limitations.

6.4 Qualitative Analysis

The main characteristic of qualitative research is reflected in its naturalistic design, generally studying people, things and events in their natural setting (Punch, 2005). Van Maanen (1983) describes qualitative methods as:

“... an array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomenon in the social world.”

(p.9)

Ticehurst and Veal (1999) point out that qualitative research generally collects a large amount of ‘rich’ information from relatively few people and the research question tends to evolve as the data is collected. But Rist (1977) states that qualitative research is more than just data-gathering, it is a distinct way of approaching the empirical world.

Criticism of qualitative research is based on it being highly subjective and biased. Miles and Huberman (1994) note the disadvantages of qualitative research to include:

“... the labour-intensiveness (and extensiveness over months or years) of data collection, frequent data overload, the distinct possibility of research bias, the time demands of processing and coding data, the adequacy of sampling when only a few cases can be managed, the generalisability of findings, the creditability and quality of conclusions, and their utility in the world of policy and action” (p.2).
Qualitative researchers may use several types of data collection methods including interviews, observation, and diary methods. These methods are ways of gaining insights into people and situations in a manner conducive to finding out more about the research question.

The in-depth interview is the most fundamental of the qualitative research methods. Interviews can be used as part of data collection in case studies. Case study research generally focuses on gathering in-depth information on a single unit or case and collects data using some or all of the techniques of documentary evidence, interview, and participation (Yin, 1984). Interviews have been used as an integral part of this study in stage one, as part of a case study and in stage two for exploratory interviews. The interview method is examined in detail in the following section 6.4.1.

6.4.1 Interview methods

In the qualitative research context, interviewing is basically about data collection by asking questions and receiving answers. Burgess (1982) summarised the importance of the interview as “… the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience” (p.107). However Jones (1985) sees interviews as a powerful tool for understanding others:

“In order to understand other persons’ construction of reality, we would do well to ask them … and to ask them in such a way that they can tell us in their terms (rather than those imposed rigidly and a priori by ourselves) and in a depth which addresses the rich context that is the substance of their meanings” (p.46).

The interview method has been identified as being appropriate when direct face-to-face contact with the interviewee is needed, where immediate responses are required and where it is necessary to understand the constructs that the interviewee uses as a basis for their responses (Lang and Heiss, 1998, Easterby-Smith et al., 2002). In addition, it is a useful technique to choose when the researcher is:

1. developing detailed descriptions
2. integrating multiple perspectives
3. describing a process  
4. developing a holistic description  
5. learning how events are interpreted  
6. bridging intersubjectivities, and  
7. identifying and framing hypotheses for quantitative research.  
(Weiss, 1994, p.9-11)

Advantages of interviews include the ability to establish a rapport and motivate respondents, the flexibility to clarify the questions, clear doubts and add new questions, the ability to identify non-verbal clues such as inflection in the respondents’ voice or facial expressions, and the richness of the data that can be obtained (Cavana et al., 2000). Despite the numerous advantages of the interview method, there are a number of disadvantages. These include the personal time and cost, issues regarding confidentiality of information, the level of interviewer training, and the potential for interviewer bias.

The use of the interview method in the exploratory phase of a research study is seen by Abernethy et al. (1999) as a useful means of eliciting information. The current study is based on little prior research specific to the research question. Interviews were therefore seen as the most appropriate method to enable the collection of data to describe the decision-making undertaken in relation to sponsorship investment. By conducting interviews in one site, and then across a range of diverse sites, a detailed description of the sponsorship decision-making practice can be developed. Such exploratory interviews will further enable the identification of variables that can be drawn upon in the survey questionnaire stage of the thesis.

Several factors identified by Easterby-Smith et al.(2002), being the degree of structure of the interviewer, the interviewing skills of the researcher, the social interaction between the interviewer and interviewee, the potential for interview bias, and the relevance of the research to interviewees, will be discussed in the following sections. The issues of reliability and validity will also be discussed.
6.4.1.1 Structure of the interview

Jones (1985) identifies the first problem facing interviewers as the degree of structure to include. Interviews have been classified using different terms including informal conversational, general interview and standardised open-ended interviews (Patton, 1980); standardised, semi-standardised and non-standardised (Fielding, 1996) and structured, semi-structured and unstructured interviewing (Fontana and Frey, 1994).

Different types of research interviews have different purposes and should be aligned with the strategy, purpose and question of the research (Punch, 2005). Easterby-Smith et al, (2002) warn the researcher against the use of a ‘non-directive’ interview, where the interviewee talks freely without intervention. They caution that this type of interviewing does not produce a clear picture of what questions or issues the interviewer is interested in and may result in poor data. Researchers therefore need to establish their exact area of interest and select an interview structure that will provide a framework for the development of identified research themes.

6.4.1.2 Interviewing skills

Silverman (1993) states that interview data are always situated and textual. This is supported by Denzin and Lincoln (1994) who note that:

“It is not a neutral tool, for the interviewer creates the reality of the interview situation. In this situation answers are given. Thus the interview produces situated understandings grounded in specific interactional episodes. This method is influenced by the personal characteristics of the interviewer, including race, class, ethnicity and gender.” (p.353)

Lang and Heiss (1998) suggest that interviewers should clearly define the objectives of the interview before commencing. The interviewer should then use the skills of questioning, paraphrasing and probing (Cavana et al., 2000). Interviewees also need to listen without projecting their own feelings into the interview situation (Easterby-Smith et al., 2002). Probing questions are a useful intervention technique where researchers wish to explore a point or seek an explanation without offering a view or judgement (Saunders, Lewis and Thornhill, 2000). The interviewer may start with a broad, open question and once the specific fact or required information has been
gathered the interviewer will close the questioning and move on to the next area requiring exploration.

In addition, the interviewer should be able to recognise what is relevant and remember it, possibly by tape recording the interview with authorisation from the interviewee. These skills should be developed over time and with practice (Babbie, 2004).

**6.4.1.3 Social interaction**

While interviewing is about asking questions and receiving answers, the social interaction between the interviewer and the interviewee will influence the data collected from the interview. Easterby-Smith et al. (2002) suggest that the interviewee’s dress, mannerisms, voice or language might bias the interviewer’s attitude. Further, Jones (1985) suggests that interviewees will ‘suss out’ what the researcher is like, and make judgements as to whether the interviewer can be trusted and given complete answers. It is important therefore for the researcher to recognise when they are being misinformed or partially informed and to adapt the interview process (Sims, 1993).

**6.4.1.4 Interviewer bias**

Researchers acknowledge the interactional nature of the interview as being of prime concern in ensuring the ‘flow of valid, reliable information while minimizing distortions of what the respondent knows’ (Gorden, 1987 in Silverman, 1997 p.113). Babbie (2004) notes that the interviewer should be ‘a neutral medium’ who facilitates the flow of questions and answers. Interview bias is introduced where the process by which the interview is conducted influences the response. That is, where interviewers impose their own opinions and attitudes on the interviewees both in terms of how the questions are asked and interpreted (Easterby-Smith et al., 2002).

Smith (2003, p.129) notes several areas of concern regarding the interview process:

1. Confusion or misunderstanding may result from the interviewer and interviewee having differing interpretations of questions or terms used (Houghton 1987, 1988);
2. The interviewer may not be able to instantly recall the answers to questions, making the answers unreliable;
3. Differences may exist in the way interviews are conducted over time and between respondents;
4. Issues may arise in recording and processing of responses reliably;
5. Interviewees may fail to provide an answer to the question asked or wander off the point (non-response bias).

Easterby-Smith et al. (2002) suggest that using open-ended questions in an unstructured interview where interviewees are able to answer without prompts from the interviewer, can alleviate potential bias. This method of interviewing has the potential disadvantage of not finding out the information the interviewer wishes to know. Structured interviews using closed questions have been noted as reducing the opportunities for error associated with open questions. Interviewer bias is minimised in the structured interview as the interviewer asks the same question, in the same order, with the same cues and prompts. Closed questions, however, may fail to include the flexibility and opportunity for discovery of alternative responses (Smith, 2003). The semi–structured interview includes the benefits of a set series of questions to be asked, but allows for additional questions to be asked by the interviewer as associated issues arise. Interviewer bias may also affect the analysis of interview transcripts and thereby affect the credibility of theory developed from the interview data (Lillis, 1999).

The interview schedule used in this study was designed to be of a semi-structured format to enable consistent enquiry across multiple research sites, but allowing the interviewer to explore issues that may arise in order that the richness of the study be enhanced.

6.4.1.5 Relevance

The quality of interview data will be affected by the relevance of the research to the interviewees. It is easier to gain quality responses to research questions where the interviewee is interested in the research topic (Babbie, 2004). It is important therefore to carefully select the appropriate person to interview, as well as the time and location
for conducting the interview. Questions should avoid too much theoretical jargon, unless the interviewer is sure that the interviewee understands the terms (Easterby-Smith et al., 2002; Saunders et al., 2000; Ghauri, Gronhaug and Kristianslund, 1995). A position of trust and confidence should be developed before asking sensitive questions and therefore generally these should be asked last (Healey and Rawlinson, 1994).

Easterby-Smith et al. (2002) suggest several practical ways interest and commitment can be gained from interviewees. These include offering the interviewee the opportunity to comment on the transcripts of the interview, offering a summary of the notes or conclusions, and by conducting more than one interview.

6.4.1.6 Issues of validity and reliability

The quality of field research is affected by issues of validity and reliability (Atkinson and Shaffir, 1998). When evaluating the methodological basis of a study, it is important to ensure that it has been conducted in a rigorous, systematic and non-biased manner (Yin, 1994).

Construct validity describes the extent to which the operational definition of the construct under study fit the theories around development of that construct (Brownell, 1995; Yin, 1994). Validity refers to the reasonability of the inference from indicator to concept. Construct validity focuses on how well a measure conforms to theoretical expectations, that is, whether constructs have been effectively operationalised (Punch, 2005). Internal validity is concerned with the extent to which we can reach causal conclusions about inter-variable relationships, whereas external validity concerns the generalisability of results from the research sample to other settings (Abernethy et al., 1999). As the importance of each validity criterion differs when applying different research methods, Zeller (1997) advocates a combination of quantitative and qualitative analysis, stating “a valid inference occurs when there is no conflict between messages received as a result of the use of a variety of different methodological procedures” (p.829).
6.4.1.7 Write-up of interview findings

The issue of the writing up of interview findings has been identified as being critical to the conduct of field based research (Yin, 1989; Scapens, 1990; Otley and Berry, 1994; Hagg and Hedland, 1979; Ferreira and Merchant, 1992; Brownell, 1995; Atkinson and Shaffir, 1998; Baxter and Chua, 1998). This final stage has been noted as the “weakest element in the field research published in the management accounting and control literature in recent years” (p.21). The lack of a universally accepted format for reporting field-based research findings has resulted in these weaknesses.

Baxter and Chua (1998) suggest a strategy to ensure an appropriate presentation style for the write-up of interviews involving the inclusion of quotes from the interviewees. They suggest this strategy helps to convey the richness of the data and the unbiased opinions of the interviewees.

6.4.2 Exploratory interview research approach

Grounded Theory is probably “the most widely employed interpretive strategy in the social sciences today” (Denzin and Lincoln, 1994, p.204). It is an overall approach to research and a set of procedures for developing a theory through the analysis of data (Punch, 2005).

A research project may be commenced using an inductive approach whereby a theory is built up which is adequately grounded in a number of relevant cases, or in other words it is an exploratory project seeking to generate a direction for future work (Saunders et al., 2000). It seems appropriate to adopt this theory for the case study and interview phase of this research project due to its exploratory nature. A brief discussion of grounded theory will follow.

Grounded theory was first described as a research method by Glaser and Strauss (1967). They argued that “theory that inductively develops out of systematic empirical research is more likely to fit the data and thus is more likely to be useful, plausible, and accessible” (p.3). Glaser and Strauss (1967) were principally interested in theory development and the achievement of this by closely linking the theory to the data.
from which it was generated. The main feature of this process was a method of constant comparative analysis. Charmaz (1983) argues that grounded theory characterises itself in four ways. Firstly, there is simultaneous collection and analysis of data, secondly, the data shapes the processes and products of the research rather a deduced theoretical framework, thirdly the check and refine process of traditional research methods are not followed, and finally grounded theory assumes that making theoretical sense of social life is itself a process and therefore it is not necessary to aim for an ultimate interpretation of the phenomenon (Charmaz, 1983, p.110-111).

Since this time, but based on this seminal work, a number of forms of grounded theory have been developed including the approach emphasising an individual approach and personal style developed by Glaser and Strauss (1967) and Glaser (1992) and the more structured and prescriptive approach developed by Strauss and Corbin (1990), based on work by Strauss (1987). Positivists have questioned all forms of grounded theory on the basis of a lack of external validity for the research, a factor which Smith (2003) concludes has limited the number of journal editors who find this method acceptable. Grounded theory is dependent on a shared meaning of events by both the researcher and those being researched and this is fundamental to the discovery process and the validity of the research (Laughlin, 1995; Parker and Roffey, 1997).

The procedures formulated in a grounded approach are designed to develop theory or explanation (Saunders et al., 2000). Research must commence with a clearly defined purpose, even though there will be no predetermined theoretical basis. This approach may be altered by the nature of the data collected. Grounded explanations, once established, should be compared to existing theory and will involve lengthy periods of data collection and concurrent analysis. The strategy for analysis of data recommended by Strauss and Corbin (1990, 1998) involves the assignment of concepts and themes or codes to the data collected.

Three types of coding of a unit of analysis, being a word, sentence, lines or paragraph, are performed. These are open coding, axial coding, and selective coding. Firstly, open coding is the first stage of the process where data is disaggregated into conceptual units and provided with a label. Early analysis will most likely result in the
creation of a multitude of labels related to a lower level of focus. This multitude of labels will then need to be compared and broader related groupings created.

Axial coding commences once open coding has been completed. It looks for relationships between categories that have been identified in open coding. Strauss and Corbin (1990) use the word ‘axial’ to denote the idea of putting an axis through the data, where an axis identifies the data identified in open coding (Punch, 2005). These authors also write about the interactionist coding paradigm which identifies causal conditions, phenomenon, context, intervening conditions, action/interaction strategies by which data is handled, and the consequences of those strategies (Strauss and Corbin, 1990, p.99-107). Once the relationships have been recognised, they can then be verified against the actual data collected by formulating questions or statements and testing the apparent relationships.

Selective coding is the third and most difficult stage in grounded theory analysis and involves the integration of categories to produce a theory. In this stage, the researcher selects one category as a focus of interest and makes it a core category around which the rest of the categories are organised. The objective of selective coding is therefore to integrate and pull together the developing analysis. All core codes must be related directly or indirectly to the focal core code. Once the central conceptual category is clear, it can be described in terms of its properties and validated against the data.

In addition to the coding of data, Glaser and Strauss (1967) suggest the use of a ‘theoretical memo’ which is written during the analysis of the data and records ideas and thoughts. These memos enable the researcher to maintain an internal communication to aid the development of theoretical ideas and their linkages.

6.5 The Research Methods Adopted in this Study

Having summarised the issues relating to qualitative and quantitative research, the following approach was selected:

Phase 1 – A case study,
Phase 2 – Exploratory interviews, and
Phase 3 – A survey.
A combination of qualitative and quantitative research methods were undertaken to take advantage of the “richness of qualitative findings and the potential rigour and increased credibility of the quantitative findings” (Mason, 1994, p136). The study involved two qualitative phases that comprised a case study followed by the conduct of exploratory interviews, and a quantitative phase that involved administration of a mailed questionnaire survey.

The case study was designed to yield insights that would inform the exploratory interview phase as well as the survey phase. Given the novelty of the research pursued and the relative absence of literature to base the research on, the significance of the case study phase should not be underestimated as it provided a valuable platform for the subsequent interviews held in a broader range of contexts.

The case study was conducted in a university, ie, a public sector institution. The institution chosen was engaged at the time in a large campaign to strategically position itself in the market and appeared to be heavily involved in sponsorship activities. In light of this scenario, it was felt that the research site held considerable promise with respect to yielding valuable insights with respect to sponsorship decision making procedures. While it is recognised that the commercial imperative evident in the private sector is likely to be diminished in a public sector institution, it was nevertheless felt that the marketing drive underway would signify that the university represented a strong opportunity to develop understanding of sponsorship decision making processes. A further reason for selecting the university stemmed from the strength of the access to key decision makers that the research site offered. A description of the approach taken and the findings emanating from the case study are presented in Chapter 7.

The second qualitative phase involved exploratory interviews. Having gained some insights into the sponsorship investment decision-making process in a public sector institution, it was felt necessary to ascertain whether these findings were applicable to a wider range of institutions. The exploratory interviews encompassed a wide-range of organisations including large public companies, private companies, other organisations engaged in sponsorship activities, not-for-profit organisations as well as individuals who had worked as sponsorship advisors. The interviews encompassed
individuals in organisations who sponsor and those who seek sponsorship. The range of interviewees were selected in order to secure broad insights into the sponsorship decision-making process. Through the development of an appreciation of the perspective of all groups involved, it was anticipated that a richer understanding of factors surrounding the sponsorship decision making process would result. This approach provided the basis for developing more informed propositions for testing in the study’s quantitative phase and also a sharper appreciation of what types of questions should be posed in the questionnaire. A description of the approach taken and also the findings yielded by the exploratory interviews are presented in Chapter 8.

The third and final phase of the thesis involved administration of the survey questionnaire. The earlier qualitative phases of the study were used to collect information, albeit from a relatively small number of organisations, to establish a theoretical framework for the decision-making process in the sponsorship context. This provided the framework for the survey phase that involved the collection and analysis of quantitative information. The questionnaire survey provides a more robust basis for collecting data from a larger sample and the conduct of statistical analysis of the propositions developed. A description and the results of the survey phase are presented in Chapter 9.

### 6.6 Conclusion

Both quantitative and qualitative research approaches have been used to gather data and conduct analysis in this research project. Initially, grounded theory is used as an inductive approach to develop a theory or explanation for the investment decision-making process in sponsorship. The initial stages of research were exploratory in nature and hence the case study and exploratory interview stages were used to gather information about the process being investigated.

Having established a theoretical framework for the decision-making process in the sponsorship context, a mail-out survey is used as a quantitative technique to improve the generalisability and robustness of the interview findings. The objectives of the research determine the research methods to be used, which for this project signifies the complementary use of qualitative and quantitative analysis.
CHAPTER 7
THE CASE STUDY

7.1 Introduction

The sponsorship literature review presented earlier suggests that although organisations define goals in connection with the sponsorship management process, there is little evidence that much effort is directed to the establishment of sponsorship planning, co-ordination and evaluation systems, or well defined accounting procedures designed to support the sponsorship decision-making process (Meenaghan, 1991; Cornwell and Maignan, 1998; Thjomoe, et al., 2002). It is notable, however, that there is a startling absence of empirical research concerned with what accounting and financial techniques are drawn upon in the context of sponsorship expenditure decision-making and control. Also, both the sponsorship and accounting literatures provide little in terms of a normative financial model for sponsorship investment appraisal.

A case study designed to explore the ways in which a large public sector institution (an Australian university) manages the sponsorship expenditure process, with particular attention directed to the role of accounting-oriented analytical procedures and control processes in sponsorship management has been conducted. This study was the initial phase of the research and was designed to provide data upon which further interview research could be conducted and a theory developed and tested using the survey method.

The remainder of this chapter is organised in the following way. The next section provides an overview of the case study research method. The interview details are then discussed in relation to the interview schedule used, the method employed to conduct the interviews and the sample of subjects selected for interview. The interview findings are then reported using the method of quoting interviewees suggested by Baxter and Chua (1998) and discussed in Chapter 5. The conclusion summarises the findings and notes the limitations of the case study conducted.
7.2 Case Study Method

Case study research confines investigation to a single unit of analysis, such as a university. Hence, while the scope of the research being undertaken may be broad, the focus is on a single unit. This differentiates case-based research from other fieldwork where a more general study of activity in the field is undertaken.

Ryan, Scapens and Theobold (1992) refer to five types of case study work, classifying them as: descriptive, illustrative, experimental, exploratory and explanatory. These are defined as follows:

1. Descriptive research describes current practice in terms of the procedures adopted (Smith, 1994);
2. Illustrative research explores the implementation of outcomes of innovative practice (Smith, 2003; Dikolli and Smith, 1996; Kaplan and Norton, 1992);
3. Experimental research examines the issue of causation and generally involves a controlled laboratory study (Brownell and Trotman, 1988);
4. Exploratory research is conducted to investigate how and why particular practices are adopted (Smith, 2003);
5. Explanatory research attempts to explain and justify practice choices and to facilitate the development of theory (Smith, 2003).

The primary orientation of the case study conducted here may be best characterised as exploratory, as the interviews represent an exploration of sponsorship decision-making procedures adopted in the subject institution. In case research the data is obtained first and forms the basis for hypothesis generation and further investigation (Chua, 1996).
7.2.1 The interview schedule

The interviews were conducted in a semi-structured manner. They were based on an interview schedule that included open-ended questions designed to yield insights into how the sponsorship expenditure process is managed. The interview schedule is included as Appendix A. These open-ended questions were designed to provide an opportunity for the interviewees to describe in their terms how they see their sponsorship decision-making process operating. The interview schedule also included more directed questions concerned with particular facets of how the sponsorship budget-setting process is conducted, what financial analytical techniques are used when selecting particular activities for sponsorship and how sponsorship expenditure performance is measured. The open-ended questions were found to be particularly valuable, as they elicited a range of useful unprompted insights into the nature of the sponsorship budgetary processes adopted and the general manner in which sponsorship expenditure was rationalised.

The interview schedule was divided into 5 sections. Section A sought demographic data about the person being interviewed and the element of the organisation that they represent. Section B included general questions relating to the university’s sponsorship process. This included questions relating to the corporate marketing plan, how sponsorship decisions are made, the primary focus in making sponsorship decisions, and how marketing and sponsorship activities are co-ordinated within the university. Section C examines factors affecting sponsorship decision-making style. This includes organisational and non-organisational characteristics that affect sponsorship decision-making, whether, in the interviewees’ experience, this organisation operates similarly to other organisations, the effect of economic climate on sponsorship activity and any significant events that have changed how the organisation makes sponsorship decisions.

Section D focussed on accounting control and the sponsorship process. The objective of this section was to ascertain the extent to which accounting activities are used in the sponsorship decision-making process. Questions addressed sponsorship as an investment, the consideration of strategy, the use of budgeting for planning and
control, the method for determining ‘value for money’, and the involvement of accounting and accountants in the sponsorship decision-making process. Section E specifically addressed the roles of the budget as specified by Guilding and Pike (1994). Interviewees were asked to use a five point Likert-type style scale to measure the importance of each of the noted budgetary roles in the context of sponsorship management.

7.2.2 The interviews

All interviews were tape-recorded and transcribed and were generally of approximately 30 minutes duration. Due to the senior positions held by the interviewees, the interviews were conducted on a formal basis and were restricted by the time allocated for the interview. Two researchers, the research student and a supervisor, attended the first interview conducted. The presence of the two researchers was designed to facilitate discussion and reflection on the appropriateness of the interview schedule and also the interview process. The research student conducted the remaining interviews.

7.2.3 The sample

Five senior managers were interviewed in the multi-campus Australian university. Four of the interviewees were the most senior managerial officer with responsibility for one of the university’s campuses. Their position signified that they were assigned a sponsorship expenditure budget with considerable discretion on how this one-line budget was to be expended. The fifth manager was the director of external relations. This manager assumed liaison responsibilities in connection with ensuring the promotion of effective public relations expenditure.

The university appeared particularly apt for an investigation into sponsorship management procedures, as at the time of the study, it was embarking on a major growth phase, both in terms of size and pursuit of a stronger market position. This signified that the university was allocating increased resources to marketing and sponsorship activities. At the time of the study each of the campus sponsorship expenditure budgets were in the region of AUD $50,000.
Managers were initially contacted by email and telephone and the nature of the study was briefly described to gain their participation in the study. A copy of the interview schedule was offered at the time of scheduling the interview, but this was not requested by any of the interviewees. A copy of the interview schedule was also made available at the time of interview, but again the interviewees did not request a copy. Each participant in this phase was promised anonymity and assured of confidentiality. As a result, managers’ names and details are not disclosed in this thesis. The managers are referred to as a campus manager or the marketing manager.

7.3 Case Study Findings

The interview data has been analysed to determine the most significant observations and latent underlying themes. These findings are reported on in this section under three sub-headings: 1) sponsorship decision-making procedures; 2) roles of the budget in sponsorship management; 3) degree of accounting personnel involvement in sponsorship management.

7.3.1 Sponsorship decision-making procedures

It is important to note that the subject institution’s sponsorship budget allocation process can be seen to comprise three distinct phases. The first phase comprises the university-wide decision concerning the proportion of total university expenditure that is to be allocated to sponsorship activities. The second phase concerns how much of the funds identified for sponsorship expenditure is to be allocated to each campus. The final phase concerns how the campus-based budget is to be expended. The first two decision-making phases can be seen as located at the level of the chief executive officer in the university’s hierarchy. The third phase, which is the primary focus of the study undertaken, occurs at the campus level. By conducting the study at the campus level, a more triangulated view of the process determining what specific institutions and activities are to be supported through sponsorship can be achieved, as a range of management perspectives from the different campuses can be secured.

Across all campuses, it was found that the distribution of funds for sponsorship projects can be characterised as occurring in a relatively unformalised, ad hoc manner.
There was no evidence of the application of any formalised accounting-oriented procedures or techniques designed to inform the sponsorship allocation decision. One campus manager commented:

“Unfortunately chaos theory reigns when it comes to approaches for support and sponsorship.”

This view was also supported by the marketing manager who noted that sponsorship investment decision-making:

“... has been traditionally very ad hoc … the best I can do is try and persuade them that within the context of a broad marketing activity, this is where sponsorship fits in, and yes that is, or no, that isn’t a good way…”

In terms of the distinct formalised, strategic, political and intuitive orientations of investment appraisal that have been commented on in the literature, it is noteworthy that sponsorship decision making was perceived as having strategic and intuitive orientations. This perhaps signifies the appropriateness of viewing sponsorship expenditure as constituting a particular type of strategic investment. Despite this, the subjects felt that the pool of money available was too small to warrant the development and implementation of formal budgetary procedures designed to inform the sponsorship expenditure decision. The primary sponsorship decision-making approach adopted at the campus level of the university can be best characterised as archetypal of the intuitive approach to investment appraisal. It should also be noted that it appears to be the intuition of the campus manager, and not a management team, that lies behind the sponsorship expenditure decision, as it was found that the use of specialised accounting or marketing advice was rarely called upon when formulating the sponsorship decision. One of the campus managers commented:

“It’s not rocket science at this level.”

In terms of what strategies were used to inform how the sponsorship budget should be expended, a recurring theme was the desire to maintain flexibility, i.e., retaining some funds in case an unanticipated worthy sponsoring opportunity were to arise. The following interviewee comments highlight this desire:

“We want to keep some strategic funds so that we can be responsive.”;

“It promotes flexibility ... and without flexibility you couldn’t be responsive to particular needs.”;
“When they’re expended, they’re expended. … the problem is that if you get a large number of large hits early in the year, you have to leave some sort of contingency for things that come in late in the year, because as you say, there are sporadic calls. You never know what’s going to come on board. You know there will be some things that will be so important … branding-wise that I need to leave some for the end of the year.”

This ‘engineered flexibility’ approach to managing sponsorship expenditure can be seen as signifying a ‘reactive’ rather than ‘proactive’ decision-making style. This sponsorship management philosophy did not appear to be supported by the marketing manager. She strongly promoted the need for a well defined, albeit broad, marketing strategy that can be used as a contextual framework for informing the preparation of a sponsorship expenditure plan. This manager felt that the provision of an accepted marketing strategy would make it easier for the campus managers to justify relatively large single sponsorship expenditures that can be seen as consistent with the strategy. Absence of a defined and accepted strategy places greater discretion on the campus managers in terms of how the sponsorship budget is to be expended. A diminished ability to justify particular sponsorship outlays can result in the campus managers feeling more comfortable making several small sponsorship outlays rather than a few large outlays. The marketing manager was not comfortable with this approach, as she felt that small $1,000 outlays result in the university’s logo being given a low profile by the sponsee, which signifies that the university’s logo becomes lost as one of many. She felt that relative to several small sponsorship outlays, one large sponsorship investment had a greater capacity to generate worth for the university.

The marketing manager’s comments should not be taken as a suggestion that the campus managers did not attempt to view their sponsorship expenditure in the context of the university’s espoused corporate theme, however. Rather, they should be seen as indicating that the marketing manager desired still greater importance attached to supporting the corporate marketing strategy. All the campus managers noted the significance of managing their sponsorship budgets in ways that would support the university’s corporate theme. The campus managers’ responsibility to create and maintain competitive advantage appeared as a particular recurring theme in the interviews.
The distinction between whether sponsorship signified an ongoing annual arrangement or a one-off event affected the way that the campus managers approached their sponsorship decision. It appeared that some of the campus sponsorship budget was immediately earmarked for some ongoing sponsorship arrangements, thereby leaving a smaller discretionary pool that can be used to support one-off undertakings. One of the campus managers commented:

“With the habitual sponsors, what comes forward is each year they give you a report as to how your dollars were spent, and then you can make a cross-reference to what you stated, what you wanted to happen in expenditure of these sponsorship dollars. If you’re satisfied, you might renegotiate a couple of extra things and so on. So the habitual sponsors are ones that you can dispense with easily. You know the amounts that they’re going to ask for, and so on. With respect to one-off sponsorship investments, the process there is looking at that against the amount you’ve still got left in contingency and deciding whether the benefits are really there. … So it’s very much a process of the one-offs weighing up whether the benefits are worth the dollar investment.”

It was noteworthy that none of the campuses had developed a campus specific marketing plan, although some were in the throes of developing such a plan. This signified a diminished degree of discretion in campus-based management of sponsorship budgets, as the strategic backdrop was the corporate-wide marketing plan rather than any localised marketing plan that had been formulated under the direction of the campus manager.

7.3.2 Roles of the budget in sponsorship management

An awareness of the need for budgeting in the context of sponsorship management was apparent in discussions with all managers. It should be noted, however, that the importance placed on the use of budgets in sponsorship management was viewed in connection with the campus manager’s oversight of sponsorship expenditure, and not signifying an active budgetary role played by any accounting personnel. As anticipated in advance of conducting the study, it appears the overwhelmingly
predominant role for the budget in sponsorship management concerns the identification of what sponsorship funds can be expended (i.e., the ‘authorisation’ role). This is apparent from the following comment provided by one of the campus managers who saw his financial goals and objectives as:

“… to try to balance the budget, but beyond that to make sure we spend it.”

One manager perceived a motivational role in the sponsorship budget claiming that the:

“… availability of funds encourages people to engage in processes that we want them to engage in.”

The literature generally conceives of the budgetary motivational role as resulting from the identification of a sales maximisation or cost minimisation target to be strived for. The earlier quoted comment of “… make sure we spend it” underlines the way that the sponsorship budget does not represent a target to be strived for. For this reason, although one interviewee did refer to motivation in connection with the sponsorship budget, it appears better to interpret the interviewee’s comment as signifying that the sponsorship budget can represent what Guilding and Pike (1994) refer to as a “modifier of perceived organisational reality” i.e., provision of a budget can be a mechanism designed to direct subordinates to undertake activities that senior management perceive as desirable.

Another budgetary role referred to in the literature concerns the promotion of cross organisation communication and co-ordination. It appeared that the level of sponsorship budgets set could carry an implication for the extent and form of communication between the campus managers as increased sponsorship budgets would give rise to increased cross-campus discussion on appropriate ways to expend the budget. Apart from this, the managers did not see that the sponsorship budgetary process gave rise to particular forms of communication or cross-organisational co-ordination.

Another significant budgetary role noted in the literature concerns performance evaluation. It is widely accepted, however that the potential for this role will be muted in the context of discretionary expenditure where financial quantification of the
outcome of the expenditure is problematical. The findings of this study support this view, as although the managers acknowledged performance evaluation to be of great importance, they did not apply the sponsorship budget in any way as part of a performance evaluation exercise. When asked how value for money is determined when evaluating sponsorship expenditure, responses provided by two of the campus managers were as follows:

“By the sponsor report. Well the value for money both prior, we do that linking with expected outcomes for the sponsorship against the dollars, and then we do the follow-up, and we don’t just use the report from the sponsors, which has probably got a bit of pious bias in it, but we do our own follow-up as well. External Relations is superb for that. That’s their role. Every mention of (names the university) that comes out of these major events is detailed and so on.”

“We look at whether the projects have achieved the outcomes that were stated on the application. We look at whether they’ve delivered the expected strategic positioning that we were seeking or the development of a relationship we were wanting to develop.”

7.3.3 Degree of accounting personnel involvement in sponsorship management

It has already been noted that the university’s accounting personnel were not found to be performing any significant active roles in connection with sponsorship management. Although formal budgeting procedures are observed and some project analysis is periodically conducted, for most campuses this is generally completed by non-accounting administrative staff located at the campus level. Some campus managers do draw on the finance department regularly to advise on sponsorship expenditure in the year to date and what funds remain to be expended. It was also noted that some campus managers infrequently draw on expertise in the marketing and finance departments when seeking to assess a projects’ provision of ‘value for money’. One interviewee also noted that some reliance could be placed on external project partners to bring a degree of accounting expertise to sponsorship project management.
The interviewees appeared to perceive that the level of managerial sophistication brought to bear on sponsorship management is dependent on the quantum of resources expended on sponsorship. The higher the level of funding allocated, the greater importance attached to the management of funds expended, and the more sophisticated the evaluation process. When asked if an accountant would be involved in the budget, one division manager commented:

“Broadly, but not in a serious way. Not at the $100,000 level.”.
Another campus manager saw the degree of accounting involvement as:

“None whatsoever”.

7.4 Conclusion

The case study conducted has found that at the campus level of a large multi-campus Australian university, accounting analytical techniques are scarcely drawn upon in the sponsorship decision-making process. Instead of a formalised approach to sponsorship decision-making, it was found that the sponsorship decision-making approach can be best described as intuitively based. It appeared that at the campus level of abstraction, the only real significant sponsorship management role for accounting in the subject entity concerned the budgetary identification of funds allocated to sponsorship and monitoring of funds expended.

This study suffers from the normal shortcomings associated with qualitative research. This was an exploratory case study in which the data collected was at a particular organisational level of abstraction in one organisation only. Semi-structured interviews were employed and Lillis (1999) notes that the semi-structured interview method is subject inevitably to a degree of interviewer bias, both during the conduct of the interview and in the analysis of data collected. As a result, the observations made should not be viewed as conclusive in nature but more as a vein of research designed to promote further research. In addition this study should not be viewed as providing hard generalisable findings.

As an exploratory study, this case study has provided a platform for conducting further interviews in a broader range of contexts, in order to investigate whether the reported observations hold resonance in other organisations. It is also noteworthy that this study was conducted in the context of a public sector institution and the
heightened commercial imperative in the private sector might signify a critically distinct environment.

Drawing on the findings of this case study and the literature reviewed in earlier chapters, the next chapter describes the interview findings relating to the sponsorship decision-making process in organisations currently engaged in sponsorship.
CHAPTER 8
INTERVIEW FINDINGS

8.1 Introduction

This chapter describes the exploratory interview findings emanating from meetings held with managers responsible for sponsorship decision-making in Australian organisations currently involved in sponsorship activity. The findings are structured according to the following four perspectives:

- The sponsorship decision-making process
- Factors affecting the sponsorship decision-making process
- The role of accounting in the sponsorship decision-making process
- Other influences

The organisation of the remainder of the chapter is as follows; in the next section the interview format will be detailed, followed by sections describing the interview schedule and the sample of interviewees. Subsequent sections provide the findings and then a concluding commentary.

8.2 The Interviews

Interviews varied in length from approximately 30 minutes to one and a half hours. The interview length was somewhat determined by the extent to which the interviewees sought to elaborate on the issues discussed. Some interviewees were more forthcoming with respect to the sponsorship processes than others. This was often related to the extent to which the process they described was formalised. The interviews were conducted in Brisbane, the Gold Coast and Sydney over a nine-month period from April to December, 2005 with the exception of two earlier interviews conducted in March, 2004. Interviews were conducted in a face-to-face setting at the office of the interviewee, except in two cases where interviewees granted a telephone interview. These exceptions concerned Interviewee 7 (see Table 8.1 below) who was located in Sydney and unavailable at the time of the researcher’s visit to that location, and Interviewee 13 who was unavailable for a face-to-face interview. Verbal consent
to tape-record and transcribe these two telephone interviews, in accordance with ethical considerations, was secured.

A consent form, included as Appendix A1, was signed by all interviewees in accordance with ethical considerations and as part of this the interviewee agreed for the interview to be tape-recorded and transcribed.

8.3 The Interview Schedule

The interview schedule, included as Appendix A, was designed to gather information concerning the nature of sponsorship decision-making processes adopted. The interview schedule used is the same as for the case study interviews which was described in Section 7.2.1. Interviews were conducted using semi-structured questions and a flexible approach designed to elicit as much information as possible about the sponsorship decision-making process. Although some questions were used to probe specific issues relating to the decision-making process, efforts were made to keep the discussion open to identify any significant issues that had not been previously identified in the study. The interview schedule has been formulated with a focus on sponsors and advisors who make decisions or provide advice in relation to sponsorship decision making. In interviewing sponsees, this schedule was tailored to facilitate access to the sponsees’ perspective on attracting sponsorship investment and the process sponsees engage in when negotiating with sponsors/advisors. Although the sponsee has a different perspective, their success in attracting sponsorship funds can be expected to be greatly affected by their appreciation of the investment process from the sponsor/advisor perspective. Accordingly, the sponsees’ perspective contributed much to the pursuit of a more comprehensive understanding of the sponsorship decision making process.

In the early interviews, an attempt was made to collect quantitative data appraising the importance of different budgetary roles in the context of sponsorship management. These budgetary roles drew on the model developed by Guilding and Pike (1994). At the end of the interview, the interviewees were asked to respond on a seven-point Likert-type scale to a series of questions that addressed the importance of different budgetary roles. The objective of this phase was twofold. Firstly, it was used to
sharpen responses provided by the interviewees and secondly, it provided a reliability check of answers and comments provided earlier in the interview (Easterby-Smith, et al., 1991; Lillis, 1999). This quantitative phase of the interviews was abandoned, however, after the initial two interviews, as the researcher observed that it created confusion and the amount of explanation required appeared to result in interviewer-led responses and hence bias in the data collected.

8.4 The Sample

Twenty-four interviews were conducted with managers representing 22 organisations. The sample was selected based on convenience, particularly with respect to the researcher’s ability to secure access to organisations as well as in terms of geographical proximity to the researcher’s residence. A number of interview contacts were made through cold-calling local organisations known to be active sponsors and then requesting to speak with the sponsorship manager. Other organisations were approached due to the researcher having a personal contact within the enterprise or following a referral provided by an interviewee. While the majority of the interviews were conducted in the South East Queensland area, some were also conducted in large organisations outside Queensland, thereby increasing the breadth of the sample data collected.

Three types of entity were targeted when generating the interview sample: (1) consultants with a specialism in providing sponsorship advice; (2) sponsoring companies, including public and private companies and professional services firms who represent a major source of sponsorship funding; and (3) organisations seeking sponsorship funding including sporting associations, the arts, and charitable organisations. The specialist advisors were included in the sample as they play a key role in advising their clients on sponsorship decision-making. It was considered prudent to include them in this phase of the study in order to gain the benefit of their insights that derive from extensive sponsorship decision making experiences. The sponsee, being the third type of organisation, was included to provide an insight into what sponsors look for when deciding to invest in their organisation and how they manage and develop their ongoing relationship. An overview of the interviewees, their functional area and the nature of the organisation that they represent is provided.
in Table 8.1. In the first column of Table 8.1, a reference code is assigned to each interviewee. Reference codes are identified whenever a particular interviewee’s comments are cited.

Exploratory interviews were conducted with a wide range of organisations to gain insights into how entities involved in the sponsorship process make decisions. Differences in the three groups interviewed do not represent a topic of interest in this thesis and therefore no formal effort has been directed to undertaking a cross-sectional analysis of the three groups’ perspectives. The rationale for drawing on the three groups stemmed from an expectation that a richer and more comprehensive data set would result and that this would lay the basis for a more profound understanding of the phenomenon under examination.

Most of the interviewees had encountered a range of sponsorship experiences as a result of a number of different managerial positions held in the course of their careers. As a result, the reflections provided by the interviewees were not restricted to experiences gained in their job at the time of the interview. It was also noted that the sponsorship managers were engaged in a high degree of networking and that sponsorship ‘deals’ often arose as a result of their connections amongst the ‘sponsorship community’.
<table>
<thead>
<tr>
<th>Interviewee Code</th>
<th>Nature of Organisation</th>
<th>Title of Interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sponsorship consultants</td>
<td>Sponsorship manager</td>
</tr>
<tr>
<td>2</td>
<td>Business and marketing communications consultancy</td>
<td>Director</td>
</tr>
<tr>
<td>3</td>
<td>Talent management and sponsorship sales</td>
<td>CEO</td>
</tr>
<tr>
<td>4</td>
<td>Sporting retailer</td>
<td>Sponsorship manager</td>
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<tr>
<td>5</td>
<td>International professional services firm</td>
<td>Marketing manager</td>
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<tr>
<td>6</td>
<td>International professional services firm</td>
<td>Marketing manager</td>
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<td>7</td>
<td>International professional services firm</td>
<td>Marketing manager</td>
</tr>
<tr>
<td>8</td>
<td>National professional services firm</td>
<td>Marketing manager</td>
</tr>
<tr>
<td>9</td>
<td>National bathroom and plumbing supplies company</td>
<td>Marketing manager</td>
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<tr>
<td>10</td>
<td>Banking services</td>
<td>Sponsorship manager</td>
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<tr>
<td>11</td>
<td>Large national telecommunications company</td>
<td>Sponsorship manager</td>
</tr>
<tr>
<td>12</td>
<td>Large multinational electronics firm</td>
<td>Marketing communications executive</td>
</tr>
<tr>
<td>13</td>
<td>Banking services</td>
<td>Sponsorship manager</td>
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<tr>
<td>14</td>
<td>State energy suppliers</td>
<td>Sponsorship manager</td>
</tr>
<tr>
<td>15</td>
<td>National television station</td>
<td>Marketing manager</td>
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<tr>
<td>16</td>
<td>Private property development company</td>
<td>Marketing manager</td>
</tr>
<tr>
<td>17</td>
<td>Leader in the holiday ownership industry</td>
<td>Sponsorship consultant</td>
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<tr>
<td>18</td>
<td>Company involved in the airport industry</td>
<td>Business development and marketing manager</td>
</tr>
<tr>
<td>19</td>
<td>Publicly listed sporting club</td>
<td>Marketing manager</td>
</tr>
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<td>20</td>
<td>National sporting association</td>
<td>Marketing manager</td>
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<tr>
<td>21</td>
<td>State association of sports people</td>
<td>CEO</td>
</tr>
<tr>
<td>22</td>
<td>Private company involved in sport</td>
<td>Sponsorship manager</td>
</tr>
<tr>
<td>23</td>
<td>National charitable association</td>
<td>Marketing and public relations manager</td>
</tr>
<tr>
<td>24</td>
<td>Company representing the arts</td>
<td>Sponsorship manager</td>
</tr>
</tbody>
</table>

Table 8-1 List of Interviewees
8.5 Interview Findings

As an initial step in the interviews, a number of general questions relating to sponsorship were posed. It should be noted that in the majority of cases, interviewees were reluctant to disclose financial information such as the size of the budget or the dollar value of sponsorships entered into. A tabular overview of interview findings is presented as Table 8.2.

8.5.1 The sponsorship decision-making process

8.5.1.1 Definition

There was general consensus regarding the definition of sponsorship. Typical of the view taken by the interviewees was the following perspective provided by Interviewee 7:

“Sponsorship is a multi-tiered investment in exchange for a number of commercial benefits. (Mentions company name) publicly endorses the property and will connect our reputation and brand with the property for the duration of the investment. Sponsorship is used at (company name) to enhance brand positioning and build awareness of our industry and technical capabilities.”

Also typifying the consensus view concerning expected benefits, Interviewee 21 commented:

“I define it as a means of generating revenue for an organisation, but there are repercussions. Choices have consequences for any sponsorship that I go into. There’s an expectation of return.”

8.5.1.2 Formalisation of sponsorship analysis

For the purposes of this study, formalisation relates primarily to the degree to which decisions are governed by formal rules and standard policies and procedures (Walker and Ruekert, 1987; Alkadry and Nyhan, 2005). In a highly formalised environment it would be expected that a well-defined set of steps will exist including a well-
developed criteria for analysis and selection of sponsorship projects, advanced checklists, and committee discussions.

The sponsorship process will therefore be considered to be more formalised where there is a corporate marketing plan. A corporate marketing plan was found to be developed in different ways by different organisations. Interviewee 16 noted that his organisation has an ad-hoc approach to sponsorship and lacks a formal marketing plan and budget commenting:

“It’s basically what we think. If it’s a great idea and stuff like that, it will always work.”

A lack of sponsorship planning was also evident in Interviewee 18’s organisation. Although the organisation had an informal marketing plan, they failed to recognise sponsorship as an element within the plan. The marketing manager of organisation 8 noted:

“As a firm we still don’t have our marketing functions sorted out. We don’t have a concrete strategy that people can follow.”

Contrary to this, Interviewees 5, 6, 7 and 21, among others, claimed their organisations had a formalised corporate marketing plan and process for developing that plan. The sponsorship manager in organisation 11 felt that the corporate marketing plan in his organisation was a key tool in the integration and co-ordination of sponsorship and marketing programmes. Further, Interviewee 12 noted that the marketing plan is used in his organisation to identify specific strategies and objectives. These strategies and objectives then provide a framework to judge whether a sponsorship proposal is consistent with the corporate marketing plan.

The degree of formalisation of the sponsorship analysis conducted, as part of the sponsorship decision-making process, varied considerably across organisations. Interviewee 5 noted that although the procedures in his organisation had been “a bit haphazard”, at the time of the interview his company had recently adopted formal procedures for sponsorship selection, management and evaluation and had established criteria that had to be met for a sponsorship proposal to be realised. In Interviewee 5’s organisation, initially, a strategy for the sponsorship department is agreed upon and
specific objectives are formalised and recorded on a scoresheet, which is used to evaluate each sponsorship proposal. Sponsorships that align with the organisation’s objectives are then presented to the CEO for approval. Sponsorships are managed and then evaluated using the approved proposal and budget. This formal process was evident for Interviewees 5, 6, and 7, who all worked in professional service firms.

A distinctly different approach was evident in Interviewee 8’s professional service firm. She commented:

“Basically, sponsorship happens ad hoc.”

She also noted that although a formal strategy was developed, in practice it doesn’t work because:

“Decision-making was devolved back to individual practice groups … while I am functionally responsible for sponsorship, strategically they are.”

Although most organisations had a department or person responsible for screening sponsorship decisions, the degree of formalisation with respect to processes adopted varied greatly. This lack of formalisation is evident from the following comments:

“We would get fifty proposals a week … I put together an informal sort of document that will outline what we are looking for, that will give them an opportunity to come back and present a proposal.” (Interviewee 11)

“I suppose because we’ve been in the game for so long, we have an understanding of what’s reasonable … I can already list off in my head the type of sponsorship and already I have an expectation of what it should deliver.” (Interviewee 13)

“But generally speaking, because of my experience and feel and knowing what we already have in our portfolio, I can pretty much look at things and read through it and I’m literally sitting there with a mental form and checking it and all the boxes, I am in my head I guess.” (Interviewee 15)

“Our sponsorship budget could vary … it’s basically what we think. If it’s a great idea and stuff like that it will always work.” (Interviewee 16)
Brunsson (1989) concluded that the role of formal analysis in the capital budgeting context is symbolic. Further, in Collier and Gregory’s capital budgeting study they noted that “there is a need to have a bankable document” (1995, p.33). This notion was supported by Interviewee 18 who commented that sponsorship decisions were based on “gut feeling” followed by drafting a proposal in a way to make it feasible. It was important to ensure that a positive return on investment was projected in order to gain board approval for the sponsorship proposal.

A degree of formalisation in Interviewee 17’s sponsorship decision-making process is evident from the following description of the process established by the sponsorship manager:

“We have what I call a sponsorship manual, which is the process I’ve developed, then we’ve got a series of templates starting from, if someone’s said, ‘Look we’d like you to sponsor us, we think there’s a possibility that there could be some value’ we send them out a request form that has a number of questions that we need to have answered. When they return that to us, we then put it through an assessment table to give it a rating, we then put it through a selection template. At the end of that, a decision will be made once we put it through the selection template, which is quite extensive, whether or not the selection process plus the assessment table will go together. So if those two come up in a favourable light, we will then take it, progress it to the next step, we then have evaluation programmes etc.”

Interviewee 5 commented on her organisation’s formal decision-making structure and further noted the use of set criteria to ensure that all decisions put to the CEO are supported by formalised documentation. This was supported by the marketing manager from organisation 14 who noted:

“We have several committees, firstly there is a broad consult-type committee, … then we have a formal committee that meets every two weeks … and we assess proposals that have just come in.”

Interviewees 19-24 who work in organisations that are seeking to act as sponsors also displayed formalised procedures. Interviewee 19 uses a “sponsorship hierarchy” to
support their sponsorship proposals to ensure that they have only one sponsor in each business category. She commented:

“(I can) provide this company with what will help them achieve their benefits and then whatever those assets are I can actually have them priced in an asset register that I can add up and work out an approximate value of what that’s worth.”

Interviewees 1, 2, and 3 recommended that their clients have formalised sponsorship selection procedures and provide this service for their clients. When asked if they match company’s strategic objectives back to the sponsorship, Interviewee 3 replied:

“Probably not, not that much. We will have a look at that organisation and try and work out whether the target market for that sponsorship opportunity fits in with who they need to be talking to. From an evaluation from the other side, yes that should be done and big companies do do it.”

Insight can be gained into the lack of formalisation in some organisations that sponsor from the comments by Interviewee 24, an organisation in the area of the arts, who felt that in her organisation the process was formalised but commented that the biggest sponsorship they ever had came from luck.

“… they had money left over in the budget and asked us for a proposal. We never met them, we sent the proposal by email.”

In summary, there is limited evidence of formalisation of the sponsorship decision-making process. A number of organisations demonstrated highly formalised planning and evaluation techniques, while others used more intuitive approaches. Regardless of the degree of formalisation, most organisations acknowledged the importance of demonstrating a return on the investment in sponsorship.

8.5.1.3 Sophistication of analytical techniques

In this study, sophisticated procedures are characterised by the employment of analytical tools, techniques and schedules which show that the organisation has ‘got it together’ in their analysis of sponsorship investments. Sophistication refers to the complexity or mix of techniques and procedures used in making a sponsorship
decision. The concept of sophistication is commonly used in the literature relating to the selection of capital budgeting techniques where a distinction is made between sophisticated and na"ıve techniques (Haka, Gordon and Pinches, 1985; Lamminmaki, Guilding and Pike, 1996; Verbeeten, 2006)

With respect to the sophistication of the sponsorship investment decision-making process, Interviewee 4 commented that:

“I think the industry is getting more sophisticated. I think there is a greater understanding of what sponsorship can deliver, and I think that as a result, sponsors want more for their dollars, but also recognise good properties and are happy to pay more for good returns.”

Some managers described a sophisticated system of sponsorship decision-making in conjunction with varying degrees of formalised processes, whilst others admitted to a more ad hoc process. Interviewee 3 noted that:

“… some clients are very sophisticated in the way they evaluate sponsorship opportunities because they get bombarded all the time.”

He further commented:

“I would have to say that again some companies are very good and sophisticated in what they do, and they really go the whole hog, but probably the majority don’t do it.”

Commenting on the main rationale supporting a decision to sponsor, this director also provided the following insight:

“… the main way, and it’s very sad and unsophisticated, is if it feels good.”

Sophistication of the decision-making process also appears to depend on the formalisation of reporting structures and the requirement for documentation of decision-making. Some managers described their desire to move to a more sophisticated system of decision-making in terms of formalisation of procedures. Interviewee 14 commented:
“… over the next twelve months part of my aims would be to put some more rules of thumb around the process … with the next budgeting process we will be refining a more formal assessment.”

When commenting on the sophistication of the analysis process, Interviewee 15 highlighted the problem of not having “an affordable and broadly accepted formula for measuring”. He noted:

“A lot of your measurement must come back to what is your organisation trying to get out of it, because what one organisation perceives as being a great result may not be the same for another organisation.”

Interviewee 21 supported this, commenting that:

“… you need to actually know – ‘Right let’s not put all our money into an organisation that doesn’t have a similar value and philosophy’.”

She further commented that the sophistication of a marketer’s approach to sponsorship depends on their experiences and if they are ‘savvy’ enough.

Strategy was a major consideration in most organisations. It was generally noted that sponsorship is a long-term strategic investment for a number of reasons including “you don’t really get much pay-off until about year 2” (Interviewee 13); “it’s a strategic thing you’re doing to place (the organisation) within the market” (Interviewee 14); “it has to fit our branding strategy” (Interviewee 18); and the importance of the relationship (Interviewee 12).

Financial budgets, in terms of both the overall budget for sponsorship investment and the budget for a sponsorship project individually, were generally considered important. In addition, a majority of organisations noted that value for money and opportunity costs were considered generally in an informal way. Interviewee 11 commented:

“I don’t know if we formalise it as such, but we need to use our funds effectively … we need to be smart with the way we use our money.”

This was supported by Interviewee 12 who commented:
“Because of the economic climate, making sure that what we do is the right thing, we are not just putting our name on something.”

Interviewee 12 noted that:

“We evaluate what achieving a reach like that would cost through another means and through sponsorship, if through sponsorship it equates to better value for money than spending it on television advertising for example.”

In addition to financial considerations, Interviewee 15 noted that the decision to invest in a sponsorship is sometimes a 'resource decision’. She commented:

“I gave it up because I thought if I do that sponsorship I’m not going to be able to do this other one at the same time which was a bigger priority.”

There is limited evidence of a sophisticated process being used in the sponsorship decision-making process. Although noted in the accounting literature relating to sophistication, there was no sponsorship investment analysis from a capital budgeting perspective noted during these interviews. There is a general consensus that there is a need for sponsorship to ‘fit’ with organisational strategy, that budgets are needed, and that an assessment is required to ensure that sponsorship funds are spent to maximise ‘value for money’. These processes appear generally to be ad hoc and in some cases see formalisation as a key to a sophisticated process. In addition to this discussion, it is important when assessing sophistication to also examine an organisation’s ability to use leveraging. This is discussed in the following section.

8.5.1.4 The leveraging decision

Leveraging refers to the use of marketing elements such as advertising, sales promotion, publicity and product PR to achieve the greatest potential from the sponsorship investment. Sponsorship activities have been found to be more effective when they are co-ordinated and integrated with other marketing and promotional activities (Meenaghan, 1991; Cornwell and Maignan, 1998; Thjomoe, 2002).

All managers interviewed agreed that it is necessary to leverage a sponsorship investment. As stated by Interviewee 7:
“We don’t do anything unless we have the capacity to leverage it appropriately.”

Interviewee 8 agreed that sponsorships should be leveraged but commented:
“We were never organised enough to do so.”

Consistent with this, Interviewee 17 noted:
“We haven’t leveraged them very well in the past and the main reason being that we haven’t been too sure what to do with them.”

A number of managers also identified a preference for ongoing sponsorship relationships over one-off event sponsoring because of the leveraging opportunities and development of associations. Interviewee 6 commented that with a three year sponsorship there is more time to align the sponsoring organisation with the sponsee and hence leverage the investment.

There was also agreement among some organisations as to the quantum of leveraging. It was suggested that in the current climate, for every dollar spent on the sponsorship, at least one additional dollar should be spent on other marketing communications (Organisation 7, 10, 14 and 19). Interestingly, Interviewee 13 suggested that having a rule of thumb approach was very “old school” and that sponsoring “comes down to business need”. Interviewee 16 agreed that leveraging activities were undertaken as required and not in line with a pre-determined formula commenting:
“If we need stuff to be done, we just do it.”

Interviewee 1 highlighted the anomaly that companies with extremely strong brands do not need to leverage their sponsorship investment:
“They don’t need to leverage it. It is the number one brand in the world. They don’t need to advertise … and they still have every opportunity to access a cool market.”

There appears to be a general consensus that the use of other marketing and promotional activities to ensure that a sponsorship investment is maximised is essential. Interviewees generally agreed with respect to the quantum of leveraging,
however a number of interviewees suggested that it was a decision to be made for the specific circumstances of the sponsorship. The ability of an organisation to maximise their leveraging opportunities also appears dependent on the sophistication of the sponsorship decision-making process and the sophistication of the sponsorship managers.

8.5.2 Factors affecting the sponsorship decision-making process

8.5.2.1 Economic climate

Several interviewees (Interviewees 5, 10, 11, 19, 20, and 21) commented that when an economic downturn occurs, sponsorship is one of the first areas to be cut. Interviewee 11 commented:

“Unfortunately sponsorship is one of those first areas to get cut when money needs to be found. That’s unfortunate, but it’s just the reality of how it is perceived in a broad level. So it is very, very reactive to how things are going in a broader perspective.”

This sentiment was reiterated by Interviewee 16 who noted:

“It’s one of those things. If people are out there spending, you are going to be spending more on advertising and sponsorship in your local area.”

Interviewee 17 had a contrary view commenting:

“In fact the tighter it gets, this is an inexpensive way to holiday … So no, economic climate, if there’s a downturn, can actually assist the industry but it’s not a factor we consider.”

It should be noted that the view expressed by Interviewee 17 stood out as an atypical perspective on the implication of economic climate for sponsorship decision-making.

8.5.2.2 Role of internal environment within the sponsor organisation

In conjunction with their reply in relation to the effect of changes in the economic climate, a number of organisations commented on the effect of internal changes within sponsoring companies. Interviewee 20 commented:

“If you get partnerships up for renewal or renegotiation at a time when there is a bit of economic instability, or particularly within a certain company if there’s
a change of CEO or board, there’s a massive difference, and I find that sponsorship and marketing programmes are the first to be scrutinised in that environment.”

Interviewee 13 felt that the style of management used by a CEO didn’t make a difference to the sponsorship decision-making process. She noted:

“I’ve had CEOs before who make all the decisions and I’ve recently had the CEO who lets you decide. He’s certainly not a chairman’s-choice type of guy, so I can’t say it’s actually impacted.”

The stages of a corporate life cycle were also noted as impacting on the decision to sponsor. Interviewee 12 commented:

“As a company, when we were in our growth phase we were into sponsoring everything that moved. Going back over twenty years when we were (company name), our MD was a very aggressive sort of guy who wanted to have the national brand out there everywhere so he sponsored the rugby league, he sponsored AFL, he sponsored women’s tennis, he sponsored the Australian golf, so our name was plastered everywhere … Our competitors in particular (names two competitor companies) have taken on that same approach when they were entering into the market. … So it depends on what stage of the corporate life cycle you are as to how much of your budget you allocate.”

8.5.2.3 Size

It is a widely accepted finding of capital budgeting research that company size is positively related to capital budgeting sophistication (Lamminmaki et al., 1996). The size of the sponsor company appears to impact on the sponsorship decision-making process. From the interview data, it appears that standardised procedures are more likely to be found in larger organisations (Interviewee 3) suggesting that there is greater formalisation in larger companies.

It also appears that larger organisations have greater politicising of the decision-making process, with more people involved in the process suggesting greater
sophistication in the process. The number of people involved in making the sponsorship decision within an organisation ranged from one (Interviewee 9, 15, 16, 17, 20, 21) to teams of people (Interviewee 10, 11, 12, 13, 14). Interviewee 11 is part of a team of six in the sponsorship area, within a team of twenty in Integrated Communications and a further team of 100 marketing personnel.

Where the organisation is multinational, size appears to affect the lines of communication and the level of analysis performed at a local level. Interviewee 12 noted the impact of being a multi-national organisation on sponsorship:

“… sponsorships come out of Japan like the Grand Prix … you assume the analysis was done in Japan.”

8.5.3 The role of accounting in the sponsorship decision-making process

8.5.3.1 Accounting personnel involvement in the sponsorship investment decision

The involvement of accounting personnel in the sponsorship investment decision varied greatly across the organisations. Interviewees 5, 6, and 7 felt that there was no administrative accounting staff involvement. Financial decisions were made based on marketing analysis and CEO approval. When asked to comment on accounting department involvement in the sponsorship decision, Interviewee 10 commented:

“Christ no, I wouldn’t let them anywhere near it.”

Similarly Interviewee 7 commented:

“Oh no, it’s all done at a marketing level.”

It was also evident that accounting department involvement in sponsorship decision-making was negligible in Interviewee 13’s organisation. He commented:

“In marketing we do use accountants. We have a marketing effectiveness team that actually help give us templates, guidelines around ROI’s and we also use external companies to help us with that as well.”
On the contrary, Interviewee 9 stated that the accounting department was involved in all stages of the sponsorship business case. He commented, in reference to the business case that:

“Most organisations shouldn’t trust the marketing people to do those things.”

Several other interviewees felt that the involvement of accountants should be significant. Interviewee 11 noted that in relation to the sponsorship area, planning and budgeting were reviewed every 3 months with the finance team as well as a person dedicated to marketing. This person provides day-to-day assistance and is involved with overall budgeting but not budgeting for specific sponsorships. With respect to initial sponsorship evaluation and budgeting for specific sponsorships, the sponsorship department provide all necessary expertise. This theme of accounting involvement at a consolidated level, but not for specific sponsorship projects, represented a common observation in many of the organisations investigated (including Interviewees 6, 12, 13, 14) as noted by Interviewee 14:

“… we have team people who collectively keep a kerbside view of all our sponsorship budgets within marketing.”

It appeared that most marketing/sponsorship managers were content to allow accountants to play a minimal role in the overall activities of the sponsorship area. This includes department budgets, planning and as stated by Interviewee 12:

“… making sure we don’t commit over and above our available funding.”

However accountants were rarely involved in specific sponsorship project selection or management.

8.5.3.2 Budgets

A major focus of the interviews concerned the determination of sponsorship budget allocations and the extent to which budgets were used within the sponsorship decision-making process. Initially, the budgeting process will be discussed, followed by an examination of the management of the budget process, and finally the use of budgets in performance measurement will be commented on.
8.5.3.2.1 The budget process

The interview findings reveal that the sponsorship budget tends to be set as part of the annual budgeting process whereby the marketing/sponsorship manager proposes a level of planned expenditure supported by current and proposed sponsorship details. This budget is then approved or rejected by the CEO or board of directors as appropriate. Once the level of investment is determined, it is then allocated to specific sponsorships.

8.5.3.2.1.1 Budget allocation to marketing department

In the majority of organisations (21 of 24 interviews), the sponsorship budget represents an element within the marketing budget and is controlled from the marketing department. In this process the various departments including sponsorship that make up the marketing department put forward their individual budgets which are then presented on a total basis to senior management. The marketing budget is then analysed by both the CEO and in many cases by managers in product groups who are part of these marketing programmes, as noted by Interviewee 13:

“It gets approved at the general manager level of marketing and then it will go up to general executive level and then it gets basically ticked off by the CEO. Another party that has a ticking hat is our stakeholder side and that’s our various product groups. They have a say, they can’t tell us what to do, but they have to support it.”

Similarly, in the case of Interviewee 15 a budget pitch is put forward each year with ‘arguments’ to justify the amount which is then approved or rejected. On the contrary, Interviewee 16 comments that although a marketing budget is set as part of the company budgeting process it is “not a pre-determined amount of money”. He explains that he doesn’t justify the amount as part of the budgeting process and the organisation does whatever they think is “a great idea” in terms of marketing and sponsorship.
8.5.3.2.2 Budget allocation to sponsorship expenditure

The sponsorship budget forms part of the overall marketing budget as noted in section 8.4.3.2.1.1. Interviewee 13 noted that she takes about 10% of the group marketing budget, while Interviewee 11 noted that the sponsorship budget represents about 15% of the marketing budget. The interview findings show that although there is a ‘rule of thumb’ percentage in terms of funds allocated, the sponsorship department must justify the budget it puts forward to marketing. This includes justification of expenditure on both existing sponsorships and for prospective sponsorship investments it may wish to make.

The budgeting process described in a number of interviews (Interviewee 9, 11, 12, 14, 15, 17) was similarly described by Interviewee 13 as:

“Myself and my team would spend up to 6 to 8 weeks doing strategy, justifications, recommendations, evaluations and reviewing. It’s fairly extensive where we have to justify every year, even when we are in a contract and it’s a 3 or 4 year contract, because what might be saved is a sponsorship fee, but the leveraging amount is what we really have to budget for and then we have to put up any new projects moving forward.”

8.5.3.2.3 Budget allocation to specific sponsorships

It appears that budgets are prepared for each individual sponsorship project for two main purposes; justification and control. Interviewee 17 commented:

“We do a budget in the sense of what it’s going to cost to purchase the product and generally any other costs involved and what results we are going to get from that.”

In the interviews where a formalised system was noted, the budgeting process starts with the justification of expenditure on ongoing sponsorship investments and then the budgets for prospective sponsorship investments are added.

Interviewee 13 described the allocation of funds during the budget process in the following way:
“Large sponsorships can take up to 18 months from negotiation to implementation. So you tend to find if you don’t get in that budget year, you might be able to plan for the next one. The only way we would take it outside of the budget timeframe is say we have a property that we walked away from. .... we’ll just slide it across to the new property.”

Interviewee 11 noted that although funds are allocated to sponsorships during the annual budgeting process “there is a contingency of some sort”. Sponsorship funding flexibility was also evident in the comments provided by Interviewee 12:

“We make funds available by changing priorities in other marketing activities.”

Interviewee 15 noted that she attached a budget to every sponsorship proposal as:

“A determining factor of whether I’ll sponsor something is whether I can afford it.”

8.5.3.2.4 Budget management

The major role played by the budget during the progress of a sponsorship project appears to be that of authorisation and control of expenditure. Interviewee 12 commented in relation to budgets:

“The budget is determined by how much this sponsorship is going to cost, and that’s how much we are going to spend and no more, so it’s our job to manage that spend and don’t exceed it.”

Further, she commented in relation to using a budget for control that:

“A budget is maintained while a sponsorship is running, so you know how much you’ve got to do.”

This is supported by Interviewee 14 who noted that:

“We control our sponsorship by setting a loose budget and then tracking that throughout the year.”
8.5.3.3 Performance measurement

Performance evaluation was not actively pursued in this phase of the study, however it is noted in the literature as a role of the budget and hence is commented on here. There was little if any evidence that budgets are used for performance evaluation. As noted in the previous section, budgets appear to be primarily used for authorisation and control. It appears that sponsorship managers are aware that budgets are not to be exceeded and that a ‘special case’ would have to be put to a CEO or board to obtain further funding. Performance evaluation is not related to the budgeting aspect of a sponsorship.

8.5.4 Other

The issues of trust and sponsorship as building a marketing asset are discussed in the following sections. The theme of trust was evident in several interviewee comments. In addition, several interviewees also commented on the objectives of sponsorship and the use of sponsorship in creating value in terms of a marketing asset. For this reason, the areas of trust and marketing assets are described in the following sections.

8.5.4.1 Trust

The importance of trust has been noted in alliances and partnerships, such as those formed when engaging in a sponsorship investment because the firm becomes reliant on the performance of its partner and also vulnerable to the actions they may take (Kumar, 1996). Most organisations noted the importance of the sponsorship contract. Typifying this view are the comments provided by Interviewee 9:

“We sat down with the producers before we signed the contract and agreed …
I even went further than that actually crossing our ‘t’s’ and dotting our ‘i’s’.”

Interviewee 5 reinforced this view in the following manner:

“We need to break down the contract, because you know how contracts are just blah, blah, this is really just to reiterate it in a way we can keep following.”
Once a sponsorship arrangement is underway, there was a general consensus among organisations that a report detailing the performance of the contract is required. Interviewee 20 commented:

“Every one of our sponsors receives a report depending on whether they want monthly, annually, and in that we evaluate media coverage.”

The building of relationships appeared to be a particularly important consideration in sponsorship decision-making in a number of organisations. These relationships appear to enhance the contractual position. Interviewee 24 commented:

“Deep personal relationships have been built across the company. …When we wanted to do something outside the terms of the sponsorship contract, when you’ve got those personal relationships and when those things happen, they are good and they are unique.”

The following comments demonstrate views consistent with the importance of a strong relationship between sponsor and sponsee:

“It’s also about managing the sponsorship and you find some organisations are easier to deal with than others.” (Interviewee 8)

“Because an ongoing sponsorship should, over time, build a certain credibility and reputation. If you stick with it and the activity grows, you grow with it.” (Interviewee 3)

“It should be seen as part of a platform that you are building as you go along, you know, a reputation or credibility.” (Interviewee 3)

In a sponsorship context, a strong relationship becomes extremely important, as the actions taken by one party can directly harm the reputation of the second party. Interviewee 24 noted that:

“What we do now is send all our sponsors the education that we send to schools, how many swear words, how many times they are said, how much nudity, what the theme of the show is. I think this is a big problem for us.”

Relationship issues were also noted by Interviewee 16:
“With the bigger organisations, we get back the data analysis … so that’s good exposure but we’ve also had a couple of dodgy things happen to us.”

Most organisations’ managers focussed on what was best for both parties, noting that although the contract was important, of greater import was the relationship and the “building of a binding association” (Interviewee 12).

In light of these observations relating to the importance of the relationship between the parties to the sponsorship, it was determined that the role of risk in sponsorship investment should be further appraised in the study’s survey phase.

8.5.4.2 Marketing assets

There appears to be growing importance attached to the justification of proposed marketing expenditure and for marketing personnel becoming more accountable for costs incurred (Foster and Gupta, 1994). It appeared that managers in the sponsorship area are becoming more aware that they are providing competitive advantage and creating a marketing asset.

The majority of organisational managers interviewed confirmed that they conducted “value for money” and “return on investment” (ROI) analysis. The sponsorship manager from organisation 11 went so far as to say:

“We need to be seen not as a cost centre but as a profit centre. For us it’s something we need to be accountable for, so there’s a need, like any investment, to get a return on it.”

In respect of “value for money” Interviewee 12 noted that in many cases it is a “gut feel” measurement but also noted that:

“Some of the properties you get access to within sponsorships are very easy to get a measure on, and others aren’t.”

Interviewee 14 commented:
“I think you need to look at the outcomes you are seeking to get, you can look at it in terms of brand building ... We guess, ... you’d look at the market values of similar properties.”

A number of organisations used ROI to determine “value for money” and to assist in the sponsorship selection process. Meeting objectives was noted as being a major determinant of ROI as noted by Interviewee 17:

“What we do is say what do we want to achieve out of this and what is it costing us?”

This was supported by comments made by Interviewee 14:

“Once you are in the industry you get a sense of the dollars. Do we think we are getting good value for money based on what our perception of the market is and what the outcomes are that we are looking for?”

Interviewee 19 highlighted that organisations do not all share the same objectives noting:

“Brand awareness is not everybody’s key objective.”

Although a number of methods of valuation of brand equity have been discussed in the literature (Simon and Sullivan, 1993; Lipman, 1989), in the interviews conducted, there was no evidence that such valuations occurred in a formal manner in practice. It was noted by Interviewee 14 that:

“One of the things in terms of assessment of sponsorships that a lot of people in the industry talk about is brand. That’s something that is very hard to quantify in terms of dollars and cents.”

8.6 Conclusion

Drawing on the findings of interviews with 24 managers from 22 organisations, this chapter has commented on sponsorship decision-making processes, how the decision to engage in sponsorship is made, the factors that affect this process and also the role of accounting in the decision-making process.
Sponsorship investment appears to be a widely used form of marketing employed by many Australian organisations. As suggested in the literature, it was found that the sponsorship decision-making process varied considerably in terms of degree of sophistication and formalisation. A growing appreciation of the importance of demonstrating that sponsorship provides an adequate return on investment was apparent.

The findings suggest that the role of accounting in the sponsorship decision-making process is not large and that the role of accountants is negligible. Budgets were widely used primarily in a planning and control capacity. Although sponsorship was seen as an investment by all interviewees and that a return on investment was required, there appeared to be a dislocation as no interviewees saw a need to undertake any form of investment analysis from an accounting or finance perspective using conventional capital budgeting procedures.

As already commented upon in the literature, changes in economic climate and the internal environment of the sponsor organisation both affected the degree of investment in sponsorship and the extent to which rigour is applied in the sponsorship selection process. Intuition was noted as playing a significant role in the decision-making process with the size of the organisation impacting positively upon the formalisation and sophistication of the sponsorship decision-making process.

From interview observations, it appears that although a contract is put in place, the success of the sponsorship depends not just on compliance with the contract but also the extent to which a supportive relationship is apparent between the two contracting parties. No citations of the sponsorship relationship have been noted in the trust or agency theory literatures. Despite this, the findings made suggest that the quality of the sponsor/sponsee relationship is an important dimension of sponsorship management.

Real Options Theory has been suggested in the literature as a superior valuation and decision-making tool (Trigeorgis and Mason, 1987). While it could be argued that real options are relevant to sponsorship in that sponsorship presents a strategic option opening up new opportunities through association with other images, a review of the
transcribed interviewee comments has failed to uncover any reference to the application of real options or any other related theory. In light of this, and also because of a widely held view amongst researchers that real options theory has gained little traction in the “real world” (Triantis, 2005), the decision was made to not pursue real options theory further.

Finally, marketing assets have been widely discussed in the literature, with particular importance attached to the challenge of their valuation. From the interview data collected, it appears that in practice there is little or no attempt to quantify the value of marketing assets resulting from sponsorship activities. However, there does appear to be attempts made to ensure that sponsorship investments achieve the objectives set when the investment is made. Although brands are recognised by many organisations as being of major importance, the development of brand strength is not seen as the only objective for entering into a sponsorship.

Drawing on the interview findings presented in this chapter and also the literature reviewed earlier, the following chapter outlines issues addressed in the questionnaire survey phase of the study.
### Table 8-2 Tabular Summary of Interview Findings

<table>
<thead>
<tr>
<th>Interviewee Code</th>
<th>Degree of Formalisation</th>
<th>Degree of Sophistication</th>
<th>The Budget Allocation Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Consultants view that most organisations do not have formalised approach.</td>
<td>Most sponsors are unsophisticated and believe that if “it feels good, it’s worked”.</td>
<td>Sponsorship budgets are prepared in a “loose fashion” for properties consulted on.</td>
</tr>
<tr>
<td>2</td>
<td>Consultants view that formalisation is essential but most organisations do not have a formalised approach.</td>
<td>Most sponsors are unsophisticated.</td>
<td>Budgets are prepared for each sponsorship including rights fees, leverage spend, miscellaneous costs, and accompanying communication media.</td>
</tr>
<tr>
<td>3</td>
<td>Consultants view that most organisations do not have formalised approach.</td>
<td>Moderately. Most sponsors are getting more sophisticated in their expectations and evaluation. Value for money and strategy congruence are analysed.</td>
<td>Budgets are prepared for each sponsorship including rights fees, leverage spend, miscellaneous costs, and accompanying communication media.</td>
</tr>
<tr>
<td>4</td>
<td>Company has a formalised approach to sponsorship evaluation.</td>
<td>Moderately. Value for money, opportunity cost and leveraging opportunities are evaluated.</td>
<td>Allocation to marketing. Sponsorship allocation on basis of budget justification.</td>
</tr>
<tr>
<td>5</td>
<td>Relatively high with checklists and a specified evaluation process</td>
<td>Moderately. Team analysis of opportunities and consideration given to profiling and targeted to a specific audience.</td>
<td>Allocation to marketing. Sponsorship allocation on basis of justification.</td>
</tr>
<tr>
<td>6</td>
<td>Relatively high with checklists and a specified evaluation process</td>
<td>Moderately. Team analysis of opportunities and consideration given to profiling and targeted to a specific audience.</td>
<td>Allocation to marketing. Sponsorship allocation on basis of justification.</td>
</tr>
<tr>
<td>7</td>
<td>Relatively high with checklists and a specified evaluation process</td>
<td>Moderately. Team analysis of opportunities and consideration given to profiling and targeted to a specific audience.</td>
<td>Allocation to marketing. Sponsorship allocation on basis of justification.</td>
</tr>
<tr>
<td>9</td>
<td>Very formalised with checklists and a specified evaluation process.</td>
<td>Sophisticated with use of capital budgeting techniques, team analysis of opportunities including leveraging and use of analysis by both marketing and accounting departments.</td>
<td>Allocation to marketing. Existing sponsorship forms part of this budget. New sponsorship opportunities are assessed outside this budget.</td>
</tr>
<tr>
<td>Interviewee Code</td>
<td>Degree of Formalisation</td>
<td>Degree of Sophistication</td>
<td>The Budget Allocation Process</td>
</tr>
<tr>
<td>------------------</td>
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</tr>
<tr>
<td>10</td>
<td>Moderately formalised with analysis of proposals and a formal plan in place.</td>
<td>Moderately sophisticated. Use of industry model for levels and types of sponsorship and analysis of investments. Use leveraging.</td>
<td>Allocation direct to sponsorship approved by managing director.</td>
</tr>
<tr>
<td>11</td>
<td>Highly formalised. Formal analysis with reference to criteria.</td>
<td>Sophisticated. Initial evaluation by the sponsorship team, analysis of leveraging opportunities and then consultation with internal stakeholders. Sponsorship is analysed in terms of generating profit.</td>
<td>Sponsorship forms part of marketing budget. Budget determined on basis of existing sponsorships and expected changes during the year. Some contingency is built in.</td>
</tr>
<tr>
<td>12</td>
<td>Not formalised. No clear plan to guide investment decision.</td>
<td>Moderately sophisticated. Use of outside expert to provide valuations. Decisions made by marketing team with extensive use of leveraging activities.</td>
<td>Marketing budget is divided into three business divisions. Sponsorship may form an activity under any one of these budgets. No sponsorship budget.</td>
</tr>
<tr>
<td>13</td>
<td>Highly formalised. Formal analysis using checklists and a specified evaluation process</td>
<td>Sophisticated. Initial evaluation by sponsorship manager, consultation with internal stakeholders, use of leveraging.</td>
<td>Allocation to marketing. Sponsorship allocation on basis of justification of budget requested.</td>
</tr>
<tr>
<td>15</td>
<td>Not formalised. Sponsorships expenditures are based on expertise of manager.</td>
<td>Not sophisticated. No evaluation processes in place however leveraging is used.</td>
<td>Allocation to marketing. Sponsorship is part of marketing and allocated on the basis of “whatever is required to achieve objectives”.</td>
</tr>
<tr>
<td>16</td>
<td>Not formalised. Sponsorships invested in are based on “what we think”.</td>
<td>Not sophisticated. No evaluation processes in place and ad hoc leveraging of sponsorship investments.</td>
<td>Allocation to marketing. Sponsorship is part of marketing but can vary and is not a fixed sum of money.</td>
</tr>
<tr>
<td>17</td>
<td>Highly formalised. A selection template is used as part of the specified process for evaluation.</td>
<td>Sophisticated. Extensive evaluation in accordance with a “sponsorship manual”, consideration of financial objectives, budget analysis, leveraging, cost/benefit analysis and consideration of opportunity costs.</td>
<td>Allocation directly to sponsorship approved by CEO.</td>
</tr>
<tr>
<td>Interviewee Code</td>
<td>Degree of Formalisation</td>
<td>Degree of Sophistication</td>
<td>The Budget Allocation Process</td>
</tr>
<tr>
<td>------------------</td>
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</tr>
<tr>
<td>18</td>
<td>Not very formalised. Sponsorship investment is made on the basis of “gut feel” and then try to make it feasible on paper.</td>
<td>Not sophisticated. No formal evaluation process. Leveraging is considered extremely important.</td>
<td>Allocation to marketing. Major projects have a fixed allocation from marketing budget while other projects are allocated funds based on “gut feel” of amounts required.</td>
</tr>
<tr>
<td>19</td>
<td>Highly formalised sponsorship evaluation process using checklists and a specified evaluation process.</td>
<td>Highly sophisticated process with consideration of strategy, ‘fit’ with the organisation and its sponsorship hierarchy, ability to achieve desired benefits, and leveraging.</td>
<td>Sponsorship is responsible for its own budget (not considered part of marketing).</td>
</tr>
<tr>
<td>20</td>
<td>Moderately formalised process with analysis of proposals and a formal plan in place.</td>
<td>Moderately sophisticated. Financial objectives are set, team analysis occurs, as well as value for money and leveraging.</td>
<td>Sponsorship forms part of marketing.</td>
</tr>
<tr>
<td>21</td>
<td>Moderately formalised process including documentation of proposal evaluation and a formal plan in place.</td>
<td>Moderately sophisticated with strategic and operational plans, consideration of sponsorship ‘fit’ and organisational strategy.</td>
<td>Sponsorship forms part of marketing.</td>
</tr>
<tr>
<td>22</td>
<td>Moderately formalised process including documentation of proposal evaluation and a formal plan in place.</td>
<td>Not sophisticated. No formal evaluation process although consideration given to sponsorship ‘fit’. Leveraging is considered extremely important.</td>
<td>Sponsorship is responsible for its own budget.</td>
</tr>
<tr>
<td>23</td>
<td>Unformalised approach. Major projects undertaken from head office and analysed there.</td>
<td>Not sophisticated however major emphasis placed on ‘fit’ of sponsorship.</td>
<td>Sponsorship forms part of marketing.</td>
</tr>
<tr>
<td>24</td>
<td>Formalised process involving evaluation of detailed plans and benefits.</td>
<td>Moderately. Value for money, opportunity cost and leveraging opportunities are evaluated.</td>
<td>Sponsorship forms part of marketing.</td>
</tr>
</tbody>
</table>
CHAPTER 9
PROPOSITION DEVELOPMENT AND SURVEY DESIGN

9.1 Introduction

Drawing on the findings of the case study and exploratory interviews, this chapter provides an introduction to the third and final phase of the thesis involving the administration of a survey questionnaire to a sample of Australian companies active in sponsorship decision-making. An overview of the propositions that will be examined using the quantitative data collected is provided, followed by a description of the questionnaire instrument used in the study. The final section of the chapter provides a discussion of sampling and survey procedures adopted during the survey process. An analysis of the data collected and presentation of the findings of the statistical analyses conducted is presented in Chapters 10.

9.2 Proposition Development

This section provides a description of propositions developed pertaining to the sponsorship decision-making process. Initially, a diagrammatic overview of proposed relationships between dependent variables and independent variables will be presented. Following this, propositions will be developed to test the relationships presented.

Research relating to organisational decision-making theory was discussed in depth in Chapter 3. It was found in the exploratory interview phase of the study that the way sponsorship decisions are made varies considerably across organisations. In addition, although a number of organisations were noted as having formalised systems, the manner in which sponsorship investment decisions are made often appeared to not conform to the formalised decision-making process. This finding has some support from the literature, as it has been found that evaluation of strategic investment proposals includes both formal analysis and informal justification (Guilding, 2003; Van Cauwenbergh, et al., 1996; Collier and Gregory, 1995). From observations made in the qualitative data collection
phases, it has been determined that three dimensions of sponsorship decision should be examined. These are formalised, sophisticated and intuitive decision-making.

An overview of the relationships between proposed factors affecting these three dimensions of sponsorship decision-making are presented in the three models appearing as Figures 9.1, 9.2, and 9.3. Figure 9.1 concerns Model 1 which depicts factors affecting the degree of formalisation in an organisation’s sponsorship decision-making process. Figure 9.2 depicts Model 2 which concerns factors affecting the degree to which an organisation’s sponsorship investment decision-making process is sophisticated. Figure 9.3 shows Model 3, which concerns factors affecting the degree to which intuition is used in an organisation’s sponsorship investment decision-making process. Following the three figures, the dependent variables are defined and discussed under the heading of each model. The independent variables are introduced and discussed under the heading of each model in the same order that they appear in the figure associated with each model.
Figure 9-1 Model 1: Independent Variables and Degree of Formalisation of the Sponsorship Decision-making Process

<table>
<thead>
<tr>
<th>Proposition Number</th>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 1a</td>
<td>Strategy</td>
<td></td>
</tr>
<tr>
<td>Proposition 1b</td>
<td>Organisation size</td>
<td></td>
</tr>
<tr>
<td>Proposition 1c</td>
<td>Level of sponsorship expenditure</td>
<td>Degree of formalisation of the sponsorship decision-making process</td>
</tr>
<tr>
<td>Proposition 1d</td>
<td>Environmental uncertainty</td>
<td></td>
</tr>
<tr>
<td>Proposition 1e</td>
<td>Risk</td>
<td></td>
</tr>
<tr>
<td>Proposition 1f</td>
<td>Trust</td>
<td></td>
</tr>
</tbody>
</table>
Figure 9-2 Model 2: Independent Variables and the Degree of Sophistication of the Sponsorship Decision-making Process

<table>
<thead>
<tr>
<th>Proposition Number</th>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 2a</td>
<td>Strategy</td>
<td></td>
</tr>
<tr>
<td>Proposition 2b</td>
<td>Organisation size</td>
<td></td>
</tr>
<tr>
<td>Proposition 2c</td>
<td>Level of sponsorship expenditure</td>
<td>Degree of sophistication of the sponsorship decision-making process</td>
</tr>
<tr>
<td>Proposition 2d</td>
<td>Environmental uncertainty</td>
<td></td>
</tr>
<tr>
<td>Proposition 2e</td>
<td>Risk</td>
<td></td>
</tr>
<tr>
<td>Proposition 2f</td>
<td>Trust</td>
<td></td>
</tr>
</tbody>
</table>
Figure 9-3 Model 3: Independent Variables and Degree of Intuition Used in the Sponsorship Decision-making Process

<table>
<thead>
<tr>
<th>Proposition Number</th>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 3a</td>
<td>Strategy</td>
<td></td>
</tr>
<tr>
<td>Proposition 3b</td>
<td>Organisation size</td>
<td></td>
</tr>
<tr>
<td>Proposition 3c</td>
<td>Level of sponsorship expenditure</td>
<td>Degree of intuition in the sponsorship decision-making process</td>
</tr>
<tr>
<td>Proposition 3d</td>
<td>Environmental uncertainty</td>
<td></td>
</tr>
<tr>
<td>Proposition 3e</td>
<td>Risk</td>
<td></td>
</tr>
<tr>
<td>Proposition 3f</td>
<td>Trust</td>
<td></td>
</tr>
</tbody>
</table>
9.2.1 Model 1: Independent variables and the degree of formalisation of the sponsorship decision-making process

The first model focuses on factors affecting the degree of formalisation of the sponsorship decision-making process (as depicted in Figure 9.1). Formalisation is the fundamental characteristic of the formal model of decision-making which is closely associated with the rational decision-making model. The rational model requires decision-makers to consider a range of options, compare and evaluate them and select the optimal option (Butler et al., 1993). Rational organisations exhibit three main characteristics. Firstly, they produce standardised organisational objectives and behaviour, secondly the organisation advocates objective decisions and actions and thirdly, the formal structure of the organisation is a tool to control for individual irrationality (Weber, 1968; Scott, 1992; Alkadry and Nyhan, 2005). This standardisation of work practices is designed to ensure that actions taken within the organisation are consistent irrespective of who takes the action (Scott, 1992). For the purposes of this study, formalisation is defined in terms of standardisation of the decision-making process.

In the contingency-based model, three factors have been identified from the first two phases of the study as potentially affecting the degree of formalisation of the sponsorship investment decision-making process: strategy, organisation size, and environmental uncertainty. Three other factors motivated either by prior reasoning or rationale provided in the literature are also proposed as factors that may affect the sponsorship decision-making process: the level of sponsorship expenditure, risk and trust.

9.2.1.1 Strategy

The relationship between management control systems and strategy has been considered widely in many earlier accounting studies, as noted by Langfield-Smith (1997). Following the discussion of prior research relating to strategy in Chapter 4 and the lead of many other accounting researchers, it has been decided that the typology identified by
Miles and Snow (1978) will form the basis of the dimension of strategy to be explored in this study.

It is proposed that organisations that are prospectors are more likely to engage in sponsorship activities and that this greater sponsorship activity will likely result in more developed and formalised sponsorship decision-making processes. By definition, a prospector is more externally oriented, attempting to create a competitive advantage by seeking new opportunities and ways to differentiate its product. This high external orientation would appear conducive to the building of strong relationships with sponsees. Also, the relatively high emphasis on product or service differentiation can be expected to raise the use of sponsorship as a means to achieve the desired product or service differentiation and also to secure exposure in the market. It is believed that prospectors will tend to have a more formalised sponsorship decision-making process to ensure that the organisation invests only in sponsorship opportunities that have the capacity to provide the marketplace differentiation sought.

On the other hand, a defender organisation is characterised by a narrow focus with attention given primarily to cost efficiency, stability and earning the best possible profit given its internal environment. As a result, it could be argued that as a defender organisation infrequently makes changes to its technology, structure or methods of operation, it would have well defined and somewhat static systems in place, suggesting that the approaches to sponsorship investment decision-making would not require a formalised process. The organisation would be rigid in its ideas and follow what has been done in the past, making very few changes and not requiring a formalised system for decision-making as they would not need to consider extensive information concerned with assessing opportunities to gain a competitive advantage.

Having considered these two conflicting effects with respect to the likely relationship between a prospector or defender strategic orientation and sponsorship decision-making formalisation, on balance the former rationale appears more persuasive. The following proposition is stated in a manner consistent with this view.
**Proposition 1a:** Organisations with prospector-type strategies have more formalised sponsorship decision-making processes.

### 9.2.1.2 Organisation size

Several contingency studies have noted a positive relationship between size and degree of formalisation of accounting and control systems (Bruns and Waterhouse, 1975; Merchant, 1981; Chenhall, 2003). Associated with the economies of scale notion, it appears reasonable to expect that larger organisations can more easily justify the expenditure of resources directed to the development of formalised systems. It also appears that as a function of their size, large organisations will expend larger absolute amounts of funds on sponsorship. This larger sponsorship expenditure can be seen as justifying the development of more formalised sponsorship decision-making systems. The following proposition is stated in a manner consistent with this expectation.

**Proposition 1b:** Larger organisations have more formalised sponsorship decision-making processes.

### 9.2.1.3 Level of sponsorship expenditure

Consistent with the discussion for Proposition 1b it appears that where an organisation invests a large quantum of funds in sponsorship, irrespective of the size of the organisation, they would tend to see a greater need for a formalised investment decision-making process. The large quantum of sponsorship funds expended would place a high onus on developing a formalised decision-making process to ensure that the funds are invested in an optimal manner. Consistent with this rationale, it is expected that there is a positive relationship between the level of sponsorship expenditure and the formalisation of the sponsorship decision-making process.

**Proposition 1c:** Organisations with a high level of sponsorship expenditure have more formalised sponsorship decision-making processes.
9.2.1.4 Environmental uncertainty

Extensive research has been undertaken examining the relationship between environmental uncertainty and a company’s information needs (Chenhall and Morris, 1986). It was noted in Chapter 4 that this research suggests that in highly uncertain environments, managers require information that is current, provides rapid feedback, is related to the external environment and is both financial and non-financial. Following from these findings, it appears reasonable to expect that there will be a need for more formalised processes in those companies operating in more uncertain environments. More formalised accounting processes can be seen as representing the basis for providing managers with more relevant information pertinent to managers attempting to cope with the complexities of environmental uncertainty. Consistent with this rationale, it is proposed that where there is increased environmental uncertainty, an organisation is more likely to have a relatively formalised sponsorship decision-making process.

**Proposition 1d:** Organisations operating in more uncertain environments have a more formalised sponsorship decision-making process.

9.2.1.5 Risk

The notion of risk in relation to sponsorship decision-making has been conceptualised using the Corporate Finance and Agency Theory literatures. The notion of business uncertainty has been drawn from the corporate finance literature and refers to the risks associated with the nature of a company’s operations. Unlike environmental uncertainty, which concerns factors that lie outside the control of a company, business uncertainty represents a form of uncertainty that can be affected by decisions made within a company. Business risk can be defined as the risk to the organisation of not being able to cover its operating costs (Gitman, Juchau and Flanagan, 2008). Ross, Westerfield and Jordan (2008) define business risk as the risk inherent in the firm’s operations. Where an organisation is financed solely by equity, business risk is the only risk shareholders face, however when an organisation is financed by debt in addition to equity it also faces financial risk. By using leveraging, the organisation can borrow funds to increase the
expected return to shareholders. Generally, where there is an increase in leverage, there is also an increase in return and risk and hence an effect on the value of the firm.

In addition to business uncertainty, sponsors face risks arising from the agency relationship that arises in a sponsorship arrangement. From an agency theory perspective, and based on the theoretical discussion in Chapter 4, it would appear that in a sponsorship investment where one party (the sponsor) assigns work to another party (the sponsee), contractual issues can arise as the sponsee may have scope to act opportunistically and in a self-interested manner. It would be expected that the sponsor would be characterised by a risk-averse culture where it would actively seek to manage any risks associated with sponsorship arrangements. In addition, the form of sponsorship conducted by the organisation requires consideration. It is conceivable that some sponsorship situations may open the sponsor up to relatively high degrees of risk. For example, where an organisation sponsors a football team it is conceivable that a player in that team may act irresponsibly thereby bringing both the team and the sponsoring organisation into disrepute.

It also appears that there may be a conflict between the risk preference of the sponsorship manager and that of the organisation. An organisation with a relatively risk-averse culture may have a manager responsible for overseeing the sponsorship decision-making process who has low risk aversion or, on the other hand, an organisation with a risk-taking culture may have a sponsorship manager who is highly risk averse. We are then left to consider which would be the more powerful effect on sponsorship decision-making style: the risk-taking propensity of the manager, or the risk-taking culture of the organisation.

It would be expected that where a sponsoring organisation has a high aversion to risk, it would take a relatively formalised approach to the sponsorship decision-making process in order to appropriately evaluate the risk associated with sponsoring and the sponsorship situation as well as to evaluate the implications arising from the greater level of risk present. Such a formalised evaluation procedure could also provide the sponsor with an opportunity to appraise what steps can be taken to minimise its risk exposure.
Following this rationale, it is proposed that where there is increased risk, an organisation is more likely to have a more formalised sponsorship decision-making process. This proposition should be noted as having particular significance, as the review of contingency theory based accounting studies has uncovered no prior work using risk as an independent variable.

**Proposition 1e:** Organisations with a high degree of risk have more formalised sponsorship decision-making processes.

### 9.2.1.6 Trust

Trust, as discussed in Chapter 4, relates to the concept that one party has confidence that a second party will do what they say they will do. In most agreements, a level of trust between the two parties is required, as it is not possible to create a contract that covers all issues that may arise when two organisations enter into a commercial arrangement. It is expected that where a trusting relationship exists, there is a lesser need for formalisation and costs can therefore be reduced.

In a sponsorship investment scenario, it is therefore expected that where the sponsor has formed a high level of trust in the sponsee, the sponsor would require a less formalised approach to sponsorship decision-making. This results from the trusting relationship that has been formed ensuring that the sponsee will act in a manner as agreed and expected by the sponsor. Following this rationale, if most of an organisation’s sponsoring activities are conducted in a context where high trust is present, the sponsoring entity will have a relatively low need for formalised sponsorship decision-making processes.

**Proposition 1f:** Sponsors that place high emphasis on the issue of trust when entering a sponsorship arrangement will have a less formalised sponsorship decision-making process.
9.2.2 Model 2: Independent variables and the degree of sophistication of the sponsorship decision-making process

The second model developed in this study focuses on factors affecting the degree of sophistication of the sponsorship decision-making process and is depicted in Figure 9.2. Sophistication relates to the complexity and mix of activities that are undertaken in making a sponsorship decision. It is acknowledged that there may be an association between the formalisation dependent variable and the sophistication dependent variable, however despite this, the two constructs can be seen as sufficiently distinct to warrant separate examination. A sponsorship decision-making process might be highly formalised to the extent that it can be criticised for suffering from too much ‘red tape’. It would be misleading to view such a system as sophisticated. Further, a decision-making system might be highly formalised and standardised but involve limited sophistication in the actual analysis undertaken. Again, it would be inappropriate to view a standardised system using relatively unsophisticated techniques as sophisticated.

Sophistication in this study is seen as the use of a mix of advanced activities, techniques and expertise in the sponsorship investment decision-making process. It encompasses factors such as cross-functional input in the decision-making process (eg., marketing and accounting personnel involvement), co-ordination and integration of marketing and sponsorship, consideration of such factors as ‘time value of money’ and opportunity costs, and budget use (for example, using the budget to monitor and control sponsorship expenditure).

As can be seen from Model 2, depicted in Figure 9.2, the contingency variables identified for examination in connection with sponsorship decision-making process sophistication parallel the contingent factors appearing in Model 1. The rationale for the associations highlighted in Model 2 will now be explained as support for Proposition 2a – 2f.
9.2.2.1 Strategy

As noted in the discussion above for Model 1, a prospector firm is relatively externally focussed due to its search for new opportunities. It could be argued that prospector organisations need broader-based information than defender firms due to their drive for more new opportunities. This would lead a sponsoring organisation to consider large amounts of diverse information to ensure that they are ahead of their competitors in seeking to differentiate their product or service and create competitive advantage. This information may include opportunity costs, consideration of ‘time value of money’, and leveraging opportunities.

It was also noted in the discussion relating to Model 1 that a relatively high emphasis on product or service differentiation can be expected to increase the use of sponsorship in an attempt to achieve a prospector’s strategy of product or service differentiation. Increased levels of sponsorship expenditure are likely to signify more frequent consideration of sponsorship opportunities. This also signifies more accumulated organisational practice and expertise with sponsorship decision-making. Greater expertise in sponsorship decision-making can be expected to be closely associated with the notion of more sophisticated sponsorship decision-making. This rationale provides the basis for an expectation that prospector-type organisations will tend to have more sophisticated sponsorship investment decision-making processes.

**Proposition 2a:** Organisations with prospector-type strategies have more sophisticated sponsorship decision-making processes.

9.2.2.2 Organisation size

Consistent with the discussion in relation to Model 1, in larger firms it would appear that there is an increased likelihood of greater sponsorship expenditure that will result in the need for a more sophisticated sponsorship decision-making process including a greater complexity and mix of activities. Further, Guilding (1999, p. 586) explains his expected
positive relationship between size and competitor focussed accounting (CFA) development in the following way:

“This expectation derives from the ability of larger firms to reap the benefits of lower CFA costs per sale and per employee, as well as the well-documented finding that size is positively related to greater accounting sophistications” (Bruns & Waterhouse, 1975; Merchant, 1981).

Building on Guilding’s line of logic, it appears reasonable to expect that large firms will have a greater capability to develop sophisticated sponsorship decision-making systems as the cost of developing and maintaining such systems can be spread over a greater number of sales and employees. Consistent with this rationale, it is expected that size will be positively related to the sophistication of the sponsorship investment decision-making process.

**Proposition 2b:** Larger organisations have more sophisticated sponsorship decision-making processes.

9.2.2.3 Level of sponsorship expenditure

As noted in the discussion above and consistent with Model 1, in firms where there is a high level of sponsorship expenditure, it would appear that the quantum of expenditure will result in the need for a more sophisticated sponsorship decision-making process including greater complexity and mix of activities. In firms where the quantum of sponsorship expenditure is high, it would be expected that a more sophisticated decision-making process would be required to ensure that funds are invested wisely. The following proposition is stated in manner consistent with this expectation.

**Proposition 2c:** Organisations with a high level of sponsorship expenditure have more sophisticated sponsorship decision-making processes.
9.2.2.4 Environmental uncertainty

Consistent with the research supporting the relationship between environmental uncertainty and a company’s information needs discussed in Chapter 4 and above in relation to Model 1, it is suggested that organisations operating in highly uncertain environments will have increased informational needs. Such organisations will require a broad spectrum of both financial and non-financial information to assist in their decision-making.

To inform sponsorship decision-making in the context of higher levels of environmental uncertainty it is expected that management will recognise the need for sophisticated analytical approaches to ensure that the greater level of uncertainty is appropriately considered. Sophisticated procedures will also facilitate the provision of relevant information from a sufficiently complex mix of sources. Following this rationale, it is proposed that where there is increased environmental uncertainty, an organisation is more likely to have a relatively sophisticated sponsorship decision-making process.

Proposition 2d: Organisations with a high degree of environmental uncertainty have more sophisticated sponsorship decision-making processes.

9.2.2.5 Risk

As noted above in the discussion concerning Model 1, the notion of business uncertainty has been drawn from the corporate finance literature and refers to the risks associated with the nature of a company’s operations.

In the same vein as the discussion in Model 1, the agency theory perspective throws light on the relationship between the sponsor and sponsee and the propensity of the sponsee to act in an opportunistic or self-interested manner. In addition, some sponsorship situations will open up the sponsor to relatively high degrees of risk exposure. Where there is a likelihood of this occurring, it is expected that the sponsor would adopt a more sophisticated approach to the sponsorship decision-making process to appropriately
consider the potential of the sponsee acting in a self-interested manner that may damage the sponsor and also to consider what steps can be taken to lessen the chances of the sponsee acting opportunistically.

Consistent with this rationale, it is proposed that where there is increased risk, an organisation is more likely to have a more sophisticated sponsorship decision-making process. As in Model 1, this proposition should be noted as having particular significance, as the review of contingency theory-based accounting studies has uncovered no prior work using risk as an independent variable.

Proposition 2e: Organisations with a high degree of risk have a more sophisticated sponsorship decision-making process.

9.2.2.6 Trust

As discussed in connection with Model 1, trust relates to the notion of one party having confidence that a second contracting party will do what they say they will do and will act in a way that recognises the interests of the other contractual party. In a sponsorship investment scenario, it is to be expected that where a sponsor tends to have a high level of trust in the sponsees with which they are engaged, the sponsor would feel a lower need for resources to be expended on the development and maintenance of a sophisticated sponsorship decision-making process. Therefore, where a trusting relationship exists, a sophisticated decision-making process will be less important as the sponsor trusts that the sponsee will act in their best interest. The following proposition is posited in a manner consistent with this rationale.

Proposition 2f: Sponsors that place high emphasis on the issue of trust when entering a sponsorship arrangement will have a less sophisticated decision-making process.
9.2.3 Model 3: Independent variables and the degree of intuition in the sponsorship decision-making process

In a manner similar to the discussion for Models 1 and 2 above, this section provides a description of the propositions relating to Model 3, as depicted in Figure 9.3. Research has shown that strategic decisions are matters of judgement based on past experience and management’s visions or beliefs as well as considering detailed financial analysis (Donaldson and Lorsch, 1983; Butler et al., 1993; Collier and Gregory, 1995; Guilding, 2003). Sponsorship investments frequently represent significant strategic decisions. It follows that management intuition is likely to be a significant factor in strategic decision-making.

In addition, a sponsorship manager’s decision-making preference may play an important role in the way that sponsorship decisions are made, regardless of what policies and procedures have been determined by the organisation. For example, a manager may have a natural propensity to rely on ‘gut feel’ in making decisions whereas this may not be the system prescribed by the organisation. It is believed that a particular decision-making propensity exhibited by a sponsorship manager would play an important role in the design of a sponsorship decision-making process.

Further, as this study’s qualitative interview phases demonstrated, it appears that many sponsorship investments do not lend themselves to a quantification of the benefits deriving from the sponsorship. As a result, greater emphasis is placed on subjectivity when determining whether to sponsor. It would be expected therefore that intuition would play a major role in sponsorship investment decision-making processes.

The contingent factors, shown in Model 3 will be examined in connection with the importance of intuition in the sponsorship decision-making process. These parallel the contingent factors appearing in Models 1 and 2. The rationale for the associations highlighted in Model 3 will be explained as support for Propositions 3a – 3f.
9.2.3.1 Strategy

Again, drawing on the typology developed by Miles and Snow (1978), it appears that prospectors tend to seek new opportunities to create competitive advantage. Such organisations will likely rely on a degree of intuition in appraising whether a particular sponsorship opportunity is likely to enhance its efforts to be a first mover in their chosen market. Where an organisation is seeking market opportunities and experiments with new trends and innovations, it is likely that sponsorships will be pursued as the result of an opportunity that arises, rather than as part of a formalised plan. A flexible approach and a relatively quick decision will be required to seize the opportunity in pursuit of competitive advantage. It is therefore expected that prospector firms will use a relatively high degree of intuition in sponsorship investment decision-making.

Proposition 3a: Organisations with prospector-type strategies will use a relatively high degree of intuition when making sponsorship investment decisions.

9.2.3.2 Organisation size

As discussed in connection with Models 1 and 2, a recurring finding in contingency research shows that as size increases, accounting and control systems tend to become more sophisticated (Bruns and Waterhouse, 1975; Libby and Waterhouse, 1996). Smaller organisations would find it uneconomic to establish and maintain formalised systems for the analysis of sponsorship investment decisions. This suggests that small organisations are likely to place a relatively high degree of emphasis on intuitive approaches when making sponsorship investment decisions. Proposition 3b is stated in a manner consistent with this rationale.

Proposition 3b: Smaller organisations use a relatively high degree of intuition when making sponsorship investment decisions.
9.2.3.3 Level of sponsorship expenditure

As noted in the discussion above and in connection with Models 1 and 2, in firms where the quantum of sponsorship expenditure is low, it would appear that it would be uneconomic to establish and maintain sophisticated systems for the analysis of sponsorship investment decisions. This suggests that where there is a low level of sponsorship expenditure, it would be expected that a relatively high degree of emphasis on intuition in the sponsorship decision-making process would exist. The following proposition is stated in a manner consistent with this expectation.

**Proposition 3c:** Organisations with a low level of sponsorship expenditure use a relatively high degree of intuition when making sponsorship investment decisions.

9.2.3.4 Environmental uncertainty

Several researchers have noted that management base their decision on intuition when strategic decisions are being made in a context of a high degree of uncertainty (Agor, 1986; Langley, 1990; Butler et al., 1993; Van Cauwenbergh et al., 1996). It was noted in connection with the discussion of Proposition 1c that there is a need for a more formalised approach to decision-making where high levels of uncertainty exist. Research has found that both rational factors such as formal assessment and intuitive judgement are used when evaluating a strategic investment proposal (Mares, 1991; Butler et al., 1993; Van Cauwenbergh et al., 1996). In situations of high environmental uncertainty, it will be difficult to quantitatively model for particular outcomes without a high degree of uncertainty, i.e., there is bound to be limited confidence in the outcomes projected. This limited confidence can be expected to give rise to greater importance attached to intuitive appraisal of sponsorship opportunities. Proposition 3c is drafted in a manner consistent with this expectation.

**Proposition 3d:** Organisations will use a relatively high degree of intuition when making sponsorship investment decisions in a context characterised by a high degree of environmental uncertainty.
9.2.3.5 Risk

As discussed in connection with Models 1 and 2, it is expected that the degree of risk associated with business uncertainty and the sponsorship approach will affect the formalisation and sophistication of the sponsorship decision-making process. In a context of high uncertainty, research has shown however that management will base their decisions on intuition (Agor, 1986; Langley, 1990; Butler et al., 1993; Van Cauwenbergh et al., 1996). In situations of high risk it would appear to be difficult to quantitatively model for particular outcomes with a high degree of certainty. As a result it would be expected that the intuitive appraisal of sponsorship opportunities would become important. Proposition 3e has been developed in a manner consistent with this rationale.

Proposition 3e: Organisations will use a relatively high degree of intuition when making sponsorship investment decisions in a context characterised by a high degree of risk.

9.2.3.6 Trust

As discussed in connection with Models 1 and 2, trust relates to the notion of one party having confidence that a second contracting party will do what they say they will do and will act in a way that recognises the interests of the other contractual party. In a sponsorship investment scenario, it is expected that where a sponsor tends to have a high level of trust in the sponsee with which they are engaged, the sponsor would likely rely on a higher degree of intuition in appraising the sponsorship arrangement. Therefore, where a trusting relationship exists, an intuitive decision-making process will be of greater importance, as the sponsor trusts that the sponsee will act in their best interest. The following proposition is prepared in a manner consistent with this rationale.

Proposition 3f: Sponsors that place high emphasis on trust when entering a sponsorship arrangement will use a relatively high degree of intuition when making sponsorship investment decisions.
9.3 General Issues Relating to the Models

In Chapter 3 a number of decision-making models were examined as being potentially relevant to this project. Three distinct sponsorship decision-making orientations have been identified and discussed above. It should not be implied that these are the only dimensions of sponsorship decision-making that could be investigated, however. Indeed, consideration has been given to examining other models of sponsorship decision-making in the survey phase of this study. In particular, the politicality of sponsorship decision-making processes was considered for inclusion as a further dependent variable. The relevant literature provided limited leads in terms of contingent factors likely to affect this variable, however. As a result, no formal model has been proposed regarding the political aspects of sponsorship decision-making.

9.3.1 Sponsorship decision-making questionnaire

An overview of the variables examined and the questionnaire items used for their measurement is provided in Table 9.2. An overview of the descriptive variables is provided in Table 9.3. While not involved in proposition testing, the descriptive variables will facilitate key insights concerning the way sponsorship budgeting is conducted in Australian firms.

The questionnaire included in Appendix B, addresses five main themes. The first theme concerns the process of budgeting, with questions designed to generate information that can further understanding of the way that organisations budget for sponsorship activities. The second theme relates to sponsorship decision-making processes, with questions designed to measure the dependent variables outlined in Figures 9.1, 9.2 and 9.3 (i.e., the degree of formalisation, the degree of sophistication and the degree of intuition used in the sponsorship decision-making process). The third theme is concerned with appraising the degree of accounting personnel involvement in the sponsorship decision-making process. The fourth theme focuses on determining the organisational roles played by
sponsorship budgeting. The fifth theme appraises factors that might affect sponsorship decision-making procedures.

Design of the questionnaire items is described here in the order in which they appear in Tables 9.1 and 9.2. When information concerning a variable is gathered using more than one questionnaire item, these questions will be discussed together. The questionnaire design will be discussed further in Chapter 10.

Table 9-1 Overview of Proposition Variables and their Measurement

<table>
<thead>
<tr>
<th>Proposition Variables</th>
<th>Proposition Number</th>
<th>Questionnaire Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formalisation</td>
<td>1a–f</td>
<td>5a–f</td>
</tr>
<tr>
<td>Sophistication</td>
<td>2a–f</td>
<td>6a–g</td>
</tr>
<tr>
<td>Intuition</td>
<td>3a–f</td>
<td>7a(i)–7a(iii), 7b(i)–7b(iii)</td>
</tr>
<tr>
<td>Strategy</td>
<td>1a, 2a, 3a</td>
<td>17</td>
</tr>
<tr>
<td>Organisation size</td>
<td>1b, 2b, 3b</td>
<td>10</td>
</tr>
<tr>
<td>Level of sponsorship expenditure</td>
<td>1c, 2c, 3c</td>
<td>11, 12</td>
</tr>
<tr>
<td>Environmental uncertainty</td>
<td>1d, 2d, 3d</td>
<td>13a–e</td>
</tr>
<tr>
<td>Risk</td>
<td>1e, 2e, 3e</td>
<td>14a–c; 15a–b</td>
</tr>
<tr>
<td>Trust</td>
<td>1f, 2f, 3f</td>
<td>16a–c</td>
</tr>
</tbody>
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Table 9-2 Overview of Descriptive Variables

<table>
<thead>
<tr>
<th>Variable Name</th>
<th>Questionnaire Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Allocation Process</td>
<td>4a-f</td>
</tr>
<tr>
<td>Political Factors</td>
<td>7b(iv)</td>
</tr>
<tr>
<td>Accounting Personnel Involvement</td>
<td>8a–f</td>
</tr>
<tr>
<td>Roles of the Budget</td>
<td>9a–g</td>
</tr>
</tbody>
</table>
9.4 Questionnaire Design

This section describes the design of the questionnaire used in the study, including general issues in questionnaire design, pilot testing and sampling and survey procedures. The questionnaire was sent to the manager who oversees sponsorship activities. In an attempt to maximise the survey response rate, the survey was limited to four pages. These four pages were presented as two sheets of paper printed on both sides of a single A4 size sheet of paper. The questionnaire and covering letter appear as Appendix B and B2.

9.4.1 General issues in questionnaire design

A number of strengths and weaknesses are inherent in survey research. The principal strengths of survey research identified by Brownell (1995) are the reduced cost to administer when compared to face-to-face or telephone interviews, the avoidance of bias by the interviewer and the anonymity of respondents. Weaknesses of survey research include poor response rates (de Vaus, 1992), systematic bias introduced by poor sample selection, threats to internal validity caused by poor questionnaire design (Krosnick, 1999) and threats to reliability caused by untested, newly developed variable measures (Roberts, 1999) or single item measures (Brownell, 1995). Krosnick (1999) claims that “recent research has shown that surveys with very low response rates can be more accurate than surveys with much higher response rates” (p.537). A low response rate is therefore not necessarily a cause for concern.

To overcome the potential weaknesses of survey research, a number of strategies were employed. These include pilot testing of the questionnaire prior to administration, the use of multi-item measures of variables and the use of two mailings of the survey questionnaire and a further email follow-up. These strategies are discussed further in the following paragraphs.

To enable multivariate data analysis, seven-point Likert scale responses were used in the questionnaire survey wherever possible. In management accounting research, the most
widely used multiple item scale is the Likert scale due to its relative ease of construction and its ability to handle multi-dimensionality (Brownell, 1995). Multiple item scales were used in most cases, with care taken to limit the number of items to ensure that respondent fatigue or response bias did not result (Hinkin, 1995). Multi-item measures have the advantage of increasing validity, reflecting the complexity of constructs, and reducing the risk that a subtle nuance of wording or phrasing of an item may affect the measurement of a variable, thereby improving reliability (Roberts, 1999).

Previously published instruments were used wherever possible to increase the reliability of the variable measurement (Brownell, 1995). Where no previously used measure was found in the literature, these were developed by the researcher. Double barrel questions and reverse score items were not employed in the questionnaire survey following Hinkin (1995).

9.4.2 Questionnaire pilot testing

The questionnaire was piloted by a total of 12 individuals of whom seven had an academic background and five were practitioners. As this questionnaire applies both accounting and marketing theories, it was important to obtain the comments of those from within the accounting discipline and the marketing discipline. An overview of the academics and practitioners who reviewed the questionnaire is presented in Table 9.3.
Table 9-3 Background of individuals who pilot tested the sponsorship survey questionnaire

<table>
<thead>
<tr>
<th></th>
<th>Academics</th>
<th>Practitioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting academics</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Senior academics with marketing interests</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Marketing / sponsorship managers</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>CEO’s</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Total:</td>
<td>7</td>
<td>5</td>
</tr>
</tbody>
</table>

A number of individuals were approached via an email or telephone request to be involved in the pilot testing phase. Due to other commitments, two of these persons were unable to assist. The questionnaire survey was forwarded by email to the individuals who agreed to be involved. Comments were invited on relevance and appropriateness of questions, layout and survey design. As a result of the pilot study, only minor changes were made in relation to layout and wording of instructions to participants.

The questionnaire was also reviewed by the Australian Sponsorship Marketing Association (ASMA) committee as part of an agreement whereby access was provided to their database of members. They commented that the survey questionnaire was relevant and well-constructed enabling the ASMA membership to complete it with ease.

9.4.3 Sampling and survey procedures

The ASMA membership base was used as the study’s sample frame. This provided an initial sample frame of 237. The mail-out comprised a covering letter (B1), questionnaire (Appendix B) and a return pre-paid self addressed envelope. A second mail-out was sent
to all members three weeks after the initial mailing, comprising a follow-up covering letter (Appendix B2), questionnaire and a return pre-paid self addressed envelope. During this period, ASMA included details of the survey in their newsletter and emailed all members to encourage them to participate in the survey.

Of the initial 237 questionnaire surveys mailed, surveys sent to nine of the association members were returned marked “person unknown at this address”, and nine were returned with a note to say they were not the appropriate person to be completing the survey. The response rate was therefore determined using a final sample size of 219.

Responses were received from 34 members for the first mail-out and 23 members for the second mail-out. This represents a response rate of 15.5% for the first mail-out and 10.5% for the second mail-out, providing a total response rate of 26%. This response rate is within the general return rates for mail surveys of between 10% and 50% and therefore considered to be satisfactory (McBurney, 1994).

Investigation into non-response was conducted by ASMA on behalf of the researcher due to privacy issues raised by ASMA. The objective of the follow-up was firstly, to ascertain why the survey had not yet been completed and secondly, to encourage the respondent to respond. ASMA advised that the reasons provided for non-response included being “too busy” to participate, and being “the wrong person to complete the survey”. No reason cited gave rise to a concern for non-response bias. Non-parametric Mann-Whitney U tests were also performed to investigate for response bias between early and late respondents. Responses for the first questionnaire mail-out were compared with responses to the second questionnaire mail-out for all questions. Results revealed no significant differences between early and late respondents for any of the questionnaire items.

9.5 Conclusion

This chapter has presented diagrammatic depictions of the three models tested in the survey phase of the study together with a description of the development of these models and the study’s propositions. The chapter has also provided a review of important issues
to be considered in survey research as well as a description of the survey questionnaire sample and the survey procedures used in the study. The next chapter presents a description of the survey questionnaire design and the results of statistical analysis and model testing.
CHAPTER 10
VARIABLE MEASUREMENT AND DATA ANALYSIS

10.1 Introduction

This chapter provides a description of the questionnaire instrument used in the survey and the results of statistical analysis and model testing conducted. The survey questionnaire is included as Appendix B. In this chapter, firstly, a description of the variable measurement will be provided for each variable under study. The results of all principal component analyses undertaken are provided. Secondly, data preparation and screening steps taken prior to commencement of statistical analysis are described. Thirdly, a description of the models’ dependent and independent variables is provided in the same order that they appear in the questionnaire instrument. Finally, a discussion of the development of the regression models for each of the three models described in Chapter 9 is provided, together with the results of the analysis. A conclusion is presented in the last section.

10.2 Variable Measurement

This section provides a description of the questions included in the questionnaire to gather descriptive and background information. It also provides an outline of the measurement of the variables involved in proposition testing.

10.2.1 Background information

Three general background questions were included as Questions 1, 2, and 3 of the questionnaire. These secured general information relating to the job title of the person completing the questionnaire, how long the respondent had been in their current position and the industry in which their organisation operates. These questions were included in the survey to give insight concerning each respondent and to provide some general information about their organisation.
Table 10.1 presents a list of the job titles provided by the respondents. It is evident from this list that a study in the area of sponsorship cannot be addressed solely to the sponsorship manager, as over half of the respondents identified themselves as having a different job title. The industry breakdown of the sample is provided in Table 10.2 and illustrates the wide range of industries represented in the sample.
<table>
<thead>
<tr>
<th>Job Title</th>
<th>No.</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsorship Manager</td>
<td>26</td>
<td>45.6</td>
</tr>
<tr>
<td>Marketing Manager</td>
<td>7</td>
<td>12.3</td>
</tr>
<tr>
<td>CEO</td>
<td>3</td>
<td>5.3</td>
</tr>
<tr>
<td>Business Development Manager</td>
<td>2</td>
<td>3.5</td>
</tr>
<tr>
<td>Community and Environment Manager</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Community Partnerships Manager</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Director</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Director Publicity and Partnerships</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Director Sponsorships</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Executive Manager Marketplace Strategy</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>General Manager - Sponsorships</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Manager</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Manager, Corporate Affairs</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Manager, Network Marketing</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Marketing Projects Manager</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>National Sponsorship Manager</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Partner</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Partnerships Manager</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Programme Manager Events</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Public Affairs Office</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Segment Manager – Leisure Market</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Sponsorship Account Manager</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Sponsorship Co-ordinator</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>57</td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Table 10-2  Industry Segments Represented in the Sample

<table>
<thead>
<tr>
<th>Industry</th>
<th>No.</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>8</td>
<td>14.0</td>
</tr>
<tr>
<td>Sport</td>
<td>6</td>
<td>10.5</td>
</tr>
<tr>
<td>Professional Services</td>
<td>5</td>
<td>8.8</td>
</tr>
<tr>
<td>Government</td>
<td>5</td>
<td>8.8</td>
</tr>
<tr>
<td>Fast Moving Consumer Goods</td>
<td>3</td>
<td>5.3</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
<td>5.3</td>
</tr>
<tr>
<td>Retailing</td>
<td>3</td>
<td>5.3</td>
</tr>
<tr>
<td>Utility</td>
<td>3</td>
<td>5.3</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>2</td>
<td>3.5</td>
</tr>
<tr>
<td>Tourism</td>
<td>2</td>
<td>3.5</td>
</tr>
<tr>
<td>Financial Services</td>
<td>2</td>
<td>3.5</td>
</tr>
<tr>
<td>Racing</td>
<td>2</td>
<td>3.5</td>
</tr>
<tr>
<td>Arts</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Automotive</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Construction</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Culture</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Education</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Environment/sustainability</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Health</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Legal</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Paper based Communications</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Public transport</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Sponsorship consultant</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Water Safety</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Table 10.3 presents the descriptive statistics for the respondents’ years of employment with their current company. The average length of time employed is 4 years 8 months, with the total years of employment ranging from 1 month to 35 years. These statistics show a wide range of experience for the respondents in dealing with their current organisation’s sponsorship arrangements.

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>Employment with Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4 years 8 months</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>5 years 3 months</td>
</tr>
<tr>
<td>Minimum</td>
<td>1 month</td>
</tr>
<tr>
<td>Maximum</td>
<td>35 years</td>
</tr>
</tbody>
</table>

10.2.2 The process of allocating funds for sponsorship expenditure

A major focus of the interview stage of the thesis concerned the determination of how funds are allocated to sponsorships and how sponsorship budgets are developed. Based on the interview findings presented in Chapter 8, Questions 4a to 4f of the survey were developed. These questions follow the fund allocation process from initial allocation by senior management as part of the annual budgeting process through to the allocation of funds to specific sponsorship arrangements.

Question 4a examines whether the marketing budget and sponsorship budget are separately determined by senior management. Associated with this, Question 4b seeks to determine the extent to which a sponsorship budget can be viewed as a sub-component of the marketing budget. Questions 4c and 4d appraise the extent to which budgets are driven by the availability of funds, as opposed to the aggregation of acceptable sponsorship opportunities. Questions 4e and 4f examine whether funds assigned for sponsorship expenditure are treated as fixed for the year and whether additional funds are included in the budget to cover potential unanticipated sponsorship opportunities.
Table 10.4 presents the descriptive statistics for these six questions. Respondents were asked the extent to which six approaches to budgeting items are used in their organisation. Answers were provided on a seven-point Likert scale, ranging from ‘1’ (strongly disagree) to ‘7’ (strongly agree). The six budget related statements provided on the questionnaire were:

1. Senior company officials treat the marketing budget as separate from the sponsorship budget. Senior officials assign one budget to the marketing department and a separate budget for sponsorship expenditure;
2. Sponsorship expenditure is determined by marketing personnel by allocating some of the marketing budget to a sponsorship budget;
3. The total sponsorship budget is determined more by funds available rather than the merits of specific sponsorship proposals;
4. Specific proposed sponsorship projects are aggregated as a key step in determining each year’s sponsorship budget;
5. My organisation identifies a sponsorship budget that is treated as fixed for the financial year; and,
6. My organisation has a policy of not earmarking all sponsorship funds for particular projects at the beginning of the year, in order to be able to support unanticipated sponsorship opportunities.

The descriptive statistics shown in Table 10.4 indicate that sponsorship budgeting is widely used in the sponsorship decision-making process. The findings reveal scores close to the mid-point with high standard deviations and a range of 1 to 7 for most of the budgeting variables. This suggests a range of sponsorship budgeting approaches taken by the sample. To further investigate these statistics and to enable further appreciation of what practices are being undertaken for each of the budget related item, Table 10-5 provides a frequency distribution for each of the scores available for the six items appraised.
### Table 10-4 Descriptive Statistics for Sponsorship Budgeting Method Variables

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>Bud1</th>
<th>Bud2</th>
<th>Bud3</th>
<th>Bud4</th>
<th>Bud5</th>
<th>Bud6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>3.84</td>
<td>4.04</td>
<td>4.02</td>
<td>4.28</td>
<td>4.96</td>
<td>3.53</td>
</tr>
<tr>
<td>Median</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Standard Dev</td>
<td>2.16</td>
<td>2.06</td>
<td>1.685</td>
<td>1.46</td>
<td>1.625</td>
<td>1.72</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

Bud1 = Senior company officials treat the marketing budget as separate from the sponsorship budget. Senior officials assign one budget to the marketing department and a separate budget for sponsorship expenditure; Bud2 = Sponsorship expenditure is determined by marketing personnel by allocating some of the marketing budget to a sponsorship budget; Bud3 = The total sponsorship budget is determined more by funds available rather than the merits of specific sponsorship proposals; Bud4 = Specific proposed sponsorship projects are aggregated as a key step in determining each year’s sponsorship budget; Bud5 = My organisation identifies a sponsorship budget that is treated as fixed for the financial year; Bud6 = My organisation has a policy of not earmarking all sponsorship funds for particular projects at the beginning of the year, in order to be able support unanticipated sponsorship opportunities.

### Table 10-5 Distribution of Scores for Sponsorship Budgeting Method Variables

<table>
<thead>
<tr>
<th>Scores</th>
<th>Bud1</th>
<th>Bud2</th>
<th>Bud3</th>
<th>Bud4</th>
<th>Bud5</th>
<th>Bud6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 &amp; 2</td>
<td>21 (37%)</td>
<td>18(32%)</td>
<td>14(24%)</td>
<td>9(16%)</td>
<td>7(12%)</td>
<td>20(35%)</td>
</tr>
<tr>
<td>3 - 5</td>
<td>20 (35%)</td>
<td>19(33%)</td>
<td>34(60%)</td>
<td>34(60%)</td>
<td>23(40%)</td>
<td>26(46%)</td>
</tr>
<tr>
<td>6 &amp; 7</td>
<td>16 (28%)</td>
<td>20(35%)</td>
<td>9(16%)</td>
<td>14(24%)</td>
<td>27(48%)</td>
<td>11(19%)</td>
</tr>
</tbody>
</table>

Answers were provided on a seven-point Likert scale, ranging from ‘1’ (strongly disagree) to ‘7’ (strongly agree).

Sample size = 57

Across the sample, with respect to Bud1, it appears that the marketing budget and the sponsorship budget are likely to be considered by senior management as separate to some degree. Examination of Table 10-5 shows that 37% of respondents have an integrated marketing and sponsorship budget, 35% have somewhat integrated budgets and only 20% have separate marketing and sponsorship budgets. Bud2 scores are marginally higher than Bud1, but still close to the mid-scale score of 4, and with a standard deviation of 2.06, signifying that both methods of budget allocation occur. The distribution of responses is relatively even demonstrating that there is a range of approaches and no clear
predominant approach with respect to whether sponsorship budgets are allocated from a broader marketing budget.

Findings relating to Bud3 and Bud4 reveal that budgets are driven both by the availability of funds and as function of aggregation of sponsorship opportunities. For Bud3, 60% of respondents indicated that the sponsorship budget is determined both by funds available and by the merits of the specific sponsorship proposal. Similarly for Bud4, 60% of the respondents indicated that a degree of aggregating proposed sponsorship projects to determine each year’s sponsorship budget is widespread. There was moderately strong agreement for Bud5, that funds assigned for sponsorship expenditure are treated as fixed for the year. This is supported by 48% of the respondents indicating that the sponsorship budget is fixed for the year. Only 19% of respondents felt that funds were included in the budget to cover potential unanticipated sponsorship opportunities 46% of respondents provided a response suggesting this occurs to a degree.

From a holistic perspective, the relatively high standard deviation scores presented in Table 10.4 and the frequency ranges apparent from Table 10.5 suggest there is no single dominant approach with respect to sponsorship budgeting.

10.2.3 The sponsorship decision-making process

This section of the questionnaire comprised three groups of questions, with each group addressing one of the dependent variables specified in Models 1, 2 and 3 (see Chapter 9). The first group of questions relate to the dependent variable in Model 1, “the degree of formalisation of the sponsorship decision-making process” (Question 5). The second set concerns the “degree of sophistication of the sponsorship decision-making process”, i.e., the dependent variable in Model 2 (Question 6). The final group of questions relate to the dependent variable in Model 3, i.e., “the degree of intuition used in the sponsorship decision-making process” (Questions 7a (i)-(iii), 7b (i)-(iv)). The final question in this group (Question 7b(iv)) represents an assessment of the importance of political factors in sponsorship decision-making.
10.2.3.1 Degree of formalisation in sponsorship decision-making

The degree of formalisation of the sponsorship decision-making process was ascertained by posing six questions. The questions used represent adaptations of questions used in previous studies. Questions 5b and 5d derive from two items used by Lamminmaki et al. (1996) in their study of capital budgeting. These questions also represent adaptations of the index used by Kraus, Harms and Schwarz (2006) which measures formalisation in terms of written planning, informal planning or no planning. The degree of formalisation questions are also derived from the scales developed by Olson, Slater and Hult (2005), based on the research of Walker and Ruekert (1987). These scales measure the degree of formalisation in relation to the use of standard operating procedures; the degree of ‘bureaucracy’ and the use of a policy manual for decision-making. Alkadry and Nyhan (2005) in their examination of the impact of rational organisations in the public sector also operationalised their concept of formalisation in terms of rules, following policy, and the use of documented criteria for making decisions. Question 5b assesses the extent to which the organisation has documented sponsorship decision-making procedures; Question 5d examines the use of evaluation checklists in the initial analysis of projects and Question 5e determines the extent to which the organisation has a group-based procedure for the assessment of sponsorship investment decisions.

The three remaining Question 5 items (5a, 5c, and 5f) are adapted from Van Cauwenbergh et al.’s (1996) examination of formal analysis in strategic investment decision processes and also represent a partial operationalisation of the ideas discussed in the preceding paragraph. Question 5a assesses the degree of formal analysis and justification used in the sponsorship decision-making process. Question 5f follows on from this by assessing whether the organisation follows the formalised procedures developed. Question 5c appraises whether organisations have sponsorship goals and secondly whether these are used to reach consensus and allocate resources.

Table 10.6 presents the descriptive statistics and correlation matrix for the formalisation items and reveals significant positive correlations ($p < 0.05$). Respondents were asked to
indicate degree of formalisation with respect to six dimensions on a seven-point Likert scale, ranging from ‘1’ (not at all) to ‘7’ (to a large extent). The six dimensions were:

1. Formal analysis and justification is used in sponsorship decision-making;
2. Documented sponsorship decision-making procedures exist;
3. Sponsorship goals are used to reach consensus and allocate resources to sponsorships;
4. A formal checklist is used as a basis for appraising the merits of each sponsorship proposal;
5. Sponsorship expenditure is a group based decision; and
6. Well-documented systems are adhered to when making sponsorship decisions.

Table 10.6 also presents the results of a Principal Components analysis that was conducted on the six formalisation items. The results of the analysis identified one factor with an eigenvalue greater than one that explained 69.25% of the variance. The six items have a Cronbach Alpha of 0.907. Cronbach Alpha is a measure of reliability. The generally agreed lower limit of values is 0.60 to 0.70 (Hair et al., 2006). Cronbach Alphas with a lower limit of 0.60 have been accepted given the exploratory nature of this study. Factor loadings of greater than 0.5 have been used as the threshold signifying the importance of an item. This cut-off value will be used consistently for all principal component analyses. These results support the combination of the six items to provide one measure of formalisation of the sponsorship decision-making process. The item has been measured using the weighted average method and will be labelled ‘formalisation’. The weighted average variable will be used in all further analyses.
### Table 10-6 Descriptive Statistics for Formalisation Variables

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>Form1</th>
<th>Form2</th>
<th>Form3</th>
<th>Form4</th>
<th>Form5</th>
<th>Form6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>5.58</td>
<td>5.32</td>
<td>5.16</td>
<td>4.98</td>
<td>4.86</td>
<td>4.86</td>
</tr>
<tr>
<td>Median</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>1.30</td>
<td>1.52</td>
<td>1.41</td>
<td>1.69</td>
<td>1.59</td>
<td>1.58</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Maximum</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Skewness</td>
<td>-1.10</td>
<td>-0.51</td>
<td>-0.45</td>
<td>-0.46</td>
<td>-0.37</td>
<td>-0.27</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>1.59</td>
<td>-0.65</td>
<td>-0.43</td>
<td>-0.99</td>
<td>-0.81</td>
<td>-1.00</td>
</tr>
</tbody>
</table>

### Correlations:

<table>
<thead>
<tr>
<th></th>
<th>Form1</th>
<th>Form2</th>
<th>Form3</th>
<th>Form4</th>
<th>Form5</th>
<th>Form6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form1</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form2</td>
<td>0.574***</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form3</td>
<td>0.604***</td>
<td>0.776***</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form4</td>
<td>0.496***</td>
<td>0.748***</td>
<td>0.617***</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form5</td>
<td>0.466***</td>
<td>0.519***</td>
<td>0.592***</td>
<td>0.333**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Form6</td>
<td>0.645***</td>
<td>0.835***</td>
<td>0.725***</td>
<td>0.786***</td>
<td>0.585***</td>
<td>1.00</td>
</tr>
</tbody>
</table>

**Principal Component Analysis**

<table>
<thead>
<tr>
<th>Factor Loadings</th>
<th>0.753</th>
<th>0.905</th>
<th>0.873</th>
<th>0.814</th>
<th>0.695</th>
<th>0.928</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eigenvalue</td>
<td>4.155</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cronbach Alpha</td>
<td>0.907</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Variance explained:** 69.25%

Form1 = Formal analysis and justification is used in sponsorship decision-making in your organisation; Form2 = Documented sponsorship decision-making procedures exist in your organisation; Form3 = Sponsorship goals are used to reach consensus and allocate resources to sponsorships; Form4 = A formal checklist is used as a basis for appraising the merits of each sponsorship proposal; Form5 = Sponsorship expenditure is a group based decision; Form6 = Well-documented systems are adhered to when making sponsorship decisions.

**Note:** *** p: < 0.01; ** p: < 0.05

### 10.2.3.2 Degree of sponsorship decision-making process sophistication

Questions 6a to 6g of the questionnaire have been designed to capture the degree of decision-making sophistication in the sponsorship decision-making process. The seven
questions concern a variety of activities, techniques and expertise that can be used in the sponsorship decision-making process.

Question 6a is designed to determine whether sponsorship decisions are made in the context of a long-term strategic agenda. As noted in Chapter 4, strategic decisions involve the matching of an organisation’s activities to its environment and resource capabilities, and the allocation of major resources within the organisation (Langfield-Smith, 1997). It is anticipated that a more sophisticated analysis would take place in organisations that make sponsorship decisions in the context of a long-term strategic agenda. Question 6b assesses whether financial evaluation of sponsorship proposals is undertaken, and Question 6c appraises whether a risk analysis is required. These questions represent adaptations of questions used in Lamminmaki et al.’s (1996) survey of capital budgeting practice.

Question 6d assesses whether other sponsorship opportunities are examined and Question 6e assesses whether other marketing activities that can achieve a similar outcome are systematically considered. These questions relate to the opportunity cost idea that is generally discussed in management accounting texts when reviewing differential analysis. Question 6f represents an adaptation of questions used in Thjomoe et al.’s (2002) survey of decision-making processes surrounding sponsorship activities. It appraises whether consideration is given to leveraging opportunities during the sponsorship decision-making process. Interview respondents generally felt that the use of marketing and promotional activities is essential to maximising the benefits deriving from a sponsorship investment. It was also suggested that the ability to maximise leveraging opportunities was dependent on the sophistication of the decision-making process. Question 6g represents a holistic appraisal measure of whether sophistication is present in an organisation’s sponsorship decision-making process.

Table 10.7 presents the descriptive statistics and correlation matrix for the sophistication items and reveals several significant positive correlations ($p < 0.10$). In this study, respondents were asked to indicate their organisation’s degree of sophistication with
respect to the seven dimensions on a seven-point Likert scale, ranging from ‘1’ (not at all) to ‘7’ (to a large extent). The seven dimensions were:

1. make sponsorship decisions in the context of a long-term strategic agenda;
2. require financial evaluation of sponsorship proposals;
3. require a risk analysis of sponsorship proposals to be conducted;
4. appraise a sponsorship proposal by considering alternative sponsorship opportunities;
5. systematically consider other marketing activities to achieve a similar outcome;
6. integrate advertising, sales promotion, publicity and product public relations programmes with sponsorship plans; and,
7. have a sophisticated sponsorship decision-making process.

Table 10.7 also presents the results of a principal components analysis which highlighted one factor with an eigenvalue greater than one that explains 55.25% of the variance. The six items have a Cronbach Alpha of 0.861. These results support the combination of these seven items to provide one measure of sophistication of the sponsorship decision-making process. The item has been measured using the weighted average method and has been simply labelled ‘Sophistication’.
Table 10-7 Descriptive Statistics for Sophistication Variables

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>Soph1</th>
<th>Soph2</th>
<th>Soph3</th>
<th>Soph4</th>
<th>Soph5</th>
<th>Soph6</th>
<th>Soph7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>5.30</td>
<td>5.25</td>
<td>4.63</td>
<td>4.96</td>
<td>5.07</td>
<td>5.47</td>
<td>5.26</td>
</tr>
<tr>
<td>Median</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Standard Dev</td>
<td>1.40</td>
<td>1.35</td>
<td>1.50</td>
<td>1.32</td>
<td>1.43</td>
<td>1.45</td>
<td>1.56</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Maximum</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.84</td>
<td>-0.70</td>
<td>-0.16</td>
<td>-0.07</td>
<td>-0.63</td>
<td>-1.07</td>
<td>-0.60</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>0.55</td>
<td>0.20</td>
<td>-0.79</td>
<td>0.10</td>
<td>0.22</td>
<td>1.34</td>
<td>-0.66</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soph1</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soph2</td>
<td>0.692 ***</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soph3</td>
<td>0.420 ***</td>
<td>0.511 ***</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soph4</td>
<td>0.542 ***</td>
<td>0.637 ***</td>
<td>0.413 ***</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soph5</td>
<td>0.499 ***</td>
<td>0.491 ***</td>
<td>0.255 *</td>
<td>0.334 **</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soph6</td>
<td>0.526 ***</td>
<td>0.359 ***</td>
<td>0.328 **</td>
<td>0.441 ***</td>
<td>0.432 ***</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Soph7</td>
<td>0.526 ***</td>
<td>0.472 ***</td>
<td>0.454 ***</td>
<td>0.537 ***</td>
<td>0.328 **</td>
<td>0.667 ***</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Principal Component Analysis

<table>
<thead>
<tr>
<th>Factor Loadings</th>
<th>0.828</th>
<th>0.812</th>
<th>0.641</th>
<th>0.763</th>
<th>0.635</th>
<th>0.726</th>
<th>0.774</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eigenvalue</td>
<td>3.867</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cronbach Alpha</td>
<td>0.861</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variance explained</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Soph1 = make sponsorship decisions in the context of a long-term strategic agenda; Soph2 = require financial evaluation of sponsorship proposals; Soph3 = require a risk analysis of sponsorship proposals to be conducted; Soph4 = appraise a sponsorship proposal by considering alternative sponsorship opportunities; Soph5 = systematically consider other marketing activities to achieve a similar outcome; Soph6 = integrate advertising, sales promotion, publicity and product public relations programmes with sponsorship plans; Soph7 = have a sophisticated sponsorship decision-making process.

Note: *** p:<0.01; ** p:<0.05; * p:<0.10
10.2.3.3 The association between formalisation and sophistication variables

As noted in Section 9.2, there may be an association between formalisation and sophistication. To examine the extent of this association a principal components analysis was conducted for all the Questions 5 and 6 items. This analysis yielded two factors with an eigenvalue greater than one, and a cumulative variance of 65.22%. Six of the items that loaded on Factor 1 are those labelled ‘Formalisation’ in section 10.3.2.1. They have a factor loading greater than 0.5 and support the findings of the factor analysis presented in Table 10.6. The item ‘Soph7’ also has a factor loading greater than 0.5 on ‘Formalisation’ and does not load on the Sophistication factor. As a result Soph7 has been dropped from further analysis. Factor 2, which has been labelled ‘Sophistication’ in section 10.3.2.2, includes six of the seven items with a factor loading greater than 0.5. The results of this analysis provide support for viewing ‘Formalisation’ and ‘Sophistication’ as two separate variables in this study.
Table 10-8 Principal Component Analysis of the Formalisation and Sophistication Items

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor One</th>
<th>Factor Two</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Formalisation</td>
<td>sophistication</td>
</tr>
<tr>
<td>Form1</td>
<td>0.706</td>
<td>0.313</td>
</tr>
<tr>
<td>Form2</td>
<td>0.857</td>
<td>0.272</td>
</tr>
<tr>
<td>Form3</td>
<td>0.869</td>
<td>0.188</td>
</tr>
<tr>
<td>Form4</td>
<td>0.810</td>
<td>0.115</td>
</tr>
<tr>
<td>Form5</td>
<td>0.577</td>
<td>0.411</td>
</tr>
<tr>
<td>Form6</td>
<td>0.844</td>
<td>0.366</td>
</tr>
<tr>
<td>Soph1</td>
<td>0.291</td>
<td>0.803</td>
</tr>
<tr>
<td>Soph2</td>
<td>0.343</td>
<td>0.762</td>
</tr>
<tr>
<td>Soph3</td>
<td>0.173</td>
<td>0.635</td>
</tr>
<tr>
<td>Soph4</td>
<td>0.403</td>
<td>0.635</td>
</tr>
<tr>
<td>Soph5</td>
<td>0.083</td>
<td>0.719</td>
</tr>
<tr>
<td>Soph6</td>
<td>0.482</td>
<td>0.517</td>
</tr>
<tr>
<td>Soph7</td>
<td>0.826</td>
<td>0.386</td>
</tr>
<tr>
<td>Eigenvalues</td>
<td>4.991</td>
<td>3.487</td>
</tr>
<tr>
<td>Variance explained</td>
<td>38.39%</td>
<td>26.82%</td>
</tr>
<tr>
<td>Cronbach Alpha</td>
<td>0.927</td>
<td>0.835</td>
</tr>
</tbody>
</table>

10.2.3.4 Degree of intuition used in sponsorship decision-making

Question 7 focuses on the degree of intuition used in the sponsorship decision-making process. Questions 7a(i) to 7a(iii) relate to the decision-making preference of the manager who oversees sponsorship decision-making. Questions 7b(i) to 7b(iii) focus on the degree to which the organisation has an intuitively oriented approach to sponsorship decision-making. Question 7b(iv) assesses the politicality of sponsorship decision-making.
Questions 7a(i)-(iii) to 7b(i) – (iii) relating to intuition are based on Van Cauwenburgh et al.’s (1996) examination of strategic investment decision processes. Question 7b(iv) relates to the role of political factors in sponsorship investment decision-making and draws on Guilding’s (2006) examination of investment decisions.

Table 10.9 presents the descriptive statistics and correlation matrix for the intuition items and reveals a number of significant positive correlations. Table 10.11 presents the descriptive statistics for the political item. Respondents were asked to indicate the degree of intuition and politics used in the sponsorship decision-making process with respect to seven dimensions on a seven-point Likert scale, ranging from ‘1’ (not at all) to ‘7’ (to a large extent). The seven items posed were:

(a) The manager who oversees sponsorship decisions in your organisation
   (1) is comfortable making intuitively based decisions;
   (2) is comfortable taking a gut feel approach in sponsorship decision-making; and,
   (3) prefers to take an intuitive approach rather than a numbers-based approach in justifying a decision to sponsor.

(b) In my organisation
   (4) sponsorship proposals are accepted if, on face value, they appear to make sound commercial sense;
   (5) we will tend to go with a sponsorship proposal if it gives us a good ‘gut feel’;
   (6) the sponsorship decision-making process is highly intuitive; and,
   (7) the sponsorship decision-making process is highly political.
Table 10-9 Descriptive Statistics for Intuition Variables

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>Int1</th>
<th>Int2</th>
<th>Int3</th>
<th>Int4</th>
<th>Int5</th>
<th>Int6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.88</td>
<td>4.33</td>
<td>3.72</td>
<td>4.82</td>
<td>3.37</td>
<td>3.93</td>
</tr>
<tr>
<td>Median</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Standard Dev</td>
<td>1.42</td>
<td>1.54</td>
<td>1.46</td>
<td>1.44</td>
<td>1.46</td>
<td>1.41</td>
</tr>
<tr>
<td>Minimum</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.44</td>
<td>-0.19</td>
<td>0.30</td>
<td>-0.35</td>
<td>0.50</td>
<td>-0.31</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>-0.62</td>
<td>-1.07</td>
<td>-0.95</td>
<td>-0.69</td>
<td>-0.38</td>
<td>-0.95</td>
</tr>
<tr>
<td>Correlations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int1</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int2</td>
<td>0.618***</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int3</td>
<td>0.182</td>
<td>0.257*</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int4</td>
<td>0.024</td>
<td>-0.013</td>
<td>0.273**</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int5</td>
<td>0.152</td>
<td>0.355***</td>
<td>0.669***</td>
<td>0.481***</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Int6</td>
<td>0.264**</td>
<td>0.298**</td>
<td>0.466***</td>
<td>0.512***</td>
<td>0.628***</td>
<td>1.00</td>
</tr>
</tbody>
</table>

(The manager who oversees sponsorship decisions in your organisation), Int1 = is comfortable making intuitively based decisions; Int2 = is comfortable taking a gut feel approach in sponsorship decision-making; Int3 = prefers to take an intuitive approach rather than a numbers based approach in justifying a decision to sponsor; (In my organisation), Int4 = sponsorship proposals are accepted if, on face value, they appear to make sound commercial sense; Int5 = we will tend to go with a sponsorship proposal if it gives us a good ‘gut feel’; Int6 = the sponsorship decision-making process is highly intuitive.

*Note: *** p: < 0.01; ** p: < 0.05; * p: < 0.10

Table 10.10 records the results of the principal components analysis which identifies two factors with an eigenvalue greater than one and has a total explained variance of 70.57%. Factor 1 includes four items that have a Cronbach Alpha of 0.803 and Factor 2 includes two items with a correlation coefficient of 0.618 (p < 0.01). All items loading on Factor 1 have been included. The item has been measured using the weighted average method and will be labelled ‘Organisation Intuition’. Organisation Intuition will be used as the dependent variable labelled ‘degree of intuition used in the sponsorship decision-making process’ in Model 3 (described in Chapter 9). Factor 2 explains 28.81% of the variance and will be labelled ‘Manager Intuition’. Manager Intuition was included to determine if
it formed part of the variable Organisation Intuition. As two factors were identified, it will not be used in proposition testing but discussed as part of the descriptive analysis.

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organisational Intuition</td>
<td>Manager Intuition</td>
</tr>
<tr>
<td>Int1</td>
<td>0.063</td>
<td>0.873</td>
</tr>
<tr>
<td>Int2</td>
<td>0.172</td>
<td>0.884</td>
</tr>
<tr>
<td>Int3</td>
<td>0.720</td>
<td>0.222</td>
</tr>
<tr>
<td>Int4</td>
<td>0.755</td>
<td>-0.203</td>
</tr>
<tr>
<td>Int5</td>
<td>0.863</td>
<td>0.209</td>
</tr>
<tr>
<td>Int6</td>
<td>0.798</td>
<td>0.227</td>
</tr>
<tr>
<td>Eigenvalues</td>
<td>2.505</td>
<td>1.729</td>
</tr>
<tr>
<td>Variance explained</td>
<td>41.75%</td>
<td>28.81%</td>
</tr>
<tr>
<td>Cronbach Alpha</td>
<td>0.803</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 10.11 presents descriptive statistics for the statement relating to the role of political factors in the sponsorship decision-making process. This statement was included to gather background information relating to how the sponsorship process occurs and will not be used in proposition testing.

This item describes the politicality of the sponsorship decision-making process and although responses ranged from for ‘1’ (not at all) through to ‘7’ (to a large extent), the majority of the respondents noted ‘5’ suggesting that politics is important to a moderate extent. The results show that political factors may play a limited part in the sponsorship decision-making process.
10.2.3.5 Accounting personnel involvement

From the interview phase, it was revealed that the degree of involvement of accounting personnel in sponsorship decision-making processes tends to be fairly limited. As greater accounting involvement appears to be consistent with greater decision-making process sophistication, accounting personnel involvement in the decision-making process was determined to be a variable of interest.

Questions 8a to 8f were used to appraise the degree of accounting personnel involvement with the following aspects of decision-making:

1. initiating sponsorship decisions;
2. formalising sponsorship decision-making processes;
3. developing an exact specification of what is required from a sponsorship agreement;
4. appraising the sponsorship agreement when making the sponsorship decision;
5. monitoring the performance of the sponsorship arrangements; and,
6. sponsorship decision-making.

Respondents were asked to indicate the extent to which their organisation’s accounting department is involved in these six aspects of involvement on a seven-point Likert scale, ranging from ‘1’ (not at all) to ‘7’ (to a large extent).

### Table 10-11 Descriptive Statistics for Politics Item

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>Politics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.61</td>
</tr>
<tr>
<td>Median</td>
<td>5</td>
</tr>
<tr>
<td>Standard Deviation</td>
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</tr>
<tr>
<td>Minimum</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>7</td>
</tr>
</tbody>
</table>
Table 10.12 presents the descriptive statistics for the statements relating to the use of accounting personnel in the sponsorship decision-making process. These statements were included to gather information describing how accounting personnel are involved and do not represent a variable that is involved in proposition testing, hence no correlation analysis was performed.

Although actual responses matched the theoretical range for all six items (‘1’ corresponds to ‘not at all’; ‘7’ corresponds to ‘a large extent’), it should be noted that in all cases the median response was ‘1’ and the mean ranged between 1.68 and 2.06 for the six items. This suggests that accounting personnel are involved in the sponsorship decision-making process in a minimal way. This finding is consistent with the findings in the interview phase which also revealed limited accounting personnel involvement.

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>API1</th>
<th>API2</th>
<th>API3</th>
<th>API4</th>
<th>API5</th>
<th>API6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>1.68</td>
<td>2.02</td>
<td>1.93</td>
<td>2.05</td>
<td>1.95</td>
<td>1.84</td>
</tr>
<tr>
<td>Median</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Standard Dev</td>
<td>1.34</td>
<td>1.65</td>
<td>1.56</td>
<td>1.48</td>
<td>1.63</td>
<td>1.52</td>
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<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

API1 = initiating sponsorship decisions; API2 = formalising sponsorship decision-making processes; API3 = developing an exact specification of what is required from a sponsorship agreement; API4 = appraising the sponsorship agreement when making the sponsorship decision; API5 = monitoring the performance of the sponsorship arrangements; API6 = sponsorship decision-making.

10.2.3.6 The roles of the budget

From the interview phase it was noted that the manner in which budgets are used within the sponsorship decision-making process varies across organisations and are inconsistent with recent research findings (Hansen et al., 2003; Hansen and Van der Stede, 2004; Sivabalan et al., 2005, Lyne and Dugdale, 2007). Due to the nature of sponsorship decision-making, six items described by Guilding and Pike’s (1994) were adopted in this
study. Guilding and Pike’s (1994) item “planning and forecasting” has been treated as two separate items in this study.

Questions 9a to 9g appraised the impact of each of the following budgetary roles in the context of sponsorship. Respondents were asked to indicate the impact of budgeting for sponsorship expenditure in their organisation with respect to the following seven items on a seven-point Likert scale, ranging from ‘1’ (strongly disagree) to ‘7’ (strongly agree):

1. performance evaluation;
2. communication;
3. co-ordination;
4. planning;
5. forecasting;
6. motivation; and,
7. authorisation.

Table 10.13 presents descriptive statistics relating to these statements. Again these statements were included to gather descriptive information, they are not involved in proposition testing.

Respondents scored around the mid-point of the measurement scale for Roles 1, 2 and 3 and viewed Roles 4, 5 and 6 as somewhat important. There was moderately strong agreement that Role 7, relating to authorisation, is important: this role scored the highest. These results support the findings of the interview phase suggesting authorisation of sponsorship expenditure is the main sponsorship management role of the budget. The other main roles of the budget in the sponsorship management context appear to be planning, forecasting and motivation.
Table 10-13 Descriptive Statistics for Role Items

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>Role1</th>
<th>Role2</th>
<th>Role3</th>
<th>Role4</th>
<th>Role5</th>
<th>Role6</th>
<th>Role7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>3.88</td>
<td>3.91</td>
<td>4.09</td>
<td>4.68</td>
<td>4.44</td>
<td>4.95</td>
<td>5.35</td>
</tr>
<tr>
<td>Median</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Standard Dev</td>
<td>1.84</td>
<td>1.65</td>
<td>1.55</td>
<td>1.45</td>
<td>1.44</td>
<td>1.46</td>
<td>1.46</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Maximum</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

Role1 = performance evaluation; Role2 = communication; Role3 = co-ordination; Role4 = planning; Role5 = forecasting; Role6 = motivation; Role7 = authorisation.

10.2.4 Factors potentially affecting the sponsorship decision-making process

Questions 10 - 17 were primarily concerned with measuring organisational level contingency variables and other variables identified in Models 1, 2, and 3 (see Chapter 9) as independent variables potentially affecting the sponsorship decision-making process.

10.2.4.1 Size

Organisation size is included in Propositions 1b, 2b, and 3b and the level of sponsorship expenditure is included in Propositions 1c, 2c and 3c. Previous accounting studies have measured size using a number of different dimensions including total assets, total sales, total revenue and number of employees. In this study respondents were asked to indicate in Question 10 the total annual revenue of their organisation to provide a measure of size at the organisational level, and in Question 11 the total sponsorship budget as a measure of the level of sponsorship expenditure. It should be acknowledged that Question 10, regarding total annual revenue, may be a challenging question for some respondents as they may not be aware of their organisation’s total sales. Question 12 asked the respondents to indicate the amount their organisation spends on sponsorship activities relative to similar organisations in their industry. Together with question 11, this will be used as an indicator of an organisation’s level of sponsorship expenditure.
Respondents were asked to provide an approximate dollar amount in response to Questions 10 and 11; and they were asked to indicate, relative to similarly sized organisations in their industry, how much their company spends on sponsorship on a seven-point Likert scale, ranging from ‘1’ (much less) to ‘7’ (much more) in Question 12.

The descriptive statistics for the three measures of the size variable are presented in Table 10.14 below. Question 10 (Orgrev, i.e. organisational revenue) and Question 11 (Spbud, i.e. size of sponsorship budget) were not answered in the majority of cases. Due to the large number of missing values Orgrev and Spbud were omitted from the study, precluding the testing of Propositions 1b, 2b and 3b. Spsize (Question 12) will be used as the level of sponsorship expenditure variable for testing propositions 1c, 2c and 3c.

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>Orgrev</th>
<th>Spbud</th>
<th>Spsize</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>9,571,920,000</td>
<td>3,707,810</td>
<td>3.5</td>
</tr>
<tr>
<td>Median</td>
<td>82,500,000</td>
<td>2,375,000</td>
<td>4</td>
</tr>
<tr>
<td>Standard Dev</td>
<td>40,622,329,000</td>
<td>3,474,634</td>
<td>1.458</td>
</tr>
<tr>
<td>Minimum</td>
<td>3,000,000</td>
<td>50,000</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>200,000,000,000</td>
<td>12,000,000</td>
<td>7</td>
</tr>
<tr>
<td>n</td>
<td>24</td>
<td>32</td>
<td>57</td>
</tr>
<tr>
<td>Missing</td>
<td>44</td>
<td>25</td>
<td>0</td>
</tr>
</tbody>
</table>

Orgrev = Approximately, what is the total annual revenue of your organisation; Spbud = Approximately what is the total annual sponsorship budget for your organisation; Spsize = Relative to similarly sized organisations in your industry, how much does your company spend on sponsorship.

10.2.4.2 Perceived environmental uncertainty

Perceived environmental uncertainty serves as an independent variable in Propositions 1d, 2d, 3d. The questions used are consistent with the instrument developed by Kren and Kerr (1993) who based their instrument on Govindarajan’s (1984) eight-item questionnaire, which in turn was based on Miles and Snow’s (1978) measure. Govindarajan’s questionnaire has been adapted as a measure of environmental
uncertainty in many subsequent accounting studies (Chenhall and Morris, 1993; Gul and Chia, 1994; Hoque, 2001).

Table 10.15 presents the descriptive statistics and correlation matrix for the perceived environmental uncertainty items. In this study, respondents were asked to indicate how predictable each of the following perceived environmental uncertainty factors were in their organisations. A seven-point Likert scale, ranging from ‘1’ (not predictable) to ‘7’ (very predictable) was used to record respondents’ perceptions of their organisation’s environmental uncertainty with respect to the following five dimensions:

(1) customers;
(2) suppliers;
(3) competitors;
(4) government/political; and,
(5) technological.
Table 10-15 Descriptive Statistics for Perceived Environmental Uncertainty Items

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>PEU1</th>
<th>PEU2</th>
<th>PEU3</th>
<th>PEU4</th>
<th>PEU5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.75</td>
<td>4.88</td>
<td>4.44</td>
<td>4.60</td>
<td>4.63</td>
</tr>
<tr>
<td>Standard Dev</td>
<td>1.15</td>
<td>1.23</td>
<td>1.30</td>
<td>1.44</td>
<td>1.14</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.94</td>
<td>-0.72</td>
<td>-0.78</td>
<td>-0.71</td>
<td>-1.00</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>1.38</td>
<td>1.22</td>
<td>0.63</td>
<td>0.11</td>
<td>1.53</td>
</tr>
</tbody>
</table>

Correlations:

<table>
<thead>
<tr>
<th></th>
<th>PEU1</th>
<th>PEU2</th>
<th>PEU3</th>
<th>PEU4</th>
<th>PEU5</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEU1</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEU2</td>
<td>0.521**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEU3</td>
<td>0.321**</td>
<td>0.563***</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEU4</td>
<td>-0.061</td>
<td>0.235*</td>
<td>0.25*</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>PEU5</td>
<td>0.093</td>
<td>-0.46</td>
<td>0.171</td>
<td>0.364***</td>
<td>1.00</td>
</tr>
</tbody>
</table>

PEU1 = customers; PEU2 = suppliers; PEU3 = competitors; PEU4 = government/political; PEU5 = technological
Note: *** p < 0.01; ** p < 0.05; * p < 0.10

Table 10.16 presents the results of the principal components analysis which identifies two factors with an eigenvalue greater than one, with 67.41% of the variance explained. Factor 1 includes 3 items with a Cronbach Alpha of 0.726 and Factor 2 includes 2 items with a correlation coefficient of 0.364 (p < 0.01). This two factor finding is inconsistent with prior studies. Factor one incorporates the effects of customers, suppliers and competitors which would be expected to have a major effect on the sponsorship decision-making process. As the second factor incorporates government/political and technological items which are expected to have less influence on sponsorship decision-making, it has been abandoned from further analysis. As factor one appears to comprise the most relevant dimension of environmental uncertainty to sponsorship decision-making, it will serve as the sole measure of perceived environmental uncertainty in this study’s proposition testing. The item has been measured using the weighted average method and has been labelled ‘Perceived Environmental Uncertainty’ (PEU).
Table 10-16 Principal Component Analysis of the Perceived Environmental Uncertainty Items

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor 1 Perceived Environmental Uncertainty</th>
<th>Factor 2 Other Perceived Environmental Uncertainty items</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEU1</td>
<td>0.773</td>
<td>-0.126</td>
</tr>
<tr>
<td>PEU2</td>
<td>0.885</td>
<td>0.061</td>
</tr>
<tr>
<td>PEU3</td>
<td>0.736</td>
<td>0.313</td>
</tr>
<tr>
<td>PEU4</td>
<td>0.121.</td>
<td>0.826</td>
</tr>
<tr>
<td>PEU5</td>
<td>-0.17</td>
<td>0.796</td>
</tr>
<tr>
<td>Eigenvalues</td>
<td>1.938</td>
<td>1.433</td>
</tr>
<tr>
<td>Variance explained</td>
<td>38.76%</td>
<td>28.66%</td>
</tr>
<tr>
<td>Cronbach Alpha</td>
<td>0.726</td>
<td>-</td>
</tr>
</tbody>
</table>

10.2.4.3 Risk

Risk is a form of uncertainty that can be affected by decisions made within a company. It has been noted that it can be seen to comprise business and financial risk and can also be considered from the perspective of risk aversion. Risk is referred to, in a generic manner, in Propositions 1e, 2e and 3e.

Business risk specifically refers to a firm’s ability to cover its fixed operating costs while financial risk relates to the level of debt carried by the organisation. Question 14a addresses business risk by asking whether the respondent’s organisation has a high level of fixed operating costs. Question 14b assesses financial risk by appraising the debt level of the respondent’s organisation. In addition to business and financial risk, in the context of sponsorship decision-making, one can expect different sponsorship deals to be associated with varying degrees of risk. Accordingly, one can conceive of the variable ‘sponsorship risk’. Sponsorship risk has been assessed by Questions 14c and 14d.
Question 14c asks whether sponsorship can be risky given the nature of the respondent’s organisation’s business. Question 14d assesses the degree to which sponsorships entered into by the respondent’s organisation can have negative consequences.

Consistent with the discussion in Chapter 9, in addition to business, financial and sponsorship risk, we can also conceive of risk aversion. A low level of risk aversion signifies a capacity to cope with high risk. As the notion of risk aversion can be viewed as a relative characteristic, Questions 15a and 15b have used a comparative rating scale, i.e., both questions utilised the phrase ‘relative to’. Question 15a seeks to assess the relative risk culture of the respondent’s organisation, while Question 15b determines the risk preference of the sponsorship manager.

Table 10.17 presents the descriptive statistics and correlation matrix for the risk items. Respondents were asked to indicate, relative to similarly sized organisations in their industry, their degree of risk with respect to four dimensions on a seven-point Likert scale, ranging from ‘1’ (strongly disagree) to ‘7’ (strongly agree). The four dimensions were appraised using the following statements:

1. My organisation has a high proportion of fixed operating costs (i.e., costs that do not change with changes in sales levels);
2. For its size, my organisation has a high debt level;
3. Given the nature of our business and market, sponsorship for my organisation can be a risky business; and,
4. Sponsorship arrangements entered into by my organisation can have negative consequences.

With respect to the two dimensions of risk aversion, on a seven-point Likert scale, ranging from ‘1’ (seeks to avoid risk) to ‘7’ (copes well with risk), respondents were asked to respond to the following two questions:

1. Relative to its competitors, does your organisation have a culture that seeks to avoid risk?
Relative to other managers, do you as a manager seek to avoid risk or cope well with taking risks?

Table 10-17 Descriptive Statistics for Risk Items

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>Busrisk</th>
<th>Finrisk</th>
<th>Sprisk1</th>
<th>Sprisk2</th>
<th>Orgrisk</th>
<th>Mgrrisk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>5.14</td>
<td>2.96</td>
<td>3.19</td>
<td>3.77</td>
<td>3.30</td>
<td>3.84</td>
</tr>
<tr>
<td>Median</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Standard Dev</td>
<td>1.43</td>
<td>1.68</td>
<td>1.65</td>
<td>1.54</td>
<td>1.99</td>
<td>1.73</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.86</td>
<td>0.41</td>
<td>0.39</td>
<td>0.03</td>
<td>0.40</td>
<td>-0.13</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>0.512</td>
<td>-0.85</td>
<td>-0.77</td>
<td>-0.67</td>
<td>-1.21</td>
<td>-0.82</td>
</tr>
</tbody>
</table>

Correlations:

<table>
<thead>
<tr>
<th></th>
<th>Busrisk</th>
<th>Finrisk</th>
<th>Sprisk1</th>
<th>Sprisk2</th>
<th>Orgrisk</th>
<th>Mgrrisk</th>
<th>Sprisk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Busrisk</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finrisk</td>
<td>0.061</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sprisk1</td>
<td>0.094</td>
<td>0.472***</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sprisk2</td>
<td>-0.131</td>
<td>0.281**</td>
<td>0.468***</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orgrisk</td>
<td>0.179</td>
<td>0.025</td>
<td>0.243*</td>
<td>-0.123</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mgrrisk</td>
<td>0.153</td>
<td>0.047</td>
<td>0.192</td>
<td>0.047</td>
<td>0.647***</td>
<td>1.00</td>
<td></td>
</tr>
</tbody>
</table>

Busrisk = My organisation has a high proportion of fixed operating costs; Finrisk = For its size, my organisation has a high debt level; Sprisk1 = Given the nature of our business and market, sponsorship for my organisation can be a risky business; Sprisk2 = Sponsorship arrangements entered into by my organisation can have negative consequences; Orgrisk = Relative to its competitors, does your organisation have a culture that seeks to avoid risk; Mgrrisk = Relative to other managers, do you as a manager seek to avoid risk or cope well with taking risks?

Note: *** p: < 0.01; ** p: < 0.05; * p: < 0.10

As Sprisk1 and Sprisk2 tap into a similar construct and are highly statistically significantly positively related (p < 0.01), the variable ‘sponsorship risk’ has been measured by calculating the weighted average of Sprisk1 and Sprisk2 and has been simply labelled ‘Sprisk’.
10.2.4.4 Trust

Propositions 1f, 2f and 3f refer to the emphasis attached to a trusting relationship by the sponsor when entering into a sponsorship agreement. The questions used to measure trust have been derived from Zaheer and Venkatraman’s (1995) study of the role of trust in economic exchange. Zaheer and Venkatraman developed three items that focussed on “high level of mutual trust”, “well-known for fair dealing” and “stands by its word” to measure trust. Questions 16a to 16c represent an adaptation of these questions to the current context. Question 16a focuses directly on the importance of a trusting relationship when deciding to sponsor. Question 16b assesses the importance of an established relationship when deciding whether to sponsor, and Question 16c examines whether a good rapport with the sponsee’s personnel is a key factor when deciding whether to enter into a sponsorship arrangement.

Table 10.18 presents the descriptive statistics and correlation matrix for the trust items. Respondents were asked to indicate the extent of their agreement with the following three statements on a seven-point Likert scale, ranging from ‘1’ (strongly disagree) to ‘7’ (strongly agree):

1. My organisation places great importance on trust when entering into sponsorship arrangements;
2. My organisation strongly prefers to only deal with organisations with which we have a well-established relationship when entering into a sponsorship arrangement; and,
3. For my organisation, having a good rapport with personnel in the sponsee organisation is a key factor in deciding to enter a sponsorship arrangement.

The results of the principal components analysis are presented in Table 10.18 and highlight the extraction of one factor with an eigenvalue greater than one and explaining 64.803% of the variance. The three items comprising the factor have a Cronbach Alpha of 0.720. The factor loadings for each of these items are greater than 0.5. These results support the combination of these items to provide one measure of trust in the sponsorship
decision-making process. The item has been measured using the weighted average method and will be labelled ‘Trust’.

Table 10-18 Descriptive Statistics for Trust Variables

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>Trust1</th>
<th>Trust2</th>
<th>Trust3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>5.09</td>
<td>4.89</td>
<td>5.25</td>
</tr>
<tr>
<td>Median</td>
<td>5</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Standard Dev</td>
<td>1.57</td>
<td>1.68</td>
<td>1.39</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Maximum</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.78</td>
<td>-0.58</td>
<td>-0.75</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>0.10</td>
<td>-0.66</td>
<td>-0.12</td>
</tr>
<tr>
<td>Correlations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust1</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust2</td>
<td>0.376**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Trust3</td>
<td>0.447**</td>
<td>0.585**</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Principal Component Analysis

<table>
<thead>
<tr>
<th>Factor Loadings</th>
<th>Trust1</th>
<th>Trust2</th>
<th>Trust3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.732</td>
<td>0.822</td>
<td>0.856</td>
</tr>
<tr>
<td>Eigenvalue</td>
<td>1.944</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cronbach’s alpha</td>
<td>0.720</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variance explained</td>
<td>64.8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Trust1 = My organisation places great importance on trust when entering into sponsorship arrangements; Trust2 = My organisation strongly prefers to only deal with organisations with which we have a well-established relationship when entering into a sponsorship arrangement; Trust3 = For my organisation, having a good rapport with personnel in the sponsee organisation is a key factor in deciding to enter a sponsorship arrangement.

Note: ** p: < 0.01

10.2.4.5 Strategy

Strategy is referred to in Propositions 1a, 2a and 3a. The prospector/defender typology developed by Miles and Snow (1978) has been adopted and an adapted version of the
instrument used by Abernethy and Brownell (1999) has been employed in this study. In Question 17, two descriptions of organisations were given and respondents were asked to indicate, on a seven-point Likert scale, where they would place their organisation’s current strategic orientation. Organisation type A represents a defender firm and is reflected by level 1 on the Likert scale. Organisation type B represents a prospector firm and is reflected by level 7 on the Likert scale. The wording of the organisation descriptions for this study contains minor amendments from the original descriptions in order to tailor them to the sponsorship context (see Appendix B). The descriptive statistics of the organisational strategy variable are presented in Table 10.19.

<table>
<thead>
<tr>
<th>Descriptives</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>3.98</td>
</tr>
<tr>
<td>Median</td>
<td>4</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>1.67</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>7</td>
</tr>
</tbody>
</table>

### 10.3 Data Preparation and Screening

Following the steps outlined by Kline (1998) and Tabachnick and Fidell (2007) data screening was undertaken prior to data analysis. This section outlines the steps involved in the systematic approach taken to data preparation. These include checking for the accuracy of data input, analysis of missing data, and inspection of the data for multicollinearity, outliers, normality, linearity and homoscedasticity.

#### 10.3.1 Accuracy of data input

The first stage of data screening generally recommended involves ensuring the accuracy of the data input (Kline, 1998; Tabachnick and Fidell, 2007). Following data entry, the
computerised SPSS data file was compared with the original data on the returned questionnaires. Three data input errors were identified and corrected.

10.3.2 Missing data analysis

The next stage of the data screening process involved missing data management. In analysing missing data, the pattern of the missing data is considered to be more important than the amount of missing data (Tabachnick and Fidell, 2007). Hair et al. (2006) suggest that the method of dealing with missing values is determined by the nature of the ‘missingness’ of the data. Where missing data is randomly distributed throughout the data set, no issues arise. However, where several respondents do not answer the same question, issues may arise when cases are eliminated from the analyses involving these variables. These cases may represent a particular group of respondents who choose not to answer a particular question and their observations would therefore be absent from the analysis. Tabachnick and Fidell (2007) suggest that some method of estimating missing values be used to prevent elimination of cases with missing data. They do not, however, provide firm guidelines on what level of missing data is acceptable. Hair et al. (2006) suggest that “the regression method of imputation holds promise in those instances where moderate levels of widely scattered missing data are present and where the relationships between variables are sufficiently established so that the analyst is confident that the use of the method will not impact on the generalisability of the results” (p.49-50).

The missing data from the survey questionnaire was insignificant with most questions having no missing responses. Two questions (Questions 10 and 11) relating to total annual sales budget and total annual sponsorship budget had a significant amount of missing data. Question 10 had 33 missing responses which represents 58% of cases. Question 11 had 25 missing cases representing 44% of cases. It is expected that the missing data for these questions is high due to concerns over sensitivity of data requested. In the case of total sales revenue of the organisation it may be that many respondents did not have ready access to the information sought. As more than 15% of the data is missing
for these variables, the variables were dropped from further analysis (the default in SPSS) (Tabachnick and Fidell, 2007).

10.3.3 Multicollinearity

Multicollinearity occurs when the correlations among variables are so high that certain statistical analysis cannot be performed. Multicollinearity signifies that at least two separate variables are measuring the same thing. Three main steps to check for multicollinearity can be used (Kline, 1998):

1. review the bivariate correlation matrix and investigate correlations greater than 0.85;
2. check the tolerance level for the variables and any value less than 0.1 may require further investigation; and
3. investigate the variance inflation factors (VIF) for any value greater than 10.

Where multicollinearity is detected it is necessary to either eliminate one of the offending variables, or to combine the redundant variables into a composite variable (Kline, 1998). Tests for multicollinearity are reported on in conjunction with the presentation of the regression model findings below.

10.3.4 Outliers

An outlier is identified as an extreme score on a variable. Where a variable has a value greater than three standard deviations from the mean, it is considered to be an outlier (Kline, 1998). Four steps to identify outliers have been suggested by Kline (1998):

1. in a univariate basis, conduct an inspection of the frequency distribution of the variable z scores to identify any scores greater than three standard deviations from the mean (Hair et al., 2006);
2. in a multivariate basis, the Mahalanobis distance should be calculated, to evaluate the position of each observation compared with the centre of all observations on a set of variables (Hair et al., 2006). Tabachnick and
Fidell (2007) suggest that a conservative level of \( p < 0.001 \) is used as the critical outlier identification value; and, 

3 & 4 the Cook’s distance and leverage values for the variables should be considered. These values provide measures of the influence of observations in a data set considering the impact of changes in predicted values when a case is omitted as well as the distance of the observation from other observations. The general rule for influential observations is a Cook’s distance value greater than 1.0 and a leverage value greater than \((2p / n)\), where \( p \) is the number of coefficients plus one for the constant and \( n \) is the sample size.

Tests for outliers were calculated for those items involved in variable measurement. For example, for the sophistication variable, only the six items used for its measurement were included in this calculation. The Mahalanobis distance, Cook’s distance and leverage value were calculated and analysed. The results of the analyses identified no offending values. Frequency distributions of each variable’s z scores were examined with no significant outlier problems noted.

10.3.5 Normality

Both univariate and multivariate analysis require the consideration of the normality of the data. On a univariate basis, four steps have been suggested by Kline (1998) for an evaluation of data normality:

1. Conduct an analysis of the skew value for each variable by calculating the \( z \) value. Skewness relates to symmetry in the distribution of data with a value of zero indicating normality, with a positive value signifying observations merge to the left and negative values to the right.

2. Consider the kurtosis value using the critical non-normality threshold value of greater than 10. Kurtosis relates to whether the data is too peaked or too flat, with a positive value meaning it is too peaked with long tails.

3. Inspect the frequency distributions for any offending distributions.
4. Consider the normality plots and identify any offending distributions.

A key assumption of multivariate testing is that each variable, and all linear combinations of variables are normally distributed, and that residuals are normally distributed and independent. An appraisal of the normality of the variables to be used in the regression analysis should be conducted using the Kolmogorov-Smirnov test, which calculates the levels of significance for differences from a normal distribution.

An analysis of skewness and kurtosis was conducted for each variable to be used in the multiple regression proposition testing. To determine whether skewness or kurtosis is a problem, a significance test was conducted which compares the obtained value against the null hypothesis (Tabachnick and Fidell, 2007). To evaluate the significance of skewness and kurtosis, an alpha level of 0.01 is conventionally used and the two-tailed test results in a $z$ value of $\pm 2.58$. With the exception of organisation size, the analysis of skew and kurtosis identified no problems of non-normality in the variables. Organisation size has been omitted from further testing due to the problem of missing data noted above. Inspection of frequency distributions and normality plots also suggest no problems of non-normality in the variables. The Kolmogorov-Smirnov test for normality revealed no significant $z$ statistics for any variables.

10.3.6 Linearity and homoscedaticity

Homoscedaticity occurs when the variability of one continuous variable’s scores is similar at all values of another continuous variable. Identification of problems with linearity and homoscedaticity can be achieved by inspection of bivariate scatterplots (Kline, 1998) which illustrate the relationship between the $Y$ variable and the $X$ variable. No nonlinear patterns in the data for each model were identified from an inspection of the bivariate scatterplots and therefore the assumption of linearity was accepted in each case.
10.4 Descriptive Statistics of Variables in the Study

Prior to discussion of the multivariate statistical testing conducted via multiple regression analysis, a description of the dependent and independent variable measures used in appraising Models 1, 2, and 3 is provided.

The Formalisation (Model 1), Sophistication (Model 2) and Organisation Intuition (Model 3) dependent variables were generated from exploratory factor analyses described above. In addition, six variables derived from further exploratory factor analyses described above will be used as independent variables in the regression models. The descriptive statistics for each of the dependent and independent variables are presented in Table 10.20. The Cronbach Alpha for each of the factor scored variables is also presented under the reliability measure column. The skewness and kurtosis values for each variable do not exceed the recommended $z$ threshold scores of ±2.58 and 10.0 respectively (Hair et al., 2006), suggesting there are no issues in relation to non-normality.

A correlation analysis was also conducted to assess relationships between the variables included in the models. A correlation matrix incorporating all variables to be included in the models is presented as Table 10.21. From a bivariate perspective, it can be seen that formalisation is significantly correlated with sophistication. Sophistication is not significantly correlated with any other variables. Organisation intuition is significantly correlated with financial risk, sponsorship risk and organisation risk. Organisation risk is significantly correlated with strategy and manager risk, and sponsorship risk is significantly correlated with financial risk. All significant correlations between the variables of interest are less than 0.68 indicating that there is a minimal multicollinearity threat in the data set (Hair et al., 2006).
Table 10-20 Descriptive Statistics of Variables in the Study

<table>
<thead>
<tr>
<th>Variable</th>
<th>Theoretical Range</th>
<th>Actual Range</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Reliability Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formalisation</td>
<td>1-7</td>
<td>2.33-7</td>
<td>5.126</td>
<td>1.248</td>
<td>-0.299</td>
<td>-0.687</td>
<td>0.907</td>
</tr>
<tr>
<td>Sophistication</td>
<td>1-7</td>
<td>2.83-7</td>
<td>5.120</td>
<td>1.037</td>
<td>-0.262</td>
<td>-0.203</td>
<td>0.861</td>
</tr>
<tr>
<td>Organisation intuition</td>
<td>1-7</td>
<td>2-6.25</td>
<td>3.961</td>
<td>1.444</td>
<td>0.131</td>
<td>-0.726</td>
<td>0.803</td>
</tr>
<tr>
<td>Strategy</td>
<td>1-7</td>
<td>1-7</td>
<td>3.980</td>
<td>1.674</td>
<td>-0.042</td>
<td>-1.164</td>
<td>n/a</td>
</tr>
<tr>
<td>Size</td>
<td>1-7</td>
<td>1-7</td>
<td>3.650</td>
<td>1.458</td>
<td>-0.002</td>
<td>-0.258</td>
<td>n/a</td>
</tr>
<tr>
<td>Perceived environmental uncertainty</td>
<td>1-7</td>
<td>1-6</td>
<td>4.690</td>
<td>0.986</td>
<td>-1.312</td>
<td>2.863</td>
<td>0.726</td>
</tr>
<tr>
<td>Business risk</td>
<td>1-7</td>
<td>1-7</td>
<td>5.140</td>
<td>1.432</td>
<td>-0.860</td>
<td>0.512</td>
<td>n/a</td>
</tr>
<tr>
<td>Financial risk</td>
<td>1-7</td>
<td>1-7</td>
<td>2.960</td>
<td>1.679</td>
<td>0.409</td>
<td>-0.850</td>
<td>n/a</td>
</tr>
<tr>
<td>Sponsorship risk</td>
<td>1-7</td>
<td>1-6.5</td>
<td>3.482</td>
<td>1.366</td>
<td>0.169</td>
<td>-0.389</td>
<td>n/a</td>
</tr>
<tr>
<td>Organisation risk adversity</td>
<td>1-7</td>
<td>1-7</td>
<td>3.300</td>
<td>1.991</td>
<td>0.401</td>
<td>-1.208</td>
<td>n/a</td>
</tr>
<tr>
<td>Manager risk adversity</td>
<td>1-7</td>
<td>1-7</td>
<td>3.840</td>
<td>1.730</td>
<td>-0.134</td>
<td>-0.823</td>
<td>n/a</td>
</tr>
<tr>
<td>Trust</td>
<td>1-7</td>
<td>1.33-7</td>
<td>5.076</td>
<td>1.242</td>
<td>-0.495</td>
<td>0.070</td>
<td>0.720</td>
</tr>
</tbody>
</table>
Table 10-21 Correlation Matrix of Variables in the Multiple Regression Analysis

<table>
<thead>
<tr>
<th></th>
<th>Form</th>
<th>Soph</th>
<th>Orgint</th>
<th>Strat</th>
<th>Size</th>
<th>PEU</th>
<th>Busrisk</th>
<th>Finrisk</th>
<th>Sprisk</th>
<th>Orgrisk</th>
<th>Mgrisk</th>
<th>Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soph</td>
<td>0.659**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orgint</td>
<td>-0.273*</td>
<td>-0.273*</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strat</td>
<td>-0.062</td>
<td>0.075</td>
<td>0.202</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size</td>
<td>0.067</td>
<td>-0.106</td>
<td>0.235</td>
<td>0.019</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEU</td>
<td>0.317*</td>
<td>0.145</td>
<td>0.217</td>
<td>-0.068</td>
<td>0.317*</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Busrisk</td>
<td>0.045</td>
<td>0.000</td>
<td>0.052</td>
<td>0.135</td>
<td>0.113</td>
<td>0.360**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finrisk</td>
<td>-0.062</td>
<td>-0.129</td>
<td>0.343**</td>
<td>-0.083</td>
<td>0.204</td>
<td>0.363</td>
<td>0.061</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sprisk</td>
<td>-0.234</td>
<td>-0.205</td>
<td>0.402**</td>
<td>-0.016</td>
<td>-0.122</td>
<td>0.071</td>
<td>-0.017</td>
<td>0.443**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orgrisk</td>
<td>-0.177</td>
<td>-0.002</td>
<td>0.456**</td>
<td>0.339**</td>
<td>0.215</td>
<td>0.060</td>
<td>0.179</td>
<td>0.025</td>
<td>0.077</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mgrisk</td>
<td>-0.213</td>
<td>-0.173</td>
<td>0.310*</td>
<td>0.252</td>
<td>0.198</td>
<td>0.072</td>
<td>0.153</td>
<td>0.047</td>
<td>0.142</td>
<td>0.647**</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>0.008</td>
<td>0.182</td>
<td>0.182</td>
<td>-0.175</td>
<td>-0.110</td>
<td>0.018</td>
<td>0.098</td>
<td>0.073</td>
<td>-0.106</td>
<td>0.046</td>
<td>-0.174</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Where: Form = Formalisation; Soph = Sophistication; Orgint = Organisation Intuition; Strat = Strategy; Size = Size; PEU = Perceived Environmental Uncertainty; Busrisk = Business Risk; Finrisk = Financial Risk; Sprisk = Sponsorship Risk; Orgrisk = Organisational Risk Aversion; Mgrisk = Manager Risk Aversion; Trust = Trust.

Note: n = 57; **p < 0.01; *p < 0.05
10.5 Multiple Regression Analysis

Multiple regression analysis has been used to test Model 1 (the relationship between the five independent variables and the dependent variable “degree of formalisation of the sponsorship decision-making process”), Model 2 (the relationship between the five independent variables and the dependent variable “degree of sophistication of the sponsorship decision-making process”), and Model 3 (the relationship between the five independent variables and the dependent variable “degree of intuition used in the sponsorship decision-making process”), as discussed in Chapter 9. Due to the small sample size and the resultant degrees of freedom issues, in testing the three models, the five dimensions of the risk variable (Busrisk, Finrisk, Sprisk, Orgrisk, and Mgrrisk) have been included in separately formulated models, with each model iteration containing only one of the five proxy risk measures. For each model appraised, the results of the most statistically significant regression model iteration will be presented in tabular form.

10.5.1 Proposition testing: model 1

The results of the multiple regression analysis of Model 1 are presented in Table 10.22. It is based on the following equation:

\[ Y = b_1 + b_2 \text{STRATEGY} + b_3 \text{SPSIZE} + b_4 \text{PEU} + b_5 \text{RISK} + b_6 \text{TRUST} + e \]

where:

\[ Y \] = Degree of formalisation of the sponsorship decision-making process
\[ \text{STRATEGY} \] = Strategy \hspace{1cm} (Proposition 1a)
\[ \text{SPSIZE} \] = Sponsorship size \hspace{1cm} (Proposition 1c)
\[ \text{PEU} \] = Perceived environmental uncertainty \hspace{1cm} (Proposition 1d)
\[ \text{RISK} \] = Sponsorship risk \hspace{1cm} (Proposition 1e)
\[ \text{TRUST} \] = Trust \hspace{1cm} (Proposition 1f)
Table 10-22 Results of Multiple Regression Analysis – Model 1

Dependent Variable: Formalisation of the Sponsorship Decision-making Process

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT</td>
<td>1.151</td>
<td>3.653</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>STRATEGY</td>
<td>-0.039</td>
<td>0.097</td>
<td>-0.300</td>
<td>0.382</td>
</tr>
<tr>
<td>SPSIZE</td>
<td>-0.011</td>
<td>0.117</td>
<td>-0.083</td>
<td>0.467</td>
</tr>
<tr>
<td>PEU</td>
<td>0.337</td>
<td>0.171</td>
<td>2.486</td>
<td>***0.008</td>
</tr>
<tr>
<td>SPRISK</td>
<td>-0.260</td>
<td>0.118</td>
<td>-2.011</td>
<td>0.025</td>
</tr>
<tr>
<td>TRUST</td>
<td>-0.020</td>
<td>0.132</td>
<td>-0.149</td>
<td>0.441</td>
</tr>
</tbody>
</table>

\[ R^2 = 0.169 \]

Adjusted \[ R^2 = 0.088 \]

\[ F \text{ value} = 2.076, p < 0.10^* \]

**DF - model** 5

**DF - error** 51

***p < 0.01; **p < 0.05; *p < 0.10

All \( t \)-tests are one-tailed tests of significance for those independent variables where the directional relationship with the dependent variable is consistent with the formulated propositions.

To test the linear model’s goodness of fit, the multiple coefficient of determination \((R^2)\) for the collective effect of all the individual variables has been calculated. Tabachnick and Fidell (2007) recommend using the adjusted \( R^2 \) for interpretation, as the smaller the sample size, the greater the variability in \( R^2 \) resulting in its overstatement. Where the sample size is large, adjusted \( R^2 \) will be similar to the unadjusted \( R^2 \) (Tabachnick and Fidell, 2007). The used of adjusted \( R^2 \) is supported by Conlon (2002) as it is more robust and less biased than the unadjusted measure. An adjusted \( R^2 \) value of 0.088 signifies that 8.8% of the variability of “formalisation of the sponsorship decision-making process” is explained by the independent variables.

The \( F \) test computes the correlation between the dependent variable and all of the independent variables collectively and reveals whether this relationship is linear (Brymer and Cramer, 1990). As the \( F \) statistic is small, the probability that \( R^2 = 0 \) is rejected signifying that the model fits the data. Tolerance and variance inflation factor
(VIF) indices are statistical measures used to determine the amount of multicollinearity between variables. SPSS automatically eliminates variables if there is a problem with tolerance, with the default tolerance for excluding a variable being .001, that is, until 99.99% of variance is predicted by the other independent variables, the variable is included in the regression equation (Hair et al., 2006). Tolerance and VIF values have been examined and there is no indication of multicollinearity.

The regression analysis for Model 1 provides statistically significant support for Proposition 1d. This signifies support for the view that organisations operating in more uncertain environments have a more formalised sponsorship decision-making process.

### 10.5.2 Proposition testing: model 2

Model 2 is based on the following equation:

\[ Y = b_1 + b_2 \text{STRATEGY} + b_3 \text{SPSIZE} + b_4 \text{PEU} + b_5 \text{RISK} + b_6 \text{TRUST} + e \]

where:

- **Y** = Degree of sophistication of the sponsorship decision-making process
- **STRATEGY** = Strategy (Proposition 2a)
- **SPSIZE** = Sponsorship size (Proposition 2b)
- **PEU** = Perceived environmental uncertainty (Proposition 2d)
- **RISK** = Business risk or Financial risk or Sponsorship risk or Organisation risk or Manager risk (Proposition 2e)
- **TRUST** = Trust (Proposition 2f)

The significance of the $F$ value for all regression models formulated for Model 2 are insignificant and therefore the results of these models will not be reported. This result is not unexpected, due to the finding that all bivariate correlations between the dependent variable ‘sophistication’ and the independent variables are non-significant as displayed in Table 10.21.
10.5.3 Proposition testing: model 3

The results of a multiple regression analysis of Model 3 where Sprisk is used as a proxy for RISK are presented in Table 10.23. It is based on the following equation:

\[ Y = b_1 + b_2 \text{STRATEGY} + b_3 \text{SPSIZE} + b_4 \text{PEU} + b_5 \text{RISK} + b_6 \text{TRUST} + e \]

where:

- \( Y \) = Degree of intuition used in the sponsorship decision-making process
- \( \text{STRATEGY} \) = Strategy (Proposition 3a)
- \( \text{SPSIZE} \) = Sponsorship size (Proposition 3c)
- \( \text{PEU} \) = Perceived environmental uncertainty (Proposition 3d)
- \( \text{RISK} \) = Sponsorship risk (Proposition 3e)
- \( \text{TRUST} \) = Trust (Proposition 3f)
Table 10-23  Results of Multiple Regression Analysis – Model 3

Dependent Variable: Degree of Intuition Used in the Sponsorship Decision-making Process

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>T-Value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT</td>
<td>0.079</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>STRATEGY</td>
<td>0.179</td>
<td>0.081</td>
<td>1.501</td>
<td>*0.070</td>
</tr>
<tr>
<td>SPSIZE</td>
<td>0.163</td>
<td>0.098</td>
<td>1.308</td>
<td>0.098</td>
</tr>
<tr>
<td>PEU</td>
<td>0.146</td>
<td>0.144</td>
<td>1.175</td>
<td>0.122</td>
</tr>
<tr>
<td>SPRISK</td>
<td>0.398</td>
<td>0.099</td>
<td>3.370</td>
<td>***0.000</td>
</tr>
<tr>
<td>TRUST</td>
<td>0.208</td>
<td>0.111</td>
<td>1.733</td>
<td>**0.044</td>
</tr>
</tbody>
</table>

\[ R^2 \] 0.304

Adjusted \[ R^2 \] 0.236

\[ F \text{ value} \] 4.463, \( p < 0.01\)**

DF – model 5

DF – error 51

***\( p < 0.01\); **\( p < 0.05\); *\( p < 0.10\)

All t-tests are one-tailed tests of significance, for those independent variables with a directional relationship with the dependent variable that is consistent with the formulated propositions.

The adjusted \( R^2 \) reveals that 23.6% of the dependent variable “degree of intuition used in the sponsorship decision-making process” is explained by the independent variables. As the \( F \) statistic is small, the probability that \( R^2 = 0 \) is rejected. All assumptions of multivariate analysis including multicollinearity, analysis of outliers, normality, linearity and homoscedasticity, have been met with no problems noted.

The three variables demonstrating statistically significant associations with the degree of intuition used in sponsorship decision-making are strategy, sponsorship risk and trust. This suggests that organisations with prospector-type strategies, organisations with a high degree of sponsorship risk and organisations that place a higher degree of emphasis on trust in their sponsorship dealings use a higher degree of intuition when making sponsorship decisions.
10.6 Conclusion

This chapter has provided a description of the measurement of both the dependent and independent variables used in testing the propositions underlying Models 1, 2, and 3. Each model has been tested using multivariate regression analysis to statistically examine the validity of the propositions and the significance of associations between the variables. The chapter has also presented descriptive statistics for variables of interest in the study which have not been subject to further statistical analysis. These descriptive variables were political factors, budgetary roles, the budget allocation process and accounting personnel involvement. The major findings relating to the descriptive variables can be summarised as:

- (a) Political factors appear to play a part in the sponsorship decision-making process;
- (b) The budgetary role of authorisation is the most important in the sponsorship management process;
- (c) Organisations use a variety of approaches when budgeting for sponsorship; and,
- (d) Accounting personnel tend to be involved in the sponsorship decision-making process in a very limited way.

The following statistically significant findings have been noted:

- (a) Organisations operating in more uncertain environments tend to have more formalised sponsorship decision-making process;
- (b) Organisations with prospector-type strategies are more likely to use intuition when making sponsorship investment decisions;
- (c) Sponsorship risk is positively related to the degree of intuition used in the sponsorship decision-making process; and,
- (d) Organisations that place a higher degree of emphasis on the issue of trust use a higher degree of intuition when making sponsorship decisions.

This chapter concludes the presentation of findings associated with the survey phase of this study. Chapter 11, which concludes this thesis, presents a discussion of the
major findings. It will also outline managerial implications arising from the study, the limitations of the study and recommendations for further research in this area.
CHAPTER 11
CONCLUSION

11.1 Introduction

This study has been directed to furthering our understanding of sponsorship decision-making processes in the Australian context by investigating sponsorship investment in practice and the role of management accounting in the decision-making process. This chapter provides a discussion of the main findings of the study. It also outlines the study’s shortcomings and recommends avenues for further related research.

Five specific research objectives were developed in Chapter 1 and are used to structure this discussion of the study’s findings. Three empirical phases were undertaken in pursuit of the research objectives: a case study in a university; a second qualitative phase comprising interviews with twenty-four managers from 22 organisations; and a quantitative phase comprising a survey questionnaire.

In the following section, a summary of the study’s main findings is presented. This is followed by a discussion of managerial implications arising, limitations of the study and then avenues for further research. To finalise this chapter and the thesis, the researcher’s concluding comments are provided.

11.2 Summary of Findings and Discussion

The five research objectives, outlined in Chapter 1, Section 1.3, provide the structure for this section. These objectives are:

1. To appraise the potential for management accounting usage in sponsorship decision-making.
2. To describe the nature of the sponsorship budgeting processes.
3. To investigate the different forms of sponsorship decision-making.
4. To appraise the roles of budgeting in the sponsorship decision-making process.
5. To develop and test propositions concerning contingent factors relating to sponsorship decision-making.

11.2.1 Objective 1: To appraise the potential for management accounting usage in sponsorship decision-making

It was observed in the case study phase that accounting personnel did not appear to be performing any significant roles in connection with sponsorship management. While budgetary reporting was maintained by the accounting function, little influence in terms of sponsorship decision-making was provided by accountants and there was scant evidence of the application of any accounting techniques. Accounting personnel were only called upon in an advisory capacity, as required, to provide information on the current year’s level of expenditure and residual funds available.

Consistent with these case study observations, the exploratory interview data collected also suggest minimal accounting personnel involvement in sponsorship decision-making. Most managers felt that sponsorship decision making is exclusive to the marketing domain, however some felt that there was a potential for significant accounting involvement. It was widely recognised that accountants play a role in administering department budgets, thereby facilitating planning and control of budgeted expenditure, however they appear to be rarely involved in specific sponsorship selection or management. There also appeared to be a perception that accounting personnel are more likely to be involved in decision-making in those organisations that adopt a relatively sophisticated sponsorship decision-making process.

This thesis objective was further pursued in the survey questionnaire phase of the study. The descriptive statistics presented in Table 10.12 provide further affirmation that accounting personnel are involved in the sponsorship decision-making process in a minimal way. It appears that sponsorship decision-making is another area manifesting the schism that tends to characterise the marketing-accounting interface (Guilding and Pike, 1990). The apparently contrasting cultures of accounting and marketing could well be contributing to muted development and application of any
accounting oriented analytical techniques that might assist sponsorship decision-making.

It is noteworthy that marketing managers tend to view sponsorship as an ‘investment’ while the accounting reality appears to be inconsistent with this notion. In the early part of this thesis it was highlighted that, in theoretical terms, sponsorship can be viewed as an investment and the interview phase of this study was couched using this term. The study’s overall findings indicate, however, that with respect to accounting treatment, sponsorship is expensed and not capitalised. This finding has considerable resonance with recent research suggesting that a key issue facing accountants that is pertinent to the accounting/marketing interface concerns pressure to value an organisation’s intangible assets and also difficulties arising when applying the matching principle (Sidhu and Roberts, 2008). Sidhu and Roberts (2008) claim that the problems confronting marketers include marketing being seen as a discretionary expense, as not being accountable, as being unimportant (due to it not appearing on the balance sheet) and lacking a voice in the boardroom. The findings in this study support this view, as there appears to be a tension between marketing’s view of sponsorship as an investment and accounting’s apparent inability to account for sponsorship in a manner supportive of this perspective. Accounting’s continuing failure to develop a framework that is better attuned to the realities of marketing appears to represent a fundamental stumbling block to greater accounting involvement in sponsorship decision making.

As noted in Chapter 5, management accounting represents a process of identification, measurement, analysis and communication of information for use by management for planning and decision-making (Hansen and Mowen, 2006; Horngren et al, 2006, FASB, 2008). As a tool used for planning, it would appear reasonable to expect management accounting expertise to be drawn upon when planning for the efficient allocation of sponsorship expenditure. Despite the marketing literature (Amis, et al, 1999; Redmandarin, 2004; Masterman, 2007) stating that all sponsorships require detailed planning, it appears that sponsorship managers tend not to recognise the potential of accounting to further inform their decision-making at the planning stage. In further research, it would be interesting to examine whether the issues noted by
Sidhu and Roberts (2008), particularly relating to the expensing of sponsorship outlays, have a negative impact on the amount of funds allocated to sponsorship.

11.2.2 Objective 2: To describe the nature of the sponsorship budgeting process

As was noted in the literature review chapters, there has been minimal academic research directed to determining the manner of budgeting processes applied in sponsorship decision-making. This aspect of the study therefore represents a particularly novel contribution to the literature by presenting detailed evidence of sponsorship budgeting processes in Australian organisations.

From the case study empirical phase, it was evident that the University examined employed three distinct phases in the sponsorship budget allocation process. The initial phase comprised a university-wide decision to allocate a proportion of university funds to sponsorship activities. The second phase involved an allocation of these funds to each campus. The final phase involved a decision as to how the campus-based sponsorship budget is to be expended. At the campus level, across all campuses it was found that the distribution of funds for sponsorship projects occurred in a relatively unformalised, ad hoc manner. Campus managers were aware of the significance of assigning their budgets in ways consistent with the external profile sought by the university, however they managed their budgets in a relatively flexible manner. Initially, the funds allocated to each campus were assigned to any ongoing sponsorship arrangements, thereby leaving a smaller discretionary pool for the support of one-off undertakings. It was noteworthy that none of the campuses had developed a marketing plan, signifying a diminished degree of discretion in the campus-based management of sponsorship budgets, as a university-wide marketing plan formed the strategic backdrop for sponsorship budget allocation decisions.

The exploratory interview findings suggest that it is useful to conceive of the sponsorship budgeting process as occurring either as a three-phased framework comprising: 1) funds are allocated to marketing; 2) marketing department allocates funds to a total sponsorship budget; and 3) managers most closely associated with sponsorship allocate the total sponsorship budget to specific sponsorship projects; or as a two-phased framework comprising: 1) senior management allocate funds to a
total sponsorship budget; 2) managers most closely associated with sponsorship allocate the total sponsorship budget to specific sponsorship projects.

It was found that determination of the total sponsorship budget tends to be achieved as part of the annual budgeting process and not as part of the capital budgeting process, despite the fact that it can be claimed that sponsorship represents more of an investment than an expense. It appears that in the typical sponsorship budgeting process, marketing/sponsorship managers propose a level of planned expenditure and provide a supporting rationale that is characterised by a marketing analysis and a preponderance of marketing terms. In those companies operating more formalised sponsorship budgeting systems, it was noted that the budgeting process starts with the justification of expenditure on ongoing sponsorships and then prospective sponsorships are added until the total amount allocated is achieved. In several organisations, however, it was noted that although some specific sponsorships are determined during the annual budgeting process, some contingency funds are set aside to enable expenditure on unanticipated sponsorship opportunities.

Although a variety of permutations with respect to how the sponsorship budget process is run can be conceived of, an attempt was made in the questionnaire phase of the study to generate questions that will best capture the incidence of different sponsorship budgeting phases. These are largely based on the two and three phased frameworks describe above. Perhaps unsurprisingly, the findings suggest a limited consensus in term of the budget stages followed across the companies sampled. Descriptive statistics shown in Table 10-4 suggest that there are more companies that see the sponsorship budget as a sub-component of the marketing budget than the number of companies that treat the sponsorship budget as separate from the marketing budget. This is consistent with interview findings where in the majority of organisations the sponsorship budget represents an element within the marketing budget and is controlled from the marketing department.

In terms of what philosophy drives the amount of funds allocated to sponsorship expenditure, it appears that there is a relatively even split between aggregating the cost of specific sponsorship opportunities and the residual resource view of determining what funds are available. Descriptive statistics presented in Table 10-4
reveal a mean score of 4.28 for “the aggregation of sponsorship opportunities” and a mean score of 4.02 for “the availability of funds”.

It was also apparent from the survey data that the sponsorship budget tends to be treated as fixed for the year and that there is limited scope to pursue unanticipated sponsorship opportunities. It is notable, however, that this finding is somewhat inconsistent with the findings of the qualitative phases of the study. This inconsistency suggests further work concerning this issue is warranted. An investigation could be made not only of the incidence of sponsorship budget flexibility, but also what antecedent factors affect this type of budgetary approach. Such a contingency work could investigate whether organisations with large sponsorship budgets are more or less prone to applying sponsorship budget flexibility and also whether having an externally focused prospector strategic posture is aligned to greater sponsorship budget flexibility.

As noted in Chapter 5, budgeting is considered to be an important management discipline as it forces managers to plan. This is particularly important in the sponsorship context, as it represents a discipline requiring the translation of a sponsorship vision and strategy into financially denominated terms. It is notable that recent research in the marketing literature has underscored the importance of formulating carefully considered budgets. Ambler and Roberts (2008) suggest that marketing must formalise its goals in terms of short and long term corporate budgetary goals and also determine the contribution that marketing will make to firm performance. This paves the way for greater accountability as a budget can be established which includes metrics for performance valuation and control. The need for translating sponsorship plans into goals denominated in budgetary terms would also appear to be important in light of Peppers and Rogers’ (2006) view of the board of directors only listening to pure financial terms. While it can be argued that non-financial strategy is also important (Sawney and Zabin, 2002), it seems clear that budgets represent an important conduit in the allocation of funds to sponsorship.

The findings in this study have provided no clear insights into what may constitute “best practice” with respect to sponsorship budgeting systems. The apparent lack of consistent sponsorship budgetary practice may be linked to the perception of
marketing as unimportant and lacking a voice at the boardroom table (Sidhu and Roberts, 2008). Improved sponsorship budgeting can be expected to result from marketing operationalising sponsorship plans and aspirations using the language of management accounting. Realisation of such a change would constitute a major metamorphosis for sponsorship managers, however. Given the range of approaches noted in this study with respect to sponsorship budgeting, it would likely be a fruitful line of further research to examine what factors affect the type of sponsorship budgetary process adopted (e.g. size of sponsorship budget, strategy, and environmental uncertainty).

11.2.3 Objective 3: To investigate different forms of sponsorship decision-making

A number of different decision-making processes were identified during the case study and interview phases of this study. Based on observations in these phases, it was suggested that the sponsorship decision-making process varied considerably in terms of sophistication and formalisation and in many cases can be characterised as intuitively based.

Building on these findings and on the theory of organisational decision-making presented in Section 3.2.2, a number of decision-making orientations were appraised in the survey questionnaire phase of the study. Multiple items were included for each decision-making variable measured in the survey questionnaire as part of an attempt to provide greater validity to the variables appraised. These were factor analysed and yielded three sponsorship decision-making variables: formalisation, sophistication and intuition. Although it was noted that an association between formalisation and sophistication may exist, the results of the factor analysis supported viewing them as two distinct constructs.

Table 10-20 provides the descriptive statistics for formalisation, sophistication and organisation intuition oriented approaches to sponsorship decision-making. The mean scores suggest that there is a high degree of both formalised and sophisticated orientations in the sponsorship decision-making process, but much less use of an intuitive orientation. Although it was noted that there may be some association
between sponsorship decision making formalisation and sophistication, the results of
the analysis conducted provide support for viewing these as two separate constructs.
This observation is supported by earlier research which measures formalisation in
terms of standard operating procedures (Olson et al, 2005) and sophistication in terms
of the breadth of activities, techniques and expertise used (Lamminmaki et al, 1996;
described in Chapter 3) are supported by these findings. The formalised approach
parallels the rational model where decision-makers are required to search for all
possible options, compare, evaluate them and then select the optimal option (Butler et
al., 1993).

The intuitive model was included in this study as research has shown that
management increasingly base their decisions on intuitive approaches in the presence
of higher degrees of uncertainty (Agor, 1986; Langley, 1990; Butler et al., 1993; Van
Cauwenbergh et al., 1996). Although the survey phase of this study found less use of
the intuitive model, this conflicts with the evidence gleaned in the qualitative phase
where the intuitive approach to sponsorship decision-making appeared to be more
predominant. It could well be that when completing a quantitatively based survey
questionnaire, respondents are predisposed to answering in a way that avoids
highlighting any deficiency in the application of rigour, which many might associate
with an intuitive approach to decision making. It would be interesting to explore this
issue further in an attempt to seek some resolution of the matter. Although it appears
intuition may well play an important role in the development of a sponsorship
proposal, for many organizations it appears necessary to translate intuitive thinking
into financial terms to provide a formal justification prior to obtaining senior
management approval (Guilding, 2003). This is consistent with the view expressed by
Sidhu and Roberts (2008) that marketers must relate their proposals to the value of the
firm and hence couch their proposals in financial terms.

The political orientation of sponsorship decision-making was appraised by way of a
single item measure in the survey. The fact that it is a single item measure signifies
that considerable caution should be exercised when attempting to interpret the
measure. Bearing this cautionary note in mind, it was observed that politics scored at
a moderate level of importance. The political orientation of sponsorship decision-
making was appraised by way of a single item measure in the survey. The fact that it is a single item measure signifies that considerable caution should be exercised when attempting to interpret findings made based on the measure. Bearing this cautionary note in mind, it was observed that politics scored at a moderate level of importance. The significance of political factors in organisational decision making was reviewed in Chapter 3. The political perspective views decision-making as taking place in the context of conflict resolution. The finding made in this study signifies that political factors represent a variable that is worthy of further examination in any subsequent study that seeks to build on the research initiative reported on herein.

A word of caution also has to be provided with respect to any attempt to interpret the mean scores just commented on. This is because the manner of the wording used in measuring sponsorship decision-making orientations can be expected to impact on the scores recorded by respondents. Further, two respondents with identical views on a particular orientation may have chosen different points on the Likert scale as reflective of their views.

The literature review section of the thesis (Section 3.3.1) reviewed the finance perspective relating to investment decision-making in sponsorship, and in particular examined the capital asset pricing model and real options theory. It is notable that this study has uncovered no evidence suggesting any application of these perspectives in sponsorship decision making.

11.2.4 Objective 4: To appraise the roles of budgeting in the sponsorship decision-making process

The case study observations indicate that the overwhelmingly predominant role of the sponsorship budget in the University examined concerned the identification of what sponsorship funds could be expended (i.e., the ‘authorisation’ role). Interviewee comments made in the exploratory interview phase provide support for the view that the major role of the budget relates to the authorisation and control of expenditure.

This thesis objective was further pursued in the survey questionnaire phase of the study. The descriptive statistics presented in Table 10.13 lend affirmation to the view
that the authorisation of sponsorship expenditure is the main sponsorship management role of the budget. The other budgetary roles that have some importance in the sponsorship management context appear to be planning, forecasting and motivation. The role of performance evaluation was considered to be the least important role, providing support for the general contention that budgets are not used for performance measurement in the context of discretionary expenditures.

These findings provide an interesting insight into industry practice as they appear inconsistent with the academic literature which calls for sponsorship managers to use financial terms and utilise instruments such as budgets for planning, control and evaluation (Hansen and Van der Stede, 2004; Lyne and Dugdale, 2007). It is notable that limited importance has been found for the authorisation budgetary role in recently conducted studies and hence its role has been largely ignored. This literary observation appears as particularly incongruent with the findings made in this study. This study’s finding is not wholly surprising, however. As sponsorship is generally regarded as constituting an archetypal form of discretionary expenditure, the finding that budgets are used predominantly for sponsorship expenditure authorisation (Brunnson, 1990) carries considerable intuitive merit. As an important aside, this finding highlights the somewhat ill-conceived nature of taking a generic approach when conducting surveys designed to determine the relative importance of distinct budgetary roles. The way in which budgets are used is clearly context specific and a more informed approach to determining the relative importance of budgetary roles would be to base the enquiry on a contingency model that recognises differential use of budgets in different organisational settings.

The finding that planning, forecasting and motivation are somewhat important is consistent with recently documented research. It was expected, however, that planning would be of greater importance in a sponsorship decision making context. The recent questioning of the usefulness of budgets (Hope and Fraser, 1997, 1998, 1999, 2003) can be seen to have received support from the study reported on herein, as with the exception of the authorisation role, none of the budgetary roles rise above an importance level of “somewhat important”. Prior commentaries reported on in Section 5.3, make the case that budgets were not designed for the management of intangible assets such as sponsorship investment. These commentaries, combined
with this study’s findings, give credence to Sidhu and Roberts’ (2008) call for the sponsorship/accounting interface to be revisited and the role of the budget in the sponsorship context to be redefined.

11.2.5 Objective 5: Develop and test propositions concerning contingent factors relating to sponsorship decision-making

A number of factors were identified from the analysis of the case study and exploratory interview findings as having a potential influence on the sponsorship decision-making process. These factors formed the basis of the contingency-based propositions concerning the sponsorship decision-making process that were tested in the study’s survey phase. It was suggested that organisations that have a prospector-type strategy, are larger, have a high level of sponsorship expenditure, have a high degree of risk, and place low emphasis on the issue of trust when entering into a sponsorship arrangement have more formalised and sophisticated sponsorship decision-making processes. Further, it was suggested that there would be higher degrees of intuition in organisations that operate in a context characterised by a high degree of risk, with prospector-type strategies and with a low level of sponsorship expenditure.

Table 11.1 provides an overview of the statistically significant findings pertaining to factors relating to sponsorship decision-making. It is interesting to note that the ‘size’ variable was not statistically significantly associated with any of the dependent variables. The interview findings show that formalised procedures are more likely to be found in larger companies.
Table 11-1 Overview of Statistically Significant Findings for Models 1, 2 and 3

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Degree of formalisation in sponsorship decision-making</th>
<th>Degree of sophistication in sponsorship decision-making</th>
<th>Degree of intuition in sponsorship decision-making</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 1a, 2a, 3a: Strategy</td>
<td></td>
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<td>*</td>
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<tr>
<td>Proposition 1b, 2b, 3b: Organisation Size</td>
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<tr>
<td>Proposition 1c, 2c, 3c: Level of Sponsorship Expenditure</td>
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<tr>
<td>Proposition 1d, 2d, 3d: Perceived Environmental Uncertainty</td>
<td>***</td>
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<td></td>
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<tr>
<td>Proposition 1e, 2e, 3e: Risk</td>
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<td>***</td>
<td></td>
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<tr>
<td>Proposition 1f, 2f, 3f: Trust</td>
<td></td>
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</tr>
</tbody>
</table>

***p < 0.01; **p < 0.05; *p < 0.10 (one-tailed test)

These findings are discussed below:

(a) Organisations operating in more uncertain environments tend to have more formalised sponsorship decision-making process.

As noted in Table 11-1, support was found for proposition 1d. Prior research has suggested that in highly uncertain environments, managers require current information related to the external environment that is both financial and non-financial (Chenhall and Morris, 1986; Baines and Langfield-Smith, 2003). In his review of accounting contingency studies, Chenhall (2007) supports the proposition that the more uncertain the external environment, the greater the reliance on formal controls and emphasis on traditional budgets. The finding reported in this study signifies that Chenhall’s postulate holds true in the context of sponsorship decision making.
(b) Organisations with prospector-type strategies are more likely to use intuition when making sponsorship investment decisions.

As noted in Table 11-1, support was found for proposition 3a. This proposition drew on the work of Miles and Snow (1978) who claimed that prospectors tend to seek new opportunities to create competitive advantage. Such opportunity seeking places an onus on past experiences and management’s visions or beliefs, together with a consideration of financial analysis (Donaldson and Lorsch, 1983; Butler et al., 1993; Collier and Gregory, 1995; Guilding, 2003). It is evident from this study that sponsorship investments are widely perceived to constitute significant strategic decisions. In such strategic decision making, high use of management intuition is to be expected. It is notable that the finding made in this study finds support from Chenhall (2007) in his propositions concerning strategy and MCS. He states that “entrepreneurial strategies are associated with .... organic decision-making and communication” (p185). He also notes that the prospector type strategy is associated with a broad MCS for operational decisions” (p185).

(c) Sponsorship risk is positively related to the degree of intuition used in the sponsorship decision-making process.

As noted in Table 11-1, support was found for proposition 3e. Research has shown that in situations of high risk and uncertainty, high degrees of intuition will be drawn upon in management decision making (Agor, 1986; Langley, 1990; Butler et al., 1993; Van Cauwenbergh et al., 1996). The rationale for this is based on the view that in the presence of high risk, it is difficult to quantitatively model for outcomes, signifying that greater emphasis will be attached to intuition in decision-making. Several dimensions of risk were appraised in this study. Statistical significance was found in connection with the riskiness of sponsorship per se (ie, the degree to which sponsorship arrangements can have negative consequences). It appears as notable that the somewhat idiosyncratic
context of sponsorship decision making has yielded a finding concerning risk that is congruent with the more generic literature on decision making.

(d) Organisations that place a higher degree of emphasis on trust use a higher degree of intuition when making sponsorship decisions.

As noted in Table 11-1, support was found for proposition 1f. Researchers have noted that trust has been diminished rather than created through the use of formal accounting and contracting procedures that precisely document obligations and performance (Blau, 1964; Fox, 1974; Broadbent, Dietrich, and Laughlin, 1996). Neu (1991) contends that “when high levels of trust exist, there is no need for a contract …” (p.247) however further studies suggest that trust and formal contracting are not mutually exclusive (Vincent-Jones and Harries, 1996; Deakin, Lane and Wilkinson, 1997). Seal and Vincent-Jones, (1997) suggest that ideally, formal accounting and contracting should be supportive of a co-operative and trusting relationship. Neu’s (1991) position finds support from the survey findings reported herein, as it has been found that in relationships characterised by trust, a more intuitive approach to decision-making is taken.

The inconsistencies between the findings of the qualitative phases of the study and the subsequent quantitative survey phase highlight the need for further research in this area. The findings in relation to the formalisation and intuition variables carry important implications for future sponsorship decision-making research. Should researchers be interested in documenting more formalised sponsorship budgeting procedures, they will likely manifest themselves in organisations that operate in more uncertain operational environments. Similarly if seeking to examine the role of intuition in sponsorship decision-making, greater degrees of intuition are likely to be exhibited in organisations that adopt prospector strategies, perceive high degrees of risk in their sponsorship activities and emphasise the importance of trust in their sponsorship dealings.
Caution should be taken when interpreting these results, however, as potential shortcomings with sample data collected may have impacted on the results of the survey data analysis.

11.3 Managerial Implications and Impact of the Study

The major implication of this thesis concerns the highlighted need for greater development of the sponsorship/management accounting interface. This is the first study to have investigated the relationship between the accounting and marketing functions in the context of sponsorship management, and the findings signify that in sponsorship decision making, accountants are being used primarily for their functional fund allocation record keeping orientation rather than for any strategic input that they might be able to provide. Assessing the contribution of marketing to firm performance has become a major issue which seemingly requires financial analysis (Bahadir and Tuli, 2002; Rust, Lemon and Zeithaml, 2004). Yet this study has revealed that such financial analysis in the context of sponsorship management is notably absent. Accountants appear to be often seen as focused narrowly on financial reporting and to have a mindset that sees discretionary expenditure such as sponsorship as being of muted relevance as it fails to contribute to a measurable asset that can be included on the corporate balance sheet. Although it is obvious that accountants must account for money earned (Abler, 2003), it appears equally obvious that it is important for accountants to understand and inform sponsorship decision-making, as it is an activity that can provide much in terms of income generation.

To support a stronger sponsorship/accounting interface, it seems imperative that there is stronger inter-disciplinary co-ordination of the information provided and used as the basis for decision-making. Sidhu and Roberts (2008) suggest that this should be done by agreeing on what is to be measured, determine the source of the information, how it will be analysed, and finally to establish a consensus on how the information is to be reported. It would appear to be incumbent on organisations such as Sponsorship Australia to develop a procedural template in this regard. Once this has been achieved, consideration could be directed to the more challenging issue of developing recommended procedures that can be adopted to determine how sponsorship
investment adds value and how that value creation is managed (Sidhu and Roberts, 2008).

The range of approaches relating to sponsorship decision making that have been uncovered by this study signify that more systematic procedures and greater cross-sector sharing of strong sponsorship decision making and management practice should be initiated. It is apparent that goals and objectives of sponsorship should be clearly specified and aligned to corporate goals, with metrics established to control expenditure, measure performance and provide feedback on the progress of the sponsorship investment. This study’s findings have shown that the budget is primarily viewed as an expenditure authorisation vehicle in sponsorship management. A review of the MCS in line with marketing requirements should re-establish the role of the budget as a tool for communication, co-ordination, planning, forecasting, motivation, authorisation and performance evaluation (Hansen and Van der Stede, 2004). Although budgets have been criticised (Hope and Fraser, 1997, 1998, 2000, 2003) for their inability to provide information for all budget situations, their potential as a management tool appears to be largely unrealised in the context of Australian sponsorship decision making.

It is notable that Ambler and Roberts (2008) suggest a business model showing linkages between investment inputs that include marketing actions, financial expenditure and competitive activities, and the results expected. Management accountants are ideally suited to apply this type of rational model that is well suited to their discipline. Such a model can objectively quantify and analyse sponsorship investments and further establish the link for interpretation and communication to the organisation’s senior management. To take a greater lead in this regard will require accountants to step outside the traditional financial accounting model that can constitute a limiting culture when it comes to initiating new avenues of financial analysis and application.

11.4 Limitations of the Study

This study, as with any social scientific research, is not without limitations. In the course of conducting this research, every effort been made to control for, and
minimise, these limitations. Nevertheless, interpretation of the study’s findings should be made in light of the usual shortcomings associated with interview, case study and survey research designs. The study’s primary limitations concern:

1. **Sample selection.** The questionnaire survey was sent to members of the only sponsorship management association in Australia. Although this database appeared to contain a reasonable cross-section of different types of organisations with a range of sizes, it is impossible to determine whether this membership is representative of the population of organisations engaged in sponsoring activities in Australia. It is also notable that considerable caution should be exercised if attempting to extrapolate the findings to jurisdictions beyond Australia.

2. **Small sample size.** The quantitative analysis undertaken was based on a sample size of 57 organisations. Although management accounting researchers regard a sample size of 50 as large enough for factor analysis, it would certainly have been preferable to secure a larger sample size. It is also generally accepted that the ratio of observations to independent variables should never fall below five to one, however a more respectable level is a ten-to-one ratio (Hair et al., 1998). Although claims can be made that the sample size is adequate for the statistical analysis conducted, care should still be taken in generalising the findings to all sponsors.

3. **Statistical tools used.** Multiple regression analysis assumes that data is continual. In this study, most variables have been measured using a seven-point Likert scale. It has to be recognised that two respondents may hold identical views on an issue (eg. strategy), yet they may chose different points on the Likert scale as reflective of their views. Despite this caution, it is commonplace in management accounting research to formulate regression equations using data collected by way of Likert scale measures.

4. **Single item survey measures.** Despite interview evidence suggesting that politics can play a significant role in the sponsorship investment decision-making process, only a single item survey measure was used to measure the
political model. An improved measure can be expected to result if a multi-
item measure were to be used. This would have enabled more significant
analysis of antecedent factors associated with application of the political
approach to sponsorship decision making. Consistent with all surveys, a
trade-off has to be struck between a desire to robustly examine a host of
factors and keeping a questionnaire’s length to a size that will likely
generate a healthy response rate.

5. **A limited qualitative study.** A case study was initially conducted to
provide data that would permit more informed interviewing to be
undertaken, and to inform theory development for testing using the survey
method. The case study was based on a large public sector institution (an
Australian university). More pertinent case study findings may have resulted
from selecting a private sector organisation, however the issue of gaining
case study access is not one that can be dismissed lightly in social science
research. Also, the selection of a public sector entity has broadened the type
of contexts analysed in this study, thereby potentially alerting the researcher
to a greater range of issues.

Despite these limitations, the study can be seen to constitute a major contribution to
the understanding of sponsorship decision making and accounting’s role in the
process. This is particularly the case when the paucity of prior related research is
recognised. The following section will discuss how further research can build on the
initiative reported on herein.

### 11.5 Future Research

There are a number of avenues in which future sponsorship management research
could be pursued. In light of the increasing degree to which Australian companies are
investing in sponsorship, and consistent with calls to examine novel management
practices within contemporary settings (Cadez and Guilding, 2008; Chenhall, 2003;
Ittner and Larker, 2001), the survey phase could be replicated in approximately five
years time to enable a longitudinal appraisal of sponsorship management trends. In
addition, the same survey instrument could be administered overseas to enable a
systematic international analysis to determine the extent to which Australia is in congruence with international practice. If this suggestion were to be pursued, great effort should be made to generate a larger sample of Australian organisations.

In order to further develop our understanding of the sponsorship decision-making and management process it would be useful to examine specific sponsorship deals within a small number of organisations. Valuable insights can be expected to derive from the conduct of case studies framed by independent variables such as those identified in this thesis, i.e., strategy, size and environmental uncertainty. This would enable the researcher to explore how sponsorship deals are struck, evaluated, monitored and terminated and facilitate the beginnings of an understanding of “best practice”. In addition, the role of accounting in organisations with a large investment in sponsorship could be examined.

While such a research initiative would be commendable, it should be noted that securing case study access to organisations that will need to commit resources via the use of employee time will likely be challenging. This problem is exacerbated given the focus of this study, as managers tend to be reluctant to provide information relating to sponsorship activities. This problem of case study access is a noted limitation of this study.

In all phases of the study, it has been noted that budgets are used to facilitate sponsorship management, primarily in an ‘authorisation to spend’ capacity. The strength of this evidence concerning the authorisation role of budgets in sponsorship management beckons further field work to explore contextual issues affecting the manner of budget usage. Further, given the strong evidence of limited accountant involvement in the sponsorship management process, there would appear to be scope to conduct a normative exploration of how accounting techniques can be further drawn upon to yield greater sophistication in sponsorship management.

In the case study and interview phases of the study, the effects of risk and trust on the sponsorship management process were noted. These were then investigated in the survey phase. The expectation that risk and trust are significant antecedental factors in sponsorship management, and their observed relationships with degree of intuition in
sponsorship decision making, appear worthy of further investigation. Recent commentary on risk provided by Miller, Kurunmaki and O’Leary (2008), explores risk management in terms of managing risk by developing the means to “have a set of tools or technologies that allow one to intervene in the name of risk” (p.943). Future research on sponsorship management could review risk management mechanisms and explore how they may be applied to the sponsorship management context. In addition to understanding how organisations manage risk in the sponsorship context, it would be beneficial to advance our understanding of the use of formal risk management tools such as risk committees, risk maps, and assurance frameworks. In addition, it could be useful to explore the risk-return framework of the firm valuation theory, to determine whether sponsorship management can affect a firm’s systematic risk and therefore its cost of capital.

Trust was also noted in all phases of the thesis as a potentially significant factor. The critical role of trust has been highlighted in recent marketing and management research (Fang, Palmatier, Scheer and Li, 2008; Palmatier, Rajiv and Grewel, 2007; Zaheer, McEvily and Perrone, 2007). Greater insights can be expected to derive from further field research designed to investigate the role of trust in sponsorship management.

The issue of performance evaluation has received a significant amount of attention from marketing researchers. This thesis did not endeavour to explore the issue of performance evaluation relating to sponsorship. Anecdotal commentaries made to the researcher in the context of the interviews highlighted the extent to which sponsorship managers would like to be able to gain a sense of sponsorship return on investment, as a particular means of gauging sponsorship performance. A further study with a greater focus on sponsorship performance measurement, would likely be very well received by sponsorship managers.

11.6 Conclusion

This chapter has used the objectives outlined in the first chapter to structure a summary of the study’s main findings. In addition, a number of limitations of the research have been outlined and ways that future research can build on this work have
been noted. The qualitative and quantitative phases of empirical research applied have contributed to pursuit of the research objectives. However, social science research, such as that undertaken in this study, is rarely an end in itself. This is particularly the case in this study, due to its exploratory orientation which resulted from the limited nature of prior related research.

This thesis advances our appreciation of the potential and reality of the application of management accounting in a sponsorship management context in a number of ways. Firstly it is notable that the significance of the study stems from the fact that no prior empirical work providing an accounting perspective on sponsorship management has been found in the literature. By reviewing the literatures concerned with sponsorship, investment appraisal and the roles of the budget, a literary context is provided for investigating the role of management accounting in sponsorship management. This context can be drawn upon in future research with a similar focus.

The observations made in this thesis beckon one to question – why are accounting tools and techniques so partial in their application in the context under analysis? Three factors appear particularly pertinent. Firstly, sponsorship has no tangible outcome in the way that an investment in a physical asset does. As a result, funds disbursed on sponsorship are expensed, not capitalised. This subtle difference in the treatment applied to a tangible investment, versus the treatment afforded to an intangible investment, may well result in the intangible investment expenditure being viewed as falling outside the jurisdiction of the annual capital budgeting round.

Secondly, the outcomes of sponsorship expenditure such as corporate and brand image enhancement are difficult to quantify. As a result, sponsorship is most appropriately categorised as an example of discretionary expenditure. The problems of providing a financial justification for discretionary expenditure are widely acknowledged in the literature (Anthony and Govindarajan, 2004; Ambler and Roberts, 2007; Sidhu and Roberts, 2007). This undermines the viability of using accounting tools and techniques when deciding what funds to assign to sponsorship activity and also in the performance evaluation of sponsorship expenditure.
Thirdly, several of the managers interviewed indicated that the level of sponsorship funds expended are not sufficient to warrant the development and application of a formal sponsorship appraisal process. In light of this, in further research it could be illuminating to appraise the decision-making processes applied to sponsorship expenditure in the context of a significantly higher quantum of sponsorship expenditure.

While this thesis investigates sponsorship management from an accounting perspective, it is noteworthy that there is considerable potential for a much broader ongoing research agenda. Despite the call in the marketing literature for work that can further the justification of sponsorship investment based on economic models of return (Abratt and Grobler, 1989), and for management accounting to play a greater role in the accounting /marketing interface (Sidhu and Roberts, 2007), the findings of this study have uncovered little evidence of a management accounting perspective being applied in the sponsorship management process.

Any call for increased management accounting involvement in sponsorship places an onus on accountants to be actively involved in the instigation of management accounting system change and the design and implementation of new systems (Burns and Vaivio, 2001; Kasurinen, 2002; Mouritsen, 2005). Management accounting systems should be designed to provide relevant information that will not only facilitate decision making within departments but will also facilitate co-ordination between functional departments such as accounting and the part of an organisation involved in sponsorship decision making (Drury, 1994; Horngren, Foster and Datar, 1997; Bouwens and Abernethy, 2000). This highlights the importance of understanding the conditions that give rise to the design and use of management accounting systems (Chapman, 1997). Management accounting system customisation is dependent on understanding how decisions are made and what information is required to inform these decisions. This points to a potentially fruitful line of future research that could focus on accountants by appraising what barriers they see to management accounting developing a posture that is more supportive of providing financial information that can support the development of a more strategically significant sponsorship/accounting interface.
Subsequent to completion of the empirical work described in this thesis, the author was invited to attend a conference hosted by Sponsorship Australia. The nature of the study’s findings was extensively discussed, in broad terms, with a number of the conference delegates who acknowledged that there is a large variation in practice with respect to sponsorship decision-making and that this has prompted a call from their professional body for research to be undertaken in this area. It is the intention of the author to build on this thesis by further investigating the decision-making processes relating to sponsorship. This will be pursued as part of an effort to gain better insight into “best practice”, to examine the sponsorship metrics used to link the investment decision-making process to performance evaluation and also to investigate the nature of the relationship between sponsorship activity and shareholder value.

It is hoped that this study will provide the motivation for further work in the sponsorship area and add to the body of research of novel management practices in contemporary organisational contexts. Such studies will enhance our knowledge of management accounting applications in Australia and internationally, and represent an important element in the dissemination of appropriate management accounting systems in a range of contexts.
APPENDIX A

CASE STUDY AND EXPLORATORY INTERVIEW SCHEDULE

A. General

Date: ........................................................................................................

Company: ..............................................................................................

Address: ............................................................................................... 

.................................................................................................

Interviewee: ............................................................................................

Position: .................................................................................................

Industry: .................................................................................................

Employees: .............................................................................................

Sales/Turnover: ....................................................................................... 

B. Sponsorship General

(1) How big is your marketing budget as a percentage of sales?

(2) What percentage of your marketing budget is allocated to sponsorship?

(3) How do you define sponsorship?

(4) Are there policies relating to the percentage of sponsorship dollar to be spent in relation to different types of activities e.g. sport, theatre, education?

(5) Describe, in general terms, how sponsorship decisions are made in your organisation.

(6) Do you feel the sponsorship decision-making process is the same for all forms of sponsorship, i.e., can you elaborate on any differences between the sponsorship decision-making process for a one-off event (such as a congress, rugby event or arts festival) and the sponsorship decision-making process for an ongoing sponsorship (such as the shirt of a rugby union team)?
Further to this distinction, is event sponsorship viewed more in the context of investment decision-making relative to recurrent non-event sponsorship decision-making.

Does your organisation have a corporate marketing plan? If so, how does sponsorship fit into this plan?

Are sponsorship activities coordinated/integrated with other marketing activities of the organisation?

What is your primary focus in deciding to undertake a sponsorship activity?

C. Factors affecting sponsorship decision-making style

What are the key corporate characteristics that affect how sponsorship decisions are made in your organisation?

Are there any other (non-corporate) factors that affect how sponsorship decisions are made?

Do you feel your organisation makes sponsorship decisions differently to other companies? If so, what accounts for these differences?

Does the economic climate impact on sponsorship activity (e.g. the level of investment, the process by which the decision is made, the type of activities considered)?

Have there been any significant events that have changed the way your organisation approaches or views sponsorship, eg change of senior management, change of product focus?

D. Accounting control and sponsorship

To what extent does your organisation see sponsorship as an investment?

To what extent is sponsorship viewed as part of short or long-term strategy?

Are sponsorship goals and objectives stated in financial terms?

How much do accountants get involved in:
   (a) Determining sponsorship objectives
   (b) Choosing a sponsee
   (c) Deciding on a budget
   (d) Determining the effectiveness of sponsorship activities
Is a formal budgeting and project analysis undertaken? If so, by whom and how extensive is it?

To what extent is it appropriate to regard the initial funding allocation to the marketing department and the marketing department’s internal rationalisation of sponsorship expenditure as two distinct steps?

How, and to what extent, is the budget used to control sponsorship?

What are the stages involved in setting the budget for sponsorship?

What methods are used to measure sponsorship outcomes?

To what extent does your organisation conduct a ‘value for money’ analysis of sponsorship expenditure, both prior and subsequent to the expenditure?

To what extent is an investment appraisal analysis conducted of proposed sponsorship expenditure?

In terms of financial control of expenditure, to what extent is sponsorship viewed as falling under the annual budgetary cycle versus the capital budgeting cycle?

In terms of the reality of controlling sponsorship expenditure, what proportion is ‘marketing control’ (i.e. controlled by deliberations undertaken in the marketing department) and what proportion is financially controlled (i.e. controlled by the accounting function through mechanisms such as the budget)?

What are the main roles of the budget in the context of sponsorship decision-making?
E. The role of the budget

What is the importance of each of the following budgetary roles in the context of sponsorship management?

<table>
<thead>
<tr>
<th>Budgetary Role</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance evaluation</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>Communication</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>Co-ordination</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>Motivation</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>Planning and Forecasting</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>Modifier of perceived organisational reality</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>Authorisation</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>

1 = Limited Importance  
7 = Great Importance
Appendix A1

CONSENT FORM FOR INTERVIEWS

<Interviewee>
<Address>
<Date>

Information Sheet
INVESTMENT DECISION MAKING IN SPONSORSHIP

Dear <Interviewee>

The last few years have seen Australian organizations increasingly using sponsorship as a significant avenue for promoting their corporate name. Sponsorship can be viewed as a form of investment, therefore it is anticipated that the incidence of accounting involvement in sponsorship would have grown commensurately with the increased sponsorship activity. There is minimal appreciation, however, concerning the nature and extent of such accounting analysis. I am conducting this research into the process used for investment decision-making in sponsorship as part of my PhD program and am supervised by Prof Chris Guilding (Chief Investigator) and Dr Daniel O’Brien.

I am grateful that you have made approximately 30 minutes available to discuss with me the decision-making process within your organisation. You can be assured that the content of your interviews will be treated in a completely anonymous and confidential manner and will only be viewed for the purpose of further analysis. Tape recordings of interviews will be erased following transcription/analysis. In addition, to protect confidentiality, we will consult with participants to ensure that the relevant organizational summary is accurate and has been appropriately deindentified. From my interviews, an Executive Report describing my findings will be produced and distributed to you.

This study has been approved by the Griffith University Ethics Committee under NHMRC guidelines. If you or any participants in this study wish to discuss your participation further please contact Deborah Delaney (D.Delaney@griffith.edu.au or phone 5552 8843) or if you would like to speak to a University Officer uninvolved in this study please contact the Manager of Research Ethics (G.Allen@griffith.edu.au or phone 38755585)

Thank you for your assistance in this research project. I will contact you shortly to organize a convenient time to meet with you.

Yours sincerely

Deborah Delaney
BBus, MCom, ACA
Researcher
Griffith University Gold Coast Campus, Telephone: 5552 8790

Prof Chris Guilding, BA(Hons), MBA, PhD CMA
Chief Investigator

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Dear <Interviewee>

The last few years have seen Australian organizations increasingly using sponsorship as a significant avenue for promoting their corporate name. Sponsorship can be viewed as a form of investment, therefore it is anticipated that the incidence of accounting involvement in sponsorship would have grown commensurately with the increased sponsorship activity. There is minimal appreciation, however, concerning the nature and extent of such accounting analysis.

I understand that I am not required to participate in this research project if I do not wish to do so and that I can withdraw from the study at any time without needing to explain my reasons for withdrawing. No loss of benefit or treatment will occur as a result of my withdrawal nor penalty be incurred.

The content of my interviews will be treated in a completely anonymous and confidential manner and will only be viewed for the purpose of further analysis. From our interviews, an Executive Report describing the findings will be produced and distributed.

I have read the information and consent form. I agree to participate in the “Investment Decision-making in Sponsorship” project and give my consent freely. I understand that the project will be carried out as described in the information statement, a copy of which I have retained. I realize that whether or not I decide to participate is my decision and will not affect me in any way. I also realize that I can withdraw from the project at any time and that I do not have to give reasons for withdrawing. I have had all questions answered to my satisfaction.

Signatures:

……………………………….  ………………
Participant     Date

……………………………….  ………………
Investigator     Date
APPENDIX B

Survey of Sponsorship Decision-making Processes

This study has been approved by the Griffith University Ethics Committee under NHMRC guidelines.
Background Information

(1) What is your job title?
________________________________________________________________________

(2) How long have you been in your current position? _____ years _____ months

(3) In what industry does your organisation operate? ____________________________________________
(eg banking, professional services, telecommunications, retailing, etc.)

The Process of Allocating Funds for Sponsorships

(4) To what extent do you agree with the following statements concerning how your organisation approaches sponsorship budgeting?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Senior company officials treat the marketing budget as separate from the sponsorship budget. Senior officials assign one budget to the marketing department and a separate budget for sponsorship expenditure.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b. Sponsorship expenditure is determined by marketing personnel who allocate some of the marketing budget to a sponsorship budget.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c. The total sponsorship budget is determined more by funds available rather than the merits of specific sponsorship proposals.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d. Specific proposed sponsorship projects are aggregated as a key step in determining each year’s sponsorship budget.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>e. My organisation identifies a sponsorship budget that is treated as fixed for the financial year.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>f. My organisation has a policy of not earmarking all sponsorship funds for particular projects at the beginning of the year, in order to be able support unanticipated sponsorship opportunities.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

The Sponsorship Decision-Making Process

(5) To what extent do you agree with the following statements relating to how decisions are made to allocate funds to sponsorship projects?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Not at all</th>
<th>To a large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Formal analysis and justification is used in sponsorship decision-making in your organisation.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b. Documented sponsorship decision-making procedures exist in your organisation.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c. Sponsorship goals are used to reach consensus and allocate resources to sponsorships.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d. A formal checklist is used as a basis for appraising the merits of each sponsorship proposal.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>e. Sponsorship expenditure is a group based decision.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>f. Well-documented systems are adhered to when making sponsorship decisions.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
(6) **To what extent does your organisation**

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>To a large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. make sponsorship decisions in the context of a long-term strategic agenda?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b. require financial evaluation of sponsorship proposals?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c. require a risk analysis of sponsorship proposals to be conducted?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d. appraise a sponsorship proposal by considering alternative sponsorship opportunities?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>e. systematically consider other marketing activities to achieve a similar outcome?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>f. integrate advertising, sales promotion, publicity and product public relations programmes with sponsorships plans?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>g. have a sophisticated sponsorship decision-making process?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

(7) **To what extent do you agree with the following statements?**

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>To a large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. The manager who oversees most sponsorship decisions in your organisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. is comfortable making intuitively based decisions.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>ii. is comfortable taking a gut feel approach in sponsorship decision-making.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>iii. prefers to take an intuitive approach rather than a numbers based approach in justifying a decision to sponsor.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b. In my organisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. sponsorship proposals are accepted if, on face value, they appear to make sound commercial sense.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>ii. we will tend to go with a sponsorship proposal if it gives us a good ‘gut feel’.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>iii. the sponsorship decision-making process is quite intuitive.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>iv. the sponsorship decision-making process is quite political.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

**Accounting Personnel Involvement in Sponsorship Decision-Making**

(8) **To what extent is your organisation’s accounting department involved in**

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>To a large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. initi<strong>ating</strong> sponsorship decisions?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b. formal<strong>ising</strong> sponsorship decision-making processes?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c. develop<strong>ing</strong> an exact specification of what is required from a sponsorship agreement?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d. appra<strong>ising</strong> the sponsorship agreement when making the sponsorship decision?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>e. monitor<strong>ing</strong> the performance of sponsorship arrangements?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>f. sponsorship decision**-**making?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
The Roles of the Budget

(9) What impact does budgeting for sponsorship expenditure have in your organisation?

<table>
<thead>
<tr>
<th>Impact</th>
<th>Strongly disagree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. The sponsorship budget provides a basis for departmental or manager performance evaluation.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b. The sponsorship budget facilitates communication of the sponsorship plan to managers in my organisation.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c. The sponsorship budget facilitates co-ordination across the departments involved.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d. The sponsorship budget provides a discipline requiring managers to plan sponsorship activities</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>e. The sponsorship budget provides a discipline requiring managers to forecast key environmental factors in the next financial year.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>f. The sponsorship budget helps to motivate managers to get value for money from sponsorship expenditure.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>g. The sponsorship budget determines how much is to be spent on sponsorship.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

Factors Potentially Affecting the Sponsorship Decision-Making Process

(10) Approximately, what is the total annual revenue of your organisation? $_____________

(11) Approximately, what is the total annual sponsorship budget for your organisation? $_____________

<table>
<thead>
<tr>
<th>Factor</th>
<th>Much less</th>
<th>About the same</th>
<th>Much more</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Demands, tastes and preferences of customers</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Activities of suppliers</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Market activities of competitors</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Government regulation and policies</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Technology</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(12) Relative to similarly sized organisations in your industry, how much does your company spend on sponsorship.

<table>
<thead>
<tr>
<th>Amount spent</th>
<th>Much less</th>
<th>About the same</th>
<th>Much more</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(13) Over the past 3 years how predictable have each of the following factors been for your organisation?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not predictable</th>
<th>Very predictable</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Demands, tastes and preferences of customers</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b. Activities of suppliers</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c. Market activities of competitors</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d. Government regulation and policies</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>e. Technology</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

(14) Relative to similarly sized organisations in your industry, to what extent do you agree with the following statements?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. My organisation has a high proportion of fixed operating costs (ie costs that do not change with changes in sales levels).</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b. For its size, my organisation has a high debt level.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c. Given the nature of our business and market, sponsorship for my organisation can be a risky business.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d. Sponsorship arrangements entered into by my organisation can have negative consequences.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
(15)  

<table>
<thead>
<tr>
<th>Relative to its competitors, does your organisation have a culture that seeks to avoid risk?</th>
<th>Seeks to avoid risk</th>
<th>Copes well with risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relative to other managers, does the manager who oversees most sponsorship decisions in your organisation seek to avoid risk or cope well with taking risks?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

(16) To what extent do you agree with the following statements about your organisation’s approach to sponsorship?  

<table>
<thead>
<tr>
<th>a. My organisation places great importance on trust when entering into sponsorship arrangements.</th>
<th>Strongly disagree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>b. My organisation strongly prefers to only deal with organisations with which we have a well-established relationship when entering into a sponsorship arrangement.</th>
</tr>
</thead>
<tbody>
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<td>1</td>
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<table>
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<tr>
<th>c. For my organisation, having a good rapport with personnel in the organisation being sponsored is a key factor in deciding to enter a sponsorship arrangement.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

(17) Please read the following two strategy descriptions. On a scale of 1 to 7, please indicate your organisation’s current strategic position by circling the appropriate number. Please note that neither type is inherently “good” or “bad”.

<table>
<thead>
<tr>
<th>Organisation A</th>
<th>Organisation B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

**Organisation type A** attempts to maintain a secure niche in a relatively stable product/service area. It offers a more limited and stable range of products/services than its competitors. It concentrates on protecting its domain by offering higher quality, superior service, best value and so forth. Often this type of organisation is not at the forefront of developments in the industry. Organisation A focuses on cost efficiency and doing the best job in a limited area.

**Organisation type B** makes frequent changes in, and/or additions to, its products/services and leads in innovations in its industry. It responds rapidly to early signs concerning areas of opportunity, and these responses often lead to a new round of competitive actions. It often leads other organisations in product/service development and tends to offer a wider range of products/services than other organisations of similar size in the same industry.

Many thanks for your participation in this study

If you have any further observations you feel are relevant to this study, please use the space provided below or enclose an attachment with your comments. You can be assured that your questionnaire responses will be viewed in the strictest confidence and will only be seen for the purpose of data entry. Only aggregate data will be published.

Please place your completed questionnaire into the reply paid envelope for mailing purposes. If you would like to receive the Executive Report, please email your details under separate cover to preserve your anonymity to d.delaney@griffith.edu.au.
<Name>
<JobTitle>
<Organisation>
<Address1>
<Address2>
<Date>

Dear <Name> 

2008 Survey of Sponsorship Decision-Making Processes

As part of the commitment to improve industry understanding and knowledge, ASMA is proud to partner with Griffith University in a study designed to extend the focus of the 2007 S-COMM ASMA Outlook Report. The Griffith University research will explore the following:

- The nature of accounting involvement and budgets in sponsorship decision-making procedures
- The role of key factors impacting the decision making process
- How sponsorship investments are made

I ask for your assistance in completing this 15-minute questionnaire and returning it in the prepaid envelope attached. Your questionnaire responses will be treated in a completely anonymous manner.

We thank you in advance for your participation in this study.

Yours faithfully

Philip Whittaker
National President
Australasian Sponsorship Marketing Association

Deborah Delaney, BBus, MCom, CA
Researcher
Griffith University
«Lastname»
<Address>

Date

Dear «Lastname»

**2008 Survey of Sponsorship Decision-Making Processes**

A few weeks ago we sent you a questionnaire concerning Griffith University research which explores the following:

- The nature of accounting involvement and budgets in sponsorship decision-making procedures
- The role of key factors impacting the decision making process
- How sponsorship investments are made

As part of the commitment to improve industry understanding and knowledge, ASMA is proud to partner with Griffith University in this study that has been designed to extend the focus of the 2007 S-COMM ASMA Outlook Report.

The response to the survey so far has been strong, but the validity and quality of our findings is strengthened by each additional completed questionnaire. If you did not have time, we would be most grateful if you could complete this 15-minute questionnaire and return it in the prepaid envelope attached. If you feel it more appropriate for someone else in your organisation to complete the questionnaire, please forward it to them on our behalf.

Your questionnaire responses will be treated in a completely anonymous manner. All ASMA members will be given a copy of the final published report.

We thank you in advance for your participation in this study.

Yours faithfully

Philip Whittaker
National President
Australasian Sponsorship Marketing Association

Deborah Delaney, BBus, MCom, CA
Researcher
Griffith University
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