

Financing in Sports Institutions

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Abstract

The sports sector is one of the fields that has undergone numerous transformations. Previously, these institutions operated under a socialist system, but with the recent economic liberalization, marked by the establishment of sports companies within the framework of the new economic policy of privatization, they have transitioned into a capitalist system. This shift has had a significant impact on the sports sector, leading to a widespread increase in sports entities in our country at various levels. Consequently, sports activities are now conducted through legal and official institutions. Although these institutions are primarily sports-oriented, they also possess an economic dimension. As a result, contemporary circumstances have created administrative challenges represented by human resources within each institution, and other things that include various investments, capital, equipment, and tools utilized, and all these resources correspond to many different uses and spending sections. The problem of research lies in the clear economic disparity between Arab and European sports clubs, which in turn affects the administrative and technical levels in general. It also examines the impact of strategic planning and goal-setting on securing self-financing to enhance a club's financial standing, which subsequently improves team performance by providing the necessary resources and the best means to achieve the highest levels of competitiveness. The significance of this research stems from the observation of the vast gap between Arab and European sports clubs in terms of financing obtained by the club, its impact on the development of the club and its various sports teams. It also explores how to develop investment awareness among club administrations, guiding them toward the right approach in securing financial resources.

Keywords: Financing, Sports Institutions, Self-Financing, Sports Clubs.

INTRODUCTION:

The sports sector is one of the fields that has undergone numerous transformations. Previously, these institutions operated under a socialist system, but with the recent economic liberalization, marked by the establishment of sports companies within the framework of the new economic policy of privatization, they have transitioned into a capitalist system. This shift has had a significant impact on the sports sector, leading to a widespread increase in sports entities in our country at various levels. Consequently, sports activities are now conducted through legal and official institutions. Although these institutions are primarily sports-oriented, they also possess an economic dimension. As a result, contemporary circumstances have created administrative challenges represented by human resources within each institution, and other things that include various investments, capital, equipment, and tools utilized, and all these resources correspond to many different uses and spending sections.

Research Problem: The research problem revolves around the evident economic disparity between Arab and European sports clubs, which in turn affects their administrative and technical levels in general. Furthermore, it examines the impact of planning and goal-setting in securing self-financing as a means to improve a club's financial stability, ultimately enhancing the teams' performance by providing the necessary resources and adopting the best methods to reach the highest levels.

The Significance of the Research: The significance of this research stems from the observation of the vast gap between Arab and European sports clubs in terms of financing obtained by the club, its impact on the development of the club and its various sports teams. It also explores how to develop investment awareness among club administrations, guiding them toward the right approach in securing financial resources.

Research Objectives

1. To identify sports institutions and their objectives.
2. To examine the advantages and disadvantages of financing for sports institutions.
3. To identify the obstacles that contribute to the weak financing of the institution's revenues.
4. To understand the methods of financing sports clubs in the United Arab Emirates and Germany.
5. How to advance the sports institutions to reach the highest levels.

Research Methodology: The descriptive, analytical, and comparative approaches were used.

Structure of the Research : The research includes an introduction, the problem of the research, its significance and objectives, the methodology that was used, and two chapters. The first chapter focuses on the definition of the sports institutions, the nature of the sports institution and the structure of the sports institution. The second chapter included the definition of financing, its types, its advantages and disadvantages, types of investment and benefits derived from the Chinese investment experience and the comparison between financing in the United Arab Emirates and Germany, and then the findings and recommendations reached by the researcher.

The First Section: The Sports Institution

Sports Institutions: Sports institutions are entities established by society to serve the sports sector. Like any other institution, they possess an organizational structure that aligns with their size and the purpose for which they were established. (Abboud, 1982, p. 24) A sports institution is a social entity linked to the sports field as a profession and industry. Its objectives are determined by the nature of the activities it engages in and the goals set for those activities. Moreover, a sports institution is managed using a scientifically driven administrative approach with a well-defined structure comprising various departments, divisions, and administrative levels with the definition of specializations and responsibilities. The organizational structure of each institution is consistent with the size of that institution, and we can distinguish between sports institutions. Sports institutions can also be classified and structured based on:

- The Theory of the Institution.
- Organizational Behaviour of the Institution.
- The Philosophy of the Institution. (Ghrab, 2009-2010, pp. 52-53)

Definition of the Organizational Structure of a Sports Institution: The organizational structure of a sports institution serves as the general framework for operations, within which tasks are divided, grouped, and coordinated within the institution. Each sports institution has an organizational structure that defines the tasks assigned to individuals and teams. Establishing an appropriate structure for the institution involves determining the requirements for formalizing procedures while simultaneously encouraging innovation and creativity. Furthermore, an effective organizational structure ensures proper oversight of employees' activities without excessively impacting their motivation and work trends at work. The appropriate structure of the institution also defines the means of communication and reporting mechanisms while striving to minimize unnecessary and costly management levels. The organizational structure of an institution is a crucial element, as it determines the scope in which employees and volunteers work together and the appropriateness of this scope for them with regard to work tasks, decision-making procedures, the need for cooperation, determining levels of responsibility and mechanisms for issuing reports. In other words, the structure of the institution shows the broad outlines of how positions within the institution are interrelated with the tasks carried out by individuals and teams within the institution. (Russell, Howell, et al., 2010, p. 128).

The Objectives of Establishing a Sports Institution

The objectives of the sports institution are established and planned from the starting point, and the reference to common objectives can be set through the following: (Masoudi, Hassani 2018, p. 4)

- Forming the integrated personality in terms of social, health, intellectual, spiritual aspects and instilling the national spirit among the members of the youth and providing the appropriate conditions to achieve this.
- Preparing the means and managing the funds to leverage individual energies and skills. Furthermore, we refer to the the most significant objective of:
 - Enhancing capabilities and preparing competencies to reach the highest levels of performance, ultimately achieving what is referred to as a "productive athlete"—one capable to achieve moral returns and collect financial profits. Since that the sports institutions have evolved into economic entities, they now share the same objectives as traditional economic institutions. These objectives include economic exploitation, the ability to produce goods and services that meet market demand within the limits of available capabilities, improving the standard of living, ensuring appropriate returns on invested capital, reducing unemployment, achieving economic integration, and securing national self-sufficiency in the context of attention to local sports events and national teams, which would reduce costs such as purchasing broadcasting rights for international matches, attracting investors and capital owners, and ultimately enabling sports institutions to enter it in the capital trading markets. A notable example is the French club "Olympique Lyonnais," which entered the stock market with an initial capital of €102 million. Based on the foregoing, we affirm that, like any other enterprise, the objectives of sports institutions must be continuously updated in response to developments across various fields. In addition to traditional objectives—such as increasing added value, employment, economic and social expansion, meeting societal needs, achieving financial self-sufficiency, and generating profits—higher goals must also be pursued. These include financial expansion, the globalization of systems, and the dominance of the capitalist model by exerting control over all economic directions.

Capabilities in the Sports Institution:

The resources or capabilities in the sports institution are classified in the same manner as in the rest of the institutions, divided into two main types, material resources and human resources, and each of these two types contains elements. As for the material resources, they include:

- The facility or site, which is the so-called social headquarters of the Authority.
- Hardware, tools and equipment.
- Capital.

Human resources consist of:

- Administrators, employees and workers.
- Technical supervision.

Sports facilities, such as stadiums, halls, and swimming pools and others provide the spatial scope for conducting physical and sports activities. These facilities must adhere to the international technical standards and foundations as well as the precise scientific criteria.

Additionally, within these facilities, appropriate sports equipment and tools, including apparel, devices, and accessories, must be available. Behind all these elements, every sports institution maintains a financial portfolio that allows it to cover the increasing demands necessary for the institution's operations. Alongside material resources, human resources represent the technical and operational element working within the institution, including managers of various departments, employees, and technical supervisors who apply comprehensive training skills. These competencies contribute to creating added value within the institution.

Sports Concepts

The subject of sports management is undoubtedly a newly emerging subject, subject to all intellectual trends of scientific research. Therefore, it is essential to shed light on one of the important elements that carry out sports physical activity, which is "sports culture". This administrative behavior within the sports institution is not the sole factor in the establishment of this body; another significant factor is the prevailing culture and the information emerging within society itself. The status of sports in any given society reflects its environmental perspective on sports-related matters. What we can note is that in developed countries where sport significantly affects culture, as these two elements were closely linked and great values of capital were invested in sports business, and this led to huge profits exceeding millions of foreign currency, and sports activities contributed to marketing and promoting economic institutions and thus occupied the position of an effective economic driver. (Al-Alkami, 1997, p. 56)

It is also worth noting that sports have become one of the most significant indicators of modern civilization, serving as a mirror that clearly reflects the culture of nations. Advanced nations possess a well-established sports cultural climate based on scientific principles and high ethical standards. This structured cultural framework serves as a direct pathway to maximizing success and achieving desired goals. In conclusion, sports culture plays a crucial role in the sports industry, making it imperative to direct attention toward the relationship between sports institutions and social responsibility.

Chapter Two: Sports Financing

Financing refers to the process of obtaining and utilizing funds to operate or develop projects, focusing primarily on identifying the most suitable source of financing from several available sources.

It also involves securing the necessary financial resources to support and develop a public or private project.

The provision of necessary funds in times of need.

Sources of financing vary depending on the size of the sports institution:

Sources of Financing for Small Sports Institutions (Sports Clubs): (Al-Rabeen, 2008, p. 2)

- Annual assistance from the authorities overseeing youth and sports.
- Contributions from honorary members and affiliated club members.
- Television and radio broadcasting rights.
- The right to use the logo in commercial matters (e.g., apparel, memorabilia, player and team photos, etc.).
- Advertising on players' uniforms and entry tickets to matches.
- Revenue from player transfers (both amateur and professional players moving to other clubs).
- Income from other commercial activities, such as special sports programs, physical therapy services, swimming pool usage (if available), gym facilities, weight loss programs, etc.
- Bonuses awarded for championship victories.
- Advertising in club publications and special bulletins covering sports programs and activities.
- Sponsorship of official tournaments by companies and some investors.
- Donations collected through fundraising campaigns organized by businesspeople and sports enthusiasts.

Sources of Financing for Large Sports Institutions (International Olympic Committee - IOC) (Darwish, Hasanein 2004, pp. 24-25)

- Television broadcasting rights: Represent 25 % of the International Olympic Committee's (IOC's) revenue, amounting to \$236.2 billion (statistics from 2001–2004). The exclusive broadcasting rights revenue increased from \$101 million during the 1980 Moscow Olympics to \$498.1 billion in the 2004 Athens Olympics.
- Official sponsorship: It represents 32 % of the International Olympic Committee's (IOC's) income, totaling \$391.1 billion (statistics from 2001–2004). • Each sponsoring company has the right to use the logo of the Olympic Committee and the event on their merchandise, along with direct advertising privileges at all Olympic venues.
- The sales process at the course venues.
- Marketing protection for sponsors from competitors and promoting their support through press conferences, media releases, and official publications.
- Ticket sales for Olympic events: It represents 14 % of the International Olympic Committee's (IOC's) revenue, generating \$608 million (statistics from 2001–2004). During the 2000 Sydney Olympics, 92.4 % of tickets were sold, while at the 2002 Winter Olympics in the United States, ticket sales reached 95 %, equating to 5.1 million tickets. -
- Licensed memorabilia sales: It represents 2 % of the International Olympic Committee's (IOC's) revenue, amounting to \$81 million (statistics from 2001–2004). During the Olympic Games in Australia, over 3,000 types of licensed products were sold through 2,000 retail stores across Australia.

Advantages and Disadvantages of Self-Financing

In some highly efficient sectors and institutions, self-financing can serve as the sole source of Financing, eliminating the need for borrowing. However, in other sectors, borrowing is considered a regular resource. For example, in the hotel industry, borrowing can constitute up to 50 % of total financial resources. Nevertheless, relying on self-financing has both advantages and disadvantages (Ali, 1999, p. 104).

The Advantages:

- Self-financing raises liquidity, which is a means of strengthening the power of the institution that can be used to work on accumulating its capital.
- Ensures the flexibility of the capital of the establishment, as it does not require preparing financial documents or obtaining external approval for fund utilization.
- Maintains the independence of the establishment as there is no control by creditors over it, and allows the freedom to dispose of it so that it can be allocated for investment, payment of debts, distribution to partners, or operational financing.
- It opens the way for borrowing, as banks are receptive to providing additional loans to the facility.
- Encouragement by the state through tax reduction, and does not cost the establishment financial burdens.
- Self-financing is a means of financing, controlled by the managers of the institution, which allows them the freedom to act, but is restricted by the right of shareholders to control the uses of these funds.

The Disadvantages:

- May result in a loss of shareholder interest in the institution due to decreased profit distribution.
- Sometimes self-financing is not enough to finance the investment.
- An inexpensive financing pattern that lead to investments with minimal returns.

Self-financing captures savings accumulated in the same sector, while these funds could have been distributed to shareholders who invest them in more profitable projects, this analysis concerns only the result. (Muhammad, 2012, p. 94)

Second - Direct External Financing of the Institutions:

Direct external financing refers to obtaining funds through the financial market, and this is by providing the facility with the opportunity for financiers to contribute to its capital in exchange for a share of its profits, or by direct borrowing from savers in return for fixed income. However, the entry of the sports institution into the financial market as an economic institution has conditions and procedures determined by a competent authority in order to ensure the rights of both parties (the financier and the institution).

Sports Activities as a Productive, Service-Based, and Material Work

Sporting events and competitions by their productive nature are matched by a request from economic agents that can be paid, and this is what comes with profits for the investor in this sector. After training and processing, competitions come within the various sporting events, which are considered a service sold to the consumer and thus result in added value. Pursuant to the administrative and economic mechanisms in the institution in general with production cycles supported by financial budgets, they are considered inputs to productive work, which include outputs for the rational administrator to carry out strategic studies, such as controlling and processing quantities that are in the production path from the operation of a qualified workforce that forms human resources that define their tasks regularly in order to achieve the pledged goals on the basis of available capital. This physical sport activity provides services consumed by individuals, and can be considered as a national social unit or commodity that has the characteristics of globalization, and the international standards represented in general by the high sports return, which aims to reach the level of the player to the best possible degree in his specialized activity as a result of training and sports practice. This factor is the sure reason for the continuation and advancement of the sports institution in which it is active. Thus, the institution in which a sports activity is carried out has a product of service or material quality.

The Sports Institution as an Investment Entity

The activity in any institution was based on the investment of human energies and financial resources as the best way to achieve excellence. One of the specific features of the success of the investment process in the institution is the provision of the best quality service or commodity to the beneficiaries, that is, the external and internal audiences, as well as the development of products in parallel with the renewal and increase of needs.

Thus, the relationship between the term investment and the word sport corresponds on two levels:

- Sports Investment in the Institutional: It is sponsored, financed and reaped the various revenues of sports events from the competitions held and the development of these activities.
- Public Investment: It is a second investment, which means researching and working to develop the added value, which results from the difference between the result and the cost of working in the sports institution.

Axes of Investment in the Sports Institution: (Salma, 2012, pp. 60-63)

- The legal axis: This means that the investment activity in the institution enjoys an environment governed by a legal climate based on accurate legislation in the sports field that regulates this type of business. In this context, the sources of financing for these institutions and the limits of investment operations and the performance of transactions are determined based on the principle of stimulation after the issuance of laws and regulations that include these transactions.

- Investment awareness axis: Any need to spread and develop awareness to activate or stimulate investment performance and attract the investor to invest his capital or moral energies in the sports institution, so that they can be exploited by financiers and officials in the sports authority, knowing that the costs are high and the risks are great in this sector of investment.
- The axis of the policies taken: Policies must be applied that set clear objectives related to material and moral returns, that is, sports return. The nature of the hobby and professionalism must also be determined, and a strict administrative hierarchy must be followed in accordance with the policy followed to achieve consistency between work inputs.
- The technical axis: The technical aspect is achieved at the level of the institution's productivity, and thus the achievement of sports objectives, by providing the environment in which the desired public relations and responsibility are formed, which determines the forms and types of investments that are made in this type of organization, and ends with the publication of the product and its presentation to the target audience, and thus administrative stability based on the elements of institutional management is achieved. The axis of administrative procedures: This axis appears through the existence of an effective administrative apparatus. There is an investment plan in the institution and it works to reduce government intervention in accordance with administrative privatization policies. Investment and productive projects are established and obstacles are removed to eliminate the centralization system. It also contributes to rationalizing investment decisions and making them strategic and motivating.- Financing axis: Since the sports institution has an increasing need, it must be covered by various means and methods of financing, identifying and addressing budgets, and attracting credit by ministries and economic institutions, through the creation of investment allocations in the sports institution. Infrastructure axis: The fact that the sports institution is an existing work entity and has tools and equipment, and exercises its activity in facilities dedicated to physical and sports activities, helps to facilitate the tasks of this practice, and then these facilities are invested in increasing the national income.

Impact of Chinese investments on UAE companies:

The strong and great economic relations between the UAE and China in the economic field, which contribute to opening the door for Chinese investments in the sports field through the construction of sports facilities and sponsorship of the Arabian Gulf League clubs.

UAE companies can also benefit from the Chinese sports market, which has become one of the most important sports goals for many countries in the world, as China developed a strategy in 2016 aimed at turning it into a global superpower in football by 2050 through its plans to encourage 50 million people to play the game by 2020. Where the UAE can benefit from this strategy by drawing inspiration from some of the points contained therein, to develop the UAE football at the domestic and international levels.

A comparison between the financing of clubs in the United Arab Emirates and in Germany:

In the United Arab Emirates (UAE), sports club financing is government-funded, whereas in Germany, it is entirely self-financed. This fact is well known to anyone who closely follows football affairs in both countries. Government support constitutes a significant portion of the budgets of Arabian Gulf League clubs in the UAE, while this source is completely absent from the Bundesliga teams. (Ali Shidhan, 2013) While the UAE clubs rely on government support for a large percentage of the composition of their annual budgets, the German teams build their budgets entirely on self-support, which is the main driver of the Bundesliga teams, in addition to the sources of subscriptions, sponsorship rights, television broadcasting and other sources that do not stand out in any way, government support, as is the case here in the UAE. The annual budget of the UAE clubs are structured on the basis of obtaining significant government support from the sports councils or from the presidents of those clubs or from the (gifts) or generosities that the government often provides to those clubs to resolve their financial crises, while the rights of sponsorship, television transmission and other rights recognized in the world of professionalism are not sufficient to implement the programs of those clubs if government support is interrupted for any reason. In contrast, the situation in Germany is entirely different, where it can be seen that the government has no relationship or financial support that affects the budgets of its sports teams in light of the complete reliance of these clubs on imports of mass subscriptions, sponsorships, television broadcasting rights, etc., which are sources that save millions of dollars in the coffers of these teams, which have developed tight financial policies that avoid bottlenecks at any stage of any of the season championships locally and abroad. It is remarkable in the fact that there is a huge difference in the sources of financing between the UAE and Germany, yet we find that German clubs are at the forefront of European teams in the low debt ratio compared to England, France and Spain clubs that start and end their season without hearing stories of bankruptcy or approaching its edge. Every action has a result, and the result of the work of the German teams and their self-sourced budgets is a very strong presence in the European Championships. Conclusion: By presenting the concepts and basics of sports institutions, finance and investment, we were able to conclude that the sports institution is comprehensive of various material, human and productive factors and that self-financing is a stage that it can reach and succeed in if the appropriate conditions, will and determination of the supervisors of the administrative process are available and we reach findings and recommendations that will develop the investment process in sports institutions.

Findings:

- Financing in European countries is highly advanced and exceeds that of Arab countries.
- Financing in Germany exceeds that of Arab countries.
- Availability of investment awareness is essential in obtaining financing.
- Sports institutions include all physical and human factors of production.
- The sports institution can successfully achieve self-financing if successful management and appropriate conditions are available.

Recommendations:

- Investment awareness is essential for those who are responsible for the sports institution.
- The government encourages sports institutions and pushes them to achieve self-financing.
- Sports institutions should work diligently to discover the reasons for their weak financing and work to address and remove obstacles to obtaining financing and raise the level of that institution.
- UAE companies can benefit from the Chinese sports market, which has become one of the most important sports goals for many countries in the world.

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