

# Growth and Deficits Hand in Hand



|Professional Team Sports Clubs in Denmark – Empirical Findings, Theoretical considerations and governance perspectives|

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**Play The Game 2007**

***Creating coalitions for good governance in sport***

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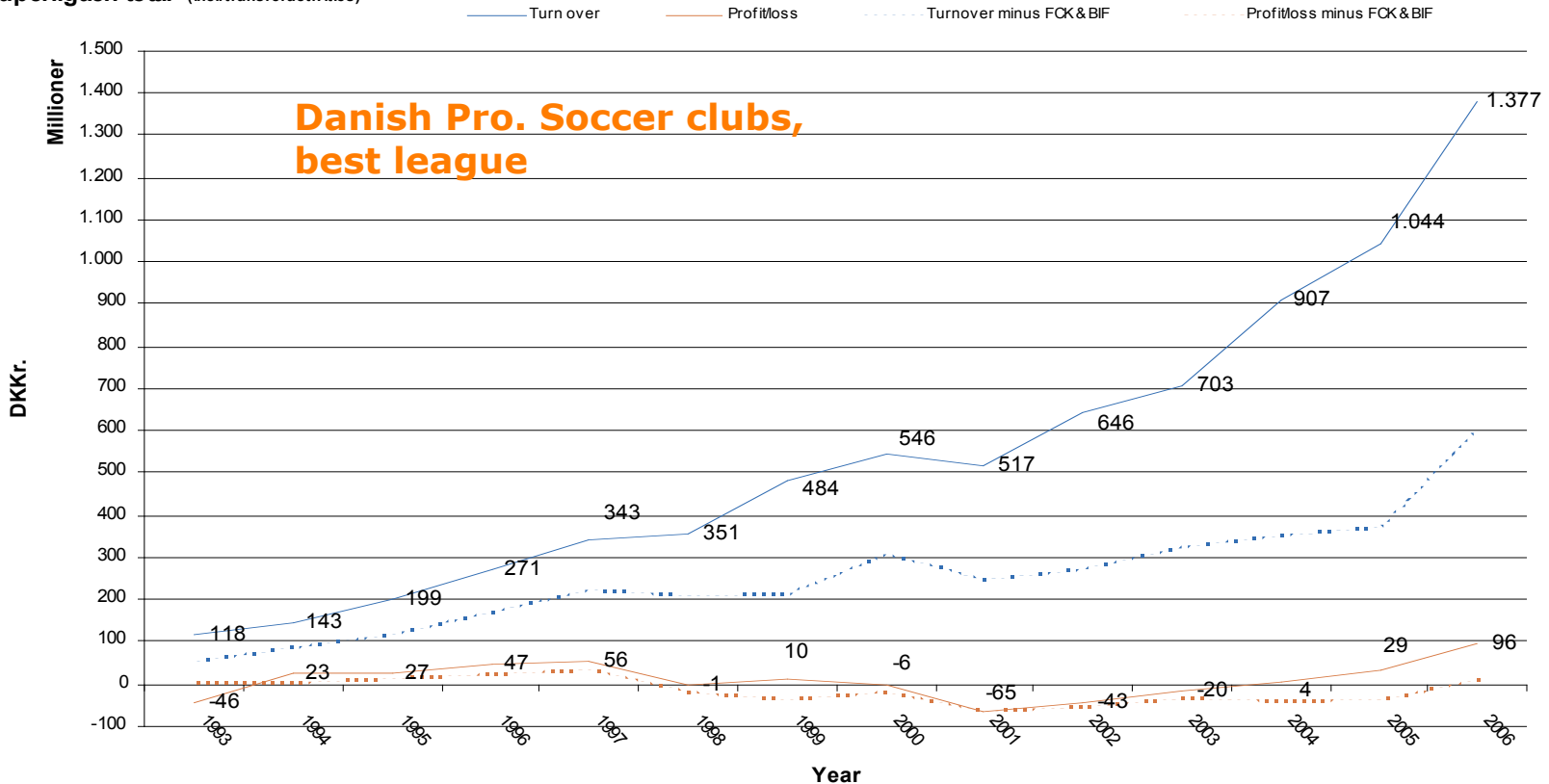
Theoretical considerations: How can we understand the business of pro. Team Sports Clubs?

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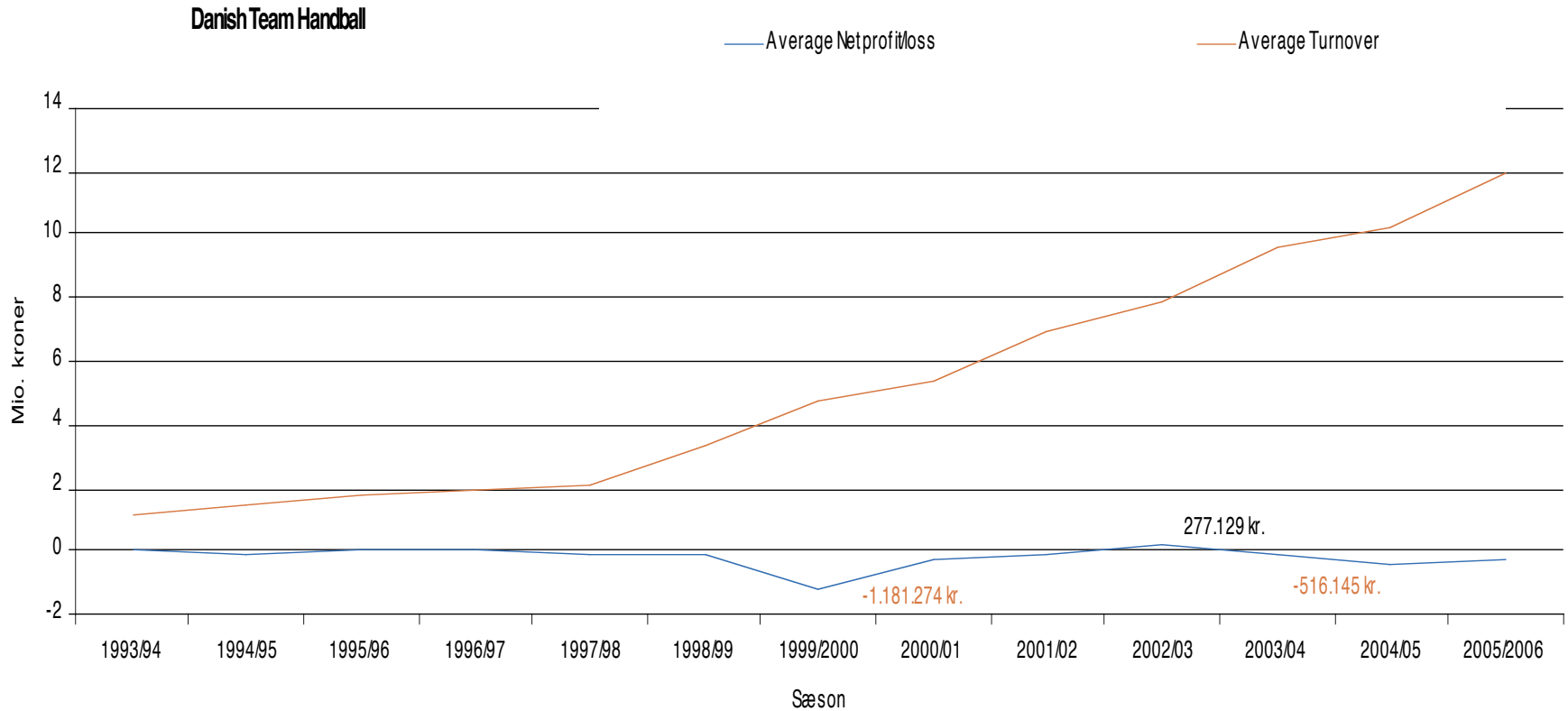
Governance perspectives: how are we to measure financial performance in the future?

# 1) Data concerning Danish Pro. Team Sports

Superligaen total (incl. transferactivities)

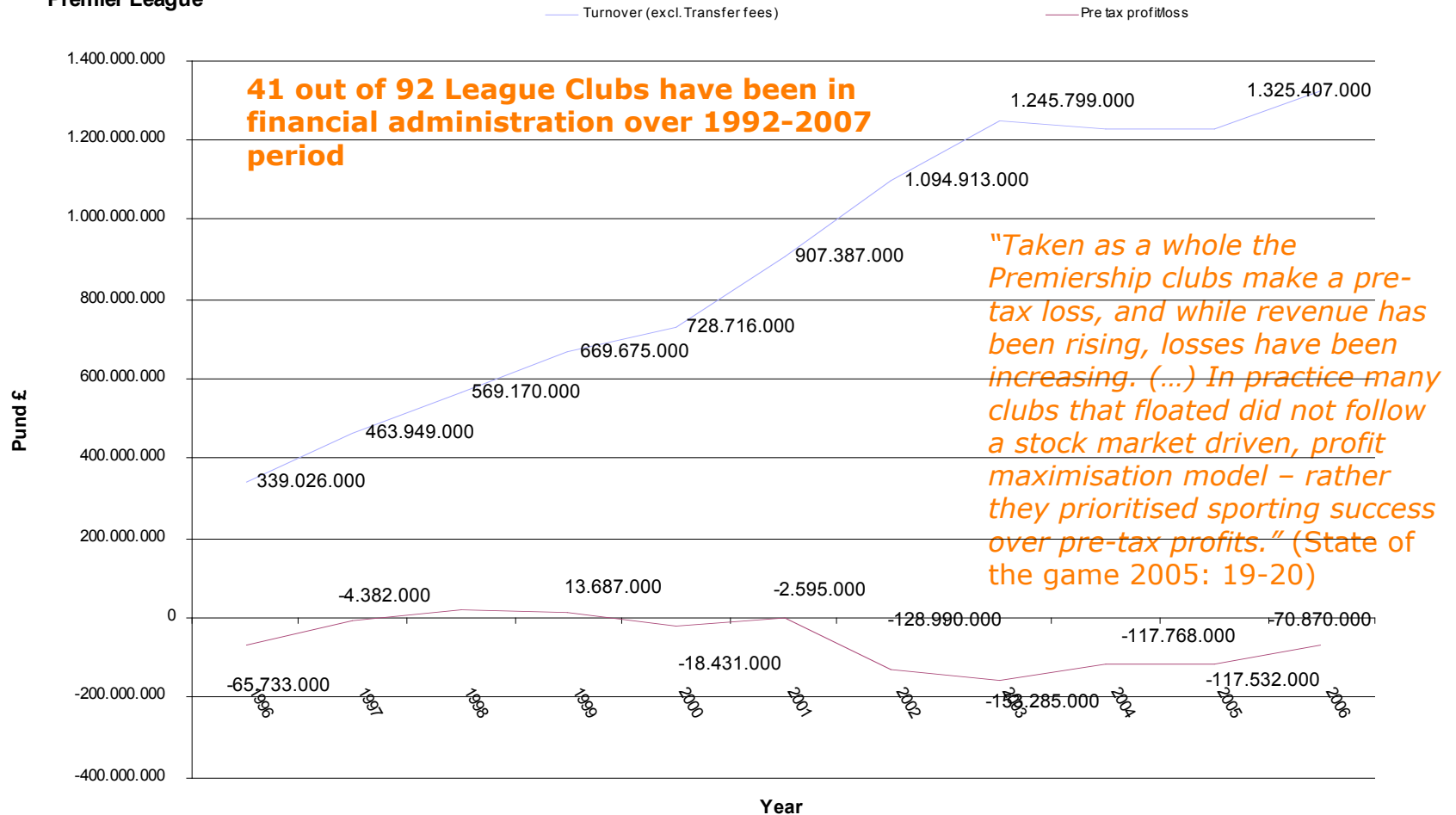


# 1) Data concerning Danish Pro. Team Sports



# 1) Data concerning int. Pro. Team Sports

## Premier League



## 2) Theoretical considerations

**The typical approach: economical activities is about profit - and this holds for the sports economy too....?**

*No: the money is a means to an end in professional team sports*

"The fact that the sport system uses money to win and perform better does not change the fact that they are means of payment in the economic subsystem. But the sport system involves producing goods (and services) in large quantities in order to make a profit, and commercialisation is mainly concerned with making money. When applying these definitions to sport it seems logical that the commercialisation of sport involves producing sport products (Hargrett 2004)."

"... a profit" (Westerbeek & Smith 2003)



Hans Westerbeek

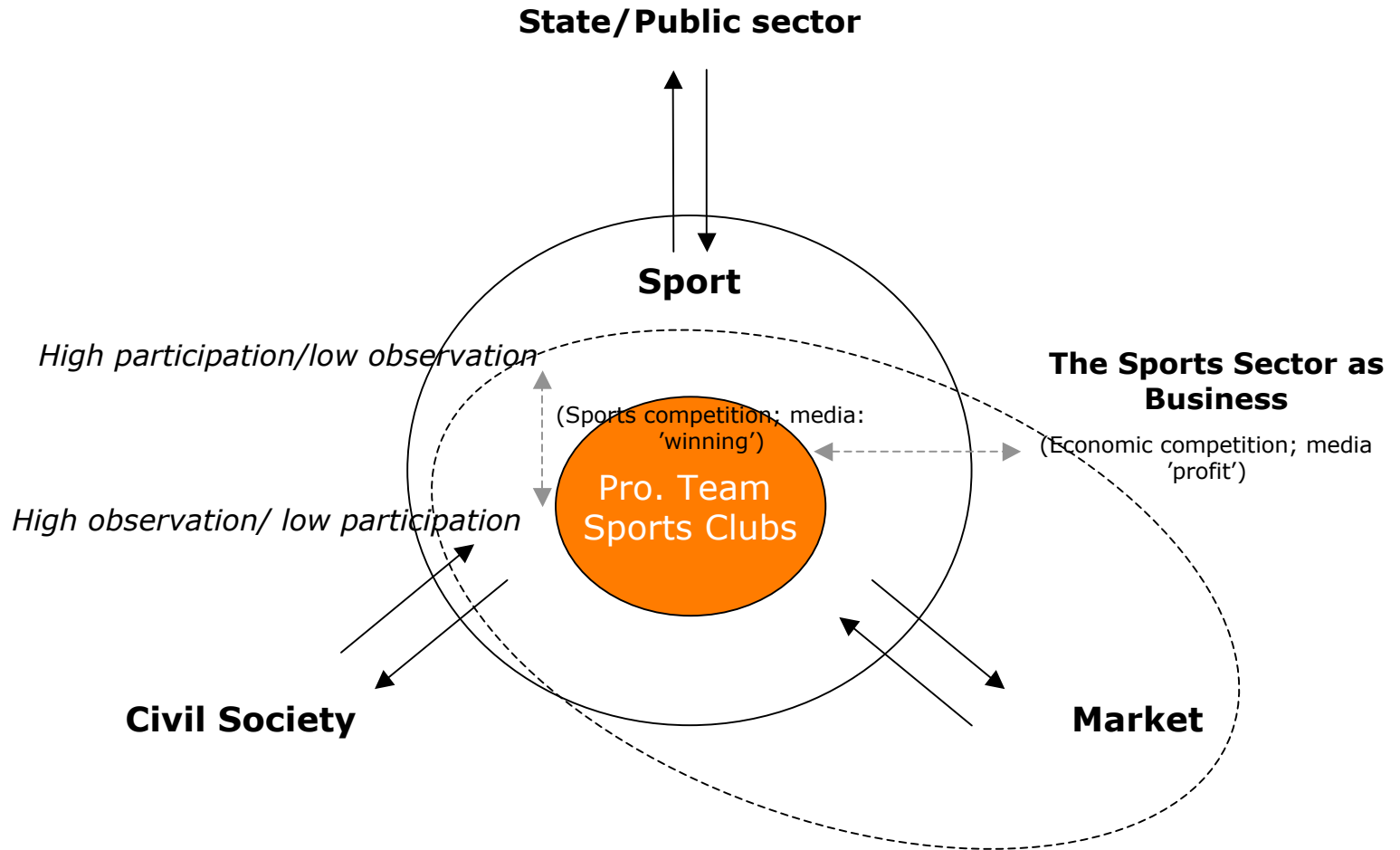


Niklas Luhmann

**Although this definition holds some truth, profit seeking does not seem to be the case in professional team sports clubs.**

Building on the system theory developed by Luhmann, sports can be seen as a social system established around the symbolic generalized media: 'Winning'.

## 2) Theoretical considerations: a model



### 3) Governance Perspectives



- The sports business holds a certain institutional setup with winning as the core principle.
- This means that it is not fair to measure the economic performance from a purely economic scale.
- On the other hand, large deficits are not acceptable – a balanced accounting book should be the minimum precondition for participating in the sports business.

#### *Solutions:*

*Although The Danish Handball Federation and the Danish Soccer Federation are already tightening the regulations, this does not seem to be enough. More regulative initiatives must be taken. In addition, the clubs should enforce bonus salary solutions.*

## To sum up:

Due to the peculiar logic of the sport system growth and deficits are closely connected.

This points to the problems of purely economic measurements in the sports business.

This being said, however, overspending is unfair even seen from a sports perspective.

The challenge is to find regulative approaches that combine the economic challenges with an understanding of the specificity of the sports business.





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# Thank you!



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