Organizational Structure, Public-Private Relationships, and Operational Performance of Large-Scale Stadiums: Evidence from Local Governments in China

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Abstract: The financial sustainability of large-scale sport stadiums has become a challenging issue for sport organizations in China due to increasing market competition, lack of professional sport franchises to tenant the facilities, and gradual slow-down in Chinese GDP growth. Previous findings about operational performance of sport organizations identify organizational structure and public-private partnership (PPP) as important predictors. The aim of the current study was (a) to propose a predictive model for operational performance of large-scale stadiums in China and (b) to examine the relationships among organizational structure, PPP, and operational performance. We conducted a literature review to establish a theoretical framework for the proposed model, selected Yangzhou Sports Park and Xuzhou Olympic Sports Center to examine the relationships, and conducted expert interviews to examine the research questions. We found that Xuzhou’s operational performance was more effective due to several mechanisms related to both organizational structure and PPP: incentive, supervision, and assessment. Notably, using built-in benchmark monitoring procedures, Xuzhou managers identified a variety of constraints early on to address onsite problems while maintaining efficient communication among key PPP stakeholders.

Keywords: sports management; large-scale stadiums; incentive mechanism; supervision mechanism; constraint mechanism; assessment mechanism; organizational structure; public-private partnership; sport industry in China; sport facility

1. Introduction

China has experienced rapid urban transformation through the development of sport-related infrastructure, similar to North America, as part of a broader pro-growth urban agenda [1]. In North America, different levels of government (i.e., local, federal) have funded facility construction to host professional sport franchises and various sporting events [2]. Public funding has been justified by the positive economic impact of sport tourism [3,4] and intangible social benefits such as community pride [5,6].

Similar to the North American model, and in the interest of economic regeneration, Chinese local, provincial, and national governments have funded the construction of sport stadiums and arenas since 1978, when China adopted a more market-based economy [7]. The strongest justification for using public funds to build sport facilities is community benefit; however, key stakeholders also benefit from the development [8]. In China, the typical coalitions for large sport facilities are central and local...
governments and land and property developers [7]. Increasing local gross domestic product (GDP), strengthening local economies through sport tourism, and elevating media exposure by hosting many sporting events [9] are their main interests. In fact, China built 1.6 million sport facilities between 2003 and 2013, 1093 of which are large-scale sport stadiums [10].

However, many Chinese local governments have experienced financial difficulty in managing and operating large sport stadiums. According to the General State Administration of Sport in China (GSASA), Guangdong Province, as the leading province in GDP, reported a net annual loss of 500 million RMB (about 80 million USD) in 2015 from its large-scale stadiums and arenas [10]. Unlike North American cities that have long-term contracts with professional sport franchises (e.g., Major League Baseball, National Football League, National Basketball Association) to help fund large-scale sport venues, most Chinese cities do not host professional teams, limiting revenue streams from stadium usage, sponsorship, concessions, and season tickets [7]. Another financial problem is the high chance of a debt crisis due to excessive construction costs, including the stadium itself and related infrastructure [11]. When large-scale stadiums continue to lose money, large financial burdens fall to Chinese local governments. Indeed, many local governments across the globe are facing financial sustainability challenges [12], but this problem is especially worrisome for Chinese local government because China’s GDP growth rate has declined in recent years due to shifting economies, policies, and market competition [13]. Therefore, companies who manage large-scale stadiums in Chinese cities need to operate more effectively and efficiently to maintain financial wellbeing.

Both internal and external factors influence the operational performance of large-scale stadiums. Internal factors usually include organizational structure, management system, business process, and information exchange. Organizational structure plays a fundamental role in company performance [14–17]. External factors include key elements such as public-private relationship, legal environment, supervision system, and policy. Good public-private relationships can improve corporate operation [18–20]. The organizational structures of Chinese companies that operate large sport complexes tend to feature strong administrative control because they are still in a transitional period. Furthermore, China is a relational society, making public-private partnership (PPP) ubiquitous in the governance process. Therefore, integration of tradition and modernity, coordination between stadium management and governance, and reconciliation of structure and organization are particularly important. Yet, scholars have not explained how operational performance depends on organizational structure and PPP nor identified critical factors that enhance operational effectiveness. Therefore, the first aim of this study was to propose a model for the operational performance of large-scale stadiums in China. The second aim of this study was to examine the relationships among organizational structure, PPP, and operational performance (i.e., generating revenue and reducing cost via departmental coordination and public-private relations). We compared two venues: (a) Yangzhou Sports Park of China for its transformation from governance structure to management structure and (b) Xuzhou Olympic Sports Center for its classification as a government-established subordinate company. Our findings should help governmental agencies and operating companies better understand the relationships among organizational structure, PPP, and financial performance and ultimately choose optimal operating procedures for managing large-scale stadiums, improve their performance, increase their revenue, and sustain their service to the sport industry.

2. Literature Review

One internal factor that critically influences corporate performance relates to organizational structure, and one critical external factor relates to PPP. Based on a literature review, we proposed three research questions and constructed two theoretical models (i.e., one for Western society and one for Chinese society).
2.1. Impact of Organizational Structure on the Operational Performance of Large-Scale Stadiums

Organizational structure, management system, business process, information exchange, and company culture are five elements that affect operational performance. Given the primary impact of organizational structure, two questions emerge: (a) How does organizational structure affect operational performance? and (b) How is the organizational structure of companies that operate China’s large sport complexes unique?

2.1.1. Fundamental Impact of Organizational Structure

Organizational structure determines the power structure and power relationships of a company, how that company allocates key resources, and the company’s operational mode, management mode, information transmission mode, and business process design. The functions of organizational structure are numerous. First, management system, business process, and information exchange originate from organizational structure [14–17]. Second, organizational structure is the foundation of operation and change. Third, organizational structure is essential to the success or failure of company development because it determines managerial behavior and strategic planning; poor organizational structure can constrain certain departments of operation, and successful corporate restructuring depends on effective restructing of organizational structure [14]. In addition, organizational structure is not only a static specification but also the product of interaction between internal microeconomic subjects and their environment [21]. Moreover, good organizational structure can facilitate solutions to urgent company problems [17]. However, scholars have not identified a systematic relationship between organizational structure and operational performance. Therefore, examining those possible relationships [15] and finding evidence of a multidimensional structure or nonlinear interaction can shed important light on financial sustainability [16].

Oftentimes, scholars disagree about the basic role of organizational structure in operational performance. The size, technology, and environment of a company limit the ability to change organizational structure [22]. The organizational structure that an enterprise should adopt and whether that structure should feature decentralized or centralized control depends on the company. The establishment of a management and control system is more important than the selection of an organizational structure [23]. Environmental uncertainty is a key factor in organizational performance, and organizational structure cannot reduce that uncertainty [24]. Thus, we proposed the following research question:

1. RQ1: Is organizational structure the fundamental internal factor in the operational performance of large-scale stadiums in China?

2.1.2. Effect of Organizational Structure on Operational Performance

Organizational structure determines the power structure and relationships of the company and the management and operational modes of the company. The two basic tenets of organizational structure in company operation are incentive mechanisms and constraint mechanisms. In addition, organizational structure affects corporate culture, which is a key factor in corporate performance. Organizational structure influences corporate performance by building a power structure and adjusting power relationships [25,26]. Organizational structure and the CEO have the most significant impact on operational performance [25]. Companies with different organizational structures have different response speed and quality when implementing strategies, acquiring new functions, and developing new products. That is to say, the organizational structure of a company affects the quality and speed of its solutions, as well as its stability and implementation. A top-level centralized structure can solve problems quickly, but the quality of the solutions might be poor. Therefore, optimizing organizational structure and balancing power relationships is crucial to improving operational performance [26].

Organizational structure influences corporate performance through management and resource allocation and mechanisms of incentive and constraint [27–31]. A confusing organizational structure...
will inevitably lead to a confusing management model and ambiguous managerial expectations, leading to rent-seeking behavior. The key to effective organizational structure for a specific operational level is to build incentive and constraint mechanisms and to deconstruct the relationship between technical characteristics and organizational structure and its generating conditions [30]. Based on process-level theory, scholars designed a mathematical model of organizational structure, clarifying its design possibilities and the influence of organizational scale on design [31].

Organizational structure influences a corporate culture founded on the concept of team spirit, which is a key factor in operational performance [32–35]. In addition, organizational structure influences organizational performance by affecting the perception, actions, and personal performance of corporate members [33]. Moreover, operational performance depends on cultural inclusiveness, which organizational structure helps establish [34]. Organizational structure has two types: (a) formal and (b) informal. Formal structure refers to organizational hierarchy, officially approved incentive plans, and monitoring measures. Informal structure refers to organizational culture, on which the impact of organizational structure on corporate performance depends [35].

Companies in different industries have different organizational structures, management models, and operational performance levels [36,37]. The stadium industry in China is in a structural imbalance of supply and demand, especially between large sports venues that serve a national strategy and fitness venues that serve customers. In this context, examining the organizational structure of stadium-operating companies and their development strategy is particularly important. In fact, scholars have routinely examined the operational management and performance of large stadiums in China, including diversified governance and market-oriented management [38], enterprise and privatization reform [39,40], financing construction [41], specialized management [42–44], entrusted business models [45], and business naming models [46–48]. However, the organizational structure of stadium-operating companies in China has yet gained attention from scholars.

2.1.3. Organizational Structure of Stadium-Operating Companies in China

In China, the typical organizational structure of large-scale stadiums depends on public-private cooperation and mechanisms of incentive and constraint. Once the public sector becomes involved (e.g., state funding of large-scale stadium construction), the organizational structure of the stadium operation company evolves into a public-private cooperation model. The organizational structure reform of China’s large-scale stadiums has gone through three periods. First, during the planned economy stage from 1949 to 1977, the government funded the construction and operation of large-scale stadiums, yielding a management structure that was entirely administrative. Second, in the transitional economy stage from 1978 to 1992, PPP featured a contractual structure. These two stages were moves toward economic decentralization and material incentive mechanisms; however, administrative intervention, insider control, and soft budget constraints continued, and large-scale stadiums still suffered severe financial losses. Third, in the market economy period, PPP featured a principal-agent structure (i.e., separation of government and enterprise). The competition between control and constraint have become the mainstream of reform that could build an incentive and constraint equilibrium mechanism through the externalization of principal supervision and the concretization of agent incentive. However, because local governments invest in and construct most of China’s large-scale stadiums, most of the venue managers are administrators. As early as the 1970s, scholars confirmed the effectiveness of PPP [49,50]. This management model is an effective way to operate large-scale stadiums [51–55] and, therefore, a suitable organizational structure [56–59].

2. RQ2: Does organizational structure affect the operating performance of large-scale stadiums in China through incentive and constraint mechanisms?
2.2. Impact of PPP on Operational Performance of Large-Scale Stadiums

PPP has always been the core of corporate governance, the essence of which is the relationship between governments and markets. Based on previous findings, PPP has three types: (a) principal-agent, (b) contractual, and (c) incomplete contractual.

2.2.1. Evolution of PPP of Large-Scale Stadiums in China

Managerial reform of large-scale stadiums in China has followed the “state-owned-contracted-proxy” trajectory. Before 1978, the central government owned large-scale stadiums (i.e., no PPP). From 1978 to 1992, large-scale stadiums adopted contractual PPP. Later, they adopted principal-agent PPP. However, large-scale stadium operators faced major difficulties in China. Chinese governments lacked service awareness, the Chinese sport market had no system of standards, and Chinese sport culture was not strong. As a result, relying on private companies to operate large-scale stadiums did not guarantee profits. Since re-nationalization of the stadiums, PPP has been in a transitional period that scholars and industry professionals should examine. In a contractual relationship, the owner (i.e., Chinese government) of a large-scale stadium signs a contract with the facility operator. The operator gains the right to operate the large-scale stadium by agreeing to pay a fixed fee to the government each year of the contract. The biggest problem with this arrangement is the high marginal cost of the state-owned asset. In China, joint-stock system reform ended the contractual relationship model for large state-owned assets [60].

In a principal-agent relationship, the owner of a large-scale stadium entrusts stadium management to an outside agent. This agent has stadium operation and management rights, while the owner retains ownership and supervision rights. The key to a successful principal-agent relationship is that the principal designs a contract that encourages the agent to maximize operational performance [19,61–63]. However, ownership of China’s large-scale stadiums rests with the people, represented by the government. Government departments select agents, usually subordinate companies established by the government or ones that have close but complex connections with the government. Accordingly, principal-agent PPP involves multiple entrustments and multi-task delegation by multiple principals. Moreover, in this arrangement, opportunistic behavior tends to prevail, making the large-scale stadiums inefficient and less competitive. Scholars suggest that the government design an incentive-constraint compatibility mechanism to optimize supply [51,53,64,65] and avoid opportunistic behavior [66].

Incomplete contractual PPP stems from the Incomplete Contract Theory [67], which follows two schools of thought: (a) transaction cost economics and (b) property rights theory. The core idea of transaction cost economics is careful design of governance structure and corresponding systems to minimize transaction costs before and after an event [20,68–70]. Good relationships and effective communication are important factors in operational performance [71,72]. Property rights theory emphasizes building a mechanism in advance to protect investment incentives. Optimal allocation of property rights among subjects can maximize benefits [31,73–75]. Both schools suggest that effective management of large-scale stadiums depends on cooperation, trust, transparency, and justice; thus, government departments should strive to build good PPP [64,65].

2.2.2. PPP as Relationship between the Government and Market

The principal-agent, contractual, and incomplete contractual relationship models all demonstrate the structural characteristics of the government. All three are versions of the relationship between the government and the market, known in Chinese academic circles as the “relationship between government and enterprise.” Scholars have viewed this idea through three theoretical lenses: the theory of binary interaction, the theory of political behavior of enterprises, and the theory of individual relationship [76]. All three emphasize that a good relationship between the government and enterprise is essential for survival and prosperity because government departments control resources and can provide support in various areas (e.g., contracts with governments, protection policies, financial
subsidiaries, tax incentives, and favorable supervision) [70,77–80]. Enterprises highly depend on the government to gain access to key resources and incur unique risks associated with political connections [81]. In essence, the relationship between government and enterprise is about which party occupies the dominant position. For example, in Japan, the relationship between the government and enterprise is a typical “teacher-student relationship,” [82] in which case, the government fills the dominant position. The “state paradox” of the institutional economics school points out that the state is both the key to economic growth and the root of economic recession [81,83,84]. The “visible hand” of government intervention is not always the “helping hand”; sometimes it becomes the “useless hand” or the “plundering hand.” On the other hand, enterprises are not always passive receivers but can influence, promote, and lead the “visible hand” [83]. Therefore, when local governments strengthen their willingness to control and ability to intervene with enterprises, illicit and improper behaviors of both parties can result in “two-way rent-seeking” [84]. Enterprises try to use organizational structure to buffer the adverse effects of political factors and try to build a loosely coupled organizational structure to optimize the relationship between public and private parties and secure protection [84]. However, “relationship rent” often becomes a “relationship trap.”

3. RQ3: Is PPP an external basic element of the operational performance of large-scale stadiums in China?

2.3. Theoretical Model

Through our literature review, we identified factors affecting the operational performance of Chinese large-scale stadiums (see Figure 1). We found three modes of governance: (a) establish a subordinate operating company, (b) entrust a specialized company, and (c) establish PPP. Correspondingly, we found three organizational structures in operation companies: (a) traditional administrative management, (b) modern corporate governance, and (c) transformation. All three build principal-agent relationships between government departments and operating companies. The biggest problem in operating large-scale stadiums in China is the emergence of an incomplete contract relationship. Another serious issue is that despite the adoption of a modern organizational structure, companies still operate using the traditional management system, negatively affecting their operational performance. Key factors in the operational performance of large-scale stadiums in China include incentive mechanisms, constraint mechanisms, and public-private relationships. Based on principal-agent theory and incomplete contract theory, we examined how cooperative relationships can promote the operational performance of large stadiums.

![Figure 1. Key factors affecting the operational performance of large-scale stadiums in China.](image)

**Figure 1.** Key factors affecting the operational performance of large-scale stadiums in China.
3. Methods

3.1. Literature Review

To develop our Chinese large-scale stadium governance model, we investigated twelve academic articles on “social organization theory”, “corporate governance structure” and “corporate performance” [85]. Using Academic Search Complete, we looked in SSCI journals between 2010 and 2020. The search topics “organizational structure” and “corporate performance” yielded 48 relevant documents. Using the Chinese National Knowledge Infrastructure (CNKI), we looked in CSSCI journals between 2010 and 2020. The search topics “organization structure”, “principal agent”, “incomplete contract” and “stadiums” yielded 112 related articles. Finding 21 large-scale stadium governance models, we analyzed and synthesized them to develop the Chinese large-scale stadium governance model proposed in the current study.

3.2. Expert Interviews

To investigate the relationships among organizational structure, PPP, and the operational performance of large-scale stadiums in China, we selected two large sport stadiums, Yangzhou Sports Park (the main site of the 19th Provincial Games in Jiangsu province) and Xuzhou Olympic Sports Center (the main site of the 18th Provincial Games in Jiangsu province). Both were funded by local governments; however, their governance models and financial performance differed. Based on our literature review of Chinese large-scale sport facility governance models, the operational models of the two stadiums were representative cases. In the current study, operational performance refers to financial performance.

We interviewed two groups of principals and one group of industry experts (i.e., Yangzhou Sports Park principals, Xuzhou Olympic Sports Center principals, and seven industry experts) in four stages. We conducted all interviews in Chinese; a fluent Chinese and English speaker translated the interview transcripts into English. In the first stage, we interviewed the Yangzhou principals on 13 August 2018. The vice director of Yangzhou Sports Bureau and principals from the Yangzhou City Garden Bureau, Planning Bureau, Shugang-Slender West Lake Scenic Area Management Committee, Songjiacheng Sports and Leisure Park, Sports Industry Development Co., Ltd., and Swimming and Fitness Center participated in the group interview. At the meeting, participants discussed operational modes, existing problems of provincial sports stadiums, the Yangzhou park system, and Yangzhou city planning. Afterwards, we interviewed Ji XX, general manager of Yangzhou Sports Industry Development Co. (in Yangzhou, Jiangsu Province), Ltd.

In the second stage, we conducted a three-hour, non-structured interview with Wu XX, director of the office of Xuzhou Olympic Sports Center Management Co. (in Xuzhou, Jiangsu Province), Ltd. on 22 October 2018. On the same day, we interviewed You XX, deputy director of Xuzhou Sports Bureau and general manager of Xuzhou Olympic Sports Center Management Co., Ltd. In the third stage, from August 2018 to September 2019, we interviewed seven experts in the field of sports facility operation, including professionals from Renmin University of China, Shandong University, Wenzhou University, Beijing Sport University, and the organizing committee of the Beijing 2022 Winter Olympic Games. In the fourth stage, after transcribing the interviews and coding the data, we conducted follow-up interviews with the three principals from Yangzhou Sports Park and Xuzhou Olympic Sports Center. From 11 to 13 October 2019, we met with them by WeChat and telephone to perform member checking and establish respondent validity.
4. Results

4.1. Comparing Yangzhou Sports Park and Xuzhou Olympic Sports Center

4.1.1. Similarities between Yangzhou Sports Park and Xuzhou Olympic Sports Center

In terms of organizational structure, both sport facilities ultimately chose similar government-owned operating companies. In 2016, Yangzhou Sports Bureau integrated Yangzhou XinAo Sports Industry Development Co., Ltd. and Yangzhou Sports Park Management Co., Ltd. into Yangzhou Sports Industry Development Co., Ltd., which is a wholly state-owned sport stadium. In 2014, the Xuzhou Municipal Committee approved the establishment of Xuzhou Olympic Sports Center Management Co., Ltd., also entirely state-owned. In terms of public-private relations, both facilities undertook various public welfare activities and events (e.g., official events, national fitness activities, and activities organized by relevant units) as assigned by their respective sports bureaus. Therefore, handling “public-private relations” was the company’s primary issue. In one interview, Mr. Ji XX discussed revenue and expense streams:

Regarding the venue rental fee, the visible activity scale and duration are in the contract, while the invisible unit nature and close relationship are outside the contract. On the one hand, the companies owe money everywhere, and they can’t afford to pay for the energy consumption of venues and the salaries of staff, etc. On the other hand, the company collects money everywhere, and the funds of many related units are settled uniformly at the end of the year.

4.1.2. Differences between Yangzhou Sports Park and Xuzhou Olympic Sports Center

In terms of incentive mechanisms, Yangzhou initially used the general manager’s annual salary and later changed to an in-system incentive method. Mr. Ji stated that “the annual salary incentive system has turned me into an ‘outsider within the system,’ ‘insider outside the system,’ and someone ‘run on both ends.’” This statement implies two facts: the manager’s identity was ambiguous and the institution was not running smoothly. Xuzhou had always used an in-system incentive method, and their stadiums had been running well, as Mr. Wu explained:

In 2017, employees’ salaries, benefits, rewards, and training expenses accounted for 35 percent of the company’s total expenditure. The company pays attention to the incentive mechanism of employees, and selects three “stars of smiling service” every month, with an RMB 500 reward for each. The company also pays attention to the training of employees. Employees of all departments take turns training once a month, and management goes out to study once every six months. All of these rules are in the company’s Management System Manual.

In terms of constraint mechanisms, Yangzhou was a single-entity sports bureau supervision authority while Xuzhou was a diversified supervision company, jointly assessed and supervised by the state-owned Assets Supervision Commission, the Finance Bureau, and the Sports Bureau of Xuzhou City. Mr. Wu offered the following example:

One citizen took issue with the company’s sale of monthly swimming cards (that swimming cards should not have a time limit), so he called the mayor’s hotline to discuss the situation. The municipal secretary referred the situation to the Municipal Price Bureau, instructing them to investigate it. The price bureau immediately looked into the matter, and The Olympic Sports Center was ordered to rectify the situation in accordance with regulations.

In terms of public-private relations, Yangzhou Sports Park’s public and private parties defaulted on each other and lacked credibility. Mr. Ji explained:
The Yangzhou Sports Bureau promised the company RMB 10 million for initial funding but never delivered. The company often used this as a bargaining chip to negotiate with government departments and skimp on the quantity and quality of public services.

Xuzhou enjoyed close cooperation between and joint governance from public and private parties. Xuzhou city government financially subsidized the Olympic Sports Center RMB 10 million yuan per year and another RMB 10 million yuan per year for the first five years to help with initial operating costs. That is, Xuzhou subsidized the Center RMB 20 million yuan per year for five years before the establishment of the company.

In terms of operational performance, Yangzhou, with a total income of RMB 10 million per year, had balanced revenue and expenses. However, Yangzhou could barely pay employee salaries, energy bills, or maintenance and property fees. On the other hand, Xuzhou’s operational performance was strong: stadiums operating at close to saturation, all ancillary rooms rented out, an annual income of RMB 30 million (including government subsidy of RMB 20 million), and annual expenditure of RMB 16 million. In the interview, Mr. Wu reported that “the government subsidizes RMB 20 million per year, which guarantees normal operation of the venue.”

4.2. Success of Yangzhou’s Transformation

In its early stages, Yangzhou Sports Park adopted the “general manager responsibility system” when operating the coliseum and swimming and diving hall. Similar to the professional managerial system, the general manager earned an annual salary. Yangzhou Sports Bureau formulated assessment indicators every year. They established an additional reward mechanism to motivate the operators. At first, the company’s operational performance was satisfactory. However, over time, the revenue of Yangzhou XinAo Sports Industry Development Co., Ltd. and Yangzhou Sports Park Operation and Management Co., Ltd. decreased significantly. Potential problems jeopardizing financial performance were departmental constraints, funding in arrears and late venue reinvestment by authorities, and squeezing the time and space of public welfare activities to reduce the quantity and quality of public services. The general manager of the company seemed to ridicule himself, saying that the annual salary had turned him into an outsider within the system. He also called himself “an insider outside the system” and said that he was being squeezed from both sides. The two operating companies (i.e., Yangzhou XinAo Sports Industry Development Co., Ltd. and Yangzhou Sports Park Operation and Management Co., Ltd.) had not achieved their operational goals and could barely cover normal operations.

In 2016, Yangzhou municipal government initiated an organizational transformation to improve the operational performance of Yangzhou Sports Park system. They established Yangzhou Sports Industry Development Co., Ltd. to take over the operation and management of Yangzhou Sports Park. The company’s organizational structure changed. The general manager, internally hired from the Sports Bureau, filled an administrative role but had to accept restrictions within the system. Hired within the organization through promotion, the general manager had a clear identity. In addition, the annual salary system for the general manager included a built-in incentive mechanism. During the 19th Jiangsu Provincial Games in 2018, the head of one of the organizing committee departments served as the general manager of Yangzhou Sports Industry Development Co., Ltd. With this strategic move, the organization was able minimize staff wage expenditure by receiving a subsidy from the government. Furthermore, this internal hire motivated the general manager to achieve an organizational goal (i.e., successfully complete the provincial games) and deliver a high level of operational performance. Incentives for internal employee “positions” within the system were clearly superior to monetary incentives, and the general manager viewed the company’s operating performance as capital for personal promotion. Yangzhou’s operational performance after the transformation verifies that organizational structure is fundamental to the operational performance of large-scale stadiums (RQ1). It further confirmed that organizational structure affects the operational performance of large-scale stadiums through incentive and constraint mechanisms (RQ2). Finally, Yangzhou’s transformation straightened out its
procedures and reduced the cost of coordination between departments. During event preparation, coordination among public security, fire protection, transportation, and other departments was difficult to achieve, especially for general managers who were “outside hires.” Internal promotion helped to resolve constraints between the departments smoothly, confirming that PPP influences the operational performance of large-scale stadiums (RQ3).

4.3. Success of Xuzhou

Several factors influenced the success of Xuzhou’s operational performance. First, Xuzhou successfully implemented an incentive mechanism and paid close attention to the stadium operators. Xuzhou’s incentive method was practical, and its intensity was strong enough that the deputy director of Xuzhou Sports Bureau concurrently served as the general manager of the operation company. The general manager of the company had strong “administrative level escort” power to operate the stadium smoothly and host events successfully. Second, Xuzhou established a well-designed supervision mechanism to constrain relevant parties. The city government selected subordinate companies to operate the stadiums. The general manager, an inside hire and internally promoted, understood the organizational system and accepted the constraints within the system. When major constraint issues emerged, the Xuzhou Sports Bureau resolved them. In addition, Xuzhou understood the importance of a diversified constraint system and a socialized monitoring mechanism, so they implemented a third-party supervision mechanism in which the people and the media could play a supervisory role via the mayor’s hotline and citizens’ special line.

Third, Xuzhou ensured joint management and improved its operational assessment mechanism. The Xuzhou stadium operation company, the state-owned Assets Supervision and Administration Commission, and the Finance Bureau and Sport Bureau of Xuzhou City jointly managed and assessed operational performance. Specifically, the stadium operation company used the market-oriented model, while the state-owned Assets Supervision and Administration Commission conducted assessment in accordance with the standard of “public welfare enterprises.” Next, the Xuzhou Finance Bureau and Sports Bureau conducted a joint annual assessment every year. Xuzhou City Finance Bureau made a subsidy decision for the Xuzhou stadium based on the assessment results, which Xuzhou City Sports Bureau also used to reappoint the general manager. Among the assessment indicators, the most important were social benefits, venue utilization rate, the number of public welfare activities, and public satisfaction. These results suggest that organizational structure affects the operating performance of large-scale stadiums through incentive and constraint mechanisms (RQ2).

Finally, Xuzhou strengthened social benefits and emphasized stadium positioning. The goal of the Xuzhou Olympic Sports Center was to ensure public welfare, complete government tasks, ensure athletes have sufficient access for training, and moderate commercial development to satisfy both publics and authorities. Xuzhou used different positioning strategies for different types of large-scale stadiums. For example, while they charged no admission fee for other facilities, the swimming pool imposed a facility usage fee to control the number of swimmers and improve service quality. As a result, Xuzhou sport stadiums contributed to the social and economic benefit of the Xuzhou people and government. This result suggests that public-private relations influence the operational performance of large stadiums (RQ3).

5. Discussion

Organizational structure fundamentally influences corporate performance [14–17,21] by establishing and adjusting power relationships [25,26] and by governing resource allocation, incentive mechanisms, and constraint mechanisms [27–31]. In light of these previous findings, we explored two key issues that affect the operational performance of China’s large stadiums: external government-company relations and internal company organizational structure. Scholars have focused on the relationships among organizational structure, management system, business process, and information exchange. In the current study, we investigated the organizational structure of
large-scale stadium operation companies in terms of their incentives and constraints. We emphasized how those companies resemble the modern corporate structure of Chinese governments, examined the relationships among organizational structure, public-private relationship, and large-scale stadium operational performance, and expanded on organizational theory. However, our findings do not address the influence of organizational structure on corporate cultures characterized by team spirit [32–35], nor do they address differences in organizational structure, management mode, and operational performance in different industries [36,37].

In terms of organizational structure, Yangzhou and Xuzhou used methods that fit the proposed model. Organizational structure determines and influences the operational performance of large-scale stadiums through incentive and constraint mechanisms. The success of Yangzhou depended on their abandoning the annual salary incentive for the general manager and readopting a more holistic incentive system. Yangzhou demonstrated (a) that people in a system value identity more than an annual salary; (b) that “positions” and “relationships” cannot be bought with money; (c) that operation should follow incentive and constraint mechanisms in the system, supplemented by constraint mechanisms outside the system; and (d) that problems within the system required solutions from within the system. However, Yangzhou still performed worse than Xuzhou for several reasons. First, the incentive strength of Yangzhou was not as high as Xuzhou. If the general manager of the company could not be promoted to the right position, for whatever reason, the result was “relying on the tree to stay cool”, “minding one’s business”, “being a monk for a day and hitting the clock for a day” and putting stadium management performance on the back burner. These behavioral trends led to inert psychology in the system and even sloth administration. Second, Yangzhou did not have enough restriction and used a single-assessment system. Workers within a system need not only to abide by internal constraints but also to adjust to external constraints (i.e., diversified constraint). Managed by Yangzhou Municipal Sports Bureau, Yangzhou had a single supervision mode and limited restriction. Xuzhou was a three-party company that separately managed “people, property, and belongings.” The property rights of Xuzhou were subject to state-owned asset supervision and the Administration Commission of Xuzhou City, and its subsidies were the responsibility of the general manager of the Xuzhou City Finance Bureau and Sports Bureau, which provided social and media supervision.

Our findings make no direct contribution to the theory of public-private cooperation; instead, we have closely followed Grossman, Hart, and Moore theory (GHM-theory), Hart, Shleifer, and Vishny theory (HSV-theory), Besley and Ghatak theory (BG-theory), and Francesconi and Muthoo theory (FM-theory) [18,31,73–75]. Our findings do verify the applicability of these theories to managing large-scale sport stadiums in China. In terms of public-private partnership, previous scholars agree, whether using principal-agent theory [19,61–63], contract theory with Chinese characteristics [60], or incomplete contract theory [18,20,67–70,73–75], that good relationships and effective communication are crucial to the supply of public products [71,72]. Good relations between companies and governments are essential to survival and prosperity because the latter control key resources [70,77–80]. In the current study, we explored how public-private relationships affected incentive and constraint mechanisms; examined the relationship among the public-private relationships of large-scale stadiums, incentive and constraint mechanisms, and operational performance; analyzed the extent to which Yangzhou and Xuzhou separated public-private cooperation; and demonstrated how a good cooperative relationship can both encourage and restrain, thereby improving the operational performance of large-scale stadiums.

In terms of public-private relationships, Yangzhou and Xuzhou used methods that fit the proposed model. Public-private relationships appear to affect the operational performance of large-scale stadiums. Yangzhou performed worse than Xuzhou after transformation because its PPP was not tight enough. In Yangzhou, departments experienced mutual constraint, workers were mutually disadvantaged, and expenses were in arrears. Government departments were especially in arrears due to promised start-up funds and late reinvestment; however, stadium operation companies used this financial situation to secure public welfare services, resulting in poor stadium governance and deadlocked public-private cooperation. In Xuzhou, public and private sectors helped each other.
As large-scale stadiums are a type of public welfare, the government includes them in the public budget, focusing year-end assessment on the company’s public welfare achievement and social satisfaction. “Strong motivation, hard constraint, and good relationships” helped reduce the cost of company operation. For example, after the transformation of Yangzhou, the irrational competition cost of personnel in the system and the coordination cost between departments decreased. In Xuzhou, this reduction ensured that the general manager had sufficient motivation and that the company had sufficient management power. In addition, diversified constraint helped standardize the company’s operation, smooth out external coordination, recognize social impact, and reduce cost. At the time of this study, government departments were responsible for balancing economic and social benefits, balancing incentive and constraint mechanisms, and balancing public and personal goals.

Based on our findings, we see a fundamental paradox between the publicity and operation of China’s large-scale stadiums, an idea that extends previous research on the “relationship between government and enterprise” [70,77–81,83,84]. Although the management of large-scale stadiums has realized the separation of government and enterprise, the public nature of large-scale stadiums and the operational nature of management companies can lead to public-private relationships strongly characterized by administrative subordination. Internal personnel arrangement, funding sources, and corporate settings contain traces of public power. The separation of government and enterprise remains weak and localized, and several core issues (e.g., transformation of governance structure, construction of governance subjects, and regulation of governance behavior) remain unresolved. China’s sports industry still has no ability to self-finance or self-develop, the separation of government and enterprise is incomplete, the allocation of rights and responsibilities is not strategic or evidence-based, and the governance structure is imperfect. As a result, stakeholders in large-scale stadiums face mixed powers and responsibilities, inefficient operation, and chaotic management. Traditional modes of operation and systems of management have been unsustainable, so reconstructions of organizational structure and public-private cooperation are crucial.

Reconstruction includes building a promising government, an effective market, and an organic society for large-scale stadium operation. It involves transforming the functional branches of the government from “useless” or “plundering” to “helping”, forming an internal organizational structure that integrates industry and management, and clarifying the external relationship network of collaborative stakeholders. Regarding organizational structure improvement, the key issues are effective state governance, self-governance of the industry, enforcement of the law, and efficient co-governance. The aim is to specialize industry functions, standardize policy implementation, legitimize organizational structure, mercerize company operation, institutionalize governance behavior, and legalize regulation and guarantee. Optimizing public-private relationships requires governance sharing, cooperation boundaries, safeguard mechanisms, and coupling mechanisms. Scientifically dividing the responsibilities and rights of public and private sectors, clarifying state ownership, straightening out public-private relationships, and strengthening public-private coordination are advisable. The government should establish a sense of public service and balance the publicity and operation of large-scale stadiums, and enterprises should establish social responsibility and balance economic and social benefit. Finally, public-private relationships surrounding large-scale stadium operation are shifting from a human system to one based on the rule of law. In addition, the third-party supervision mechanism needs improvement to avoid government debt, company accusation, or public-private collusion. A “five-in-one” governance system (i.e., reasonable structure, clear rights and responsibilities, coordinated cooperation, standardized supervision, and legal protection) could improve the operational performance of large-scale stadiums.

6. Conclusions

First, while Yangzhou successfully transformed by clarifying its incentive system, legitimizing managerial identity, and developing strategic procedures, Xuzhou was unique in implementing an incentive mechanism, formulating a supervision mechanism, and improving its assessment mechanism.
Xuzhou performed better than Yangzhou for several reasons: (a) the incentive intensity of Yangzhou was lower than Xuzhou, (b) the constraint mechanism of Yangzhou was less diversified than Xuzhou, and (c) Yangzhou PPP was not as tight as Xuzhou.

Second, organizational structure is the fundamental internal factor in the operational performance of China’s large-scale stadiums. Organizational structure determines and influences the operational performance of large-scale stadiums through incentive and constraint mechanisms. Public-private relationships are the most important external factor in the operational performance of China’s large-scale stadiums. Public-private relationships determine the cost of company operation, personnel competition, and department coordination.

Third, whether large-scale stadium governance practice can improve depends on the ability of managers to apply theory and increase value, goals that require time to reach. The aim of the current study was to explain the advantages and disadvantages of certain practices, examine the differences and similarities between Yangzhou and Xuzhou, discover key factors in their relative success, and develop a reference model. In terms of the research context, model development must take into account the nation’s transformational period and administrative structures of the contemporary system of Chinese governance.

7. Limitations and Suggestions for Future Studies

This study has several limitations. First, we selected two large-scale stadiums in China and compared their organizational structure, PPP, and operational performance to address the research questions. Although Yangzhou and Xuzhou’s operational models were representative of Chinese large-scale stadiums, considering the geographical size of China, the high number of large-scale stadiums in the country, and the diversity and uniqueness of local cultural, historical, and administrative issues, our findings might lack generalizability to situations that do not fit well with the two cases we examined. In future studies, scholars should consider additional cases in other areas of China to increase generalizability. Findings derived from additional inductive inquiries might serve as a foundation for summarizing and synthesizing identified themes and assertions. Another limitation of this study is that we used literature review and expert interviews as the primary methods of data collection. As the current study was exploratory in nature, those methods were feasible and appropriate; nevertheless, considering the dynamics within organizations and between key parties (i.e., public and private), a more comprehensive ethnographic method would better reveal “lived” experiences, simultaneous events and provide cross-validated observations. According to Cappellaro, ethnography can systematically explore organizational and institutional dynamics over extended periods [86], better capturing inter-group dynamics among departments and public-private relationships in the context of Chinese large-scale stadium operation. Although China might have unique characteristics in organizational structure, PPP, and operational performance of large-scale sport stadiums, the fundamental concepts and contemporary challenges are likely present in other national, regional, and cultural settings, particularly given the interrelationships among these key concepts. Scholars should conduct future studies in diverse geographical locations and use collected data to synthesize and theorize, potentially elevating the managerial effectiveness of sport stadium operation.

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