



Multi-level governance in an international strategic alliance

The plight of the Phoenix and the Asian football market

International
strategic alliance

111

Geoff Dickson, Sean Phelps and Daniel Waugh
School of Sport and Recreation, AUT University, Northcote, New Zealand

Received December 2008
Revised April 2009
Accepted April 2009

Abstract

Purpose – The purpose of this paper is to highlight the circumstances preventing the Wellington Phoenix, New Zealand's only professional football team, from participating in the Asian Champion's League.

Design/methodology/approach – A single case study approach has been adopted to generate rich data designed to aid understanding of the complexities of multi-level governance, feature of international football governance.

Findings – The key conclusions of this research are that the Phoenix is attracted to the Asian football market because of the financial rewards but are prevented in doing so because of policies related to Fédération Internationale de Football Association's confederation structures.

Research limitations/implications – It is hoped that this paper will encourage more academics to investigate: the extent to which football's governance structures act as either a facilitating or constraining factor to the growth of football in the region; the possible convergence between Asian and Pacific sporting economies; how other Asian sporting organisations are reacting to increasing interest from non-Asian organisations in accessing their marketplaces; and the performance of a network and its members when subjected to multiple levels of governance.

Originality/value – The originality of this paper lies in its proposition that conflict within an international strategic alliance is likely to be exacerbated when the alliance is characterised by multiple levels of governance. Further originality is offered through the introduction of the term covalent organisation, to describe those sport organisations that are subjected to multiple levels of governance.

Keywords Strategic alliances, Governance, Sports, New Zealand, Football

Paper type Case study

Introduction

The Wellington Phoenix is New Zealand's only fully professional football (i.e. soccer) team. The plight of the Phoenix is that:

- they are keen to operate in the Asian football marketplace but the policies of both the Fédération Internationale de Football Association (FIFA) and the Asian Football Confederation (AFC) prevent this from occurring; and
- the AFC have sought to exclude the Phoenix from their present league, the Football Federation of Australia (FFA) controlled A-League.

The purpose of this article is to highlight the circumstances that have led to this situation – the desire of New Zealand firms to trade with Asian organisations and the cartel-like properties of elite sport. In doing so, the study highlights the difficulties of managing international strategic alliances (ISAs) and how multi-level governance structures create uncertainty for organisations within the network.

New Zealand and the Asian economy

Asia is emerging as the epicentre of the 21st century global economy. In the equivalent time in which revolutionary change is being experienced in world business, Asia and in



particular China is experiencing swift change. Fast becoming a leading economy globally, China has been referred to as being the “world’s manufacturing floor” (Ge and Ding, 2008, p. 1). It has also been predicted by Goldman Sachs that the BRIC economies consisting of Brazil, Russia, India, and China may turn into a formidable power in the world economy within 50 years and as early as 2009 (Wilson and Purushothaman, 2003). Taken together, this suggests that increased significance should be placed on the strategic choices of companies when choosing which markets within which they should invest.

New Zealand firms are becoming increasingly engaged with the Asian marketplace. In January of 2006, then Foreign Affairs Minister Winston Peters in a speech to “Asia Plus” Heads of Mission, said “Today, our linkages with the countries of Asia and the Pacific are wide ranging – from trade and economic interaction, through to political and security dialogue, and co-operation in multilateral and regional organisations” (New Zealand Government, 2006). New Zealand is seeking to reduce world-wide trade barriers and proclaims that nearly 95 per cent of all imports enter the country tariff free. The New Zealand Treasury (2008) stated that “Asia-Pacific regional linkages remain at the core of New Zealand’s political and economic interests”. New Zealand’s international trade policy is underpinned by a number of regional and bilateral free trade agreements. These include agreements with a number of Asian-Pacific countries including Australia (Closer Economic Relations, 1983), China (New Zealand China Free Trade Agreement, 2008), Thailand (New Zealand and Thailand Closer Economic Partnership, 2005), Singapore (New Zealand and Singapore Closer Economic Partnership, 2001), Brunei (Trans-Pacific Strategic Economic Partnership, 2005). New Zealand is a member of important economic forums including the World Trade Organization and the Asia Pacific Economic Cooperation, the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region.

As part of a re-imaging process designed to ensure competitiveness in the global marketplace, many major Asian cities have sought to expand their “culture industries” (Yuen, 2008). Complimenting this process has been interest from a variety of international sporting events that are attracted to Asia’s growing economies (Dickson and Schofield, 2005). Beijing was the host city for the 2008 Summer Olympic Games. FIFA staged the 2002 World Cup in Korea and Japan. Kuala Lumpur hosted the 1998 Commonwealth Games and India will host the 2010 Games. The FIFA Club World Cup (CWC) is shared on a biennial basis between Japan and Doha. Though widely condemned by members of the AFC and not pursued, the English Premier League (EPL) proposed an “International Round”, which would be played in locations outside of England, including Asia. The Indian Premier League dominates the world’s cricket economy. Four of the 17 Formula One motor racing events are Asian – Japan, China, Malaysia, and Singapore. Interest in the Asian market can also be seen by New Zealand-based organisations and the Trans-Tasman (i.e. Australia and New Zealand) sports leagues to which they belong. The Australian National Basketball League, which includes a team from New Zealand, expanded in 2006 to include the Singapore Slingers. The New Zealand Rugby Union and the Australian Rugby Union (ARU) staged a Bledisloe Cup rugby match in Hong Kong in 2008. ARU CEO John O’Neill stated, “Between New Zealand and ourselves, we have unambiguously said our preference next year is to continue to grow our presence in Asia through Tokyo” (Payten, 2008).

Asian nations are emerging as a force to be reckoned with in the twenty-first century. Though not traditionally renowned for its on-field sporting prowess, Asia is flexing its muscle in the sporting community through its growing economic

significance. New Zealand businesses, both sporting and non-sporting are looking to export their products and services into Asia. Though free trade between nations is increasingly being taken for granted in business circles, the practice is more complex for sporting organisations given the inter-organisational networks through which international sport is governed.

Conceptual framework

The conceptual framework for this study is based upon the premise that conflict within an ISA is likely to be exacerbated when the alliance is characterised by multi-level governance. Inspired by Marks' definition of multi-level governance as it pertains to the EU (1993, p. 392), we define multi-level governance, in the context of international sports governance, as a system of continuous negotiation between and amongst organisations at several territorial tiers – international, national, regional, and local.

An alliance is defined as “any inter-firm cooperation that falls between the extremes of discrete, short term contracts and the complete merger of two or more organisations” (Contractor and Lorange, 2002, p. 4). International alliances refer to collaborations formed between firms from two different countries. Alliances can take on a number of forms including joint ventures, equity alliances (Glaister *et al.*, 2003a, b), non-equity alliances (Li, 2008), acquisitions (Wiklund and Shepherd, 2009), licensing agreements (Baker *et al.*, 2008), and value chain partnerships (Büyükoğuzkan *et al.*, 2008).

Fundamentally, alliances are created because each organisation lacks the ability to “go it alone”. Aldrich (1976) stated, “differentiation and specialisation within the organisational population lessen the possibility of any single organisation achieving self-sufficiency, thus requiring most organisations to enter into transactions with others to obtain resources that cannot be generated internally” (p. 421). Similarly, Pfeffer and Salancik (1978) considered that interorganisational relationships are founded on the premise of resource scarcity. Cyert and March (1963) argued that as a response to this uncertainty of resource acquisition, an organisation would seek to create a “negotiated environment” where the environment is managed in a manner that will eliminate the uncertainty. The formation of a negotiated environment would often involve the formation of interorganisational relationships (Cook, 1977).

Though promising much, alliances are fraught with difficulties (Darby, 2006; Hill and Hellriegel, 1994; Kogut, 1989; Park and Rosso, 1996). Most of the issues associated with ISAs are associated with conflict, poor perceived performance, cultural differences and inflexibility (Geringer and Herbert, 1991; Parkhe, 1993) as well as differences in between the economic and management systems (Glaister and Wu, 1994). Several studies claim that a majority of ISAs do not achieve their objectives (Glaister *et al.*, 2003a, b; Hyder and Ghauri, 2000). According to Wahyuni *et al.* (2008, p. 672) “The specific characteristics of ISAs (joint decision making, constant bargaining, and clash of interests) make them an unstable form of an organization”.

Professional sports leagues are nearly always structured as federated networks. The perceived need to coordinate, manage, and control the interdependent activities of two or more organisations provides the impetus for federated networks to be established (Provan, 1983). Federated networks are considered a unique type of inter-organisational structure with their distinguishing feature being the existence of some form of controlling or organising body that seeks to manage the affiliates of the network. Provan referred to the controlling organisation as a Federation Management Organisation (FMO). It is important to recognise that the FMO has a legal and corporate identity that

is separate from that of the Federation Affiliates (FA). In the sport context, the FMO is the league's controlling body, and the individual teams are the FAs (Dickson *et al.*, 2005).

Federated networks differ from other forms of inter-organisational networks in that the operating activities and partial rights of decisions affecting FAs are controlled by the FMO. This governing control is authorised by the FAs with the expectation that the FMO will reduce environmental uncertainty as well as decrease transaction costs between and amongst affiliates (Flanagin *et al.*, 2001; Provan, 1983). Within a federated network, affiliates continue to maintain control over certain tasks of their own establishments as well as a certain amount of the tasks associated to the whole network. It is not the function of the FMO to dictate all operations but to control interdependence amongst the affiliated members (Nishimura, 2004) and coordinating the flow and distribution of resources amongst them (Provan, 1983). In sports leagues the FMO sets the rule and regulations, controls the revenue distribution of the league and any prospects of expansion (Dickson *et al.*, 2005; Skinner *et al.*, 2008).

An assumption up until now has been that federation affiliates have membership of only a single federation, and are subjected to the influence of a single FMO. In essence they have been assumed to have only one master to serve. We introduce the term covalent organisation in recognition that affiliates may be subjected to multi-level governance. A Type I covalent organisation describes those federation affiliates that are members of two or more federations. A number of Type I examples can be identified across a range of sports in many parts of the world. The EPL has "commercial independence" from the Football Association (www.premierleague.com). Teams from the EPL will also participate in the FA controlled FA Cup. The ARU is a member of the South African New Zealand Australian Rugby alliance as well as the International Rugby Board. Though atypical, some US universities may be affiliated to a separate men's and women's conferences. The New Zealand Golf Open is co-sanctioned by both the Australasian Tour and the US Nationwide Tour. The Vineman Triathlon is sanctioned by USA Triathlon and is a qualification event for the Ironman Hawaii, which is owned by World Triathlon Corporation (WTC). USAT is affiliated to the International Triathlon Union, a bitter rival of the WTC. The key feature of the Type I covalent organisation is that the two governing federations do not exist in any form of hierarchy.

A Type II covalent organisation refers to those affiliates that are subjected to both the demands of their federation and the confederation to which their federation belongs. In the context of international sport, a confederation is simply a federation of federations. Examples of Type II covalency would be the elite European football clubs that are members of their national governing body, but also compete in Union des Associations Européennes de Football (UEFA) competitions. If these organisations already have Type I covalencies, then the coexistence of Type I and Type II covalencies is clearly possible. The NCAA system is based on conferences. For example, Florida State University is a member of the Atlantic Coast conference, which in turn is a member of the NCAA. In all instances, the key is that a federation directly governs the organisation, and that another federation governs the "direct" federation.

In chemistry, a covalent bond occurs when electrons are shared between two or more atoms. At the risk of oversimplification, atoms consist of a nucleus comprised of positively charged protons and negatively charged neutrons. Orbiting the nucleus are negatively charged electrons. In our analogy, the atom represents the federation, the nucleus the FMO, and the electrons the affiliates. Atoms are stable when the number of protons and electrons are equal. If required, this stability can be achieved by sharing

two or more nuclei between nuclei. In the context of our research, the Wellington Phoenix is influenced by the policy demands of both the FFA and the AFC. To ensure their survival, the New Zealand-based Phoenix must engage in continuous negotiation with Australian- and Asian-based organisations.

The governance of international sport

The global sporting industry has evolved into a mainstream operation, and has done so rapidly (Noll, 2003). Operational emphasis of sports organisations is now focused around revenue, governance, entertainment dollars, dynasties and global recognition (Hunter and Mayo, 1999). National governments conceptualise sport as a means of expression for nationalism and invest heavily in the sector with the expectation that sport will aid the economic and social development of their country (Hoye *et al.*, 2006). Additionally, Cha (2009) states, “sport, national pride, and international prestige are inextricably intertwined. . . sport acts a prism through which national identity gets refracted domestically and internationally” (p. 33).

International Federations (IF) govern international sport. Each IF controls a particular sport on a global scale. Often operating as monopolies, these entities control all processes, rules, and regulations for a sport. At the domestic level, a National Sport Organization (NSO) controls the activities of a sport in an individual country and generally is sanctioned by their relative IF. Depending on the geographic location, NSOs may be referred to as National Governing Bodies (NGBs) or National Sport Federations. Aligned to the NSOs are the local and provincial clubs. In addition, the NSO may directly or indirectly influence a professional sports league (PSL) and in turn the franchises that participate in the PSL. NSOs are very much dependent upon their relationship with the IF. If an NSO wishes to exit from its affiliation with their respective IF, critical organisational damage will occur as the NSO will not receive resource support from the IF (i.e. funding, legitimacy), nor will the IF sanction the participation of the NSO in any events and competitions imposing blocks on its members from interacting with such an organisation. This effectively “black lists” the organisation making it ineligible to participate in regional and international competitions. IFs are powerful organisations. MacDonald (1993) refers to these sport hierarchies as microcosms – worlds in miniature. This is because, with the possible exception of the International Olympic Committee (IOC), there are no higher structures above them to which they can be held accountable for their actions.

FIFA and the cartel-like structure of world football

Founded in 1904, FIFA was established by the football governing bodies of seven European nations – France, Sweden, Belgium, Denmark, Switzerland, Spain, and the Netherlands (Sugden and Tomlinson, 1998). Today FIFA boasts 208 member associations, second only to the International Athletics Association Federation and the International Basketball Federation, which both possess 213 members. All these organisations have more member associations than the IOC and the United Nations. FIFA has been described as one of a few “immensely powerful civil associations of cultural elites from across the world that frequently dictate terms to governments and business through a complex relationship of interdependency with nationalism and corporate funding” (Millet *et al.*, 1999, p. 497).

FIFA has evolved into a global business with a current equity value of US\$643 million (FIFA, 2008a). FIFA has partnerships with many large-scale multinational firms including adidas, Hyundai, Coca-Cola, Emirates, Sony and Visa (FIFA, 2009; MacDonald, 1993;

Sugden and Tomlinson, 1998). FIFA has the motto “For the Game, For the World” and its objectives are strongly focused around the continuous improvement of football, maintaining control and integrity, and humanitarian values (FIFA, 2008b).

Membership within FIFA is open to any national football federation (i.e. the NSO/ NGB for football). In addition to these 208 members, FIFA’s structure is also underpinned by six confederations (FIFA, 2008b). A confederation is defined by FIFA as a group of associations recognised by FIFA that belong to the same continent (FIFA, 2008b). There are six confederations operating within FIFA (year of inception and current number of affiliates are listed in parenthesis): the AFC (1954, 46), Confédération Africaine de Football (1957, 52), Confederation of North, Central American and Caribbean Association Football (CONCACAF) (1961, 35), Confederación Sudamericana de Fútbol (CONMEBOL) (1916, 10), Oceania Football Confederation (OFC) (1966, 11), and UEFA (1954, 53). These confederations approximate the continents but there are exceptions to this principle. For example, Russia, Turkey, Cyprus, Armenia, Azerbaijan, and Georgia are UEFA affiliates despite being Asian in strict geographic terms. Similarly, Guyana and Suriname have always been CONCACAF affiliates despite their South American location. Regardless of geo-spatial technicalities, it is important to recognise that FIFA will in exceptional circumstances permit one of its member associations to change their confederation affiliation so long as both confederations are in agreement and that the member association relinquishes its original affiliation. A member association cannot be a member of more than one confederation. Therefore, FIFA does not permit its member association to be covalent organisations.

Two confederations operate within the greater Asian-Pacific region of the globe. Both contribute to the plight of the Phoenix. The AFC is comprised of 46 members and ranges geographically from the Middle East, India, Southeast Asia and Australia. The FFA became a member of the AFC in 2006 when it disaffiliated from the OFC. The OFC currently has 11 full member associates including American Samoa, Cook Islands, Fiji, New Caledonia, New Zealand, Papua New Guinea, Samoa, Solomon Islands, Tahiti, Tonga, and Vanuatu. An additional four nations including Niue, Northern Mariana Islands, Kiribati, and Tuvalu have been endorsed by the OFC but have yet to gain recognition and acceptance by FIFA as a full member association. The OFC is the youngest, smallest, and most geographically isolated compared to the other FIFA confederations.

Though normally associated with professional sport leagues (Ferguson *et al.*, 2000; Stewart *et al.*, 2005; Zimbalist, 2006) and US collegiate sports (Kahn, 2007), international football competitions also exhibit many cartel-like properties. Central to this is the ability to limit supply through regulating the ability of teams to play against each other. A national football team does not have the ability to play whomever and whenever it pleases – approval must be granted by FIFA (and/or by delegation the relevant confederation). Organisations acting outside of the collective interest are likely to have their membership terminated, rendering them unable to compete against the majority of national teams. It is within this context that the Phoenix is seeking to navigate their way into Asia.

The Plight of the Phoenix

The Wellington Phoenix’s training and administrative base is in Wellington, the capital of New Zealand. Their home games are played at Wellington’s premier football stadium. The FFA granted New Zealand Football (NZF) in 2007 a provisional licence to

participate in the A-League, Australia's ten-team, elite professional football league. NZF entered into a sub-licensing agreement with wealthy Wellington businessman Terry Serepisos and his company Century City Football. Approval from both AFC and FIFA for the Phoenix to play in the A-League was required because the FFA is a member of the AFC and NZF is a member of the OFC. This exemption allows the Phoenix to participate in a professional league (i.e. the A-League) that is managed by the affiliate (i.e. FFA) of another confederation (i.e. AFC).

A key antecedent to the plight of the Phoenix was the decision of the FFA to disaffiliate from the OFC and to affiliate with the AFC from 2006 onwards. However, in terms of on-field playing ability, off-field political influence and economic significance, the OFC lost their most powerful member. The FFA's affiliation to the AFC was based on a combination of on-field and off-field opportunities. On the field, Australia now had a direct path to the FIFA World Cup. Previously, as winner of the OFC, they would then have difficult home-away play off matches against CONMEBOL members who did not qualify directly (*China Daily*, 2005). In addition to this direct path, it was also considered that the AFC nations would provide a higher standard of competition than those offered by OFC nations, which in turn would lead to higher quality Australian teams. These sentiments are captured by then Australian captain Craig Moore: "In the Oceania qualifying zone we were never really tested and that is never good preparation for an all or nothing play-off" (Australian Broadcasting Corporation, 2005). In addition to these on-field opportunities, the off field opportunities were also key. According to then FFA CEO, John O'Neill, the affiliation with the AFC was simply "because of the economic power of Asia. We were moving into a much bigger market" (Himmer, 2008).

The benefits of this shift were also evident for the AFC with President Mohamed Bin Hammam stating at the time, "It is beneficial for both Australia to join us in better competitions and for the AFC to have Australia with all its technical standards and capabilities" (*China Daily*, 2005). It was envisaged that the arrival of Australia would enhance and develop the "image and standards of Asian soccer" (*China Daily*, 2005). There was also a bottom-line variable in the equation. The FFA was able to convince World Sport's group, the AFC's marketing partners that Australia would add value to the AFC's sponsorship and broadcasting revenues (Cockerill, 2005). The FFA's affiliation with the AFC impacted upon the Phoenix because the A-League was now seen as an AFC league, whereas when the FFA was affiliated to the OFC, the A-League was seen as an Oceania league.

The plight of the Phoenix is two-fold. First, the Phoenix is unable to participate in the Asian Champion's League (ACL). FIFA's CWC regulations stipulate that if the winner of a confederation's qualifying tournament "is not from a member association of the respective confederation, it will be replaced by the next best club affiliated to a member association of the relevant confederation" (FIFA, 2008c). This policy is designed to ensure that two clubs from the same country do not compete in the FIFA CWC. Without this policy it is possible for the Wellington Phoenix and Team Wellington, one of eight teams in the New Zealand Football Championships (NZFC), to both gain entry into the FIFA CWC. This regulation affects the Phoenix in two ways. It excludes the Phoenix from participating in the ACL and by default the FIFA CWC. It is quite likely that the Phoenix is the only professional football team in the world that does not have the potential to play in the FIFA CWC (Hassett, 2008).

The second plight of the Phoenix is that the AFC has declared its intention to withdraw its support for the Phoenix to continue playing in the A-League. In a document released in November 2008, the AFC Professional League Ad-Hoc

Committee outlined the AFC Professional League Project. A key aspect of this initiative was to define a professional league, a professional club and the criteria for participation in a new ACL. The first of nine criteria to be regarded as a professional league threatens to spell the end of the Phoenix's plan to engage with Asia. It reads simply that recognised leagues are "organised on a nationwide basis and consists of a certain number of teams". In a television interview conducted by Australian broadcaster Special Broadcasting Service (SBS) (2008), AFC president Bin Hammam, stated:

Australia is engaging a non-Australian team in the league. . . But we would prefer the A-League to have only Australian clubs. . . The A-League has permission from FIFA to do so but only until 2011. Our Pro League committee has approved this situation but after 2011 all clubs have to be Australian.

In response, the Phoenix and the FFA have argued that the Phoenix should "be regarded as an Australian club which resides in New Zealand" and therefore fits the AFC criteria. In addition they argue that because their players are registered with the A-League, their players are "Asian", so therefore the team should also be considered Asian. However this proposal presents further problems for the Phoenix as their re-registration as an Australian club playing in exile would require the Phoenix to abide to the three foreigners rule from which they currently possess an exemption. Re-registering would mean that the team would predominantly have to consist of local Australian nationals and possibly only three New Zealanders (Kilgallon, 2008). By default, player development opportunities would be severely limited and the ability to market the team as a team representing New Zealand would be lacking in credibility.

Despite protests from the Phoenix, the AFC position on the Phoenix remained clear – the A-League would consist of Australian teams only. This would have potentially catastrophic effects for the Phoenix. To merely survive (as opposed to thrive) the Phoenix would need to affiliate with another league. The only option would be the semi-professional NZFC but this is problematic in at least two respects. First, the NZFC already has a team from Wellington. Second, although participation in the NZFC puts the Phoenix on a pathway towards the CWC, it circumvents the financially lucrative ACL. The Phoenix could qualify for the CWC via the O-League as the NZFC winner, but this offers very little opportunity for any return on the sizeable investment by their owner, Terry Serepesios. In his words:

I've not spent NZ\$10 million of my money on something that's only going to be around for a couple of years. We've got big plans for the future, we're as ambitious as anyone else. . . (Cockerill, 2008).

Another possible scenario is that the Phoenix is allowed to remain part of the A-League but they compete in the O-League (The OFC equivalent of the ACL). O-League representation at the FIFA CWC is problematic for FIFA because the Oceania representative is typically the best team from the NZFC, which is only semi-professional. Although the fear of significantly uneven contests has yet to be realised, concerns over competitive balance and the legitimacy of having semi-professional teams competing against the world's elite players has resulted in FIFA threatening to exclude Oceania clubs from the FIFA CWC. However, the prospect of the Phoenix competing in the O-League has been opposed by the NZFC clubs and the Pacific Island affiliates of the OFC that rightfully fear that their opportunity to qualify for the FIFA CWC would all but disappear (Maddaford, 2007). Notwithstanding their fears, the Phoenix was invited to

compete in the O-League in 2008 with the approval of FIFA and the OFC. However, the Phoenix declined this opportunity stating publicly that they would require FIFA to guarantee the right of the Phoenix to participate in the FIFA CWC should they win the O-League (Brown, 2008). In addition to this public justification, it seems highly probable that the Phoenix did not pursue this strategy, preferring instead to remain firm in their conviction and preference for participation in the ACL.

The plight of the Phoenix would, however, take a turn for the better. FIFA President, Sèph Blatter openly endorsed the Phoenix's participation in the A-League when he commented:

...as long as the Australian league want to have them and Wellington also go there and both associations – in this case New Zealand Football and Australian Football [sic] – are happy with it, then we will give them our blessing.

He also made clear that decision-making authority on these matters rested with FIFA and not at the confederation level. Blatter asserted, "When teams from one association will play in another association[']s competition], it's not a matter of the confederations, it's a matter of the Fifa executive committee. . .to decide if it's possible or not . . ." (Brown, 2009). Even if the Phoenix is granted a permanent home in the A-League, thus removing one of their plights, it is not yet clear whether the AFC will accept them as a legitimate entrant in the ACL, should the Phoenix qualify. This issue remains unresolved.

Discussion

Whilst slow on the uptake, both Australia and New Zealand are shedding their cultural and economic ties with traditional trading partners and are engaging more with Asian markets. Sport organisations in both countries are also following this strategy (Dickson and Stewart, 2007). The economic opportunities afforded by the Asian football market are significantly greater than those available within Australia, New Zealand, and the wider Oceania region. It is this growing football economy which threatens to dominate, and at worst, decimate the OFC. There is already a move to establish an Asia-Pacific Confederation within FIFA. It remains unclear the extent to which the pending demise of the OFC will negatively impact upon football in the region. In the meantime, the Phoenix may be an early casualty of the AFC's efforts to strengthen their role in the global football economy.

This case study highlights an age-old issue in sport management and sport marketing research. To what extent are these sectors really different and to what extent can normal business practices be applied with success in these sectors (Slack, 1996; Wolfe *et al.*, 2005)? If nothing else, the case study highlights that the ability of New Zealand companies to trade freely in Asia is not shared by its leading professional football organisation. The restrictive nature of PSLs is well established (Stewart *et al.*, 2005), so we would not suggest that the right of the Phoenix to do so should be absolute. It remains unclear whether the present views of the AFC can be justified as a reasonable (as opposed unreasonable) restraint of trade, and therefore defensible in the courts.

That the Phoenix is privately owned does not appear to be crucial factor in their drive to access the riches of the Asian football market. Non-profit organisations are becoming increasingly commercialised and are skilled in both entrepreneurial and commercial activities (Toepler, 2004). Non-profit organisations have been encouraged to adopt private sector strategies to ensure success within the social sector (Dart, 2004;

Kearns, 2000). It is evident that the drive by the Phoenix to access the rewards of the Asian football market would have occurred even it was a non-profit organisation.

The Bosman case served as the landmark ruling that redefined the relationships between international sport and trade (Antonioni and Cubbin, 2000). Like the Bosman case, the plight of the Phoenix highlights:

- Asia's contribution towards an increasingly global sports marketplace and Asia's power within it;
- the difficulty in ensuring that national sports regulations are consistent with international sports regulations; and
- the need for these regulations to be consistent with national and international laws pertaining to trade and commerce.

Covalent sport organisations such as the Wellington Phoenix are those most likely to find themselves entangled within this complex intersection of domestic and international law, as well as national and transnational sport policies.

Covalent organisations may move beyond their sport governance frameworks, and seek remedies through the courts. A disaffected team owner (and perhaps even a contracted player) may seek to challenge the legality of efforts to prevent them from accessing international markets through participation in these trans-national sports leagues. Just as FIFA and UEFA have sought to protect sporting organisations from European law (Holt, 2007), it seems nearly certain that the AFC will also have to engage in a similar campaign to ensure that their sport policies remain free from commercial regulatory influence.

Conclusion

The key assertion of this study is that conflict within an ISA is likely to be exacerbated when the alliance is characterised by multi-level governance. The Phoenix have sought to negotiate their survival with organisations at several territorial tiers – national (i.e. FFA), continental (AFC), and global (FIFA). The case highlights the difficulties of managing ISAs and how multi-level governance structures create uncertainty for organisations within the network.

The forces underpinning the plight of the Phoenix are analogous to planet Earth. A fundamental tenet of plate tectonics theory is that the Earth's surface is divided into rigid plates that move together and apart like pieces of a jigsaw puzzle. These tectonic plates move slowly but when they do collide, they give rise to earthquakes and mountain ranges and other significant land formations. New Zealand lies at the edge of both the Australian and Pacific tectonic plates. The North Island and some parts of the South Island sit on the Australian plate, while the rest of the South Island sits on the Pacific. The Australian plate is currently colliding with the Eurasian plate. Whilst that part of New Zealand which is on the Australian plate is moving at similar speeds to that of Australia, a slight change of direction is evident, which is attributed to a buckling of the tectonic plate due to pressure from the Pacific plate.

These movements in tectonic plates are a very good analogue for the shifts in Australia and New Zealand football, especially their engagement with the Oceanic and Asian football. It is our contention that the Wellington Phoenix is slipping through the gap that exists between the Australian and Pacific plates, and that the gap between these plates is exacerbated by the FFA's move into Asia. In short, NZF is torn between its Oceanic origins and the pull of the Australian and Asian markets.

The Phoenix is keen to engage with the Asian market. Many other New Zealand businesses take this for granted and the New Zealand government actively encourages it. The ability of the Phoenix to be part of a strategic alliance that permits them to engage with Asia remains in doubt. Therefore, the flight of the Phoenix may be restricted to New Zealand and Australian air space.

References

- Aldrich, H. (1976), "Resource dependence and interorganisational relations: local employment service offices and social services sector organizations", *Administration and Society*, Vol. 7, pp. 419-53.
- Antonioni, P. and Cubbin, J. (2000), "The Bosman ruling and the emergence of a single market in soccer talent", *European Journal of Law and Economics*, Vol. 9 No. 2, pp. 157-73.
- Australian Broadcasting Corporation (2005), "Socceroos welcome Asia switch approval", 17 June, available at: www.abc.net.au/news/stories/2005/06/15/1393100.htm (accessed 22 December, 2008).
- Baker, G.P., Gibbons, R. and Murphy, K.J. (2008), "Strategic alliances: bridges between 'islands of conscious power'", *Journal of the Japanese and International Economies*, Vol. 22 No. 2, pp. 146-63.
- Brown, M. (2008), "Phoenix say no to O-League", *New Zealand Herald*, 30 November, p. 69.
- Brown, M. (2009), "Blatter favours Phoenix", *New Zealand Herald*, 4 January.
- Büyüközkan, G., Feyzioğlu, O. and Nebol, E. (2008), "Selection of the strategic alliance partner in logistics value chain", *International Journal of Production Economics*, Vol. 113 No. 1, pp. 148-58.
- Cha, V.D. (2009), *Beyond the Final Score: The Politics of Sport in Asia*, Columbia University Press, New York, NY.
- China Daily* (2005), "Australia gets AFC nod to join Asian soccer group", 24 March, available at: www.chinadaily.com.cn/english/doc/2005-03/24/content_427715.htm (accessed 23 December 2008).
- Cockerill, M. (2005), "Goal at last: Australia joining Asia", *Sydney Morning Herald*, 11 March, p. 32.
- Cockerill, M. (2008), "FFA, Phoenix close ranks against threat", *Sydney Morning Herald*, 28 November, p. 38.
- Contractor, F.J. and Lorange, P. (2002), *Cooperative Strategies and Alliances in International Business*, Elsevier Science, Burlington, MA.
- Cook, K. (1977), "Exchange and power in networks of interorganisational relations", *The Sociological Quarterly*, Vol. 18, pp. 62-82.
- Cyert, R. and March, J. (1963), *A Behavioural Theory of the Firm*, Prentice-Hall, Englewood Cliffs, NJ.
- Darby, M. (2006), *Alliance Brand: Fulfilling the Promise of Partnering*, John Wiley & Sons, Chichester.
- Dart, R. (2004), "Being 'business-like' in a nonprofit organization: a grounded and inductive typology", *Nonprofit and Voluntary Sector Quarterly*, Vol. 33 No. 2, pp. 290-310.
- Dickson, G. and Schofield, G. (2005), "Globalisation and globesity: the impact of the 2008 Beijing Olympics on China", *International Journal of Sport Management and Marketing*, Vol. 1 Nos 1/2, pp. 69-179.
- Dickson, G. and Stewart, B. (2007), "Crystal-ball gazing: the future of football", in Stewart, B. (Ed.), *The Games Are Not the Same: The Political Economy of Football in Australia*, Melbourne University Press, Carlton, pp. 332-51.
- Dickson, G., Arnold, T. and Chalip, L. (2005), "League expansion and interorganisational power", *Sport Management Review*, Vol. 8 No. 2, pp. 145-65.

- Ferguson, D.G., Jones, J.C.H. and Stewart, K.G. (2000), "Competition within a cartel: league conduct and team conduct in the market for baseball player services", *Review of Economics and Statistics*, Vol. 82 No. 3, pp. 422-30.
- FIFA (2008a), *FIFA Financial Report 2007*, Zurich.
- FIFA (2008b), *FIFA Statutes (May 2008 edition)*, Zurich.
- FIFA (2008c), *Regulations, FIFA Club World Cup, Japan 2008*, Zurich.
- FIFA (2009), *Marketing & TV*, viewed 30 March 2009, available at: www.fifa.com/aboutfifa/marketingtv/index.html
- Flanagin, A., Monge, P. and Fulk, J. (2001), "The value of formative investment in organizational federations", *Human Communication Research*, Vol. 25 No. 1, pp. 69-93.
- Ge, G. and Ding, D. (2008), "A strategic analysis of surging Chinese manufacturers: the case of Galanz", *Asia Pacific Journal of Management*, Vol. 25 No. 4, pp. 667-83.
- Geringer, M.J. and Herbert, L. (1991), "Measuring performance of international joint ventures", *Journal of International Business Studies*, Vol. 22 No. 2, pp. 249-63.
- Glaister, K., Husan, R. and Buckley, P. (2003a), "Learning to manage international joint ventures", *International Business Review*, Vol. 12 No. 1, pp. 83-108.
- Glaister, K.W. and Wu, W. (1994), "International joint venture formation: the financial services sector", *The Services Industries Journal*, Vol. 14 No. 4, pp. 428-54.
- Glaister, K.W., Husan, R. and Buckley, P.J. (2003b), "Decision-making autonomy in UK international equity joint ventures", *British Journal of Management*, Vol. 14 No. 4, pp. 305-22.
- Hassett, S. (2008), "Competition needs to cut ties with NZ", *Sydney Morning Herald*, 17 November, p. 10.
- Hill, R.C. and Hellriegel, D. (1994), "Critical contingencies in joint venture management: some lessons from managers", *Organizational Science*, Vol. 5 No. 4, pp. 594-607.
- Himmer, A. (2008), "Japan potential Bledisloe Cup, Super 14 host", *Reuters*, 5 March.
- Holt, M. (2007), "The ownership and control of elite club competition in European football", *Soccer and Society*, Vol. 8 No. 1, pp. 50-67.
- Hoye, R., Smith, A., Westerbeek, H., Stewart, B. and Nicholson, M. (2006), *Sport Management Principles and Applications*, Elsevier, Boston, MA.
- Hunter, R. and Mayo, A. (1999), "The business of sport", *Mid-Atlantic Journal of Business*, Vol. 35 Nos 2/3, pp. 75-6.
- Hyder, A. and Ghauri, P. (2000), "Managing international joint venture relationships: a longitudinal perspective", *Industrial Marketing Management*, Vol. 19, No. 3, pp. 205-18.
- Kahn, L. (2007), "Markets: Cartel behavior and amateurism in college sports", *Journal of Economic Perspectives*, Vol. 21 No. 1, pp. 209-26.
- Kearns, K.P. (2000), *Private Sector Strategies for Social Sector Success*, Jossey-Bass, Indianapolis, IN.
- Kilgallon, S. (2008), "Phoenix fight to survive as NZ club", *Sunday Star Times*, 14 December, available at: www.stuff.co.nz/thepress/4792646a19724.html (accessed 23 December).
- Kogut, B. (1989), "The stability of joint ventures: reciprocity and competitive rivalry", *The Journal of Industrial Economics*, Vol. 38 No. 2, pp. 183-98.
- Li, N. (2008), "Religion, opportunism, and international market entry via non-equity alliances or joint ventures", *Journal of Business Ethics*, Vol. 80 No. 4, pp. 771-89.
- MacDonald, G. (1993), "Political realism and international Olympic committee – international sports federations relations", *Journal of Comparative Physical Education and Sport*, Vol. 15 No. 2, pp. 23-37.

-
- Maddaford, T. (2007), "Select XI possible answer for Blatter", *New Zealand Herald*, 19 December, p. C20.
- Marks, G. (1993), "Structural policy and multilevel governance in the EC", in Cafruny, A.W. and Rosenthal, G.G. (Eds.), *The State of the European Community, Volume 2: The Maastricht Debates and Beyond*, Lynne Rienner, Boulder, CO, pp. 391-410.
- Millet, T., Lawrence, G., McKay, J. and Rowe, D. (1999), "Playing the world", *Peace Review: A Transnational Quarterly*, Vol. 11 No. 4, pp. 495-9.
- New Zealand Government (2006), "New Zealand and the Asia-Pacific region: building prosperity together", New Zealand Government, 24 January, available at: www.beehive.govt.nz/node/24745 (accessed 5 December).
- New Zealand Treasury (2008), "New Zealand economic and financial overview 2008", New Zealand Treasury, available at: www.treasury.govt.nz/economy/overview/2008/03.htm#_tocForeign_Relations_and_External_Trade (accessed 5 December).
- Nishimura, T. (2004), "Exploration and exploitation in federated networks", in Benton, C., Richter, F.J. and Takai, T. (Eds.), *Meso-Organizations and the Creation of Knowledge*, Praeger, Santa Barbara, CA, pp. 217-39.
- Noll, R. (2003), "The organization of sports leagues", *Oxford Review of Economic Policy*, Vol. 19 No. 4, pp. 530-51.
- Park, S.H. and Rosso, M.V. (1996), "When competition eclipses cooperation: an event history analysis of joint venture failure", *Management Science*, Vol. 42 No. 6, pp. 875-90.
- Parkhe, A. (1993), "Strategic alliance structuring: a game theoretic and transaction cost examination of inter-firm co-operation", *Academy of Management Journal*, Vol. 36, pp. 794-829.
- Payten, I. (2008), "Tokyo to host wallabies and all blacks for bledisloe cup clash", *The Daily Telegraph*, 3 December, p. 101.
- Pfeffer, J. and Salancik, G. (1978), *The External Control of Organisations: A Resource Dependence Perspective*, Harper & Row, New York, NY.
- Provan, K. (1983), "The federation as an interorganizational linkage network", *Academy of Management Review*, Vol. 8 No. 1, pp. 79-89.
- Skinner, J., Zakus, D. and Edwards, A. (2008), "Coming in from the margins: Ethnicity, community support and the rebranding of Australian soccer", *Soccer & Society*, Vol. 9 No. 3, pp. 394-404.
- Slack, T. (1996), "From the locker room to the board room: changing the domain of sport management", *Journal of Sport Management*, Vol. 10 No. 1, pp. 97-105.
- Special Broadcasting Service (2008), "FFA caught off-side over Kiwis", 17 November, available at: <http://theworldgame.sbs.com.au/a-league/ffa-caught-off-side-over-kiwis-152062/> (accessed 20 December).
- Stewart, B., Nicholson, M. and Dickson, G. (2005), "The Australian football league's recent progress: a study in cartel conduct and monopoly power", *Sport Management Review*, Vol. 8 No. 2, pp. 95-117.
- Sugden, J. and Tomlinson, A. (1998), *FIFA and the Contest For World Football: Who Rules the Peoples' Game?*, Polity Press, Cambridge.
- Toepler, S. (2004), "Conceptualizing nonprofit commercialism: a case study", *Public Administration and Management*, Vol. 9 No. 4, pp. 1-19.
- Wahyuni, S., Ghauri, P. and Karsten, L. (2007), "Managing international strategic alliance relationships", *Thunderbird International Business Review*, Vol. 49 No. 6, pp. 671-87.
- Wiklund, J. and Shepherd, D.A. (2009), "The effectiveness of alliances and acquisitions: the role of resource combination activities", *Entrepreneurship: Theory and Practice*, Vol. 33 No. 1, pp. 193-212.

- Wilson, D. and Purushothaman, R. (2003), "Dreaming with the BRICs: the path to 2050", *Global Economics*, No. 99.
- Wolfe, R., Weick, K., Usher, R., Terborg, J., Poppo, L., Murrell, A.J., Dukerich, J., Crown, D., Dickson, K. and Jourdan, J. (2005), "Sport and organizational studies exploring synergy", *Journal of Management Inquiry*, Vol. 14 No. 2, pp. 182-210.
- Yuen, B. (2008), "Sport and urban development in Singapore", *Cities*, Vol. 25 No. 1, pp. 29-36.
- Zimbalist, A. (2006), "Organisational models of professional team sports leagues", in Wladimir, A. and Szymanski, S. (Eds), *Handbook on the Economics of Sport*, Edward Elgar, Cheltenham, pp. 443-6.

Corresponding author

Geoff Dickson can be contacted at: geoff.dickson@aut.ac.nz

Fonte: Asia Pacific Journal of Marketing and Logistics, v. 22, n. 1, p. 111-124, 2010. [Base de Dados]. Disponível em: <http://www.emeraldinsight.com>. Acesso em: 17 jun. 2010.