

In Search of Management Accounting in the Sponsorship Decision Making Process

Deborah Delaney²
Service Industry Research Centre and
School of Accounting, Finance and Economics
Gold Coast Campus
Griffith University

Chris Guilding
Service Industry Research Centre
Gold Coast Campus
Griffith University

Abstract

Consistent with other corporate expenditures, it is important that sponsorship investments are subjected to careful financial justification and control. Despite this, there has been negligible academic research into the role played by accounting in sponsorship management. The potential for accounting procedures to be invoked in the management and control of sponsorship would seem to be considerable. The findings of this study, which are based on an interview-based case study conducted in a university setting, provide minimal support for this expectation, however. It appears that senior management view sponsorship decision-making as falling outside the financial analytic jurisdiction. With respect to budgetary processes, it was found that the ‘authorising expenditure’ was the pre-eminent role in sponsorship management.

² Corresponding Author: Dr Deborah Delaney, School of Accounting, Finance and Economics, Griffith University, Gold Coast Campus, PMB 50, Gold Coast Mail Centre, Qld 9726. Email: d.delaney@griffith.edu.au

Introduction

Given the highly competitive nature that is increasingly evident as economies become more globalised, one might expect that the economic justification and financial accountability of sponsorship investment would be a subject commanding attention in the literature of normative and empirical accounting and marketing (Abratt & Grobler, 1989; Srivastava *et al.*, 1997; Lehmann, 2004; Rao & Bhaaradwaj, 2008). It would seem reasonable to expect that a commonly espoused appraisal approach for proposed sponsorship investments that includes an examination and estimation of the contribution to corporate worth provided by the investment would have emerged. One might also reasonably expect a distillation of normative models concerned with accounting-oriented approaches to controlling and appraising the efficacy of past sponsorship investment. It is notable that in the marketing literature, several studies concerned with sponsorship have noted the increasing need for accountability and the need to demonstrate an adequate return from funds expended on sponsorship (Kuzma *et al.*, 1993; Popes & Voges, 2000; Stotlar, 2004). Despite these expectations, there is a paucity of normative models and empirical research related to the involvement of accounting in sponsorship decision-making and control.

Prior research suggests that although organisations define goals in connection with the sponsorship management process, there is little evidence that these are supported through planning, coordination and evaluation activities, or that well defined accounting procedures are in place to support the sponsorship decision-making process (Meenaghan, 1991; Thjomoe *et al.*, 2002). In effect, there is a startling absence of empirical research concerned with the accounting and financial techniques drawn upon in the context of sponsorship investment decision-making and control. The literature provides little in terms of a normative financial model for sponsorship investment appraisal.

This paper seeks to contribute to the literature concerned with sponsorship management, particularly with respect to the sponsorship management role of accounting. In light of the increasing degree to which sponsorship investment is being made and consistent with calls to examine novel management practices within contemporary settings (Cadez & Guilding, 2008; Chenhall, 2003), an interview-based case study conducted in a university setting was undertaken to explore the ways in which a large public sector institution manages the sponsorship investment process. Particular attention was directed to the role of accounting-oriented analytical procedures and control processes in sponsorship management.

The following literature review provides an overview of the research most pertinent to the study. We then describe the qualitative data collection procedures we have adopted and present the study's findings. The paper concludes with a commentary on the significance of the study, its shortcomings, as well as some suggestions on how further research can build on the initiative provided here.

Literature Review

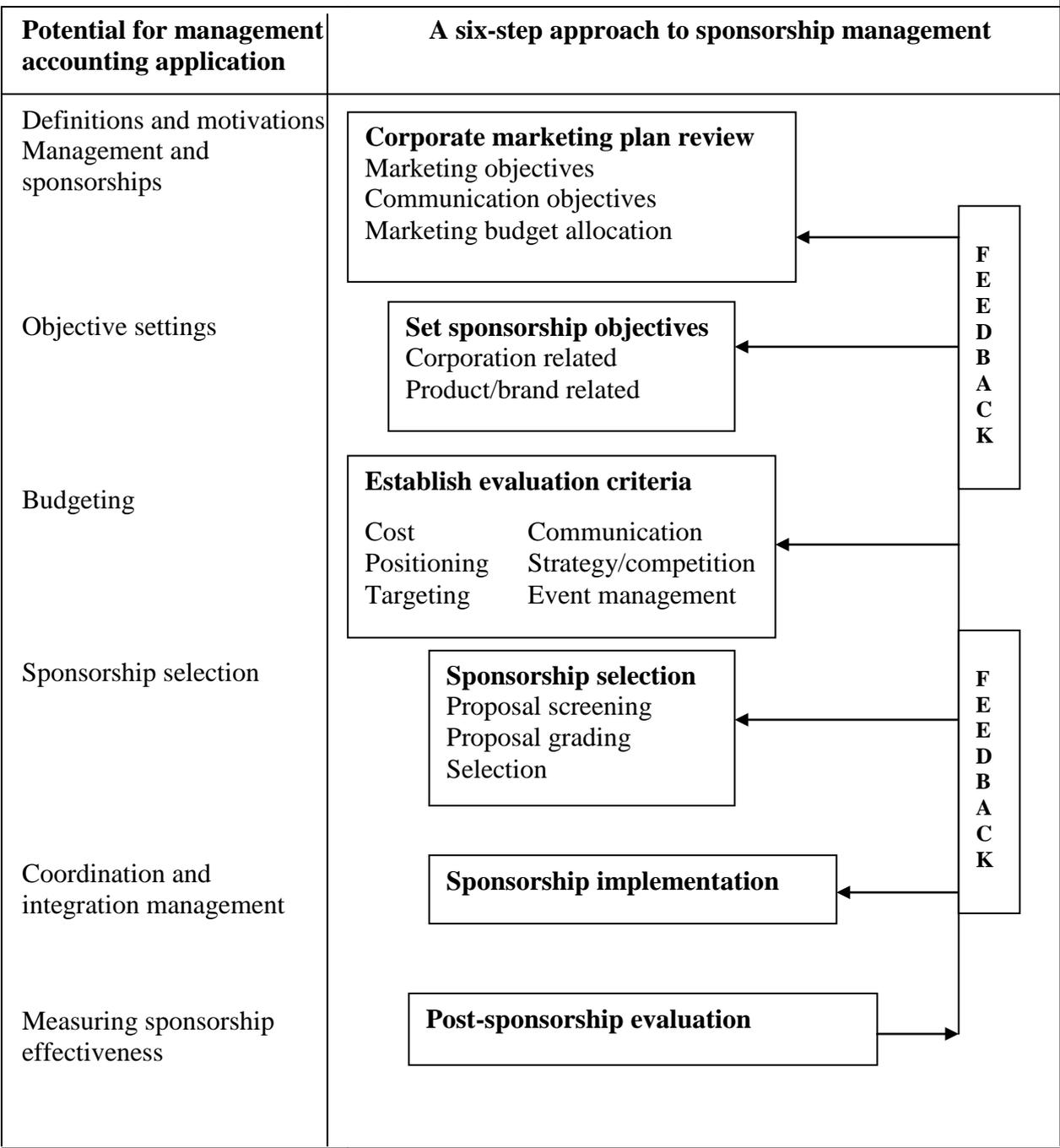
In recent years, researchers contributing to the marketing and general management literature have shown increasing interest in the sponsorship process. As already noted, however, there is a dearth of studies adopting a management accounting orientation on the sponsorship management process. For this reason, a challenging aspect of this study concerned the identification of an appropriate literary context in which to ground the empirical work. To this end, the study has drawn on three distinct literatures: the general sponsorship literature; the accounting literature concerned with investment appraisal; and the literature concerned with the roles of the budget. The remainder of this section provides a commentary on each of these literatures in turn.

Although sponsorship was once defined in terms of charity or patronage, the definition now has a more commercial orientation (Witcher *et al.*, 1991). Meenaghan (1991) defined commercial sponsorship as 'an investment, in cash or in kind, in an activity, in return for access to an exploitable commercial potential associated with that activity' (p. 36). This view of sponsorship as a marketing investment is also apparent in the writing of Hoek *et al.* (1990), who claimed that a sponsor has a number of critical factors to consider when undertaking sponsorship, including determining the objectives of the sponsorship, deciding who or what should be the sponsee³, determining the steps to be taken to ensure the maximisation of pursued objectives and the amount to be budgeted for sponsorship investment.

Irwin and Askimakopoulos (1992) have developed a normative model of the sponsorship management process. Figure 1 below presents this model with minor adaptations relevant to this case study and its accounting orientation. A review of the six steps facilitates an appreciation of the sequential nature of the steps in sponsorship management and how a management accounting perspective might be incorporated into the sponsorship management process. Management accounting would appear to have the greatest potential to play a significant role in the establishment of evaluation criteria, in sponsorship

³ The term 'sponsee' has been used throughout this paper to describe the event, person or organisation sponsored.

selection and in post-sponsorship evaluation. Figure 1 highlights the potential for applying management accounting in these phases of the sponsorship management process.



Adapted from Irwin and Askimakopoulos (1992), (p. 44).

Figure 1: A Financially-oriented Adaptation of Irwin and Askimakopoulos' Six-Step Approach to Sponsorship Management

In the general management and marketing literature concerned with sponsorship, the degree to which sponsorship is described as an investment is notable. This highlights a cross-paradigmatic inconsistency, because the accounting convention is to regard sponsorship investment as a discretionary expense (Ratnatunga *et al.*, 1989; Ramaseshan, 1990; Emmanuel *et al.*, 1990; Foster & Gupta, 1994) and not as an investment that should be capitalised. This accounting treatment appears to result from the problem of identifying and quantifying the assets resulting from the sponsorship investment (Guilding & Pike, 1990; Ratnatunga *et al.*, 2004; Ratnatunga & Ewing, 2005). Despite this problem, the sponsorship literature generally acknowledges that much sponsorship results in worth that extends beyond the current financial year. In light of this, sponsorship can be seen as an example of an investment in an intangible asset (e.g. brand or corporate image). It was observed by Stewart (2006) that marketers must justify their actions (e.g. resource allocation) in a similar manner to managers of other departments of an organisation. It is in light of this that a review of the accounting-oriented literature concerned with investment appraisal is warranted.

The acquisition of sponsorship by many corporations has become a key element in their marketing and public relations campaigns. Empirical findings tend to support normative literature claims that the principle sponsorship objectives are the creation and enhancement of brand image, product or corporate image and increase of customer base (Otker & Hayes, 1987). Hoek *et al.* (1990) acknowledged that not only should sponsorship activities be selected in a manner that is consistent with stated objectives, but consideration should also be given to the financial implications of the investment. This represents one of the few comments in this literature that provides an explicit reference to the finance or accounting perspective.

It appears from the literature that the volume of requests soliciting sponsorship revenue from large corporations known to be active sponsors can be considerable. This necessitates the development of a system for managing sponsorship solicitations and selecting which requests will be supported (Schoch, 1994; Copeland *et al.*, 1996; Thwaites & Carruthers, 1998). A number of selection methods have been suggested in the literature (Meenaghan, 1983; Ensor, 1987; Jackson & Schmader, 1990), however, several authorities (e.g. Irwin & Askimakopoulos, 1992; Pope, 1996) have noted inherent weaknesses in these selection mechanisms.

As part of the sponsorship selection process, the normative literature suggests that consideration should be given to how a sponsorship proposal fits into the

organisation's communication mix. This integration of sponsorship with other elements of the organisation's promotional activities has been identified as an important component of an effective sponsorship program (Meenaghan, 1991; Witcher *et al.*, 1991). Although a fair degree of consensus exists in the literature with respect to defining sponsorship, the demarcation between sponsorship and other forms of promotional communications can frequently be unclear (Cornwell & Maignan, 1998). Sponsorship activities can blur the line between promotion, advertising and public relations (Wells *et al.*, 2007). In addition, sponsorship can be viewed as forming part of the marketing mix that comprises price, product, distribution and marketing channels. Abratt *et al.* (1987) found that companies view sports sponsorship as a means of communicating simultaneously with two markets (i.e. spectators and participants). This highlights the need to develop integrated forms of sponsorship and other communication vehicles such as public relations and advertising to obtain the maximum benefits from the sponsorship investment (Otker, 1988; Meenaghan, 1991; Parker, 1991, Thwaites & Carruthers, 1998).

Consistent with increased levels of competition, heightened emphasis on corporate objective setting and the importance of appropriate calibration of the communication mix, evaluation of the efficacy of sponsorship investment has become a focal point of the literature (Otker & Hayes, 1987; Otker, 1988; Rajaretnam, 1994). Copeland *et al.* (1996) noted evaluation as perhaps the greatest single weakness in the sponsorship process. The difficulty in measuring sponsorship outcomes stems primarily from the problems in separating the effect of the sponsorship program from the effect of other programs within the communications mix (Hansen & Scotwin, 1995). Companies are attempting to appraise the effectiveness of their sponsorship in terms of how well objectives are being met and how much it contributes to the businesses competitive edge (Abratt & Grobler, 1989). Although there appears to be a consensus in the literature that it is essential to marry sponsorship evaluation to objectives, there appears to be no one accepted way by which this is done (Sandler & Shani, 1989; Witcher *et al.*, 1991).

Case study research has failed to provide a clear picture of sponsorship management practice (Abratt & Grobler, 1989; Witcher *et al.*, 1991; Shanklin & Kuzma, 1992; Sandler & Shani, 1993). This is not surprising given the different types of sponsorship that can be made (e.g. sponsorship of a one-off event versus recurrent sponsorship) and also the range of industries, types of organisation and different management styles represented in a cross-section of sponsorship decisions.

The investment decision-making process is one of the most intensively researched aspects of organisational life. This might be because the investment decision is highly significant as it involves the commitment of large amounts of resources, both in terms of the quantum of dollars invested and organisational commitment to a particular strategy. The implications that the application of a well-developed capital budgeting process carries for organisational success are consequently profound (Butler *et al.*, 1993).

A significant stream of research within the management accounting tradition has used the survey method to investigate the relative popularity of different investment appraisal techniques (e.g. Pike, 1996; Lamminmaki *et al.*, 1996; Kester *et al.*, 1999). A second stream has applied case studies designed to determine how organisations allocate capital and the nature of formal and informal capital budgeting processes (this study can be classified within this field of research). This stream of research built around more qualitative data has highlighted the problematical nature of reconciling the application of formal, quantitative systems of investment analysis (e.g. capital budgeting theory) with the pursuit of organisational strategy (Slagmunder, 1997; Carr & Tomkins, 1998; Arnold & Hatzopoulos, 2000; Seal, 2001). It is noteworthy that there is little evidence supporting the view that the application of sophisticated investment appraisal methods based on discounting techniques results in superior corporate performance (Haka *et al.*, 1985; Butler *et al.*, 1993). The use of formal financial criteria is seen as justifying the investment decision taken rather than affecting the decision outcome.

Investment appraisal research classified as falling within the strategic management field has more of a strategic orientation as it is concerned with how firms reconcile the goals of strengthening market position and pursuit of competitive edge with capital budgeting procedures (Carr *et al.*, 1994). Many of the benefits of strategic investment decisions are intangible, and hence these studies promote the consideration of qualitative factors in addition to quantitative analysis (Porter, 1981a, 1985b). The relevance of this literature to this study stems from the intangible benefits resulting from sponsorship investment.

The intangibility of sponsorship outcomes underscores the extent to which non-formalised aspects of organisational decision-making processes are likely to come to the fore in sponsorship decision-making. These non-formalised aspects include internal political factors and management intuition (Butler *et al.*, 1993). The political perspective on investment appraisal sees decision-making

occurring in the context of potentially competing self-interested parties. Research conducted within this tradition refers to bargaining arenas, use of guile, coalition building and data biasing (Butler *et al.*, 1993).

With respect to the role of managerial intuition, research has shown that this factor assumes greater importance for strategic investment decision-making conducted in relatively uncertain contexts (Agor, 1986; Langley, 1990; Butler *et al.*, 1993; Van Cauwenbergh *et al.*, 1996). Agor (1986) sees intuition as informed by both factual and feeling cues. Although intuition and formal financial analysis are not mutually exclusive, the need to find an appropriate balance between the two perspectives is a perennial issue in strategic investment decision-making. It appears that important strategic investment decisions are rarely made on the basis of detailed financial analysis alone, but are better conceived of as matters of judgement based on past experience and management's vision or beliefs (Donaldson & Lorsch, 1983; Butler *et al.*, 1993).

The final literary perspective provided here concerns the roles of budgets. The budgetary control process is an integral aspect and one of the most visible features of most management accounting control systems (Emmanuel *et al.*, 1990). In light of this and with the emphasis on accountability of sponsorship investment, this study will investigate the role of the budget in sponsorship management.

Organisational and behavioural aspects of budgetary control systems have been extensively examined by accounting researchers over the past 50 years (Argyris, 1952; Hopwood, 1973; Otley, 1978; Briers & Hirst, 1990; Abernethy & Brownell, 1999). From this body of research, it is evident that budgets perform a number of roles as they are used in a range of ways to support and facilitate organisational decision-making and control. Based on the normative budgetary roles described in earlier commentaries (Lynne, 1988; Emmanuel *et al.*, 1990; Horngren *et al.*, 1994; Drury, 2004), Guilding and Pike (1994) distilled eight budgetary roles and implications. These are performance evaluation, communication, coordination, motivation, planning and forecasting, modifiers of perceived organisational reality, political and authorisation. The fact that there appears to have been little attention directed towards attempting to refine this checklist of budgetary roles serves as testimony that they are generally accepted. This view is supported by reference to most of these budgetary roles in widely used management accounting texts (Horngren *et al.*, 1994; Langfield-Smith, 2003; Drury, 2004).

The authorisation budgetary role concerns the way in which the budget provides a ceiling on expenditure for a manager. Emmanuel *et al.* (1990) noted this role as most evident in the context of discretionary expenditure. In light of this, it is anticipated that this will be a significant budgetary role in the context of sponsorship management. On the other hand, the performance evaluation role of budgets, which in the context of engineered cost centres is likely to be a predominant feature of a budgetary control system (Anthony & Govindarajan, 2004), is probably less relevant in the context of sponsorship decision-making.

Research Method

A case study was conducted in an Australian university (i.e. a public sector institution). At the time of data collection, the selected institution was engaged in a large campaign directed towards strategic positioning in its marketplace, and it appeared to be undertaking significant sponsorship activities. In light of this, it was felt that the research site offered considerable potential to yield valuable insights with respect to sponsorship decision-making procedures. While it is recognised that the commercial imperative evident in the private sector is likely to be diminished in a public sector institution, it was nevertheless felt that the marketing drive underway would signify that the university represented a strong opportunity to further our understanding of sponsorship decision-making processes.

Data was collected via the conduct of interviews with five senior officials in the university. The first interview, which was attended by two members of the research team, was conducted with a very senior official in the university's central administration functional area. This interviewee acted as director of university external relations. This initial interview established that while some corporate level sponsorship activities were undertaken, the majority of the sponsorship budget was allocated to the heads of campuses to enable them to undertake more campus-specific oriented sponsorship. In light of this administrative arrangement, the remainder of the interviews were conducted with the most senior figures representing the university's four largest campuses. In effect, the interviews were conducted with the four university officials who had the greatest influence on how campus-based sponsorship budgets were to be expended and also with the university's most senior corporate manager regarding university-wide sponsorship management.

Although the campus-based interviewees were selected as a result of their campus-specific sponsorship responsibilities, it should be noted that had an academic responsibility, as each represented a different faculty. This is in line

with the university's organisational structuring strategy of assigning campus management responsibilities to the different heads of faculties. It appeared that none of the interviewees had received any formal accounting training (none were accounting academics), however, all of them can be seen to have experienced some 'on the job' accounting exposure by virtue of the administrative nature of their positions within the university.

The primary orientation of this case study may be best characterised as exploratory (Ryan *et al.*, 1992), as the interviews represented an exploration of sponsorship decision-making procedures adopted in the subject institution. Due to the lack of prior sponsorship management research conducted from an accounting perspective, the use of a relatively unstructured research approach enabled the research team to probe issues that became apparent as matters of interest at the time of the interviews. The use of a data collection approach that facilitated the discussion of ideas and opinions expressed by the interviewees was important given the current limited academic understanding and the exploratory nature of the study. A reflexive and relatively non-directive (Fontana & Frey, 1994) qualitative data collection technique was therefore considered most appropriate.

A range of sponsorship related issues were discussed with the interviewees. The questions were developed from a priori reasoning applied as an extension to the literature described above. The interviews were based on an interview schedule (see Appendix A) that included open-ended questions designed to yield insights into sponsorship expenditure management processes. The interview schedule also included more directed questions concerned with particular facets of how the sponsorship budget setting process is conducted, what financial analytical techniques are used when selecting particular subjects or activities for sponsorship, and how sponsorship expenditure performance is measured. The open-ended questions were found to be particularly valuable as they elicited a range of useful unprompted insights into the nature of the sponsorship budgetary processes adopted and the general manner in which sponsorship expenditure was rationalised. All the interviews were tape-recorded and fully transcribed.

Two steps were taken to minimise interviewer bias. Firstly, two interviewers attended the first interview (this facilitated some reflective discussion concerning the appropriateness of the interview schedule's design). Secondly, in advance of collecting empirical data for the study, both members of the research team were very aware of the threats to validity stemming from a potential for interview bias. This resulted in considerable effort attached to objectively

grounding the observations presented below in the recorded comments provided by the interviewees. Initial data analysis was undertaken by the same researcher who attended all of the interviews. A thematic analytical approach was used, as recommended by Miles and Huberman (1994), in order to attach meaning and significance to the data, explain patterns and determine relationships and linkages amongst the key issues under examination.

Findings

The analysis of the interview data aims to determine the most significant observations and main underlying themes. These findings are reported below.

Sponsorship decision-making procedures

It is important to note that the subject institution's sponsorship budget allocation process can be seen to comprise three distinct phases. The first phase deals with the university-wide decision of the proportion of total university investment to be allocated to sponsorship activities. The second phase is concerned with how much of the fund identified for sponsorship investment is to be allocated to each campus. The final phase relates how the campus-based budget is to be invested. The first two decision-making phases can be seen as located at the level of chief executive officer in the university's hierarchy. The third decision-making phase occurs at the campus level.

Across all campuses, it was found that the distribution of funds for sponsorship projects can be characterised as occurring in a relatively unformalised, ad-hoc manner. There was no evidence of the application of any formalised accounting-oriented procedures or techniques designed to inform the sponsorship allocation decision. One manager commented that 'unfortunately, chaos theory reigns when it comes to approaches for support and sponsorship'. This view was also supported by another manager who noted that sponsorship investment decision-making

... has been traditionally very ad-hoc ... the best I can do is try and persuade them [the campus managers] that within the context of a broad marketing activity, this is where sponsorship fits in, and yes that is, or no, that isn't a good way ...

In terms of the formalised, strategic, political and intuitive distinct orientations of investment appraisal that have been commented on in the literature, it is noteworthy that sponsorship was perceived by the managers as being important in terms of strategic positioning. This perhaps signifies the appropriateness of viewing sponsorship expenditure as constituting a particular type of strategic

investment. Despite this, the interviewees felt that the pool of money available was too small to warrant the development and implementation of formal budgetary procedures designed to inform the sponsorship investment decision. It was noted that at the time of the study the campus budgets for sponsorship investment ranged from A\$30 000 to A\$100 000. The sponsorship decision-making approach adopted at the campus level of the university can be best characterised as archetypal of the intuitive approach to investment appraisal. It should also be noted that it appears to be the intuition of the campus manager, and not a management team, that lies behind the sponsorship investment decision, as it was found that the use of specialised accounting or marketing advice was rarely called upon when formulating the sponsorship decision. One of the campus managers commented, 'it's not rocket science at this level'.

In terms of what strategies were used to inform how the sponsorship budget should be expended, a recurring theme was the desire to maintain flexibility (i.e. retaining some funds in case an unanticipated worthy sponsoring opportunity was to arise). The following interviewee's comments highlight this desire:

We want to keep some strategic funds so that we can be responsive ... it promotes flexibility ... without flexibility you couldn't be responsive to particular needs ... when they're expended, they're expended ... the problem is that if you get a large number of large hits early in the year, you have to leave some sort of contingency for things that come in late in the year, because as you say, there are sporadic calls. You never know what's going to come on board. You know there will be some things that will be so important... branding-wise that I need to leave some for the end of the year.

We can see this engineered flexibility approach to managing sponsorship investment as signifying a reactive rather than a proactive decision-making style. This sponsorship management philosophy was not supported by all managers. The need for a well-defined, albeit broad marketing strategy that can be used as a contextual framework for informing the preparation of a sponsorship expenditure plan was also strongly promoted. A manager felt that the provision of an accepted marketing strategy would make it easier for the campus managers to justify relatively large, single sponsorship expenditures that can be seen as consistent with the strategy. Absence of a defined and accepted strategy places greater discretion on the campus managers in terms of how the sponsorship budget is to be expended. A diminished ability to justify particular sponsorship outlays can result in the campus managers feeling more comfortable

making several small sponsorship outlays rather than a few large outlays. One manager was not comfortable with this approach, as it was felt that small A\$1000 outlays result in the university's logo being given a low profile by the sponsee, which signifies that the university's logo becomes lost as one of many sponsors for an event. The manager felt that relative to several small sponsorship outlays, one large sponsorship investment had a greater capacity to generate worth for the university.

This manager's comments should not be taken as a suggestion that other managers did not attempt to view their sponsorship investment in the context of the university's espoused corporate theme. Rather, they should be seen as indicating that this manager desired still greater importance attached to supporting the corporate marketing strategy. All of the managers noted the significance of managing their sponsorship budgets in ways that would support the university's corporate theme. The managers' responsibility to create and maintain competitive advantage appeared as a specific recurring theme in the interviews.

The distinction between whether sponsorship signified an on-going annual arrangement or a one-off event affected the way that the campus managers approached their sponsorship decision. It appeared that some of the campus sponsorship budgets were immediately earmarked for some on-going sponsorship arrangements, thereby leaving a smaller discretionary pool that can be used to support one-off undertakings. One of the managers commented:

With the habitual sponsors, what comes forward is each year they give you a report as to how your dollars were spent, and then you can make a cross-reference to what you stated, what you wanted to happen in expenditure of these sponsorship dollars. If you're satisfied you might renegotiate a couple of extra things and so on. So the habitual sponsors are ones that you can dispense with easily. You know the amounts that they're going to ask for, and so on. With respect to one-off sponsorship investments, the process there is looking at that against the amount you've still got left in contingency and deciding whether the benefits are really there ... so it's very much a process of the one-offs weighing up whether the benefits are worth the dollar investment.

It was noteworthy that none of the campuses had developed a campus specific marketing plan, although some were in the process of doing so. This signified a diminished degree of discretion in campus-based management of sponsorship

budgets, as the strategic backdrop was the corporate-wide marketing plan rather than any localised marketing plan that had been formulated under the direction of the campus manager.

Roles of the budget in sponsorship management

An awareness of the need for budgeting in the context of sponsorship management was apparent in discussions with all managers. It should be noted, however, that the importance placed on the use of budgets in sponsorship management was viewed in connection with the campus manager's oversight of sponsorship expenditure and not signifying an active budgetary role played by any accounting personnel. As anticipated prior to conducting the study, it appears the overwhelmingly predominant role for the budget in sponsorship management concerns the identification of what sponsorship funds can be expended (i.e. the authorisation role). This is apparent from the following comment provided by one of the campus managers who saw his financial goals and objectives as 'to try to balance the budget, but beyond that to make sure we spend it'. One manager perceived a motivational role in the sponsorship budget claiming that the 'availability of funds encourages people to engage in processes that we want them to engage in'.

The literature generally conceives of the budgetary motivational role as resulting from the identification of a sales maximisation or cost minimisation target to be strived for. The 'make sure we spend it' comment underscores the way that the sponsorship budget does not represent a target to be strived for. For this reason, although one manager did refer to motivation in connection with the sponsorship budget, it appears better to interpret the manager's comment as signifying that the sponsorship budget can represent what Guilding and Pike (1994) referred to as a 'modifier of perceived organisational reality' (i.e. provision of a budget can be a mechanism designed to direct subordinates to undertake activities that senior management perceive as desirable).

Another budgetary role referred to in the literature concerns the promotion of cross-organisation communication and coordination. It appeared that the level at which sponsorship budgets are set could carry an implication for the extent and form of communication between the campus managers, as increased sponsorship budgets would give rise to increased cross-campus discussion on appropriate ways to expend the budget. Apart from this, the managers did not see that the sponsorship budgetary process gave rise to particular forms of communication or cross-organisational coordination.

Another significant budgetary role noted in the literature concerns performance evaluation. It is widely accepted, however, that the potential for this role will be muted in the context of discretionary expenditure where financial quantification of the outcome of the expenditure is problematic. The findings of this study support this view, and, although the managers acknowledged performance evaluation to be of great importance, they did not apply the sponsorship budget in any way as part of a performance evaluation exercise. When asked how value for money is determined when evaluating sponsorship expenditure, responses provided by two of the managers were as follows:

... by the sponsor report. Well, the value for money both prior, we do that linking with expected outcomes for the sponsorship against the dollars, and then we do the follow-up, and we don't just use the report from the sponsors, which has probably got a bit of pious bias in it, but we do our own follow-up as well. External Relations is superb for that. That's their role. Every mention of [names the university] that comes out of these major events is detailed and so on.

We look at whether the projects have achieved the outcomes that were stated on the application. We look at whether they've delivered the expected strategic positioning that we were seeking or the development of a relationship we wanted to develop.

Aside from this quotation's reference to examining whether projects achieve outcomes stated in the application, there was little formal linkage of sponsorship evaluation to the pursuit of objectives in evidence. Failure to link sponsorship evaluation to stated objectives is surprising, as it can be seen as a fundamental step that is key to maintaining a control feedback loop.

Degree of accounting personnel involvement in sponsorship management

It has already been noted that the university's accounting personnel were not found to be performing any significant active roles in connection with sponsorship management. Although formal budgeting procedures are observed and some project analysis is periodically conducted, for most campuses, this is generally completed by non-accounting administrative staff at the campus level. It is noted that none of the senior managers responsible for the campus sponsorship budget had formal accounting qualifications. Some managers do draw on the finance department regularly to advise on sponsorship expenditure in the year to date and what funds remain to be expended. It was also noted that some managers infrequently draw on expertise in the marketing and finance departments when seeking to assess a project's provision of value for money. One manager also said it was possible to rely on external project partners to

bring a degree of accounting expertise to sponsorship project management. The comments of two managers illustrate the reasons for not using accounting in the sponsorship decision-making process:

I consider that I have a pretty good understanding of the sponsorships we do, of what the valuable things are going to be and ... the best way to do it.

It's getting a balance between over-bureaucratising something and stifling initiative.

The managers appeared to perceive that the level of managerial sophistication brought to bear on sponsorship management is dependent on the quantum of resources expended on sponsorship. The higher the level of funding allocated, the greater the importance attached to the management of funds expended and the more sophisticated the evaluation process. When asked if an accountant would be involved in the budget, one manager commented, 'broadly but not in a serious way. Not at the \$100 000 level'. Another manager saw the degree of accounting involvement as 'none whatsoever'.

Discussion and Conclusion

This study advances our appreciation of the potential and reality of the application of management accounting in the sponsorship management context in a number of ways. The significance of the study stems from the fact that no prior work providing an accounting perspective on sponsorship management has been found in the literature. By reviewing the literature concerned with sponsorship, investment appraisal and the roles of the budget, a literary context is provided for investigating the role of management accounting in sponsorship management. This context can be drawn upon in future research with a similar focus.

The case study has contributed to the literature on sponsorship investment through the finding that at the campus level of a large multi-campus Australian university, accounting analytical techniques are scarcely drawn upon in the sponsorship decision-making process. Instead of a formalised approach to sponsorship decision-making, it was found that the sponsorship decision-making approach can be best described as intuitively based. At the campus level of abstraction, the only real significant sponsorship management role for accounting in the subject entity concerned the budgetary identification of funds allocated to sponsorship and monitoring of funds expended. It was noteworthy

that none of the campuses had developed a marketing plan, signifying a diminished degree of discretion in the campus-based management of sponsorship budgets, and a university-wide marketing plan formed the strategic backdrop for sponsorship budget allocation decisions.

When we turn to interpret the observations made, one is drawn to question why accounting tools and techniques were so partial in their application in the context under analysis. Three factors appear to be particularly pertinent. Firstly, sponsorship does not result in ownership of a tangible asset in the way that an investment in a physical asset does. This absence of a physical asset appears to critically contribute to funds disbursed on sponsorship being expensed and not capitalised. This subtle difference in the treatment applied to a tangible investment versus the treatment afforded to an intangible investment may well result in the intangible investment expenditure being viewed as falling outside the jurisdiction of the annual capital budgeting round. Secondly, the cash flow benefits resulting from sponsorship investment are difficult to measure and quantify. As a result, sponsorship can be classified as an example of a discretionary expenditure. The problems of providing a financial justification for discretionary expenditure are widely acknowledged in the literature (Anthony & Govindarajan, 2004). This undermines the viability of using accounting tools and techniques when deciding what funds to assign to sponsorship activity and also in the performance evaluation of sponsorship expenditure. Thirdly, several of the managers interviewed indicated that the level of sponsorship funds expended are not sufficient to warrant the development and application of a formal sponsorship appraisal process. In light of this, in further research it could be illuminating to appraise the decision-making processes applied to sponsorship expenditure in the context of a significantly higher quantum of sponsorship expenditure.

In the sponsorship context, management accounting practices have the potential to be particularly important, as they represent a discipline requiring the translation of a sponsorship vision and strategy into financially denominated terms. It is notable that recent research in the marketing literature has underscored the importance of formulating carefully considered management plans with particular reference to budgets. Ambler and Roberts (2008) suggested that marketing must formalise its goals in terms of short and long-term corporate budgetary goals and also determine its contribution to firm performance. This paves the way for greater accountability, as a budget can be established that includes metrics for performance evaluation and control. The need for translating sponsorship plans into goals denominated in budgetary terms would also appear to be important in light of Peppers and Rogers' (2006) view of the

board of directors only listening to pure financial terms. While it can be argued that non-financial strategy is also important (Sawney & Zabin, 2002), it seems clear that budgets represent an important conduit in the allocation of funds to sponsorship.

This study suffers from the normal shortcomings associated with qualitative research. This was an exploratory case study in which data was collected from one organisation only. Semi-structured interviews were employed, and Lillis (1999) noted that the semi-structured interview method is inevitably subject to a degree of interviewer bias, both during the conduct of the interview and in the analysis of data collected. As a result, the observations made should not be viewed as conclusive in nature but more as a vein of research designed to promote further research. Such research is to be welcomed in order to investigate whether the reported observations hold resonance in other organisations. The study should not be viewed as providing hard generalisable findings. It is also noteworthy that this study was conducted in the context of a public sector institution, and the heightened commercial imperative in the private sector might signify a critically distinct environment. Accordingly, further research that is conducted in a commercial business that has a larger sponsorship budget than the university examined in this study is welcomed. If such research were then to find that accounting plays limited roles in sponsorship management beyond the budgetary identification of funds available for expenditure on sponsorship and the monitoring of sponsorship funds expended, it would provide a degree of validation of the findings reported here.

Our study shows that, despite a seemingly obvious potential for management accounting practice to be implemented in sponsorship investment decision-making and the need for economic justification of the investment, senior management continue to ignore the benefits that could be derived from the implementation of such practice. The strength of the evidence concerning the authorisation role of budgets in sponsorship management beckons further field work to explore contextual issues affecting the manner of budget usage. Further, given the strong evidence of limited accountant involvement in the sponsorship management process, there would appear to be scope to conduct a normative exploration of how accounting techniques can be further drawn upon to yield greater sophistication in sponsorship management in a range of organisations.

As noted above, sponsorship expenditure can be seen to constitute a particular form of discretionary expenditure. In further research that attempts to build on the research initiative reported here, an alternative line of inquiry that could be

pursued could be to compare the nature of accounting controls applied to sponsorship management to the way accounting is invoked in the management of other types of discretionary expenditure such as advertising and training.

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Appendix A

Extract Of Interview Schedule Questions

Accounting control and sponsorship

- (1) To what extent does your organisation see sponsorship as an investment?
- (2) To what extent is sponsorship viewed as part of short or long-term strategy?
- (3) Are sponsorship goals and objectives stated in financial terms?
- (4) How much do accountants get involved in:
 - (a) determining sponsorship objectives
 - (b) choosing a sponsee
 - (c) deciding on a budgetdetermining the effectiveness of sponsorship activities?
- (5) Is a formal budgeting and project analysis undertaken? If so, by whom and how extensive is it?
- (6) To what extent is it appropriate to regard the initial funding allocation to the marketing department and the marketing department's internal rationalisation of sponsorship expenditure as two distinct steps?
- (7) How, and to what extent, is the budget used to control sponsorship?
- (8) What are the stages involved in setting the budget for sponsorship?
- (9) What methods are used to measure sponsorship outcomes?
- (10) To what extent does your organisation conduct a 'value for money' analysis of sponsorship expenditure, both prior and subsequent to the expenditure?
- (11) To what extent is an investment appraisal analysis conducted of proposed sponsorship expenditure?
- (12) In terms of financial control of expenditure, to what extent is sponsorship viewed as falling under the annual budgetary cycle versus the capital budgeting cycle?
- (13) In terms of the reality of controlling sponsorship expenditure, what proportion is 'marketing control' (i.e. controlled by deliberations undertaken in the marketing department) and what proportion is financially controlled (i.e. controlled by the accounting function through mechanisms such as the budget)?

- (14) What are the main roles of the budget in the context of sponsorship decision making?

The role of the budget

What is the importance of each of the following budgetary roles in the context of sponsorship management?

Budgetary Role	Importance
Performance evaluation	1 2 3 4 5 6 7
Communication	1 2 3 4 5 6 7
Coordination	1 2 3 4 5 6 7
Motivation	1 2 3 4 5 6 7
Planning and Forecasting	1 2 3 4 5 6 7
Modifier of perceived organisational reality	1 2 3 4 5 6 7
Authorisation	1 2 3 4 5 6 7

1 = Limited Importance

7 = Great Importance

FIGURE 1

A Financially-oriented Adaptation of Irwin and Askimakopoulos' Six-Step Approach to Sponsorship Management

