

**The Small Firm - Sports Sponsorship Dynamic:  
An Exploratory Analysis**

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**Abstract**

The increased popularity of sport as a vehicle for navigating an increasingly cluttered marketplace to build brand awareness, reach target audiences and burnish the corporate image has been accompanied by a growing societal acceptance of the commercialization of sport (Hall 2006).. This paper examines the implications of this phenomenon for small enterprises. More specifically, this exploratory research responds to the need for more investigation into the “conceptual underpinnings of sponsorships” (Gardner and Shuman 1988: 44) by investigating the spectrum of opportunities that are available to small firms - whether as sports donors or bona fide sponsors – through the prism of small business stages-of-development theory.

The paper makes two contributions:

1. It presents the classifications of “patronage” versus “semi-strong sponsorship” versus “fully functioning sponsorship” relationships, based on the nature of the expected benefits.
2. It evaluates the small business/sport property interface from the perspective of small business phases of development and proposes a framework for linking the small firm to sport sponsorship outcomes.

## **The Small Firm - Sports Sponsorship Dynamic: An Exploratory Analysis**

The rising popularity of sport – professional, amateur, collegiate and recreational – as a vehicle for building brand awareness, reaching target audiences and burnishing the corporate image is evident. For instance, of the \$13.37 billion committed to sponsorships (including the arts, festivals and cause marketing) by all corporate sponsors in North America in 2006, 66 percent was attributable to sport; this \$13.37 billion in total sponsorship spending is expected to increase by 11.7 percent to \$14.93 billion by 2007 (IEG 2007).

The growing acceptance of the commercialization of sport is one of the more visible societal shifts of the past 25 years. This trend is manifested in many ways, including the pervasiveness of title sponsorships across the spectrum of NCAA Bowl Games or the ubiquitous presenting sponsor on the podium at any major golf or tennis tournament. From Nike and Tiger Woods, to Bombardier, Inc and the Canadian Alpine Ski team, to Canada Post and Speed Skating Canada., the partnering of businesses and sport entities has become commonplace and has proven to be effective (Crompton 2004; O'Reilly et al. 2007). However, much of the previous research in this area has either focused on the experiences of larger corporations (Arthur, Scott, and Woods 1997) or, in the case of small enterprises as sponsors (where there has been little research interest), has treated small and medium-sized business (SME's) as homogeneous entities (Mack 1999). Since 1988, when Gardner and Shuman, in the course of their review of small business and sponsorships in general, called for more research into the “conceptual underpinnings of sponsorships,” there has been very little investigation of the small firm-sport sponsorship dynamic.

At the same time, the robust corporate interest in sports as a marketing vehicle has not permeated all layers of the sports industry. In Canada, for instance, the funding of sport “...at nearly every competitive level and for every age group presents a textbook scenario of crisis management,” with many sports continuing to rely heavily on “small-time fund-raising” (Danylchuk and MacLean 2001). The severe under-funding of sport was also emphasized in the 2002 meeting of the federal and provincial ministers responsible for sport, who recommended higher levels of corporate sponsorship as a key part of the solution (Sport Canada, 2002). Indeed, it has been reported that national sport organizations in Canada derive an average of only 19 percent of their funding from corporate sources (Benoit 2005).

For those interested in either small business research or the sport sponsorship field, the foregoing realities lead to the following questions:

- *Is it realistic to expect that the small enterprise sector, a key engine of job creation and economic growth,<sup>†</sup> could in some way play a role in alleviating the funding squeeze that is endemic to many areas of the sport industry?*
- *If so, what level of sponsorship activity is feasible for a given SME?*

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<sup>†</sup> While the proportion of Canadian GDP attributable to small firms, including the self-employed, fell to 22 percent in 2004, between 1993 and 2003, this ratio was typically in the 24 to 25 percent range (Industry Canada, 2006)

In an attempt to address these questions, this paper will i) examine the spectrum of opportunities that are available to small firms through involvement with a sports property (whether as donors or as sponsors) and ii) through the adoption of a case study approach, propose a platform of small firm - sport property relationships.

In order to focus the current discussion, major professional sports organizations, facilities and events, as well as athletes, shall be excluded from further consideration – this will still leave an ample (and somewhat less heterogeneous ) set of sports properties for consideration. At the same time, on the supply side of the equation, neither self-employed operators nor franchisees will be deemed to be relevant to this investigation.

The article begins with a brief overview of the sport sponsorship field. The next section describes the salient elements of small business growth and development theory, with a view to providing a richer perspective on the issue of SME participation in the sport sponsorship arena. The paper then analyzes a selected group of case studies that were part of a larger investigation of the experiences of Canadian firms with sports entities. The final sections of the paper address the main implications of this analysis and propose directions for further research

## **Sport Sponsorships**

### ***Background***

Traditionally, for sports administrators at the minor league, amateur and collegiate levels, any attempts to tap into the corporate sector for funding would have amounted to a fund-raising exercise. Whether it involved events, associations, teams or individual athletes, the typical ‘sales pitch’ relied on an appeal to the donor’s sense of responsibility to the community. Consequently, the resulting agreement would tend to be a form of patronage, inasmuch as there would be no sense of securing any promotional advantage or integrating the sponsored sport into the company’s marketing strategy. Indeed the sponsee could often capitalize on the CEO’s affinity for that particular sport.

Without question, the state of the art in the sponsorship field has progressed dramatically over time, as the focus has changed from “please help us survive” to one which encompasses such issues as:

- *Which assets of the sport property are of interest to you as a sponsoring organization?*  
*and*
- *What can our event/sport do for your company in terms of advancing your marketing goals and/or building your brand?*

Hence, many of these relationships now qualify as bona fide commercial partnerships, wherein the resources offered by each party are equally valued by the other. This trend is also reflected in the sponsorship literature, where the first widely accepted definition of sponsorship (Meenaghan 1983) included the concept of philanthropy, unlike the more recent definitions (Cornwell and Maignan 1998; Polonsky and Speed 2001), which have eliminated this notion.

As noted by Shank (2005: 333), in essence a sponsorship entails a “marketing exchange,” with the sponsor providing either monetary support or in-kind resources in return for “the right to associate with the sports entity.” More specifically, the sponsor acquires “... specific rights that may be used for commercial advantage” (Howard and Crompton 2004: 434). Sponsors have become increasingly sophisticated. Many of them require, for instance, tangible evidence that the arrangement will provide for exclusivity and that its impact will be measured (Marshall and Cook 1992; O’Reilly et al. 2007). Further, there is a growing expectation that the sports organization will have developed a keen awareness of the business’ target market, and will work with the corporate partner on a coordinated marketing effort, with follow-up procedures to ensure that the sponsorship is delivering the promised outcomes.

Notwithstanding these various challenges, there are numerous examples of mutually beneficial relationships between corporations and sport organizations, most notably at the level of professional sports and Division I NCAA leagues and tournaments (with the accompanying high level media exposure). As one of the key sponsors of the U.S. Open tennis tournament remarked: “... the demographics of tennis fit precisely with our target consumer audience” (prnewswire.com, 2004).

In general terms, the sports partners in these relationships are driven by financial need, while the sponsoring corporation may be attempting to fulfill any of a number of different objectives (Irwin and Sutton 1994):

- Enhance employee relations and motivation
- Raise the company’s profile in the community
- Connect with target market
- Block competition
- Build awareness (often as a supplement to advertising campaigns)
- Generate incremental sales

For instance, the emergence of Mountain Dew as the fastest growing soft drink in the U.S. was attributed to its success in reaching the elusive youth market through its sponsorship of extreme sports in the form of the “X Games” as well as the “Gravity Games” (Howard and Crompton 2004). Sport sponsorships can have a significant impact on a company’s profile: as a sponsor of the England soccer team, the Green Flag Company saw national awareness of the firm increase from six to 27 percent over a four year period (Miles, 2001).

Another example of a successful sponsorship can be found at Telus Corporation - a large telecom business located in Western Canada, which made a \$2 million commitment to the 2001 World Championships in Athletics (hosted by Edmonton from Aug. 3-12<sup>th</sup>) In this case, the company was able to secure attractive client hosting opportunities, and through both on-site and pre-event surveys obtained tangible evidence that the event had effectively generated public and media awareness, while helping to differentiate Telus from its competitors (Institute for Sport Marketing, 2003: 42-44).

Even within the small businesses context, the particular demographics of certain sports audiences may be quite well aligned with the firm's consumer base and in some cases, the event, club, or sports association may serve as an ideal vehicle for reaching this target market. For instance, it has been found that companies that have sponsored women's sports are much more interested in how the profile of the audience fits with their customer base than in the local media coverage or hospitality opportunities (Lough, 1996).

Sport events, in particular, may provide for valuable on-site exposure for certain products or promotions, and/or enable the sponsor to cultivate improved customer relations through hospitality opportunities for key clients.

### *Effective Sport Sponsorships*

In general terms, a well-conceived sponsorship program will complement the company's various promotional, public relations and personal selling activities. The following steps are essential to ensuring that the sponsorship will be integrated into the marketing plan.

- Identify target segments, sales targets and geographic focus (for the putative sport sponsor, the theme of the market research function needs to be expanded beyond 'know your customer' to include "know the sports audience and what it can deliver.")
- Define the marketing mix for each segment (services, promotion, prices and distribution)
- Define the budget and required resources

It is important that the sponsoring company establish clear objectives for their sponsorship initiatives (Seguin, Teed, and O'Reilly 2005) and subject the outcomes to regular review. Notwithstanding the complex nature of sponsorship evaluation (Cornwell and Maignan, 1998), the prior establishment of appropriate performance measurement criteria ought to be a prerequisite to a fully functioning sponsorship. This would include the development of measurable objectives prior to determining that sponsorship is the promotional strategy of choice (Grohs, Wagner, and Vsetecka 2004).

In addition, the development of a successful sponsorship relationship requires a genuine commitment to collaborate with the sport organization on an ongoing basis to ensure that there is an effective 'leveraging' of the sponsorship. It has been suggested that such leveraging is essential to fully capitalizing on the opportunity: "Be prepared for extra costs. You might need to spend up to the same amount again in support" (Crush 2001). In fact, research has determined that the actual ratio of "activation" spending to sponsorship rights fees is 2.4:1 (IEG, 2002), and for certain successful sport sponsorships, may be as high as 10:1 (Seguin, Teed, and O'Reilly 2005). Specific examples (of activation) would include athlete appearances at your place of business, publicizing the event or team schedule in the company's promotional materials, or organizing contests awarding free tickets as prizes.

Unfortunately, sometimes the event organizers as well as the sponsor's staff allow their focus to shift from the stated objectives of the sponsorship to the hoopla and hype that surround the event. In other instances, any creative leveraging of the sponsorship will be impeded if the culture of the organization cannot be groomed to embrace the new direction that is implicit in any major sponsorship deal.

The aforementioned Telus Corporation sponsorship seems to exemplify a highly evolved approach to partnerships:

*It was found that the company operated with a "...clearly conceived and stated blueprint for establishing sponsorship relationships." [While social accountability does play a role in this company's involvement with sport, it has high visibility in this area due to its support of professional golf, hockey and football. In this regard, specific business criteria must be met: if for example, there is a dearth of client hosting opportunities or the expected ROI is not reasonable, "...personnel have learned very quickly how to say no and with 'a clear conscience.'"* (Institute for Sport Marketing, 2003: 42-44).

### ***Sponsorship or Philanthropy?***

As previously discussed, the range of sponsorship outcomes is quite diverse. In an effort to better categorize these objectives, Figure 1 organizes these outcomes along a continuum with straightforward patronage activities anchoring one end and bona fide business partnerships occupying the opposite end of scale. Within the patronage category, for instance, neither the sponsor nor the "sponsee" would contemplate the need to leverage the sponsorship or measure the "sponsorship ROI" (Meenaghan 1991), both of which have become part of the modern sport marketing lexicon.

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There are no clear lines of demarcation between the three categories depicted in Figure 1. The underlying outcomes would not be mutually exclusive and thus, could be viewed as a continuum. Nonetheless, this schematic does convey the notion that once the sponsor's objectives extend beyond building public awareness and improving employee relations, a commercial relationship emerges. Consequently, there should be justification for the resources committed to the arrangement. As the partnership with the sport property moves through the "semi-strong" (we have taken the liberty of borrowing from the Investment Management nomenclature) towards the "fully functioning" classification, there will be a tendency for longer term relationships. Moreover, consistent with one of the key themes here, the sponsor should come to expect relevant feedback to facilitate assessments of how well the marketing objectives of the business are being met (Mack, 1999).

Appended to the bottom of Figure 1 is the traditional “A.I.D.A.” product adoption sequence. The alignment of these four elements conveys the ideas that:

- 1) none of these components have any currency at the patronage level;
- 2) within the “semi-strong” dimension of sponsorships, it would be appropriate to gauge customer awareness and satisfaction; and
- 3) only within the context of a bona fide partnership should new sales leads be anticipated.

### **The Small Business Perspective**

Clearly, there are a multitude of opportunities for corporate sponsors (Walliser 2003). Yet, the issue of whether and how small firms can participate should be considered within the context of significant sponsorship resources being directed towards major events such as the Super Bowl (Lyberger and McCarthy 2002) or the Olympic Games (Seguin, Lyberger, O’Reilly, and McCarthy 2005). Some SME’s might only be interested in aligning with sport in an effort to build their image at the local level (for instance, through youth teams and leagues or school events, say swimming or track meets). Others might wish to set their sights on second tier amateur events (biathlon, diving; university teams) or in rare cases, perhaps even emerging minor pro sports, such as Women’s Soccer or the NHRA (National Hot Rod Association – U.S.).

However, any examination of small firm involvement in sponsorship should avoid treating all SME’s as equals and relax the assumption that the small enterprise sector is homogeneous. Within this group, there are startup ventures, micro-enterprises, high-growth technology-based firms, necessity-driven ventures, family enterprises, diversified manufacturers, and home-based businesses with no employees. These are not presented as mutually exclusive categories, but as an indication of the broad range of business entities that fall under the small business rubric. If one compares, for example, the high-growth, multi-branch engineering consulting firm to the second-generation family-run, five-person appliance repair shop, it is clear that they would differ markedly in terms of their market scope, their access to resources and – to the point of this article – their ability to manage and benefit from a sponsorship arrangement.

Given the relative scope of their operations and markets, and the potential existence of slack resources, it may be tempting to simply suggest that it is the largest of the universe of small firms (as measured by physical resources, number of employees, or revenue base) to whom the doors to sponsorship would naturally be open. However, these organizations may be in a declining phase or alternatively, may lack the necessary planning and monitoring capability to effectively integrate sponsorships into their marketing plan. Other SME’s may be relatively sophisticated vis-à-vis organization structure, information systems and strategy issues, but do not have the appropriate organizational culture or top management affinity for sport that are critical to the development of a successful sports sponsorship.

### *The Dynamics of Small Business Organizational Development*

The topic of small business growth and development has been the subject of extensive research. For instance, some scholars have determined that the age of the enterprise is unrelated to its size (Arbaugh and Sexton 1996) and others have posited that small business growth is a function of the “latent social identity” of the entrepreneur (Stanworth and Curran 1976).

More specifically, the concept of small business phases has attracted considerable attention (Covin and Slevin 1997; Dodge and Robbins 1992; Hisrich and Peters 2002; Olson and Terpstra, 1992; Scott and Bruce 1987). In this connection, a variety of life cycle and organizational development models have been designed to describe and analyze the growth patterns and organizational characteristics of different types of small businesses (Churchill and Lewis 1983; Cooper 1979; Flamholtz 1990; Greiner, 1972; Kazanjian 1988; Mount, Zinger, and Forsyth 1993). Whether these typologies emphasize organizational capabilities or the traits of the owner-manager, together they encourage researchers, policy makers and small business advisors to explicitly consider the wide range of small business entities.

Table 1 provides a representative listing of “stages of development” models

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The standard stages-of-development paradigm proposes that the evolution of the small enterprise will involve a progression from an entrepreneurial approach (informal planning and structures, continuous innovation, action orientation) “...through to stages of team building, functionalism and leading on to ultimate ‘professionalism’ of the organization” (Gibb and Davies 1990: 21).

Certainly, not all SME’s will advance through these phases (Delmar, Davidsson, and Gartner 2003), and for those that do, their progression will not necessarily be linear. Consider the example of the small firm which experiences strong initial growth, then stabilizes, is subsequently forced to scale back its operation (abandoning a product line or geographic region) and finally expands again. Alternatively, steady growth in assets or revenues may not necessarily imply any movement towards a higher level of organizational complexity. Many operations are able to simply do more of the same by increasing operational capacity, adopting more efficient processes, or sub-contracting. Thus, rapid growth is not synonymous with organizational development (Mount, Zinger, and Forsyth 1993). The latter is typically accompanied for instance, by significant structural change, new processes (customer service, quality control), extensive product development efforts and/or formalization of reporting procedures.

Furthermore, the entrepreneur's ability to 'get over the brick wall' of intuitive decision-making and resistance to more professional management practices (Montoya, Omura, and Calantone 1993) would be an imperative for progression through these phases. The focus on innovation in the early stage would eventually give way to greater collectivity and a certain element of control. The growing professionalism and control orientation will extend to the firm's marketing activities, and in the context of Figure 1, may suggest a poor fit between early phase enterprises and the outcomes and requirements inherent in a fully functioning sponsorship.

Figure 2 uses a generic three-stage framework to illustrate some of the specific "discriminators" between small business phases.

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Within the Phase I small firm, the owner-operator is constantly besieged with task-oriented issues, and there is a tendency to concentrate on the internal workings of the firm, rather than focusing on the changing competitive conditions" (Dodge and Robbins 1992: 35).

For organizations that do progress beyond the earliest stages of development (or even start up or are acquired at a Phase II or III level), the strategy, structure and resource issues which they face will change dramatically. For example the owner(s) will gradually become more involved in directing the activities of others, such as supervisors and middle managers, who have been added to the organization. Also, more time and effort is inevitably directed toward outside constituencies such as new financiers, business partners, sub-contractors, unions, and marketing alliances.

Moreover, at the more advanced stages, the company will be obliged to put in place reporting and communication systems that will enable functional managers and department heads to work effectively. For enterprises at the highest phases of development, more formalized planning and control mechanisms and decision support systems become indispensable

As a practical matter, certain small businesses will be difficult to categorize, and since the issue of organizational complexity as a determinant of the phase of development is subject to some degree of interpretation, the appropriate phase is not always apparent. Nonetheless, the stages of development framework does provide a workable approach to breaking down the population of SME's into useful subgroups, with each being characterized by different challenges, opportunities, resource needs, and management approaches.

## **Methodology**

Case research methodology is well-suited to addressing the types of “how” and “why” questions that characterize this paper (Yin 1994). The development of case studies facilitates the investigation of the “soft data” that is of such value in explaining the relationships uncovered by quantitative studies (Mintzberg 1979). Given the complexity of sponsorship relationships and definitional issues around both sponsorship and size, a multiple case-study approach was adopted for this study (Woodside and Wilson 2003)

### ***Data Collection***

During 2003, under the auspices of our university’s Institute for Sport Marketing, a total of 45 interviews were conducted across Canada with a variety of sponsoring companies as well as sponsees. This research was designed to further our understanding of the nature of the relationship between these firms and their affiliated sports organizations and events. The highlights of these interviews were captured in a series of case studies, which were published in a report in October of 2003 (Institute for Sport Marketing, 2003). This report encompassed a variety of relationships, from straightforward patronage-based donation programs to semi-strong sponsorships to bona fide commercial partnerships.

Each case was completed by an experienced academic researcher using in-depth, open-ended interviews. The field notes compiled during these interviews were reviewed by a second, equally experienced researcher; the resulting case study material was then vetted by the subjects, who also supplied secondary data on their company and its sponsorship strategy.

### ***Selection of Cases***

For the purposes of this article, small and medium-sized enterprises (SME’s) are defined as privately-held, ‘for-profit’ businesses that employ fewer than 50 people (100 if in the manufacturing and processing sector) – these are the thresholds utilized by Industry Canada. In addition, the SME’s operations would be locally based (although its markets may be relatively widespread). Only a select few of the ‘sponsors’ included in the ISM report appeared to meet this test: Goliger’s Travelplus (Waterloo, Ontario), Dickinson Insurance (Edmonton, Alberta), and Komputer Korner and Hunt Club Motors (Ottawa). Still, the data does provide a starting point for understanding the small business/sport sponsorship relationship and perhaps identify certain key variables that characterize the interface between SME’s and sport properties.

## **Results**

### ***General Findings***

The primary lessons learned from the 45 ISM case studies serve to supplement the normative best practices delineated in the previous section and are summarized below:

- *The sponsorship must promise clear benefits for both contributing parties (the personal interests of the 'CEO' cannot supersede business considerations)*
- *Given the ever-present threat of ambush marketing, it is important that potential competitors be blocked out*
- *It is important that the sport manager avoid the temptation to over-estimate the value of the sponsorship package*
- *Exclusivity is critical to the sponsoring company*

However, given the distinctiveness and diversity of the small business sector, the applicability of these parameters to the small sponsor may well be imperfect. These enterprises typically have particular difficulty in effectively defining and communicating with their target audience and integrating the requisite promotional, advertising and public relations activities in a cost effective manner. Indeed, limited resources perhaps represent the greatest marketing challenge faced by the small firm (Harris and Reece, 2003).

### ***Small Sponsor Case Studies***

The following summaries of the sample SME's and their sponsorship activities is organized by the perceived phase of development of the sponsor. For instance, "Case A" features a one-person insurance broker: with its limited resource base and focused product/market scope, this would surely be classified as a phase I entity. Conversely, as a full-service automobile dealership, Hunt Club Motors (Case D) would have the level of organizational complexity that would qualify it as a Phase III operation.

***Case A (Dickinson Insurance).*** Brian Dickinson has been operating his one-person insurance brokerage business since the mid-1980's. In addition to providing insurance needs for its clients, Dickinson Insurance also has a strong professional network for financial, legal and accounting services, and financial planning.

A long-time Edmonton, Alberta resident, Mr. Dickinson focuses his business contacts in and around the city. He describes his sports sponsorship initiatives as a "feel good sponsorship program" based primarily upon his long time involvement in football (player and coach) in Edmonton. In other words, sponsorships are developed because of Mr. Dickinson's interest and commitment to amateur sport in the city, rather than for any explicit business reason. He does not seek any business leverage from sponsorships, nor does he look for a business return. Thus, there is no evaluation carried out to ascertain the impact, if any, of the sponsorships upon the business: sponsorships are sought out based on the owner-operator's involvement in football, his love of golf, and the sense of community he feels towards the city.

While its sponsorship budget is modest, Dickinson Insurance is engaged in several on-going sport partnerships, all tied to the personal connections the owner has with the recipient. As a long-time coach at the University of Alberta, Mr. Dickinson supports the football program through the purchase of clothing for the coaches, sponsorship of the Alumni golf tournament and the university's "Adopt an Athlete" program. The business has also donated computers to

assist the Athletic Department with its operations. A cash contribution is also made to the two junior football teams (Wildcats, Huskies), largely due to the connection that Mr. Dickinson has had with the two programs, as a Wildcat player and a Huskies coach. In addition, his interest and participation in golf has led to sponsorships with local charities and fund-raising golf tournaments.

**Case B (Komputer Korner).** This family owned and operated business offers a complete line of computer services from two retail locations in Ottawa. The enterprise was launched in 1987 and has developed an excellent reputation, garnering six consecutive ‘Consumer Choice Awards’ as of 2003.

In its quest to be recognized as a good corporate citizen, not only does the business support local charities, but it has aligned itself with a range of sports organizations, from minor fastball and the local OHL franchise to the local AAA baseball team (Ottawa Lynx). The budget for these sponsorships varies according to the financial performance of the business.

Komputer Korner requires some degree of exclusivity and its support for these properties comes in the form of cash and various in-kind services. The three-year agreement with the Ottawa Lynx provides for box seats, complimentary tickets, the distribution of gift certificates to fans and a preferred location for signage in the stadium.

While the owner’s background in baseball is an obvious driver for several of the company’s sponsorship activities, the arrangement with the semi-pro baseball team appears to be a true partnership, with each party having a clear understanding of what is expected from this association. For its part, the company enters into sponsorships on the understanding that there will be a concomitant increase in customer traffic.

**Case C (Goliger’s Travelplus).** Goliger’s:TravelPlus is a locally owned and operated travel management agency . Situated in Waterloo, Ontario, it is affiliated with the North American TravelPlus organization, which provides access to a wide range of leisure and travel services. Goliger’s offers ‘one-stop shopping’ to both the commercial and personal traveler, including hotel reservations, local and long distance travel, tours, bus passes, and valuable information on travel destinations.

Experienced travel consultants use the latest computer technology to deliver cost savings and customized travel solutions. Staff members are proactive in the development of tour packages for those who are interested in attending a sporting event or participating in ‘active lifestyle’ vacations (skiing, biking, golfing, hiking).

Goliger’s employs a strategic approach to sponsorship opportunities, as evidenced by the following conditions:

- *Expansion of brand awareness to potential customers;*
- *Preferred status as the travel agent of choice*
- *A minimum three-year relationship (to allow for leveraging opportunities)*

Company policy also rules out sponsorship agreements that would require a considerable up-front financial outlay.

A primary sponsorship activity pertains to the Scott Tournament of Hearts ladies national curling championships. Goliger's negotiated a 'bronze' level sponsorship with the tournament organizing committee and secured "Exclusive Travel Supplier" status. The company's financial commitment included \$5,000 in cash, in addition to ancillary costs related to creating a website and producing a brochure. The Scott host committee included these brochures in its mass mailing promoting the Kitchener event to curling clubs across Canada.

It should be noted that this sponsorship encompassed a network of affiliated travel agencies; accordingly, Goliger's was also granted first right of refusal as the preferred travel supplier for future Scott Tournament of Hearts (since changed to Scotties) bonspiels. It is noteworthy that the V.P. of the sponsoring organization is an avid curler, who also coaches the University of Waterloo varsity curling team.

***Case D (Hunt Club Motors).*** Hunt Club Motors began operations as a Volkswagen dealership in 1991. This Ottawa-based business is the only Volkswagen dealer to have won the prestigious Wolfsburg Crest Award (as one of the top six Canadian dealerships) three consecutive times.

There is a modest budget for sponsorships and donations; any commitments of resources reflect the personal philosophy of the General Manager. She admits that while the firm's "...owner is concerned foremost with the bottom line," as the General Manager, she believes that sponsorship opportunities can contribute to the philosophy that "If you take care of people, there will be an impact."

The company's main sports association involves the Ottawa Lynx AAA baseball club, with much of its support coming in the form of in-kind services. For instance, the team is furnished with a Volkswagen Beetle, which is painted in such a way that it appears to be a traveling baseball with prominent Hunt Club/Lynx advertisements. The sponsor reports that the club has been quite accommodating to its needs, providing several signage locations within the stadium, scorecard advertising, tickets, free team merchandise and a dedicated 'Hunt Club day,' which is used as a staff incentive. The dealership's four season's tickets to Ottawa Senators' games are used both as employee perquisites as well as for customer relations purposes.

## **Discussion**

### ***Implications of Case Studies***

Taken together, the foregoing vignettes suggest a tendency on the part of the small firm to simply treat their support of sports properties as philanthropic endeavours. As outlined in Table 2, three of these interviewees were clearly driven by a sense of community. This finding corroborates Mack's empirical study of U.S.-based small firms and their sponsorship of sporting

events, wherein she reported that "...the marketing objectives of the sponsorship are often secondary to investing in the community..." (Mack 1999; 26) and also expressed concern over the opportunity costs sustained by overlooking the marketing potential of these events.

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It may be that these enterprises have pursued sports sponsorships as a natural adjunct to their extensive charitable activities. For example, Brian Dickinson is clearly driven by his "sense of community" towards Edmonton; Komputer Korner wishes to be viewed "...as a good corporate citizen" and is part of the Ottawa Food Cupboard program; similarly, the interviewees at Hunt Club Motors refer to their aim of having a "positive social presence in the community" and are directly involved with the Ottawa Food Bank as well as "Survivors of Cancer."

This discussion raises the fundamental issue that confronts virtually all 'for-profit' entities: a clear differentiation between expenses that are necessary to sustain the enterprise and expenses that fulfill a business organization's "moral obligation." To the extent that assistance to sport properties is entertained as part of the company's social responsibility mandate, there is not really a true sponsorship relationship. To illustrate, Dickinson's involvement with sport, although not without merit, is decidedly one-sided, and, as depicted by the Figure 1 continuum, falls well short of being a fully functioning, operational partnership.

Of course, the small family-run motel, the corner variety store or the typical hairdressing salon, while potentially lucrative ventures for the entrepreneur, are all likely to remain in the early stages of development and would rarely possess the resources – financial or in-kind – to offer any substantive assistance to the sport organization or event.

For those SME's at a more advanced level, an affiliation with sport can be invaluable whenever the business is targeting a narrow, hard-to-reach audience or when product demonstration is a critical aspect of the selling process (Gardner and Shuman 1988) Yet, Goliger's, with its strategic approach to sponsorship decisions, appears to be the only one of the three such sample firms to be using its sport partnerships for these purposes.

Employee relations represents another important dimension, but was mentioned in only one of the cases (Hunt Cub Motors). For business with a critical mass of employees – that is at least at Phase II - the culture of the small firm ought to be taken into account. Unless the attitudes of the owner(s) and the majority of employees are favourable towards sport, then any formal affiliation with a sports entity would be gratuitous and could not be expected to generate any benefits for the business. The genuine commitment of the employees is essential, inasmuch as a true partnership will necessitate their active participation; recent survey results reveal that opportunities for employee engagement ranked second only to media profile/corporate visibility

in a ranking of sponsorship benefits by corporate sponsors (Conference Board of Canada, 2005: 10).

It should also be noted that the attitudes and personal interests of the entrepreneurs in this study are still evident beyond Phase I (Table 2). Notwithstanding the importance of someone to champion the sponsorship from the business' side, this finding raises an important caveat. The time, resources and planning associated with the proper maintenance of the sport partnership should temper the enthusiasm of owner-managers who, as a manifestation of the sort of overconfidence that is often associated with the entrepreneur (Simon and Houghton 1999), may be too quick to embrace even a quasi-sponsorship arrangement as a marketing panacea. Unless it is a stable, Phase III business, the small firm would not have developed an integrated marketing plan; hence there is danger of relying too heavily on any alliances with the sports world. Even though sponsorships tend to be more persuasive than advertising, "...it's not wise to channel a majority of your marketing dollars into sponsorships..." - in most cases the proportion should be "... as low as 10 percent of the marketing budget" (Meyer 1999)

### ***Linking the Small Business to Sponsorship Outcomes***

Once the business enterprise starts to envision an involvement that will extend beyond pure patronage, it must address the sundry challenges that accompany the development of an effective sponsorship program. Ideally, there should be a preliminary assessment of the sponsee to ascertain (for instance), the potential participation of the sponsor's employees, the presence and impact of other sponsors, the quality of the facilities, and the potential for media coverage. In addition, any progression along the Figure 1 continuum requires some consideration of such fundamental issues as how effectively the target audience will be reached, how easy or complicated it will be to administer the partnership, and whether or not the relationship can be nurtured over time. Otherwise, the small businessperson is well advised to be satisfied with the lower order benefits associated with a patronage relationship and only pay accordingly. Since "some sport organizations pitch their proposals as a sponsorship when it is really a donation situation" (Conference Board of Canada 2005), there is an onus on the business owner to recognize this distinction and avoid the trap of expecting certain marketing outcomes that a philanthropic relationship cannot be expected to deliver.

In addition, the need to monitor sponsorship effectiveness requires that the business commit to the necessary planning and control systems (or at least integrate sponsorship activities into existing information systems). As demonstrated in Figure 3, implementation of such protocols would fall within the context of the generic planning and control cycle.

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 Figure 3 here  
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Whether the predetermined objectives and measures are quantitative or qualitative in nature, those partnerships that are structured on the basis of regular, objective feedback, evaluation and timely corrective action tend to enjoy the most longevity and yield the greatest benefits to both the sponsor and the sport organization. A small enterprise such as Komputer Korner, may well have definite expectations in place, but there must also be provisions for follow-up. In this connection, small business operators are urged to "... build in as many methods for quantifying the effectiveness of the deal as possible" (Crush 2001). In any business enterprise, the accounting/finance function has the potential to make valuable contributions in terms of "decision support" in a wide variety of areas, including accounts receivable, customer service, and the use of budgets for setting targets and evaluating results. The capabilities of the company's information system need to be harnessed to facilitate the collection and analysis of key sponsorship data before, during and after the event(s). Otherwise, it will be impossible to gauge the effectiveness of the sponsorship.

However, the reality is that small firms tend to employ only a limited range of measurement tools (Coviello, Brodie, and Munro 2000). Even at the intermediate phases of small business development, reporting, monitoring and controlling activities are often ill-defined: targets and responsibilities must be assigned to units and individuals within the organization and it is important that someone monitor their successes and failures, and provide feedback. Realistically, this level of sophistication could only be anticipated if the small firm is situated at the peak of the Figure 2 pyramid.

Furthermore, sponsorship evaluation is recognized as a particularly complex undertaking: not only is it difficult to isolate the impact of the sponsorship from the company's other marketing efforts, but many of the approaches to monitoring changes to awareness or company visibility are highly subjective and subject to misinterpretation. As an example, the small firm might arrange to have its logo and name prominently displayed at an amateur triathlon event, but without the benefit of post-event surveys, it would never be clear how many of the participants and fans even noticed the signage or how it affected them.

At the risk of over-simplifying the small firm – sport property interface, the schematic presented in Figure 4 outlines a proposed relationship between small enterprises and sponsorship outcomes. For instance, it is postulated that only those small business organizations that have developed a 'Phase III' organizational infrastructure, particularly in the marketing planning area, are positioned to incorporate fully functioning sport sponsorships into their strategy and take full advantage of the potential benefits.

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 Figure 4 here  
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The Dickinson case is consistent with the notion that for “Phase I” enterprises, any involvement with sport would be primarily philanthropic in nature. Interestingly, the current analysis indicates that this impetus is present across the spectrum of SME’s. Given the experience of Hunt Club Motors, where there are “no clearly defined expectations from the sponsorship...” (in terms of sales impact), it may be that small firms that would be considered to be reasonably sophisticated, progressive entities will deliberately choose to adopt a similar approach, and restrict their involvement to the level of patronage or soft (or to use the vernacular of the current paper, “semi-strong”) sponsorships.

Similarly, many large corporate entities have elected to treat their all or part of involvement in sports as non-measurable, perhaps even patronage initiatives: Imperial Oil presented its sponsorship of the Canadian Amateur Swimming Association as “...a way to put something back into the community,” while Petro Canada’s sponsorship of the 1988 cross-Canada Olympic Torch Run was a morale-building exercise for the 600 participating employees. More recently, one of the authors had an experience with a Fortune 500 company that was investing more than \$400,000 in a sport program and requiring (i) evaluation (ii) sign-off on all creative material and content and (iii) inclusion of its logo and messaging in all program-related promotions. Despite this seemingly ‘business’ approach, the organization felt strongly that this was not a sponsorship, but rather a philanthropic donation

Yet, those (higher level) SME’s that simply provide cash donations or provide equipment or supplies at the facility or event are forfeiting the inherent benefits that can be achieved through a closer association with the sport. As noted earlier, leveraging the relationship – through such means as publicizing the event in your promotional materials, securing blocks of complimentary tickets for staff and clients, conducting on-site promotions or participating in awards ceremonies – is essential if the firm hopes to realize maximum value.

In general, the case studies do not reflect the best practices, as delineated earlier in the paper. While it may be that these small firms were successful in negotiating suitable packages of rights and benefits, and there was some evidence of exclusivity, there was little effort directed towards researching and differentiating between sponsorship opportunities; moreover, the personal preferences of key personnel were allowed to dominate commercial considerations. Notwithstanding the mixed support for the relationship presented in Figure 4 (the classification of a particular firm’s sponsorship did not appear to be perfectly correlated with its degree of organizational complexity), it does appear that for the small enterprise, a genuine affinity for sport on the part of the owner/manager is essential and needs to be complemented by a certain base level of organizational capabilities.

As with any case study research (Woodside and Wilson 2003; Yin 1994), it is important to note that the findings are qualitative in nature and, as such, generalizations to broader contexts are possible but limited in their validity and reliability. That is, quantitative research should follow, testing the findings of the case studies empirically with large samples.

### **Directions for Future Research**

In addition to testing the propositions inherent in the Figure 4 model, a logical extension of this research would entail an investigation of sponsorship evaluation practices as they apply to the small business reality. Once the business has developed a viable marketing strategy, it can then ascertain whether or not a systematic “planning-measurement-feedback” approach is indeed appropriate or even desirable. Clearly, in light of the performance measurement and hence, behavioural ramifications, this can be a rather involved undertaking, and as such, is beyond the scope of this paper.

Secondly, while the current study has focused largely on outcomes for SME’s, which ostensibly can augment the existing supply of sponsorships, there would also be value in exploring the demand side of this relationship. There is a wide range of potential sponsees and many would be highly attractive to selected small firms, who for instance, may be able to reap the rewards of dominant sponsor status: as title sponsor for a regional youth-level championship, not only would the company garner a good deal of attention, but it is conceivable that it would be able to exercise fairly close control over the staging of the event. Indeed, previous research in Canada has indicated that smaller amateur sports organizations represent a highly desirable sponsorship opportunity (Conference Board of Canada, 2005: 10).

The current investigation represents the first stage of a broader research project, which has been designed to explore these questions as part of a comprehensive treatment of the interface between small firm sponsors and sport properties.

## **Conclusions**

Whereas substantial sponsorship research has been directed towards the obligations of the sport organization in cultivating such partnerships— particularly with respect to understanding the marketing needs of prospective business partners and developing sponsorship packages tailored to respond to these needs, this paper has examined the sport sponsorship area from the perspective of the small enterprise. To a certain extent, this study exemplifies what Gartner and Birley refer to as the “untidy reality” that accompanies qualitative research, suggesting that this “...immersion into the muddled circumstances of an entrepreneurial phenomenon that is cluttered and confusing” (2002: 394) should yield not only descriptive results, but also some explanation of “why.”

Accordingly, this study’s exploratory investigation of the SME – sport property relationship has revealed that this dynamic is one worthy of further investigation for both practice and theory development. For practitioners working with small business, sport sponsorship (as either a sponsor or sponsee) may provide a valuable promotional tool that enables effective marketing on limited budgets. Clearly, the small business owner must be fully cognizant of the nature of the organizational commitment that may be necessary to derive the full benefit available through sponsorship arrangements. In terms of theory, the current paper’s results include the theoretical advancement of the philanthropy-sponsorship continuum, insights

into the nature of sport sponsorship by small enterprises, and a proposed framework for aligning SME's and sponsorship opportunities.

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**Table 1**  
**Selected Stages-of-Growth and Development Models**

<b>Authors (Year)</b>	<b>Sequence of Phases</b>
Cooper (1979)	start-up (entrepreneurial) → growth → maturity.
Churchill and Lewis (1983)	existence → survival → success-disengage → success-growth → takeoff → resource maturity.
Scott and Bruce (1987)	inception → survival → growth → expansion → maturity.
Mount, Zinger and Forsyth (1993)	owner-operated → transition → owner-managed → transition → emerging functional management.
Hisrich and Peters (2002: 502)	start-up → early growth → rapid growth → maturity

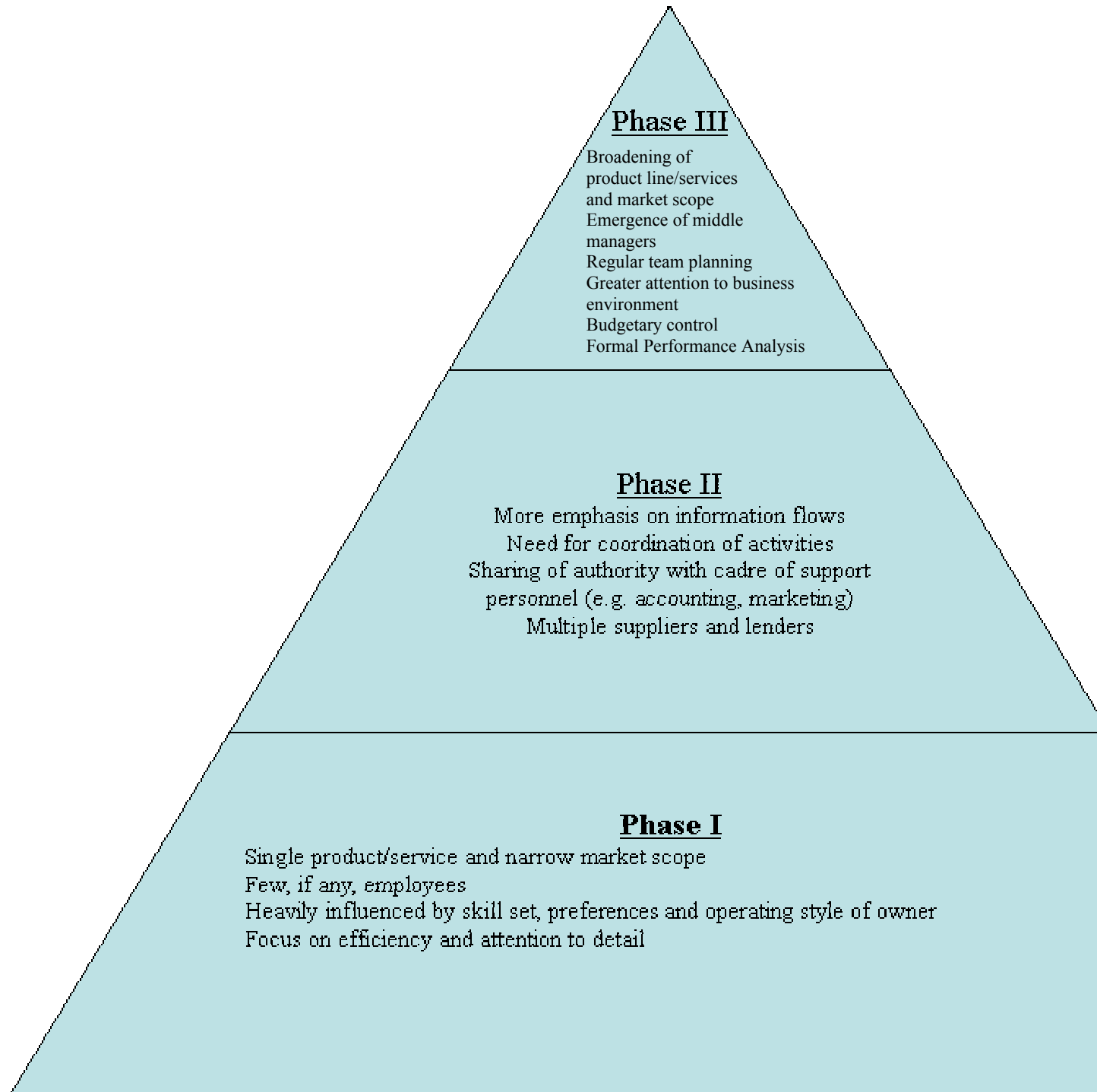
**Table 2**  
**Comparative Sponsorship Objectives of Sample Firms**

	<b>Dickinson Insurance</b>	<b>Komputer Korner</b>	<b>Goliger's Travelplus</b>	<b>Hunt Club Motors</b>
Community Goodwill	√	√		√
Cultivate Awareness of Company		√	√	√
Employee Relations				√
Identifiable Commercial Objectives		√	√	
Personal Preferences of Owner Impact on Decision	√	√	√	√

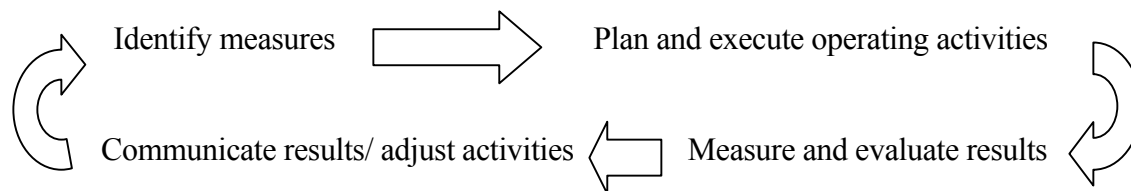
**Figure 1**  
**Aligning with Sports Entities: A Continuum of Sponsorship Benefits**

<b>Patronage → → → “Semi-strong” sponsorship → → → Fully functioning sponsorship</b>	
<p>Community Goodwill</p> <p>Public Awareness of Firm</p> <p>Employee morale</p> <p>Cultivate new brand image</p> <p>Forum for product or service demonstration</p> <p>Entertain key clients</p> <p>Reach new market segments</p> <p>Block competition</p> <p>Generate new sales (on-site and/or through normal channels)</p>	
<b>Customer response</b>	
Not applicable	<p>Awareness</p> <p>Interest</p> <p>Decision</p> <p>Action</p>

**Figure 2**  
**Small Business Phases of Development**



**Figure 3**  
**Sponsorship Evaluation – The measurement and review process**



**Figure 4**  
**The Small Firm - Sports Property Relationship**

