Tourism Management Perspectives 15 (2015) 91–104

Contents lists available at ScienceDirect

Tourism Management Perspectives

journal homepage: www.elsevier.com/locate/tmp

The sum of all fears: Stakeholder responses to sponsorship alliance risk

Margaret A. Johnston *,[1]

UQ Business School, The University of Queensland, St Lucia, QLD 4072, Australia

ARTICLE INFO

Article history:
Received 3 March 2015
Accepted 28 March 2015

Keywords:
Sponsorship decision-making
Risk definition
Risk evaluation
Risk response
Risk orientation
Leisure event management
Leximancer

ABSTRACT

This study examines how event managers and corporate sponsors conceptualize and respond to risk when establishing new sponsorship alliances. Findings are based on 36 semi-structured interviews with sponsorship managers in Australia, as well as qualitative text analysis of 298 sponsorship policies worldwide. Three motivational responses towards sponsorship risk emerge. Chiefly, promotion-focused managers appear adventurous and outward-looking, whereas their prevention-focused colleagues seem more risk averse and inward-looking. Alternatively, managers who adopt a problem-solving focus seem to rely more on cognitive and affective behaviors when addressing risk. This research makes several contributions to the emergent dialogue on sponsorship risk. First, it advances a new, grounded definition of sponsorship risk. Second, it proposes a novel typology of stakeholder risk responses. Third, it presents a conceptual framework abstracted from the themes identified in the study to enhance sponsorship decision-making and promote new avenues for research on sponsorship risk.

1. Introduction

Although the sponsorship of sport, entertainment, causes, and the arts is a lucrative US$55.3 billion global industry (International Events Group (IEG), 2014), risk and uncertainty lurk beneath the surface of many sponsorship agreements. At the 2014 Sochi Olympic Games, for example, Olympic sponsors like Coca-Cola and McDonalds faced a consumer backlash over Russia's human rights issues which their managers could not have foreseen when negotiating their sponsorship contracts. In the United Kingdom, the Tate gallery risks ending its 25-year sponsorship with BP due to intense pressure from environmentalists to sever its links with the fossil fuel industry. In France, recent terrorist events risk delays in the procurement of sponsors in time for the 2016 UEFA European Football Championship. In the United States, Clif Bar, a nutrition bar sponsor, has withdrawn its sponsorship of professional rock climbers because the risks the climbers take make the company too uncomfortable. Risk is an "intrinsic attribute of sponsorship due to the non-predictability of the outcome and/or diffusion of the event" (Walliser, 2003, p. 9). Nevertheless, despite sponsorship being one of the most rapidly growing marketing platforms in recent decades and constantly under pressure to demonstrate returns on investment, our current understanding of the role risk plays in sponsorship decision-making is starkly deficient (Delaney, Guidling, & McManus, 2014).

Decision risk is "the extent to which there is uncertainty about whether potentially significant and/or disappointing outcomes of decisions will be realized" (Sitkin & Pablo, 1992, p. 10). Typically, decisions about sponsorship investment center on the mutually beneficial exchange of cash, resources, and/or services by a corporate sponsor in return for access to the exploitable rights of association with a business partner such as a sports, arts/entertainment, non-profit event or organization (O'Reilly, Heslop, & Nadeau, 2011). As a business-to-business alliance, there are innate risks for both sponsors and event managers around the delivery of mutually satisfactory business outcomes (Crompton, 1994; Farrelly, 2010; Farrelly, Quester, & Burton, 2006). Misperceptions during the negotiation process about sponsorship value, professional capabilities, strategic intent, and commitment are well-recognized sources of partner dissatisfaction (Farrelly, 2010; Westberg, Stavros, & Wilson, 2011). While several studies have documented specific types of risk involved in commercial sponsorship and event management (e.g., Crompton, 2014; Schroeder, Pennington-Gray, Kaplanidou, & Zhan, 2013), research on how sponsorship managers respond to risk when forming new alliances remains under-developed and under-theorized. Managerial responses to decision risk are essential to understand since a willingness to take or avoid risks can affect an organization's overall sponsorship decision-making strategy and investment returns.

To date, most studies of sponsorship risk associate the term with negative outcomes. Prominent drivers of downside risk for event managers include threats to the financial viability and sustainability of an event that stem from sponsors behaving opportunistically, investing short-term, and shifting randomly from one property to the next (Chadwick & Thwaites, 2006). For corporate sponsors, downside risks include corruption in sport and/or sport management (Crompton, 2014); the adverse behaviors of celebrity athletes (Amos, Holmes, & Strutton, 2008; Hughes & Shank, 2005; Westberg, Stavros, & Wilson, 2008); scandals at hallmark sports events (Crompton, 1994; Leopkey

* Corresponding author. Tel.: +61 7 3346 8100; fax: +61 7 3346 8166.
E-mail address: m.johnston@business.uq.edu.au.
[1] Present email: margaret.johnston@optusnet.com.au.

http://dx.doi.org/10.1016/j.tmp.2015.03.011
2211-9736/

& Parent, 2009; Toohey & Taylor, 2008; Yang, Sparks, & Li, 2008); and ambush marketing activities (Burton & Chadwick, 2009; Carrillat, Colbert & Feigné, 2014; Chadwick & Burton, 2011; Séguin & O'Reilly, 2008). Degenerative episodes like these can tarnish both event and sponsor brands and destabilize the sponsorship alliance (Westberg et al., 2011).

While these studies provide valuable insights into the potential negative outcomes from sponsorship, the aim of the current study is to develop a more expansive account that takes into consideration the inherent complexity of sponsorship stakeholders' lived experience of risk. The study focuses specifically on better understanding managers' risk responses when entering into a *new* sponsorship alliance where neither event manager nor corporate sponsor has had any direct prior experience with the other party. At this stage, the level of perceived risk is pronounced and the risk of adverse selection heightened (Aguilar-Manjarrez, Thwaites, & Maule, 1997; Crompton, 2004). Specifically, the current study examines how sponsorship managers respond to risk in such situations – that is, what is the sum of their fears? Two research questions guide the current study:

(RQ1) How do managers respond to risk when negotiating a new sponsorship alliance? and
(RQ2) How do managers' risk responses shape their sponsorship decision-making?

This paper makes several contributions that go some way to address criticisms about the lack of literature on the role risk plays in sponsorship decision-making (Delaney et al., 2014). First, it identifies three key responses to sponsorship risk around promotion, prevention, and problem-solving behaviors. A promotion-focused orientation is theorized to be one that is adventurous and outward-looking. In contrast, a prevention-focused orientation is more inward-looking and risk averse. Alternatively, a problem-solving orientation is argued to be more influenced by cognitive factors and affective (emotional) issues. Second, this paper presents a grounded definition of sponsorship risk together with a sponsorship risk decision framework. The framework theorizes that decisions about sponsorship risk are shaped not only by contextual and environmental factors but also by individual orientations towards risk, the extent of risk analysis undertaken, and risk preferences. Third, by empirically examining how sponsorship managers respond to risk, the current study encourages us to rethink the notion of sponsorship risk as a more multi-faceted construct than previously assumed.

The paper proceeds as follows. It begins with a brief overview of contemporary, interdisciplinary perspectives of risk, followed by a more detailed literature review of current research on sponsorship-linked risk. Next, in the methodology section it documents the steps taken to collect and analyze the qualitative data from two studies. Then an overview of the data structure is presented and the findings discussed. Finally, a sponsorship risk decision framework is proposed, followed by a discussion of the study's limitations and suggestions for future research.

2. Literature review

2.1. Risk and uncertainty: Disciplinary positions

Systematic reviews of the risk literature acknowledge the existence of substantial inter-disciplinary differences in understanding and describing risk (Althaus, 2005; Holton, 2004; Liesch, Welch, & Buckley, 2011; Rao & Goldsby, 2009; Ricciardi, 2008; Williams & Baláž, 2014). In mathematics, for example, risk is viewed as a quantifiable phenomenon where uncertain events and behaviors can be modelled and calculated using probability, statistics, and game theory. Alternatively, traditional finance and economic theory is centered on the classical model of decision making that assumes individuals are wealth maximizers; they formulate decisions according to the assumptions of bounded rationality; and make logical and coherent choices based on expected utility (Simon, 1991). Then again, scholars in the social science disciplines like tourism, event management, marketing, consumer behavior and psychology, tend to embrace a more realistic decision model that conceptualizes risk as a behavioral and cognitive phenomenon (Ricciardi, 2008; Williams & Baláž, 2014). In summary, there are tensions between theories that understand risk as objectified and real as against those that view risk as subjective and socially constructed.

Another central debate centers on whether there is an epistemological distinction between the concepts of 'risk' and 'uncertainty' (e.g., Stone & Gronhaug, 1993) or not (e.g., Shimp & Bearden, 1982). The economics literature supports a distinction between the two concepts, with risk broadly defined as "the application of some form of knowledge to the unknown in an attempt to confront uncertainty and make decisions" (Althaus, 2005, p. 580). In social science disciplines, frameworks tend to center more on the risks consumers believe to exist when purchasing goods or services from a specific seller, regardless of whether those risks really exist or not (Björk & Kauppinen-Räisänen, 2012; Conchar, Zinkhan, Peters, & Olavarrieta, 2004; Ricciardi, 2008).

2.2. Risky decision-making behaviors

Risk behavior refers to decision-making behaviors in contexts associated with uncertain outcomes (Sitkin & Pablo, 1992). Prominent determinants of risky decision-making behavior include individual characteristics (e.g., risk preferences, risk perceptions, and risk propensity), organizational characteristics (e.g., group composition, cultural risk values, leader risk orientation, and organizational control systems), and problem-related characteristics (e.g., problem familiarity and problem framing) (Sitkin & Pablo, 1992). Of these, risk propensity and risk perceptions act as central, mediating influences on risk behavior (Pablo, Sitkin, & Jemison, 1996). Risk propensity is the general tendency of a decision maker to either take or avoid risks (Sitkin & Pablo, 1992). It governs how a decision maker attends to risk-related information in terms of what is considered salient or not (Pablo et al., 1996). Risk perception is defined as "an individual's assessment of the risk inherent in a situation … reflected in the decision maker's labeling of the situation, estimates of how extensive and controllable risks are, and confidence in those estimates (Pablo et al., 1996, p. 725). Managerial emotions can also influence how risk is perceived as well as the likelihood of risk seeking. For example, Williams, Zainuba, and Jackson (2003) found that unhappy managers evaluated possible gains associated with risk situations less favorably, and were significantly less risk-seeking than their happier peers.

2.3. Sponsorship risk

Commercial sponsorship is based primarily on exchange theory and the premise that the resources exchanged between sponsors and properties are valued equitably (Crompton, 2004). Determining what constitutes fair value in the sponsorship exchange is difficult for partners to determine. Uncertainty about the true worth of a sponsorship deal and its potential to deliver on the desired objectives can create tension between partners (Crompton, 2004; Farrelly et al., 2006). Obstacles that prevent the realization of successful outcomes for sponsorship partners include a lack of strategic compatibility, goal convergence, commitment, trust, and economic and interpersonal satisfaction with the sponsorship exchange (Farrelly & Quester, 2005).

Table 1 presents a selection of literature on sponsorship-linked risk published over the past decade. As can be seen in Table 1, numerous potential risks associated with commercial sponsorship activities have been documented in the literature, including those associated with agency issues, ambush marketing, poor sponsor-event brand image fit, a lack of suitable media coverage, and so forth.

Studies cataloguing different risk issues include those derived from empirically grounded research (e.g., Leopkey & Parent, 2009;