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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Presentation index

1. Empirical findings: Danish Pro. Team Sports Clubs operate with profit margins around zero or are in the red

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

3. Governance perspectives: how are we to measure financial performance in the future?
1) Data concerning Danish Pro. Team Sports

Superligaen total  (incl. transferactivities)

Danish Pro. Soccer clubs, best league

Millioner

DKKr.

Year

Danish Pro. Soccer clubs, best league

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1) Data concerning Danish Pro. Team Sports

Danish Team Handball

Average Net profit/loss

Average Turnover

Season


Mio. kroner

0 2 4 6 8 10 12 14

-2

1) Data concerning int. Pro. Team Sports

41 out of 92 League Clubs have been in financial administration over 1992-2007 period

"Taken as a whole the Premiership clubs make a pre-tax loss, and while revenue has been rising, losses have been increasing. (...) In practice many clubs that floated did not follow a stock market driven, profit maximisation model – rather they prioritised sporting success over pre-tax profits.” (State of the game 2005: 19-20)
2) Theoretical considerations

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

"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 transforms the operations of the economic system by using money for enhancement of performance and facilities instead of profit in the traditional sense as seen in the economic system." (Tangen 2004)

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’.

Niklas Luhmann

Hans Westerbeek

No: the money is a means to an end in professional team sports
2) Theoretical considerations: a model

The Sports Sector as Business
(Sports competition; media: ‘winning’)
(Economic competition; media ‘profit’)

Pro. Team Sports Clubs
(Sports competition; media: ‘winning’)

High participation/low observation

High observation/ low participation

State/Public sector

Market

Civil Society

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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.
Thank you!

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