CREATING A SUSTAINABLE COMPETITIVE ADVANTAGE: A RESOURCE-BASED ANALYSIS OF THE GONZAGA UNIVERSITY MEN’S BASKETBALL PROGRAM

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Research Problem

The purpose of this paper is to show how the effective management of a strategic resource has led to a sustained competitive advantage for the Gonzaga University men’s basketball program. A well known strategic management paradigm, the Resource-Based View (RBV) of firms, has often been used to better understand athletic issues and problems in university and professional settings. The key resource of the Gonzaga program is identified and evaluated in the context of the RBV, and the strategic decisions made to manage that resource and ultimately create a sustainable competitive advantage are discussed. This article would likely be of interest to intercollegiate athletics departments and their key constituencies, especially those who are charged with the management of individual sports. It would be particularly useful in those situations wherein athletic programs are attempting to build upon recent successes.

Issues

Strategic management literature has discussed the resource-based view (RBV) of firms for nearly two decades. Starting with the work of Jay Barney, researchers have sought to explain competitive advantages enjoyed by some firms in various industries. Such research has been expanded to explain success in athletics and related activities.

In the major college sports of men’s basketball and football, a mid-major program rarely rises to national prominence and can sustain that status. Most members of mid-major conferences experience isolated success tied to a single season performance similar to that of a one-hit-wonder rock music band. However, mid-major universities whose athletic programs can sustain competitive success at the national level over an extended time period may enjoy a distinct competitive advantage. It can be hypothesized that an athletic program does not remain successful by chance, but rather as a product of good strategic management. The Gonzaga University men’s basketball program serves as a prime example of how effective management of a unique resource can lead to continued success.
Gonzaga University made a dramatic appearance in the Elite Eight (quarter finals) in the March 1999 NCAA Division I men's basketball tournament. Instead of disappearing from the national scene like many mid-majors, the team followed its initial success by advancing to the Sweet 16 the following two years—a feat matched at that time only by powerhouse programs at Duke University and Michigan State University, which compete in major athletic conferences. This accomplishment attracted national attention, and the Gonzaga men's basketball team has since become recognized as a nationally prominent program.

One key to identifying the factors behind Gonzaga's success may lie in a well known set of concepts from the field of strategic management. The first important concept, competitive advantage, is the ability of one firm to outperform others. Creation of competitive advantage is based on the characteristics of resources controlled by the firm. According to the RBV, organizational resources can create an organization's competitive advantage. The RBV rests on two key assumptions: (1) resources vary across organizations, and (2) resources not currently possessed may not be easily developed or acquired by other organizations. As such, the control of key resources can lead to a firm's competitive advantage, allowing it to outperform other firms. More importantly, competitors may be in no position to challenge the focal organization due to the lack of similar resources. For many, the resource characteristics of value, rareness, imitability, and organization (otherwise known as the VRIO framework) are the keys to understanding competitive advantage. According to this perspective, if a firm can effectively and efficiently manage (organization) a valuable, rare and not easily imitated resource it should possess a competitive advantage that is sustainable over the long term.

Summary

According to the authors, the key resource that serves as the foundation for Gonzaga's competitive advantage is the program's three consecutive Sweet Sixteen appearances made from 1999-2001, with an Elite Eight appearance at the start of that period. This level of performance created a resource with both tangible (wins and accomplishments) and intangible (perceptions of program quality) properties. The program has sought to effectively exploit and capitalize upon this resource, hereafter referred to as the Sweet Sixteen Resource, through the organization element of the VRIO. The Sweet Sixteen resource is recognized as an element worth preserving in much the same way a corporation would seek to protect and preserve a patent critical to its success. Effective management (e.g., decision-making) of that resource subsequently led to extensive media exposure for the university's basketball program, enabling Gonzaga University as a whole to capture the attention of a greater number and broader range of potential students, athletes, and donors.

The Sweet Sixteen resource can be evaluated in the context of the VRIO framework to better understand the factors underlying the continued success of the Gonzaga men's basketball program. The Value element of Gonzaga's Sweet Sixteen resource is clearly evident when examining various university-level outcomes. Gonzaga's ability to attract students and increased financial support (among other key resources) has increased dramatically over the past decade. Clearly, a link exists between the Sweet Sixteen resource and the overall university's performance and competitive position.

Rareness, the second element of the VRIO framework, adds to Gonzaga's competitive advantage. Some Division I programs have achieved similar athletic success in sports outside men's basketball and football. The success of those programs, however, has not catapulted their respective schools into the national limelight to the extent enjoyed by Gonzaga in the prominent sport of Division I men's basketball. As noted earlier, very few mid-major men's basketball programs other than Gonzaga can boast of three consecutive Sweet Sixteen appearances in recent years. In sum, what Gonzaga accomplished is extremely rare. Rareness combined with Value can lead to a temporary competitive advantage. One of the key consequences of this advantage for Gonzaga is the basketball program's ability to separate itself from other mid-majors in the all-important aspect of recruiting. The Sweet Sixteen resource has been instrumental in attracting better athletes to the basketball program. The value and rareness of the Sweet Sixteen resource has allowed Gonzaga to shift from recruiting the same athletes sought by other mid-majors (usually within the western United States) to successfully attracting student-athletes who are also being recruited by larger, more established, more prestigious, better funded programs such as Pacific Ten Conference schools.

The third element in the VRIO competitive advantage framework, Imitability, is also satisfied by the Sweet
Sixteen resource. Despite efforts made by other basketball programs to imitate Gonzaga, few, if any, have answered the question of how to achieve similar success. Gonzaga’s athletic director, Mike Roth (2008) agrees. No blueprint for acquiring or developing the Sweet Sixteen resource existed, totally underscoring the notion that the Sweet Sixteen resource cannot be purchased nor otherwise readily duplicated; it exists as a unique resource that positioned Gonzaga to attract better athletes, play stronger pre-season competition, and gain greater media exposure.

The VRIO model suggests a fourth element, Organization, is necessary to take advantage of a valuable, rare, and not easily imitated resource. Under these circumstances, creation of a sustainable competitive advantage may be possible when an organization possesses the ability to take advantage of the resource. Many variables such as leadership, decision-making, organizational culture, and/or structure fulfill this complementary role. The element of Organization clarifies the point that continued athletic success cannot be assumed because of past successes. A sustainable competitive advantage must be earned and then maintained.

Analysis

This article is important because it highlights the need to build on success in order to fully utilize the potential of a valuable, rare and not easily imitated resource. Several mid-major teams have reached the Sweet Sixteen or beyond, but, as noted earlier, many have failed to sustain that success and have disappeared from national attention. Gonzaga might well have followed suit. The program’s initial success occurred when Gonzaga University was experiencing serious financial difficulties, and its head coach had left to accept a position at the University of Minnesota. Therefore, Gonzaga’s athletics leadership team needed to work diligently with the university’s top administration to successfully execute the critical VRIO element of Organization. The athletics leadership team focused on cohesively blending three key variables in its strategic management of the Sweet Sixteen resource: 1) retention of the coaching staff, 2) generation of financial support to improve facilities and to meet other increased program costs, and 3) promotion of television appearances, which implicitly required scheduling games against high profile teams.

Retention of such a highly successful coach at a school like Gonzaga is certainly an exception. After experiencing NCAA tournament success, many mid-majors often lose their successful coaches to schools with more resources (as occurred at Gonzaga after its initial appearance in the Elite Eight). Gonzaga has exerted diligent efforts to provide resources to the men’s basketball program, thereby causing its head coach forego offers from programs at more prominent universities (Davis, 2010). The focus on coaching staff continuity also led to succession plans as well as competitive compensation packages, great resources, and a positive working environment.

Gonzaga’s athletics leadership team also effectively leveraged the Sweet Sixteen resource to gain increased financial support immediately following its 1999, 2000, and 2001 NCAA tournament successes. With direct involvement of the University’s President Spitzer, Gonzaga raised $25 million dollars to fund construction of the McCarthey Athletic Center (MAC), a basketball-specific facility for the men’s and women’s teams. Opened in 2004, the MAC is a key tool in the recruitment of top level athletes and is regarded as one of the premier basketball facilities of its size in the country. It represents a significant upgrade over the university’s previous basketball venue, which offered less than half the seating capacity and an environment more like that of a high school gymnasium. Financial support for the program continues to improve. In addition to the dramatic increase in athletic club donations to Gonzaga, the men’s (and women’s) basketball program now obtains enough financial support to take charter flights to and from away games. This minimizes layover costs and the student athletes’ time away from classes. Charter flights prove especially helpful because of the demanding pre-season travel schedule arising from Gonzaga’s “play anyone, anywhere, anytime” mindset. Additional funding has also enabled the university to construct stadiums for baseball and soccer, and to make major improvements to facilities used by athletic trainers and the strength and conditioning staff. Such improvements most assuredly enhance the university’s image in the minds of prospective student-athletes.

The athletics leadership team recognized the necessity and benefits of increased media exposure for the men’s basketball program. During the 2010-2011 season, for example, Gonzaga appeared fourteen times on ESPN or on an ESPN-branded channel. National media exposure has enabled Gonzaga to attract better athletes, improve its caliber of play, maintain its image as a basketball power, and, in turn, to gain a national fan base. Gonzaga capitalized upon its Sweet Sixteen resource to gain national telecasts of many of its games on the ESPN family of networks, with an annual “Battle in Seattle” game that has been broadcast on CBS. Remaining home games, as well
as some away games, are telecast either regionally and/or locally. The West Coast Conference of which Gonzaga is a member was also able to negotiate a national television package in part because of Gonzaga’s success, thereby increasing visibility of the conference.

Related to the surge of game telecasts, Gonzaga increased its strength of schedule dramatically to ensure that its games would be attractive for telecasts. The program can now boast of playing one of the strongest pre-season schedules of any team in the nation, including participation in several high-profile competitions such as the Maui Invitational noted earlier. Another mid-major program might find it cost-prohibitive to either obtain or develop a Gonzaga-type schedule, especially without a valuable resource such as a Sweet Sixteen or Elite Eight appearance to support gaining a similar schedule and related media exposure. Furthermore, in 2008 the athletics leadership team struck a 10-year multi-media rights agreement with IMG College, a sports entertainment and media company. This partnership enables Gonzaga to continue to gain corporate sponsorships and media exposure for not only the men’s basketball program but all of Gonzaga athletics. All of this has provided Gonzaga the ability to attract the financial and other support necessary to develop a sustainable competitive advantage that has its origin in the Sweet Sixteen resource.

Discussion/Implications

As mentioned above, this article would likely be of interest to the leadership of intercollegiate athletics departments and their key constituencies, especially those who are charged with the management of individual sports. It would be particularly useful in those situations wherein athletic programs are attempting to build upon recent successes.

There are three key things that can be learned from the current article. First, leadership teams in athletic departments should have a solid understanding of the strategic management concepts of competitive advantage including the VRIO framework. These concepts are critical for they can help decision makers better understand the strengths of their departments and, more importantly, they can help decision makers better position their departments and sports vis-à-vis the competition and the external environment. Second, leadership teams in athletic departments must realize the necessity of building on success. In some cases building may take the form of maintaining continuity while in other cases it may require fundamental changes in operations and behaviors. Finally, leadership teams in athletic departments must take a systems perspective when thinking strategically. The examples noted above (e.g., retention of the coaching staff; generation of increased financial support; promotion of television appearances; scheduling of games against high profile teams) are all part of the “organization” puzzle. If one part is removed the whole may fall apart. When it comes to strategic management there are very few “one-thingers” and in building on the foundation of the highly valuable Sweet Sixteen resource, Gonzaga’s athletics and university leadership administration teams made several interrelated strategic decisions that have created a sustainable competitive advantage.