

## **Strategic social responsibility as an opportunity to increase the sport club value. A contribution to empirical research**

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### **Abstract:**

The purpose of this article is to outline the relationship between socially responsible activities undertaken by sport clubs and their value. Corporate social responsibility is an extremely popular concept in business practice. It is particularly visible in the case of large enterprises that willingly declare that they undertake activities that are part of the concept. It should be stressed that in the long term, these activities should support the main goal of the enterprise, that is, maximising its value. Therefore, it seems reasonable to assume the presented relation also for a sport club. Sport clubs undertake a range of various socially responsible activities that are to bring tangible business benefits - from joining small charity actions, to creating and managing large foundations. Many problems still remain unsolved in science, and the importance of social responsibility for sports entities is intensely discussed not only in the literature on the subject, but first of all in everyday management practice. Despite the ongoing discussion, it seems that all socially responsible activities of sports clubs should be carefully planned and in line with the strategy of the entire club. Only such an approach will make the purposefulness of the financial outlays on them sufficiently probable. First, this article explains the theoretical basis and briefly outlines the problems signalled in the academic literature. In particular, the concept of strategic corporate social responsibility is presented and the issue of enterprise value is explained. Next, selected examples of good practices in the field of socially responsible activities undertaken by sport clubs are shown and commented.

**Key Words: corporate social responsibility, enterprise value, sport club**

### **Introduction**

Undertaking socially responsible activities is eagerly declared not only by modern companies but more and more often also by professional sport clubs. They should result from a well-thought-out strategy implemented by these entities. However, the practice shows that they are too often undertaken without sufficient preparation, under the influence of sudden events occurring in the economic reality (Cegliński, 2020). Corporate social responsibility is a broad ideological strand that brings together many ideas about the obligations that a company should fulfill to society beyond the fulfillment of its primary purpose (Roszkowska, 2011, s. 23). The latter is profit maximization or, more generally, maximization of enterprise value (Sudoł, 2006, s. 71; Sierpińska, 1997, s. 35). The literature presents many different definitions of the discussed concept. Most of them emphasize its three dimensions, which are environmental, social and economic aspects. According to the definition proposed by the World Business Council for Sustainable Development, CSR is the continuing commitment of business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society in general (WBCSD, 1999). Corporate social responsibility can also be defined as a concept whereby companies voluntarily consider social and environmental interests, as well as relations with various stakeholder groups, at the strategy building stage (Kwiecińska, 2015, s. 95).

### **A pragmatic approach to corporate social responsibility**

Particularly noteworthy is the approach to corporate social responsibility presented by Werther and Chandler. These authors postulate to base the enterprise's activities on strategic corporate social responsibility. Generally speaking, it is an idea that should be integrated with the strategic and operational perspective of the enterprise's activity, as there is its relation to the long-term interest of the company (Werther and Chandler, 2006, pp. 6-13). In my opinion, the biggest advantage of this approach is its strong pragmatism. According to it, all activities in the area of social responsibility should be targeted and planned, thus they should result from the enterprise's strategy and be consistent with it.

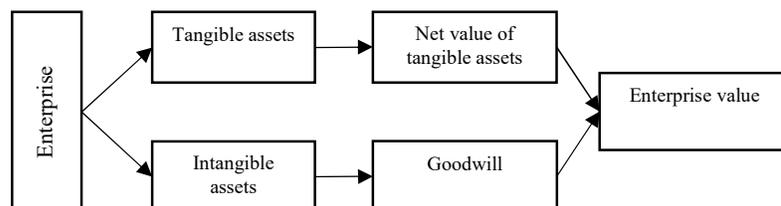
A similar view is presented by Porter and Kramer, who point to two primary reasons for the relatively small impact of CSR activities on corporate performance. First, they note that business is often pitted against society, while the two are interdependent. Second, the authors argue for a change in the way we think about CSR. Namely, instead of considering it in a general way, it should be approached in a way that is as consistent as possible with corporate strategy (Porter and Kramer, 2006). The authors note that the actions of many companies

are not strategic, or even operational, but cosmetic in nature. They are often forced corporate actions taken in response to changes in the business environment. The strength of the pressures on businesses varies according to the sectors in which they operate. This is particularly evident in industries that generate relatively high environmental risks, such as the chemical and oil sectors. Summing up, CSR should not be identified with incidental activities, being a reaction to specific negative effects of the enterprise's actions, or undertaken under the influence of widely understood social pressure. These activities must be strategic and therefore planned and purposeful.

### Enterprise value and goodwill

The concept of enterprise value is difficult to define. As Nita aptly points out, depending on the entity interested in determining the value of the company, this term may take on different interpretations and meanings (Nita, 2007, p. 22). The owners of a business perceive its value by its ability to generate certain income in the future (Szczepankowski, 2007, s. 45). As it seems, the most popular approach to estimating the value of a business is based on net asset value. It is determined from the company's balance sheet and is defined as the value of the difference between total assets and total liabilities. Importantly, this value usually does not coincide with the market value of the business, due in part to goodwill. In the simplest terms, goodwill is the surplus of the acquisition price of a company over the fair value of its assets and from an economic point of view it may include, for example, the value of know-how (Nita, 2007, p. 24), corporate reputation or market recognition. Goodwill does not appear until a business is sold, hence it is called acquired value and represents unrecorded marketable assets that have developed a new category of intangible assets after a completed transaction (Gmytrasiewicz and Karmańska, 2002, p. 153).

**Figure 1. Schematic view of enterprise value**



Source: D. Śładkiewicz, *Wartość przedsiębiorstwa w świetle teorii zasobowej*, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, 2015, nr 399, s. 421.

It should also be noted that according to the dominant resource-based approach to strategy, above-average growth in the value of the company results from the competitive advantages developed by the company. The advantages are based on strategic resources, which are valuable, rare, inimitable and non-substitutable (Barney, 1991). Nowadays intangible resources are of particular importance, especially the company's reputation, customer loyalty or positive organisational culture (Cegliński, 2016b). The relationships between firm resources and competitive advantage and firm value growth tend to be ambiguous (Cegliński, 2016a), particularly when it comes to the strength of influence of a particular set of strategic resources.

### CSR as a source of sport club value growth. Assumptions and practical examples

Striving to maximize the value of the company is natural. One of the sources of the growth of enterprise value are socially responsible activities. Activity in this area may generate a set of factors that will significantly affect the growth of the company's value, and consequently, the growth of the company's value (Ceglińska and Cegliński, 2014, Tomanek and Lis, 2020). The issue of measuring social responsibility achievements and their links to the financial achievements of socially responsible enterprises is crucial for assessing the usefulness of the CSR concept (Sobczyk, 2016, p. 261). First of all, it should be strongly emphasized that socially responsible actions should be taken consciously, so that they effectively affect the company's financial result. It also does not seem right to criticise actions taken by enterprises to improve their situation. Socially responsible activities should translate into the improvement of financial situation in the long term, or at least not make it worse. In a way, the relation may be described as indirect, as socially responsible actions create intangible resources that are in fact more closely related to the financial result.

The unambiguous identification of the positive relation between socially responsible activities and financial results could become a key argument for undertaking such activities by enterprises, obviously in line with the business strategy. Socially responsible activities, exceeding the legal obligations of companies, usually mean a reduction of profit in the short term. In spite of that, more and more enterprises of various types operating in the economy undertake such activities. Therefore, the question should be asked: is the sacrifice of short-term profits compensated by improvement of long-term financial results of the company (Choi et al., 2010, p. 292)? After all, some managers find that CSR activities reduce their long-term profits and try to resist such initiatives (Chetty et al., 2015, p. 195). Over the years, the growing importance of CSR to companies has been due to the pressure

placed on them by various stakeholder groups to engage in additional CSR investments (Chetty et al., 2015, pp. 194-195). According to the stakeholder approach, the needs of stakeholder groups should be considered, not just the needs of the company itself.

A broad overview of empirical studies presented in the literature on the relationship between CSR activities and financial performance was undertaken by Sikacz. The author concludes that the discrepancies in the results of research do not allow an unambiguous statement on the impact of CSR activities on the current and future financial performance of an enterprise (Sikacz, 2016). In addition, the author draws attention to the non-linearity of the relationship between socially responsible activities and the company's performance, as well as to the variables that may distort the results of the study (Sikacz, 2016). CSR activities affect factors that shape the value of a company, including innovation capital, brand, reputation, and product or service quality (Śladkiewicz and Wanicki, 2016, p. 253). Engaging in ethical activities, while clearly socially and environmentally beneficial, improve relationships with the environment, both internal and external (Sobczyk, 2016, p. 262). CSR has a positive impact on the created image of the company, which is reflected in the increase of its value (Śladkiewicz and Wanicki, 2016, p. 253).

The adoption by a sport club of the CSR concept as determining the shape of its strategic decisions is associated with risk in the sense that investments are undertaken whose results are difficult to predict in the long term. Therefore, the forecasts of the impact of CSR activities on the enterprise's profit should be made in a short-term perspective, and on the enterprise value in a long-term perspective (Stefańska, 2011, p. 422). The fact that the results of studies of the relation between socially responsible activities and financial results differ so much, remains a concern for researchers. In this situation, it seems particularly interesting to determine the reasons for their discrepancies, which, as it should be assumed, are related to: the wide range of activities embedded in CSR, the measurement method, too short period of analysis or excessively turbulent period from which the analysed data originated, internal and external conditions (Stefańska, 2011, p. 426).

Many different benefits of implementing socially responsible activities for sport clubs have already been pointed out in management sciences. They have been written about their impact on shaping fan identification with the club (Lubaś, 2019), analyzed community perceptions of CSR programs using a sport club as an example (Davies and Moyo, 2017), stakeholder expectations of sport club in terms of corporate social responsibility (Babiak and Kihl, 2018) or the impact of socially responsible activities on love for a sport club (Baena, 2018). It seems that the benefits of implementing CSR translate into real financial benefits, and in particular into an increase in the value of the sport club. It should be mentioned that in practice CSR strategies are implemented not only by individual clubs, but are becoming the norm for entire leagues. An excellent example is the Premier League, in which the expansion of programs for social and environmental activities is a matter of business philosophy. It should be noted that the clubs from this league are among the most valuable in the world. Therefore, it seems reasonable to examine the role of CSR activities in creating their value. In the history of soccer we can find other extremely important examples of actions that are part of CSR, including, for example, support for children's treatment by FC Barcelona. The beneficiary of such support was mainly Lionel Messi coming from a poor family. No less experienced is the Real Madrid football club, which conducts and reports its CSR policy in an exemplary manner.

## Conclusion

So far, the literature on the subject has not explicitly presented the positive relation between socially responsible activities undertaken, and the increase in the value of both the enterprise, and the sport club. It seems that it results from the complexity of the very concept of corporate social responsibility, different approaches to it by authors, and the related research methodology. In my opinion, the signalized issues have not found sufficient attention in science, and what follows, there are still many research problems to solve. One of them, which this article tries to address, is the relationship between socially responsible activities undertaken by sport clubs and the increase in their value. It is necessary to remember that this activity should always be a part of the club's strategy and all activities should find rational justification and potential benefits.

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