



The Welsh Rugby Union (WRU): Critical Application of the Co-opetition Model

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DECLARATION

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

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ABSTRACT

This study is a critical evaluation of the co-opetition model applied to the Welsh Rugby Union (WRU) which is a former amateur sport management organisation, which is now operating in a fully commercial, but not in a perfect competition environment. The analysis evaluates the reality of competition between elite regional rugby organisations spawned by the WRU. It utilises the concept to review the Regions (the 'Blues', 'Ospreys', 'Scarlets' and the 'Dragons') who are stakeholders of the WRU but who also in turn have stakeholder and wider commercial pressures.

Rugby is a high profile sport in Wales, indeed many claim it is a pivotal factor in defining Welsh identity and generating morale in all spheres of Welsh endeavour. This public scrutiny, visibility and emotional expectation impacts on all agents' ability to plan and manage. It also imports a political dimension to these businesses, which may not be so acute in other sporting federations.

The aims of improving national rugby success in reorganising into the existing regional format may partially have been achieved in the wake of the 2012 Grand Slam victory. However success in lower levels at regional and sub regional spheres of the game may be less obvious.

In the present structure co-opetition is reviewed as a possible way that regions can compete and also cooperate, to achieve mutual benefits, but still maintain healthy sporting competition, which attracts revenue and can generate sustainable development. The outcome of quality enhancement, witnessed by national team success, appears to be the outcome of the new structure, but once other objectives such as regional competition success, commercial target improvements, resource development, even survival, the manner in which regional are co-opeting is more in doubt.

The research identifies how regions are co-opeting now, including whether the necessary conditions for co-opetition success exist and whether better models fit the reality of their competition form, such as collusive oligopoly or cartel.

Recommendations are logically derived to suggest reform of the structures to maintain national success but also improve regional performance and these are then evaluated against the co-opetition model theory describes to ascertain which areas fit and which areas do not. Upon evaluation of the research, the study makes suitable conclusions and recommendations based on the evidence to support the model of co-opetition as being most appropriate.

CHAPTER 1

INTRODUCTION

1.1 Overview

In this chapter, the co-opetition model will be introduced in a manner which could be applied to the activity of the WRU and other related independent organisations referred to as Welsh 'Regions', which are made up of the 'Cardiff Blues', 'Scarlets', 'Ospreys' and 'Dragons'. Each organisation operates within the professional sporting sector of Rugby Union Football. Each represents the elite end of the professional game in Wales. The purpose of the WRU is to promote, foster, encourage, control and improve rugby football in Wales (WRU, 2011; p. 10). The purpose of the Regions is to prepare players in readiness for domestic, European and international levels of competition. Engrained in the fabric of Welsh society, rugby in Wales carries huge significance in the well being of the Nation (Tuck and Maguire, 1999) so much so, that when Wales win a game of rugby, the mood of the Nation is uplifted. Such a mood is something the researcher has experienced firsthand having played international rugby for Wales in a career spanning 1987 to 1995. Parallels exist here with New Zealand, where rugby is also more than just the national sport (Owen and Weatherston, 2002).

However, off the field, moves to take rugby union into a new era from amateurism into professionalism were imminent with the game on the brink of uncharted territory. This change and managing the very public nature of the day to day business and emotional challenges of rugby in Wales is critically analysed as part of the research.

The purpose of the research, therefore, is to provide a critical analysis and critical evaluation of the co-opetition model when applied to the business situation of the WRU against the backdrop of the added challenges of the depth of public emotion attached of arguably one of the most talked about businesses in Wales.

1.2 Co-opetition definition

Co-opetition is a portmanteau derived from co-operation and competition. In a business environment it is a relatively new expression or neologism, used to describe cooperative competition which centres on the theory of organisations that collaborate, cooperate and coordinate their activities, whilst still competing in the same markets (Zineldin, 2004). According to Bengtsson and Kock (2003), co-opetition is a situation where competitors ‘simultaneously cooperate and compete’ with each other. When a company’s business strategy focuses on improving their competitive position within the specific industry or market segment that the company serves, forms of business strategy can be competitive and / or cooperative. Business strategy therefore asks how the company should compete or cooperate in each industry (Wheelan and Hunger, 2010).

1.3 Analysis of the impact of the History of the WRU

The WRU was founded in 1881 emerging into an environment of Welsh cultural practices, such as, choral singing, heavy industry, the trade Unions and Chapels. This was at a time of dramatic economic and social changes in Wales in the second half of the 19th Century. South Wales in particular, during this period, was a dynamic and creative society which took to rugby as it had previously taken choral singing (Richards, 1999). The sport was not merely borrowed, but was forged into a distinctive style that responded to the demands of the Welsh physique and sense of performance.

Reform and regeneration coincided with historical events in Wales affecting sport and politics alike. From a sporting point of view, 1995 saw the game of Rugby Football Union turn professional, when officially declared ‘open’ by Vernon Pugh QC, the then Chairman of the WRU and Chairman of the sport’s World Governing Body, the International Rugby Board (IRB) . This action significantly reduced the loss of leading players to the rival professional code of Rugby League and removed the threat of a breakaway professional circus which had hitherto been considered (Morgan, 2002). These changes took place against a back-drop of political change, culminating in the establishment of the National Assembly for Wales in 1999. In fact, the role of sport generally in post-devolution Wales is so tightly interwoven with political questions, that

it is closely intertwined with the political process at the disposal of politicians (Holden, 2011) an example of collaboration and co operation in a wider sense.

Up until that time, rugby union had remained resolutely amateur, being the last major sport to do so. It could be argued however, that throughout the WRU's history, instances of co-opetition have been evident. Famous victories such as that of Wales over New Zealand in 1905 contributed to the first Welsh 'Golden Era' from 1900-1911 (Facey, 2011). As Griffiths (2012; p.1) noted...

...In an era of professional sport, the Old British Corinthian spirit of fair play, gifted amateurism and jolly hockey sticks seems an anachronism. It was not the winning, but the taking part that mattered. It could be argued, in British history, the age when this ethos dominated was also fairly dismal for UK sporting achievement.

1.4 Professional Era

The new professional status of Rugby Union established in 1995, was due mainly to capacity crowds and vast television audiences which were being attracted at international levels of competition. The Five Nations tournament in the Northern Hemisphere, made up of England, Wales, Scotland, France and Ireland (with Italy joining in 2000 to make the Six Nations), helped to fill some of the largest stadia in Britain (Richards, 2001). Similarly, the Tri Nations tournament in the Southern Hemisphere made up from New Zealand, Australia and South Africa, were also generating capacity crowds and vast TV audiences. This success then led to demands from the players for a share of the revenue they were helping to generate (Morgan, 2002). For many of the clubs which opted to become involved in the professional game, this was the end of an era. In some cases, over 100 years of institutionalised amateur practice was brought to an end and professionalism became the dominant mode of operation in these organisations. Consequently, to ensure operational efficiency, the values and organisational structures forming the essence of amateurism had to be deinstitutionalised. O'Brien and Slack, (1999; p.24), describe this process as 'the erosion or discontinuity of activities and practices, which through the force of habit, tradition or history, have come to be accepted as legitimate'.

Along with this new professional status, the WRU constructed the Millennium Stadium, in readiness for the IRB World Cup in 1999. The same revered ground was utilized as

had served the Wales International rugby side for countless decades before known as ‘Cardiff Arms Park’. It also facilitated a new prestigious headquarters of the WRU based in the Cardiff Capital, incorporating Millennium Stadium PLC and more recently the Welsh Rugby Union National Centre of Excellence (WRUNCE) as part of the WRU Group, truly elevating the business in the modern era.

The WRU Group today blends over 125 years of tradition and heritage with 10 years of Millennium Stadium innovation and challenge (WRU, 2012). Its new home, established as an ‘icon’ of modern Wales, complemented the organisation. Current Chairman of the WRU, David Pickering has commented that ‘since moving into the Millennium, the WRU has possibly seen as many changes to the fabric of the game as had been seen in the previous 100 years’ (WRU, 2010; p.6).

The emergence of new regional identities, out of nine previous clubs, charged with the elite end of the game in Wales, resulted in the forming of new regional loyalties which was not popular with everyone.

1.5 Stakeholders

Arguably, the most notable change to organisational structure was implemented in 2003 when the WRU changed its primary stakeholders, from the aforementioned nine clubs, to the Regions. In the case of the WRU, there are many categories of stakeholders and wider stakeholders that exist.

For the purpose of illustrating this structure, **Figure 1.1** is a stakeholder view (or broad view) of the WRU, where the shareholders/owners represented by Regions are one group of primary stakeholders amongst several others. Johnson *et al.* (2011) describe stakeholders of the organisation as those who influence strategy, but also point out that expectations of stakeholder groups are likely to differ and this can lead to conflicts regarding the importance and/or desirability of particular strategies. The diagram is based on the stakeholder model of Freeman (2004); adapted to incorporate primary and secondary stakeholders. Creating and enhancing sustainable relationships must share a philosophy of how things should be run in recognition of the mutual interdependence of the partners; acknowledging that ‘each of the partners has complementary assets and skills and neither can accomplish alone what they can together’ (Zineldin, 2004; p.783).

However, Zineldin (1998, 2004) warns against ‘asymmetry’ of power and if allowed, the co-opetition relationship can be dysfunctional. So without equal integration of the Blues, Scarlets, Ospreys and Dragons, the sustainability of the respective businesses would be compromised. Furthermore, the emotional expectations alone, from other stakeholder groups such as spectators, who largely subscribe to a winning mentality, make the managerial decisions at the Regions more difficult.

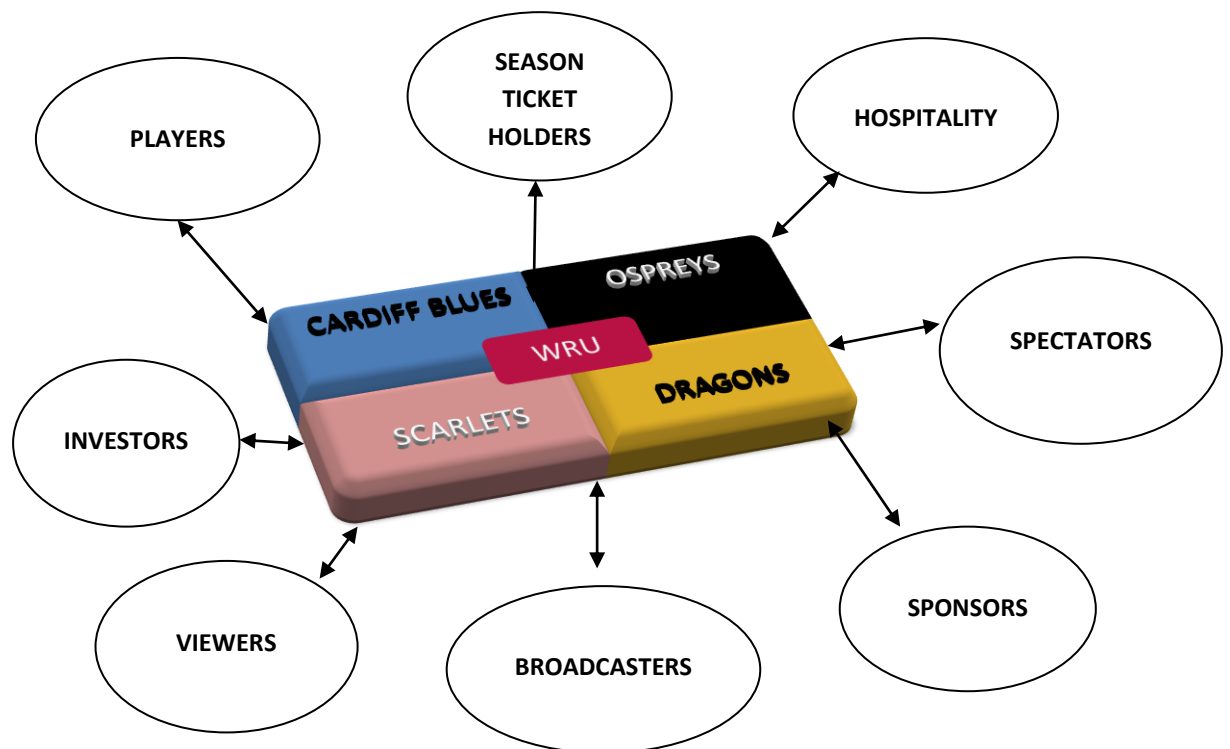


Figure 1.1. Direct Stakeholder Approach to Strategy at the Regional Level (adapted from Freeman, 2004).

So clearly identified as the focus of this research, the co-opetition business situation of the WRU and the Regions’, not only critically analyses and evaluates the infrastructure, market conditions and opportunities that exist within their business sector of professional sport, but also critically analyses the WRU and the Regions’ common assets, in the shape of human capital, referred to as players. The research then evaluates how each scenario of co-operation, co-ordination, collaboration and competition is conducted and asks whether these actions occur simultaneously.

1.6 Organisational Structure of Rugby in Wales

According to Johnson *et al.* (2011), structure follows strategy and is the process through which changes in corporate strategy normally lead to changes in organisational structure. This is certainly collectively evident in the case of the WRU and the Regions when significant change was implemented in 2003 when the WRU changed its primary or constituent stakeholders represented by nine clubs, to five Regions, subsequently reduced to four Regions in 2004, with the demise of the Celtic Warriors (BBC, 2004), each representing the elite end of the game in Wales. This resulted in wider changes and the re-shaping of the semi professional tier below the Regions, with a primary focus of producing and preparing players to play regional rugby and International rugby.

A linear approach used by Morgan (2002), when depicting the structure of competitions as a channel whereby players are identified, selected and developed to compete at international level, will be used to critically evaluate this structure. The manner in which regional revenue is channelled into the sport's development in Wales will also be discussed. This highlights the symbiotic relationship between the WRU and the Regions as being both integral and influential, independent bodies operating at the elite end of the game. Co-opetition, therefore, can contribute to common goal achievement and foster development in a sustainable way.

1.7 The aims and objectives of the research

With numerous models of governance available in the management of organisations involved in elite sport on a global scale, the research aims to offer suitable evidence that a co-opetition approach is the most effective model of governance when applied to the WRU and the Regions. The research also aims to provide suitable recommendations for future research to be conducted. With this in mind, the aims and objectives of the research are as follows:

- i. Critically analyse the 'co-opetition' model that exists when applied to the WRU and the Regions.
- ii. Evaluate the categories identified with the forming of co-opetition relationships and critically analyse the criteria for the survival of the relationship when applied to the WRU and the Regions, in its market sector.

- iii. Derive logical recommendations on the viability and sustainability of the current co-opetition model of the WRU and the Regions in the ever increasing economical challenges.

1.8 Methodology and Data Collection

In considering the main conceptual issues which underpin research, the chosen Paradigm and Methodology, are elaborated on more specifically in Chapter 3 of this research.

Both primary and secondary data has been gathered to satisfy the research aims and objectives. The method chosen to best evaluate and critically analyse the research topic, is the interviewing of key strategic employees in the Regions, Regional Rugby Wales (RRW), the alliance formed to represent the Regions (the forming of which, will be discussed later) and the WRU. Furthermore, as such data is to be the subject of interpretation and subjective in nature, the research is concerned with generating theories which can be critically analysed and evaluated to produce a series of recommendations based on reliable and valid information.

With the adoption of the phenomenological paradigm, qualitative data collection and analysis techniques are chosen to address the research aims and objectives. The research is not testing any hypothesis mainly because the concept of co-opetition is not sufficiently defined by theory and the methods adopted, both phenomenological and qualitative, are not conducive to testing. However, the analysis is informed by the literature and instances of day-to-day activity between the research organisations that allow for the evaluation and interpretation of the analysis.

The chosen methods also allow for deep understanding of the case with several possible interpretations. Collis and Hussey (2009) argued that qualitative data in business research provides a more 'real' basis for analysis and interpretation, but such an approach can present problems relating to rigour and subjectivity. In analysing the accumulated data, Collis and Hussey (2009), suggest the research questions need to be at the forefront of one's thinking whilst conducting the analysis and furthermore, no matter how good the systems and procedures adopted, the quality of analysis will only depend on the quality of the data collected and its interpretation. Even though, the phenomenological approach for the interview method of data collection suggests

unstructured questions which can be difficult to control and analyse, the researcher's knowledge and experience of the research area, enabled an open mind to be kept to encourage the interviewees to discuss various topics (Collis and Hussey, 2009). In addition, an understanding of the interviewees being reluctant to be truthful about certain issues, if the subject matter was deemed highly confidential or commercially sensitive was acknowledged, therefore the approach of unstructured interviews was deemed an appropriate method (Easterby-Smith *et al.*, 2008).

Finally, to cover the other objectives, data will also be collated from various secondary sources designed to increase knowledge of the subject area as a tool to increase focus on the research topic. Sources of secondary data will include books, articles in journals, magazines and newspapers, companies' annual reports and accounts, electronic databases and the internet.

1.9 Ethics

An ethical risk assessment was carried out to determine any negative impacts and to seek to prevent these happening. All participants were informed about the purpose of the research and to obtain their agreement to participate. Confidentiality or anonymity was offered to the participants, particularly in relation to what could be deemed as sensitive, commercial information. This elicited more open and honest answers even though it was stressed that there was a danger that the respondents could easily be identified due to the sample population being small in number. Finally, rehearsal of interview technique allowed respectful conduct of the data collection exercise.

Researchers can avoid and resolve ethical dilemmas by knowing both what their ethical obligations are and what resources are available to them (Smith, 2003). This study honoured this guidance.

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

Zineldin (2004; p.780) describes co-opetition as...

...a business situation, in which independent parties cooperate with one another and coordinate their activities, thereby collaborating to achieve mutual goals, but at the same time compete with each other as well as with other firms.

It has been argued (Walley, 2007) that relationships are either competitive or cooperative in nature and it is apparent that in practice, firms can compete and cooperate with each other at the same time. Therefore, the term of a co-opetition was to mean competition and co-operation occurring simultaneously between two or more business partners in the hope that it leads to repeatable interactions (Zerbini and Castalado, 2007).

It could be said that restructuring the fully professional tier to form Regions in 2003 in Wales was inevitable, given the economical challenge of sustaining the previous structure of nine fully professional clubs compounded by the general economic downturn from 2008. In addition, the pressure of elite world competition and the lack of resources in Wales have accelerated fundamental change due to the ongoing desire for Wales to keep pace and compete with the superiority of the Southern Hemisphere nations of New Zealand, Australia and South Africa (Cleary, 2012). It has also caused the closer scrutiny of alternative models such as the implementation of central control by the New Zealand Rugby Football Union (NZRU) over the 'market for professional rugby players' in New Zealand (Owen and Weatherston, 2002). Even the Australian sports industry underwent significant restructuring, brought about with the election of a new federal government with a remit of examining the funding levels of elite sport (Sparks, 2008).

O'Brien and Slack (1999; p.28), note that the restructure in Wales was further challenged by institutionalisation where 'rules, myths and belief systems became imbued with social value and meaning' particularly in educating the categories below elite level. However, the principal focus for David Moffett following his appointment as WRU Group Chief Executive in December 2002 was to set about tackling some £50 million of WRU debt, most of which was incurred from the building of the Millennium

Stadium (Cleary, 2002). But after three years in charge, Moffett created the regional system before accepting a reputed pay off from his employers, the WRU, due to ill health (Rees, 2008). Another factor, that of globalisation processes, accelerated markedly during the twentieth century so much so it has been difficult to comprehend events at the local or national level without reference to these processes with the world of sport being no exception. Maguire and Tuck (2005; p.109) makes the point that 'increases in transnational player migration and 'global' sports events were an indication of a more interconnected world with nation-states situated in a closer and more intense network of interdependencies'. Zineldin (2004; p783) builds on this notion stating that such interdependencies are amongst certain criterion of 'how organisations of the future should develop an effective process for establishing and maintaining strategic co-opetition'. These will be analysed further and applied to the research in sections 2.2.2 and 4.2 of the research. However, partners, the WRU and the Regions, have a reliance on each other and they invest in each other; evidenced by the fact that the Regions are heavy reliant on the WRU for their respective primary sources of funding (WRU, 2011) and the WRU are heavily reliant on the Regions in preparing players to represent Wales at international levels of competition. However, theory is one thing, but creating a mature and trustworthy working relationship is another. The importance of which is imperative according to Zineldin (2004; p784), stating that 'co-opetition partners need to communicate, co-operate and compete in an atmosphere of frank debate, trust, interdependence and mutual positive expectation'. Sherman (1992) endorses this, stressing that the biggest stumbling block to the success of co-opetition relationships is lack of trust.

2.2 Corporate Strategy: Co-opetition

2.2.1 Origins, theories and concepts

The notion of a co-opetition was used for the first time in 1993 by the founder and CEO of Novell Company (Ketchen *et al.*, 2004). Afterwards it was adopted by company behaviour researchers and the representatives of the theory of games (Brandenburger and Nalebuff, 1996). For the purpose of the research, the next two sections evaluate the criteria for successful co-opetition relationships according to Zineldin (1998, 2004) together with the concept of Game Theory according to Brandenburger and Nalebuff

(2002). Each category is critically analysed and applied to the research organisations and where applicable, compared and contrasted to similar organisations.

Changes to the business environment have led organisations from a position where the majority competed to a position where many had to co-operate, to a point where they co-operate and compete simultaneously to survive (Balagumyetime, 2011). The unusual combination of co-operation and competition in a firm's activities is now better understood to be the norm rather than the exception (Chen, 2008). Luo (2004) believes that to be an effective competitor, requires organisations to be effective co-operators as well. Furthermore, Chin *et al.* (2008), in acknowledging the fact that competition and co-operation are simultaneous, regard it as a new option in the strategic portfolio of a firm.

2.2.2. Criteria for co-opetitive relationships

Believing that successful co-opetition relationships are true partnerships, Zineldin (1998 and 2004), identifies certain criterion for success, with examples and basics on the necessary conditions illustrated in **Table 2.1**, to include an application of the theory to the WRU and the Regions. Here, Zineldin (1998 and 2004), believes that creating and enhancing a sustainable relationship has both a cost and a value. The cost element when applied to the research can be interpreted in two ways, the potential tangible financial cost saving by implementing the 'Regional' system in the first place, led by the WRU and the intangible emotional cost represented by sacrifice of the majority of clubs and supporters in being asked to support the change to Regional rugby in Wales. The latter is an example of the 'dark side' of co-opetition, Zineldin (2004) also refers to.

Considering the value element, the WRU believe the organisation has strong values and moving from nine clubs to four regions has been highly successful (WRU, 2010).

Collectively, these changes were designed to give Welsh Rugby a more sustainable business future off the field and a greater competitiveness on the field and in doing so, adding value to each interdependent organisation.

The Welsh Rugby Union (WRU): Critical application of the Co-opetition Model

<u>Criteria for success</u>	<u>Theory</u>	<u>Application</u>
<i>Individual Willingness, motivation and strategic fit</i>	<i>The partners have a strong motivation for entering the relationship. They have something of value to contribute. Partners have a common long-term goal and want to make the relationship work to achieve it.</i>	<i>It is clear in Chapter 4 that a collective motivation exists with all partners motivated to make the Wales National team successful. Common goals amongst all partners are also evident in Chapter 4 and in Figure 2 in appendices.</i>
<i>Interdependence</i>	<i>The partners have complimentary assets and skills and neither can achieve alone what they can together. They invest in each other to demonstrate their respective stakes in the relationship.</i>	<i>Assets in the form of players and skills in the form of respective coaches and management exist amongst all of the partners. The investment in each other as interactive partners on common matters such as salary caps as referred to in Chapter 4 is evident whilst preserving commercial autonomy.</i>
<i>Cultural Fit</i>	<i>Each partner carries out its commitments and has a trusting attitude. All are able to share the information and knowledge required to enhance and sustain the relationship.</i>	<i>Trust amongst the partners has and still is an issue, but it is acknowledged that this is improving as confirmed in Chapter 4. Shared databases on players and video footage improve collective knowledge.</i>
<i>Organisational arrangements and institutionalisation</i>	<i>The relationship(s) is given formal status, each having defined responsibilities, with an agreed and effective dispute-resolution mechanism.</i>	<i>The latest participation agreement in 2009 (Figure 1 in appendices) is testimony to organisational arrangements and institutionalisation.</i>
<i>Integration and Integrity</i>	<i>The partners develop linkages and shared modes of operating, incorporating effective communication systems. They respect each other and show mutual integrity that justify, enhance and sustain mutual trust and commitment.</i>	<i>Similarities exist here with 'Cultural Fit' referred to above.</i>

Table 2.1. Criteria for the Survival of the Relationships between the WRU and the Regions (adapted from Zineldin (2004))

2.2.3 Game Theory

Recognising interdependence is the alternative view of Brandenburger and Nalebuff (1996), who believe that co-opetition offers a theory of the creating and capturing of value. They believe that creating value is an inherently cooperative process and capturing value is an inherently competitive process. In creating value, people are unable to act in isolation and they have to recognise their interdependence.

Brandenburger and Nalebuff, (1996; p.4) turn to game theory as a way of bringing competition and co-operation together, describing 'business as co-operation when it comes to creating a pie and competition when it comes to dividing it up'. According to Dobbs (2010), Brandenburger and Nalebuff (1996), brought the term co-opetition into common usage to describe how businesses simultaneously compete and co-operate with competitors, suppliers, customers and other players in their environments. Alternative research on game theory is offered by Nash (1996) in stating that a two-person bargaining situation involves two individuals who have the opportunity to collaborate for mutual benefit in more than one way, such as bargaining, 'bilateral monopoly' or it may also be regarded as a non zero-sum game. Reference to a non zero-sum game applicable to the research will be included in section 2.8. Put another way, game theory is concerned with the interrelationships between the competitive moves of a set of competitors (Johnson *et al.*, 2011).

Certain synergies similar to the interdependence referred to by Zineldin (2004), exist in situations where a non zero-sum game or outcome takes place where parties to an exchange can both be better off as a result of a trade for instance. Witt (2007; p.3) believes that Nalebuff's message is as simple as it is complex, 'by working together, organisations can increase the size of the pie they're competing for, thus making everyone's slice of that pie bigger'. He goes on saying Nalebuff's theory is refreshing at a time in our history when the news is dominated by 'unending stories of war', in that you can be rewarded for doing things well, not necessarily for inflicting heavy defeats over your competitors. It could be said that there is an irony here when applying this to the WRU and the Regions, in the competitive environment of rugby it operates in, where ultimate success is judged on the result of a game and the confrontational process and tactical wit of beating your competition to submission. Accepting that this applies to the 'on-field' actions of professional sport, similar principles relating to 'off-field'

actions, such as working towards a stronger National squad, sport development in general, profit, prestige and survival; the basic idea is that business is a game where you are sometimes competing and sometimes cooperating with other players in your industry. Whilst an exclusive focus on competition, which is the predominant mindset of much that has been written about strategy in recent years (Brandenburger and Nalebuff, 1996), this largely ignores the potential for changing the nature of business relationships. A co-opetition mindset actively looks for ways to change and expand the business, as well as newer and better ways to compete. To capture this mindset, Brandenburger and Nalebuff (1996) introduce the concept of the 'Value Net'. The basic framework of the Value Net is illustrated further on in this chapter in section 2.14 and according to Brandenburger and Nalebuff, the 'oft-overlooked players' in the game referred to as complements; other organisations with whom reciprocal and mutually advantageous relationships exist. The research then compares and contrasts the value net against the renowned competitive strategy of Porter's five forces (Porter, 1980) in section 4.3 of the research. The purpose of this comparison is to ascertain if a co-opetition approach reduces the threats to the businesses forming part of the research; threats being in the form of other sports for instance.

The dominant goal is to create mutually beneficial exchanges and added values (Chin *et al.*, 2008). In the case of the WRU and the Regions, conflicting interests exist for instance when common assets, the players, fall victim of demands on time ahead of major competition at given times during a season, whereby common interests exist when the 'Regions' cooperate with the WRU in supporting the players once such times have been agreed upon. The research analyses these and other related issues and offers suitable recommendations having considered and evaluated the evidence towards a more mature compromise.

2.3 Strategic Objectives

The WRU business strategy of today is one of sustainability and developing and improving facilities that support top level performance and is delivered and monitored over a rolling five year financial and strategic plan (WRU, 2011). Such sustainability not only refers to financial issues but arguably to the ongoing development of players to avoid the depletion of player resources, which can only be good news for the Regions in their plight to maintain strong and capable home grown squads. Acknowledging there

are a number of strategies evident throughout the many tiers and geographies currently in place demonstrating co-opetition characteristics, common themes emerge between the WRU and the Regions. As referred to earlier in the research, when evaluating the mission statement of the WRU with the collective mission statement of the Regions represented by the alliance formed known as Regional Rugby Wales (RRW), (Cardiff Blues, 2010). Fundamentally, however, correlations exist with the WRU mission of 'leading Welsh Rugby to the forefront of the Global game in performance and reputation' (WRU, 2011; p10) and the RRW mission to 'champion and support the best interests of Welsh Rugby through regional rugby's role in the development of Welsh qualified talent' (Cardiff Blues, 2010).

These common themes or goals connect organisations according to Chin *et al.*, (2008) in ways critical to maintaining successful collaborative relationships.

2.4 Strategic Capability

In the context of explaining strategic capability, there is a fine line between organisational knowledge and the linked concepts of intangible resources, competences and dynamic capabilities (Johnson *et al.*, 2011). A number of useful insights are listed below specific to the research:

- Evidence of the sharing of knowledge and experience is an essentially social process relying on 'communities of interest' (Johnson *et al.*, 2008; p.158). Such developing and sharing of information on players and coaching techniques for instance, together with the integration of computer software between the WRU and the Regions, from a central database, (WRU, 2010), facilitated by social contact and trust enhances organisational knowledge therefore highlighting social and cultural aspects of strategic capability (Johnson *et al.*, 2011).
- Exchange of knowledge is more likely to occur in cultures of trust, as this is an essential element for building collaborative relationships. Furthermore, a high level of trust reduces conflicts and causes higher partner satisfaction (Anderson and Narus, 1990). Research also shows that a trusting

environment in team sports has the potential to improve performance (Mach *et al.*, 2010).

- Different organisations have different goals and objectives and even though they are cooperating together, they will also have different targets and wants. In the case of the WRU and the Regions, these goals and objectives are represented as missions and visions.
- The notion of tacit knowledge – the valuable and highly subjective insights and intuitions that are difficult to capture and share because people carry them in their heads and how to distil objective and transferable or ‘explicit’ knowledge from tacit knowledge (Nonaka, 2007). One source of lasting competitive advantage is knowledge with success coming from the creation of new knowledge which is disseminated throughout organisations (Nonaka, 2007). Knowledge management was a key factor in the English Rugby Team winning the Rugby World Cup in 2003 (Rosca, 2010).

2.5 Mutual Benefits for Welsh Regional Rugby of Co-opetition

2.5.1 Funding

The provision of core financial support by the WRU to the Regions was enhanced in 2009, by the signing of a historic new Participation agreement (**Appendix 1**) containing a renewed and substantially enhanced financial package for each of the Regions (WRU, 2010; p.20). The level of support in 2010 was £14.2 million, which reflected an increase of 18% compared to 2009 (WRU, 2010). Such provisions not only epitomize the collaboration which is evident between the research organisations, but allows for the interdependent autonomy to exist as the organisations operate towards a mutual goal.

2.5.2 Television and Media Revenue

As far back as 1994 at the time of pre professionalism, the WRU had been integral in negotiating with broadcasters on behalf of its then primary stakeholders, the nine Welsh elite clubs (Fairall, 1994). In 2006, the WRU were again central to negotiations in signing a deal with BBC Wales and S4C for the broadcast coverage of domestic rugby

in Wales (BBC, 2006). Peeters (2012) believes that because sports clubs jointly produce sports competitions, the quality of the sports competitions can be determined by the investments of all clubs involved in them. In return, the size of investments pledged from broadcasters for the rights to stage international matches and regional matches exclusively in Wales, forms part of the £58.5 million of WRU Group income (WRU, 2010). This allows the majority of surplus income after WRU operational costs, to be invested in Welsh Rugby in general. In England, the success of the product of international rugby on a global scale has generated these vast amounts of investments from broadcasters, providing much needed funding for the sport on a general scale and in doing so, categorising broadcasters as major and influential stakeholders. An £87.5m investment by BSkyB in English Rugby in return for television rights (Morgan, 2002), not only facilitated the necessary investment for the RFU to govern the sport at all levels, but also allowed the Clubs, as beneficiaries of this revenue, to hold on to players and to stop the loss of leading players to the rival professional code of Rugby League (Morgan, 2002). Similarly, in the Southern Hemisphere, an alliance between the South African, New Zealand and Australian Rugby Unions (SANZAR) had been formed just before the 1995 World Cup, when SANZAR announced the signing of a deal worth US 500 million dollars with News Corporation (O'Brien and Slack, 1999).

It could be argued, however, that the televising of games could reduce attendance at matches and therefore reduce income. Research conducted by Forrest *et al.* (2004; p.243) of the English Premier League, depicted as a cartel of soccer teams that collectively sells the rights to broadcast its matches, produced detailed economic evidence to show that broadcasting had a 'negligible effect on attendance concluding that additional broadcast fees would be likely to exceed any plausible opportunity cost'. Whether the WRU and the Regions represent a typical cartel in setting out to maximise the joint profits of its members, as portrayed by Forrest *et al.* (2004), when describing a cartel as more complex than a monopoly remains to be seen.

The reality however, is that television rights are the largest component of revenues for major sports amongst the larger wealthier nations (Noll, 2007).

2.5.3 Training Facilities

In order to position itself to elite ‘rugby-facing’ activity, the WRU Group, along with collaborative partners, the Vale Resort and the Sports Council for Wales, were able to create The WRU National Centre of Excellence (WRUNCE). This new financial partnership elevated Welsh Rugby to a new level in terms of identifying and nurturing talent. Every international pathway team and the senior National Squad operate out of WRUNCE (WRU, 2010). From the direct experience of the researcher, when employed as Manager of the Wales U’20 international team from 2008 – 2010, the facilities provide a world class opportunity to prepare teams from all facets of the elite game. The Regions also can benefit from independent use of the facility, evidenced by the researcher, providing a much needed alternative training venue, for their squads of players at given times.

2.5.4 Operating Protocols

The new Participation agreement (**Appendix 1**) accommodates a range of key rugby performance protocols include medical, player welfare, conditioning, analysis and nutrition, each designed to be of mutual benefit in the preparation of the players, the ‘main assets’ according to Morgan (2002).

2.5.5. Marketing and Sponsorship

Autonomy exists when applied to the WRU and the Regions in relation to their respective marketing and sponsorship activities. These areas provide much needed income and are an opportunity to raise brand awareness both on National and Regional fronts. In Ireland for instance, the sponsorship market is estimated by leading experts in that country to be worth a substantial sum estimated to be €140m (O’Keeffe and Zawadzka, 2011). However, according to the findings of Wang *et al.* (2010; p. 243), ‘in general, team identification and perceived congruence between the sponsor and the sponsored sports team affect the sponsor’s credibility’. The authors also state that this in turn has an impact on the sponsor’s brand equity. In Wales, from a WRU perspective, it could be argued even reported bad publicity surrounding the annoyance by fellow leading international players to that of Gavin Henson being chosen by Under Armour, the WRU’s official kit sponsor, to promote a new jersey, had the desired effect of

raising brand awareness (Rees, 2010). Of equal significance, was the main shirt sponsorship of the WRU, S. A. Brain, an established drinks and hospitality company, when forced to change its sponsorship slogan from Brains to Brawn in 2007 when in France, a country with a ban on alcohol advertising. Described as a ‘neat side step’ at the time (Henry, 2010), again it had the desired effect on revenue and brand awareness, so much so, that current shirt sponsors of the WRU, Admiral Insurance, signed a multi million pound deal in 2010 (BBC, 2010). Specific to the Regions, however, the researcher’s primary research findings in Chapter 4, evidence consistent trends both in terms of marketing and sponsorship approaches, each referring to sponsorship in particular as emotional and based upon no real quantification of benefit. It could be argued therefore, that the WRU brand is of much greater significance compared to the Regions, but if used correctly, the collective branding of rugby in Wales could be making more of an impact. In rugby’s union’s alternative code, rugby league, collaboration is central to Wales Rugby League. Here they identify key investment and partnership benefits such as that of supporting the National Governing Body (NGB) and marketing with a consistent delivery of company branding at both regional and national levels. In addition, their advertising and promotional slogan states that the Welsh National side is the flagship team who represent all that the game stands for from grassroots through to professional sportsmen (Wales Rugby League, 2012).

2.6 Strategic Alliances

Cooperative strategies, along with competitive strategies, can also be used to gain competitive advantage within an industry by working with other firms. The two types of cooperative strategies, referred to as collusion and strategic alliances (Wheelan and Hunger, 2010), each have characteristics that apply to the active co-operation of the WRU and the Regions. In fact, tacit collusion, it could be argued, is more applicable in this research than explicit collusion, as one of the key criteria, that of high entry barriers to keep out new competitors (Peteraf and Barney, 2003) is a feature of the oligopoly market structure the organisations belong to (elaborated on further, in section 2.15). A strategic alliance, on the other hand, is a partnership of two or more organisations to achieve strategic objectives that are of mutual benefit (Wheelan and Hunger, 2010). Ingredients of successful alliances according to Johnson *et al.* (2011) extend to strategic

clarity and purpose, compatibility and the meeting of performance expectations. The latter, it could be argued, specific to the research, is the most difficult to measure and empathise with, as performance can so easily be judged in the context of winning in professional sport such as rugby.

Figure 2.1 below, however, applies the Continuum of Strategic Alliances to the research, developed initially by Kanter (1994). It could be argued that the WRU and the Regions fall between a Mutual Service Consortia and Joint Venture in that they are a partnership of similar organisation's who pool their resources. However, this is categorised as a fairly weak and distant alliance relevant to partners who have a desire to work together but not share their core competencies (Bremner *et al.*, 1996). In contrast, Joint Venture depicts the cooperative business activity formed by two or more separate organisations for strategic purposes as described by (Lynch, 1989). They are also a convenient way for organisations to work together without losing their autonomy (Blodgett, 1992), again applicable characteristics of the relationship between the WRU and the Regions.

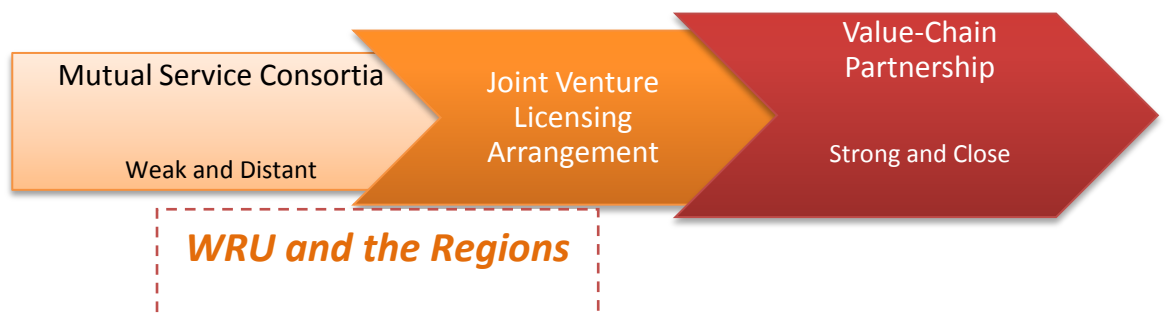


Figure 2.1. Continuum of Strategic Alliances (adapted from Kanter (1994))

2.7 Types of Co-opetition

According to Luo (2004), different types of co-opetition can be defined in terms of degrees of competition and cooperation. It could be argued that the WRU and the Regions occupy the co-opetition types referred to as partner and adapter. A partner is an organisation that maintains a high degree of co-operation and a low degree of

competition with partner organisations in the search of joint synergies which are created by complementary resources and capabilities. Adapters are organisations that mutually depend on each other to achieve respective goals, maintaining a high degree of co-operation as well as a high degree of competition (Chin *et al.*, 2008). **Figure 2.2** is a model adopted from Luo's (2004) "Intensity of Co-opetition with a Major Global Rival", and is adapted to illustrate the co-opetition category type that best applies to the WRU and the Regions.

High	Contender – High competition / Low Co-operation	Adapter – High competition / High cooperation
	Monoplayer – Low competition / Low co-operation	Partner – Low competition / High Cooperation
Low	WRU & The REGIONS	
	Low	High
	Co-operation	

Figure 2.2. The model of different modes of co-opetition (adapted from Luo (2004))

2.8 Regional Boundaries and National Identity

The perception that such dramatic change in professional rugby in Wales was harmonious as intimated by Harris (2007), when depicting Wales' rugby centrality as a 'monolithic whole', had the Scarlets Region; contrary to this conceptual opinion. Similarly to the Blues Region, the Scarlets, which officially represents the whole of West and North Wales as a Region, proudly pronounced and openly declare themselves victorious in their battle to 'stand-alone' where others Regions were merged to create the five which subsequently become four Regions (Scarlets, 2011). Such a declaration can be interpreted as elitist and epitomizes the naive desires of all of the previous nine clubs at that time, when faced with possible mergers, that victory belongs to the organisation that has to sacrifice the least amount of change.

Contending with these desires demonstrates the magnitude of the task faced by the WRU when asked for history and tradition to compromise. **Figure 2.3** illustrates the geographical coverage of each of the Regions in their current form.

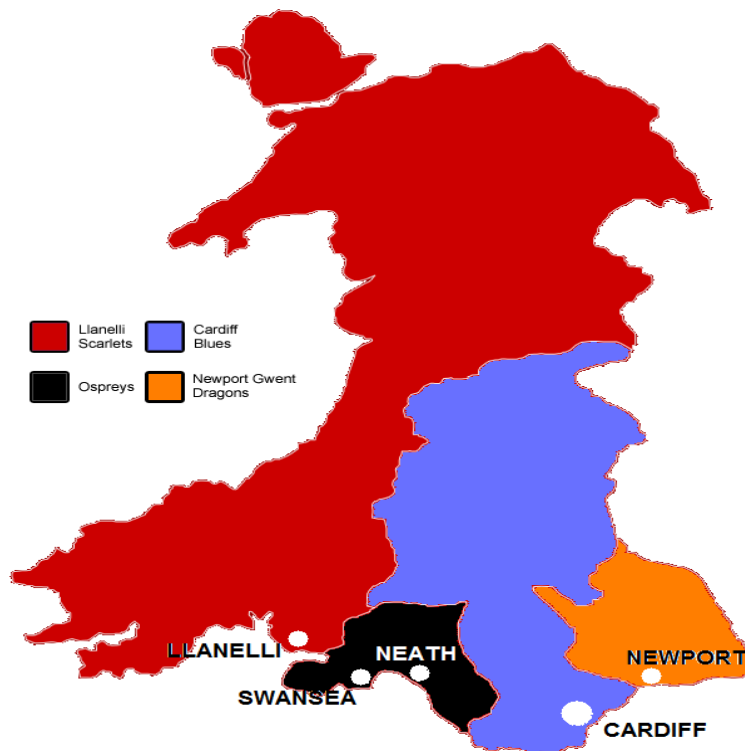


Figure 2.3. Geographical coverage of each Region (Source Public domain)

With countless other resistances to club mergers across the newly formed regional territories, it could be argued that none of these sacrifices were as bad as the decision to eradicate the Celtic Warriors Region from the Welsh rugby map. Due largely to financial constraints and the belief at the time of joint owner of the Warriors with the WRU, Leighton Samuel, that the move was premeditated with the WRU preferring four Regional sides to five, (BBC, 2004), bigger slices of the financial and geographical pie for the remaining four Regions was the result. In contrast with the conventional business philosophy, where the ‘winner’, in this case the WRU as instigator of the cull and the remaining four Regions (players), takes the entire marketing share, leaving the ‘loser’, the Celtic Warriors Region, empty handed, co-opetition claims a win-win growth opportunity for all players involved. This is something Ford and General Motors (GM), as fierce competitors in automobile manufacturing recognised when challenging government subsidies for electric vehicles (Mitchell, 2010). By competing

and cooperating simultaneously, the interactions of Ford and GM were not limited to a zero-sum competitive exercise in dividing the pie, but allowed the two firms to work cooperatively to enlarge the pie for both (Dobbs, 2010). In contrast, the enforced implementation of Regional Rugby in Wales, does oppose the individual willingness, motivation and strategic fit (Zineldin, 1998 and 2004) talks about.

However, an opportunity to create a bigger business pie and simultaneously compete for bigger slices (Brandenburger and Nalebuff, 1996) was rejected by the WRU. It was referred to as a non zero-sum game strategy as the commercial advantages contributed from all partners attribute extra assets to the game (Dagnino and Rocco, 2009). It could be argued also, the dynamic of ‘deinstitutionalisation and re institutionalisation’ (Greenwood and Hinings, 1996) was evident when the organisations actors, particularly dominant ones, used their resources to actively target certain aspects of organisations to exploit and influence them towards their own intentions. The fate of the Celtic Warriors region did and continues to have negative ramifications particularly from supporters in the once Celtic Warriors geographical area. The positive can only be financial from a WRU perspective. In instances like this, a number of organisational theorists, such as Oliver, (1997) have argued, the relative influence of resource pressures and institutional pressures are hard to disseminate.

With the new regional form established, a study monitoring the effects of changes conducted by Roderique-Davies *et al.* (2008) examined the processes involved in social identification applied to rugby supporters and their allegiance spanning the final year of professional club rugby in Wales and the first three years of regional rugby. Similarities in findings from various clubs graduated towards an acceptance of general regional success and an increase in the shift of primary loyalty towards the Wales national team. Hence, the forming of the regions could either be viewed as a triumph over parochialism or as the loss of an important element of local identification.

According to Brookes (2002), national identity is formed through representations of difference from other national identities and that through ‘negative stereotyping’ of other nations, a positive sense of national self-identity is implied. According to Rogers and Rookwood (2007; p.57) ‘the national sport in Wales is rugby union and it is widely believing that its mass popularity has grown out of a historical opportunity to beat their English neighbours’. Similar historical rivalries are also evident in professional football in Wales with Rogers and Rookwood (2007), commented that Cardiff City Football

Club were the most successful of Welsh clubs at the time following the conducting of interviews with supporters and journalists connected with the club.

In summary therefore, it could be argued that club allegiances in football are more deep-rooted than that of rugby and even though characteristics of tribalism exist in both sporting codes, there appears to be a greater common cause towards the good of the national side in rugby than that of football.

2.9 Sport Commercialisation and Competition

Acknowledging the collection of emotions, attitudes and feelings does provide some original evidence for viewing national identities ‘at play’ through the eyes of elite sportsmen (Tuck and Maguire, 1999). Their study investigates national habitus, which is described as the ‘sub-conscious of belonging to the nation’, and national identity politics referred to as the complex struggle for power through the establishment of dominant national identities, from within a sporting context’ (Tuck and Maguire, 1999; p. 27). To illustrate this, the research focused on elite international rugby players from the British Isles as they were seen in many ways as examples of ‘national pride and patriotism’.

With the weight of expectation that is associated with playing international sport, as experienced by the researcher when operating at international level in rugby union, spanning a decade, the competitive element of sport can be phenomenal. With this opportunity to play for one’s country comes a huge responsibility to perform. Similarly, organisations and other applicable stakeholders have a responsibility for staging such events to facilitate this competition and in doing so exercise conditions for co-opetition, such as linking resources towards a common goal. This is particularly relevant as there are invariably large commercial rewards for making the games meaningful, whatever the sport. In contrast, studies show ‘that formulating the decision-making problem in a non-cooperative game leads to radically different conclusions about the nature of competition in sports leagues’ (Szymanski, 2010; p150).

Jane *et al.* (2010) describe that previous research has indicated that one of the missions in professional sports has been to achieve greater uncertainty in the outcome of sporting

contests, supporting the hypothesis that genuine outcome uncertainty can lead to higher attendances. According to Borooah and Mangan (2012), a central issue in the economics of sport is the importance attached to competitive balance in any sporting contest and this belief is the key driver to attracting spectators and sponsors alike. In fact ‘the uncertainty of outcome hypothesis is a unique characteristic of the team sports industry’ (Dietl *et al.*, 2009; p.375).

Similar research endorses the hypotheses of outcome uncertainty in sport. Alavy *et al.*, (2010) provided evidence of greater demand for a sporting event by using minute by minute television viewership in English football where outcome uncertainty was present. Rebeggiani and Tondani (2008), when focusing on an oligopolistic model in professional cycling, indicated a pattern of non-competitive behaviour displayed by race teams as being the result of poor organisation influenced more in favour of financial requirements. It could be argued, therefore, that creating the uncertainty of outcome in competitive sport is of paramount importance for the commercial success of sporting organisations, but in order to create this competition, a great deal of collaboration is needed for risk of manufacturing outcome. The advent of the National Association of Stock Car Auto Racing (NASCAR), for instance, in working side by side with all the teams such as Ford working with Chevrolet, or Dodge working with Toyota, for the betterment of both, in trying to figure out solutions to more attractive races for the complaining fans at race meetings, is testament to NASCAR as sanctioning body, in getting the teams’ agreement. This demonstrated that ‘co opetition was alive and well creating a win-win situation’ (Waltrip, 2012).

Morgan (2002; p. 41) believes ‘a sport can be seen as a marketing channel designed to deliver a product to the end user customers, incorporating supporters, viewers, broadcasters and sponsors’. Morgan (2002) also cites organisation efficiencies as a key driver to the performance of the national side. Sutton and Gladden (1998) state, that this approach emphasises the interdependency of the organisations involved in sport.

A general view from any stakeholder, therefore, when applied specifically to the research, places a reliance on all of the interdependent organisations to select and administer meaningful relationships, from the choice of league to participate in, to the choice of broadcaster to broadcast or even which race to race, the sole aim of creating the uncertainty of outcome is paramount. At regional level in Wales, the continued participation in Europe’s Heineken Cup, (Llewellyn, 1996), secures top level

International Regional Rugby on a cup knock out basis. However, on a more regular front, there has been much disquiet about participating in the Celtic league represented by teams from Wales, Scotland and Ireland, favouring pursuit of a meaningful Anglo-Welsh competition, represented by teams from England and Wales (Bale, 1993). With such preferences being explored on numerous occasions since rugby union became professional, the regions in Wales even risked losing Celtic League involvement in 2005 (BBC, 2005), when effectively being removed, such was the commercial attraction of participating in cross border competition in pursuit of the desire of imagined greater competition. In summary therefore, any elite competition has to be designed to optimize elements of customer appeal such as ‘uncertainty of outcome’, ‘significance’ and ‘identification’ with success (Morgan 2002; p. 45).

The simplistic illustration in **Figure 1** in Chapter 1 shows the stakeholder map of the WRU and differentiates between internal or primary stakeholders and wider stakeholders, in an attempt to understand the different influences placed upon the WRU on a day to day basis. It is also designed to highlight the various categories of stakeholder involved, each presenting challenges to the WRU depending on their function, creating, at times, difficult business and emotional decisions which inevitably lead to conflict. Morgan (2002) believes that the end-user customers are the spectators and television viewers who provide a market not only, specific to this research, for the WRU and the Regions, but for the sponsors, broadcasters and the corporate hospitality hosts, leading to greater revenue streams. Whilst acknowledging the reliance of the WRU and the Regions on each other, the WRU and each Region also have to develop relationships of their own with spectators, sponsors and investors. **Figure 2.4** therefore illustrates an independent stakeholder map for each of the organisations.

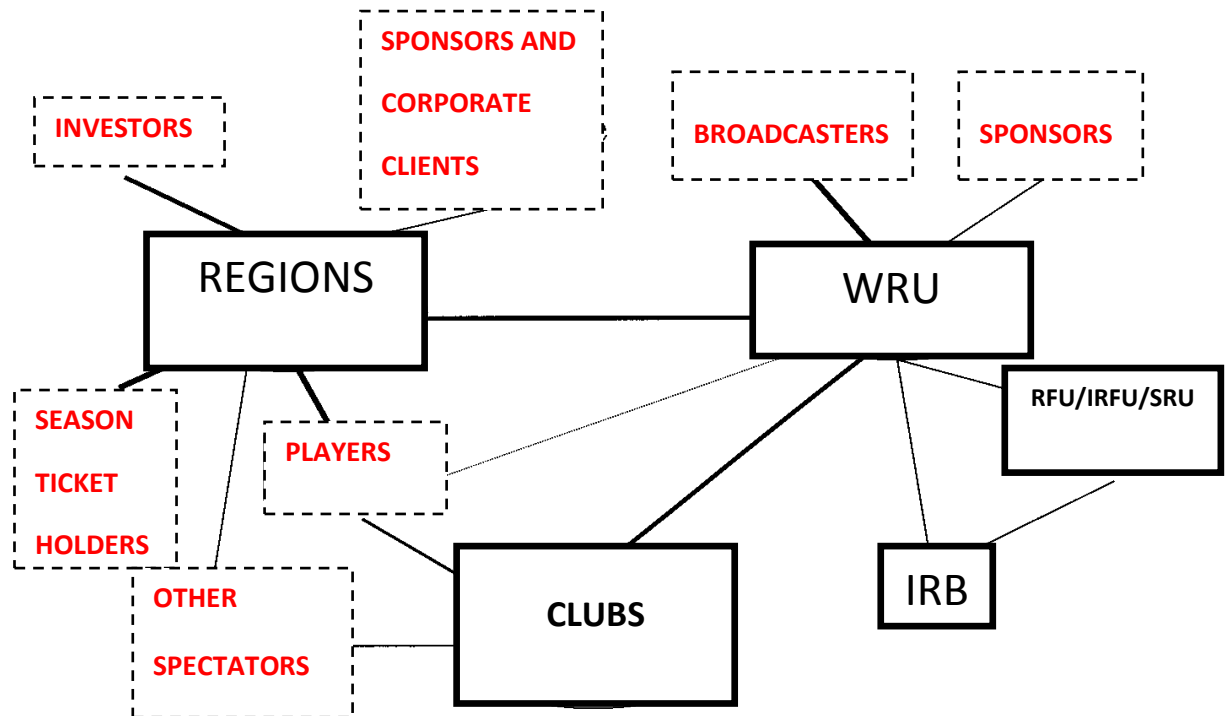


Figure 2.4. Independent Stakeholder Map for the WRU and the Regions (adapted from Morgan (2002))

The week-to-week interests of the Regions may conflict with the WRU who have responsibility for development of the sport at all levels. In an ideal world, a satisfactory system of compensation to the Regions for the compromises they have to make to their own goals in the interests of achieving, is what Stern and El-Ansary (1992) refer to as ‘super-ordinate goals’ of the system and battle to reach agreement over these rewards and compromises has always been an issue that has challenged British Rugby in general (Morgan, 2002). Furthermore Heide (1994) distinguishes between ‘unilateral/hierarchical governance’ which has been imposed by stronger members, with that of ‘bilateral governance’ whereby members jointly develop policies directed towards the achievement of certain outcomes. In the case of the WRU and the Regions, the signing of the participation agreement, discussed in the next section, is evidence of bilateral governance. However, it could be argued, when analysing the primary stakeholders, conflict stems from the historical configuration of the respective Boards of Directors of each of the Regions, whom, in the majority of cases, are owners as well.

An example of this was the case of Mike Cuddy, in his previous capacity as director of Neath Rugby Football Club (RFC) and Roger Blyth, in his previous capacity as director of Swansea Rugby Limited, at a time when both clubs were professional entities in Wales before the forming of the regions. Since the regions were formed in 2003, both individuals are now fellow directors of the Ospreys Region (Companies House, 2012) which was formed following the amalgamation of Neath RFC and Swansea Rugby Limited. It could be argued the 'dynamic of deinstitutionalisation was heavily influenced in its efficacy by the vested interests of the dominant actors' (O'Brien and Slack, 1999; p.30) as referred to, within the respective clubs.

According to Wheelan and Hunger (2010) a corporation is described as a mechanism established to allow different parties to contribute capital and other expertise. Investors and shareholders participate in the profits or losses of the corporation without being responsible for the operation. In the case of the Regions, the majority of investors also referred to as benefactors, have been directors from the outset of Regional Rugby in 2003. In fact, in the 'Blues' and the 'Ospreys' Regions, (Companies House, 2012), certain directors from each of these organisations have been in office throughout and have presided over financial losses when under their control for the majority of their time in office (Companies House, 2012). Now whilst the involvement of these investors or benefactors has been welcome in the greater scheme of Welsh Rugby, particularly during the transition from club rugby to regional rugby, the re-election to office on countless occasions has never appeared to have been challenged due to the influence and desire of these directors. This caused David Moffett to comment during his time as WRU Group Chief Executive (before he agreed to take up a new appointment with the Regions as interim chief executive of RRW), when he endorsed centrally contracting Welsh International Rugby players direct with the WRU, that 'maybe we will see central contracts introduced when the so-called benefactors get sick of losing money' (Rees, 2008). The good fortune for David Moffett is that had the benefactors become sick of losing money, then of course his opportunity to be employed by them and effectively work for the 'other side', would not have presented itself. So such trends of board re-election at the Regions, does have a manufactured feel about it, raising the question of nepotism at play. One thing is certain, however, the attitude shown by the directors has been of undoubted commitment.

2.11 Participation agreement

The signing of a new Participation agreement (**Appendix 1**) with the four Regions which will reward them with £30 million over the next 5 years (WRU, 2010) for delivering a range of rugby protocols centred upon nurturing, developing and retaining Welsh players, it could be argued, is particularly significant in this co-opetition relationship as it clearly endorses the fact that the WRU is reliant on the Regions to prepare the common assets, the players, for international levels of competition. Hailed as a ‘landmark moment’ in elite Welsh Rugby (WRU, 2010), this agreement was willingly entered into by all parties in the research and sees the collective funding for the Regions increase from £3.6 million per year to £6 million per year. An analysis and evaluation of the constituent parts of the participation agreement will be presented in Chapter 4 and will focus on the main areas of concern from a co-opetition point of view, as identified by the interviewees.

However, to aid negotiations with the WRU, the Regions formed the alliance RRW, referred to earlier in the research, with each Region having an equal shareholding. This was as a result of the Regions’ growing impatience with the WRU to negotiate a new participation agreement (Rees, 2008). Led by former WRU Group Chief Executive, David Moffett, taking up his new role as interim chief executive of RRW, was described by Rees (2008) as being like the ‘director-general of the CBI leaving to head up the TUC’, such was the nature of old enemies joining forces. Learning from other nations such as England and France, the creation of progressive partnerships between their professional tiers and respective governing bodies is believed to be long overdue in Wales (Scarlets, 2008). In England, for instance, the creation of English Professional Rugby Union Clubs (EPRUC) was set up by representatives of the clubs at the very start of the professional era, designed to negotiate certain clauses with the RFU (Morgan, 2002). Furthermore, Players’ Associations in each of the South African, New Zealand and Australian Rugby Unions (SANZAR) were formed to ‘broker deals’ with their Unions that ensured them a share of News Corporation’s television revenue (O’Brien and Slack, 1999; p.25). Instances such as the dispute surrounding voting clauses imposed by the RFU in 1997 resulting in EPRUC threatening to withhold English based players from National Squads (Llewellyn, 1997), are justification of the formation of such representative bodies. In Wales, a similar issue of players being withheld from

Wales National Squad duty arose in the Autumn of 2008 when RRW successfully led negotiations with the WRU to release players to tour Canada and the USA in the summer of 2009 (Wildman, 2009). The release of Regional players for an autumn international game between Wales and New Zealand in 2009 again saw conflict between the WRU and RRW, as the game fell outside the agreed IRB window for the scheduling of international matches. On this occasion, however, the WRU resolved the issue commercially, by offering the Regions each, an additional amount of £100,000 for the selected players to be released (BBC, 2009). There are, however, instances whereby the WRU and RRW are powerless to act over issues surrounding player release. Such instances occur when non-Welsh based qualified players are approached to play in an international match outside the agreed IRB window for international matches. An example of this was encountered for the match between Wales and Australia in December 2011 (BBC, 2011a).

In summary however, instances of a co-opetition approach has led to the resolution of certain conflicts, but only if the power of the participating bodies allows for the negotiating of satisfactory outcomes. However, certain instances such as the proposed resolution by the WRU Board to exclude RRW representation on the main WRU Board in 2010, severely compromises the collective ability to resolve issues (Cardiff Blues, 2010).

2.12 A critical analysis of the Organisational structure of Rugby in Wales

According to Thompson and Martin (2010), the structure of an organisation is designed to break down the work to be carried out into discrete components, in the divisions and functional departments of businesses. However, according to the authors, the outcome in terms of strategic management and organisational success, is dependent upon:

- The direction provided by the strategic leader
- The culture of the organisation
- The extent to which managers throughout the organisation understand, support and own the mission and corporate strategy and appreciate the significance of their individual contribution

- The willingness and ability of suitable empowered people to add value and to take measured risks to deal with competitive surprises
- The effectiveness of the information sharing, monitoring and control systems (Thompson and Martin 2010; p. 632)

Applying these outcomes of success to the restructuring of elite Rugby in Wales, presented with it a cultural change when delivering a new strategy and this needed to be implemented in such a way that met the approval of the intelligent Welsh public. Generating a strong culture facilitates successful change programmes, with people the key factor (Mullins, 2006). So, with the issues of new regional forms and historical tribalism set to challenge severely the restructuring, the WRU, it could be argued, had to provide strong leadership and clarity in implementing and leading a successful change programme. It could be argued however, that the forming of the Regions in 2003, led by the WRU, was anything but a successful change programme. This could be two-fold, firstly because the reasons to adopt a Regional rugby structure in Wales, never really evolved, but was forced due to financial constraints and issues surrounding the sustainability of the game going forward. Secondly, the moves and dynamics involved in delegitimizing the institutionalised values and structures that served amateurism for many years (O'Brien and Slack, 1999), albeit under new professionalism, created too many resistances. Kotter (1996) believes that changes need to sink down deeply into the culture, which can take three to ten years. During this time, new approaches are fragile and can be regressive. Therefore, until new behaviours are rooted in social norms and shared values, they are always subject to degradation, something which is being witnessed at present with the viability of supporting four regions in Wales under the spotlight, due to a significant lack of spectators (Davey, 2011; BBC, 2011b). A further reason was perhaps the relatively small demographic of the perceived rugby strongholds in Wales geographically. Such issues for change would test any organisation steeped in culture, evidenced by the historic behaviour of spectators challenging the capacity to embrace change. The successful implementation of Regional rugby in Ireland for instance appears now to be part of their social fabric (IRFU, 2012).

Whilst there are numerous structural forms that can be adapted by an organisation when endeavours are made to design an appropriate structure to satisfy particular

requirements, it is fundamental to appreciate that such structural forms are only a framework and that behavioural processes within the structure, the way in which resources are managed and coordinated, really determines effectiveness (Thompson and Martin, 2010).

2.13 Competitive Advantage

A well-developed ability to create and sustain fruitful co-opetition relationships confers significant competitive advantages. However, it can also entail a very large potential for problems and difficulties for one or more of the partners involved (Zineldin, 2004). Porter is the author most commonly associated with competitive advantage, believing that advantage can accrue from particular generic strategies, such as ‘cost leadership’ and ‘differentiation’, which are available to all competitors in an industry (Thompson and Martin, 2010). Similarities exist in the differentiation category when applied to the case study, where value is added for customers, in the shape of rugby supporters and sponsors, for instance, who are willing to pay a premium price when watching international rugby or, players of international quality playing regional rugby. As referred to previously in section 1.5, a linear structure utilised by Morgan 2002, is depicted in **Figure 2.5** adapted for the purpose of the research.

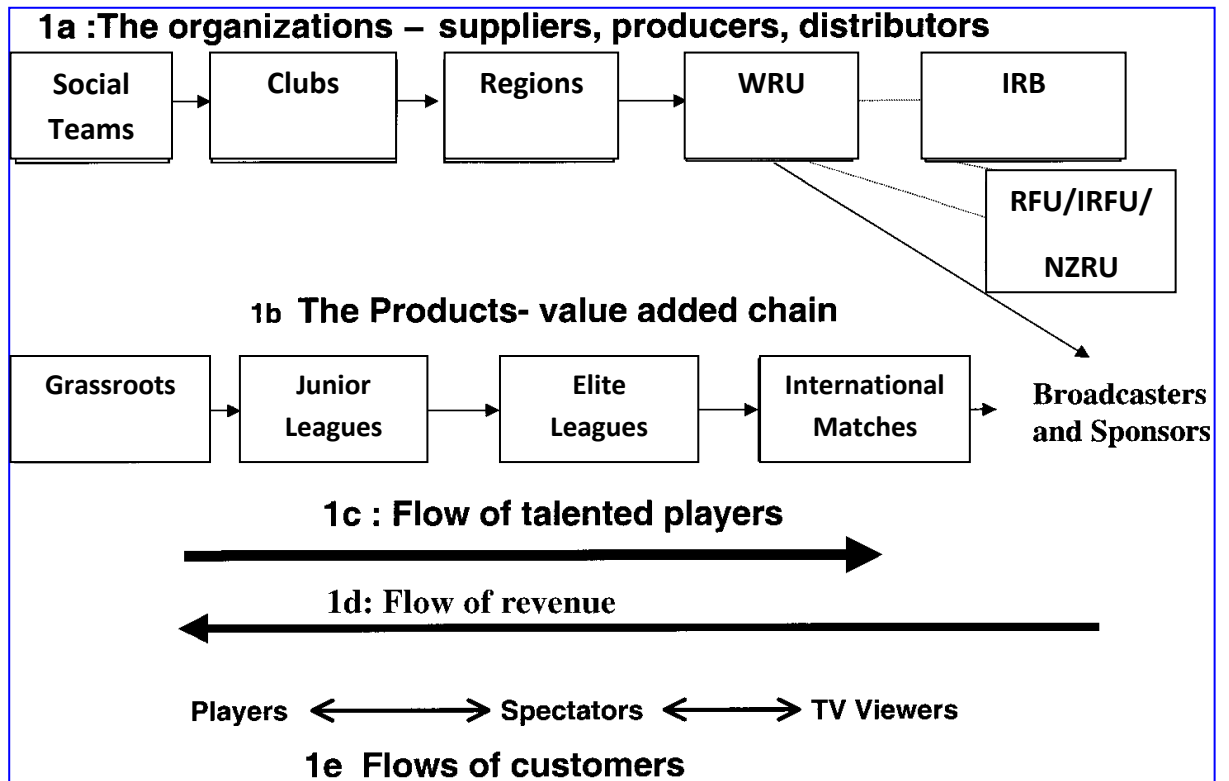


Figure 2.5. The Products – value added chain (adapted from Morgan, 2002)

Many people in organisations view business from their own perspective. The insight of game theory as referred to earlier, is the importance of focusing on others – namely ‘allocentrism’ (Brandenburger and Nalebuff 1996). As Abraham Lincoln famously said, ‘*When I am getting ready to reason with a man I spend one-third of my time thinking about myself and what I am going to say, and two-thirds thinking about him and what he is going to say*’ (Charlton, 1983).

To ascertain which of these categories applies in co-opetition relationships, the research aims to assess the added value of each of the partners, understand the rules by which their business functions and take account of the differing perceptions of each of the partners.

2.14 Porters Five Forces and the Value Net

The Generic Competitive strategies (Porter, 1980), can be pursued by any type or size of business firm and provides a framework for diagnosing an industry structure and is built around five competitive forces. This structural framework can be applied at the level of

the industry, the strategic group, or, for this research, the group of firms with similar strategies designed to explain the sustainability of profits against direct and indirect competition. The ground-breaking works of Porter (1980) in modern strategic thinking described in much detail competitive strategies available to firms. In **Figure 2.6** the framework of Porter's Five Forces diagram is illustrated and adapted specific to the WRU and the Regions.

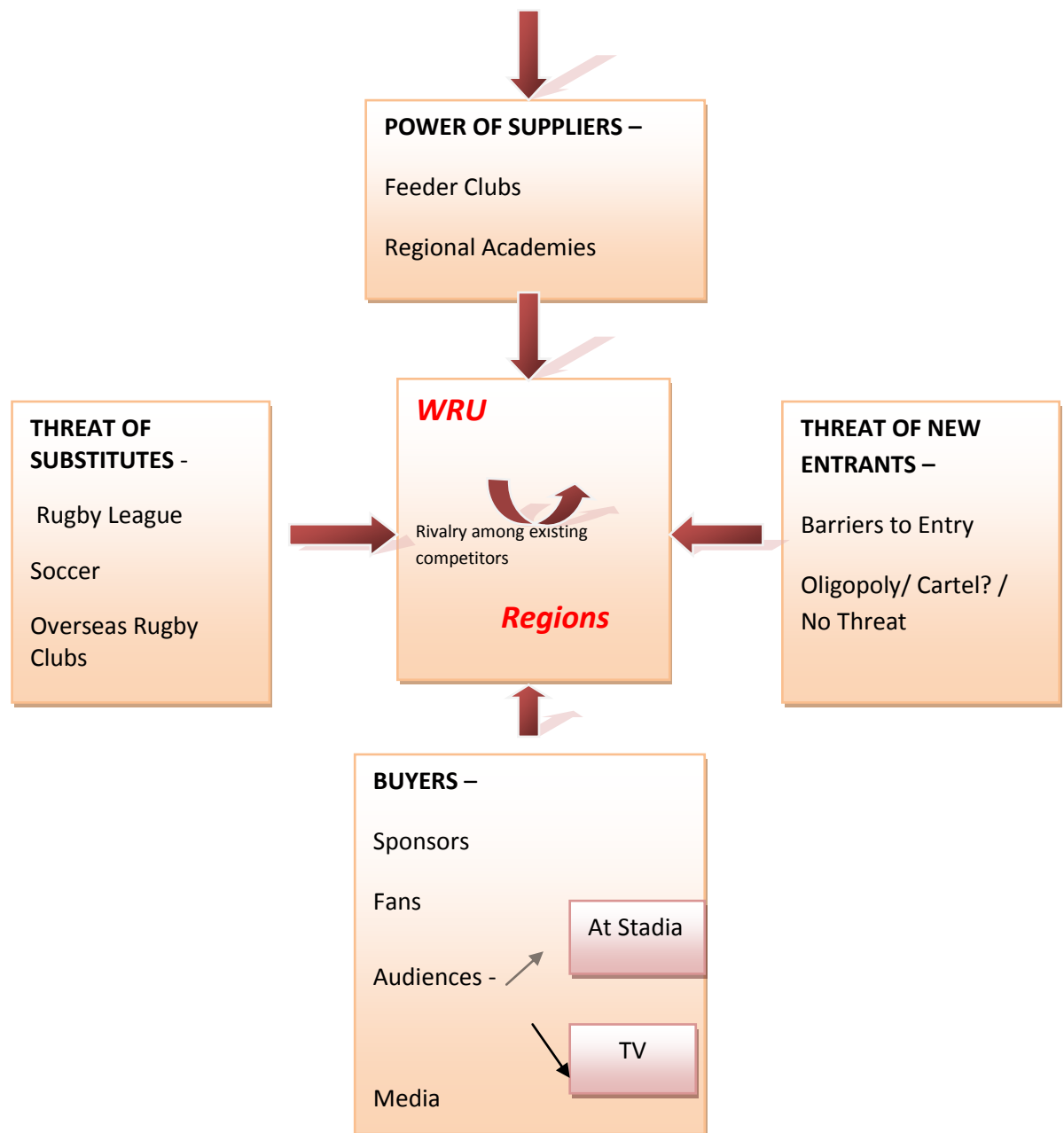


Figure 2.6. Porter's Five Forces Model modified to reflect WRU Competitive Pressures (adapted from Porter, 1980)

Some conventional strategy of business still sees business as entire competition (Dagnino and Rocco, 2009) which assumes a result of win or loss. Porter suggests that when positioning itself relative to competitors in an industry, an organisation can only outperform its rivals in two fundamental ways: by operational effectiveness or strategic positioning (Taylor *et al.*, 2008) and according to Dagnino and Rocco (2009), Porter's model would be more applicable in a fine competition environment.

Considering the different view of Brandenburger and Nalebuff (1996) and their co-opetition approach through the Value Net (section 2.2.3.), an interactive structure adapted to the WRU / Regions scenario, is illustrated in **Figure 2.7**.

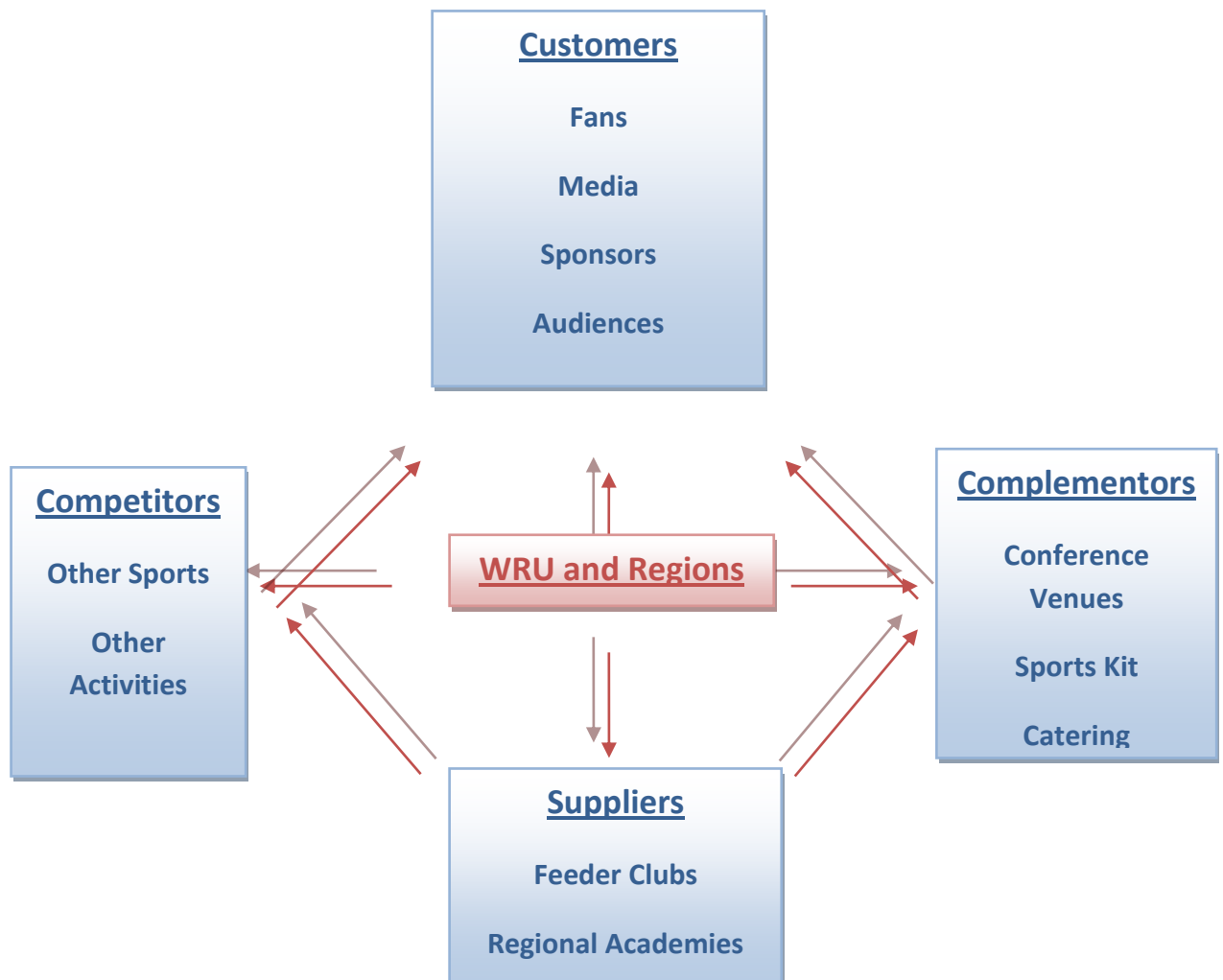


Figure 2.7. An adapted model of the 'Value Net' for the WRU and the Regions (adapted from Brandenburger and Nalebuff, 1996)

In contrast, therefore, the four main external groups are made up of Customers, Suppliers, Competitors and Complementors. With each category classifying the players of the game, the next stage is to then identify all components of the game, which are referred to as players, added values, rules, tactics and scope (parts) (Brandenburger and Nalebuff, 1996). Definitions of the 'parts' structure, are detailed below.

- i. The customers, suppliers, competitors and complementors, as the **Players;**
- ii. The value from the players, as the **Added Value;**
- iii. The **Rules** as in which the game is played between each play;
- iv. Game is played with and driven by **Tactics;**
- v. And there is necessary for setting a specific **Scope** for each game.

Once established, Brandenburger and Nalebuff (1996) go on to state that desirable aspects of an organisation should be made up of both co-operation and competition and by considering all players working and competing together simultaneously to add and exchange values that contribute positively to the business environment. In doing so, co-opetition is designed to reduce uncertainty and risk by the method of eliminating or neutralising threats (Brandenburger and Nalebuff, 1996) as analysed in Porters' theory. When applied to the WRU and the Regions, **Figure 2.7** may be a way to reduce the intensity of competition to create more certainty, less risk and more profit. The differences between the two approaches will therefore be discussed in Chapter 4, section 4.3, to deduce which model best suits the WRU and the Regions.

2.15 Commercial advantages of co-opetition in the specific market sector

Competition covers many different market types in economic analysis. The structure of a market can therefore profoundly affect the conduct and financial performance of its firms as they face numerous possibilities, namely perfect competition, monopolistic competition, oligopoly and monopoly (Besanko *et al.*, 2010). However, as with all

theoretical constructs, the relationship between these structures and the actual market conditions may vary (Keat and Young, 2008).

Besanko *et al.* (2010; p.344), maintain...

...it is difficult to define markets in which professional sports teams compete. Each league competes for labour in a single national (or international) labour market, yet individual teams may be monopolists in the output of say, "professional football entertainment" in their home cities.

Applying such structures to the research area clearly identifies the WRU and the Regions in an 'oligopoly' market for the following reasons. An oligopoly consists of a few large firms that dominate the industry and barriers to industry entry are high. An oligopoly can exist with essentially equivalent or differentiated products (Freeman, 2002). In addition, the alliances formed between the organisations are deemed to feed off each other for mutual benefit and create added value and more sustained market share against wider competitors.

With the WRU and the Regions occupying the homogeneous category (Freeman 2002) refers to, the competitive league structures in Europe have historically adopted team promotion and relegation, which facilitates much easier entry than is possible in North America, for instance, where leagues themselves create new franchises to sell to investors creating a 'closed corporation' (Cain and Haddock, 2005; pp. 1117-8). Cain and Haddock also state that automatic promotion and relegation is practiced by nearly every European league, the English Rugby premier league, an example of this.

However, the structure adopted by the WRU in creating Regional teams when agreeing to form a league with its Celtic counterparts from Ireland and Scotland and latterly, Italy, mirrors that of a 'closed cartel' which is common in North America (Cain and Haddock, 2005). This is mainly due to the small number of regional entities in Wales, Ireland, Scotland and Italy. Each team, therefore, enjoys a league-enforced territorial monopoly or duopoly.

According to Freeman (2002), price in an oligopoly is characterized by 'relative rigidity'. Mutual interdependence in pricing exists, which means that the few oligopolists' are constantly assessing the positions of the others in the market. A common approach in controlling market price is referred to as collusion and is a trait of oligopolistic industries. Usually a secret agreement among competing firms who

dominate the market and otherwise act as a monopoly, such behaviour is illegal in the United States under antitrust laws (AmosWEB, 2012).

With the WRU and the Regions benefitting from market structure conditions of high market concentration, the coordination of pricing is facilitated (Besanko *et al.*, 2010; p.222). Generally, however, if outcome of a game is uncertain, then spectator demand is likely to be higher (Franck, 2007). Contrasting approaches are adopted when applied to the research. At international levels of competition, the WRU traditionally has enjoyed great demand for prime international fixtures in the Six Nations tournaments and certain autumn fixtures against the SANZAR nations. However, fixtures against so called 'second tier' nations (Rees, 2011a), have resulted in reduced pricing structures. The Regions, on the other hand fall into the category described by Ruffin (2009), where oligopoly occurs when several firms compete over a given market, but as the firms are small in number, each can earn a profit over and above what is earned in the more competitive industries. Furthermore, autonomy exists when each of the Regional organisations sets their pricing and it could be argued that the classic oligopolistic 'kinked demand curve' (Freeman, 2002). The basic assumption underlying the kinked demand curve is that the other market participants will follow price decreases, but not price increases. This is particularly relevant when applied to the Regions when incentives of pricing that target certain categories of spectators, such as offering kids to go free (Ospreys.com, 2012; Cardiff Blues.com, 2012) in the hope that they will attract an adult to take them, is often available to help boost crowds and revenue. Such practices referred to as 'cost shifting or cross subsidisation is a prominent phenomenon in industries' and 'can be used as a strategic tool for competing firms to achieve tacit collusion' (Shor and Chen, 2009; p. 580).

2.16 The Dark Side of Co-opetition

It was Zineldin (2004) who believed that most authors, in researching co-opetition concentrated on the benefits of creating and enhancing a long-term business relationship arguing that the burden of relationships is the other side of the benefit potential and that these long-term business relationships do not come free of problems. Referred to as the 'dark side' of co-opetition, Zineldin (2004) identifies certain negative consequences of

co-opetition which will be illustrated later in the research in **2.17** as disadvantages; challenging scholars to scrutinise these aspects more closely. These consequences can kill innovation, restrain the most competitive partners and even decelerate change.

It could be argued that varying connotations result from such negative consequences or disadvantages, which can be specific to the functionality and market sector organisations operate in. The sports industry is categorised by dominant leagues and clubs ‘exercising economic power’ unconstrained by the threat of entry (Ross, 2003). Sport, being very public in nature, can attract negative publicity if certain selected teams are not at their strongest or the performance of the team is sub standard. According to Adcroft and Teckman (2009; p5), ‘sport should be taken seriously because it has significance beyond the field of play. It has become a commodified activity which creates and consumes wealth’. As discussed earlier in the research, the uncertainty of outcome of results is important or else the risk of killing spectator interest and a decline in television revenues are heightened. Forrest *et al.* (2008; p.156) state that ‘key changes in the betting environment have raised risks to the integrity of sport’, whereby ‘potential fixers evaluate the costs and benefits to them of engaging in manipulation of events on the field for betting gain’. So with the WRU and the Regions being part of a market where situations are indicated as especially susceptible to corruption, being seen to collude in for instance, having agreements not to put out strongest teams if a pool is already won, does not necessarily constitute match fixing, but does send a warning that challenges the integrity of the sport.

The financial strains evident in the forming of the Regions in 2003 are still present today, resulting in the Regions recently announcing a salary cap for their respective squads (Rees, 2011b). Similar restraints are also evident in New Zealand where the justification for the high degree of central control over the market for professional rugby players, which display some ‘unique contracting features’, does limit players’ payments, movement and eligibility (Owen and Weatherston, 2002). It could be argued both examples of collaboration constitute a restraint of trade for the players. Furthermore, performance failures such as that which was publicly described by Joe Lydon, Head of Rugby at the WRU, after the heavy defeat of the Wales Under 20 National Team by New Zealand in 2011 (Roberts, 2011), can also have negative ramifications amongst partners.

2.17 Summary of Chapter

The way in which the relationships and various interactions of the research organisations evolved together with the consequences and ongoing effects of these events, will be discussed and analysed in Chapters 4 and 5 of the research. However, for the purpose of clarity on co-opetition relationships, this section offers a summary of the key advantages and disadvantages of co-opetition.

According to Bengtsson and Kock (2003), the advantages associated with co-opetition are centred towards working together to share risk and generate cost efficiencies. Further advantages as described by Dobbs (2010) are access to new technologies and knowledge as well as reducing costs through economies of scale or shared development activities. **Table 2.2**, therefore, summarises some of the key advantages, which for the purpose of the research are illustrated as mutual benefits specific to the WRU and the Regions. The key disadvantages are more generic in content and are interpreted by the researcher to reflect the findings as identified in academic research.

<i>Advantages</i>	<i>Disadvantages</i>
<i>Funding distribution by the WRU is equal and allows for the Regions to maintain autonomy</i>	<i>Building and maintaining a close relationship is resource demanding and always an uncertain investment without a certain outcome.</i>
<i>TV Revenue is negotiated by the WRU as the dominant force and distributed equally to the Regions</i>	<i>Lack of experience in working together with new partners can make considerable demands on management's time.</i>
<i>Training Facilities centred at WRUNCE accommodate all elite players selected to represent Wales from the Regions</i>	<i>Too many costs incurred in pursuing a co-opetition strategy.</i>
<i>Operating Protocols extend to all Regions designed as a support for their businesses</i>	<i>Power and dependence are sources of conflict</i>
<i>Marketing and Sponsorship does have a heavy degree of autonomy, however, the strength of the brand of the WRU does elevate, through the WRU, the National, European and Global recognition that raises brand awareness for the benefit of Welsh Rugby</i>	<i>Organisations that become more dependent on other parties risk greater vulnerability</i>

Table 2.2. Key Advantages and Disadvantages of Co-opetition Applied to the WRU and the Regions

CHAPTER 3 METHODOLOGY

3.1 Summary of research rationale

In this chapter it was initially proposed to establish the rationale for the study's research method; taking into account the chosen data collection by way of interviews and techniques of analysis, in full acknowledgement of the limitations of such methods. In considering the main conceptual issues which underpin research, the chosen paradigm and methodology are also elaborated on in this chapter. Placed on a 'continuum of core ontological assumptions, the phenomenologist end of the continuum' (Collis and Hussey, 2009; p.58) is more appropriate and relevant to the research therefore the phenomenological paradigm is chosen. With this in mind, selecting the appropriate data collection methods had to be carefully considered. According to Collis and Hussey (2009), this allowed the researcher to collect information systematically about the subject of research and the settings in which they occur. Stressing the importance of this exercise, the authors pointed out that if the data is poorly collated, answering the research question conclusively would prove difficult.

3.2 Research aims and objectives

In conducting the primary research exercise, the main objective was to verify the existence of co-opetition in practice when applied to the WRU and the Regions. It was designed to provide evidence and clarity of instances of co-opetition at work in the day to day business activities of the organisations in their operating environment of professional rugby union in Wales. The secondary goal of the researcher was to highlight such instances in a positive and advantageous way, which could be of functional use for future researchers. Open ended questions detailed below, representative of the structure of the interviews conducted with the sample population, formed the basis of the interviews (**Appendix 2**). The findings of which are presented in section 4.2 using a Co-opetition Matrix adapted from Dobbs (2010), to best illustrate the mix of co-operation and competition in an industry. Building and improving on the works of Lado *et al.* (1997), Dobbs (2010; p.37) introduces a new moderate level to the matrix which is designed to 'provide a wider range of options which are meant to be

more broadly representative of firm behaviours for the combination of co-operation and competition represented'. In order to illicit the required responses for the results of the research, the following questions were developed for use within the interviews.

- i. Should the primary objective of the Regions be to make Wales a stronger National Team
- ii. Amongst the Regions, would you categorise the following subjects as areas of competing or cooperating:
 - Player transfers*
 - Loan players / Academy players*
 - Salary Caps*
 - Foreign players*
 - Sponsors*
- iii. Between the Regions and the WRU, would you categorise the following subjects as areas of competing or cooperating:
 - Player availability*
 - Player workload*
 - Player rehabilitation*
 - Styles of play*
- iv. Who should hold the players contracts?
- v. If a European Super League is created and two of the Regions are eligible to take part, would you firstly support this and secondly, would you support the potential of Regional dominance. Would the atmosphere, in a co-opetition sense, change?

3.3 Rationale for Methodology Adopted

Collins and Hussey (2009), believe there are two main research paradigms, namely the 'positivistic' and the 'phenomenological'. If a researcher adopts a positivistic paradigm it is essential that the data that is used is highly specific and precise, therefore

quantitative in nature. Under a phenomenological paradigm the emphasis is on the quality and the depth of the data and it will mainly be qualitative data (Balagumyetime, 2011).

To help understand the process of doing business research, a variety of considerations are entered into when adopting either a quantitative or qualitative approach to research. Bryman and Bell (2011) consider two approaches, 'deductive', whereby theory guides research and 'inductive', whereby theory is an outcome of research. This research followed the inductive approach.

In considering these types of research strategies, the researcher has adopted a qualitative method because the research aims to explain how and why the subject organisations are knowingly embracing co-opetition behaviour. Furthermore, the whole research aspires to social constructionism, whereby the task of the researcher was to present an appreciation of the different constructions and meanings that people place upon their experiences (Easterby-Smith *et al.*, 2008). This constructivist approach recognises that the categories, concepts and theoretical level of an analysis emerge from the researcher's interaction within the field and questions about the data (Charmaz, 2000).

Considering the paradigm positions for the study of organisations in this research, the researcher adopted the types of organisational analysis known as, firstly, subjectivist, as an understanding exists only from the point of view of individuals who are directly involved in the respective activities of the organisations (Bryman and Bell, 2011). Secondly, interpretative, whereby, understanding is based on the experience of those who work within the organisations (Bryman and Bell, 2011).

Justifying these reasons was based on the previous experience and knowledge of the researcher in this particular industry sector having at one stage or another been an employee of both the WRU and of the Ospreys Region. The research is, therefore, concerned with generating theories which can be critically analysed and evaluated to produce a series of recommendations in Chapter 5, based on reliable and valid information.

3.4 Analysis of Interview Method

The collection of original or primary data specific to the research was by interviews. This then allowed for the analysis of the interview questions listed in section 3.2. The

target interviewees included key employees of the Regions and RRW, together with a national television interview with Roger Lewis, Chief Executive Officer of the WRU. An employee of the Dragons Region failed to take part in the research; therefore, the views of the Dragons Region are omitted from the research. With such a small number of interviews conducted, there was a danger of each interviewee being identified from their responses and this was stressed to the respective interviewees from the outset when anonymity was confirmed, as referred to earlier in section **1.8**. Emory (1985), states that it may be hard to reach the right persons for the interview. However, with the researcher's experience and knowledge of the organisations and their personnel, access to the correct people in support of the researcher was largely granted. In addition, the researcher was also able to engage the interviewees by telephone initially to offer a brief overview of the subject matter and the type of interview structure to be employed. Emory (1985), states that a successful personal interview is an excellent data collection technique. Furthermore, Alvesson and Deetz (2000), say a qualitative approach is often exclusively made up of interviews.

With the chosen paradigm of research being qualitative in nature, the two major types of qualitative interviewing, the 'unstructured' interview and the 'semi-structured' interview (Bryman and Bell, 2011) were considered by the researcher. After deliberation, to best analyse and evaluate the responses of the interviewees, the semi-structured approach was adopted allowing the researcher to follow a set of questions on fairly specific topics often referred to as an interview guide, thus allowing a deal of leeway for the interviewee in how to reply therefore facilitating a much greater interest in the interviewees point of view. Such semi-structured interviews thus allow the researcher to 'probe more deeply' as and when the need arises (Kvale and Brinkmann, 2009). This can also allow interviewers to depart significantly from any schedule or guide that is being used and even responding to the direction of the responses from the interviewees (Bryman and Bell, 2011). Fundamentally, however, the researcher was stringent in making sure all the questions were asked with similar wordings employed from interviewee to interviewee.

However, by conducting a phenomenological study, it is probable to keep an open mind and encourage the participant to discuss various topics (Collis and Hussey, 2009). Robson (2002) lists that if the control of the response situation and rapport between the interviewer and the respondent is good, the complexity of questions can be high and the

quality of data will be good. A personal interview can also improve the equality of the gathered information because it is possible to gather supplemental information by additional questions and by observing the interview conditions.

3.5 Sampling Framework

Fundamentally, any researcher conducting survey research, having formulated the research questions, needs to decide what kind of population is suited to the investigation of the topic (Bryman and Bell, 2011). Alvesson and Skoldberg (2009), state that a sample is made up of the members of a population and selecting a sample frame or defining a sample, is a vital element of any research project (Collis and Hussey, 2009). With the research instrument identified as semi-structured interviews, the administration of the research instrument becomes the focus, with the researcher adopting a face to face interview approach in this research. Due to the segment of the population that formed the selection for investigation, being known to the researcher, the method of selection was based on a 'non-probability' approach (Bryman and Bell, 2011). This implied that some units in the population were more likely to be selected than others. The researcher was, therefore, at pains to eliminate sources of bias for the research, such as the human judgement of the selection process, making certain persons more likely to form the research than others. To rationalise this selection process, the researcher argued that these personnel were at the very hub of the independent organisations' operational functions and best placed to offer the research the depth and critical analysis that the researcher wanted. Furthermore, the researcher's supervisor was confronted on issues connected with potential bias, who, in turn evaluated the selection process with a great deal of objectivity. Co-opetition, the central theme of the research, is after all, a strategy and the establishment of this strategy requiring simultaneous co-operation and competition was more likely to be deduced by interviewing senior management figures within the subject organisations. It could be argued that the approach adopted constituted convenience sampling.

Finally, each interview conducted lasted between 60 and 90 minutes and presented sufficient time to address the interview guide on hand applicable to each interview.

3.6 Timescale of research

The whole research period started in earnest in September 2011 following a period of deliberation on the chosen subject. Early preliminary investigations, via a robust research proposal, provided the necessary impetus to conduct the research in a comprehensive way. The literature review was intended to be completed by the end of December 2011, but this exceeded the time scale set and eventually completed in January / February 2012. The intention to conduct interviews in January 2012 was therefore compromised slightly so all interviews including a pilot interview with colleagues at the Ospreys Region, together with the researcher's supervisor, Mr Steve Griffiths, was completed in early March 2012, therefore eliminating any errors in communication. Even though this was behind schedule, piloting the interview schedule provided the researcher with useful experience which infused a great deal of confidence. Not compromising in this area in particular due to perceived time constraints also provided the necessary quality required for the research results. The end of March and early April 2012 was used to finalise the research conclusion and recommendations; with the remaining time available in April 2012, utilised to administer overall completion to the dissertation ahead of the early May 2012 submission deadline.

3.7 Data Analysis Technique

Both primary and secondary data has been gathered to satisfy the research aims and objectives. With this in mind, the research design: the plan or overall scheme of the investigation, designed to provide answers to research questions (Brown, 2006) by employing the correct framework for the collection and analysis of data, was carefully considered by the researcher. In analysing the accumulated data, Collis and Hussey (2009), suggest the research questions need to be at the 'forefront of one's thinking' whilst conducting the analysis and furthermore, no matter how good the systems and procedures adopted, the quality of analysis will only depend on the quality and interpretation of the data collected.

To aid the collection process, the researcher adopted the 'planned systematic' approach to data collection (Alvesson, 2003), as the researcher had a clear idea of his subject of study allowing for the planning process of data collection in the sole aim of producing notes and interview transcripts ready for analysis.

3.8 Research method analysis and assessment of limitations

One of the main difficulties with qualitative research is that it can very quickly generate a large, cumbersome database because of its reliance on prose in the form of such media as interview transcripts, causing Miles (1979) to describe qualitative data as an 'attractive nuisance'. This is due to the difficulty of finding analytical paths from the research. Quantitative researchers sometimes criticise qualitative research as being too 'impressionistic and subjective' (Bryman and Bell, 2011).

The researcher was also mindful of the perceptions of the interviewees being aware of the researcher, as interviewer, having a reasonable knowledge of the research topic and the possible reluctance of the interviewees to be truthful about issues if the subject matter is deemed highly confidential or commercially sensitive. However, the choice of unstructured interviews was deemed an appropriate method (Easterby-Smith *et al.*, 2008) to counter such a weakness. In addition, Warren and Tweedale (1998), argue that research into issues that could be constituted as being sensitive, are unlikely to be valid using a positivistic method, more endorsing phenomenological approaches likely to be more productive.

Additionally, where the interviewee thought that recording would limit answers, it was not done. No one denied recording, however, the researcher was aware that recording might influence the quality of the answers, concluding that the research results were deemed not to be compromised in any way.

Finally, Robson (2002) says that respondents may feel that their answers are not anonymous and can thus be less forthcoming or open. Interviewees can also have expectations as to what the researcher wants to hear, or they may want to make an impression to the researcher (Alvesson and Deetz, 2000). Data may also be affected by the characteristics of the interviewer or the respondent's motivation and experience.

In order to select the most appropriate research methodology for this study, a number of traditional strategies were reviewed. After deliberation and after taking into account identified limitations referred to, they were rejected in favour of conducting interviews.

3.9 Reliability and Validity

There has been some discussion among qualitative researchers concerning their relevance for qualitative research particularly against that of the reliability and validity in establishing and assessing the quality of research for the quantitative researcher (Bryman and Bell, 2011). However, under the phenomenological paradigm, it is not important whether qualitative measures are reliable in the positivistic sense, but whether similar observations can be made on different occasions and/or by different observers (Collis and Hussey, 2009). Therefore, the authors state that validity is the extent to which the research findings accurately represent what is really happening in a situation.

Based on this qualitative research using the data collection method of interviews, the researcher was fully aware that the information and meanings collated were subjective. However, the researcher was aware that the interactions of the research organisations documented throughout Chapter 2 together with the interview questions in section 3.2 were logically linked to theory. Linking the questions to theory and reviewing the pilot interview with the researcher's supervisor effectively reduced researcher bias. In recognition of this, the researcher suggests that future researchers should adopt a similar social role to that adopted by the original researcher otherwise what the researcher conducting a replication sees and hears will not be comparable to the original research. Furthermore, adopting alternative criteria to reliability and validity, offered by Lincoln and Guba (1985), that of 'trustworthiness' and 'authenticity', was key to the researcher in an attempt to dismiss the idea that qualitative research as a single absolute account of social reality is feasible.

3.10 Research Ethics

Ethics are norms or standards of behaviour that guide moral choices about behaviour and relationships with others. The primary goal of ethics in research is that of ensuring that no one is harmed or suffers adverse consequences from research activities (Brown 2006). Conversely, activities in research that are unethical, are 'tempting' according to Brown (2006), as they can make the task of researching a little easier. An example of this could be the distortion of what was said in an interview to make a better fit. The

researcher considers that he has been extra vigilant due to his knowledge of the sector, the organisations and individuals forming the basis of this research. Furthermore, thinking of these ethical issues has stimulated the researcher to consider his own values particularly when integrating them into the research, assuring integrity was constant throughout.

3.11 Ethical treatment of participants

Uppermost in the researcher's thoughts in conducting interviews was protecting the rights of the participants, particularly when collecting data by the chosen survey technique of interviews. In general, the research was therefore designed in a way that each individual respondent during the interview process did not suffer, amongst other things, embarrassment or loss of privacy. Therefore, initially the researcher planned to provide clarity that would explain the study benefits to the participant, as well as, to explain the participants' rights and protections and to obtain formal consent.

The latter point according to Brown (2006) is the important aspect of 'person to person' research. Clarity upfront as to why the research is being conducted will not only will put the participants at ease, which will motivate them to answer truthfully, but knowing why they are being asked questions will encourage more honest responses. Obtaining the signed consent of each of the participants was a consideration of the researcher, particularly to guard against accusations of deception or coercion. A view was taken by the researcher during the research period, however, that as the participants were known to the researcher and the legal and moral obligation to provide confidentiality was afforded to each individual participant, then oral consent was sufficient (Brown, 2006).

Finally, the researcher has presented his argument, mainly on a course of reasoning by the use of evidence, in an attempt to convince others of the validity and logic of how the researcher interprets the matter by providing sufficient reason and evidence for points to be accepted by others.

CHAPTER 4 RESULTS

4.1 Introduction

The primary aim of this chapter was to present and analyse the findings of the interviews with the key employees of three of the Regions and RRW, together with the public interview(s) of Roger Lewis, CEO of the WRU. Section 4.2 therefore illustrates the level of co-opetition at play using an Industry Level Co-opetition Matrix (Dobbs, 2010) which was suggested in section 3.2; to best summarise these findings.

In addition, the models of either Porter's Five Forces or Brandenburger and Nalebuff's Value Net, as illustrated and evaluated in section 2.14, is discussed in section 4.3 to ascertain which of these models is best suited to the WRU and the Regions, in light of the primary and secondary data collated as part of the research.

Finally, where appropriate, correlations will be identified with the criteria for successful co-opetition relationships as illustrated in section 2.2.2 according to Zineldin (1998 and 2004).

4.2 Interview Questions

As referred to in section 1.8, interviewees were offered anonymity and were not, therefore, linked in any way to their respective organisations. For the purpose of the research, the serial numbers of the interviewees' quotations were depicted as (#1 = Organisation A, #2 = Organisation B, #3 = Organisation C and #4 = Organisation D). As referred to in section 3.4, the views of the Dragons Region do not form part of the results. Also, anonymity was not relevant to Roger Lewis, CEO of the WRU, as his contribution was taken from an interview on National television. However, due to the method of data collection, a number of responses were not considered relevant to this study and were disregarded. For guidance, #5 = WRU.

<u>Q1</u> <i>Should the primary function of the Regions be to make Wales a stronger National team?</i>
--

The general consensus was yes. However:

“(#4)...yes, to a point, striking a balance is key...”

Each interviewee offered specific reasons in accepting the Region’s role in facilitating a stronger National Team:

“(#1)...with rugby being the national sport of Wales, aspiring by wanting to play for Wales is a significant part of the journey; also the Regions and the WRU are intrinsically linked in so many facets...”, “(#2)...a correlation exists in that the stronger the Welsh team, the stronger the Regions...”. “(#3)...it’s simple; small population, small country. The end game has to be a successful side; revenue drives support for all the game...” “(#4)... Big issue to give Regions decentralisation to allow people to get behind the teams; therefore a mandate to local teams; otherwise the National team could risk being manufactured...”

For the purpose of the research, the following response by Roger Lewis, CEO of the WRU, on making Welsh Rugby stronger in light of being asked if the Regions are at crisis point (Lewis, 2012), was interpreted as relevant to this question and included as part of the research:

“(#5)...we’ve got to fix it with a solution lasts for many, many, many years and we are going to fix it by working together; by displaying a degree of unity which Welsh Rugby has never experienced in the past and I’m confident that by coming together, which we are doing now, coming together, we will fix the problems that face us and without doubt, they are serious problems, but we will fix them for the long term...”

This collective basis of opinion when applied to the criteria for successful co-opetition relationships (Zineldin, 2004), falls into the category of *individual willingness, motivation and strategic fit*, as the partners have a long-term goal and want to make the relationship work to achieve it. The category of *Organisational arrangements and institutionalisation* is also fulfilled as the relationship(s) have been given formal status.

Q2i Between the Regions, would you categorise the following subjects as areas of competing or co-operating:

- **a. Player transfers**
- **b. Loan Players / Academy players:**
- **c. Salary Caps:**
- **d. Foreign Players:**
- **e. Sponsors:**

Addressing the categories in order, the interviewees responded as follows:

Player transfers –

“(#1)...currently, the Regions are competing, however, long-term, there is a consensus of cooperating. The reasons are financial sustainability; competing increases inflation which is detrimental to financial success...”, “(#2)...currently competition; agents and clubs are and could instigate interest, which has created a culture of internal competition. Outside Wales there is an acceptance of a free market. However, a cooperative etiquette between the Regions is getting better...”, “(#3)...cooperating to a point. However one slips through now and again demonstrating an element of free market...”, “(#4)...cooperating, transparency evident, however, Cartel issue, could be deemed as restraint of trade?”

Loan Players / Academy Players –

“(#1)...Loaning players is difficult in elite rugby due to the constraints of the elite player registration system. Outside Regional squads, however, co-operation exists. Academy players’ evidence’s a great deal of cooperation. We believe that up to the age of 17, the player should belong to his family environment. If this is competitive, it could dilute the aspiration of representing the Region. However, after age 17, if the player is not retained, then the other Regions are notified...”, “(#2)...collaboration is evident with loan players. If a loan opportunity presents itself, there is an unwritten rule amongst the Regions of the player’s allegiance. Even though cooperative, more cooperative transparency is required in relation to Academy players; if presented with an opportunity, then hands off, if no opportunity, then a solution is to offer to another Region...”, “(#3)...co-operation exists but this is more relevant between the Region and their respective feeder clubs. Co-operation exists with Academy players strengthened by the fact that the academy coaches at the Regions are employed by the WRU...”, “(#4)...co-operation and transparency are evident in both loan players and academy players...”

Salary Caps

“(#1)...co-operation exists currently as sustainability and attendances are in focus, therefore an agreement between the Regions to attempt to spend similar

amounts. An audit system is in place, which is not routine unless challenged...”, “(#2)...co-operation evident...”, “(#3)...cooperating currently...”, “(#4)...co-operation is evidenced currently, however competition was prevalent before the economic downturn...”

The issue surrounding an agreement by the Regions to impose a salary Cap was applauded by Roger Lewis, CEO of the WRU (Rees, 2011b) when saying:

“(#5)...this action has to be supported...”

Foreign Players

“(#1)...co-operation exists with a common agreement in place. Prerogative of the Region to utilise; healthy to have other rugby cultures...”, “(#2) and (#4)...collaborative; prerogative of the Region to use maximum amount...”, “(#3)...cooperation; a natural progression due to the salary cap could dwindle foreign players even further...”

Sponsors

“(#1)...competitive, but not a threat...”, “(#2)...competitive inter regional, however an area of under achievement. The WRU should adopt models of marketing to utilise more fully...”, “(#3)...free market of competition evident. A degree of emotional sponsorship also common...”, “(#4)...competitive open market. One or two issues tend to creep in from time to time that are unethical...”

The researcher believed that the general responses focussing on the Regions views on areas of co-operation or competition, when applied to the criteria for successful co-opetition relationships (Zineldin, 2004), best suited the category of *Cultural Fit*, as all partners are able to share information with a commitment towards improving trusting attitudes. In addition, the category of *Integration and Integrity* also applied with the development of shared modes of operating incorporating effective communication systems evident, mainly through the vehicle of RRW.

Q2ii Between the Regions and the WRU, would you categorise the following subjects as areas of competing or co-operating:

- **a. Player availability**
- **b. Player Workload / Rehabilitation**
- **c. Styles of Play**
- **d. Funding / Marketing**

Addressing the categories in order, the interviewees responded as follows:

Player Availability

“(#1)...co-operation in principle but competitive in interpretation. At times both the specific Region and the WRU have to resolve...”, “(#2)...even though collaborative, still a bone of contention. National coach determines competition overlaps for players and even though players might be released back to Regions during the ‘Six Nations’ insisting they play, this can create dysfunctional relationship if the player cannot be integrated fully having been offered. Therefore, waited in favour of WRU ...”, “(#3)...co-operation in principle with any issues to and from the Regions with the WRU conducted through the RRW partnership...”, “(#4)...cooperation, but mapped in nature...”

The WRU response to ‘player availability’ was in answer to the need to keep Welsh based players in Wales to play their Regional Rugby (Lewis, 2012), but interpreted as relevant to this question as part of the research:

“(#5)...we want the players that we have nurtured, developed and identified to play their rugby in Wales. You will not keep all of your players in one country; that simply doesn’t happen. People want to experience other things. It’s all about environment and culture first and then we have got to make sure that we can compete in remuneration, so that these players will want to play their rugby in Wales...”

Player Workload / Rehabilitation

“(#1)...cooperative but grey areas exist. Rehabilitation co-operation since season 2011, has led to a sign in and sign out system which has proved fundamental as this can lead to rebates from the WRU in certain instances; an example of this resulted in a [substantial] rebate in 2011...”, “(#2)...collaborative intent; for instance, designated time off pre-season remains woolly, Munster for instance, as having centrally contracted players to Ireland, are told that the first 3 weeks after a summer tour, the player is not available. Wales, on the other hand is open to interpretation. Medics have a competitive relationship in deciding to disentangle the collaborative framework in relation to rehabilitation...”, “(#3)...cooperative on both fronts. The introduction of the signing in and signing out system relating to player rehabilitation is a step in the

right direction...”, “(#4)...co-operation but mapped out. Player rehabilitation could be simplified if the WRU and the Regions had a combined player insurance policy therefore avoiding disputes of whether the WRU or the Region was responsible for the injury, or even if the injury was allowed to develop under the guidance of the WRU or the Region at a given time...”

Styles of Play

“(1)...autonomy exists with no competition on styles of play; regional philosophy and principles apply, if however foreign coaches employed every 2/3 years then this presents a challenge to identity...”, “(2)...zero tolerance to collaboration, would not accept; pure competition has to exist. Collaborative integration is evident, however, prerogative of the National Coach in relation to ideas. NZ for instance, different philosophy as central in nature...”, “(3)...competitive styles of play must prevail...”

(4) did not offer an opinion to styles of play.

Funding / Marketing

“(1)...competition for funding, however co-operation in resolving issues. Marketing currently has Regional autonomy resulting in a competitive environment for independent opportunities; emotional sponsorship is common ...”, “(2)...funding is hugely cooperative and marketing is pure competition...”, “(3)...funding remains cooperative, but marketing is competitive. However, even though marketing autonomy for the Regions exists, instances whereby the WRU have blocked certain sponsorship for the Regions have occurred...”, “(4)...cooperative in dialogue, competitive in nature...”, “(5)...co-operation at present, in terms of marketing, a lot of co-operation takes place and we have to accelerate that...”(Lewis, 2012).

With the WRU and the Regions operating a definitive and monitored system in relation to player release and player rehabilitation for instance, which are integral to the Participation Agreement referred to in section 2.11 and illustrated in **Appendix 1**, similarities belonging in the category of *Organisational arrangements and institutionalisation* exist from the criteria of successful co opetition relationships according to Zineldin (2004). Here, Zineldin (2004) refers to an agreed and effective dispute-resolution mechanism.

Q3 Who should hold the players contracts?

“(#1)...wasted opportunity not to centrally contract in 2003. Now, in 2012, the time has come to centrally contract the players, but do the WRU have the capacity to manage efficiently...”, “(#2)...WRU and Regions to collaborate to identify squad of players to centralise season to season, with stipulated end of season. If player injured, contract taken over mid season for instance. Recruitment of management should be from within. Non international players to be contracted to Region...”, “(#3)...yes mainly due to financial climate including the Regions input, therefore a collaborative approach. However, if the game was sustainable, controlling the asset, the player, at the Region would be preferably but again collaboratively with the WRU...”, “(#4)...yes, economically with huge co-operation with the Regions. Roger Lewis has alluded to general issues going forward as a fundamental crossroads (BBC, 2012b); I prefer spaghetti junction. An opportunity arose in 2004, but a distinct lack of respect towards the benefactors, resulted in a standoff; however, distrust between all parties was endemic. The hybrid which was created only has the ability to work when the sun is shining...”, “(#5)...without doubt, a more centralised approach is required, my thoughts have never been hidden for almost six years at the WRU, believing we have got to come together and we’ve got to be joined up...”(Lewis, 2012).

For the purpose of the research, the researcher has categorised the responses to the question based on what approach would be taken in the advent of central contracts.

Q4 A European Super League is created and two of the Regions are eligible to take part, would you firstly support this and secondly, would you support the potential of Regional dominance? If so, would the atmosphere in a co-opetition sense change?

“(#1)...would support the Super League concept, but only if own Region involved. Even though, funding currently depicts equality, the Regions are not currently equal in terms of function; with the Dragons by far the weakest as the disruptions have always been minimal. 3 Regions is the way forward, however this would render any collaboration and co-opetition not viable...”, “(#2)...in order to maintain collaboration, Regions have to have the same funding in order to be equal. Autonomy in this regard to be preserved as started with a level playing field. Dragons are the weakest Region currently...”, “(#3)...the expense of co-opetition would be if the Regions operated at different tiers. If not, the role of RRW for instance, would be much harder and could affect the good trust element that exists between the Regions and the WRU at present...”, “(#4)...anything other than equitable would render co-opetition impossible. Solution; clarity of mapping at outset, however, the supporters, as wider stakeholders, would be disenfranchised...”, “(#5)...you could have four different models, four different relationships with the WRU, The permutations of different levels of funding could be one and three, two and two or three and one...”
(BBC, 2012a).

Similarly, for the purpose of the research, the researcher has categorised the responses to the question based on what approach would be taken in the advent of Regional dominance. The negative responses of the interviewees to the potential of Regional dominance does endorse the warning against ‘asymmetry’ of power Zineldin (1998, 2004) discussed in section 1.4 and if allowed, the co-opetition relationship can be dysfunctional. However, there is an opinion that only in the interests of the financial sustainability of the elite game in Wales, the potential of a development Region could survive, if the functional parameters were agreed from the outset. Furthermore, the *Interdependence* category from the criteria of successful co-opetition relationships according to (Zineldin, 2004); whereby the partners have complimentary assets and skills and neither can achieve alone what they can together, would also be under threat.

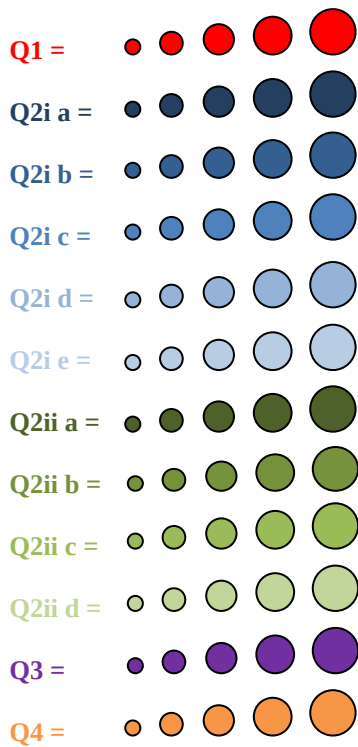
For simplification, **Table 4.1** is used to summarise the answers of the interviewee.

The Welsh Rugby Union (WRU): Critical application of the Co-opetition Model

<i>Interviewees</i> → <i>Questions</i> ↓	#1	#2	#3	#4	#5
Q1	<i>Major Co-operator</i>	<i>Major Co-operator</i>	<i>Major Co-operator</i>	<i>Major Co-Opetitionist</i>	<i>Major Co-operator</i>
Q2i a	<i>Competitive Co-operator</i>	<i>Competitive Co-operator</i>	<i>Co-operative Competitor</i>	<i>Major Co-operator</i>	-
Q2i b	<i>Competitive Co-operator</i>	<i>Competitive Co-operator</i>	<i>Major Co-operator</i>	<i>Major Co-operator</i>	-
Q2i c	<i>Major Co-operator</i>	<i>Major Co-operator</i>	<i>Major Co-operator</i>	<i>Major Co-operator</i>	<i>Major Co-operator</i>
Q2i d	<i>Major Co-operator</i>	<i>Major Co-operator</i>	<i>Major Co-operator</i>	<i>Major Co-operator</i>	-
Q2i e	<i>Major Competitor</i>	<i>Major Competitor</i>	<i>Major Competitor</i>	<i>Major Competitor</i>	-
Q2ii a	<i>Co-operative Competitor</i>	<i>Co-operative Competitor</i>	<i>Co-operative Competitor</i>	<i>Co-operative Competitor</i>	<i>Competitive Co-operator</i>
Q2ii b	<i>Competitive Co-operator</i>	<i>Competitive Co-operator</i>	<i>Major Co-operator</i>	<i>Competitive Co-operator</i>	-
Q2ii c	<i>Major Competitor</i>	<i>Major Competitor</i>	<i>Major Competitor</i>	-	-
Q2ii d	<i>Competitive Co-operator</i>	<i>Co-operative Competitor</i>	<i>Co-operative Competitor</i>	<i>Competitive Co-operator</i>	<i>Major Co-operator</i>
Q3	<i>Major Co-Opetitionist</i>	<i>Major Co-Opetitionist</i>	<i>Major Co-Opetitionist</i>	<i>Major Co-Opetitionist</i>	<i>Major Co-operator</i>
Q4	<i>Major Competitor</i>	<i>Major Competitor</i>	<i>Major Competitor</i>	<i>Major Competitor</i>	<i>Competitive Cooperator</i>

Table 4.1

A colour coding system was adopted as illustrated in **Table 4.1** that corresponded to questions asked. Disc sizes were directly proportional to the incidence of responses received for each category and subsequently plotted onto the Industry Level Co-opetition Matrix in **Figure 4.1**.



For example, if one response of the categories chosen, were achieved for **Q1**, then ● would be placed on the matrix, whereas, if three responses of categories chosen were achieved for **Q2i a**, then ● would be placed on the matrix. Finally, if five responses of categories chosen were achieved for **Q3**, then ● would be placed on the matrix.

The four corners on the matrix in **Figure 4.1** are the most extreme positions. According to Dobbs (2010), ‘Major Competitors’ engage in high levels of competitive activities and low levels of cooperative activities, while ‘Major Co-operators’ are the reverse. Furthermore, ‘Major Independents’ engage in low levels of both co-operative and competitive behaviour, while ‘Major Co-Opetitionists’, engage in high levels of both. Finally, the middle square is the ‘Moderate Co-Opetitionist’ position held by firms engaged in moderate levels of both types of activities.

Each response to the questions asked was interpreted by the researcher as corresponding to one of the nine categories available.

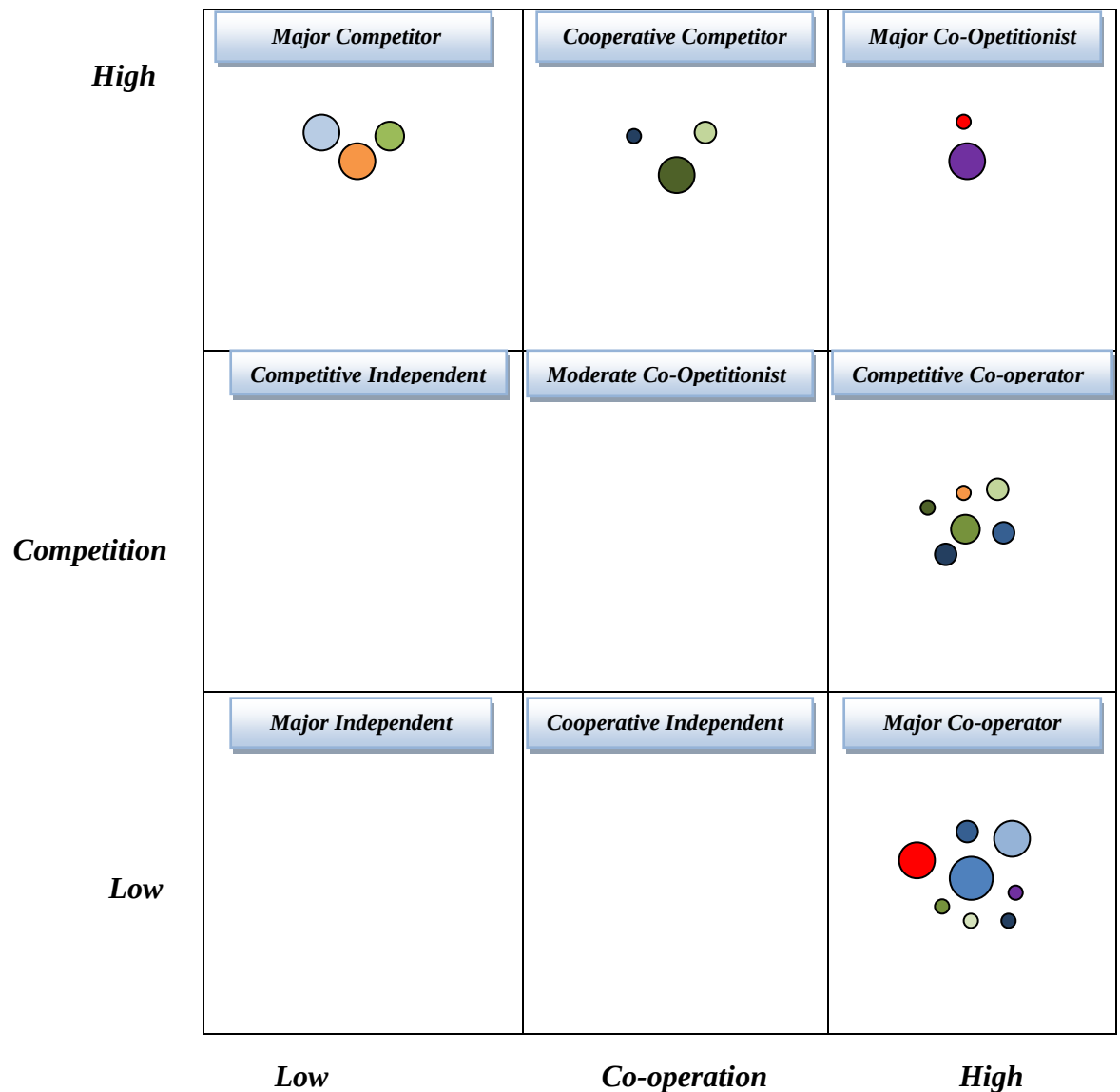


Figure 4.1. Industry Level Co-Opetition Matrix (adapted from Dobbs, 2010)

The results when plotted on the Industry Level Co-Opetition matrix show a density spanning the areas of both ‘Major Competitor’ to ‘Major Co-operator’, including ‘Cooperative Competitor’, ‘Major Co-Opetitionist’ and ‘Competitive Co-operator’. This clearly indicates a desire by all of the partner organisations, the WRU, Regions and RRW, to engage in cooperative dialogue across a number of areas applicable to their business.

Even so, there are elements of competitiveness at play that are outweighed by cooperation, with a degree of pure co-opetition evident. However the fundamental pattern of findings, are centred on co-operation and competition with evidence of these activities occurring simultaneously at times. This is clearly evidenced by the density of responses confirming this theory.

The signing of the latest 'Participation Agreement' (**Appendix 1**) in 2009 (WRU, 2011) endorses this willingness to pursue a robust relationship with co-opetition present against, arguably, a backdrop of compromise.

4.3 Porter's Five Forces or the Value Net

With section 2.14 designed to give a general overview of the models available to organisations in their specific market sector, this section suggests which of the models best suits the WRU and the Regions based on the critical analysis of the primary research gathered in conjunction with secondary data. The advent of syncretism behaviour whereby high levels of both collaborative and competitive activities would benefit a particular firm more so than competition or co-operation alone is argued by Lado *et al.* (1997) to be the optimal strategic combination for a firm. Contrasting this view to Porter's (1980) competitive strategies available to firms for thwarting the efforts of competitors while enhancing a firm's own position, does place each of these approaches firmly at opposite ends of the co-operation/ competition continuum. Therefore, understanding the structure of the market can profoundly affect the conduct and financial performance of its firms (Besanko *et al.*, 2010).

Considering the model of Porter (1980) first, of least significance to the WRU and Regions is the threat of new entrants as the oligopolistic market type they operate in makes such a threat unlikely. In fact, it could be argued that the WRU when instigating the Regions in the form of several firms, acted and are acting in concert mimicking the behaviour of a monopoly known as a cartel (Besanko *et al.*, 2010), such is their control. So much so, that any new entrant would have to be instigated by their own volition. The threat of substitutes is, however, of greater threat to the WRU and the Regions. However, not necessarily through them being replaced by another sport or indeed the same sport, but from overseas, but more from the wider stakeholder category of spectators defecting to watch other sports or even choose alternative activities. Even

though such defections are evident and cannot necessarily be controlled, the researcher believed that Porter's model is inadequate for the purpose of the research. This stance is endorsed by Dagnino and Rocco (2009), who believe Porter's model would be more applicable in a fine competition environment.

In preference, the Value Net (Brandenburger and Nalebuff, 1996) is deemed more appropriate as a model for the research organisations. With categories of customer, suppliers and competitors still relevant, the introduction of complementors and the interpretation of this category is an area where organisations can choose to cooperate with a potential threat for the good. According to Dobbs (2010), Brandenburger and Nalebuff (1996) used game theory (section 2.2.3) to bring the simultaneous implementation of co-operation and competition to a wider public consciousness when they argued there is a duality in many inter-firm relationships: firms compete and compliment at the same time.

As mentioned, capturing or losing audiences from other sports are evident on an ongoing basis and at differing times in different geographical areas when applied to the Regions. The Ospreys Region has currently experienced this trend in quite significant numbers. The recent elevation of Swansea City Football Club to the Barclays Premier Division, football's elite division in England and now Wales, share their stadium with the Ospreys. The enthusiasm for watching football at the Liberty stadium has accelerated to full capacity as a consequence, whilst spectator numbers watching Osprey games (and Regional games in general) have dwindled (Davey, 2011). Acknowledging that spectator numbers are a problem for the Regions in general is perhaps for separate consideration. However, attempting to harness the wave of enthusiasm enjoyed by Swansea City Football Club, could also present an opportunity for joint corporate and conference events for the Ospreys, even extending to ticketing options for potential joint supporters of both rugby and football, all in the hope of generating greater interest. This complement could also work in the Blues Region, where similarly they share the Cardiff City Stadium with Cardiff City Football Club.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

This chapter includes an analysis of the limitations that have impacted on the research and the conclusions and recommendations which can be made based on the literature review and the results of the research.

5.1 Limitations of the Research

This section aims to critically analyse the validity and reliability of the research, after accumulating the primary research by way of interviews, together with the interpretation of relevant information pertinent to the research topic, from a public interview, conducted on National Television. With section 3.9 of the research providing valid information and guidance as to the observing and fulfilling of the required validity and reliability used in the obtaining of primary data for analysis, the experience gained by the researcher in performing the process of primary data collection, is reflected in an honest and frank manner. This demonstrated that correct techniques and procedures were followed in observation of the proven valid and reliable theory.

With the chosen research organisations being the victim of such public interest and scrutiny, the researcher was fully aware of the strength of public opinion. This, at times has become both personal and emotional in peoples' lives, covering numerous topics concerning Welsh Rugby in general and not necessarily specific to the research topic of co-opetition. With this in mind, the unearthing of such general opinion has never been difficult to obtain with information becoming more and more available through ever increasing mediums of around the clock media. Such exposure undoubtedly can lead one to have opinions one way or the other. However, the experience gained by the researcher from both a playing and administration point of view, has allowed the researcher to view matters more without premeditated opinions to general subject matters either relating to playing or administration. With these general views and principles in place, the researcher was also mindful of the perceptions of the interviewees being aware of the researcher (when interviewing), having a reasonable knowledge of the research topic. The possible reluctance of the interviewees to be truthful about issues, when subject matter was deemed highly confidential or commercially sensitive, was considered by the researcher. In such instances, the choice

of unstructured interviews is deemed an appropriate method according to Easterby-Smith *et al.* (2008), to counter such weaknesses, with the researcher endorsing this approach having used this method of data collection. In addition, Warren and Tweedale (1998), argue that research into issues that could be 'constituted as being sensitive', are unlikely to be valid using a positivistic method, therefore the chosen phenomenological research approach proved more productive.

The selection of the sample population was considered at length by the researcher prior to actually engaging the target interviewees. Fundamentally, each target interviewee had to have gained the necessary experience and broad understanding within their respective organisation and preferably having operated, or operating, at a high level of decision making. With this in mind, the researcher had varying degrees of difficulty in engaging the sample population. Of the six organisations targeted to conduct the research, obtaining an interview with Roger Lewis, CEO of the WRU proved difficult after numerous telephone calls and an email to his secretary. Fortunately, being in such a high profile public position and the future of Regional rugby in Wales of current debate, National Television and media interviews were the sources used to collate his views in full acknowledgement that the interview guide utilised with the other interviewees, was not complied with. However, relevant comments specific to the research topic was used from the public interviews to underpin the research. The Dragons Region declined to take part in the research after again, numerous phone calls and text messages, therefore primary data from the Dragons Regions does not form part of this research. Of the remaining four organisations, including RRW, intended target personnel were interviewed in all instances except one, whereby the second choice of interviewee was interviewed.

Appendix 2 was used to guide the interviews in a semi structured manner which did allow the researcher at times to probe more deeply as and when the need arose as suggested would be the case according to Kvale and Brinkmann, (2009). Even though this does allow interviewees to depart significantly from any interview guide that was being used (Bryman and Bell, 2011), the researcher viewed this as a distraction and ultimate limitation at times, particularly when certain interviewees were intent on just telling their story irrespective of the target question, forcing the researcher to be firm in making sure all the questions were asked in the agreed allocated timeslots available. With only four interviews conducted and with instances of derailment of interviews by

certain interviewees as mentioned, the researcher maintained a consistent approach throughout the interviews. This process was undoubtedly facilitated by reviewing the pilot interview with the researcher's supervisor in a manner conducive to the anticipated conditions of the interviews. Furthermore, linking the questions to theory was designed by the researcher to eliminate bias and encourage more objectivity.

5.2 Conclusions

The purpose of the research was to ascertain whether co-opetition exists in the professional sector of Rugby Union in Wales and in particular, the elite end of the game represented by the WRU and the Regions. In order to verify if co-opetition is taking place, the researcher structured interview questions designed to elicit the necessary answers to achieve the research aims and objectives. On balance, the researcher concluded that some of the questions achieved the desired outcomes for the research. However, some of the questions could have been improved. Additionally, more interviewees might have been used in the sample going down the management levels. On balance however, the researcher believed that enough evidence exists when applying the theory of co-opetition to the WRU and the Regions, which was confirmed by the primary research findings, of co-opetition taking place. This confirmed that the model is workable. For ease of recollection, the questions are listed below:

- i. Critically analyse the 'co-opetition' model that exists when applied to the WRU and the Regions.
- ii. Evaluate the categories identified with the forming of co-opetition relationships and critically analyse the criteria for the survival of the relationship when applied to the WRU and the Regions, in its market sector.
- iii. Derive logical recommendations on the viability and sustainability of the current co-opetition model of the WRU and the Regions in the ever increasing economical challenges.

In addition, the researcher asks whether the correct questions are posed to elicit responses which would enable the research aims of this study to be developed.

In academic literature, there are limited articles specific to co-opetition in sport generally let alone, in the field of Rugby Union. Therefore, this research reviewed literature from several related and non-related fields to generate an understanding of

co-opetition. By doing so, and referring to theoretical constructs of co-opetition that apply to the WRU and the Regions, allied to references of case studies displaying co-opetition behaviour from different sectors, the researcher attempted to delve deep in highlighting co-opetition in practice. The concept was then applied to the WRU and the Regions, throughout Chapter 2, with the sole aim of constantly drawing correlations between the topic of research and theory.

For these reasons, the first aim and objective: ‘critically analyse the ‘co-opetition’ model that exists when applied to the WRU and the Regions’ was thoroughly evaluated by analysing the respective missions of the WRU and the Regions represented by RRW, to draw out similarities in the organisations strategic objectives as summarised in section 2.3. Also, the strategic capabilities were evaluated in section 2.4 to ascertain the fine line between organisational knowledge and the linked concepts of intangible resources (referred to by Johnson *et al.*, 2011), again to prove similarities. Furthermore, an evaluation of the organisations mutual benefits in section 2.5 strengthened by the signing of a new participation agreement in section 2.11 effectively binding the WRU and the Regions to a framework of collaboration, again provided thorough evidence.

Acknowledging that providing evidence of existing practices is only one side of the question, the researcher then applied different models available to organisations in a particular market sector, such as Porter’s Five Forces (Porter, 2008) and the Value Net (Brandenburger and Nalebuff, 1996), to test the most appropriate model best suited when applied to the WRU and the Regions. Allied to this, valid and reliable primary research findings through the conducting, deciphering and evaluation of interviews with key employees from the WRU, RRW and the Regions, confirms that the Value Net of Brandenburger and Nalebuff (1996), is most appropriate, as a fine competition environment is not conducive, more an environment of co-operation as discussed in section 4.3.

However, it could be argued that the Value Net (Brandenburger and Nalebuff, 1996), is still susceptible to threats such as that of the high profile player power episode involving current Welsh Captain at the time Gareth Thomas and the then current Welsh coach Mike Ruddock, resulting in the resignation of Mike Ruddock in 2006 (Malin, 2011). With the disagreement being of such high profile, it clearly suggested the WRU had sided with the player and in the process potentially damaged its’ reputation and integrity.

Considering question ‘ii’ of the aims and objectives: evaluate the categories identified with the forming of co-opetition relationships and critically analyse the criteria for the survival of the relationship when applied to the WRU and the Regions, in its market sector, the researcher focussed on the criteria for successful co-opetition relationships (Zineldin, 1998 and 2004) as detailed in section 2.2.2, with instances of the checklist applied in section 4.2 based on valid and reliable primary research data. In addition, an evaluation of the commercial advantages of co-opetition identified in section 2.15, provided theory to support the oligopoly market structure the WRU and the Regions, as dominant organisations in their industry, belong to. Pricing structures endemic to this structure also evaluated.

Finally, the deriving of logical recommendations as stipulated in question three of the research aims and objectives will be discussed in section 5.3.

The mixture of questions being chosen by the researcher used to extract the required responses to prove co-opetition in practice when applied to the WRU and the Regions, did confirm an admission by all partners, that all partners need each other to be competitive on the field of play and to be sustainable off the field of play. In this regard, questions relating to actual events mixed with questions relating to hypothetical events, did elicit the correct mix of responses the researcher was looking for in order to provide a robust case study for evidence of co-opetition at play. Interviewees were not reserved with their opinions and largely wanted to tell their own story of events. An intimation of considering the bigger picture for Welsh Rugby was afforded which was vindicated by the unequivocal responses to the first question, in striving to make Wales a stronger National Team. In contrast, considering the possibility of Regional dominance which was enticed in question four, in many cases revealed support for this, but only if the particular Region responding was involved. It is fair to say, however, that the Dragons view was not included as they declined to take part in the research. Had they done so, their response to the potential of Regional dominance would have been interesting, particularly as the general consensus was one of them continuing to be the weakest Region on the field of play, mainly centred on having to endure the minimal amount of disruptions to their playing squad in any given season.

The researcher also had an overwhelming feeling in all interviews, that because the concept of Regional Rugby was forced through in 2003, due to financial uncertainty, the working model was fraught with distrust. So much so, that the sustainability of

Regional Rugby in Wales in its current guise is more one of survival rather than sustainability. The presence of powerful owners and benefactors who graduated from their clubs into their Regions in 2003, not doubting their passion for the game, their colours and their reputed financial pledges, created an unsustainable inflation that was hugely competitive inter-regionally that run a fair course before losing momentum due largely to the waning general economic climate. Certainly, there appeared to be distrust amongst the Regions in terms of player transfers and there also appeared to be a collective distrust covering the Regions when negotiating funding and player release terms with the WRU, leading to the forming of the alliance, RRW in 2008, as referred to in section **2.11**.

Focussing on other types of governance when applied to the structure of elite competitions in professional sport incorporating lessons from Rugby Union, by Morgan (2002), it could be argued, categorises WRU and the Regions as occupying a co-opetition type of governance, certainly from 2003 through 2009. However, similarities of a cartel type of governance as suggested in **4.3**, was also evident, such was and continues to be, their dominance of the market. However, it is accurate to deduce that currently, the type of governance is more one that is dominated by co-operation. This is more out of necessity particularly as it appears the respective owners and benefactors are over their heady days of operating, almost ready to embrace a new, less volatile relationship, or even renege involvement altogether.

With Regional rugby in Wales at a stage where structural changes are deemed a formality, it could be argued Regional Rugby has played its part in helping to facilitate another Grand Slam win in 2012 for Wales in the Six Nations tournament. Of course, with Welsh Rugby being what it is, fraught with opinion, some would argue that the current coaching set up with Wales delivered this success, with the Regions anything but contributory. In the opinion of the researcher, the Regions should be afforded some credit, even though, the objectives of the reorganisation to form Regions has been National success but Regional disappointment in terms of success in Regional competitions.

In the process of conducting the research, the researcher learned numerous things about himself not least the significant challenge to his critical analysis which forced him to confront his own ideas and what it is to know something.

5.3 Recommendations

The enforced changes to rugby union in general brought about with the advent of professionalism in 1995, created a significant period of reactive readjustment which tested the very foundations of institutionalisation. This was not only endemic in Welsh rugby at the time, but throughout other constitutions of leading rugby union nations all over the globe. In fact, for those clubs at the time who chose to professionalise to operate effectively, the values and related organisational structures which were the very essence of amateurism, had to be deinstitutionalised (O'Brien and Slack, 1999). These principles existed in Welsh Clubs at the time whereby owners and benefactors had a genuine fear of being left behind by other money clubs, who were fast monopolising the player transfer market, evidenced in 1995, have gathered momentum into the forming of the Regions in 2003. With the professional game in Wales at a 'fundamental crossroads' (Lewis, 2012), it is not beyond the WRU and the Regions to once again restructure its elite rugby operation successfully but with one fundamental difference, to eradicate itself of continued inflated financial burdens and to display a mature and realistic approach to a sustainable elite game. Trying to retaliate to unlevel playing fields, in the player transfer market, which are prevalent in other European nations such as France and England, must surely be viewed as an unsustainable market place. Now it appears that the researcher is laying the blame of financial instability, purely at the door of the owners and benefactors in being allowed to create, at times, an unsustainable internal market place, which was endorsed in the gathering of the primary research. However, the WRU, it could be argued, has conveniently allowed certain behaviours to gather momentum and at times, get out of hand, showing in the process weak leadership as eluded to in section 2.12.

With the foundation laid, arguably for enforced co-opetition, which has now evolved more towards cooperation, an opportunity to build on this relationship can only be viewed as positive. The researcher believes now is the time to consider a move more towards centralising players contracts which was mooted in 2004 when the then CEO of the WRU, David Moffett stated that maybe central contracts will be introduced when the so-called benefactors get sick of losing money (Rees, 2008). Perhaps, more proactive dialogue towards a fair compensation package to thank the owners and benefactors at that time may have gone some way to a mature compromise. However,

with the financial climate being what it is currently and the owners and benefactors gradually withdrawing their respective levels of financial support, then, it could be argued that the time is right to move towards a centralised system of contracting top elite players in Wales. This will attempt to curb the significant financial drain that has caused so much conjecture in the WRU and the Regions' relatively short relationship.

The researcher also believes that now is also an opportune time, with significant co-operation evident, to re brand the Regions and resort back to club names in pursuit of a new restructuring. With this in mind, with the Regional centres reasonably established, the re-introduction of the renowned and historical club names Newport, Cardiff, Swansea and Llanelli, in place of the Dragons, Blues, Ospreys and Scarlets, respectively, would go a long way to re addressing the identity of Welsh elite rugby, within and outside its borders.

The funding currently dispersed by the WRU to the Regions, used to contract and to prepare international players, could then be re-evaluated in light of central contracts and structured accordingly to include firmer control over player timetables. In collaboration with the Regions, instead of, in competition with the Regions, the overlap in wages taking place would be eradicated. With a reasonable understanding of the current levels and sources of funding made available to the Regions by the WRU, the researcher believes that detailed research on the potential cost-saving efficiencies could be the target of future research.

5.4 Recommendations for Further Research

Naturally, it would be useful for future researchers to be attracted to this area of research. According to Collis and Hussey (2009), 'generalisation' is concerned with the application to cases or situations beyond those specifically examined in this study. Furthermore, they believe that with any phenomenological study, the researcher should be more concerned with whether the patterns, concepts and theories which have been generated can be put into different categories of industry.

Considering different categories for future research, researchers could adopt other methodologies, obtain primary research from other people, possibly spectators, or even conduct similar research with second tier clubs and the issue of under funding for instance.

With interviews confirming the researcher's master theory in this instance, it could be that future researchers could opt for a different method of data collection.

Areas for further research could include the competition and collaboration applied when selecting the British and Irish Lions teams which tour mainly every four years to the SANZAR Nations. On a more global footing, future research could focus on the IRB directive of fixture timings between the Northern and Southern Hemispheres and the reputed bias by the IRB, towards the Southern Hemisphere countries. Future research could also focus on the so called 'emerging nations' in world rugby by asking, whether a model of co-opetition or co-operation would be applicable and whether one model fits all.

Furthermore, as eluded to earlier in the research, the co-opetition model could be expanded to the lower levels of the game to incorporate more comparative analysis with other sports or even industries. Likewise, other parts of the business such as Hospitality, Conferences, Merchandising and Sponsorship could also benefit from adopting an understanding of the mutual benefits that can be gained from a co-opetition approach. This wider group of stakeholders would then have an appreciation that by working together, the rewards could be greater than the sum of working alone in observation of the true meaning of interdependence. Finally, alternative research exploring the trusting relationships of the WRU and the Regions designed to engender

stronger relationships as referred to in the theory, would also prove useful in the pursuit of stronger team performances.

Certainly, learning the lessons of the WRU and their co-opetition model would provide a useful starting point.

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APPENDICES

Appendix 1

Participation Agreement

i.	Agreement that every Regional match squad is intended to contain an average of at least 17 Welsh qualified players from now on (meaning from the signing of the agreement), increasing to at least 19 over the term of the agreement
ii.	Agreement that a six non Welsh qualified player plus two 'time serving player' limit in Regional Squads will be honoured. This is intended to fall to a minimum total of six including 'time serving players' by season 2013/2014
iii.	Agreement on a range of key rugby performance protocols which include medical, player welfare, conditioning, analysis, and nutrition
iv.	A formula for international player release which will allow up to 13 international matches for Wales each year
v.	Agreed international player release for match preparation and games
vi.	Agreed release of Regional Squad players for Welsh international sevens duty
vii.	Confirmation that all international training will be based at the at the new WRU Centre of Excellence (WRUNCE)
viii.	Approval for development Regions such as the North Wales project
ix.	The transfer of the four core academies to Regional administration working alongside the new National academy
x.	Significantly enhanced funding allocation to all four Regions from the WRU

Appendix 2

Interview Guide

SWANSEA BUSINESS SCHOOL SWANSEA METROPOLITAN UNIVERSITY (UNIVERSITY OF WALES) Final Dissertation – Interview Guide – Co-opetition 2011-12
NAME: Anthony Clement
Overview of Research topic <i>The research is being conducted for academic reasons purely towards the obtaining of an MBA.</i> <i>Co-opetition describes a business situation, in which independent parties cooperate with one another and coordinate their activities, thereby collaborating to achieve mutual goals, but at the same time compete with each other as well as with other organizations.</i> <i>The research analyses the co-opetition model which might be relevant to the activity of the WRU and the 'Regions'. The basis of the questions are aimed to establish if co-opetition is taking place between the regions independently and between the regions as a collective body represented by Regional Rugby Wales (RRW) and the WRU.</i> <i>There are no right or wrong answers to the questions with all responses being subjective in nature.</i>
Q1. Should the primary function of the Regions be to make Wales a stronger National team?
Q2a. Between the Regions, would you categorise the following subjects as areas of competing or co-operating: Player transfers / Loan Players / Academy players: Salary Caps: Foreign Players: Sponsors: <u>Q2b. Between the Regions and the WRU –</u> Player availability: Player workload: Player rehab: Styles of Play: Funding: Marketing

Q3 – Who should hold the players contracts?

Q4 – A European Super League is created and two of the Regions are eligible to take part, would you firstly support this and secondly, would you support the potential of Regional dominance (would the atmosphere in a co-opetition sense change) – are the Regions equal at present!