Transnational venue management corporations and local embeddedness: A case study on the Mercedes-Benz Arena in Shanghai, China

**Transnational Venue Management Corporations and Local Embeddedness:
A Case Study on the Mercedes-Benz Arena in Shanghai, China**

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Abstract

Purpose: The case of the Mercedes-Benz Arena in Shanghai, China raises an important issue with respect to transnational venue management corporations embedding and operating in foreign markets. The purpose of this paper is to examine how Anschutz Entertainment Group (AEG) has implemented social embeddedness strategy to influence the management structure and enhance operational performance of the Mercedes-Benz Arena.
Design/methodology/approach: A case study approach was chosen to examine the social embeddedness of AEG through the Mercedes-Benz Arena in Shanghai. An in-depth interview was conducted with John Cappo, the President and CEO of AEG China, in April 2016. In addition, the relative news and interviews of leaders from AEG and AEG China over the past ten years was also collected. Qualitative content analysis of the data was conducted through a coding approach. All the materials were coded into three main categories based on three aspects of social embeddedness: local stakeholder relations, reputation and trust-building, cultural and institutional adaptation.
Findings: AEG has demonstrated how a transnational venue management corporation can successfully integrate social embeddedness strategy with the management structure and operational procedures of the Mercedes-Benz Arena in three ways. First is through the relationship between AEG and its partners in the joint venture, OPG in terms of the enforcement of the contract, the clear division of responsibilities, and the mutual understanding and use of relationship building. Second is the relationship between AEG and the local government in Shanghai. Third was adapting the structures of AEG to fit within local culture and institutional contexts.
Originality/value: The unique multi-stakeholder relationship inherent to venue management in China raises important questions with respect to transnational venue management corporations operating in foreign markets. The adaptation to the local context, as a moderating factor to the institutional exposure of a venue management company involves more challenging obstacles for non-local firms, compared to firms which are familiar with their institutional context. Understanding the key solutions in building relationships and trust with partners in joint venture and local government, as well as the key methods to adopt in local contexts, have applications across any number of sport industries.
Keywords: Social embeddedness, Transnational corporations, AEG, Mercedes-Benz Arena, Sport in China, Venue management
Paper type: Case study

Executive Summary

The management and operations of sport facilities involve many inherently broad and challenging tasks. The professional staff responsible for these tasks will vary depending on the ownership structure of the facility, as well as their choice of managing and operating the facility directly (in-house) or indirectly (outsourced). This decision is influenced by numerous factors ranging from the capabilities of the owners to the desire to transfer risk, responsibility, and accountability for either the entire facility or specific ancillary services unique to a facility.

In China, the majority of sport venues are considered to be state-owned assets because their major investor is government, which has resulted in most facilities being either government-affiliated institutions or state-owned enterprises. However, change emerged in the Chinese market in 2008 when Anschutz Entertainment Group (AEG) entered into a partnership with the National Basketball Association (NBA), followed by AEG and NBA partnering with the PAC-Shanghai Oriental Pearl (Group) Co. Ltd (OPG) to co-fund AEG-OPG Culture and Sports (Shanghai) Co., Ltd for the purpose of managing and operating one of those facilities – the Shanghai World Expo Cultural Center – which was renamed the Mercedes-Benz Arena in 2011 as part of a ten-year facility sponsorship deal.

The purpose of this case study is to examine how AEG has implemented social embeddedness strategy to influence the management structure and enhance operational performance of the Mercedes-Benz Arena in terms of building relationships and trust with its partners and the local government in Shanghai, as well as how AEG adapted its structures to local culture and institutional contexts. The results demonstrate how a transnational venue management corporation can successfully integrate social embeddedness strategy with the management structure and operational procedures – and that the methods implemented can serve as a framework for venue management companies that may also want to do business in China.

Introduction and Background

The management of sport venues involves the safe and secure maintenance and upkeep of the mechanical functions of commercial and non-profit venues in an environmentally and fiscally sound fashion, while operations focus on the processes and procedures inherent to distributing the products and services, often in the form of an event, offered through a facility (Schwarz, Hall, & Shibli, 2015). These management and operation procedures are often run by a professional venue management staff that acts as representatives of the ownership – which may be public, private, or a partnership of both. Some of that staff are direct employees of the ownership, while in other cases the owners hire a venue management corporation to act on their behalf and manage the operations of the facility. The decision whether to manage and operate the facility in-house - or outsource it to any number of third –party national or transnational corporations specializing in this area of expertise – is dependent not only on the capabilities of the owners, but are influenced by strategic planning (McIvor, 2005), cost vs. quality of operational offerings (Kremic, Tukel, & Rom, 2006), and risk responsibility and accountability considerations (Usher, 2003).

Direct vs Indirect Venue Management (In-House vs. Outsourcing)

Sport facility owners need to decide at some point whether they are going to directly and indirectly manage the operations of the venue. Direct venue management involves keeping the management and operations of a sport facility in-house, or directly by the owners of the facility. Indirect venue management involves outsourcing to an external company the management and operations of a sport facility on behalf of the ownership.

Determining the best venue management plan of action for either the entire facility or specific ancillary services is unique to each facility. Table 1 elaborates on the pros and cons of direct/in-house management vs. indirect/outsourced management.

Table 1: Advantages of In-House Management vs. Outsourcing

In-House (Direct) Venue Management	**Outsourced (Indirect) Venue Management**
• Having to give up full control of the venue operation; • Difficulty in ensuring that the vision and ethos of the venue owner is articulated and applied clearly through the management company; • The need for additional checking to ensure service is being provided to customers;	• Acquiring sport facility management expertise that is not available in-house; • Enhancing service quality through the use of specialists who understand the management of the facility products and services; • Allowing ownership to focus on other tasks; • Potential shifting or reducing of costs related to not having to hire other contractors to deal

• Loss of some security of proprietary information as it would need to be shared with the management company; • Loss of control over third-party contracting; • Potential additional costs as the fee to hire a management company can be expensive	with specific facility issues; • Access to expertise to provide ownership input on potential changes, some of which might otherwise require hiring consultants; • The ability to predict and manage costs as they are fixed based on the venue management contract

Source: Martin, 2006, p. 233

Transnational Venue Management Corporations

The outsourcing of these management and operational functions takes place at all levels of sport – from local community facilities to large stadiums and arena where professional and international competitions are held. Considering the transnational space, there are a number of companies that are active in managing and operating large-scale sport venues across the globe. Three of the largest are SMG (formerly known as Spectacor Management Group), Spectra by Comcast-Spectacor, and Anschutz Entertainment Group (AEG).

SMG is a global venue management company that has a wide-ranging portfolio of sport, entertainment, and community facilities they manage across the United States, Latin America and Europe. Since 1977 when they took over the management of the Louisiana Superdome (currently Mercedes-Benz Superdome) in New Orleans, they manage a vast array of sports venues ranging from large stadiums and indoor arenas to equestrian centers and recreation complexes; as well as beyond sports including convention centers, exhibition halls and trade centers, performing arts centers, and theaters (SMG, 2016). Their management of private and public facilities focuses on quality venue an event management with the main goal of creating an exception cultural experience for resident while at the same time building tourism and the economy to enhance the reputation of the municipality in which the facility resides (SMG, 2016).

Spectra is the evolution of over 40 years of facility and event management of Comcast Spectator Chairman Ed Snider. Comcast Spectacor, based in Philadelphia, USA, has been involved with sport team ownership, facility design and management, event production, broadcasting, food services, and ticketing. Three of its best known divisions – Global Spectrum (facility management), Ovations Food Services (hospitality), and Paciolan (ticketing and fan engagement) under one umbrella brand in 2015 called Spectra (Comcast Spectacor, 2016). Under the Spectra brand, they manage over 750 venues sport venues across North America, Europe, the Caribbean, the Middle East, and Southeast Asia – with the ability to bring full-service management and operations experience to all their clients. These include a wide range of services such as consulting, marketing and sales, corporate partnership management, ticket services and box office management, digital services, operations, finance, ancillary services management (Comcast Spectacor, 2016).

AEG, a subsidiary of the Anschutz Company, is also a leading sport and entertainment company that is involved with venue ownership, venue management services, sport team ownership, and live music entertainer management, as well as the largest producer of music festivals in the United States (AEG, 2016). Focusing on its venue management business, they operate over 100 facilities worldwide including some of the best-known facilities around the globe in the United States (STAPLES Center in Los Angeles), Australia (Allphones Arena in Sydney), Europe (Ericsson Globe Arenas in Stockholm and the O2 in London), and Asia (Mercedes-Benz Arena in Shanghai, China)… the latter being the focus of this case study paper.

Venue Management in China

In China, the picture is different. Most sport venues are considered as state-owned assets because their major investor is government. Due to the above unique characteristics, sport venues in China are usually operated by two kinds of operators. Traditionally government-affiliated institutions are the major type of facility operators and are in charge of the routine management of the sport venues through funding provided by the government. However, with the development of China's economy, government-affiliated operators are gradually being replaced by state-owned enterprises. These operators are responsible for both facility management and financing without assistance provided by the government. Although these two kinds of operations are different, there is one common link - they own the sport venue on behalf of the government. As a result, the operation of most sport venues in China is via direct/in-house management.

As of the start of 2014, China had 16.42 million sport venues, with only 8.38% owned by private enterprises, and only 0.22% having investments from foreign companies (General Administration of Sport of China, 2014). With direct/in-house management and limited foreign investment in sport facilities in China being widespread, the unique partnership and management structure surrounding the success of the Mercedes-Benz Arena in Shanghai has opened the door for potential change in future venue management practices in China.

The Case of Mercedes-Benz Arena

The convergence of the outsourcing of venue management and the traditional Chinese venue operations management came together in 2008 when AEG entered into a partnership with the National Basketball Association (NBA) to design and manage 12 large-scale, multi-function sports and entertainment arenas in major cities across China. In October 2008, AEG and NBA partnered with the owner of PAC-Shanghai Oriental Pearl (Group) Co. Ltd. (OPG), the largest state-owned media group locally, to co-fund AEG-OPG Culture and Sports (Shanghai) Co., Ltd for the purpose of managing and operating one of those facilities – the Shanghai World Expo Cultural Center – after Expo 2010 in Shanghai. Renamed in 2011 as part of Mercedes-Benz's 10-year facility sponsorship deal, the facility includes an 18,000 seat arena with a smaller 1,000-seat live-music venue called 'The Mixing Room and Muse'. The role of AEG in this unique multi-stakeholder management and operations partnership is to provide their expertise as a transnational venue management corporation. The structure provided by AEG help to ensure the Mercedes-Benz Arena became a vibrant cultural and lifestyle destination in Shanghai for residents, as well as to attract global brand awareness for sporting events, entertainment tours, and other leisure and recreational events.

Transnational Corporations and Local Embeddedness

The unique multi-stakeholder relationship inherent to the Mercedes-Benz Arena raises an important issue with respect to transnational venue management corporations operating in foreign markets. Globalization is a process of transnational relationship building or embedding, creating and maintaining personal relationships of trust at various, interrelated geographical scales (Hess, 2004). The ways in which the different agents establish and perform their relation to others and the specifics of embedding processes are to a certain extent based upon the 'heritage' and origin of these agents. (Henderson, Dicken, Hess, Coe, & Yeung, 2002)

Embeddedness can be classified into two major types, including economic embeddedness and social embeddedness (Kern-Ulmer, 2011). Economic embeddedness refers to all tangible events which manifest the firm's commitment to its location, and is focused on three aspects of economic embeddedness: (1) value-share remaining in region; (2) mutual lock-in between the firm and its main stakeholders; and (3) effectiveness of (internal) governance (Kern-Ulmer, 2011).

Different from the economic embeddedness, social embeddedness is intangible. This kind of embeddedness focuses on the relation embeddedness, which includes: building local stakeholder relations, reputation- and trust-building, cultural and institutional adaptation (Kern-Ulmer, 2011). Constructive relationships with the firm's local stakeholders activate their reciprocal behavior, whereby the accumulated relational capital may be used to enhance the firm's options, reduce its risks and consequently to create value. The building of stakeholder relations involves interaction and dialogue and sincere efforts to involve stakeholders in the firm's decision making (Nijhof, de Bruijn, & Honders, 2008). Reputation and trust are idiosyncratic resources to the firm… both take time to be established, cannot be purchased, and are easily damaged. Through repeated interaction, the firm establishes trust with its stakeholders that facilitates their exchange of resources and information (Fombrun, Gardberg, & Barnett, 2000)

The adaptation to the local context, as a moderating factor to the firm's institutional exposure involves more challenging obstacles for non-local firms, compared to firms which are familiar with their institutional context. By prudently adapting the firm's structures to the local institutional context, the firm is able to overcome obstacles and to create options for its future development (Ulmer, 2011). Besides the aspects of social embeddedness, the spatial scale should also be clear. This can be conceptualized as a construct of the spatial scale of embeddedness as local, regional, or relations over a longer distance with varying intensities (Oinas & Lagendijk, 2005). In this study, the focus lies on the relationship of local stakeholders, which refer to AEG's partners in joint venter and local government.

Objectives

The case of the Mercedes-Benz Arena in Shanghai, China raises an important issue with respect to transnational venue management corporations embedding and operating in foreign markets. With this in mind, this case study examines how AEG has implemented social embeddedness strategy to influence the management structure and enhance operational performance of the Mercedes-Benz Arena. Based on this framework, the following research questions serve as a foundation for this case study analysis:

1. How did AEG build relationships and trust with its partners in the joint venture?
2. How did AEG build relationships and trust with local government in Shanghai?
3. How did AEG adapt its structures to local culture and institutional context?

Implementation

To facilitate analysis, Ulmer's (2011) investigation of social embeddedness is employed. Through analysis the aspects of embeddedness, Ulmer (2011) identified three aspects of social embeddedness: local stakeholder relations, reputation and trust-building, cultural and institutional adaptation. The AEG case was selected due to the multi-stakeholder environment and local environment, which have raised these challenges above for AEG.

A case study was chosen in this research to examine the social embeddedness of AEG. The case study is a method that suit for exploring and understanding the complex phenomenon within a single and specific case in the reality background (Eisenhardt, 1989; Yin, 2008). Both primary and secondary data were collected. One in-depth interview was conducted with John Cappo, the President and CEO of AEG China, in April 2016. The interview included ten questions, which were based on Ulmer's (2011) identification of social embeddedness. These questions were reviewed and validated by an independent panel composed of three experts from the sport arena management field. In addition, the relative news and interviews of leaders from AEG and AEG China in the most recent 10 years was also collected.

Qualitative content analysis of all interview and documentary data were scrutinized through a coding approach. The data were coded into categories based on the aforementioned three aspects of social embeddedness. Critical sentences and passages representing any of the codes were highlighted and then recorded into the relevant category, which in turn was connected to one of the initial research questions. Through scanning the data under each category, common themes and connections were grouped into key findings. Those findings were then applied to the individual research questions to identify the relationship between transnational venue management corporations and local embeddedness.

Results

AEG in China

The entry of AEG into the China market started with initial discussions with NBA China in 2007. Both parties discovered they were independently pursuing the development of world-class venues in China, and decided that it was in the best interest of both entities to work together (NBA, 2008). On October 12, 2008, AEG and NBA China announced the formation of a joint venture to design, market, promote, and operate multipurpose, NBA-style sports and entertainment arenas in major cities throughout China. According to Timothy Leiweke, President and CEO of AEG,

> We view China as an exciting marketplace with a growing appetite for sports and entertainment. This is fueled by an emerging middle class and a great need for state-of-the-art multi-use arenas that can accommodate NBA games, sporting events and world-class concerts. Using our expertise and experience to design, manage and program venues in cities that are looking to create entertainment and cultural destinations will absolutely be one of the biggest and most important initiatives AEG has ever undertaken. Partnering with a global entity such as the NBA will become the most critical component of this initiative as the league's vision will re-define how the world views sports in the next decade (NBA, 2008).

AEG believes that China is the most important emerging market for the company in the 21st century, and has made remarkable achievement in this market. When it comes to summarizing their experience in the China market, AEG emphasizes the importance of local embeddedness, especially social embeddedness. In a 2011 interview, John Cappo, the President and CEO of AEG China explained…

> It is only about 75% that you can actually execute best practices from international best practices to local best practices. The success or failure of companies in China is how they execute that last 25% on localizing their services and how they work in China with their partners and with government. That's the key to successful or failure there (US Asians, 2011).

AEG and OPG

At the same time, the owner of PAC-Shanghai Oriental Pearl (Group) Co. Ltd. (OPG), which is the largest state-owned media group locally, sought to enter into an agreement to co-fund a limited partnership for the purpose of managing and operating the Shanghai World Expo Cultural Center after Expo 2010. When OPG considered this partnership, they had a very clear requirement of not only staging art performance but also sport events. With this consideration, OPG chose AEG-NBA group over the Live Nation-SMG Exhibition Company partnership (CNB Weekly, 2010), and created the

AEG-OPG Culture and Sports (Shanghai) Co., Ltd. The cooperation between AEG and OPG focused on developing social embeddedness in three ways.

First is the enforcement of the contract. After 14 months of business negotiation, the AEG-OPG Culture and Sports (Shanghai) Co., Ltd was co-found by AEG, OPG and NBA. OPG takes 51% shares of this joint venture and AEG takes the remaining 49% shares, while NBA playing as the strategic partner (CNB Weekly, 2010). In a 2011 interview, John Cappo further explained that…

> The practice of the enforcement of contracts is getting more transparent. In the past, some companies may say the contract was only a point of reference and negotiation started from there. We are very fortunate to have very good partners. We have OPG in Shanghai and we work with them very well (US Asians, 2011).

Second is the clear division of responsibilities. AEG and OPG are both leaders in their industry and know their own strength in this corporation very well. According to Cappo,

> AEG is global leader in professional venue management and our focus is on the day-to-day management, sponsorship sales and event programming of the Mercedes-Benz Arena. OPG, as part of the Shanghai Media Group (SMG) is not only one of the largest media companies in China; they are also one of the most influential state-owned enterprises (SOE) in Shanghai. OPG's primary role is to assist with government relations and local community engagement (J. Cappo, personal communication, April 24, 2016).

Third is mutual understanding and using of relationship building methods effectively. Cappo discussed that AEG and OPG are different in many ways, so developing consistent, clear and concise communications are the key every day.

> The relationship is an ongoing process. We have developed respect, trust and confidence in our partnership through our shared success and challenges. While there are many differences with how AEG and OPG operate; there are a significant number of similarities. Both AEG and OPG are considered to be industry leaders in their respective areas of expertise. Both companies believe that employees are one of their greatest assets and we constantly engage, train and demand high standards from our employees. We would agree that interaction, dialogue and sincere efforts to involve stakeholders in the firm's decision making are the three common ways to build relationship, and believe that relationship building is ongoing and evolving process (J. Cappo, personal communication, April 24, 2016).

This effective partnership has led to remarkable achievements over the past decade. First, the facility was renamed in December 2010 when Mercedes-Benz and the AEG-OPG Culture and Sports (Shanghai) Co., Ltd formally signed a ten-year agreement on naming rights for the facility as the Mercedes-Benz Arena officially. According to the New York Times, the naming right of the facility was worth nearly $80 million USD, and has become one of AEG's prime sponsorship success stories within China. In addition, other sponsor/partners have come on board including Coca-Cola, China Merchant Bank, and China Union – each of which paid between 7.4 million to 12.1 million RMB ($1.08 to 1.84 million USD) annually for six to ten years sponsorship contract. (CNB Weekly, 2010)

In addition, the number of events in this arena has been growing with an average of 25% annual growth rate. In 2015, Mercedes-Benz Arena hosted 243 events and serviced over 840,000 spectators around the world (AEG Worldwide, 2016). This excellent achievement received praise from Huang Jin, Chairman of the Board of the AEG-OPG Culture and Sports (Shanghai) Co., Ltd:

> The AEG-OPG Culture and Sports (Shanghai) Co., Ltd is a joint venture that combines the best local resource and advanced overseas management experience. From the

> Shanghai Expo to now, this company work together and improved step by step. In 2015, the main stadium staged over a hundred events, which is an outbreak for this arena. This joint venture is a bold and successful attempt for Chinese culture industry (Shanghai Online, 2016)

AEG and Shanghai Municipal Government

Under an authoritarian political system, the Chinese government exercises great power in every aspect of the nation, including business operations and policy formulation.(Chen, 2007) The government relationship is the challenge for all the companies in China, especially for a transnational corporation (TNC), which may not have enough experience in the socialist market economy.

AEG uses two resources to build and maintain relationship with Shanghai Municipal government. The first is its partner in joint venture—OPG. AEG President and CEO John Cappo explained that since OPG is a stated owned entity, they have vast experience understanding local and proper political protocol and procedures, and by having them manage government relations it ensures that the joint venture stays up-to-date and in compliance with local laws, rules and cultural principles (J. Cappo, personal communication, April 24, 2016).

The other resource is AEG itself. Through an ongoing relationship and dialogue with representatives from Shanghai government, AEG understand the requirements from local government and makes every effort to meet these needs. Before the construction of PAC, local government had decided its function: the local industry should forge strategic alliances with global players in the post-Expo operation of PAC (Deng & Poon, 2014). AEG has worked to ensure the creation of these domestic and global alliances through the strategic plan for Mercedes-Benz Arena. According to Sam Piccone, General Manager of Sales for AEG China from 2010-2013,

> For international companies looking to enter the China marketplace and connect with local consumers, Mercedes-Benz Arena offers a premier entertainment venue to increase their brand awareness and drive sales. Chinese companies are absolutely seizing this opportunity to associate with a venue and events of international caliber. From day one, Mercedes Benz Arena offers a way for them to remain true to their local Chinese identity and still offer a great way to expand their brand awareness and communicate directly with their target market (Street & Smith's Sports Business Journal, 2011).

Evidence of the success of this partnership is demonstrated with John Cappo, CEO of AEG, winning the prestigious 2013 Magnolia Award from the Shanghai Municipal government. The Magnolia Award is a recognition given to foreigners in Shanghai for their outstanding contribution to Shanghai's economic construction, social development and foreign exchange.

Adaption to Local Institution Context

While China's economy has changed substantially in recent years, awareness of difference in business operation is a key starting point for transnational corporations considering business opportunities there. AEG acknowledges there are differences in doing business in China as compare to in the West, as it is more relationship-driven with a focus on person to person interactions in China as opposed to institution to institution in the West (US Asians, 2011).

When AEG hired John Cappo to be the President and CEO of AEG China, his background helped AEG to better understand and adopt local institution context.

> I have been in China now for over 20 years. I have live in Hong Kong, Taiwan, and mainland China. I have also been educated in Chinese. I graduated from National Taiwan University. So I was educated the language and culture. So there is a lot of times when my colleagues and other people do not understand what is going in the situation, in negotiations, with communication, or why people would act that way or negotiate in that manner. To me it is more natural because I have seen how they were educated in value system and the different ways that they approach communications and negotiations (US Asians, 2011).

Cappo elaborated on the importance of understanding the difference in the systems and rules between China and the West…

> China has many systems and rules, and it is impossible to fully understand even for the foreigners who have lived in China for many years. The Western rules cannot be copied and used in China directly. It may not work and may not be suitable for China. Some rules and standards in China cannot be changed. The biggest difference between China and the West in sports is that the former is operated by a group (nationwide system), which has a system behind it, and the latter is operated by individuals, which is easier for the market (Shanghai Morning Post, 2013).

Cappo also discussed the

> Learning and understanding the local tradition is the key work for AEG to adopt the local context. Communications are often the most common issue that will create more challenges, especially when ideas, thoughts, and customs are not properly translated. Learning local business traditions and customs and how to incorporate international best practices in venue management took a period of time to properly develop and implement. We have spent quite a bit of time learning how to modify recognized best practices and implement solutions that incorporate local customs and traditions (J. Cappo, personal communication, April 24, 2016).

Besides the effort made in China market, Cappo also explains that experience in other markets and global operations has also helped AEG to adapt to the local context.

> AEG has experience around the globe adapting international venue best practices and procedures. Venue management safety and customer service are among AEG's core principles. Not all procedures and business methods are applicable in China, so we adapt and adjust to consider long standing local customs and traditions. Clear communications and consistency are essential when developing the management of international venue best practices. Cultural differences are a reality when engaging with global business partners. We embrace these challenges every day. Conducting business on six continents, employing near 30,000 people, and embracing diversity are the key factors in making AEG an international business leader (J. Cappo, personal communication, April 24, 2016).

Conclusion

AEG has demonstrated how a transnational venue management corporation can successfully integrate social embeddedness strategy with the management structure and operational procedures of the Mercedes-Benz Arena. This was accomplished by first looking at the relationship between AEG and its partners in the joint venture, OPG. Through the enforcement of the contract, the clear division of responsibilities, and the mutual understanding and use of relationship building, the two organizations have been able to successfully coordinate their efforts. Second was the relationship between AEG and the local government in Shanghai. AEG effectively leverages its relationship with OPG to concentrate on political protocols and government relations, while AEG focuses on ongoing relationship building, dialogue with governmental representatives, and meeting their needs through the strategic alliance. Third was adapting the structures of AEG to fit within local culture and institutional contexts. AEG immediately understood there are differences in doing business in China as compare to in the West, and addressed that immediately by hiring an individual to be CEO and President who was educated, lived, and worked in China so that his background could help AEG better understand and adopt local institution context. In addition, AEG was also able to integrate some of their experiences in other markets and global operations to help adapt to the local context.

Although this a case analysis, understanding the key solutions in building relationships and trust with partners in joint venture and local government, as well as the key methods to adopt in local contexts, have applications across any number of sport industries. The methods implemented by AEG can serve as a framework for venue management companies that may also want to do business in China.

The findings raise questions regarding the effective operation of sport organizations in multi-stakeholder environments in a foreign market. When the key stakeholders are all from a host country, the local context can be very different and not easily understood, and creates questions about the best way for the organization to engage in the market. Future research should examine this challenge from both the transnational corporation perspective and host country stakeholders to get complete understanding of the challenges and strategies inherent to these types of partnerships.

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