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ISSN 1652-7224 ::: Published 30 March, 2011

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It's often pointed out nowadays, that there's a considerable lack of financial expertise in Swedish association sports and especially in elite sports clubs. As shown in Hans Lundberg's review of the book *Sport Finance* in the present update, there has been a study of seven Swedish elite league clubs – football (soccer) and hockey – at the Linnaeus University, and it turns out that only one had a club manager with an academic education in economics. Now, Swedish clubs are not financial giants; the medium-sized German elite soccer club Schalke 04 has an annual turnover exceeding the revenue of all teams in the Swedish football premier league, combined. It is, though, no less important for a smaller club to have well kept finances – on the contrary. And well kept finances in a situation where costs tend to rise and revenues do not really follow suit, in turn requires competent economic management and planning. We have a second book on that subject in this update, *Financial Management In The Sports Industry* by Matthew T. Brown, Daniel A. Rascher, Mark S. Nagel, and Chad D. McEvoy (Holcomb Hathaway). Björn Anders Larsson has read the book at our request, and his knowledgeable and sympathetic review concludes with the hope that the book is placed on the literature list of undergraduate courses in sport management in Scandinavia, and that financial issues get the attention they require in modern-day sports.

Economics for sport managers

Björn Anders Larsson

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Matthew T. Brown et al
Financial Management in the Sport Industry

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Scottsdale, AZ: [Holcomb Hathaway](http://HolcombHathaway.com)

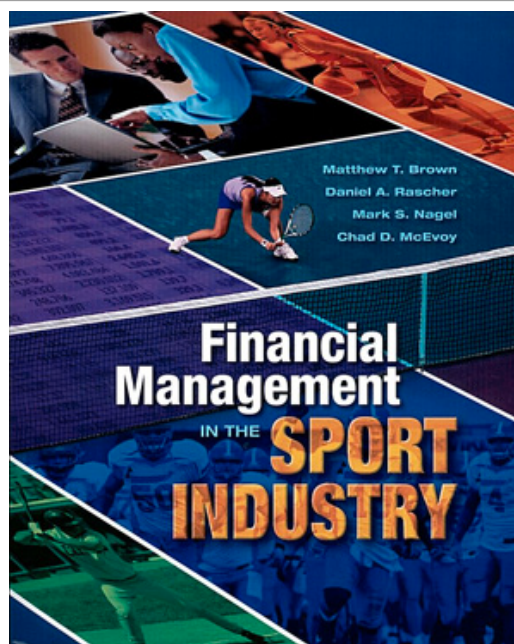
2010

ISBN 978-1-934432-04-4

Today, financial problems are often connected to sport clubs and arenas, to the detriment of the public's confidence in their favorite clubs or teams. The football (soccer) industry on a professional level is one example of this phenomenon, in many leagues in Europe.

This broad handbook in financial management gives us many useful insights and tools necessary to improve management in the dynamic sporting industry. There has been a focus in textbooks in sport management on the marketing and income side during the first few decades of the fast growing sport industry both in North America and Europe. Now is the time, hopefully, for better management of finance operations in sports.

This book presents many aspects of financial theory combined with many very interesting examples from most sports and from the four US sport sectors: professional sport; arenas and other facilities; park and recreation agencies; and college athletics. The authors, Matthew Brown at the Ohio University Sports Administration and Facility Management program, Daniel Rascher and Mark Nagel from the Sport and Entertainment Management Department, University of South Carolina, and Chad McEvoy from School of Kinesiology and Recreation, Illinois State University, all have long and solid experience from various sectors of sport and deep understanding of the methods



and problems in the management of finances within the sporting industry.

The book is divided into four parts: Finance Basics, 104 pages; Financial Management, 103 pages; Application of Financial Management in Sport, 120 pages ;and Financial Attributes of Select Sport Industry Segments, 106 pages – altogether 15 chapters with illustrative examples from finance and sport management.

In Chapter 1, the authors discuss the overall economics of the sporting industry and different definitions of where the boundaries should be drawn to other industries. This discussion ends up in a calculation of the size of the industry. Direct activity in sports entertainment and recreation, sport products and sport support organizations counts to 150 billion dollar by 1997 (Meek) and with secondary activities included 260 billion. These values correspond today, 14 years later, 280 and 450 billion respectively, if we calculate with a growth rate of 4 per cent per year in the sporting industry. Other estimates give us lower values. My own organization, IEC, calculates the size of the US sport industry 2010 to 2-3 per cent (depending on definitions) of the US GNP, which means 300 or 450 billion.

Compare this with the calculations by David K. Stotlar in *Sport Marketing Plans* (2009), where the first chapter describes the sporting industry and confirms several other measurements from the past three years of the size and structure of the industry in the US. According to Stotlar, the sport sector produces and consumes a partial GNP (Gross National Product) of \$410 billion (2007). Compared to Sweden, which is roughly 1/33 of the US economy and population, this confirms the estimate of 60-65 billion SEK GNP in Sweden's sport industry, and the same proportional size in other Nordic countries. Stotlar concludes that sport is "among America's largest industries". Sport industry calculated in this way creates 2 per cent of the US and the Nordic economies measured by GNP.

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The following chapters 2 to 9 include text about the usual tools in finance management combined with many and very interesting examples from several sports.

Chapter 2 presents tools for the procedure of *analyzing financial statements and ratios*.

Chapter 3 introduces risk and methods to calculate and manage the *financial risk* in investments in sport franchises involving teams and arenas. This perspective on the risks taken by owners and other financial institutions present new and interesting findings for us in the Nordic sport industry. We all understand the need for better finance and risk management of national leagues, clubs, arenas and events.

Chapter 4 presents calculations of *money values over time*.

Chapters 5 through 8 explain *finance planning, budgeting of costs, incomes and financial flows and capital in sport* commercial activities in general.

Chapter 9 presents a broad discussion of *facility financing* and starts with discussing "Reason for building new sport facilities" and many aspects of how to finance these. Public versus private funding, public/private partnerships (the PPP-model) and a complete list of different types of finance sources such as direct revenues, loans, bonds and other financial instruments.

Chapter 10, 11 and 12 give us useful methods and explains how management can create better control of the coming or planned operations through *ex ante evaluation, valuation, feasibility and economic impact analysis*. Examples are given on cities together with sport club owners involved in this type of calculations showing stimulation of local business, new tax incomes and positive image effects on the city.

For me as an experienced management consultant and a PhD student in management, the chapters 2-12, with their presentations of finance management tools, must be seen as elementary and indispensable on a BA level. Nordic managers in the sporting industry as well as students in sport management now have a useful textbook presenting the important aspects of sport finance.

For sport industry people the many current and realistic descriptions of sport cases are welcome and interesting. Many famous cases are described. This is an attractive feature of the last three chapters, 13 to 15, which describe the sporting industry through three subindustries, *Park and Recreation Agencies, College Athletics and Professional Sports*.

Nowadays we know a lot about professional sports in our Nordic countries through the intensive sport media coverage of the *Big 4* ; American football, baseball, basketball and hockey. TV channels present increasing volumes every year from North America, including other world sports such as tennis, golf and motor sports, e.g. Nascar. All these sports are market driven and professional in most aspects at the top level.

The *college sport sector* and athletics is interesting for many young Nordic sport students, probably thousands every year, but the volume of this sport sector is probably unknown in our countries. In total the college sport economy produces values amounting to billions. One example, the wellknown college athletic program The Ohio State

University Buckeyes has a budget of impressive 110 million dollar per year. The first intercollegiate sport event in USA is often considered to be the annual regatta between Harvard and Yale which started 1852.

One, perhaps in our countries lesser known, example of an ownership model in professional sport is *Green Bay Packers*, winners of the Super Bowl 2011. This team and their arena in the small city Green Bay, Wisconsin is owned, as the only corporation in NFL, since 1997 by thousands of local and regional shareholders. This exception from the *principle of a primary individual owner* has made it possible for the franchise to stay in this region (since 1919 but with several changes in the model of ownership) which has much smaller market than the other big franchises. Read more in the book about different models for leagues and ownerships in team sports and the operation of these in order to maximize public and media success, incomes and stability. It might be something for our Nordic sporting industry in the future.

Each chapter ends with up-to-date references. The book ends with a broad and current index list of references with topics, authors, books and articles in general.

Our sport news media tell us often about problems and severe market and finance failures in the sporting industry. I can easily recommend sport industry leaders, teachers and students as well as politicians and executives in communities to read this book and use the step by step financial and risk planning procedure more in the future.

For students at higher levels of university education such as master courses in sport management awareness of more theory, critical thinking and advanced methods than in this planning manual are necessary. These could be found in topics such as statistics, decision theory and econometrics and in consumer psychology, sociology and other disciplines.

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