

Gaining and sustaining competitive advantage: on the strategic similarities between Maccabi Tel Aviv BC and FC Bayern München

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Abstract: This paper investigates the sources of the competitive advantage of sport clubs in the business environment. The analysis uses the Resource-Based View (RBV) as a model for identifying significant resources that clubs employ in their effort to gain and sustain competitive advantage. Using two historical case examples, the Israeli basketball club of Maccabi Tel Aviv and the German soccer club of Bayern Munich, we identify the strategic resources which, in addition to other factors, contributed to the success of these clubs. The findings suggest that there are interesting similarities between the clubs. For example, despite the fact that the clubs are from different sport branches and different countries, the main source of the success of both has been excellent management teams that displayed insight as well as the ability to exploit significant historical events. The paper also contributes business and strategic dimensions to the field of sport management, and provides some revealing insights into the behavior of managers of sport clubs.

Keywords: sport clubs, management, strategic resources, business organizations, managers.

1 Introduction: the resource-based view in strategic management

Strategic management is primarily involved with crafting and implementing strategies that lead to a firm's superior performance and competitive advantage. The traditional approach of strategic management, termed the industrial organization perspective (Porter, 1980, 1985), has typically assumed that firm management cannot influence industry conditions or its own performance. Because firm conduct (i.e. strategy) is constrained by the structural forces of industry, it does not represent independent managerial action, and therefore the management's role is hardly relevant (Spanos & Lioukas, 2001).

Porter's (1990) pioneering work departed from traditional industrial organization theory and focused primarily on firm rather than industry performance. Porter assumed that firms are identical in terms of strategically relevant resources and that any attempt to develop resource heterogeneity would have no long term viability, due to the high mobility of strategic resources among firms. Porter's fundamental concept, the "Five Forces Model", identified the significant forces in a firm's environment, and directed management towards developing a strategic plan. These forces are competitors, substi-

tutes, potential entrants, suppliers, and buyers. In contrast, the Resource-Based View (RBV) of a firm (Barney, 1991, 2003), which has become popular in recent years, argues that individual firms competing in the same industry are heterogeneous and have their own unique and immobile resources which they employ for developing distinctive competencies (Mahoney & Pandian, 1992; Prahalad & Hamel, 1990).

The RBV categorizes resources into three main groups: physical capital resources (such as plant and equipment), human capital resources (such as training, intelligence, and experience), and organizational capital resources (such as the reporting structure and coordinating systems). These resources are employed to support the firm's pursuit of a competitive advantage, or a sustained competitive advantage. Competitive advantage is defined as the ability to use internal firm resources for implementing a value-creating strategy that is not being implemented simultaneously by competitors. Similarly, sustained competitive advantage is a competitive advantage that the competition cannot copy or simulate.

According to the RBV, firm resources which are capable of generating sustained competitive advantage for the firm must meet four conditions. First, they must be valuable. Resources are valuable if they can enable the firm to conceive or implement a value-creating strategy. Second, the resources have to be rare, with a relatively low chance that competing firms may own them as well. Third, the resources must be imperfectly imitable. Firm resources can be imperfectly imitable if the ability to obtain them depends on unique historical circumstances, or if the relationship between these resources and the firm's competitive advantage is causally ambiguous, or if these resources are socially complex. Finally, the fourth requirement is that they do not have a substitute (or a strategic) equivalent. The RBV approach is summarized in figure 1.

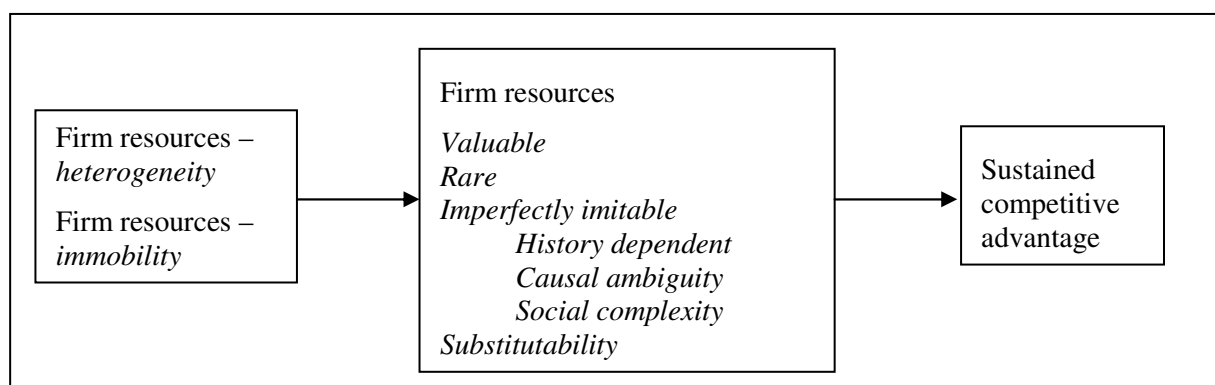


Figure 1. The RBV framework and the relations between resources and sustained competitive advantage

The framework offered by the RBV appeals to firms who want to identify or secure specific resources which will enable them to achieve sustained competitive advantage. In this paper we focus on sport clubs as business organizations, and demonstrate how these clubs can use their resources to gain and sustain a competitive advantage in their industry. We employ a qualitative analysis as well as an historical overview of two different case examples of successful sport clubs in two industries (soccer and basket-

ball) and two countries (Germany and Israel, respectively), to show that strategic management of the business environment in sport clubs is a crucial component of the clubs' financial success.

In the next section we explain the relationship between the performance of sport organizations and their business, or strategic, management. We present an historical overview of the performance of two different sport organizations – the Israeli basketball club Maccabi Tel Aviv and the German soccer club Bayern München. The analysis shows that the superior performance of these clubs is not random, but rather dependent on aspects of functional or sport management which are supported by clear strategic management practices. In Section 3 we use the RBV framework to focus on the business aspect of sport clubs to explain how business strategy can provide a value-added aspect to successful sport management, using Maccabi Tel Aviv and Bayern München as two case examples of superior performance. Finally, Section 4 presents our conclusions for the benefit of both academicians and practitioners.

2 Sport organizations and business performance

Sport organizations have been transformed in the past few decades from being under-financed centres for leisure activities to high-profile businesses (Cross & Henderson, 2003). For example, it attracted little attention in 1991 when the football (soccer) club of Manchester United was offered for sale at £10 million. In 2000, the club was valued at £1 billion (Kupfer, 2006). Sport is now a commercial business in which the game is the product and the spectator is only one source of revenue. This shift in focus suggests that it is essential to evaluate the industry using a formal strategic analysis, so that the value-creating processes that are utilized for gaining a competitive standing can be identified.

Success in business organizations is generally difficult to quantify because it includes long and short term components, as well as tangible and intangible measures. Therefore, researchers often use a set of complex measurements to identify firm success (Kaplan & Norton, 1992). While there is a general consensus that firm performance cannot be measured by indicators such as traditional, financial measures (Kaplan & Norton, 1992), there is general disagreement as to what is a comprehensive measure of firm performance (Eccles, 1991). Given that performance is a multi-dimensional construct, there are many known approaches that combine production-oriented measures (Harris, 1999) with quantitative and qualitative measures of performance (Kaplan, 1994), long-term measures with short-term measures (Johnson & Kaplan, 1987), and service-oriented measures.

Measuring performance in sport organizations can be especially difficult, since the setting of these organizations is extremely dynamic, and also because performance is determined by a variety of measures (Bowen & Ford, 2002; Grönroos, 2001). Furthermore, some performance measures may have a short-term orientation and focus on past results, while other measures may have a long-term orientation and focus on determinants of future performance. Therefore, a static, traditional, and stable definition of performance may not suffice.

In sport organizations short-term performance on the functional level is much easier to identify than long-term business performance, because the definition of a club's performance in the short run is determined primarily via winning. In other words, winning is a central construct in sport, and therefore a sport organization would be viewed as outperforming its competition when it has a larger proportion of wins. Although Powell (2003) extended this idea to industries other than sport organizations, Kennedy (1980) and Spoelstra (1997) demonstrated that the greater number of victories in sport that are an outcome of the ability to manage the game (functional sport management) does not necessarily guarantee better business performance. In other words, winning seems to be a *necessary* but *insufficient* condition for securing the above-average overall performance of a sport club. In the long run, the success of a sport club will be based on a variety of constructs, and winning is only one part of long-term success.

Winning is primarily the result of effective sport management practices. However, this paper focuses on the managerial challenge to employ winning in combination with other managerial elements so that successful business performance can be generated in the long run. In order to sustain a competitive position in the business arena, the sport organization must combine winning with other firm assets. We present historical examples of these in later parts of the paper. This paper will use two different sport organizations to demonstrate the processes of strategic management that not only secure wins, but which employ these wins for building a highly successful position in the business arena of the sport organization industry.

2.1 Sport organization performance – Maccabi Tel Aviv

In European sport, the Israeli basketball club of Maccabi Tel Aviv constitutes a unique phenomenon. Since the establishment of the Israeli basketball league in 1955, the club has won 46 national championships. In the last 37 years (including the 2005/2006 season), it has won all but one national championship. In addition, the club won the Israeli national cup 36 times and the European Champion's Cup five times (participating twelve times in the champion's cup final and one time in the cup winners final). Maccabi Tel Aviv has been extraordinarily successful, especially as reflected in its complete dominance over Israeli basketball.

According to Segal (2002), there is no European club that even approaches such total dominance. For example, CSKA Moscow has won 37 championships since 1945 (including 15 in succession, between 1969 and 1984 – all-in-all 25 Soviet Union titles, eleven Russian Super League titles and five European club titles), and the basketball club of Milano (under various names such as Olimpia "Simmenthal", "Innocenti", "Cinzano", "Billy", "Tracer", "Philips", and "Stefanel") has won 33 championships since 1920, but both clubs have lost their dominance in recent years. Two other notable European basketball clubs are Real Madrid, with 28 championships, and Zibona Zagreb, which has won all Croatian championships (13) since this state was established in 1992 (plus three previous Yugoslavian titles). However, Maccabi Tel Aviv is unique in its consistent, long-term dominance over national basketball (Segal, 2002),

and the team was highlighted as an outstanding example in a recent book on the globalization process in soccer (Foer, 2004). It should be noted that in October 2005 Maccabi became the first non-American team to beat an NBA team on North American soil when they beat the Raptors in Toronto.

Maccabi Tel Aviv's success is unique, and the team's performance is not random. This can be demonstrated by employing the Kolmogorov-Smirnov test. This test compares actual performance to a hypothesized case and evaluates the goodness of fit between the two. In our case, we wanted to examine if the observed performance of Maccabi, as reported in table 1a, was significantly different from a scenario of (a) a uniform distribution of winning (i.e., equal frequency attached to each ranking in the league), and (b) an extreme scenario in which Maccabi is ranked first in the league in all fifty-two seasons. The comparison of Maccabi's actual performance to the first scenario yields a maximum deviation of $D=.80$ ($p<.01$), which indicates that uniform distribution does not account for the team's performance. Testing scenario (b) in comparison with the team's actual performance yields a maximum deviation of $D=.12$ ($p>.05$), which indicates that a peak distribution of 52 wins does explain the team's performance. In other words, Maccabi's superior performance is not a random case.

Table 1a. Performance of Maccabi Tel Aviv

Year	League position (out of 12 teams)	Year	League position (out of 12 teams)	Year	League position (out of 12 teams)	Year	League position (out of 12 teams)
1954	1	1967	1	1980	1	1993	1
1955	1	1968	1	1981	1	1994	1
1956	1	1969	2	1982	1	1995	1
1957	1	1970	1	1983	1	1996	1
1958	1	1971	1	1984	1	1997	1
1959	1	1972	1	1985	1	1998	1
1960	2	1973	1	1986	1	1999	1
1961	2	1974	1	1987	1	2000	1
1962	1	1975	1	1988	1	2001	1
1963	1	1976	1	1989	1	2002	1
1964	1	1977	1	1990	1	2003	1
1965	3	1978	1	1991	1	2004	1
1966	2	1979	1	1992	3	2005	1

Table 1b. Performance of FC Bayern München

Year	League position (out of 18 teams)	Year	League position (out of 18 teams)	Year	League position (out of 18 teams)	Year	League position (out of 18 teams)
1965	3	1976	7	1987	2	1998	1
1966	6	1977	12	1988	1	1999	1
1967	5	1978	4	1989	1	2000	1
1968	1	1979	1	1990	2	2001	3
1969	2	1980	1	1991	10	2002	1
1970	2	1981	3	1992	2	2003	2
1971	1	1982	4	1993	1	2004	1
1972	1	1983	4	1994	6	2005	1
1973	1	1984	1	1995	2		
1974	10	1985	1	1996	1		
1975	3	1986	1	1997	2		

In a series of articles, Galily and his colleagues (Galily, 2003; Galily & Bar-Eli, *in press*; Galily & Sheard, 2002) documented the development of Israeli basketball and analysed it within a socio-historical framework. In these articles, however, the focus was not placed on the business management perspective. In this paper we focus on the managerial view and analyse the processes that led Maccabi Tel Aviv Basketball Club to establish and maintain its dominance.

2.2 Sport organization performance – Bayern München

Another highly successful club, in a different sport discipline and in another country, is the German football (soccer) club of Bayern München (Kupfer, 2006). Bayern is the most popular German football (soccer) club, and is also highly successful internationally (it won the European Champion's Cup four times and played in the Champion's Cup finals another three times; it also won the European Cup for Cup Winners and the UEFA Cup, one time each). More interesting in the present context, however, is its dominance over the German league: Since 1965/66 (including the 2005/06 season), the season in which Bayern started to play in the first division (Bundesliga), it has won 19 championships (and twelve cups); it ranked below the first four in the league in only seven seasons – which in terms of football is an extraordinary performance.

The superior performance of Bayern can also be evaluated using the Kolmogorov-Smirnov test. In the case of Bayern, we wanted to examine if the observed performances reported in table 1b were significantly different than a scenario of (a) a uniform distribution of winning (i.e., equal frequency attached to each ranking in the league), and (b) an extreme scenario in which Bayern is ranked first in the league in all 40 years. The comparison of Bayern's actual performance to the first scenario yields a maximum deviation of $D=.61$ ($p<.01$), which indicates that a uniform distribution does

not account for the team's performance. However, testing scenario (b) in comparison to the team's actual performance yields a maximum deviation of $D=.56$ ($p<.01$), which indicates that a peak distribution of 40 wins does not explain the team's performance either. In searching for the best scenario that fits the peak distribution of superior performance, the best result was obtained when the hypostasized performance was such that it focused on 29 first rankings in the league (out of a possible 40). This finding also provides support for the claim that Bayern's superior performance is not a random case.

In 1997, Schulze-Marmeling first documented in detail the rise of FC Bayern Munich, as he termed it "from a club to a business concern" (Schulze-Marmeling, 1997). A close examination of the managerial strategies undertaken by Bayern over a time period of about 40 years reveals an amazing similarity to those applied over a comparable time period by Maccabi. The similarities in performance between Maccabi Tel Aviv BC and FC Bayern München suggest that in order to be extraordinarily successful, sport organizations should apply managerial strategies similar to the ones they used.

The superior functional performance of both Maccabi Tel Aviv and Bayern München correlates with the superior performance of a leading business organization, as well as with the unique position in their respective national arena. However, the functional performance and sport achievements cannot be attributed to the existence of a stable and constant pool of players, because obviously both clubs have changed their players over the years. It seems clear that their superior performance and competitive position are not due solely to micro-level sport management practices. This paper posits that there are some strategic management practices that enable sport organizations to gain and sustain competitive advantage.

In the next section we use the RBV framework to identify some firm-specific assets which have enabled and supported the sustained competitive advantage of both Maccabi Tel Aviv and Bayern München.

3 RBV analysis of strategic firm assets in sport clubs

So far, we have described the superior performance of Maccabi Tel Aviv and Bayern München and argued that this performance cannot be attributed solely to functional management. We claim that there are other firm assets, not necessarily focused on sport or functional management, which come into play when considering the clubs' general, or business, success. In RBV terminology, these are firm assets that have strategic relevance and are able to support or secure sustained competitive advantage. As mentioned before, these assets must be heterogeneous and immobile. Additionally, they must be valuable, rare, imperfectly imitable, and have no substitute (or a strategic equivalent).

In the context of this study, the most notable characteristic that matches these heterogeneous and immobile assets is that they are imperfectly imitable. In many cases, a firm asset can become imperfectly imitable when it depends on unique historical circumstances. Such historical circumstances are often based on a "first time"

occurrence, or what has become known as “first mover advantage”. The next subsection reviews the historical circumstances and the first mover advantages for both sport clubs.

Another characteristic of these heterogeneous and immobile firm assets that contributes to the securing of the firm’s potential for generating sustained competitive advantage is the fact that they do not have a strategic equivalence. In other words, the same capabilities or competencies cannot be assembled with a different set of inputs. The most notable firm assets with no strategic equivalence are the assets of skilled and charismatic managers. The managerial resources in both clubs will be described, and we will demonstrate how they contributed to the teams’ significant business success.

It should be noted that there are two additional characteristics of firm resources – valuable and rare. However, these two characteristics are secondary to the above-mentioned ones and can be included in them (Barney, 1991). Moreover, in the context of sport organizations, assets such as superior players may be mobile, homogenous, or both. Therefore, the characteristics of valuable and rare are not included in the scope of the study. Accordingly, we will focus on historical circumstances (including first mover advantage) and on managerial resources.

3.1 Firm assets – unique historical circumstances

3.1.1 Maccabi Tel Aviv

The Maccabi Tel Aviv basketball club was founded in 1932. It was always a significant factor in the basketball played on a non-regular basis in Palestine, as well as from 1948 in the newly-established state of Israel. When the Israeli basketball league was established in 1955, Maccabi was the first team to win the national championship and the state’s cup. However, until 1970 Maccabi struggled for dominance, mainly against its city rival, Hapoel Tel Aviv. For example, in the period of 1955-1969, Maccabi and Hapoel Tel Aviv won eight and six national championships, respectively, and an equal number (seven) of state cups. Since 1970, Maccabi Tel Aviv basketball club has ascended to set records – in terms of winning national championships and state’s cups – unmatched by any other club in Europe and, possibly, in the world (Segal, 2002). As a result of this dominance, it is commonly claimed that there is no genuine competition in Israeli basketball (Galily & Sheard, 2002).

Maccabi’s management followed successful American models by understanding the importance of sponsorship, and was the first to use sponsorship in the league. In 1970 Maccabi signed an agreement with the number one food manufacture in Israel – Elite (and its name became Maccabi “Elite” Tel Aviv) – and received the financial security it needed to build its hegemony. The money from the deal was used first to ensure Maccabi Tel Aviv’s domination of the Israeli league by providing the resources to sign highly paid American and top Israeli players. It should be noted that sponsorship had not been used in Israel in any other sport organization up to that time, and Maccabi created what was probably the first business model for sponsorship in Israel. Since then – and for over 35 years – Elite’s name has gone hand-in-hand with Maccabi as the team’s main sponsor. Maccabi regards the sponsorship as a tradition to be kept

and while many, if not most, of the European teams change names over the years, Maccabi maintains its “pride of place” by continuing with the same sponsor.

While the alliance with Elite is an important landmark in Maccabi’s legacy, another (financial) landmark is the fact that since the late 1970s Maccabi enjoyed the sole patronage of the only television channel in Israel at that time. Television was introduced in Israel in 1968 as a single station medium, when the Israeli Broadcasting Authority (IBA), a public service broadcaster better known to Israelis today as “Channel 1”, started airing programs; for almost 25 years Israel continued to have only one channel. During its days of being a monopoly, the channel’s broadcasts were a focal point of most of the country’s citizens, and its programs were viewed by a large proportion of the population. In 1993, for example, just before a second, commercial station (“Channel 2”) began its transmissions, Channel 1 was watched by 78.9 per cent of the Jewish population (Galily, 2002; Uriely, Mehrez, Bar-Eli & Mena, 1999).

For many years following Maccabi’s first use of sponsorship, most other Israeli basketball teams could still not afford to appropriately compensate their players. Thus, no other Israeli basketball club could match Maccabi Tel Aviv’s financial offers, made not only to foreign (American) players but also to the local talents – a fact that has substantially affected the Israeli basketball league until this day.

In 1970 the team moved to Israel’s first custom-built national basketball arena, the Yad Eliahu stadium. This impressive sport hall, one of the largest in European basketball, served Maccabi not only for local games: in 1994 and 2004 the Maccabi Tel Aviv Basketball Club organized and hosted the European Final Four at Yad Eliahu. The 2006 NBA winners, the Miami Heat, played at the Yad Eliyahu sports arena in October 1999, and became the fifth NBA team to play against Maccabi in Tel Aviv. The original arena contained 10,000 seats, and in 2005 it was renovated (with the financial assistance of the Finnish company “Nokia”). The venue, to be called the “Nokia Arena” for the next decade (2005-2015), has over the years provided Maccabi with the opportunity of enjoying a substantial financial advantage over its Israeli rivals in terms of the number of spectators.

Another crucial turning point in Maccabi’s history was its international success in the 1970s. In fact, Maccabi Tel Aviv had earlier represented Israel for the first time in the European Champion’s Cup in 1958, when it played in Romania against CCA Bucharest and lost 65-84. Overall, as of August 2006, Maccabi Tel Aviv has taken part in 602 games in the various European Cups, and boasts 376 wins against 226 losses. Maccabi Tel Aviv has participated in twelve European finals to date (2006), and has won the Champions’ Cup five times (1977, 1981, 2001, 2004 and 2005).

In the mid-1970s, Maccabi managed to build an excellent squad and reached the final tournament of the European Champions Cup for the first time in the 1976/77 season. On April 7, 1977, Maccabi won the European Champion’s Cup after beating Mobilgirgi Varese 78-77. Along with this achievement, which created an unbreakable mythos for the team of “greatness and glory” in Israeli history (much beyond sheer basketball – or sport – history), Maccabi became an “Israeli” club. In other words, Maccabi Tel Aviv was considered as representative of the entire State of Israel. More-

over, on its way to the Champion's Cup final game, Maccabi beat CSKA Moscow (on February 17, 1977) 91-79 in a game that became recognized – and remains so to this day – as a key event in Israel's public collective memory, especially because of the statement of Maccabi's captain at that time, Tal Brody: "We are on the map and we will stay on the map – not just in basketball, but in everything!"

This should not be surprising, given the fact that CSKA was in fact a Soviet army team, and in the days of the Cold War it was perceived as representing the entire Soviet bloc. Moreover, the East-West conflict had a much greater significance within the specific Jewish context, because of the difficult situation of Jews – especially Zionists – in the USSR at that time. Thus, the belief that "David beat Goliath" contributed substantially to the creation of the abovementioned mythos, and to Maccabi Tel Aviv becoming the "state's team" (Galily & Bar-Eli, *in press*).

By winning the Israeli championship year after year, Maccabi Tel Aviv ensured its appearance in the European arena. According to Aviv Lavy (personal communication, May 16, 1999), one of Israel's leading basketball journalists and TV commentators, much of Maccabi Tel Aviv's income was derived either directly or indirectly from its appearances on the European circuit. Since for many years Maccabi Tel Aviv was the only Israeli representative in the European Champion's Cup tournament, and since the basketball league in Israel did not provide the top competition expected by Israeli basketball fans, Maccabi Tel Aviv's games against the European teams became "the best show in town". Maccabi Tel Aviv home games, hosted in the Yad Eliyahu stadium, attracted 10,000 fans every other Thursday night during the season, and offered them the opportunity to watch the best basketball teams from Europe. In a sport where the average number of spectators at a game was 250, Maccabi Tel Aviv's European games were highly significant as far as ticket sales were concerned. In the 2002/03 season, for example, the lack of real competition in the Israeli league led Maccabi to also participate in the Adriatic League, in addition to its participation in the Israeli league and the European Champion's Cup tournament.

According to Ofer Shelach (personal communication, September 13, 1998), a senior basketball journalist and leading TV commentator in Israel, Maccabi Tel Aviv's advantage from the revenues gained from Israel's only (until 1990) television channel were even greater: Maccabi Tel Aviv has enjoyed a guaranteed revenue from television every year since 1976, with huge television revenues creating a gap that has grown larger with every success Maccabi Tel Aviv scored in Europe. As mentioned above, Israeli TV's Channel 1, which was established in 1968, enjoyed a state monopoly until 1990. Therefore, Maccabi's games in the European arena, which for many years were broadcast full-length to literally every home in Israel each Thursday evening, thereby generating extremely high ratings, contributed substantially to Maccabi's being considered the "national team". Maccabi's "lifelong" alliance with Channel 1 is especially interesting considering the fact that the Maccabi organization was regarded as part of the opposition to the long-ruling party, the Labor Party (Reshef & Paltiel, 1989).

In 1990, cable TV was introduced, including a successful local sport channel (“Channel 5”). In 1993, the monopoly of Channel 1 was finally broken when the first commercial TV network (Channel 2) began broadcasting on a national level. However, except for one season (1993/94) when Macabi’s European games were broadcast on Channel 2, the club and Channel 1 remained loyal to each other for about 25 years (Galily, 2002; Uriely et al., 1999). Thus, as explained before, the support of Israeli state television – together with the financial backup of Elite – enabled the highly successful team of Macabi Tel Aviv to become the “national team,” with its players and executives sometimes being even more well-known than leading politicians (Galily & Bar-Eli, *in press*).

3.1.2 FC Bayern München

The football club Bayern München was founded on February 27, 1900 (Gillmeister, 2000). Until the mid-1960s its role in German soccer was relatively marginal (Jens, 1966). The Olympic games of 1972 in Munich gave Bayern the historical event it needed. Precisely at the time when Bayern’s “cheap” team became highly expensive due to its extraordinary achievements (explanation to follow), Bayern moved to the new 80,000-seat Olympic stadium, playing there for the first time on June 28, 1972. Munich’s Olympic stadium served as the team’s home until May 31, 2005, when the new “Allianz Arena” (the stadium in which the opening match of the 2006 World Cup took place) was officially opened.

In the early 1970s, a football club’s most important source of income was the number of spectators in the stadium; all of a sudden, Bayern had a substantially higher number of spectators in comparison to all its rivals. As a consequence, Bayern was not only able to pay for its most expensive players (Sepp Maier, Franz Beckenbauer and Gerd Müller – “die Achse”, which was the heart of the team; see below), keeping them together and preventing them from moving elsewhere, but it could also start aggressively purchasing the best and most expensive players in the “Bundesliga” – especially from other teams who were a potential threat to its dominance. In contrast, in the 1960s and 1970s, competitors such as Borussia Mönchengladbach (Jenrich & Aretz, 2005) or Borussia Dortmund (Schulze-Marmeling, 2005) were unable to prevent their teams from repeatedly falling apart, in part because of their relatively small stadiums and lesser income from ticket sales.

Another crucial turning point in Bayern’s history was its international successes in the 1970s. After winning three German championships in a row (1972-1974), Bayern managed to win the European Champion’s Cup three successive times (1974-1976). In addition, Bayern’s players made a major contribution to the successes of the German national team in those years, namely in the European Championships (first in 1972, second in 1976), and more importantly, in the World Championships, when in 1974 West Germany won the first place. Along with Ajax Amsterdam and Liverpool, Bayern München became “the” European team of the 1970s. Uli Hoeness – Bayern’s manager from 1979 and current Deputy Chairperson of the Executive Board – is cited by Schulze-Marmeling (1997, 158) as follows:

When I see in Uerdingen [a typical working town in the Ruhr area, where no Bayern fans are expected to be found – the authors], in an away game, that half of the spectators are glad when FC Bayern scores its goals, then I know for sure: the basis for this was laid by the victories in the European Cup in the 1970s. Without international successes and without tradition, there can be no merchandizing.

Along with these achievements, which created an unbreakable myth of greatness and glory in German history (much beyond its sheer football – or sport – history), Bayern became a “German” club. In other words, it started to be conceived as representative of Germany in its entirety, not only of the city of Munich and/or the state of Bavaria. As a result, Bayern fans can be found all over Germany, and this has made the club the most popular in the country. Of course, these processes were closely tied to the development of television, which played a central role in making Bayern what it is today. Bayern games – and/or games of the national team, in which Bayern players had a major role – were broadcast to every city, town, and village in Germany. Therefore, without these televised national and international successes of the 1970s, today’s enormous merchandizing income would have been impossible to achieve.

Until 1988, football was broadcast in the Federal Republic of Germany only by the terrestrial TV channels, namely state-controlled ARD and ZDF. In the 1987/88 season, for example, these two networks together paid 18 million DM for the broadcasting rights. However, in 1988 the private station RTL aggressively entered the market by paying between 40 and 55 million DM for each of the next four seasons (1988/89-1991/92) – a total sum of 190 million DM. This not only shattered the existing ARD-ZDF monopoly, but also enabled the Bundesliga to *de facto* negotiate the rights. The consequence was literally a price explosion, which has continued until the present time – especially with respect to games played in the European arena. Uli Hoeness played a major role in this development, aided politically by the CSU – the right-wing Bavarian part of the “black” Christian Union (CDU-CSU), which always claimed that the public television, mainly ARD, was too “red” (that is, more oriented towards the Social Democratic Party, SPD), and therefore pushed towards the privatization.

It should be noted that until the Nazi period, FC Bayern was a “non-political/liberal” club with a cosmopolitan orientation. After 1945, the club became increasingly “black”, not only because it had never been a workers club, but mostly because as opposed to the city of Munich, the state of Bavaria is politically conservative. The affiliation between FC Bayern – Bavaria’s “state’s club”, and the CSU-party – Bavaria’s “state’s party”, was therefore quite a natural historical development. However, it was also the result of a deliberate strategic choice made by FC Bayern’s management and the political leaders of Bavaria (such as its prime ministers Franz-Josef Strauss, Max Streibel and Edmund Stoiber) for the benefit of both sides (Schulze-Marmeling, 1997, 2003).

3.2 Firm assets – managers with no strategic equivalence

3.2.1 Maccabi Tel Aviv

A key figure in the development of Maccabi Tel Aviv's success is Shimon Mizrachi, a lawyer who undertook the chairmanship of Maccabi in 1969 and has devoted his life to the club. Mizrachi understood the importance of professionalizing Maccabi's internal managerial practices. To this purpose, he had the full support and cooperation of Shmuel ("Shamluk") Machrovski, who was an active member in Maccabi's management from 1960 until his retirement in the early 1990s. "Shamluk" had extraordinary organizational skills, and undertook the position of team manager on a full-time basis. It has been widely recognized in Israel that for over twenty years the duo "Shimon-Shamluk" was the one that led Maccabi to its unprecedented successes. Towards the beginning of the 1990s, "Shamluk" was replaced by a new, influential team manager, Moni Fannan – a businessman who is still successfully filling this position.

As noted before, until 1970 a struggle for dominance existed between Hapoel and Maccabi Tel Aviv, and it was embedded in Israel's political realm at that time. More specifically, basketball (like all Israeli sports) was controlled by nation-wide federations that were affiliated with political parties: The "Hapoel" federation was affiliated with the governing Labor movement, whereas the smaller "Maccabi" federation was affiliated with the (mostly) opposition middle-class party, the "General Zionists" (Reshef & Paltiel, 1989). Accordingly, these federations used their two "crown jewels," namely, the Tel Aviv basketball clubs Hapoel and Maccabi, in their struggle for dominance in this popular sport discipline (Galily & Bar-Eli, *in press*).

At the beginning of the 1980's another Hapoel club, from Ramat-Gan, made a serious attempt to challenge Maccabi Tel Aviv. Backed by powerful politicians from the Labor party, Hapoel Ramat Gan mobilized large financial resources in order to conquer Maccabi Tel Aviv's hegemony, but failed. After several years of unsuccessful attempts, the Ramat Gan club could not prevail and eventually was shut down. As a result of major changes in the mid 1980's in Israeli society in general and in economics in particular, Israeli sport underwent a substantial process of commercialization or "commodification". This process has been intensively analysed (for soccer, Ben-Porat, 1998, 2002; and for basketball, Galily & Sheard, 2002). Within this process, certain businesspeople and entrepreneurs have become involved in basketball (among other areas) in an attempt to challenge Maccabi Tel Aviv, in what has recently been labelled "the 'chasing Maccabi' syndrome" (described in detail by Galily and Sheard, 2002). Since, among other things, these people did not have the specific and unique managerial skills of the duo "Shimon-Shamluk", they eventually failed.

Shimon Mizrachi's practices were sometimes quite controversial. For example, by the end of the 1970's Maccabi Tel Aviv had already begun an aggressive policy of acquiring new Israeli players (parallel to its ongoing Americanization, discussed earlier in this paper; see also Galily and Sheard, 2002), which is still being practiced by the club today. However, not only young, talented players (such as Doron Jamchi or Nadav Henefeld, who were to become Maccabi stars for many years) were acquired,

but more importantly, expensive players who were already considered stars – often from direct (potential and/or actual) rivals of Maccabi in competition for the Israeli championship. The Israeli public has often accused this supposed (but never acknowledged) “destroy the enemy” policy of Mizrachi of being both immoral and destructive to Israeli basketball, but in fact it has been highly functional for Maccabi.

Due to such activities, Maccabi – the richest (not only in terms of money, but more importantly in terms of titles) and most popular basketball club in Israel – became the object of intense hatred by many basketball fans in the country. Mizrachi has often been accused – mainly by Maccabi’s various challengers and competitors – of manipulating the league, the national team, and public opinion in Maccabi’s favor, and of representing power, money, and arrogance. For example, for more than the last 20 years Mizrachi has served as deputy chairman of the Israeli Basketball Association (IBA). According to Ron Kaufman (personal communication, November 22, 1998), another of Israel’s prominent basketball journalists and commentators, Mizrachi has long made the IBA a “Maccabi Tel Aviv fortress”, and people outside the Maccabi Tel Aviv organization see an obvious conflict of interests when a man such as Mizrachi holds both the number two position in the country’s basketball hierarchy and at the same time the chairmanship of Maccabi Tel Aviv. Mizrachi has also gained a very high status in FIBA (Fédération Internationale Basketball Association), which also enables him to use his influence in Maccabi’s favor. In a profile article on Mizrachi, Shilon (1998) gives further examples of Mizrachi’s long and powerful status in both Israeli (IBA) and European (FIBA) basketball:

For many years, the State Cup finals have been played in Maccabi Tel Aviv’s home stadium, Yad Eliyahu, which is also the biggest basketball stadium in Israel. It gives Maccabi Tel Aviv a huge advantage which is why many teams have been trying for years to change it – without success. With Maccabi Tel Aviv people in the IBA it is hard to believe it will ever change. However, teams other than Maccabi Tel Aviv, participating in the various European cups, often ask Mizrachi to represent them in the game draws, even though he is not their chairman. These teams realize how strong he is in FIBA, and for both sides, that is, these teams and Mizrachi, it pays off. The teams get a comfortable draw and Mizrachi gathers more power in FIBA (Shilon, 1998, 51).

To achieve his goals, Mizrachi has had to become politically involved as well. In general, it can be said that Mizrachi successfully manipulated the two dominant political parties in Israel. For example, when the Labor party was in power prior to 1977, Maccabi Tel Aviv adopted the practice of having Moshe Dayan, Israel’s Defense Minister between 1967 and 1974, shake hands with the players prior to every game at the European Cup games hosted in Tel Aviv. In fact, Dayan substantially supported Maccabi even after the 1977 elections, when he defected his party to serve as Foreign Minister in Menachem Begin’s Likud-bloc government (Galily & Bar-Eli, *in press*).

Another example of Mizrachi's extraordinary political skills is the case of Maccabi Tel Aviv during the Gulf War in 1991. The Scud missile attacks on Israel brought sport activities, like many other activities in the country, to a halt. The suspension of games caused financial difficulties for the teams, who had to honor most of their contracts with their players, even when no games were being played and their primary source of income had dried up. Mizrachi used his contacts in the Liberal Party (formerly the General Zionist Party, to which the "Maccabi" federation was affiliated) to convince Finance Minister Yitzhak Modai – a member of the Liberal party – to guarantee Maccabi Tel Aviv a \$500,000 government grant to help it meet its financial commitments. Mizrachi argued that for the government of Israel this would have considerable symbolic importance, because it would provide visible proof that the hardships wrought by war had not brought the life of the nation to a standstill. Admittedly, due to Mizrachi's immense influence in FIBA, Maccabi was allowed to play its home games in Brussels, but persistent rumors held that in practice Mizrachi used this governmental grant to save Maccabi from its difficult financial situation at that time, which had nothing to do with the war.

It has been argued (e.g. by Sahar, 2002) that Mizrachi is not the "strong man" in Maccabi Tel Aviv any more. Due to the accelerated commercialization and "commodification" of Israeli basketball, Maccabi has had to uncover substantial financial resources in order to match the competition in Israel and, even more importantly, in Europe. As a result, Mizrachi was forced to allow various businessmen and entrepreneurs who contributed financially to the club to participate in the management's decision processes. The most pronounced example of such a person is David Federman, who in 1987 purchased Elite, which since 1970 has been Maccabi's main sponsor. In this position he was quite influential in various professional decisions, such as hiring and/or firing coaches. After he sold Elite in 1997, Federman bought a substantial share of Maccabi's managerial rights. Since "might makes right", Federman is said to be the actual current "strong man" in Maccabi, often successfully opposing the "duo" Mizrachi-Fanan. For example, Federman is accused of pushing Maccabi into making decisions according to sheer commercial considerations, which runs counter to "Maccabi's heart and spirit" (Sahar, 2002).

It is important to note that after Maccabi won the European Cup in 2001, a new business company was established to run the club. The company was divided into three equal parts: David Federman, the businessman from Elite, holds a third of the club's stocks, Raanan Katz, a real estate tycoon from Miami and one of the owners of the NBA team Miami Heat holds another third, and the last third belongs to Shimon Mizrahi and Moni Fannan. In order to run the club smoothly, the directors united the team's administration, of which Mizrahi is the chairperson (similar to the position he had filled for decades). This administration is permitted to make professional decisions, as long as it notifies the other directors on a regular basis. Mizrahi's deputies are Federman and Fannan, the team's manager. In light of these developments, it remains to be seen whether Mizrachi will be able to keep his position as Maccabi's "strong man".

3.2.2 FC Bayern München

The management of Bayern München is also a significant resource for the firm. When the Bundesliga was established in 1963/64, Bayern was not even considered good enough to be included among its 16 founding teams, and had to continue playing in the second division (“Regionalliga Süd”) until its ascendance to the “1st Bundesliga” in 1965/66 (Jens, 1966). In response, Bayern’s ambitious president Wilhelm Neudecker (1962-1979) made an important strategic decision: instead of investing in expensive players in order to achieve the goal of ascending to the Bundesliga, he signed one of the top of coaches at that time, Yugoslavian Zlatko (“Tschik”) Cajkovski (who had just won the German championship with 1. FC Köln), and started to build a new team by searching for young, talented players. Soon enough, he managed to create one of the best ensembles ever seen in German football, led by what was later known as “die Achse” – goalkeeper Sepp Maier, libero Franz Beckenbauer, and striker Gerd Müller.

Neudecker decided to let his promising stars grow up and mature with the team that was being built around them. To facilitate this process, in 1966 he hired – for the first time in German football – a full-time paid manager (“technical director”), Dr. Robert Schwan. Schwan, who in the beginning did not understand much about football but was a very gifted businessman with extraordinary organizational skills, substantially promoted the professionalization of Bayern’s managerial methods (and especially, on the personal level, Beckenbauer’s career); today he is considered the “pioneer” of modern soccer management in Germany. Indeed, within a few years Bayern München, under the leadership of Neudecker and Schwan, became a highly significant factor not only in German football, but also in the European and world arenas.

Bayern’s modern and professional management, in terms of the late 1960s and early 1970s, was probably the most important reason for these successes. This “glorious” era ended towards the end of the 1970s, with the team having won no title whatsoever for several years. One after another, its leading figures left the arena; once considered innovative and professional, the managerial practices no longer seemed effective. However, the organization managed to recover and in 1980 Bayern was again German champion. Three key figures played a major role in the “revolution” which again made Bayern the most modern and professionally-managed club in Germany: Uli Hoeness, Paul Breitner, and Karl-Heinz Rummenigge.

When he began as Bayern’s manager in 1979, 27-year-old Hoeness had a vision from which several goals were derived. First and foremost, he wanted to build a strong team which would again be a significant factor in Europe. To do this, he had to search for new sources of income. He wanted the club’s budget to become relatively independent of the gate receipts, which were substantially influenced by relatively unpredictable and/or unstable factors, such as the weather, the club’s ranking, and the level of competition in the league. He began by attracting big sponsors and substantially increasing income from the media – primarily from television broadcasts. In addition, Bayern had to become more politically involved (Schulze-Marmeling, 1997, 2003), as was previously described.

At the same time, the club was modernized and professionalized from the inside, mainly with regard to players' treatment. For the first time in Germany, players were conceived as the property of the club, who should be taken care of "around the clock" by the organization. Paul Breitner, a star player and the new leader of the team, would compare the players to expensive, top-level race horses; he reasoned, for example, that if these horses got "all-around" medical treatment, then football players should also get it. With Hoeness' help, Breitner, who was greatly inspired by his professional experience during his Real Madrid period (1974-1977), revolutionized the club in this respect: A medical department was established, with professionals such as a team physician and a physiotherapist treating players in the club itself and made available for them 24 hours a day. Of course, all the necessary modern, top-of-the-line equipment was purchased as well.

Due to the activities of Hoeness and Breitner, Bayern was again way ahead of its competitors in terms of modern managerial practices. On the field itself, Bayern was also unique and innovative in playing by the so-called "Pal system", a relatively complex tactical method named after its inventor, Bayern's coach (1979-1983) Pal Csernai. Breitner strongly believed that in order to succeed, a clear hierarchy was needed in the team. Csernai cooperated, and a new "Achse" was created, which included midfield player Breitner and striker Rummenigge – Germany's best player and top goal-scorer in the beginning of the 1980's. The "Breitnigge-Achse" laid the basis for Bayern to again become a top team in both Germany and Europe. However, additional good players were also required to strengthen the "weak links" in the team. Bayern began an aggressive policy of acquiring new players, which is still being practiced by the club today. More specifically, not only young, talented players are acquired, but often expensive established stars – frequently from the direct (potential and/or actual) rivals of Bayern in the competition with them for either the German championship or for regional hegemony. As in the case of Maccabi Tel Aviv, this supposed "destroy the enemy" policy (of course, Bayern never admitted its existence) was often accused of being both immoral and destructive to German football by the German public, but it has been highly functional for Bayern.

The "Breitnigge" era, during which Bayern won two championships and two cups, ended when Breitner retired in 1983 and Rummenigge was sold to Inter Milano in 1984. At that time, Bayern had serious financial problems, but these were immediately solved by the money received from Rummenigge's transfer, enough for building an entire new team. Under coaches Udo Lattek and Jupp Heynckes, Bayern dominated the Bundesliga in the late 1980's in an unprecedented manner; on the national level, Bayern was in fact much more successful during the 1980's than it was in the "glorious" 1970s. However, Bayern had become not only the richest (in terms of money and titles) and most popular club in Germany, but at the same time also the most hated one. For example, Bayern has often been accused (as was Maccabi Tel Aviv) – mainly by leaders of its various challengers and competitors such as SV Werder Bremen (Kuntze, 1997) – of manipulating in its favor the Bundesliga, the national team, and public

opinion, and for representing power, money, and arrogance. Bayern still has not managed to get rid of this image (and these accusations) until this day.

The 1980s were characterized by a type of collectivistic orientation in Bayern which enabled the club, through clear and accepted hierarchies and group structures, to consistently integrate new players into the team. However, in order to better market the club, mainly in the rapidly developing electronic media, highly paid superstars had to be acquired, which in turn brought greater income (e.g. through higher television ratings) – a never-ending upward spiral. These processes also changed the face of professional football, including that of Bayern. In this context, Uli Hoeness expressed himself in 1988 as follows: “We should get away from a collectivistic way of thinking, towards the star, who is also allowed to earn more and has his own freedom” (Schulze-Marmeling, 1997, 221). Hoeness claims that this is precisely what football fans are interested in, and accordingly, this successful style of management has continued to this day.

It seems that over the years the key factor in Bayern’s dominance has been its management’s success in coping with the most significant organizational problems in professional football (Schewe & Littkemann, 2002), thereby staying – one way or another – ahead of its competitors in the major parameters required to build and maintain dominance. For example, its new stadium, the Allianz Arena, is described in Bayern’s website as “Europe’s most modern stadium” (<http://www.fcbayern.t-com.de/en/stadion/allianz>). Needless to say, Bayern has been the club that received the highest sponsorships, which not only brought a great deal of money, but was also advantageous for merchandising purposes (Kupfer, 2006). Bayern was also the first, towards the beginning of the 1990s, to conceive the Bundesliga as a potential market that had to be exhausted (Erning, 2000); again, it was Uli Hoeness who played a major, pioneering role in this development, which was economically beneficial for the entire Bundesliga. By doing so, Bayern’s management never neglected the socio-political activities which were consistently an integral part of its development into a “business concern” (Schulze-Marmeling, 1997, 2003).

4 Summary and conclusions

Szymanski (1998), in a review of the success of the British soccer club Manchester United, made the observation that a percentage of the club’s business success was independent of the actual sport performance of the team. He suggested that part of Manchester United’s fan support was based on the unique history of the club and not necessarily on its performance on the soccer field. The present paper attempted to better identify the source of clubs’ competitive advantage, by focusing on two successful sport clubs from different sports and different countries. The analysis focused on their striking similarities and demonstrated that there are some basic components of firm strategies; both clubs had gifted managers who exploited unique historical circumstances, resulting in a sustained competitive advantage. More specifically, management in both teams was a first mover in using long term sponsorship in their specific industries. As evident from the work of Amis, Pant and Slack (1997) and

Shaw and Amis (2001), sponsorship is an important resource that should be developed into an area of distinctive competence and assist the firm to gain a sustainable competitive advantage. They were also very quick to ensure long term media rights. They both used stadiums that were substantially larger than those of their competitors; the use of these stadiums, along with superior sport performance, helped to position the clubs in the status of “national teams” beyond their position as outstanding sport clubs in the league. With respect to human resources, both clubs had legendary managers who consistently acquired excellent players.

The actions of Maccabi and Bayern fit well into the RBV model, and their use of similar strategic assets assisted them in gaining and sustaining a competitive advantage. The similarities between the clubs’ strategies can be related to their ability to effectively secure strategic factors in their respective markets and use them to gain and sustain their competitive position. Barney (1989, 1233) explains the concept of strategic factors, stating that:

All strategies that require the acquisition of resources for implementation have strategic factor markets associated with them (...) for most strategies, management skill will be a resource required for successful implementation. Thus, in this sense, managerial and other labor markets can also be strategic factor markets (...). Firms that wish to obtain expected above normal returns from implementing product market strategies must be consistently better informed concerning the future value of those strategies than other firms acting in the same strategic factors market. (...) the sources of advantage in strategy implementation are, in fact, either a manifestation of these special insights into the future value of strategies or a manifestation of a firm’s good fortune or luck.

Barney (1989) suggests that good fortune or luck is a possible explanation for a firm’s success. In this paper we demonstrated that the competitive position of Maccabi Tel Aviv and Bayern München is not random. Therefore, if luck is excluded as the primary reason for the clubs’ sustained competitive position, we posit that a large part of the strategic success is routed in the firms’ ability to secure strategic assets, which are to be found in the general environment of sports clubs. As mentioned before, the most notable asset in their case is skilled management, which enabled the clubs to take advantage of a set of strategic factors in the market. In both clubs, their management had a better evaluation of the future value of assets than that of other firms acting in the same strategic factors market. It should be noted, however, that the majority of these assets are not functional (or sport-related), but instead focus on the ability to understand the power of the media and the potential influence of historical events. This observation suggests that securing a sustained competitive advantage in the industry of sport organizations does not depend solely on the club’s performance (or winning).

These findings can serve as initial recommendations for management in sport clubs. Specifically, the similarities between Maccabi Tel Aviv and Bayern München

suggest that in both clubs success was partially achieved through effective management of historical events. It is clear that no one can accurately forecast upcoming historical events. However, this analysis suggests that skillful management can offer the right plan for the right time for a sport club. This type of action, in which people prepare themselves for historical events, is quite popular in the USA. An example of forming a plan in the case of significant or even historical sport events can be found in the American football league. At the end of each American world championship game an MVP (Most Valuable Player) is selected. The MVP is then interviewed by the media. In this interview the player is asked the following question: "Now that your team has won the Super Bowl and you have won the MVP, what are you going to do next?" To this he answers, "Now I'm going to Disneyland". This is an example of being prepared for historical events. It is a basic technique in which sport figures use the attention they receive for business purposes. Sport clubs are often in the center of significant, or even historical, events and the findings of this study demonstrate that there is a potential for using these events to secure competitiveness. Therefore, managers in sport clubs should coach their players on how to act when significant events occur. The common theme shared by the history and management of both Maccabi and Bayern suggests that these organizations were capable of making new rules and not playing by the existing ones.

From an academic perspective, the following are some recommendations and suggestions for future research. Future studies should extend this analysis to other sport clubs in an effort to investigate whether skilled management generates above-average performance. Additionally, it would be important to identify other resources that support competitive advantage. Another aspect that should be evaluated by future studies is what factors cause certain sport clubs to be unsuccessful. In future research it would be valuable to determine if a lack of managerial skills, such as the ones presented in this study, prevents sport clubs from gaining and sustaining competitive advantage.

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