

The 20th EASM conference **Sport between business and civil society**



ABSTRACT BOOK

The 20th Conference of the
European Association for Sport Management (EASM)
Aalborg • Denmark 18 - 21 September 2012

The 20th EASM conference

Sport between business and civil society

Abstract book

18-21 September 2012,
Aalborg, Denmark

Disclaimer: The organiser takes no responsibility for any of the content stated in the abstracts.
The abstract book contains abstracts as provided by their authors except for minor spelling corrections.

Title: The 20th EASM conference 2012.
Sport between business and civil society. Abstract book.

Publisher: University College of Northern Denmark (UCN) (in co-operation with the Danish Institute for Sports Studies)
for the European Association for Sport Management.

ISBN: 978-87-994449-0-8

Print and graphic design: PRinfo, Aalborg (print and cover design),
and the Danish Institute for Sports Studies (content)

Editing: Søren Bang and Morten Kätow, Danish Institute for Sports Studies

EASM 2012 – Scientific Committee

Chair

Dr. Hallgeir Gammelsæter,
EASM Board member
Molde University College,
Norway

Vice-chair:

Veerle De Bosscher,
EASM Board member
Vrije Universiteit Brussel,
Belgium

Conveners:

Dr. Svein Andersen,
Norwegian School of
Management
Norway

Dr. PG Fahlström,
Sport Science, Linnaeus University
Sweden

Dr. Kari Puronaho,
Sport Business School Finland,
Haaga-Helia University of Applied
Sciences
Finland

Dr. Jean-Loup Chappelet,
Institut de Hautes Études en
Administration Publique
Switzerland

Mr. Bjarne Ibsen,
University of Southern Denmark,
Centre for Sports, Health and Civil
Society
Denmark

Mr. Lau Tofft-Jørgensen,
Danish Institute for Sports Studies
Denmark

Professor Veerle De Bosscher,
Vrije Universiteit Brussel
Belgium

Dr. Jörg Königstorfer,
Smeal College of Business,
Pennsylvania State University
United States

Dr. Herbert Woratschek
University of Bayreuth
Germany

Reviewers

Dr. Andrew Adams,
Bournemouth University
United Kingdom

Mr. Søren Bang,
Danish Institute for Sports Studies
Denmark

Dr. Christoph Breuer,
German Sport University Cologne
Germany

Mr. Jens Alm,
Danish Institute for Sports Studies
Denmark

Dr. Angel Barajas,
Financial Economics and
Accountancy,
University of Vigo
Spain

Dr. Laurence Chalip,
University of Texas
United States

Mr. Christos Anagnostopoulos,
Sport & Event Management
Department,
University of Coventry
United Kingdom

Dr. Nikolai Böhlke,
Research & Innovation Team,
UK Sport
United Kingdom

Dr. Dikaia Chatziefstathiou,
Sport Science, Tourism and
Leisure,
Canterbury Christ Church
University
United Kingdom

Mr. Jens Sejer Andersen,
Play the Game/Danish Institute for
Sports Studies
Denmark

Dr. Anne Bourke,
Management University College,
Ireland

Mr. Kenneth Cortsen,
Sport Management,
University College of Northern
Denmark
Denmark

Professor Wladimir Andreff,
Economics University of Paris
France

Mr. Henrik Brandt,
Danish Institute for Sports Studies
Denmark

How much money would need Spanish professional football to avoid financial risk?

Authors: Angel Barajas & Luis Felipe Vázquez

Institution: Universidad de Vigo

E-mail: abarajas@uvigo.es

Keywords: financial crisis, professional football, administration, Z-score.

Objective

In the present paper, finances of Spanish professional football clubs are analyzed. Altman's models for predicting bankruptcy (Altman, 2000) are employed to classify their financial situation and to study the evolution experienced. Using Altman's model, a programming problem is proposed in order to find the equity required for each club to reach a balanced financial position.

Background

Financial distress in business has become an issue for EU. Any measure to prevent bankruptcy and act in early stages of financial crisis will be welcome. UEFA has developed the Financial Fair Play Regulations in order to assure the sustainability of football. Spanish Football industry is passing through serious financial problems. Boscá et al. (2008) in line with García & Rodríguez (2003) assert that 'the economic situation of Spanish football clubs presents an important fragility'. That statement is proved by Barajas & Rodríguez (2010). According with Szymanski (2010), in Spain only Real Madrid and Barcelona have a real financial muscle, the rest of the clubs struggle to compete, and most clubs have significant debt exposure.

Methodology

We have worked with a database that includes the main financial ratios for an average of 35 clubs of 1st and 2nd Division during the last 5 seasons (2007-2011). The most appropriate Altman's Z-score for football is the Z_1 because no Spanish club is listed (Z model) and football clubs are not manufacturing companies (Z). Z_1 of each team is estimated for every year in order to obtain a ranking of financial risk for clubs in Professional Football. For every team below the security zone ($Z < 2,9$), its needs of equity to reach an scenario without risk for the last season (2011) are estimated through a programming problem. The specifications of the problem are the following:

- Objective Function: $Z_1 = 6.56 (X_1) + 3.26 (X_2) + 6.72 (X_3) + 1.05 (X_4)$, where $Z_1^* = 2,9$.
- Under the restrictions:
 - Net Profit, Profit before Tax, Long term debt, Current Liabilities and Equity ≥ 0 .

Where:

X_1 = Working Capital / Total Assets; (Working Capital is function of Current Liabilities).

X_2 = (Net Profit – Dividends) / Total Assets, where Dividends in football has been null.

X_3 = Profit before Tax / Total Assets.

X_4 = Equity / (Long term debt + Current Liabilities).

The needs of equity result from the difference between the estimated equity and the current equity.

Results

Comparing the financial and sporting rankings, we have found a small negative correlation (-0.12). The biggest difference corresponds to UD Almeria. It finished in the last position at the end of the season being the 4th in the financial ranking.

Comparing the financial situation with previous season (2010), Z got better for 18 clubs and worse for 17. Only 8.6% of professional clubs in Spain have a z-score over 2.90. Among the clubs that went under administration during 2009 and 2010 only one could not improve its financial situation measured by the Z_1 .

The average need of equity for those clubs that need to recover the financial stability is almost of €16 million. It is worthy to remark that the model could not reach the security parameter for Z_1 in the case of FC Barcelona, Atlético de Madrid and UD Salamanca.

Conclusions

Financial situation of professional football in Spain –on average and in general terms– get worse season after season.

The financial ranking for clubs under administration seems to be right. Those clubs are placed in the lower part of the ranking in the 2 years before going under administration.

The need of capitalization for clubs in First Division is over €320 millions. From that figure onwards we could let start to talk about balancing the finances of Football. Nevertheless, just the issue of new shares only would cover the past losses. Further measures addressed to avoid the structural and permanent deficit appear as absolutely essential.

References

- Altman, E. (2000). Predicting Financial Distress Of Companies: Revisiting The Z-Score And Zeta® Models. Working Paper Stern University.
- Barajas, A. & Rodríguez, P. (2010). Spanish football clubs finances: crisis and player salaries. *International Journal of Sport Finance*, vol. 5, n.1, pp. 52-66.
- Boscá, J.E., Liern, V., Martínez, A. & Sala, R. (2008). The Spanish football crisis, *European Sport Management Quarterly*, vol. 8, n. 2, pp. 165-177.
- García, J. & Rodríguez, P. (2003). From Sports clubs to stock companies: the financial structure of football in Spain 1992-2001, *European Sport Management Quarterly*, vol. 3, n.4, pp. 235-269.
- Szymanski (2010). The Financial Crisis and English Football: The Dog That Will Not Bark. *International Journal of Sport Finance*, vol. 5, n.1, pp. 28- 40.

Index:

Adams	Andrew	97
Alay	Sema	75, 76, 88
Albernaz	Filipe Borges	268
Alexandris	K.	296
Alfs	Christian	48
Allen	C.J.	203
Alm	Jens	42
Altieri	Angelo	302
Altun	Merve	75, 76, 88
Amano	Kazuhiko	167
Amaral	Cacilda Mendes Dos Santos	288, 289
Anagnostopoulos	Christos	190, 239
Andersen	Svein S.	198, 200
Apostolopoulou	Artemisia	272
Aquilina	Dawn	187
Atashpanjeh	A.R.	309
Atghia	Nahid	165
Auge	Bernard	169
Bakir	Muslim	96
Bakker	Sven	164
Baltopoulou	A	110
Bang	Hyejin	291, 318
Barajas	Angel	182
Bason	Tom	239
Bastos	Flávia da Cunha	218, 222, 288, 289
Bavina	Polina	23
Bayón	Tomás	127
Beccarini	Corrado	302
Belogiannis	Christos	294
Berber	Serkan	314
Bodemar	Annika	14, 16
Bodet	Guillaume	70
Boehlke	Nikolai	204
Boen	Filip	53, 56
Böhme	Maria Tereza Silveira	218, 222, 288, 289
Book	Karin	141
Bosscher	Veerle De	93, 160, 228
Botelho	Jéssica	33
Bottenburg	Maarten van	160, 226, 228, 253
Boutroy	Éric	32, 86
Bove	Dante	266
Bravo	Gonzalo	25
Breitbarth	Tim	121, 188
Broberg	Poul	208