A stakeholder approach to international and national sport sponsorship

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Abstract

Purpose — Using a stakeholder perspective, this paper aims to investigate the effectiveness of sponsorship as a business investment by assessing the impact of sponsorship announcements on the shareholders’ reactions of the sponsoring firms. These reactions are examined in two different occasions: in an international mega sport event such as the Olympic Games and in sport organizations such as sport federations/associations.

Design/methodology/approach — Event study analysis by using multiple regression models and bootstrapping techniques were employed to study the effects of sponsorship announcements. The sample consisted of sponsors of the 2004 Olympic Games and sponsors of national sport federations.

Findings — Overall, the results of the study did not indicate any significant effects of sponsorship announcements on the stock prices of sponsoring firms, suggesting that shareholders’ reactions to this business activity are limited.

Originality/value — This is the first research initiative that utilizes a stakeholder approach in examining sponsorship effectiveness. The findings provide evidence that shareholders do not perceive sport sponsorships as business investments due to limited information provided by the sponsoring firms. In addition to theoretical and practical implications, the study proposes a new methodological approach in evaluating the impact of sport sponsorship. Multiple regression models applying bootstrap techniques to avoid data distribution and small sample problems are recommended.

Keywords Stakeholder theory, Shareholders, Sponsorship, Event study analysis

Paper type Research paper

1. Introduction

The intense competitive pressure and media cluttering businesses are facing in today’s global market require careful planning and execution of well-reasoned and effective promotional tools. One of these marketing communication strategies that is growing rapidly and is becoming big business over the last decades is sponsorship. Sponsorship is a business agreement between two companies in order for both parties to mutually benefit and accomplish their profit and non-profit objectives. According to Walliser (2003), sponsorship is a business relationship between a corporation and an individual, event or organization that is based on an exchange relationship between the sponsor and the sponsored, and where marketing communication objectives are pursued through associations. A corporation (the sponsor) provides funds, resources or services and buys rights and association with the sponsored firm (Busby, 1997). Ukman (1995) defines sponsorship as “a cash and/or in-kind fee paid to a property … in return to access to the exploitable commercial potential associated with that property” (p. 1).

The current size of sponsorship investment as well as its dynamic growth is substantial over the years. Corporate sponsorship expenditure worldwide increased from $2 billion in 1984 to $24 billion in 2001 (International Events Group Sponsorship Report, 2002). According to International Events Group (IEG), global sponsorship spending reached $37 billion in 2007, an 11.5 percent increase over 2006 (International Events Group Sponsorship Report, 2008). However, the above data refers only to the direct costs of purchasing sponsorship rights. To support, leverage and fully exploit a sponsorship, businesses spend two to three times more than what they pay for securing the property of sponsorship rights (Cooper, 2003) because sponsorship is not only a communication tool but a commercial investment as well (Walliser, 2003).

The most widely and often used sponsorship is sport sponsorship. Sport sponsorship involves sponsoring sport associations, events, teams, athletes, and sport facilities. Sport sponsorships received 67 percent of corporate sponsorship spending in North America in 1994 (Ukman, 1995) while the majority of sponsorship funds are spent on buying the sponsorship rights for the “king of sport events”, the Olympic Games. Due to the mammoth amounts of money invested, sponsorship effectiveness has become of central importance to academics and marketing managers.

Different measures have been used to evaluate the impact of sponsorship. Stock prices of sponsors (Cornwell et al., 2001; Farrell and Frame, 1997; Miyazaki and Morgan, 2001), brand awareness and recall (Johar and Pham, 1999; Quester, 1997), behavioral intentions (Tsiotsou and Alexandris, 2009) and media coverage are some of the most common variables
used to assess the value of sponsorship. Cooper (2003) proposes two principal ways in evaluating sponsorship: reach (how many people were exposed to the sponsorship via media) and awareness (how many people recall the brand sponsoring an event). However, Johar and Pham (1999) reported that sponsor identification is biased toward brand’s perceived affinity to the event and towards prominent brands. Various theoretical approaches have been used to test explain and test sponsorship effectiveness. Thus, scholars have tested Ehrenberg’s Awareness-Trial-Reinforcement model (Hoek et al., 1997), the Attitude toward the Advertisement and the Attitude toward the Brand models (Blosham, 1998), and the brand-event relatedness and market prominence (Johar and Pham, 1999) in order to measure the effectiveness of sponsorship. In general, research on sponsorship effectiveness has been focused either on consumers (Miloch and Lambrecht, 2006; Gwinner and Swanson, 2003; Tsiotsou and Alexandris, 2009) or on shareholders reactions (Cornwell et al., 2001; Kinney and Bell, 2003; Miyazaki and Morgan, 2001; Pruitt et al., 2004).

However, the studies on shareholders reactions to sponsorship agreements share several deficiencies: they lack a sound theoretical framework, they do not justify why they select the specific group (shareholders) to be studied over others (e.g. community or consumers), and they do not explain why they expect reactions from its members. Contrary to these investigations, the present study proposes stakeholder theory as its theoretical foundation where shareholders constitute one of the most important stakeholder groups. Shareholders are not only influenced but also influence management decisions and achievements of a corporation. Thus, their reaction to a sponsorship agreement should be of great interest to corporate sponsors. Especially, sponsorship agreements of international sport events become even more important to companies that do international business. These companies can use sponsorship as a communication platform to increase their image, reputation, and visibility in foreign countries, and consequently attract the interest of national and international investors.

This study evaluates Olympic and sport federation sponsorships at the international and national level respectively in order to assess its effectiveness as a business investment. To accomplish this objective, the impact of sponsorship announcements on the stock prices of international sponsoring firms was evaluated. The contribution of this study is threefold. First, it employs stakeholder theory to approach the issue of sponsorship. Previous stakeholder approaches in sports have been confined to the management of sport organizations in order to either identify key stakeholders of specific sport entities (Friedman et al., 2004; Tesone et al., 2005) or analyze sport organizations’ corporate social responsibility (Smith and Westerbeek, 2007; Walters and Chadwick, 2009). To the author’s knowledge, this is the first endeavor that deploys stakeholder theory in sponsorship in order to examine its effectiveness and provide managerial guidelines. Second, this research utilizes two types of sponsorship (event and sport organization sponsorship) to evaluate its effectiveness in an international mega sport event such as the Olympic Games, and in sport organizations such as sport federations. Third, this study differentiates from previous research in several methodological issues. Besides the standard approach, event study methodology, a multiple regression model has been used in combination with a bootstrapping technique in order to relax the limitations of the distribution assumptions associated with the standard approach (skewness and heteroscedasticity of the abnormal returns).

The paper is organized as follow. First, the relevant literature that provides the theoretical framework of the study (stakeholder theory) and informed the development of hypotheses is reviewed. Then, the method section describes the event study methodology along with the procedures of data collection. In the following sections, the results are presented and discussed with their implications. Finally, the limitations and future research recommendations conclude the paper.

2. Theoretical framework

2.1 Stakeholder theory and perspectives

Stakeholder theory attracted the interest of scholars in various fields after the publication of Friedman’s seminal work in 1984. Friedman (1984) linked stakeholder interests to corporate strategy and supported that an organization’s success depends on the needs, motives and goals of the stakeholders with whom the organization interacts. Stakeholder theorists suggest that the primary financial and social responsibility of a company is to generate positive returns and serve the divergent (and often conflicting) interests of all the stakeholders involved in order to maintain profitable relationships with them and be successful in the long-run (Smith, 2003). Stakeholder theory supports the notion that managers’ primary obligation is to balance the shareholders’ monetary interests against the interests of other stakeholders such as customers, local communities and employees (Smith, 2003).

A stakeholder is “any group of individuals who can affect or is affected by the achievement of the organization’s objectives” (Freedman, 1984, p. 46). The identification of the stakeholders of a business is at the core of stakeholder theory. Four qualifications have been provided in the literature in identifying stakeholders (Starik, 1994). First, a (contractual or non contractual) connection between a stakeholder and a company must exist. Second, a stakeholder seeks specific benefits and represents certain interests. Third, due to the stakeholder’s interest, a stakeholder exists in a company’s environment. Fourth, stakeholders may encompass various configurations such as individuals and constituencies. Initially, Freedman (1984) proposed seven stakeholders: shareholders, employees, customers, suppliers, financial community, activist groups and the government. Other stakeholders mentioned in the literature are the media (Logsdon and Lewellyn, 2000), special interest groups, competitors, trade unions, lenders, NGOs, the general public, and partners (Friedman and Miles, 2002). Mitchell et al. (1997) provide a broader definition of the term and argue that stakeholders are all the groups with salient claims on the firm which can be distinguished based upon three criteria:

1. legitimacy;
2. power; and
3. urgency.

Legitimacy refers to the validity of a stakeholder’s claim upon the firm; power is the ability of a party to achieve desired outcomes despite resistance; and, urgency refers to the stakeholder’s need for resolution in terms of time-sensitivity and degree of impact upon its interests.
According to Donaldson and Preston (1995), stakeholder theory can be utilized in three ways: in a descriptive/empirical mode by simply describing and explaining specific corporate characteristics and behaviors; in an instrumental manner by identifying the connections between stakeholder management and the desired outcomes of a company; and in an normative way by providing moral/philosophical guidelines on how corporate managers ought to behave.

Communication between a firm and its stakeholders plays a central role in stakeholder theories. Rowley (1997) proposed the structural theory of stakeholder influences in an effort to explain the relational context of a firm and its stakeholders. According to this approach, two structural factors determine the manner of interaction between an organization and its stakeholders: the density of the network and the focal organization's centrality in the network. Densely connected networks allow for information exchanges, the coordination of activities (Oliver, 1991), and for the creation of efficient communication mechanisms between stakeholders and shared behavioral expectations (Rowley, 2000). Polonsky (1995) states that a firm's co-operation and communication with all stakeholders is vital while the direct communication with its stakeholders assists in making them involved for achieving common goals.

The stakeholder perspective provides a valuable tool for dealing with multiple stakeholders and multiple conflicting interests (Freedman, 1984) by encouraging a stakeholder symbiosis and enabling each stakeholder to flourish but not at the expense of others (Andersen, 1997). However, because each firm faces different set of stakeholders, it is prudent to focus on individual stakeholder relationships for exploring their interests and behaviors (Rowley, 2000).

### 2.1.1 The role of shareholders in stakeholder approaches

Based on Mitchell's et al. (1997) attributes of stakeholders, research has shown that shareholders encompass all of them (power, legitimacy and urgency) and to a higher degree than any other stakeholders (Agle et al., 2000). Shareholders not only constitute the principal stakeholders of a firm but also determine its market growth strategy (Logsdon and Lewellyn, 2000). The main interests of the shareholders are usually addressed through profits. Shareholders invest their capital and expect to get a return either through dividends paid out by the corporation or through increased share prices (Smith, 2003). However, shareholders can create the appropriate incentives for top managers and monitor their behaviors in order to maximize a company's profits (Jensen and Meckling, 1976). Furthermore, shareholders can act as activists who take actions (e.g. submit a shareholder resolution) to bring about social change by pressing their interests in order to influence corporate behavior (Van Buren and Paul, 2000). Shareholder activists make sure that moral standards characterize all corporate activities, and information about these activities and corporate social performance is available (Van Buren and Paul, 2000).

Friedman and Miles (2002) have identified four types of relations/contracts between a firm and its stakeholders: explicit recognized contracts, implicit recognized contracts, implicit unrecognized contracts and no contracts. In explicit recognized contracts, they identify shareholders whose relation with the top management and the firm is characterized as necessary compatible. They also distinguish shareholders as large or institutional and small, individual shareholders. The first group of shareholders “can directly influence corporate policy

through the size of their shareholding and can act as intermediaries for smaller shareholders” (p. 9), whereas the second group has limited voting rights and their main actions are confined to selling or buying shares.

### 2.2 A Stakeholder approach to sponsorship

The most often used theoretical approach to sponsorship has been the exchange relationship between the sponsor and the sponsored guided by the tenets of rationality, marginal utility and fairness (McCarville and Copeland, 1994). According to these notions successful sponsorships involve the exchange of valued resources on the basis of each partner's contribution leading to balanced relationships and to satisfied partners. Meenaghan (2001) proposed a more complex theoretical framework predicated on key axioms such as goodwill in sponsorship, the process of image transfer and the concept of fan involvement. The first tenet posits that consumers perceive commercial sponsorship as involving benefits to society (a halo of goodwill effect) resulting in a lowering of consumer defense mechanisms. This halo of goodwill phenomenon differentiates sponsorship from advertising and may encounter to consumers varied receptivity to these two alternative methods of marketing communications. The second notion argues that different sponsorship categories (i.e. sports, arts, or social causes) transfer different image values to the sponsor whereas the last notion states that sponsorship intervenes in the emotional relationship between consumers and their leisure/social activities. However, both of the above approaches are confined to certain parties: the exchange perspective examines the relation between the sponsor and the sponsored organization whereas Meenaghan’s (2001) view, although considers more constituencies (e.g. sponsors, consumers, and sport fans) and recognizes the effects of sponsorship on society, does include all the parties involved.

To consider all the constituencies involved in a sponsorship, stakeholder theory is proposed here as the most appropriate theoretical framework in managing sponsorship. A stakeholder perspective in sponsorship can benefit academic scholars and practitioners in identifying all the stakeholders involved in a corporate sponsorship; in understanding their needs, influences, and goals; in prioritizing stakeholders; and in providing a comprehensive picture that will assist in better evaluating sponsorship effectiveness. Overall, a stakeholder approach provides useful guidelines in effectively managing sponsorship investments by taking into consideration and serving the divergent (and often conflicting) interests of all the stakeholders involved. Thus, to maintain profitable relationships with all stakeholders and be successful in the long-run (Smith, 2003), a corporation needs to take into account all the stakeholders involved in a sponsorship. Furthermore, a stakeholder approach provides the foundation for further research initiatives in sponsorship by examining its effects on stakeholders that have not taken into account before (e.g. communities, media, suppliers, competitors) or by combining stakeholder groups and their reactions to sponsorship.

Taking an instrumental stakeholder perspective, the present study proposes that a number of stakeholders are affected and affect a corporation in a sponsorship. As shown on Figure 1, these stakeholders are the initial ones (employees, managers, customers, competitors, media, suppliers, community, and shareholders), and new stakeholders (sport consumers, sponsored organization, and sponsorship agencies). Because analysis of all the stakeholder groups and their role in
corporate sponsorship is beyond the scope of this paper, the focus here is on the shareholders’ reactions to sponsorship.

2.2.1 Shareholder reactions to sponsorship announcements

Several studies attempting to evaluate sport sponsorship effects on shareholders’ reaction report positive effects. Cornwell et al. (2004) studied the impact of major league sports (baseball, basketball, football, hockey, and golf) official product or services announcements on stock prices of 53 sponsoring firms. They found that official sponsorships were perceived positively by stock market investors. Specifically, the increase in share values around the time of the sponsorship announcements ranged between $123 million to $558 million. Sponsorship effectiveness, measured by stock prices, has been found to be related to the “relatedness” or “congruence” between a sponsor and the sport (Cornwell et al., 2001). However, the most impressive results were found by Pruitt et al. (2004) on a study of the impact of NASCAR sponsorship announcements on the stock prices of the sponsors. The 24 companies that sponsored NASCAR between 1995 and 2001 gained an average increase in stock value of $324 million. Their findings indicated the largest increases in shareholder wealth ever recorded in the sponsorship literature. Only one study failed to convey statistically significant positive changes in stock prices probably due to the diversity of the data. Kinney and Bell (2003) studied 61 sport sponsorships announced in the Wall Street Journal. Overall, they found no statistical evidence of positive impact on the stock prices of the sponsoring firms.

With regard to the impact of Olympic sponsorships, the literature presents similar findings. Miyazaki and Morgan (2001) used event study analysis to assess the market value of the 1996 Olympic Games sponsorships. Their results indicated that Olympic sponsorship has a small positive effect on the marketplace and statistically significant increases in stock prices. Johnson and Cornwell (2004) studied the effect of 51 sponsorship announcements of Australian firms sponsoring the 2000 Olympic Games on their stock prices. They reported a small, positive increase in firms’ values.

3. Method of the study

This research examines the connections between the practice of shareholder management and achievement of corporate performance goals in a business-to-business situation such as sponsorship. Due to their central role in a corporation, shareholders were chosen to be studied and specifically, their reactions to sponsorship investments. Financial constraints did not allow research on all stakeholders involved in sponsorship. Moreover, because communication between a firm and its stakeholders is crucial for getting the latter involved in accomplishing common objectives, the information provided to stakeholders regarding sponsorships was also taken into account in evaluating the results.

The hypotheses examined were:

H1. Olympic sponsorship announcements will result on positive shareholders’ reactions, expressed as statistically significant returns of listed firms.
H2. Sport federation sponsorship announcements will result on positive shareholders’ reactions, expressed as statistically significant returns of listed firms.
H3. All the events (Olympic sponsorship + sport federation sponsorship announcements) will result on positive shareholders’ reactions, expressed as statistically significant returns of listed firms.
### 3.1 Event study analysis

Event study analysis has enjoyed a wide acceptance in the field of finance, marketing, and management by using the CAR analysis (Cumulative Abnormal Returns). In marketing, event study analysis has been used to assess the impact of marketing variables such as sponsorship (Cornwell et al., 2004; Johnson and Cornwell, 2004; Miyazaki and Morgan, 2001), new product (Chaney et al., 1991), brand extension (Lane and Jacobson, 1995) and celebrity endorsement (Agrawal and Kamakura, 1995) announcements on stock returns.

Mackinley (1997) reviews several studies using event study analysis. Most of these studies show that excess returns are not normally distributed. The violation of normality hypothesis is due to excessive skewness and heteroscedasticity, which can cause significant statistical inference problems (Brown and Warner, 1985). On the other hand, researchers have recently applied multivariate regression models (MRM) using a dummy variable to represent a significant event date of different events (e.g. a variable takes the value of 1 in the event date and 0 otherwise). The MRM approach relies on traditional t-test statistic and is not as sensitive to the violation of the normality hypothesis especially when bootstrapping is used (Hein et al., 2001; Krammer, 2001). The bootstrap technique often provides inferences that are substantially more accurate than ones based on asymptotic theory (Mickinno, 2002).

Therefore, both techniques the CAR analysis and the MRM/bootstrap approach were used in this study to examine the impact of sponsorship announcements on stock prices.

The event type methodology is used to test the sort-term reaction hypothesis and the extent to which this is related to sponsorship announcements, by analyzing the excess return or abnormal return. Abnormal returns are computed according to the market model which explains the stock returns movements in relation to market’s returns. Estimating the market model produces t-statistics for each estimated dummy variable coefficients. Because returns display even a small degree of heteroscedasticity and skewness, the sample standard deviation was used to normalize the t-statistic (Krammer, 2001). In this study, the market model is estimated to produce the abnormal returns (AR) and cumulative abnormal returns (CAR). T-statistic was examined to evaluate the power of the tests and the bootstrap technique proposed by Krammer (2001) was employed to test for the statistical significance of the dummy variable (MRM approach). Finally, SHAZAM econometric software for windows standard edition was used for all the statistical calculations of the study.

### 3.2 Sponsorship data

The sponsors of the 2004 Olympic Games (an international mega sport event) that took place in Athens, Greece and the sponsors of the football (soccer), basketball, track and field, and weight lifting sport federations constitute the data of the study. The basic criteria for selecting a firm were:

- to be in the Athens Stock Exchange (ASE);
- to do international business; and
- to have made an official announcement of the sponsorship.

From the 28 national sponsors, supporters and suppliers of the 2004 Olympic Games, only five firms were included in the analysis because they met all the above criteria. The same criteria were used for identifying the six sponsors of the national sport federations. The federations of soccer, basketball, track and field, and weight lifting were chosen because of their importance and popularity. Soccer is the most popular sport not only in Greece but globally with over 3.5 billion people watching and/or playing it (Quinn, 2007). Basketball attracts the interest of 400 million consumers (Quinn, 2007) whereas track and field and weight lifting are most attractive sports found to interest Greeks (attending and/or watching on TV) along with soccer and basketball. Thus, the final sample size of the analysis was 11. Tables I and II presents the firms used for the study where all sponsoring firms were international companies doing business mostly in other European countries. Moreover, in addition to the Athens Stock Exchange, three of these sponsors were listed in other international Stock Exchanges (New York and London Stock Exchanges). Data for stock prices were obtained through the Athens Stock Exchange daily files.

### 4. Results

#### 4.1 Olympic Sponsorship announcements

Table III presents abnormal returns aggregated over stocks for the Olympic Sponsors. The power of the t-test for a mean average standard error of 0.0176 was calculated. Using the MRM approach, the results regarding the CAR remained the same (Table IV). However, studying the abnormal returns (AR), there is a slight positive (0.2 percent) significant effect on day −2, and a small negative effect on the next day. A possible explanation is the information leakage by media on day −2, and day −1. However the overall result on the [−2,0] window is not significant.

#### 4.2 Sport federation sponsorships

Table V presents the abnormal returns aggregated over stocks for the sport federation sponsorship announcements. Significance was found on six days before the official announcement is made and the fifth and sixth day after sport sponsorship announcements. However, before the announcement the effect was negative whereas after the announcement on days five and six there is a positive effect. It seems that either the market responded much later than the sponsorship announcement or the positive effect might not be related to the event but it is the results of other developments. Moreover, the negative effect detected on day −6 might not have anything to do with the sponsorship announcement.

The cumulative abnormal returns (CAR) of the stocks of the sponsoring firms are presented on Table VI. Significant effect were detected on the time intervals (−16, −20), (−2, +2), and (5, +9). In two cases a negative effect is presented and only in the last interval the effect is positive. For the time interval (5, +9) the positive effect was 4.35 whereas for the interval (−2, +2) there was a negative effect of −2.7 and for the interval (−16, +20) the negative effect was −3.4. Further examination of the data showed that the positive effect of the sport federation announcements was due to the influence of a particular stock and it was not present in all stocks. Thus, this effect should be interpreted with caution because it does not represent the sport federation sample but only one case of it.
4.3 Total results for sponsorship announcements

The results for the total sample of sponsorship announcements show that there is no significant effect of sponsorship announcements on the stock prices of the corporate sponsors.

5. Discussion/implications

The increasing globalization of sports makes sponsorship an international communication vehicle, which can assist in achieving global and local objectives by transmitting a
consistent brand image across global markets (Rines, 2002). This study examined the impact of sponsorship announcements on shareholders of international sponsoring firms. The findings provide useful theoretical and practical implications that deserve mention.

Although no positive effects were found, the study contributes significantly to the sponsorship literature with the theoretical foundation proposed here. To the author’s knowledge, this is the first study that proposes stakeholder theory in managing and evaluating sponsorship. The stakeholder perspective can benefit academic scholars and practitioners in identifying and recognizing all the stakeholders involved in a corporate sponsorship; in understanding their behavior and reactions to various types of sponsorships; in clarifying and categorizing sponsorship goals according to their stakeholders (prioritization of stakeholders); and in providing a comprehensive picture that will assist in better evaluating sponsorship effectiveness. So far, research shows that corporate sponsors are confined to evaluating sponsorship in terms of consumers and shareholders reactions. Stakeholder theory provides the foundation for considering the interests of all the other parties involved in a sponsorship. In order to maintain profitable relationships with all stakeholders and be successful in the long-run (Smith, 2003), a corporation needs to take into account all the stakeholders involved in a sponsorship. Overall, a stakeholder approach provides useful guidelines in effectively managing sponsorship investments by taking into consideration and serving the divergent (and often conflicting) interests of all the stakeholders involved. However, a stakeholder perspective cannot benefit managers only in the management and sponsorship evaluation process but in the initial stage of their corporate social responsibility plan. Furthermore, a stakeholder approach provides the foundation for further research initiatives in sponsorship by examining its effects on stakeholders that have not taken into account before (e.g. communities, media, suppliers, competitors) or by combining stakeholder groups and their reactions to sponsorship.

The empirical results provide evidence that the acquisition of Olympic and sport sponsorships is received almost indifferently by the national and international investment marketplace. The data of the study indicated that national and global investors (shareholders) did not react to Olympic and/or sport federation sponsorship announcements. However, a small positive effect two days before the sponsorship announcements was observed in the Olympic sponsorships. This could be explained by a usual print media delay usually over television and radio. Thus, television and radio usually announce sponsorship agreements before they are officially publicized by the parties involved resulting probably in an early shareholders reaction. The positive effects are very small confirming previous findings (Johnson and Cornwell, 2004; Miyazaki and Morgan, 2001) and in some cases it is not clear if they are due to sponsorship announcements. The results differed somewhat on the sport federation sample where positive effects were found on the 6th day of the event.

These findings may raise even more questions regarding whether shareholders consider and understand sponsorship as an investment (use of resources intended to increase future production output or income) or if this is just a belief of the management and marketing team of the firms which is not adequately communicated to principal stakeholders. An investigation on the dates of sponsorship announcements indicate that in several occasions a press conference or any other event that could provide more publicity and attract investors’ attention did not follow press releases. Furthermore, an examination of the Athens Stock Exchange official announcements showed that corporate sponsors did not inform shareholders about their sponsorship agreements. Thus, lack of communicating the sponsorship to target stakeholders (shareholders) might be another reason that explains the results of the study. Contrary to the stakeholder perspective that embraces accountability and communication as two basic elements of corporate governance (Nwanji and Howell, 2007), international sponsoring firms do not seem to take into account the interests of their shareholders nor communicate their business investments to them. Consequently, an under-exploitation phenomenon of the opportunities provided by a sponsorship investment becomes apparent here making a stakeholder approach even more imperative. One of the main goals of stakeholder theory is to help top management:

- understand their stakeholder environment;
- manage more effectively their relations with all stakeholders involved; and
- improve the value of the consequences of their decisions and reduce the damage to stakeholders (Nwanji and Howell, 2007).

Thus, corporate sponsors need to embrace a stakeholder perspective in order to manage more effectively and fully exploit sponsorship.

6. Future research recommendations/limitations

This paper has attempted to raise the ambition of sponsorship studies by seeking a more comprehensive theoretical framework (stakeholder theory) and research methodology to measure sponsorship effectiveness. If the saying “if you can’t measure it, you can’t manage it” holds, then it becomes apparent that we need to improve our measurements of sponsorship effectiveness. It becomes apparent that when assessing sponsorship effectiveness a number of stakeholders (e.g. community, consumers, employees) need to be taken into consideration in order to gain a more comprehensive picture. Thus, when studying international sponsorships of global firms, the global stakeholders need to be identified and evaluate their reactions to this investment. Moreover, the quality and level of communication between top management

Table VI Cumulative abnormal returns of sport federation sponsorship announcements

<table>
<thead>
<tr>
<th>Time interval</th>
<th>Cumulative returns (CAR)</th>
<th>Abnormal Z-CAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>(−16, −20)</td>
<td>−0.033</td>
<td>−2.06*</td>
</tr>
<tr>
<td>(−11, −15)</td>
<td>−0.007</td>
<td>−0.05</td>
</tr>
<tr>
<td>(−10, −6)</td>
<td>−0.017</td>
<td>−0.98</td>
</tr>
<tr>
<td>(−5, −1)</td>
<td>−0.025</td>
<td>−1.23</td>
</tr>
<tr>
<td>(−2, 2)</td>
<td>−0.028</td>
<td>−1.66**</td>
</tr>
<tr>
<td>(−5, 5)</td>
<td>−0.008</td>
<td>−0.44</td>
</tr>
<tr>
<td>(5, 9)</td>
<td>0.043</td>
<td>2.58*</td>
</tr>
<tr>
<td>(10, 14)</td>
<td>−0.018</td>
<td>−0.15</td>
</tr>
<tr>
<td>(15, 19)</td>
<td>−0.004</td>
<td>−0.19</td>
</tr>
</tbody>
</table>

Notes: *significant at the 0.05 level; **significant at the 0.10 level
of the sponsoring firm and its stakeholders may also stimulate further research inquiries. Furthermore, there is no study available in the literature reporting other types of shareholders reactions (e.g. attitudes and beliefs) to sponsorship investments. Information about how shareholders feel regarding sponsorship is necessary in order to better evaluate and explain their reactions in stock markets. Another interesting research avenue would be to study if international firms have different objectives and ways of managing sponsorship when sponsoring international sport events or international sport organizations, than when dealing with national sponsorships. A comparison of the effects of announcements of different types of event sponsorship (e.g. international sport events vs international cultural events) could be a future research task. Proper sponsorship leveraging and activation strategies take time to implement and take time for the corporation to realize results. Therefore, future research should be more longitudinal in nature – whether that research uses event study methodology or not.

The study was intended to produce meaningful data that would provide a tool and data source on which quality marketing efforts and sponsorship activities can be based. However, a number of limitations became apparent during the course of this study. First, this research is limited to Greek sponsorships (Olympic and non-Olympic) within the specific socio-economic environment. Moreover, event study methodology is used to test only short-term reactions, thus limiting our ability to detect long-term effects of sponsorships announcements. However, when employing event study methodology by using a longer time window, the isolated effects of sponsorship announcements cannot be captured because other business activities might cause stock prices fluctuations (e.g. mergers, introduction of new products/services). Regardless of the isolated sponsorship effects captured on this study, any generalizations of the present findings should be made with caution.

References


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