

After the Glory Days: Exploring the Continuing Challenges and Declining Performance of TSM

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Abstract. This study provides an in-depth examination of the key challenges faced by TSM, a North American eSports organization, and the reasons for its declining competitiveness and market performance since 2022. It does so through a multidimensional analysis that includes organizational and managerial changes, strategic direction and decision-making adjustments, technology investments and innovation activities, and the specific impact of changes in the external market and competitive environment on TSM's business strategy and performance. It is found that the departure of key personnel, failures in tactical and strategic alignment, and the FTX bankruptcy all had a significant impact on TSM. Through case studies, the article reveals the underlying reasons for TSM's poor competitiveness and business performance and provides strategic recommendations on how to maintain competitiveness in the current competitive environment of the eSports market. In addition, the study provides practical recommendations for TSM to undertake strategic reorganization and risk management strategies to cope with possible future market volatility and competitive challenges.

Keywords: eSports; TSM; strategic realignment; FTX bankruptcy; market performance.

1. Introduction

1.1. Background Information

TSM (TSM here stands for Team SoloMid FTX, or Team SoloMid, TSM FTX or TSM for short, and will be referred to as TSM after the article.) is one of the most prominent eSports organizations in North America and has achieved notable success in several eSports gaming arenas since its inception in 2009 [1]. TSM has not only succeeded in the competitive arena, but has also set the bar in branding, marketing, and media production. 2022 Despite the challenges it has faced, TSM continues to be ranked at the top of Forbes' annual list of the world's most valuable eSports companies by Forbes, TSM remained at the top of the list, with a valuation of \$540 million, demonstrating the power of its brand and business strategy [2]. Since then, however, TSM seems to have encountered unprecedented challenges, with a decline in both its competitive and market performance.

1.2. Purpose of the Study

The purpose of this study is to provide an in-depth analysis of the challenges faced by TSM since 2022 and the reasons for the decline in performance. The study will explore multiple dimensions such as organizational and management changes, strategic direction and decision-making adjustments, technology investments and innovation activities. In addition, given the high rate of change and increased competition in the eSports market, the study will also assess the specific impact of changes in the external market and competitive environment on TSM's business strategy and performance. Through these analyses, this article hopes to reveal the underlying causes of TSM's competitive and business underperformance and make strategic recommendations on how to maintain competitiveness in the current eSports market.

1.3. Case Description

Between 2022 and 2023, TSM encountered a number of challenges in several major eSports disciplines. In particular, TSM continued to underperform in LoL (League of Legends is a 5v5 multiplayer online battle royale skill-based game developed and published by Riot Games. Since 2011, the developers of League of Legends have organized the League of Legends Global Finals, in which dozens of professional teams from all over the world compete on the field), which ultimately led to a major decision to sell their LCS (North American League of Legends Championship Series) seats in 2023 [3]. This decision reflects the pressure the club is under as they evaluate their long-term strategy and financial health.

In R6 (Tom Clancy's Rainbow Six: Siege, also often shortened to Color Six, R6 or R6s, is a first-person tactical shooter developed by Ubisoft Montreal and published by Ubisoft.), despite TSM winning the Six Invitational in 2022, they chose to exit the program less than a year later due to subsequent underperformance and the retirement of key players [4]. Additionally, the sponsorship with FTX (FTX is a digital asset spot and derivatives trading platform launched in Antigua and Barbuda in May 2019) was terminated due to the latter's bankruptcy, which dealt a further blow to TSM's finances [5]. In the realm of VALORANT (VALORANT, is a free-to-play multiplayer first-person shooter game developed by Riot Games, released on June 2, 2020), TSM undertook a complete rebuild of its lineup for 2022, but the new additions did not bring the expected boost in results, with the team failing to perform at a competitive level in key tournaments [6]. Meanwhile, the Dota 2 (Dota 2 is a free-to-play online multiplayer battle royale game developed by Valve) program has also shown a downward trend, particularly at the international tournament TI11 (International 2022, also known as TI 11 and TI 2022 is the 11th edition of International, the annual Dota 2 World Championships eSports tournament organized by game developer Valve), where the team fell far short of expectations and was ultimately eliminated in the group stage [7].

This series of events show that TSM has attempted to respond to the increasing competition and internal challenges by adjusting its strategic layout in the eSports market during the transition period. However, rapid changes in the market and external factors made these adjustments of limited effectiveness, thus exacerbating the club's challenges. The experience during this period had a profound impact on TSM's business model and marketing strategy, prompting the need to reassess and adjust its future direction and strategy.

2. Factors Affecting the Overall Performance of the Club

2.1. Departure of Key Personnel

TSM has experienced the departure of key members in several of its programs, which has had a profound effect on the team's overall performance. In Dota 2, TSM parted ways with core support player DuBu after TI11, which was a major blow to the team's stability [7]. Additionally, TSM's Rainbow Six: Siege team experienced multiple retirements and transfers after winning the 2022 Six Invitational title, changes that led directly to the team's withdrawal from the program [4]. The impact of personnel changes on TSM suggests that eSports organizations need to be more careful when making personnel changes. The departure of key personnel not only affects the stability of the team but may also lead to a decrease in tactical execution.

2.2. Poor Tactical and Strategic Adjustments

Staff changes forced TSM to make tactical and strategic adjustments, but the new strategies and team configurations were not effective in adapting to the highly competitive eSports environment. In the VALORANT program, despite a complete lineup rebuild by TSM, the new members did not make a difference, resulting in the team failing to show competitiveness in key tournaments [6]. It takes time to integrate new members and adjust tactics, a window of time that is especially valuable in the highly competitive eSports world. As a result, TSM needed to take steps to improve its talent management

and team building strategies to ensure that it could respond quickly and effectively to future personnel changes.

3. Sponsorship Issues and Strategic Alignment

3.1. Impacts Due to Bankruptcy of Sponsors

3.1.1. FTX's bankruptcy.

FTX is a now-defunct cryptocurrency exchange founded by Sam Bankman-Fried in 2019 and serving as CEO until November 11, 2022 [5]. The exchange issued its own token, FTT, and as of November 9, 2022, it was the fourth-largest cryptocurrency exchange by trading volume [5]. FTX and its U.S. subsidiary, FTX.US, filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code on November 11, 2022 [8]. FTX bankruptcy attorney James Bromley told the judge that it was unfortunate that the debtor FTX is not doing particularly well, which is a conservative enough way of saying that Sam Bankman-Fried's cryptocurrency empire collapsed very quickly [9]. Bromley described the bankruptcy as "unprecedented". "A significant amount of FTX's assets were either stolen or lost. Additionally, a significant amount of funds appears to have been transferred from other groups to the Alameda group [9]". According to U.S. federal bankruptcy court filings, the FTX group disclosed between \$10 billion and \$50 billion in liabilities in its bankruptcy filing, and the new management found only a small portion of its assets [10].

3.1.2. Impact on TSM.

TSM faced a serious blow in 2022 with the bankruptcy of its main sponsor, FTX, an event that had far-reaching implications for the club's financial and strategic direction [11]. FTX, as TSM's number one sponsor, had provided huge amounts of money to support its operations and marketing campaigns. The sudden collapse of FTX not only resulted in the loss of significant financial support for TSM, but it also forced leadership to reconsider and realign its business strategy. Prior to FTX's bankruptcy, TSM's partnership with FTX was one of the largest naming rights deals in eSports, involving as much as \$210 million [12]. This partnership was originally intended to provide TSM with a steady stream of capital to support the expansion of its eSports and related businesses. However, the collapse of FTX put TSM under sudden financial pressure, and the club had to quickly adjust its financial budget and find new sources of funding [11]. The FTX debacle also exposed TSM's deficiencies in risk management and sponsorship diversification. Relying on a single, high-dollar sponsor increased the organization's vulnerability to market volatility. In the wake of this incident, TSM's leadership began to seek a more diversified sponsorship portfolio to minimize the impact of similar risky events on the club's operations in the future [13].

3.2. Corporate Strategic Realignment

The FTX bankruptcy also forced TSM's leadership to conduct a strategic reassessment, particularly in terms of investment and resource allocation. To address the financial challenges, TSM had to reconsider its investments in various eSports programs, prioritizing those that could bring in stable revenues and growth potential [11]. The leadership decided to reduce investment in competitive programs that were costly and difficult to bring direct financial returns in the near future, such as reducing investment in and exiting the R6 program. At the same time, selling its own seat in the LOL LCS. Increase investment in projects that have higher business potential and market appeal, such as VALORANT, not only to keep the brand competitive, but also to attract and maintain the interest of sponsors.

In conclusion, the bankruptcy of FTX had an immediate and far-reaching impact on TSM, not only challenging its financial stability, but also prompting necessary adjustments and optimizations in its strategy. This event provides important lessons for eSports organizations regarding risk management and diversification of sponsorship strategies.

4. Improvements for the Future Development of TSM

4.1. Enhancing Team Stability and Management

To address the challenges posed by changes in key personnel, TSM should consider implementing a more systematic and long-term talent development program. By establishing an in-house training and development system, potential talent within the team can be nurtured on an ongoing basis, reducing reliance on a single key person. In addition, TSM should increase support for players' mental health and career development to improve team member satisfaction and loyalty, thereby reducing staff turnover.

At the same time TSM needs to improve its player selection and transfer strategy to ensure that new members brought in match the existing team culture and tactical system. This includes conducting thorough skill and psychological assessments of potential players, as well as ensuring that new players fully understand the team's expectations and culture before joining. At the same time, strengthening ties with the international eSports market and broadening the player search may help to identify more compatible talent.

4.2. Responses to Strategic Realignment and Sponsorship Issues

4.2.1. Strengthen risk management and contract negotiation.

When working with sponsors, TSM should strengthen contract negotiation and risk management measures. This includes conducting a detailed risk assessment of the sponsorship contract and setting up a plan to deal with possible risks, such as a response strategy in case of deterioration of the sponsor's financial situation. In addition, the contract should clearly include risk-sharing mechanisms, early termination clauses, etc. to protect TSM's rights and interests in the face of unforeseen events.

4.2.2. Enhance brand value and marketing capability.

In order to attract and retain more sponsors, TSM needs to continuously enhance its brand value and marketing capabilities. This includes enhancing engagement with fans, improving the effectiveness of social media and content marketing, and shaping the brand image through successful event performance and unique brand stories. In addition, TSMs can utilize data analytics tools to better understand fan needs and market trends to provide more targeted marketing strategies and enhance sponsors' ROI.

5. Conclusion

This study provides an in-depth look at the major challenges faced by TSM since 2022, in particular the impact of key personnel changes and the bankruptcy of FTX's sponsor on its business operations and financial position. The analysis shows that the departure of key personnel significantly affected TSM's team stability and competitive performance, while the bankruptcy of its sponsor put severe financial pressure on TSM and forced it to make strategic adjustments. These findings underscore the importance of talent management, risk assessment, and diversification of sponsorship strategies in eSports organizations.

To address these challenges, TSM needs to take several steps to enhance the sustainability and competitiveness of its business. First, by implementing a systematic talent development program and enhancing teamwork, team stability and the ability to cope with staff changes can be improved. Second, TSM should diversify its sponsorship sources and strengthen risk management to mitigate the financial risks associated with a single sponsor. In addition, by optimizing its marketing strategy and enhancing its brand value, TSM can attract more sponsors and increase its competitiveness in the eSports market.

The implementation of these strategies will not only help TSM remain stable in the face of an uncertain market environment, but also provide valuable insights to other eSports organizations on

how to manage people and financial risks to ensure long-term success. Through continued optimization and innovation, TSM and other eSports organizations are expected to maintain and enhance their leadership position in the highly competitive global eSports market.

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