Professional article

THE ROLE OF MANAGEMENT IN ACHIEVING THE ENTREPRENEURIAL OBJECTIVES OF PROFESSIONAL FOOTBALL CLUBS IN SERBIA

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Abstract. When we observe the entrepreneurial model of European football clubs, it is obvious that both in terms of ownership and in terms of the organizational structure, European model varies greatly compared to the entrepreneurial model in Serbia. The financial structure of European professional sports clubs is realized through income obtained from sponsors, donors, advertising, membership fees, tickets, TV rights, renting office space and their own business activities and expenses refer to the cost of the competition, training, salaries, contractual obligations, props, equipment and maintenance facilities. If clubs do not have strong sponsors and if they are unable to be commercially successful, it is obvious that they will not be able to cover their expenses and operate as a successful company. The financial structure of professional clubs in Serbia is realized mainly through donations, with the assistance of local governments and public companies, as well as through the sales of players. Taking this fact into account, we arrive at the conclusion that football clubs in Serbia do not meet the majority of requirements necessary for proper functioning, and that many organizational tasks are run contrary to the Regulations. The application of the entrepreneurial model of European football clubs would have a positive impact on the improvement of the organizational structure of football clubs in Serbia.

Key words: management, financial structure, entrepreneurial model

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INTRODUCTION

Sport is a very complex anthropological phenomenon through which the cultural stereotypes of modern man are formed. For transition countries such as Serbia, sport represents an invaluable tool for overcoming the crisis of identity and legitimacy. Sports scores are often taken as indicators of cultural and material development of the nation. Today, sport has multiple meanings. It can be regarded as business, type of educational means, game, entertainment, as well as a model of preventive health measures.

Football, as the most popular sports branch nowadays, is played on every continent. Fluctuation of players and coaches, along with the exchange of information through seminars supported by the World and European Federations, has virtually wiped out the differences in the quality of teams. There has been more investment in football, and football has long surpassed its original meaning primarily related to play and entertainment (Vujović, 2006).

The role of management in modern sport

In sports management comes to the fore interconnection of strategic management and entrepreneurship. The main entrepreneurial objectives of sports management include the creation of a competitive capable and profitable organization (Veselinović, 2010; Veselinović, 2011). The realization of these objectives holds a special place in professional football clubs management. Modern sport is inconceivable without sports managers. The profession of a sport manager is increasingly becoming a critical factor in the success of sports organizations. The role of the modern sport manager is of crucial importance for the development of sports organizations. Managers are the main driving force in every sports organization. Managers are the drivers of actions and people directed towards achieving the objectives. Nowadays, management is not only a job or profession of managers, but one of the most respected and most lucrative activities around the world, because it measures personal reputation, bank accounts, position and prestige in the society. Managers are the part of the personnel structure included in one of several management functions. In order to function effectively, a sports organization must use general knowledge of management, as well as the knowledge of the theory of management, organizations, systems, economics, but also the knowledge of the theory of sports, which can enable any manager to work in sports (Šurbatović, 2014). Professionals in sport should be acquainted with management due to the fact that it is harder for lawyers or economists to manage it, because they are trained only in general management. In fact, the most acceptable and most appropriate variant is one in which sports experts with the knowledge of management manage the sports organizations. The job of sports manager includes a variety of activities that ensure the maintenance of the position and development of sports organizations. Managers make plans, ensure effective implementation of plans, lead personnel policy, manage human resources and control the attainment of the objectives.

According to classical division, managers are divided in: top-managers (general managers, sports managers), functional managers (marketing, finance) and operational managers i.e., heads of departments, coaches (Životić, 2008).

Based on the model of management, football clubs in Serbia are organized in a similar way as any European club, if we look at the basic, elementary scheme: they can either be in the form of a company or in the form of a sports association. If we look at the shape and form of Serbian football clubs, we can conclude that they are organized according to functional
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model. In practice, however, informal way of influence, decision-making and organization of work is prevalent.

UEFA has prescribed that clubs, regardless of their legal form, are required to do business and keep books as companies and submit financial reports in accordance with the accounting and auditing regulations - the project of national club licensing from January 1, 2005 - thus we can say that the most successful clubs nowadays are organized and operate as profit organizations (UEFA, 2012).

The financial structure of European professional sports clubs is realized through income obtained from sponsors, donors, advertising, membership fees, tickets, TV rights, renting office space and its own business activities; and expenses refer to the cost of the competition, training, salaries, contractual obligations, props, equipment and maintenance facilities. If clubs do not have strong sponsors and if they are unable to be commercially implemented, it is obvious that they will not be able to cover their expenses and operate as successful companies. The fact that top sports include good fun, quality competition and high professional level of sport, also causes great public attention at the global level.

Marketing and the means of mass communication in sport

Due to mass media, people are able to participate in the most diverse and the most spectacular sports events, to monitor results, to read or listen to comments and reports from the match. However, communication in sport emerged after the development of a mutually beneficial relationship between sport and the media at the beginning of the 20th century in the United States, along with the cultural changes, urbanization and modernization and the technological development in industry. Sport has become a means of achieving incredible success whose validity has been supported by communication and journalism (Perović, 2014).

All these facts affect TV companies and their interest in broadcasting these important events, as well as the interest of big companies that want to advertise themselves on the events visited by a large number of people (i.e. Coca-Cola is a sponsor on all the major sports events, such as the Olympic Games, and its advertisements are present both on the sports field, and in prime time, as well as during the breaks of the major sports events). Most of the revenue sports clubs generate by selling TV rights. The revenue from TV rights sales in the Premier League is split evenly among the clubs (Radaković, 2015).

Almost half of the clubs’ revenue comes from television broadcasting rights (Table 1). For example, out of the 516.6 million Euros in club revenues in 2011/12, FC Real Madrid received 199.2 million Euros (39%) from television broadcasting rights; 123.6 million Euros (25%) from the match day revenue and 187.2 million (36%) from the commercial rights. One should not ignore the part of the match day revenue moving up to a half of total revenue in specific cases (Deloitte Money Football League, 2013).

When it comes to the sources of income of football clubs, what should not be neglected is the part of marketing sources and revenue generation. This primarily refers to the fact that some football clubs by selling shirts, as just one aspect of sports marketing, for a relatively short time refund a very high amount of invested transfers. A particular source of revenue is the participation in European football competitions, such as Champions League and European Cups, which provide clubs with significant financial resources.

Based on the structure of the revenues of professional European clubs it can be concluded that management achieves its objectives, which are based on market operations.
Revenue generation in football clubs in Serbia

For most professional football clubs in Serbia, the main source of income is state institutions’ and public companies’ financial aid, as well as the sale of players. Although they have the status of professional entities, their management is organized on the principles of state funding and not on market principles. A commitment to the football market participation through the sale of players has not contributed to the realization of revenue necessary for the functioning of clubs. At the same time, by selling young and talented players they are not able to achieve better results; therefore the main source of income is generated from match day revenue, television broadcasting rights and commercial contracts. The audit firm BDO’s (2014) check has shown the situation in our professional clubs and recommended the transformation of football clubs and their method of financing.

The conclusion of the audit company was:
1. Unstable sources of funding and strong insolvency
   - a large transfers shares in the sources of funding,
   - revenues from television broadcasting rights and match day revenue are negligible compared to the revenue from transfers and donations,
   - lack of budget and inability of actual planning,
   - business account often blocked,
   - different ways of struggle to overcome these problems.

Huge risk of bankruptcy and threatened operation was identified.
2. Operation with loss and the accumulation of losses
   - Almost all clubs have negative equity (loss above the capital),
   - in the current circumstances positive performance is not possible (to cover expenditure by using income from regular football activities that do not include transfers and donations).

3. Dominant form of statutory organizations are Civic Associations

4. Uncertainties in terms of implementation of tax laws
   - different interpretation of the law in calculating taxes and contributions,
   - indications of the existence of selective implementation of regulations during/under the control of PU.

   It was noted that a comprehensive joint action is necessary for a clear definition of tax regulations and attitudes towards club football in general.

5. There are indications that a substantial number of clubs perform non-transparent payments
   - such payments are not included in the business books of the club,
   - such payments are not following the payment of the appropriate taxes,
   - noted a real big problem Licensing,
   - the risk of tax evasion and money laundering, it can have very negative consequences on the future of club football in Serbia.

   It was noted that there is a risk of financing and operating outside the legal framework as well as tax evasion.

6. A significant number of clubs has a problem with the stadium, and infrastructure
7. A significant number of clubs have no business records, which allows insight into the state of debts and other necessary financial information
8. A smaller number of clubs operate through other legal entity which is unacceptable from the point of licensing
9. Some local audit companies’ reports are highly inadequate and do not meet the requirements of financial reporting for football clubs, in particular as regards many specificities that require licensing process
10. Strictly speaking, a large number of Serbian football clubs are unable to meet fair-play rules and criteria for competitions organized by UEFA. A significant number of clubs do not meet the criteria of local regulations, which has so far resulted in the infringements of the provisions stated by the Licencing Regulations and rendered meaningless the objectives stated by the Licensing Ordinance

**Stages of football club development in the world**

In the last 100 years, sport has developed from the ordinary, harmless and fun game into a strong and large industry. From informal and spontaneous associations based solely on the enthusiasm of the participants, clubs have reached proportions of large multinational companies. Competition, arising from ordinary entertainment, has become a spectacle and art involving almost every country in the world.

Each stage of development has its own characteristics and peculiarities, both in terms of set goals, and in all the other characteristics that depend on the level that the club has reached. Observing the business model of the football club, as well as the club’s stage of
development at a certain period, we can isolate and distinguish each characteristic on this path. Each club in its development passes through three stages or three different business models in order to develop and improve its path to success.

These are the following stages:

**The initial phase** – The main characteristic of this business model is the presence of small regional clubs that exist with the support of fans, mostly on local levels. The main sources of income of these clubs are selling players, thus that their objectives are directed towards self-financing. The way to achieve these set objectives leads through the establishment of a well-organized sport and football academies that are used for positive selection of young talented players, who have gone through specific and specialized training.

Both selected and trained players are sold to the clubs of higher rank, or replaced with new talents who are selected within the football academy. The main driving force of these clubs is the very low cost of transfers, relatively low average salaries of players that feel strong team spirit and great support from the local community. Of course, these organized teams have their weaknesses, reflected primarily in inconsistent sports results.

Despite the weaknesses, clubs have the possibility of further development by transferring the business model of the football academy on other clubs, thus making profit by selling players from their own academy. Of course, these possibilities are not easily achieved, because there is a risk reflected primarily in the dependence on the market and the threat of poor income during the bad years (Mitić, 2008).

**National brand phase** – The basic characteristics of this business model are winning championships and remaining at the very top. Besides the quality of commercialization at the national level, the club participates in Euro competitions.

The objectives of this kind of organization are winning the championship and survival at the top, as well as generating strong revenue at the national level. Sources of income are balanced depending on the market situation, and in proportion to the results achieved by participating in Euro competitions. In these clubs play the best national players, which are sold to European clubs. Clubs are constantly present on the international scene with the constant commercialization of business. The number of fans increases and they are organized as a strong form of support. The main strength of these clubs is reflected in good transfer balance, loyal base of fans and the appeal to the media. The objectives of the clubs can be defined in another way:

- from football schools to the international brand;
- from periodic to stable success at the national level;
- from periodic to a constant presence in Europe;
- from attractive junior staff to national stars;
- from profit gained by selling players to profit received from broadcasting and sponsorships;
- from periodic to permanent success in Europe;
- from national to international attractiveness of football stars;
- from national to international fan bases;
- from sports model to business model of entertainment;
- from player trade and broadcasting profit to a balanced multinational system of income;
- National winner;
- National competition;
- European competition limiting business.
The risk that accompanies these clubs is related to stability, which is reflected in opportunities for clubs to sell their star players and survival on the European scene. At this level there is also the threat of competition, which is far higher than in the previous phase and far more dependent on the market.

**International brand phase** – At this stage, a club is at the top, wins the national and international competitions. Big sport stars supported by a large fan base play for the club. The Club's name is recognizable and is connected with the global sports brands e.g. equipment manufacturers (Adidas, Nike). The aim of the clubs at this level is to achieve continuity in victories as well as in earning profits at the international level.

These clubs operate at the level of major international companies where income depends on the strength of the market. Since the clubs at this level take part in European competitions, their revenues grow in proportion to the results achieved in competitions.

The club has developed a recognizable image enhanced by football stars that play in it, which certainly reflects the revenue growth. The stadium and infrastructure help to further commercialization, and revenue growth is proportional to the internationalization of markets. The strength of the club is reflected in the strong brand recognized in other spheres, surpassing football and sport in general. This club is attractive to the media, advertisers and investors. The weaknesses of this type of clubs are high player salaries and a large outflow of funds in transfers and a negative balance of transfers (which will be shown at the end of the research). On the other hand, creating good club management requires large financial resources. Options for further development and promotion of the club are reflected primarily in its domination in international markets ("The winner takes it all"), as well as in the development of non-traditional sources of income such as digital rights, games and the like.

The risk that the operation of the club involves is a further rise in player salaries and high transfers, as well as the lack of success on the pitch.

Most Serbian professional clubs are in the early stages of development, in which the main source of income is selling players. As they develop, clubs make progress by focusing on quality work with teams of younger players and by the affirmation of a large number of talented professionals.

The analysis of the Youth Commission of the FAS has shown that Serbian professional clubs do not comply with the rules of professional and pedagogical work of the FAS, nor do they respect UEFA's recommendations for working with teams of younger players.

It is necessary to discuss a radical transformation of professional clubs in Serbia. An efficient transformation strategy would be based on internal and external resources and organization management in accordance with the objectives of the organization. Finally, the entrepreneurial spirit must be strongly encouraged in all segments of professional sport clubs (Ridošić, 2010).

**CONCLUSION**

The results of the research have shown that in terms of ownership and organisational structure the entrepreneurial model of European football clubs is very different compared to the entrepreneurial model in Serbia. The financial structure of professional sports clubs in Europe is realized through income generated from sponsors, donors, advertising, memberships, tickets, TV rights sales, leasing office space and own activity; and expenses are related to the cost of the competition, training, salaries, contractual obligations,
equipment and maintenance of facilities. If clubs do not have strong sponsors and are not able to establish themselves on the market, it is obvious that they will not be able to cover expenses and operate as a successful company. The financial structure of professional sports clubs in Serbia relies on donations, financial aid of local governments and public enterprises and on selling players.

The audit of the auditing company BDO’s has shown the current situation in Serbian professional clubs and recommended the transformation of football clubs and their methods of financing.

Considering the fact that BDO’s report states that football clubs in Serbia do not meet the majority of requirements necessary for proper functioning, and that many organizational tasks run against the Regulations, it is evident that the application of the entrepreneurial model of European football clubs would have positive influence on the improvement of the organizational structure of football clubs in Serbia.

The research results indicate that Serbian football clubs' income has a negative balance, which in itself requires a change in business policy. In addition, comparing the method of achieving profits in European clubs compared to the clubs in Serbia, we can see a big difference. Football clubs in Serbia only profit by selling players, while European clubs are oriented towards ticket sales, sponsorships, selling players and TV rights, etc. These research results suggest that changes in the organizational structure of football clubs in Serbia would have an impact on the improvement of the basic source of income of football clubs in Serbia.

REFERENCES

ULOGA MENADŽMENTA U OSTVARIVANJU PREDUZETNIČKIH CILJEVA PROFESIONALNIH FUDBALSKIH KLUBOVA U SRBIJI

Posmatrajući preduzetnički model evropskih fudbalskih klubova, očigledno je to da se kako po vlasničkoj, tako i po organizacionoj strukturi evropski model veoma razlikuje u odnosu na preduzetnički model u Srbiji. Struktura finansiranja profesionalnih sportskih klubova u Europi se realizuje kroz prihode koji se ostvaruju od sponzora, donatora, reklama, članarina, ulaznica, prodaje TV prava, izdavanja u zakup poslovnog prostora i sopstvenih delatnosti, a rashodi se odnose na troškove takmičenja, treninga, plate, ugovorne obaveze, rekvizite, opremu i održavanje objekata. Ukoliko klubovi nemaju jake sponzore i nisu u stanju da se tržišno realizuju, očigledno je da neće biti u stanju da pokriju rashode i da postaju kao uspešna preduzeća. Struktura finansiranja profesionalnih sportskih klubova u Srbiji se realizuje uglavnom putem donacija, pomoći lokalne samouprave, javnih preduzeća i prodaje igrača. Imajući u vidu tu činjenicu, dolazimo do zaključka da fudbalski klubovi u Srbiji ne ispunjavaju veći broj uslova neophodnih za pravilno funkcionisanje, i da se mnoge organizacioni poslovi sprovode u suprotnosti sa Pravilnicima. Primena preduzetničkog modela evropskih fudbalskih klubova imala bi uticaj na poboljšanje organizacione strukture fudbalskih klubova u Srbiji.

Ključne reči: menadžment, struktura finansiranja, preduzetnički model