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Introduction to the Special Issue

Salvatore Esposito De Falco, Rosario Faraci**, Daniel Torchia****

No abstract is available for this article

This special issue on "*The football industry between governance, management, and sustainability*" aims to initiate a fruitful debate to explore and exploit new operational, organizational and strategic solutions as well as business and management models for sustainable and ethical football, more effective and efficient in finding competitive and innovative marketing strategies. In any case, it even if this theme seems to be a niche, it has aroused great interest among researchers, authors, and readers, as evidenced by the relevant number of submissions, one of the highest ever recorded by our journal. Indeed, the Special Issue includes 15 articles: 3 published in No. 2/2023; 6 published in No. 1/2024, and the last 6 published in this issue (see the following table).

* Full Professor of Business Management, Sapienza University of Rome. salvatore.espositodefalco@uniroma1.it
** Full Professor of Business Economics and Management, University of Catania. faraci@unict.it
*** Senior Assistant Professor of Business Administration, University of Milano-Bicocca. daniel.torchia@unimib.it

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List of Papers for the CGR&DS Special Issue		
Issue number	***Authors***	***Paper title***
CGR&DS 2/2023	Francesco Laviola, Fernando Camastra, Annabella Conturso, Roberto de Renzi	*A valuation of football companies between tangible and intangible values: a preliminary study*
	Filomeno Rocco Fimmanò	*Towards a global regulation of the football industry*
	Antonio Renzi, Pietro Taragoni	*The Football Industry. A Literature Review and Future Research Avenues in the Risk Management Perspective*
CGR&DS 1/2024	Rita Mura, Francesca Vicentini, Daniele Canini, Giambattista Rossi	*Are Italian Football Clubs embracing Sustainability?*
	Nicola Davola, Rita Mura, Francesca Vicentini	*Is gender a sustainability balance driver in football*
	Marco Francesco Mazzù, Federica Savarese, Pantaleo Cisotta, Elisabetta Scognamiglio, Irene Litardi	*The interplay between reputation, sustainability, and impact: an impact-driven framework for sport teams*
	Giorgia Profumo, Rongtitya Rith, Riccardo Spinelli, Ginevra Testa	*Corporate Social Responsibility Communication in the Football Industry: Evidence from Juventus Football Club*
	Carmen Gallucci, Riccardo Tipaldi	*Governance, Management, Sustainability, and Performance in the Football Industry: A Bibliometric Analysis*
	Stefania Zanda, Pasqualina Porretta, Fabrizio Santoboni, Francesca Cataldo	*Sustainability of Debt in the Football Industry: One, Nobody and One Hundred Thousand Owners*
CGR&DS 2/2024	Gianluca Antonucci, Gaetano Spera	*Resource Dependence in Football Clubs: An Analysis of the Interplay between Capital Gains from Athletes and Media Revenues in Italian Serie A League*
	Daniele Canini, Rita Mura, Francesca Vicentini	*When stadium ownership meets Corporate Social Responsibility: The case of U.C. Albinoleffe*
	Letizia Lo Presti, Giulio Maggiore, Vittoria Marino, Riccardo Resciniti	*What's Up, Mister! An Investigation of the Team-Fan Conversational Approach*
	Argyro Elisavet Manoli	*Financial Fair Play and Competitive (Im)balance in the Greek Super League*
	Leonardo Modina	*Private Equity in Football: How the arrival of funds has impacted the industry*
	Nigro Claudio, Curiello Simona, Iannuzzi Enrica, Lubrano Enrico, Sanguigni Vincenzo, Silvestri Raffaele, Spinnato Rosa	*How complexity affects and shapes the dynamics in the football industry*

This issue, in particular, deals with a various spectrum of topics: from marketing communication to the most innovative financial strategies, from corporate social responsibility to the core of decision-making processes of football clubs.

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The first paper considered, focusing on specific issues of corporate social responsibility, acts as a sort of *trait d'union* between the previous and the current issue. The paper by Daniele Canini, Rita Mura, and Francesca Vicentini, titled "*When stadium ownership meets Corporate Social Responsibility: the case of U.C. AlbinoLeffe*", highlights how, even for a small-and-medium sized football club, the ownership of a stadium represents an added value if it is managed with a clear purpose and a socially responsible perspective. Indeed, owning a sports facility can reflect and stimulate socially responsible policies and practices adopted by a football club. In this sense, the paper offers valuable insights on the importance of socially responsible stadium ownership in Italian sports, underling the delay of Italian sports compared to European standards in terms of infrastructure. The authors effectively outline the historical context and evolution of club stadium ownership, providing readers with a clear understanding of the factors influencing the integration of CSR practices within sports organization. This contextualization significantly enhances the relevance and applicability of the results to the broader field of sports management and CSR.

The subsequent papers focus more on the financial aspects that a modern football club must address.

In the work by Gianluca Antonucci and Gaetano Spera, for example, titled "*Resource Dependence in Football Clubs: An Analysis of the Interplay between Capital Gains from Athletes and Media Revenues in Italian Serie A League*", the financial strategies of Italian Serie A football clubs are examined, focusing on the relationship between streams of revenues obtained through the trade of players' transfer rights and those derived from broadcasting and media rights in general. The research identifies flexibility and responsiveness in strategic choices, with a fair ability to adapt to the y volatile nature of sports revenues through by diversifying of revenue sources and reducing over-reliance on unpredictable sources such as media rights. Ultimately, there is an increasing focus on long-term financial sustainability aimed at enhancing the future market position and brand value of football clubs.

The paper of Argyro Elisavet Manoli is more focused on financial fair play, indeed titled: "*Financial Fair Play and Competitive (Im)balance in the Greek Super League*". Specifically, the contribution conducts an extensive examination of the financial fair play (FFP) rules introduced in 2011 and their impact on competitive balance sheets in European football, with a focus on the Greek Super League. Thus, it represents a case study that nevertheless provides a necessary incursion into understanding the effects of FFP regulations on competitive balance in medium and small-sized European football leagues.

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The subsequent paper by Leonardo Modina, "*Private Equity in Football: How the arrival of funds has impacted the industry*", investigates the role of private equity funds in investment decisions of football clubs and how it is producing significant and discontinuous changes in the management of professional sport. This makes private equity channels more effective in stimulating investments in professional sports, i.e., maximizing the benefits of the entry of private equity investors and mitigating potential risks. Specifically, it reveals the existence of two types of private equity funds in professional sports clubs: multi-sector funds, aimed at diversifying their portfolios by investing in the sports world; funds created with the specific purpose of making acquisitions of sports clubs. The focus of the work then shifts to defining the criteria that a private equity fund should follow to carry out a sports buy-out in line with the expectations of its investors and stakeholders, eventually noting how the benefits of private equity in sport often outweigh the potential disadvantages, as the cohesion between the selection criteria of the target company, the investment objectives of the fund, and the specific characteristics of the football clubs increases.

There follows a more management-oriented research that addresses the managerial complexity of the soccer industry in relation to the financial strategies to be undertaken. This is the contribution of Claudio Nigro, Simona Curiello, Enrica Iannuzzi, Enrico Lubrano, Vincenzo Sanguigni, Raffaele Silvestri, and Rosa Spinnato ("*How complexity affects and shapes the dynamics in the football industry*"), in which the complexity of strategies and decision-making processes of football clubs, especially those with significant financial interests in European competitions (e.g., UEFA Champions League), often show an asymmetric risk perception, driven by the fear of not getting sport qualification for such prestigious tournaments, with consequent minor earnings and the associated financial loss. In other words, clubs, facing immense financial pressures to remain competitive and financially sustainable, perceive not participating in UEFA tournaments as a significant and substantial financial loss. All this can lead them to underestimate financial risks, resorting to any remedy, even illicit, just to ensure participation in financially more lucrative tournaments.

The last paper investigates football clubs from a marketing research perspective more closely. Letizia Lo Presti, Giulio Maggiore, Vittoria Marino, and Riccardo Resciniti ("*What's Up, Mister! An Investigation of the Team-Fan Conversational Approach*") analyze how a football club can use relational marketing through fan engagement and retention actions using digital services such as WhatsApp (MIM). This allows fans to communicate directly with the players, increasing fan engagement and improving their emotional involvement. As a result of this, fans not only are more satisfied and cohesive

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with the sports brand but even automatically become ambassadors of that sports brand. The interaction between fans, creating mutual social bonds, can increase support for the sports team with concrete actions (purchase of merchandise, season tickets, brand support, brand ambassador, etc.), with positive effects in terms of spontaneous, interactive, and co-creative behaviors with the sports team and/or other fans, ultimately favoring the sense of belonging to the football brand.

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Resource dependence in football clubs: An analysis of the interplay between capital gains from athletes and media revenues in Italian Serie A League

Gianluca Antonucci[*], *Gaetano Spera*[**]

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Abstract

This study delves into the financial strategies of Italian Serie A football clubs, focusing on the relationship between revenues obtained through the sale of players' tags and those from broadcasting and media rights. Using Resource Dependence Theory (RDT) as lens, this research aims to understand how clubs strategically manage these two critical revenue streams amidst external pressures and dependencies. The analysis of balance sheet data, from nine clubs over eight seasons, reveals a significant negative correlation between the two variables for "long-lasting" clubs, suggesting a potential shift in response strategies to external market conditions, while it finds different results from incoming and/or growing ones. Findings offer insights for stakeholders in the football industry, emphasizing the need for agile management and governance structures.

Keywords: Resource Dependence Theory, Football Clubs, Serie A, Capital Gains, Media Revenues, Financial Strategy.

[*] RTI, DEA – Department of Management and Business Administration. Università degli Studi "G. d'Annunzio" di Chieti-Pescara. gianluca.antonucci@unich.it

[**] PhD Student, DEA – Department of Management and Business Administration. Università degli Studi "G. d'Annunzio" di Chieti-Pescara. gaetano.spera@unich.it

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Riassunto

Lo studio esamina le strategie finanziarie delle società calcistiche italiane di Serie A, concentrandosi sul rapporto tra i ricavi ottenuti attraverso la vendita dei c.d. cartellini dei calciatori e quelli derivanti dai diritti radiotelevisivi e dei media in generale. Utilizzando la Resource Dependence Theory (RDT) come framework di riferimento, la ricerca analizza la gestione strategica, di questi due flussi di entrate, da parte dei club rispetto a pressioni e dipendenza da fonti esterne. L'analisi dei dati di bilancio, di nove squadre in otto stagioni, rivela una significativa correlazione negativa, tra le due variabili, per i club "di lunga permanenza", suggerendo un potenziale cambiamento nelle strategie quale risposta alle condizioni del mercato esterno, mentre trova risposte diverse nel caso delle squadre neoentranti e/o in crescita. I risultati offrono spunti interessanti per i diversi stakeholder del settore calcistico, evidenziando la necessità di strutture agili sia di management che di governance.

Parole chiave: Resource Dependence Theory, squadre di calcio, Serie A, plusvalenze, ricavi dai media, strategia finanziaria.

1. Introduction

As a global sport, football[1] has been evolving into a multi-billion-dollar industry (Deloitte, 2023), with clubs operating in elite leagues like Serie A (the first division of Italian professional football) dealing with multifaceted challenges. These clubs, in addition to seeking success on the field, must also navigate a complex financial landscape. Indeed, the peculiar nature of managing a professional sports club, especially a European football one, demands paying simultaneous attention to two interdependent aspects: sporting and financial goals (Ratten, 2021). The former, that is, results on the field, if achieved, can favor the inflow of capital (e.g. from broadcasting and media rights, sponsorships, ticketing) that improves the club's economic-financial condition; the latter, in terms of recorded profits, allows the club to be able to invest (e.g. in better athletes and technical staff, more advanced sports equipment and infrastructure), thus directly influencing the possibility of achieving better sporting results.

Thereby, the present research focuses on the interplay between two really important revenue streams for Serie A clubs: revenues from the sale of players' contracts before their deadlines (commonly known as surpluses from the "selling of tags") and revenues from the sale of broadcasting and media rights. Using Resource Dependency Theory (RDT) (Pfeffer and Salancik,

[1] Intending, with the term football, the sport governed by FIFA, and called soccer in North America.

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1978; 2003) and relying on a quantitative approach to analyze the relationship between the two aforementioned variables, of nine clubs that played in the Italian Serie A during eight consecutive seasons (from 2013-2014 to 2020-2021), we aim to explore the existence and the nature of the relationship between the two selected revenue streams, trying to shed light on the strategic financial decisions made by clubs in response to external pressures and dependencies, by answering the following research question:

RQ: *Whether and how principles of the Resource Dependency Theory explain the ways in which Italian Serie A football clubs manage the relationship between the two critical resources coming from the sale of players' tags and the sale of media rights.*

Essentially, then, the present paper aims to contribute to the literature by using an exploratory inquiry, which was considered particularly suitable for venturing into relatively uncharted territory, useful for applying the RDT in a new context – namely, the professional sports industry and, more specifically, the management of football clubs – where its application has been rather limited so far (Unsal, 2023). Moreover, the paper's contribution also lies in providing an analysis that investigates the interplay between the key revenue sources of first-tier Italian football clubs – so far investigated only in isolation – and highlighting their strategic importance for the economic sustainability of the teams (Morrow, 2004). Ultimately – by filling these gaps and offering insights into how football clubs, as organizations, adapt their strategy upon the available resources and the external context – we broaden the stream of research focused on the management and governance of top-level sport clubs, with an exploratory work that paves the way for further investigations into their complex and unique functioning.

2. Background

2.1. Resource Dependence Theory

Resource Dependence Theory (RDT) has been a cornerstone in organizational studies since its inception by Pfeffer and Salancik (1978). The theory, in order to explain organizational processes and structures (Nienhüser, 2008), posits that scarce resources or uncertainty, push organizations to try to acquire them precisely with the purpose of reducing uncertainty (Yeager *et al.*, 2014). Organizations, in fact, often depend on resources and assets that they are unable to self-generate, such as raw materials, funding, human capital,

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and information (Hall and Tolbert, 2008). For this very reason, they must engage in exchanges with other organizations in their environment or sector (Ortlieb and Sieben, 2008), understanding that the degree of dependence on a particular resource influences the amount of power the external entity wields (Davis and Cobb, 2010). In response to this condition, organizations must seek to modify their dependency relationships by employing various strategies – such as forming alliances or diversifying resource inputs – in an attempt to gain more control and autonomy, thereby reducing incertitude over the supply of critical resources (Barney, 1991). Thus, the theory emphasizes power dynamics, both among organizations – suggesting they aim to minimize dependencies and maximize autonomy (Casciaro and Piskorski, 2005; Malatesta and Smith, 2014) – and between the organizations themselves and the environment in which they operate and interact, because the environment influences and affects their margins of action (Hillman *et al.*, 2009). In fact, only by being able to manage, according to their specific needs, the two balances mentioned above, organizations of the most diverse kinds can succeed in the intent of autonomously control their own operations but also achieve and maintain a certain desirable standard of efficiency (Ulrich and Barney, 1984).

Considering the statement by Ozturk (2021) about the necessity to analyze the issues of the sub-topics included in the empirical studies on RDT, we reflected on the fact that sports, and professional football clubs in particular, can potentially provide a fresh perspective.

Indeed, football clubs, are multifaceted organizations which grapple with diverse revenue streams, each presenting its own set of challenges and opportunities (Scelles *et al.*, 2013). By applying RDT, we can gain a deeper understanding upon whether and how clubs strategically manage these resources, especially when external market conditions fluctuate (Slack and Hinings, 1994). The importance of comprehending the resource dependencies of sports organizations, investigating their need for strategic management to ensure economic sustainability and success, lies precisely in the peculiar characteristics that distinguish them (Winand *et al.*, 2010). Within professional football, stakes are high, and the environment is dynamic, even more than in any other sport. Therefore, investigating into these dependences becomes even more crucial (Dobson and Goddard, 2010).

For this very reason, it is rather peculiar that studies which attempt to apply RDT to the complex ecosystem of professional sports remain scarce (Lucidarme *et al.*, 2018; Wicker *et al.*, 2013) and those that use its logic, to capture cues to point out aspects regarding management and governance of sports clubs, are even fewer (Sowe, 2019).

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2.2 Revenue Sources of Italian Serie A Football Clubs

The financial landscape of professional football – especially that of the absolute elite of the top leagues of England, France, Germany, Italy, and Spain, the so-called "Big Five" – has been undergoing significant transformations over the past few decades. With skyrocketing player transfer fees, lucrative broadcasting deals, and global fan engagement, football clubs operate in a high-stakes environment (Deloitte, 2023). To date, the budget of a 'Big Five' football team is mainly based on two sources of revenue: those coming from the sale of TV and media rights and those coming from the sale (surpluses) of players' contracts before expiry[2]. In the Italian context, this aspect becomes even more relevant, given the scarcity of clubs that own their stadium, thus leading clubs to depend on the two main resources.

Moreover, within the Italian football system, regulated upstream by the national federation (FIGC), the allocation of TV and media rights has been undergone several changes over the last 30 years.

Until 1993, the "Lega Calcio" – a private association, in charge of organizing sports competitions, to which belonged the clubs participating in the first two divisions of Italian professional football affiliated to the FIGC – centrally marketed the TV rights of the two leagues and the other national competitions, equally dividing their respective revenues (Gravina, 2011).

In 1993, the Lega Calcio introduced the distinction between encrypted and free-to-air rights. The Italian system was inspired by the Anglo-Saxon legal institution of encrypted TV rights and thus, since 1993, encrypted rights and free-to-air ones have been introduced. However, subjective rights had introduced as early as 1999. In essence, it was no longer the Lega Calcio to negotiate, but rather the clubs that, independently, managed the marketing of television rights of home matches, being the owners of their TV rights. Therefore, there were no longer centralized negotiations, together with the introduction of public bid auction to market the TV rights to private entities, with the goal of allowing Italian teams to earn more.

However, the new system, which was highly fragmented, resulted in excessive uncertainty about the teams' revenues. As a result, in 2008, Legislative Decree Number 9 (known as Melandri Law) was introduced (Gravina, 2011). The new regulation, still valid today, extended the ownership of TV rights to the organizers of sporting competitions and events (meanwhile fragmented with the creation of an association for each league), as well as to the relevant participants, namely the clubs.

[2] In the case of some top teams, especially in England and Spain, another important revenue comes from the owned stadium.

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In essence, clubs and leagues have now a co-ownership of TV rights, to be marketed in packages, set on a three-year period, that must consider the impossibility of selling live broadcasts exclusively to a single entity. Moreover, the Decree changed the definition of the asset from TV rights to audiovisual rights, thus marking the introduction of a new vision that extends the ownership of the asset to the images of the matches or the partial reproduction of them through all the media (Redazione Milano Finanza, 2023).

If the rights are sold in co-ownership, the distribution of their revenues is divided according to the following agreed rules (Pino, 2022):

1. 50% is equally divided among the 20 clubs participating in Serie A;
2. 30% is distributed on the base of sports results according to the following logic:
   a. 12% based on the position in the standings at the end of the previous championship;
   b. 3% from the total points obtained in the previous championship;
   c. 10% based on the results of the previous 5 championships;
   d. 5% based on the ranking that considers the overall domestic and international results recorded over time by each club.
3. 20% is allocated according to the catchment area, thus the fans of each club. This percentage is divided into:
   a. an 8% that considers television audience;
   b. a 12% that considers paying spectators at the home stadium over the previous three sports seasons.

Furthermore, this mechanism always relies, upstream, on the variability of the total figures on the basis of which the bid is awarded, which depend on numerous factors, starting with the general attractiveness of the sporting spectacle offered by the competition that prompts broadcasters to be willing to invest fluctuating figures. Moreover, an extra and very relevant element must be added to the described scenario. In fact, contributing to the pro-cyclicality of the system is the fact that the FIGC is a member of UEFA (Union of European Football Associations), that is an association that gathers within itself 55 national football associations around the European continent and represents the governing body of European football (UEFA, 2023). This implies that, on the basis of the position reached in the final standings of the national league for a given sporting season, Italian clubs have also the opportunity to participate in one of the three club competitions organized by UEFA and, consequently, to participate in the distribution of revenues from the sale of audio-visual rights regarding the matches of UEFA competitions. The sale of these rights, which, for obvious reasons of attractiveness, generates enormously higher revenues than those obtained by individual national leagues – we are talking about more than 2.5 billion euros for the recent sale

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of three-year rights of the most important of UEFA competitions, the Champions League, alone (Dantas *et al.*, 2013) – is centralized and managed independently by UEFA itself, which then divides the amount among the participating teams. The point is that, even in this case, the division of revenues takes place on the basis of a series of factors essentially coinciding with those already discussed with reference to the Italian Serie A: the historical ranking of the teams, the size of the catchment area, the sporting results obtained in the competition – distributing a greater share to those who pass the first phase of the tournament and, therefore, play more matches – all completed, upstream, by a participation prize awarded to those who qualify for the competitions based, as already mentioned, on the position achieved in the standings of their national league in the previous season (the number of places available for each national league is variable and depends on the so-called "UEFA Ranking") (Redazione Calcio e Finanza, 2023).

It seems therefore clear that this kind of system – beyond the fact that it tends to accentuate pre-existing differences among clubs by favoring those that have a longer history at high levels and a greater fan base – exposes clubs to elements of randomness related to sporting results. For instance, a bad season can cause a sharp decrease in revenues. In short, the sale of TV and media rights represents a very important component that, however, is only partially under the control of each club. It is precisely in this context that Italian Serie A clubs, on the other hand, could influence, in a much more autonomous and direct way, the revenues generated by the sale of their athletes' tags. In fact, this source of revenue – which appears under the heading "other revenues" in the income statement, and it is often accounted for in a separate section – is based on the fact that players are considered employees, and their contracts are a part of clubs' personnel expenses (Mancin, 2009). In essence, players are legally employed under the conditions set by Law 91 of 1981, which categorizes them as subordinate workers within a regulated professional sports framework. The rules and recommendations set by the Italian Accounting Board (OIC) classify a player's registration as an intangible asset, subject to amortization over the contract period, with the player's transfer price determining capital gains or losses. A transfer becomes a capital gain if the sale price exceeds the player's book value, or a capital loss if it falls below (Bianchi and Corrado, 2004). A player's book value at any given time is the original or acquisition cost of his contract minus any amortization that has already been accounted for. The valuation of players thus influences their market price and the resulting capital gains. The OIC provides specific recommendations, incorporating both transfer fees and associated costs, which are instrumental in setting the market value and realizing financial returns on player transfers. Thus, beyond borderline practices

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involving the management, sale, and exchange of players' tags (Matesanz *et al.*, 2018), and consequently the interaction or connivance of two or more clubs (Neri *et al.*, 2021), which are not an object of focus in the present work, this source of revenue represents as important a resource for clubs as that coming from the sale of TV and media rights but, unlike the latter, much more controllable and manageable by the clubs themselves.

3. Methodology

To address our research question, we used a quantitative approach analyzing the budget data of nine Serie A clubs for eight consecutive sports seasons from 2013-2014 to 2020-2021[3]. The variables of interest were the percentage incidence of revenue from the sale of a player's tags (or surplus) on total revenue and the percentage incidence of revenue from broadcasting and media rights on total revenue (Andreff, 2018).

The first stage of our analysis focused on calculating the correlation coefficient between the variables for each team. Given the results obtained, we then examined in detail the relationship between the two variables, using a linear regression for each team and looking at the coefficients, the intercept, and the R-squared value, to test the fit of the model to the data, and the P-value to understand the significance of the coefficient.

The used data are the results of elaborations carried out by consulting the balance sheets of the clubs, included in the study, and given by them publicly available via web. In this regard, it should be clarified that the choice of the 9 clubs considered was justified by the need to include in the analysis, teams that had played in the Serie A championship for the entire period under investigation (all 8 sporting examined seasons)[4]. This time period, in turn, was deemed long enough to allow us to work with statistically significant data, and also useful to take into analysis what happened before and after the severe shock caused, even in the football industry, by the Covid-19 pandemic.

As for the tools used, the analyses were performed with the support of Stata, a statistical software widely used for data analysis both in academia and by companies, and the graphical outputs – with particular reference to Figure 1 – were generated with the help of Adobe Illustrator, a well-known image processing and vector graphics software.

[3] Actually, the latest available ones, considering that results of 2021-2022, set within 2022 balance sheets, are not fully publicly available yet.

[4] Another aspect was obviously related to availability of data. We indeed could not find all the data for Fiorentina, Bologna, and Udinese, so we could not consider them.

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4. Results

The calculation of the correlation coefficient between the percentage incidence of capital gains from the sale of players' tags on total revenues and the percentage incidence of revenues from broadcasting and media rights on total revenues, for each team, is shown in Table 1. For only two clubs – Atalanta Bergamasca Calcio and U.S. Sassuolo Calcio – the response is almost nonexistent and for A.C. Milan it is not so significant.

Otherwise, results clearly show that the teams have a negative correlation between the two variables, suggesting that, in general, when the incidence of capital gains from the sale of players' cards increases, the incidence of revenue from broadcasting rights tends to decrease, and vice versa.

Table 1 – Correlation coefficient between the percentage incidence of capital gains from the sale of players' tags on total revenues and the percentage incidence of revenues from broadcasting and media rights on total revenues for the 9 teams considered

Football Club	*r*
A.C. Milan	-0.1373
A.S. Roma	-0.8457
Atalanta Bergamasca Calcio	0.0089
F.C. Internazionale Milano	-0.6732
Juventus F.C.	-0.8916
S.S. Lazio	-0.9034
S.S.C. Napoli	-0.9151
Torino F.C.	-0.9793
U.S. Sassuolo Calcio	-0.0084

In light of this, as mentioned above, we decided to proceed with a linear regression analysis for each club. Clearly, for the three aforementioned teams, the P-value was not statistically significant, thus indicating that we cannot prove, for them, a relationship between the two variables.

However, for all the other examined clubs, the statistically significant P-value (less than 0.05) confirms the strong and significant negative correlation between the two variables. In teams such as Juventus F.C, A.S. Roma, S.S. Lazio, S.S.C. Napoli, Torino F.C., and to a lesser extent, F.C. Internazionale Milano, there is a significant negative correlation between capital gains and revenues from broadcasting rights. Those clubs, facing external pressures, might prioritize immediate capital gains over potential future media revenues (Stenheim *et al.*, 2020).

Figure 1 below reports in a single Cartesian axis – in which the x-axis is represented by percentage incidence of capital gains from sale of player tags on total revenue and the y-axis by percentage incidence of revenue from

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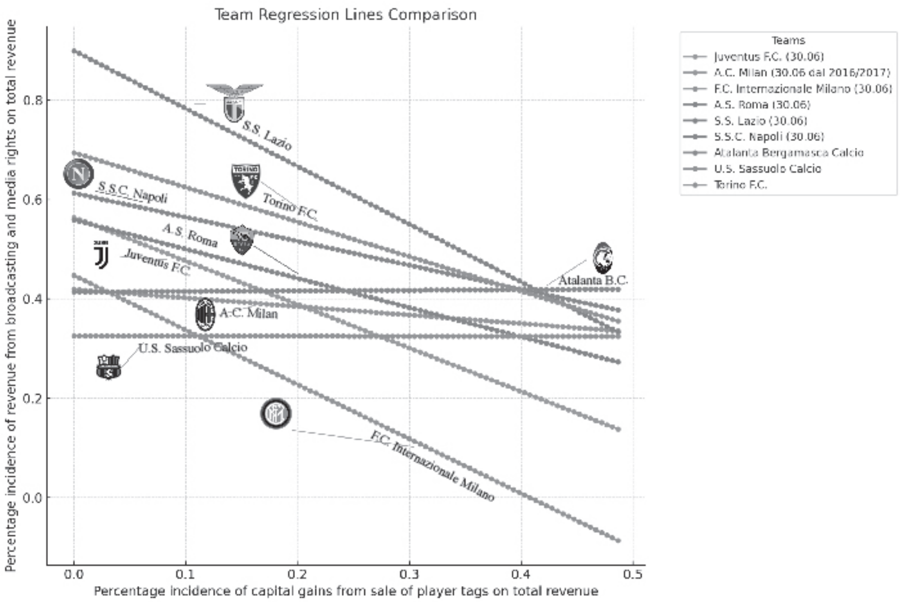
broadcasting and media rights on total revenue – all the regression lines calculated with the purpose of providing an overview that clarifies in detail what has been explained. To consult the graphical output with ease, keep in mind that: each team's regression line is plotted with a unique color, markers have been added to the lines to improve visibility, individual team logos have been added to further facilitate the reference of the figure. The results of the regression analyses performed, and shown in their entirety in Figure 1, confirm and model the relationship between the two considered variables more precisely, showing how they change in relation to each another.

Figure 1 – Graphical representation, in a single Cartesian axis, of the regression lines related to each of the 9 teams considered



Basically, then, the results shown highlight a clear trend in the performance of revenues from TV and media rights and those from the sale of players' registration cards, in relation one to the other, for almost all of the clubs included in the study. However, in order to get into the strategic and operational management of the various teams, their revenue sources, and the circumstances that influenced the recorded relationship thus going beyond the "simply" completed statistical analyses it is necessary to take an additional step able to link the results with RDT principles thus addressing our research question. We therefore proceed to complete such a step – which requires a

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deeper dive into the context regarding the managerial choices of each club – by resorting to qualitative and historical data, as described in the following section.

5. Discussion

Diving deeper into the case of each club aiming at, as mentioned above, to place the results of the statistical analysis within the actual context in which they were recorded we start with those for which was recorded a strong negative relationship between the two variables.

The case of A.S. Roma, one of the two main football clubs in the Italian capital, shows how the sale of key players' tags that yielded significant capital gains, such as that of Egyptian Mohamed Salah in 2017, took place during periods when, despite its constant and historical presence in Serie A, the club needed to compensate for lower revenues from TV and media rights, reducing dependence on external factors and balancing its key revenues on a level playing field by ensuring a more sustainable, but still suboptimal, financial stability, regardless of sports results.

The case of Rome's other main club, S.S. Lazio, also highlights an approach branded by strategic player sales during periods of lower media revenue, which aligns with the tenets of RDT and highlights the attempt to balance the uncertainties of sports performance with financial stability through careful resource management.

The cases of Juventus F.C. and S.S.C. Napoli are somewhat intertwined. In fact, Juventus' dominance in the Italian first division league, which lasted for practically the entire observation period (look at the graph in the appendix), and the excellent results it achieved also in the UEFA Champions League for several of the sports seasons considered (arriving twice at the finals), allowed the Turin club to have large amounts of capital from TV and media rights, invested in the market with the acquisitions of very expensive players' tags, such as that of the Argentine Gonzalo Higuain in 2016. During the same period, in order to balance the mismatching brought about by the large expenditures in the transfer market, Juventus also sold off the equally onerous tags of important players, yielding strong capital gains. In short, Juventus has also tried to manage its dependence on external resources by ensuring a steady stream of revenues from players' tags sales when necessary. S.S.C. Napoli, on the other hand, has managed vintages with lower revenues from TV and media rights, caused by fluctuating sporting results especially in European competitions, with the concomitant sale of expensive players'

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tags of top players. For instance, before being transferred to Juventus, Higuain's tag was owned by Napoli itself.

As for F.C. Internazionale and Torino F.C., it should be pointed out that the former took advantage of its successes on the field, in the latter part of the observation period, to leverage media rights more effectively by reducing the reliance on players' tags sales on which, instead, it had leaned in periods of less satisfactory sporting results, such as with the sale of Mauro Icardi's tag in 2020. The latter, on the other hand, given the ranking position often away from the top of the league, seems to suggest a strong adherence to RDT principles. Indeed, by focusing on players' tags sales, it has sought to manage, over time, its dependency on the more unpredictable media rights revenue.

Essentially, the negative correlation, for all these clubs, between capital gains from the selling of athletes' contracts and media revenues suggests a potential strategic shift, driven by various specific reasons from case to case, aligned with RDT's principles. Clubs facing external pressures might prioritize immediate capital gains over potential future media revenues (Hill and Vincent, 2006). For that matter, the ever-evolving football industry presents clubs with myriad external pressures. From fluctuating broadcasting deals to changing fan engagement metrics, clubs navigate a dynamic landscape (Chadwick and Hamil, 2009).

The findings underscore the need for agile management and governance structures within football clubs. With the industry's volatile landscape, club executives must take strategic decisions, ensuring financial stability while positioning the club for future success (Garcia del Barrio and Pujol, 2016).

In addition, the results, added to the contextual analysis provided for each club, then, as mentioned, read through the lens of RDT, highlight power dynamics between the organizations and their environment, to minimize dependencies and maximize autonomy (Casciaro and Piskorski, 2005; Malatesta and Smith, 2014). Indeed, teams engage in exchanges with other organizations in their sector (Ortlieb and Sieben, 2008), understanding that the degree of dependence on a particular resource influences the amount of power the external entity wields (Davis and Cobb, 2010). They diversify resource inputs to gain more control and autonomy thereby reducing uncertainty (Barney, 1991). Moreover, reading the results of the statistical analysis, supported by an investigation of clubs' history, for A.C. Milan and especially for Atalanta and Sassuolo – that is, the three clubs for which different results were recorded than for the rest of the sample – reinforces and corroborates our interpretation through RDT.

In fact, differently from all the other teams, Sassuolo FC entered the second division, for the first time, in 2008 and the first division in 2013.

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Independently from its sports results, this means that, in the analyzed period, Sassuolo started to acquire revenues from media rights only for few years, so without having a precise control over them. This aspect is even more relevant if we consider that this team is from a village of only 40 thousand inhabitants which already made a miracle in achieving Serie A. Therefore, especially in the first years, no one trusted it could stably remain in the first division for more than a decade. As a consequence, few teams could be interested in having stable relations with it according to power dynamics for what regards players' tags exchange. But most of all, it could not foresee any strategy in using resources from media rights, considering it has the lowest values for what regards points 2a, 2b, 2c and 3a, 3b of media rights division as showed in section 2, and obviously no rights from European competitions. In synthesis, Sassuolo, for at least three quarters of the considered period, had no tradition and consequently no trust in power dynamics with the other teams as well as a lower outreach on revenues from media rights. As a consequence, it could not act as the other Serie A clubs.

Atalanta Bergamasca Calcio, in the analyzed period, "grew up" a lot in terms of performances, passing from being a team which maintained itself "creating" new players to be "sold" to high level teams to being a top-level one (Corsi and Serpellini, 2017). Indeed, as shown in the appendix, its results passed from being ranked in the mid, low-level at the end of each season, to be stably among the first five. To achieve this change in its status it needed a change in strategies, both for what regards exchange of athletes' contracts and for what regards revenues from media rights. For what regards the former, Atalanta could not transfer any more all growing athletes, but had to maintain some of them to create a stronger team. In the case of the latter, there has been a great growth in amounts, because, being in the first positions, allowed it to participate also to UEFA championships in the last years of the considered period, consequently with a further increase of revenues coming from the media rights s. As a consequence, the relationship between the two variables, in the analyzed period, cannot be the same as for the other teams, thus explaining no significance of Atalanta's analysis.

Instead, a low significance in the case of A.C. Milan can be explained, once again, by a change in its performance and therefore possible strategy. Indeed (see the appendix) Milan, after winning its 18th title in 2011, had a period of crisis in results, and an exclusion from the UEFA competitions due to financial problems, to then come back among the first five at the end of the considered period (then winning again in 2022). So, this volatility and changing of role can explain why its results are not so evident in our analysis as they are for the other considered teams.

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In light of what has been explained, there appears to be a strong difference between "long lasting" – i.e., all those clubs for which a strong negative relationship was found between the two variables analyzed, with the exception of the special case of Milan – and "incoming" or "growing" clubs, i.e., Sassuolo and Atalanta. Finally, to address our research question more plainly and directly – keeping in mind the contextual differences and specific situations of each club – it can be said that RDT principles explain the ways in which Italian Serie A football clubs manage the relationship between the two critical resources coming from the sale of players' tags and from media rights through:

1. Resource Diversification: The clubs diversify their resources to reduce dependence on any single source of revenue;
2. Control Over Resources: By focusing on revenue streams over which they have more control, the clubs attempt to reduce external influence and uncertainty;
3. Strategic Adaptation: The shift in focus to more controllable revenue streams is a strategic response to the underperformance of another, less controllable revenue source;
4. Power Dynamics: The clubs are trying to mitigate the power that external entities (such as broadcasters) might have over them by leveraging what they can control.

6. Conclusion

Football's global fanbase and multi-billion-dollar deals present clubs with both opportunities and challenges. As the industry continues to evolve, this research, grounded in RDT, offers a fresh perspective on how elite football clubs navigate their strategies. The significant negative correlation between capital gains from players' tag selling and media revenues for several clubs, together with the analysis of the causes, especially to explain not significant ones, offer insights into the strategic decisions clubs make in response to external and contextual influences (Cox and Philippou, 2022; Wilson *et al.*, 2013). Indeed, our findings underscore the relevance of RDT in understanding the managerial behaviors of football clubs. The theory, traditionally applied in corporate settings, provides valuable lens for analyzing sports organizations, particularly in the context of resource management and dependency. Furthermore, the study contributes to the broader discourse on strategic resource management in sports, highlighting how clubs handle the balance between short-term financial gains and long-term stability.

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In this respect, club managers and stakeholders can also leverage the reported insights to formulate more responsive strategies, adapting to the volatile nature of sports revenues. These include diversifying revenue streams and reducing over-reliance on unpredictable sources like media rights, keeping in mind the need to focus on long-term sustainability. Strategies that prioritize immediate financial gains should be balanced against the potential impact on the club's future market position and brand value.

Moreover, our study extends beyond the realm of football, offering a template for other sports organizations to examine their resource dependency and strategize accordingly. The principles of RDT, as applied here, are versatile and can inform strategic decisions in various sports contexts.

Therefore, although having the great limit of being based upon few clubs of a single football league and the additional limitation caused by the fact that it is built on limited direct supporting literature, this research provides a deeper understanding of the approaches and power dynamics at play.

Concomitantly, while offering novel hints, the present work also opens the door for more detailed future research, both empirical and theoretical. Apart from enlarging the number of cases, an important further stream regards the possibility to develop in-depth the analysis of individual clubs' management, understanding the external factors influencing their strategies and offering more granular insights into their decision-making processes. In addition, novel developments could also explore similar dynamics in other elite football leagues, or even in other top professional sports leagues around the world, providing a comparative analysis that may reveal unique strategic patterns or common challenges.

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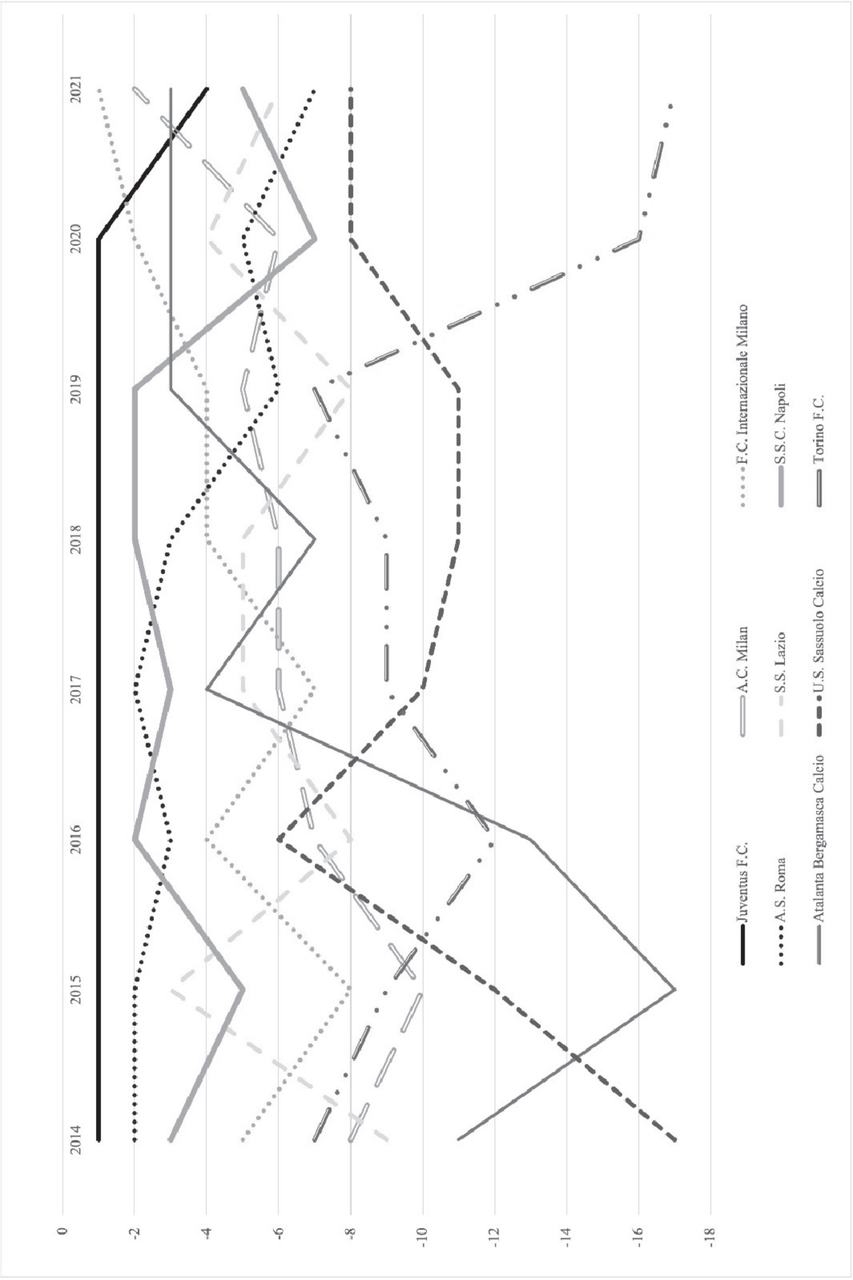
Appendix

Figure 2 – Teams' final ranking in the considered period



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When stadium ownership meets Corporate Social Responsibility: The case of U.C. AlbinoLeffe

Daniele Canini[*], *Rita Mura*[**], *Francesca Vicentini*[***]

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Abstract

This article aims to understand the importance of having a stadium owned by a football club as an added value if it is designed and managed from a socially responsible perspective in a context, that of Italian sport, which is still far from European standards in terms of infrastructure. The approach adopted focuses on the AlbinoLeffe Campus, serving as an example of how the ownership of a sports facility can shape and reflect socially responsible policies and practices adopted by a football club. The study examines the distinctive characteristics of the stadium considering the logistical, infrastructural, and environmental aspects underpinning its construction to act as a strategic lever to implement Corporate Social Responsibility (CSR) initiatives, a prerogative of club ownership. Some important managerial implications emerge from the analysis: 1) the need for a sustainable management approach for the stadium considering logistical, infrastructural, and environmental aspects; 2) the implementation of CSR strategies aligned with the company and the stadium's characteristics.

Keywords: Corporate Social Responsibility (CSR), Sport Management, Football Management, Stadium Management, Corporate Governance.

[*] PhD Student. University of Rome "Foro Italico", Department of Movement, Human and Health Sciences. Piazza Lauro de Bosis 15 – 00135 Rome, Italy. d.canini@studenti.uniroma4.it

[**] Assistant Professor. University of L'Aquila, Department of Industrial and Information Engineering & Economics. Via G. Gronchi 18 – 67100 L'Aquila, Italy. rita.mura@univaq.it

[***] Associated Professor. University of Rome "Foro Italico", Department of Movement, Human and Health Sciences. Piazza Lauro de Bosis 15 – 00135 Rome, Italy. francesca.vicentini@uniroma4.it

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Sommario

Il presente articolo si propone di comprendere l'importanza di avere uno stadio di proprietà per una società calcistica come valore aggiunto se progettato e gestito in un'ottica socialmente responsabile in uno contesto, quello sportivo italiano, ancora lontano dagli standard europei in termini di infrastrutture. L'approccio adottato pone al centro dell'attenzione l'AlbinoLeffe Campus, fungendo da esempio per capire come la proprietà di un impianto sportivo possa modellare e riflettere politiche e le pratiche di responsabilità sociale adottate da un club di calcio. Lo studio esamina le caratteristiche distintive dello stadio considerando gli aspetti logistici, infrastrutturali e ambientali alla base della sua costruzione tali da fungere da leva strategica per implementare le iniziative di Corporate Social Responsibility (CSR), prerogativa della proprietà del club. Dall'analisi emergono alcune importanti implicazioni manageriali: 1) la necessità di un approccio gestionale sostenibile per lo stadio considerando gli aspetti logistici, infrastrutturali e ambientali; 2) l'implementazione di strategie di CSR allineate con la società e con le caratteristiche dello stadio.

Parole chiave: Corporate Social Responsibility (CSR), Sport Management, Football Management, Stadium Management, Corporate Governance.

1. Introduction

Over the past decades, the evolution of Corporate Social Responsibility (CSR) practices in companies has undergone a significant transformation. Before, CSR was seen as primarily a charitable or philanthropic activity, as a way for companies to demonstrate their social commitment through occasional donations or sponsorship/attendance at charitable events (Latapì Agudelo *et al.*, 2019). In the recent past, however, there has been a paradigm shift. Indeed, companies have started to integrate CSR into their business model, strategic decisions, and governance.

These changes have also been driven by an increased awareness and assumption of responsibility by the stakeholders of individual companies (Lee and Shin, 2010). The latter, in fact, have begun to pay more attention to the policies pursued by the various organizations their approach to ethical, social and environmental issues, the transparency and clarity with which they transmit information to the outside world and its well-founded truthfulness, distancing themselves from the companies or instead developing a greater affinity with them based on their judgement and perception of how their respective activities are carried out (Fernandez-Villarino, 2021).

In this context, the sports industry has taken a leading role, highlighting how sports teams and organizations are not only pivotal players on the

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field, but also in promoting ethical and sustainable values off it. Therefore, many sports companies have recently adopted corporate social responsibility (CSR) initiatives to manage their stakeholders, maximize profits, and leverage their social position (Kolyperas and Sparks, 2011). Indeed, the sports sector, with its large fan base and media visibility, has emerged as a fertile ground for the implementation of innovative CSR practices. In the Annual Review of Football Finance 2023 (Deloitte, 2023), the consulting firm analyses the sector where professional sports clubs operate as highly commercialized and rapidly developing. This development stems from the socio-political importance of sport and the media attention it attracts, generating strong external pressure from society in general and stakeholders specifically (Brady, 2008). Thus, commercial, and operational concerns, such as stakeholder management, brand reputation, fan attendance and corporate governance, have created a situation in which CSR is especially important for professional football teams, football events, individual players (Kolyperas and Sparks, 2011) and infrastructures such as owned stadiums. For all these reasons, the management of these companies must be fully aware of and up to date with developments in the socio-political-economic environment, just as business managers in other sectors are.

CSR practices and their reporting, also in the football sector, have therefore become crucial for the involvement of shareholders and stakeholders and their growing range of interests. In this regard, one of the main priorities has become to invest in an owned stadium, as a corporate asset that can contribute to enhancing the club's prestige and increasing revenues, especially in order to finance and self-sustain the club's activities and related social purposes, as well as to offer the public a high level of comfort, a higher degree of safety and numerous other services that otherwise could not be guaranteed if the facility was not managed by the clubs. Accordingly, an investment plan also allows them to launch important projects both for the development of the territory, such as urban regeneration works or the enhancement of certain areas of the city, and for the reduction of the environmental impact, promoting its preservation and favoring the recycling and reuse of materials and natural resources.

This study was therefore created with the idea of gaining a more in-depth understanding of the importance of having a stadium owned by a football club as an added value if it is designed and managed in a socially responsible manner in a context, the Italian sporting one, that is still far from European standards in terms of infrastructures. By taking into account these considerations, the present paper is based on the study of a real case, the U.C. AlbinoLeffe, whose practices and methodologies demonstrate that if a football company takes place a process to improve the quality, sustain-

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ability, and social responsibility of infrastructures, it can lead football to be a decisive and viable factor to drive change in developing develop a better future and society.

2. Theoretical Background

2.1. CSR: what it is and how it is defined

For several years now, the need for active and proactive contributions by all to address sustainability management has been entering political, social, and economic agendas in the form of calls for immediate action to address current and future challenges (Fernandez-Villarino, 2021). Corporations, companies, businesses, and any organization are therefore not exempt from assuming specific responsibilities in this regard; indeed, as they carry out significant day-to-day activities and are an active part of the context in which they operate, these entities have an even greater duty to carry them out with respect for the social and environmental context that surrounds them.

A much-debated question is how ethical and respectful of environmental and social standards the businesses conducted by companies are (Torelli, 2021). It is clear that the exclusively profit-oriented way of conducting business is no longer feasible in light of the need to supplement the need to achieve the final profit with a mode of action that is sustainable over time, not only from an economic point of view, but also from a social and environmental point of view, paying particular attention to the needs of its stakeholders and ensuring that it carries out its activities ethically, respecting the guidelines and regulations for the respect and protection of the territory. In fact, as previously mentioned, it is the stakeholders themselves who pay increasing attention to the ethical, social, and environmental issues that companies pursue by distancing themselves from them or instead developing a greater affinity with them based on their judgement and perception of how their respective activities are carried out (Fernandez-Villarino, 2021). For all these reasons, Corporate Social Responsibility is now considered by public and private companies as the main indicator of sustainability (Breitbarth and Harris, 2008). Over the past two decades, this has forced companies to recognize and pay greater attention to the expectations of their shareholders and stakeholders and to clarify their corporate ethics to integrate them into their practices for the benefit of society. Such attention to CSR practices enhances the company's reputation, improves financial performance, and helps to safeguard the various stakeholders involved (Bapuji *et al*., 2020; Guan *et al*., 2020).

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The literature divides CSR activities into two groups: a) instrumental actions aimed at achieving specific financial and competitive objectives; and b) ethical and philanthropic actions (Johnson *et al*., 2011). The activities in the first group are conditioned a corporate strategy (Michael, 2003) and concern practices for improving corporate profitability (McAdam and Leonard, 2003) or increasing brand loyalty (Vitolla *et al*., 2019). In the second group, philanthropic actions go beyond obligations to improve the quality of life, while ethical actions ensure proper behavior in relation to moral principles (Carroll, 1999). For example, activities based on philanthropy can reduce certain public problems (Mahmud *et al*., 2021) such as poverty, crime, or environmental pollution.

Although the implementation of such practices and strategies is not always easy for companies as engaging in CSR activities, in addition to existing organizational ones, may require additional capacities on the part of the companies in question, the strong focus of stakeholder and institutional policies over the past decade has led to the inclusion of such practices in an increasingly consistent manner (Khan *et al*., 2022). This process has included the development of various activities such as CSR reporting to ensure its transparency (Tregidga *et al*., 2019), organizational legitimacy (Khan *et al*., 2013), public trust (De Grosbois, 2016) and increased corporate performance (Malik and Kanwal, 2016). So, it is evident how CSR, by creating functional relationships with various stakeholders (Guix *et al*., 2018) and enhancing corporate image, reputation, and trust of the company with the public (De Grosbois, 2016) can be a useful tool for companies to engage with shareholders and stakeholders. CSR, therefore, can be framed from multiple aspects and perspectives depending also on the scope and sector in which the organization operates and according to the corporate policies it intends to pursue.

CSR is certainly implemented more easily, to a greater extent and on a larger scale by organizations that have greater economic resources, necessary to promote actions of a certain type and level, and an equally greater pool of users and stakeholders, a determining factor in assessing the relevance of an ethically and socially responsible activity (Dey *et al*., 2018). However, with the right proportions and available human and economic resources, even small and medium-sized enterprises or micro-enterprises can achieve their objectives and economic results through socially responsible actions and through a sustainability-oriented strategy and approach (Pil and Rothenberg, 2009).

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2.2. CSR in sport organizations and football clubs

In line with the above, CSR issues have evolved and become a common topic of public opinion in recent decades. This attention has generated a profound change in looking at organizations and their relations with stakeholders (Lewis, 2001). This change has also affected athletes, local teams and national leagues (Carey *et al*., 2011; Heinze *et al*., 2014; Manoli, 2015) and sports companies in general (Sheth and Babiak, 2010). As early as 2005, the consulting firm Deloitte (2005, cited in Holt *et al*., 2005) strongly recommended that sports clubs integrate CSR management into their practices to strengthen their healthy relationships with the community. Such societies, precisely because of the associative nature with which they are born, lend themselves well to the integration of activities aimed at social relations. Indeed, as mentioned above, football operates in a rapidly developing sector (Deloitte, 2023) and is subject to strong external pressures due to the socio-political importance of sport and the media attention it attracts (Brady, 2018). Therefore, for football clubs CSR has become a key strategic issue and no longer a commercial trend or optional practice (Breitbarth and Harris, 2008; Walters and Chadwick, 2009; Kolyperas and Sparks, 2011). In team sports in general, Babiak and Wolfe (2009) identified four factors that contribute to the practice of CSR: 1) the interest that sport generates worldwide; 2) the economic structure of the leagues; 3) the transparency of the company (club) in the conduct of all its activities and 4) the strong involvement of stakeholders (Babiak and Wolfe 2009).

Specific to the world of football, although this is not necessarily a model for all developments in the sporting world (Chadwick, 2009), the literature identifies three interconnected and overlapping characteristics that support the development of CSR. The first characteristic is the increasing commercialization of the sport, which has transformed what was once a game into a full-fledged industry (Beech and Chadwick, 2013). This has led to increased social demands on football as stakeholders and the public have drawn attention to various unethical practices carried out by the industry such as illegal gambling, corruption, etc.) (Anagnostopoulos and Shilbury, 2013). The second characteristic that has created a favorable environment for the development of CSR is the strong community ties and the importance of stakeholder relations created by football (Breitbarth and Harris, 2008; Walters and Chadwick, 2009). The third characteristic is the strong media coverage that football clubs have assumed which has necessitated an increased focus on good reputation practices for a positive brand image (Zeimers *et al*., 2019).

Thus, it seems evident how essential it is for football to adapt and align

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itself with the principles of social responsibility (Anagnostopoulos and Shilbury, 2013; Chadwick, 2009), hence modern football organizations are favorably inclined to engage in CSR.

Among the sports organizations, particularly football, that are most active on CSR issues is the *Union of European Football Associations* (UEFA). In 2021, in fact, it outlined the *Football Sustainability Strategy 2030* (UEFA, 2021), called "*Strength through Unity*", which, starting from the general framework of sustainability (i.e. CSR), also includes on Environmental-Social-Governance (ESG) criteria. This perspective is well stated in the strategy's mission statement: "to inspire, activate and accelerate collective action in the context of European football for the respect of human rights and the environment", calling all stakeholders operating in the football world to collaborate and join forces for the achievement of common, accessible, measurable and quantifiable, but at the same time very ambitious objectives, which affect the entire football environment and society as a whole and which, for this reason, must be addressed jointly, leaving individual interests aside, through collaborative and coordinated action plans (UEFA, 2021). Among the 11 main priorities for action that UEFA has outlined, all of which conform and are aligned with the international guidelines and standards of the *United Nations' 2030 Agenda* (UN General Assembly, 2015), we have paid special attention to the goal of "Sustainable Infrastructure".

2.3. Stadium ownership as a CSR tool in football

In the context of the redefinition of a sports club's management strategies imposed by new CSR practices, one of the main priorities has become investment in an owned stadium. In this direction, Francis *et al.* (2017) place green stadiums at the center of a new movement in the field of architecture and sports clubs. Indeed, for a decade now, professional teams in North America have discovered the environmental and economic benefits of having stadiums that include energy and water efficiency, waste management, accessibility, and a strategic link to public transportation (Francis *et al.*, 2017). The implications of these activities in the CSR context have forced the governance of these clubs to devise new strategies with the aim of increasing club prestige and revenues, especially to finance and self-sustain the activities of the sports club. By leveraging directly on CSR initiatives, a company can yield positive implications on offering public a high level of comfort for fans, a higher degree of safety and numerous other services that otherwise could not be guaranteed if the stadium facility is not managed by the clubs. An in-

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vestment plan of this kind also allows the clubs themselves to be able to run up important projects both for the development of the territory, such as urban requalification works or the enhancement of certain areas of the city (Barghchi *et al*., 2009). According to the *Football Sustainability Strategy 2030* (UEFA, 2021) a football club is required to have strong commitment to environmental impact reduction, by promoting its preservation and favoring the recycling and reuse of materials and natural resources.

The primary objective for a sports club that chooses to invest in an owned stadium will no longer be the achievement of a specific sportsperson but will increasingly shift towards the involvement of different stakeholders to foster the well-being of the community (Grieve and Sherry, 2012); and since most of these effects are considered specific and contextual to the community in question, sports facility managers should focus on them when operating them (Vanclay, 2002). Several studies, infact, show how a sports facility should be designed so that it can be used by the entire population, especially families, and not only for sporting events, but also as a meeting place, a place for social interaction and recreation, catalyzing restaurants, bars, cinemas, museums, theatres, conference centres, libraries, shops, recreational areas, green spaces, gyms, and children's playgrounds in one place (Testa *et al*., 2023). In practical terms, UEFA itself produced the «*UEFA Guide to Quality Stadiums*» (UEFA, 2011), a document that is still applied today for all kinds of infrastructure projects in football stadiums in Europe concerning the design and construction, construction, renovation, and modernization of stadiums. The guiding principle of the guide is the quality of the facilities: «Ensuring the highest quality is a fundamental aspect of ensuring the highest level of comfort, well-being and safety for spectators, players, all staff, media and officials» (UEFA, 2011). Great emphasis is placed on the definition and framing of "green architecture"' a construction and utilization model with an approach strongly based on the adoption of ecological standards.

From an economic point of view, stadium ownership allows football clubs to diversify their sources of revenue. For example, the "*Report Calcio 2023*" of the Italian Football Federation (FIGC, 2023), reports a 52.2% increase in spectator attendance between 2007 and 2022 for clubs that decided to build their own stadium. This source of match revenue, for clubs in the five major European leagues, i.e. England, Italy, Spain, France, and Germany, represents approximately 12% of the source of revenue (Deloitte, 2023). Not only that, through a shrewd project to enhance the ownership of the facility, but additional sources of revenue can also be generated, such as, for example, the naming rights of the facility and the provision of commercial areas around the stadium.

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The latter, if designed synergistically with the city context to offer additional services to the local population, can guarantee the club a significant increase in commercial revenues, which can also derive in part from the merchandising activities promoted by the club. However, the financial objective and return is not the only aspect to be considered, as having a stadium of one's own, if this is designed with a social commitment in mind, can also lead to benefits other than financial ones, such as effectively contributing to the pursuit of one's social purpose.

2.4. The current situation of owned stadiums in Italy and Europe

The issue of building owned stadiums in Italy or modernizing them has been a source of heated and open debate for many years. According to a recent survey conducted by YouGov in 2021 and reported by the website "Calcio e Finanza" (Calcio e Finanza, 2021), 61% of Italians and 67% of football fans are in favor of football stadiums being owned, as, according to most respondents, this would more than positively affect the investment possibilities of teams to raise their level of competitiveness. It is also commonly acknowledged that a more modern and functional facility would mainly benefit the match experience for fans, but also the level of entertainment, safety, and comfort. However, what almost everyone agrees on is the significant social, economic and tourism improvement for the city and the consequent possibility of urban redevelopment of some of its neighborhoods. However, the fact that must be emphasized with particular attention is the increasing relevance of the sustainability profiles of facilities, identified by 52% of respondents aged 18 to 24 as the main priority for action (Calcio e Finanza, 2021). In any case, what emerges strongly from this survey is the general negative reputation of Italian stadiums, considered excessively obsolete and too unattractive and functional compared to most European facilities.

The infrastructural situation in Italy is strongly linked to the World Cup in Italy in 1990 in which several sports facilities and stadiums were renovated. On the World Cup, as many as 10 facilities were renovated like the Renato Dall'Ara in Bologna, the Comunale in Florence, the Luigi Ferraris in Genoa, the Giuseppe Meazza in Milan, the San Paolo in Naples, and the Olimpico in Rome. In addition, the 56,875-seat Stadio San Nicola in Bari and the 67,411-seat Stadio Delle Alpi in Turin were built.

It is evident that the World Cup, the most important and followed sporting event worldwide, represented a significant opportunity for Italy to modernize its structure and technology. It is equally evident that this opportunity was exploited in the short term but not in a long-term perspective.

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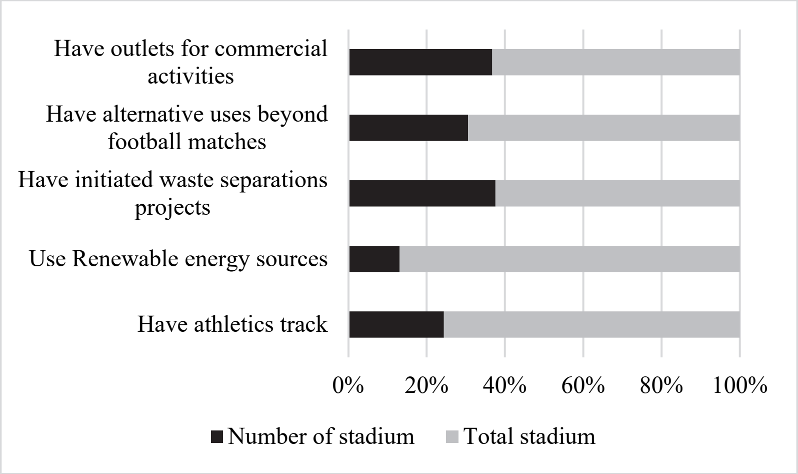
The most relevant issue concerning Italian stadiums is the non-ownership of the facilities by the clubs. Currently, of the 93 stadiums used in Italy by professional football clubs (Serie A, Serie B and Serie C), 85 are publicly owned and only four are club-owned (FIGC, 2023). This prerogative does not allow sports clubs to benefit economically and socially, as it only represents a significant cost due to the expense incurred in renting the facility. The clubs in Italy that own a stadium to date are Juventus FC, U.S. Sassuolo Calcio, Atalanta Bergamasca Calcio, Frosinone Calcio, Udinese Calcio and U.C. AlbinoLeffe. The FIGC indicates that there are currently 14 projects being planned and/or implemented in Italy that are expected to lead to an estimated increase in stadium attendance of 3.3 per cent, an increase in revenue of 205.8 per cent and an employment impact of approximately 12,000 new jobs created (FIGC, 2023).

Public ownership is not, however, the only major problem with football facilities in Italy. First of all, the average age of each stadium in the top three categories is 65 years since the first inauguration; some, as mentioned, underwent modernization works for the 1990 World Cup, but we are already talking about more than 30 years ago. Furthermore, they are characterized by significant structural deficiencies and a low level of innovation. These issues are highlighted in the FIGC Report (FIGC, 2023). Out of the ninety-three facilities used in the 2020-2021 sports season by Serie A, Serie B, and Serie C clubs, it shows that:

Graph 1 – FIGC Report (FIGC, 2023)



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The main consequence of these infrastructural shortcomings is a strong public disaffection and significantly lower fan attendance at the stadium. In fact, the average attendance of spectators at the stadium has been significantly decreasing over the past thirty to forty years: from almost 40,000 at the beginning of the 1980s, it has fallen to just under 25,000 in the 2019-2020 season (FIGC, 2023).

All this translates into a significant decrease in revenue for clubs from the sale of tickets or season tickets for matches, leading to a lower incidence of match revenues in corporate budgets, the consequence of which is less financial resources available to invest in the club's sports competitiveness, in facilities and new technologies, in order to also improve the quality of training and preparation of players.

The low presence of non-sporting commercial activities and services of a recreational nature represents a further major shortcoming of Italian stadiums, making them unattractive to the public and not allowing them to remain open during the week to exploit a potential additional source of revenue. Often these facilities are totally disconnected from the daily social life of the urban context in which they are located, thus playing an exclusively sporting role, offering no added value for the community and the territory.

Starting from these considerations, when designing a new facility or modernizing an old one, it is not only the average attendance (i.e. fans at the match) that is of fundamental importance to make the economic investment a winning one, but rather the total attendance at the facility. In fact, this figure also takes into account attendance due to non-sporting events, commercial activities, proximity to public transport, etc.

Returning to the social value of investing in an owned stadium, this can be done in a variety of ways according to the needs of the citizens, in order to compensate for any shortcomings of the territory, also guaranteeing access to numerous types of services, provided that the facility is equipped with facilities that are open to the public seven days a week.

After analyzing the current state of football stadiums in Italy, it is appropriate to compare it with the corresponding situation in Europe. An indicative figure in this regard, reported by the FIGC, concerns the renovation or new construction of stadiums in Europe. Of 153 projects realized on the Old Continent in the last decade, only four are Italian. European owned facilities are, therefore, an important source of revenue for clubs, thanks to their multi-functionality and the different types of extra-football services they offer, which allow the facility to remain open even on non-match days. A strong impact also derives from the considerable level of structural and technological modernity of the facility and the high degree of safety and

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security, elements that seal this gap and contribute to making stadiums considerably more attractive to fans, but also to a more general public, consisting of simple fans or occasional tourists visiting the city or region of reference. Differences in the environmental sustainability of facilities are also evident. Most other European countries have facilities equipped with sophisticated state-of-the-art systems for energy efficiency, for the reuse of natural resources and to avoid all forms of waste, in order to reduce CO2 emissions and, more generally, the environmental impact of the stadium.

The study aims, therefore, to analyze the case study of U.C. AlbinoLeffe, one of the 7 football clubs in Italy that has its own stadium, the only one not in Serie A.

3. Methodology

The case study was conducted by a semi-structured interview with U.C. AlbinoLeffe President (hereafter, the interviewed) and an in-depth visit of the AlbinoLeffe Campus with Secretary and General Manager. The purpose of the interview was to understand the history of the club, why it chose to invest in certain CSR practices, and the importance of having an owned stadium for a football club as an added value if it is designed and managed in a socially responsible manner. We believe that the analysis of a reality that is not at the top end of the league (U.C. AlbinoLeffe plays in Serie C) can provide a good example of how, even without having significant budgets and resources, it is possible to invest in a corporate asset that contributes to increasing the prestige of the club and increasing revenues, but above all with the aim of financing and supporting the sporting and social activities that the club has set itself.

4. Case study: U.C. AlbinoLeffe

4.1. The current situation of owned stadiums in Italy and Europe

In the first part of the interview, the President briefly introduced the history of U.C. AlbinoLeffe. The history of U.C. AlbinoLeffe began on 2 July 1998 following the merger between Albinese Calcio and Società Calcio Leffe, two municipalities, Albino and Leffe in the province of Bergamo. Until promotion to Serie B in 2003, the new club used the stadium that had previously been used by Leffe, but with the jump in category and the new infrastructural criteria required, they decided to move their home matches

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to the stadium in Bergamo. The President explains how this brought about an important change in the club's outlook and external perception: no longer being a club from the valley, but trying to become a club from the province, widening its range of action in the area, aspiring to involve and attract not only the former supporters of Albinese and Leffe, but also a catchment area more closely linked to the Bergamo area. Participating in the championship of the second highest national series, it became important to have a sports facility that was for one's own exclusive use, not to be shared with others, as had been the case until then. The training centre, therefore, was moved from Albino to Verdello, until a short time later, the club was faced with the opportunity to purchase the sports centre of a Cooperative Credit Bank in the municipality of Zanica. The president tells us how a turning point in AlbinoLeffe's recent history occurred in early 2010, when the club's failure to be promoted to Serie A and subsequent relegation to Serie C meant that it had to abandon the use of the stadium in Bergamo and play its home games in the town of Gorgonzola. This strongly risked alienating AlbinoLeffe from its home territory and therefore led the club to take the decision to build its own stadium, choosing to do so where the training centre had originally been planned.

In the next phase of the interview, we discussed with the President the values that the AlbinoLeffe club wants to convey to its stakeholders and the practices that have been implemented in recent years on the topic of CSR. The interviewed explains how the AlbinoLeffe club, by its express wish, intends to be a point of reference at a sporting level for the entire Bergamo area. The social purpose, which is also the club's primary aim, is therefore to give local youngsters, aged 7/8 years and upwards, the opportunity to play sport and grow, so that possible champions can be formed who can be the future of football in our country and who can help the national team and the major Italian clubs to compete at the highest international levels. The President believes, in fact, that the football system should be based on a pyramid structure, with the Serie A at the top and the minor leagues and clubs at the bottom, which, according to this logic, should carry out their activities in support of the top clubs, promoting the training and education of young players and future champions. However, in order for this to work for the best, it is necessary to have a corporate organization in line with this vision, which invests in its youth sector and in modern, functional facilities for the growth of youngsters, and this is exactly what is expressed in the club's mission statement: «U.C. AlbinoLeffe has set itself the goal of training and enhancing the value of the youngsters who become part of this important reality from both a human and sporting point of view. To this end, we are equipping ourselves with our own structures, organization, and di-

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dactics, developing the AlbinoLeffe Method. Our dream is to have a first team composed mainly of boys who have grown up in our youth sector with a well-defined football identity» (Unione Calcio AlbinoLeffe, n.d.). According to the President's wishes, the boys in the youth sector must come from the Bergamo area, without going looking elsewhere and staying within a radius of 30 km. But in this project, the interviewed specifies that he is well prepared to welcome into his youth sector young immigrants or children of immigrants, who arrived in Italy as children or very young children, and who have few job opportunities. This allows them a chance to find their own path of personal fulfilment and affirmation. The interviewed is keen to point out that a sport like football can take on an important function of inclusion, integration, and aggregation, but above all how it can represent an opportunity for all young people from different social classes. The strong territoriality referred to by the President stems from the idea that young people, if they are of a certain age, have an obligation to continue to focus as much as possible on their studies, which must be put first. Young people must, therefore, make sure that they reconcile competitive and professional sporting activity with school and university. Playing football for a professional club, especially if not at a high level, must not result in a partial or total abandonment of study, as not all young people who play football in their teenage years or as soon as they come of age will realize their dream of playing in the Serie A, earning a living from football. Continuing to study is fundamental for them, not only for a complete personal growth path, but also to build a career and professional path. The interviewed tells us how, for example, to meet the needs of the boys and not to burden their families, the club has arranged a shuttle service that picks up the boys at home to take them to training and then brings them back at the end of the session.

A pivotal element in President's ideas is sport as a functional tool for learning how to be in a group and together with others, how to fight for the achievement of common and collective goals, how to respect the rules, but also how to be respected and how to conquer one's own space. Firmly believing in sport as a fundamental element in the educational and formative development of a youngster, central to the path of sporting growth defined by AlbinoLeffe is the transmission of ethical and moral principles and values, which must be adopted by youngsters not only on the pitch while playing, but also and above all off it, so that they become better men in a better society. The President emphasizes how this vision is shared by all those who work within the club, from managers to coaches, from staff members to collaborators. By building an organization of this kind, with a youth sector that is optimally structured with fully dedicated pitches and staffed by

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full-time professionals such as, among others, scouts, physiotherapists, and masseurs, and by pursuing a teaching methodology that fuses together technical-tactical training, sporting instruction and the transmission of certain values and principles, one can, therefore, speak of the "AlbinoLeffe Method".

4.2. Corporate governance implications: The case of AlbinoLeffe

Subsequently, the President points out how pursuing social responsibility goals of this kind is very complicated for a football club, especially for smaller and less emblazoned clubs, especially if these, as is often the case, find themselves in a constant loss-making financial situation. But at the same time, the mission of the President and the whole of AlbinoLeffe is, as mentioned, to become an educational, social and cultural reference point for the Bergamo area, developing and advancing an ideal of playing football that is at the service of the community and the area itself, offering an opportunity for growth to the young people of Bergamo and supporting them in their sporting and other careers.

To support this vision, the interviewed tells us about the important strategic choice that the club has made: to invest in modern and functional facilities that provide a way and space for youngsters to grow in a healthy and clean environment that makes them feel at home. This choice goes against the trend with those often taken by other football clubs that concentrate their financial resources on the purchase of stronger players to improve and establish themselves on a sporting level. However, for AlbinoLeffe, since the club's ultimate goal is not to compete in more important categories, the clear, clear and shared direction that was taken was to pursue its mission and social purpose 100%.

With pride, the President tells us about the AlbinoLeffe Campus, the new state-of-the-art home of U.C. AlbinoLeffe. Although an official media inauguration has yet to take place, the sports centre is scheduled to open at the end of 2021. This project takes on significant value as AlbinoLeffe is the first, and at the moment the only, non-Serie A club to have invested in a stadium of its own and to have not only a facility for home matches, but also an entire hundred sports facilities available for both the first team and all categories of the youth sector and the AlbinoLeffe Academy, a new building including changing rooms and offices serving the training grounds.

President specifies how investments of this kind are fundamental both for social aspects and for the development of the entire national football system. As proof of this, says the President, the sports centre was visited by

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the participants of the "Head of the Youth Sector" course held at Coverciano by the FIGC. In fact, the facility not only includes the AlbinoLeffe Stadium, but also a training centre with four football pitches adjacent to the stadium. Here, the boys in the youth sector, training alongside the first team and just a few steps away from such a high-level facility, see it as a goal to aspire to, but also as a concrete and tangible opportunity that spurs them on to do their utmost to make their dream of becoming a professional footballer come true.

The interviewed also tells us that this dynamism and modernity was also conveyed in the logo that was chosen for the campus. This, in addition to echoing the stadium's architecture in its design, sanctions, through an intricate set of lines, the close link that the facility and the sports centre aspire to create with the entire Bergamo area. In fact, with the new owned facility just a few kilometers from Bergamo, the club hopes to establish a strong relationship with the local community and to recover many fans and supporters who had drifted away in recent years following the relocation of matches to the municipality of Gorgonzola, which led the President to decide to invest in a stadium of his own after a short time.

On a strategic level, the President tells us how the decision to locate the facility in the municipality of Zanica, in the province of Bergamo, came about. This area was chosen for its geographic, logistical and spectator flow management position, although currently for very small numbers, which is very convenient due to its proximity to the Bergamo ring road and does not cause any traffic problems for the city and surrounding area. This prerequisite is fundamental in the guidelines drawn up by UEFA in terms of infrastructure (UEFA, 2011). Locating the stadium on a semi-urban site offers the advantage of lower ground costs, but still has good, or at least reasonable, access to the public transport network. Lower land costs, UEFA says, make it possible to purchase a larger site, which will also allow the inclusion of facilities such as an indoor car park. The fact that the stadium is in a less densely populated area will also reduce the obvious impact of a new building on the surrounding area and thus limit the potential risk of disputes with the local community. But the President tells us, the choice fell on this specific area because the land the club acquired was part of a former sports centre of a Cooperative Credit Bank. This made it possible to reuse a portion of land already in use for sports, limiting the consumption of the land itself and thus avoiding the need to intervene further on the territory for the design of new fields and playing fields.

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4.3. The AlbinoLeffe Campus: the property's infrastructural choice

At the infrastructural level, the stadium concept was conceived by a Spanish architectural studio, Batlleiroig, led by architect Joan Roig, the same architect who designed and built the Johan Cruyff stadium owned by FC Barcelona. Both facilities, in fact, have a stadium inside or adjacent to them that is used for the matches of their respective youth sectors, but with a similar capacity and requirements to those of AlbinoLeffe. The stadium project envisaged a single grandstand with a capacity of 1,791 seats, with the possibility of expanding the remaining three sides by almost another 4,000 seats in the event of promotion to Serie B, to be ready to meet the infrastructure standards required for the higher category. The grandstand currently present is structured on three levels (lower grandstand, upper grandstand and the top floor dedicated to the speaker's booth, television, radio announcers and police headquarters) and has been designed according to very modern representations of the way football is played. In particular, the President focuses on the strong attention and importance that the club wanted to give to its fans, which is reflected in the very structure of the grandstand, especially the lower grandstand. It was decided, in fact, to dedicate the portion of the grandstand closest to the pitch to the fans, rather than to the VIP stand or to sponsors and authorities. The motivation behind the choice, the President explained, was above all to offer a public that was also popular the possibility of watching the game in close contact with the pitch and the players. In addition to this, the choice was also to empower the fans, even the hottest and potentially most dangerous for public order, by eliminating any kind of architectural element that could disturb the viewing of the match. The upper grandstand includes a central 100-seat grandstand of honor with a dedicated hospitality area, where refreshments are set up before the start of the match and during half-time. The third level of the grandstand, dedicated to the media and security area, also envisages a part of glass parapets, currently left empty inside, but which in the future can be used as Sky Boxes. In the area below the lower grandstand, the stadium is divided into different spaces, each with its own purpose and destination: the mixed zone (where the post-match flash interviews are held), the press room, the conference room, the home team, visiting team and referees' changing rooms, and the doping control rooms.

The interviewed also explains the sporting, but also the social importance of the AlbinoLeffe Academy, a structure adjacent to the grandstand on three floors. This, in addition to an office area with adjoining meeting room and the four training fields, is the operational engine of the sports centre for all categories. In fact, inside it is the changing rooms for

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the staff, warehousemen and teams, a single medical room for the first team and youth sector, a refreshment area, and a rest room to be used in the pre-match period. The basement is reserved in part for parking for the minibuses, in part for a large gymnasium area as well as a laundry area and rooms used as warehouses for wetsuits. Just outside the facility there is also a sand pool for rehabilitation and recovery from injuries.

4.4. The AlbinoLeffe Campus: the environmental impact

At the end of the interview, the President would like to draw particular attention to the centrality he gave to the issue of the new stadium's environmental impact. For the interviewed, central to the design of the facility is, in fact, respect for the territory, the natural environment and important principles of environmental sustainability, so that the construction and management of the sports centre itself does not have a negative impact on the surrounding area. He emphasizes that the facility has been conceived and designed to be as efficient as possible in terms of energy and use of natural resources.

First of all, as far as the energy system is concerned, it is 100 per cent sustainable, as it is based on the use of solar energy obtained from the photovoltaic system located on the roof of the Academy building and used to supply energy to both the Academy itself and the stadium facility. In terms of water, the centre's system is based on the use of groundwater, drawn from two natural wells already present in the area. The water that is collected is then used for multiple purposes such as the heating and cooling system of the rooms inside the facility of both the Academy and the Stadium, as well as the irrigation and maintenance system of all the football pitches and all the remaining green areas in the sports centre, and as the basis of all the water and sanitation systems.

Going into more detail, the President wishes to emphasize the absolute ban on the use of methane gas and GPL in all systems. Heating and cooling systems use, as anticipated, almost exclusively water. To power them, so-called heat pumps are used, innovative and ecological technologies that not only have a considerable economic advantage, thanks to significant savings on energy costs, but also respect the environment and make it possible to use renewable energies such as air, groundwater and geothermal energy from the subsoil to power heating, cooling and hot water systems. All of these operating systems allow the entire plant to be defined as running entirely and exclusively on renewable sources and resources: in addition to solar energy, which reduces CO_2 emissions by not generating any gas

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combustion, groundwater is used, which would otherwise be lost. The latter is also almost entirely returned to the ground, except for the water used for irrigation, which is naturally lost, and the water for domestic use, for showers and various services, which is discharged into the sewers.

As described above, the entire sports centre, including the stadium, training fields, parking area and Academy building, has not had a negative impact on the surrounding area. In fact, a sports area with playing fields was already present on the construction site of the facilities, and consequently no excessive soil and subsoil changes were necessary. Furthermore, the layout and architecture of the centre are in complete harmony with the landscape context in which it is located.

5. Conclusions, limitations and future remarks

By considering all the issues raised in the interview, we can highlight that the stadium ownership is a driver of social responsibility for a football club. This remark, in line with the literature (Francis *et al.*, 2017), can be explained with the main goal of improving the social context in which is the football stadium is placed, by a mitigating the impact on the territory and the natural environment. Our results confirm that to be a strong point for a football club, the stadium ownership must be functional, first and foremost, to the improvement of sporting results possible through daily work on the technical quality of the players at its disposal and the staff that trains them. This technical growth will then be an element in increasing the company's turnover, by generating a mechanism that allows reinvestment into the infrastructure, players, staff, and other various activities. According to the current literature on theme (Blumrodt *et al.*, 2013), the analyzed case stadium shows that the stadium ownership, built and managed in a socially responsible manner, can lead to the achievement of social and sustainable objectives. In pursuing this goal, the football clubs are required to attract the maximum number of fans by ensuring that they have access to efficient facilities that meet the most diverse social needs and desires.in. The stadium ownership must also include a social purpose and a commitment to respecting the local area and the natural environment by investing, for example, in obtaining energy from sustainable sources or reusing running water as *Guide to Quality Stadiums* (UEFA, 2011) require. Consequently, what becomes particularly relevant in the design of a stadium ownership is the club's decision to combine the club's sporting with one or more socially responsible goals, designed according to the values and principles in which it believes and which it intends to pursue through its activities. It is not so

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important whether these objectives specifically concern the redevelopment of an urban area, the improvement or increase in the offer of certain services, the improvement of the safety level of the facility, the minimization of the environmental impact of the facilities, or the development of its youth sector.

Thus, an important lesson that we can obtain from this case study is that the ownership led by the President has allowed such an investment, the scale of which is so conspicuous that such a project should also be taken as an example by the major Italian clubs that have the financial resources to be able to launch it without necessarily having to sacrifice the technical aspect. AlbinoLeffe's example is a concrete demonstration of how central and important it can be for a football club to be socially responsible and not to have sporting victory as its sole and exclusive objective.

We are aware that the single case study (Leone *et al.*, 2021) of a property does not fully represent the complexity and diversity of situations present in the Italian football system. However, we believe that the case of AlbinoLeffe can be representative for all those non-first-tier teams (in terms of financial resources, sponsorship, etc.) that also play in Serie A to the exclusion, therefore, of those listed on the stock exchange or with larger business volumes. The case study describes an interesting reference model for the target of companies described and different, for example, from that of companies such as US Sassuolo Calcio in which control of the owned stadium is entrusted to the family-sponsor that owns the sports club itself. Therefore, future research could benefit from incorporating more case studies to improve the robustness of the findings and provide a broader understanding of the relationship between stadium ownership and CSR. In addition, scholars could examine the UC AlbinoLeffe phenomenon in more depth with the multiple case-studies methodology thus implementing the analysis with semi-structured interviews conducted with other components of the organizational chart.

A further phase of analysis should focus on considering a practice that has become increasingly prevalent in the recent past in corporations and even sports clubs: greenwashing, or the deceptive practice of expressing concern for the environment and claiming credit for providing solutions while doing the bare minimum, if anything at all (Harvey, 2014). In fact, communications about an organization's sustainability initiatives are considered part of corporate social responsibility (Thorne *et al.*, 2013), and their effectiveness influences the organization's reputation, social standing, and even rating (Robinson *et al.*, 2011; Du *et al.*, 2010). However, many sports clubs and leagues have implemented policies outlining their environmental initiatives, which should be met with hesitation regarding their

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feasibility and follow-up, as in the case of the Olympics and the FIFA World Cup (Boykoff and Mascarenhas, 2016; Ali, 2017). It would be interesting to explore this topic further by analyzing the communication activities that UC AlbinoLeffe will pursue in the coming years.

Ultimately, future research should focus on the long-term impact of U.C. AlbinoLeffe's responsibility initiatives on the local community and territory. Such research should investigate the involvement and perception of various stakeholders, such as fans, sponsors, athletes, local authorities, regarding the impact of the stadium by examining in more detail how this initiative may have influenced the club's image. Ultimately, it would be interesting to compare the way the U.C. AlbinoLeffe stadium is managed with those of other Italian and foreign clubs to identify best practices to consider for future investment.

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What's Up, Mister! An investigation of the team-fan conversational approach

Letizia Lo Presti[*], *Giulio Maggiore*[**], *Vittoria Marino*[***], *Riccardo Resciniti*[***]

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Abstract

This paper proposes a research model for investigating the effect on fan satisfaction and fan loyalty of the three dimensions of the customer engagement construct on Mobile Instant Messaging Apps when they are used as Engagement Platforms in a conversational marketing approach. To test the hypotheses, a sequential regression model was implemented. A survey was conducted on 138 fans of a famous football team in Italy that has decided in 2018 to use WhatsApp (Mobile Instant Messaging App – MIM) to allow fans to communicate directly with football players. A regression model was performed to evaluate the relationships between fan engagement, satisfaction and loyalty. The results highlight the importance of emotional engagement on fan satisfaction and the role of behavioural engagement through the use of WhatsApp for enhancing fan commitment. Fans who are engaged and more satisfied thanks to the use of MIM apps can be ambassadors for the sport brand thus affecting the fan behaviour-based relationship performance and the support to the team. For this reason, sports team managers need to consider the MIM app as a tool that can increase fan engagement.

Keywords: fan engagement, mobile instant messaging, conversational marketing, digital engagement platform, fan relational management, sport teams.

[*] Associate Professor, LUMSA University, Department of Law, Economics and Communication. l.lopresti3@lumsa.it
[**] Full Professor, Unitelma Sapienza University of Rome, Department of Law and Economics. giulio.maggiore@unitelmasapienza.it
[***] Full professor, University of Sannio, Benevento Department of Law, Economics, Management and Quantitative Methods (DEMM). vmarino@unisannio.it; resciniti@unisannio.it

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Riassunto

Questo articolo indaga l'effetto sulla soddisfazione e sulla fedeltà dei fan delle tre dimensioni del coinvolgimento del fan sulle app di messaggistica istantanea mobile quando vengono utilizzate come piattaforme di coinvolgimento in un approccio di marketing conversazionale in ambito sportivo. Per testare le ipotesi è stato implementato un modello di regressione sequenziale. È stato condotto un sondaggio sui tifosi di una famosa squadra di calcio italiana che, negli ultimi anni ha deciso di utilizzare WhatsApp (MIM) per consentire ai tifosi di comunicare direttamente con i calciatori. I risultati evidenziano l'importanza del coinvolgimento emotivo sulla soddisfazione dei fan e il ruolo del coinvolgimento comportamentale attraverso l'uso di WhatsApp per migliorare il coinvolgimento dei fan. I tifosi coinvolti e più soddisfatti grazie all'uso delle app MIM possono diventare ambasciatori del marchio sportivo, migliorando le performance delle squadre di calcio quando sono basate sugli investimenti nella relazione con i tifosi. Per questo motivo, i manager delle squadre sportive devono considerare l'app MIM come uno strumento in grado di aumentare il coinvolgimento dei tifosi.

Parole chiave: coinvolgimento dei fan, messaggistica istantanea, marketing conversazionale, piattaforme di coinvolgimento digitale, gestione della relazione, team sportivo.

1. Introduction

The sporting performance of professional football clubs depends a lot on trust and the ability to create relationships based on transparency and trust with all stakeholders, including fans who support the football team in different ways. Therefore, football clubs must reconcile the footballing identity and the sporting or competitive image of the clubs. In particular, professional football clubs must pay particular attention to communication with their fans and dissemination in forms and ways closest to their targets. In sports marketing, sports teams must find new ways to retain customers by establishing, maintaining, and enhancing fan engagement. For this reason, they need to communicate and engage in dialogue with their customers. To achieve this, sports teams need to employ effective communication platforms. Mobile Media and the Second Screening (SM) are becoming an ideal tool for a continuous two-way dialogue (Tamir, 2020). Indeed, technology is making relational exchanges affordable and more effective for sport managers (Williams and Chinn, 2010). New media channels are able to cultivate relationships between brands and individuals and are playing a crucial role in cultivating these relationships (Filo *et al.*, 2015). In particular, the mobile phone offers many online fan loyalty opportunities (Watkins and Lewis, 2014) that can be

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measured as a type of behavioural fan engagement in the mobile communication context. In contrast to other media genres in which the second screening is not related to the content broadcast on the primary screen, sports fans demonstrate an absolute commitment to the primary broadcast when they use the second screening (Tamir, 2020).

Conversational marketing is a topic of recent interest that sees the conversational approach and the feedback-oriented approach as the main lever for driving customer trust (Lo Presti *et al.*, 2021a). New digital engagement platforms such as Mobile Instant Messaging (MIM)[1] may constitute a channel for direct interaction with customers (Marino and Lo Presti, 2018; Lo Presti *et al.*, 2022). In fact, the MIM app, used as a platform for digital engagement, encourages the co-creation of the value and organization of the service through engagement strategies.

Despite the growing interest in customer engagement in sport events, studies in this area are still characterized by limited knowledge of the main construct in terms of the use of Mobile Instant Messaging (MIM) Apps by fans and sport organizations for communication and for fan relationship management. Despite the opportunities of conversational marketing, today little has been investigated regarding the role of the fan/team conversation in sport management through the use of digital engagement platforms (such as instant messaging apps) and little investigation has been made regarding the impact generated by their involvement on fan engagement and loyalty. The literature on sport management has investigated the role of social media in the behaviour of supporters (Stavros *et al.*, 2013; Filo *et al.*, 2015; Li *et al.*, 2019; Na *et al.*, 2019) but to date little is known about the role of conversation in contexts of digital engagement platforms that lead the consumer from involvement to brand/team loyalty. Therefore, understanding the role of customer engagement by means of digital engagement platforms in the transition from lead generation actions to satisfaction and loyalty is a priority for those sports companies who wish to ride the wave of innovation in customer relations. We try to fill that gap by investigating the role of customer engagement through interaction on WhatsApp with the players of a well-known Italian football team. Through this study, we try to understand the impact of the conversation on participation (fan engagement) and on loyalty to the team (fan loyalty) through the use of MIM with the football team. This study aims at providing additional knowledge in the research on fan engagement and e-

[1] Lo Presti and Marino (2018) define the MIM apps used in businesses as «digital engagement platforms» and specifically as «touch point[s] that go beyond purchase and allow[s] individuals to integrate resources and co-create value between each other and with the firm» (Marino and Lo Presti, 2018, p. 683).

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fan relationship management, by developing and testing an integrated research model that investigates the influence of customer engagement, when using WhatsApp as an engagement platform, on fan engagement and satisfaction.

This article is structured as follows: a theoretical discussion on customer engagement platforms and fan engagement in conversational marketing research is developed. Then the theoretical model and the research hypotheses are introduced. In the Methodology section, the sample, the method and the technique adopted in the empirical research are presented. Lastly, discussion on research results, implications, limitations and suggestions for further research are proposed.

2. Theoretical background and hypotheses

2.1. Engagement platforms in conversational marketing

The engagement has become a central objective for public (Lo Presti and Marino, 2020b) and private institutions (e.g., Lo Presti and Maggiore, 2023), but also for sports organizations (e.g., Abeza *et al.*, 2013), seeing as it has been demonstrated that an engaged fan is a consumer who is more willing to cultivate relations with the sports brand/organization (Yun *et al.*, 2020). Yadav *et al.* (2023) find that fan-team interaction, social identification and user interface are the most central attributes in the digital ecosystem. These factors can foster digital social engagement.

Digital social media provides an interactive platform for organizations and their consumers (Yadav *et al.*, 2023). In particular, digital engagement platforms (DEP) facilitate a direct relationship with the brand because the customer perceives the utility and the ease of use of the apps on their mobile phones. In the sports ambit, we can see DEP as a "second home screen" that is to say, all those digital devices that give us access to websites, the Internet, and social media where the user can visualize various contents all at the same time on a main screen (typically the television) (Saks *et al.*, 2019). DEP have been studied in the literature in the ambit of the service-dominant logic, the sharing economy and the co-creation of value, in the ICT-driven context and customer relationship management (Vargo and Lusch, 2008; Mustak *et al.*, 2013; Breidbach *et al.*, 2014; Blasco-Arcas *et al.*, 2016; Breidbach and Brodie, 2017; Marino and Lo Presti, 2018; 2019). MIM applications with their characteristics are considered digital engagement platforms (Marino and Lo Presti, 2018). Indeed, with their perceived characteristics of transparency,

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access, dialogue and reflection, can support the engagement and conversational marketing activities in the mode of personalized promotional messages, requests for feedback and post-purchase assistance.ok These instant message applications function as a second screen and therefore as conversational channels useful for customer retention. Like all engagement platforms, they are capable of activating cognitive and above all emotional and behavioural factors that stimulate the subjects to continue using the platform. (Marino and Lo Presti, 2018). The literature on the digital engagement platform has multiplied in recent years. The future research should investigate on its usefulness as a channel in sports management to create involvement and ensure a lasting relationship with fans. This perspective could also help us understand the role of MIM as an engagement platform that impacts the entire customer journey. For example, Lo Presti *et al.* (2020a) studied how instant messaging (chatbots and live chat), through conversation, can follow the customer journey from the initial contact to the closure of the transaction. The literature has shown that the conversation mediated by the digital platform improves the consumer experience and satisfaction during online shopping because they give personalized recommendations similar to shop assistants in offline commerce (Lim *et al.*, 2022). Studies of this type are lacking in the sports field. However, at various times during the football season, the fan needs reinforcement actions that encourage him/her to support the team—such as, for example, feeling part of a group and identifying with the team's values (Murrell *et al.*, 1992). Even if the academic literature is focalized on the engagement practices in digital contexts through the use of conversation in order to facilitate commerce or to support the consumer beyond purchase, there are still very few studies that explore the potentialities of the MIM apps as engagement platforms for sports organizations and as a way of fostering fan engagement and loyalty. Some studies that investigate instant messaging in the sports sectors have concentrated mainly on the efficacy of Instant Messaging (e.g. WhatsApp) during the collaborative vision of a sports event (Tamir, 2020; Weimann-Saks *et al.*, 2019). Tamir (2020) identifies four main functions in WhatsApp groups during sports transmissions. The first function is about controlling the nature and quality of the transmission on the main screen; because of their strong emotional involvement in the main screen, viewers often use secondary screens to express criticism of the transmission. The second function is to enhance viewers' skills; the secondary screens allow fans to showcase and flaunt their expertise in games and sports skills. The third function concerns the active role in game management; fans are convinced they can influence the game through superstitions and rituals surrounding the transmissions. Indeed, the simultaneous use of WhatsApp increases their involvement in the game and, consequently, their confidence in

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their impact.okThe fourth function concerns the extension of emotions through the celebration of victories and the humiliation of rivals; the second screen has the power to extend the duration of fans' emotional experiences, continuing celebrations on the second screen in the case of victory or expressing frustrations in the case of defeat. Although the literature has dealt with the issue of the use of WhatsApp as a collaborative instrument useful for interpreting sports events and for widening the consumption experience of the fans, it has not yet been investigated as an engagement platform, which could be useful for verifying its efficacy as an instrument for fan relationship management.

2.2. Fan Relationship Management

In the field of studies on fan relationship management there is a widespread idea that the fans' participation in the activities organized by the sports teams are linked to the level of engagement and attachment of the fans to their brand-team (Yun *et al.*, 2020). In the studies on consumer engagement there are contributions that show the link between engagement and customer relationship management (Yun *et al.*, 2020). In virtue of this relationship, sport managers have for some time now been directing their efforts more and more towards new and more interactive forms of communication with their fans. In order to guarantee an efficient FRM, it is important to predispose activities bent on creating and maintaining a relationship with the customer such as dialogue, information sharing and transparency, which, over time, is transformed into trust and commitment.

Fan loyalty strategies and the fan-centric approach are two of the characteristics of the FCM (Adamson *et al.*, 2005). Fan engagement, satisfaction and fan loyalty represent a measurement of the FCM in so much as they represent the current and potential fans' current and future behavioural intentions. Fans are a particular type of consumer, emotionally adv engaged, and for whom the game and the competitions are adv important (Bernache-Assollant, 2012). Therefore, fans are more loyal, but also have different levels of loyalty that need to be understood. The simple fact that a customer refuses the initiatives of a sports club does not necessarily mean that he does not have desires or relational bonds. Therefore, the behaviour of fans towards the sports organization does not always translate into indicators such as retention, the purchase of team merchandise and the purchase of tickets (Watkins and Lewis, 2014) or repeated use of MIMs and interaction. In virtue of the opportunities offered by the instruments of Fan Relationship Manage-

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ment, it is important to understand how the use of interactive and more personalized channels founded on conversational marketing can be useful in guaranteeing the satisfaction and loyalty of the fans and therefore their support over the medium and long period.

Despite the fact that interaction has become a lever for engagement and that social media and digital engagement platforms have become a valid aid for Fan Relationship Management (Santos *et al.*, 2019), there has been still little investigation into the importance of the creation of "reserved" areas for interaction between fans and sports teams with spontaneous and proactive attitudes of support for their sports team.

2.3. Theoretical model and hypotheses development

The conceptual foundations of the theoretical framework proposed and the relative hypotheses (Figure 1) are taken from three macro-lines of research: the dimensions of customer engagement (e.g. Van Doorn *et al.*, 2010; Brodie *et al.*, 2013; Vivek *et al.*, 2012), customer satisfaction and customer relationship management (Wang *et al.*, 2004). The latter is expressed through satisfaction, fan engagement and fan loyalty. Knowing, in fact, which engagement factors have an effect on fan satisfaction and on team loyalty after being contacted on MIM helps to understand if and which opportunities can be exploited by the sports clubs through the use of instant messaging as a platform for fan relationship management. Social media in sports can stimulate the emotional, behavioral (Stavros *et al.*, 2013) and cognitive spheres of engagement (Li *et al.*, 2019). Social media can become actual conversation channels that make the relationship between customer and brand more intimate (Sashi, 2012). Thanks to their functional and social benefits, conversations are appreciated by customers for interaction with salespersons and have always been considered a customer contact strategy for call centres (Fielding, 2003). Fielding (2003) indeed wished for a "brand in conversation", that is, to see the conversations created by organizations as an important part of the brand. In this sense "the brand in conversation is something that represents what the organization really is when dealing with its customers (Fielding, 2003, p. 265).

Conversation is linked to the concept of engagement in social media. Yadav *et al.* (2023) find that "fan-team interaction" is an important influencing factor in the fan network and for information sharing. For this reason, we can presume that an informative and entertaining content transmitted through WhatsApp, that elicits emotions, can generate engagement and wellbeing

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and stimulate fan engagement and support for the football team and guarantee loyalty to the sports team. Therefore, we can hypothesize that:

H1: *cognitive engagement has a positive relationship with fan engagement*
H2: *emotional engagement has a positive relationship with fan engagement*
H3: *behavioural engagement has a positive relationship with fan engagement*

Furthermore, it has been shown that involvement is related to fan engagement (Stevens and Rosenberger, 2012; Yun *et al.*, 2020). It was defined by Stevens and Rosenberger (2012) as the level of interest and importance that a fan attributes to sport and therefore how much he believes it is relevant and important for his/her lifestyle. It can be inferred that the more important we consider the team to be, the greater will be the degree of participation, support and collaboration with the sports team. Indeed, for Huettermann *et al.*, (2019), fan involvement can be considered an antecedent of fan engagement. Yun *et al.* (2020), demonstrate that high enduring involvement «fans are more likely to pay greater attention to and exert more effort in processing personally relevant information and engage with the team and the community of fans through interacting with the team to stay up-to-date and discussing events and happenings with others» (Yun *et al.*, 2020, p. 9). As a result, they are more likely to maintain their loyal attitudes than low enduring involvement supporters. High-enduring involvement fans are also likely to develop more strongly held or committed opinions toward their team that are more resistant to persuasion or change. For this reason:

H4: *involvement has a positive relationship with fan engagement*

The most recent literature on customer engagement on DEP has shown that there is a relationship between the construct of engagement and satisfaction (Brodie *et al.*, 2013). In particular it has been shown that emotional engagement is what generates satisfaction in the consumer (Marino and Lo Presti, 2018). Some studies demonstrate that the continued use of MIMs is verified when customer engagement is activated, especially when an enthusiastic participation in the interaction is activated between the customer and the brand/ company through the chat (Marino and Lo Presti, 2018; 2019a). McDonald (2014) showed that high levels of involvement and team loyalty can emerge from increased consumer involvement in the creation and delivery of the service. Moreover, the literature demonstrated that fan involvement by means of, for example, ritual behaviour, has a direct effect on satisfaction and team identification (McDonald, 2014). Fans' social interaction

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increases opportunities to exchange knowledge, interact, and add value to the experience; therefore, those more involved in sports communities and participating in rituals may have higher satisfaction and loyalty to teams. McDonald (2014) showed that rituals are often fan-driven andteams must start encouraging and promoting these behaviors because they increase affective and behavioral responses. For this reason, we can affirm that:

H5: *cognitive engagement has a positive relationship with satisfaction*
H6: *emotional engagement has a positive relationship with satisfaction*
H7: *behavioural engagement has a positive relationship with satisfaction*
H8: *involvement has a positive relationship with satisfaction*

Engagement through interaction with instant messaging apps influences the performance of the CRM (Marino and Lo Presti, 2018). Engagement generates a link with the organization through an ever open channel, thus creating a positive effect on WOM and loyalty. The literature demonstrates the mediating role of satisfaction between customer engagement and customer loyalty (Marino and Lo Presti, 2018; Bowden, 2009a, 2009b; Deng *et al.*, 2010). For Bowden (2009a) engagement is an iterative process that commences with customer satisfaction and culminates in customer loyalty. For this reason, and based on previous studies, we can affirm that:

H9: *Satisfaction has a positive relationship with loyalty*

It is supposed that fan engagement has an effect on fan loyalty (Carlson and O'Cass 2012; Yoshida *et al.*, 2014; Santos *et al.*, 2019). Fan engagement through smartphone communication has been shown to have an effect on behavioural loyalty. Fans can develop loyalty while they are using their smartphones. In fact, the more the fans intensify the involvement through the exchange and interaction on smartphones, the more they identify with the sports team and act in support of their heroes (Kang, 2017), therefore:

H10: *Fan engagement has a positive relationship with loyalty*

As shown in Figure 1, the main underlying hypothesis of the proposed model is that the use of MIM for the relationship with fans elicits an engagement that exerts a positive influence both on satisfaction and fan engagement. This perception, in turn, constitutes a significant predictor of post-service intentions both in terms of propensity to use the channel and of positive word of mouth (fan loyalty).

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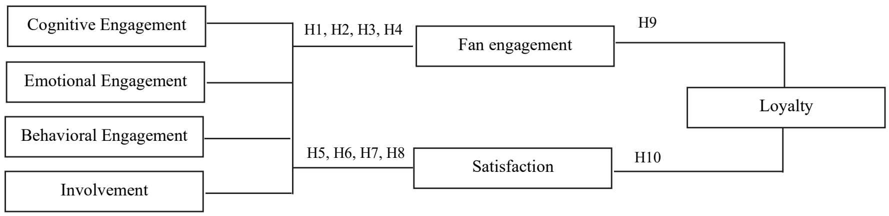
Figure 1 – The hypothesized research model



Source: author's elaboration

3. Methodology

To test the hypotheses, a survey was conducted on the fans of a famous football team in Italy. Recently, in 2018 an Italian football team decided to use WhatsApp (Mobile Instant Messaging – MIM) to allow fans to communicate directly with football players. Indeed, the football team added the messaging application to their social networks to further reduce the distance between players and fans. On certain days of the week and at certain times, players are available at the WhatsApp number to respond to messages from fans, enthusiasts and the curious.

They are, therefore, real private chats in which it will be possible to ask questions, ask for photos, give greetings, and receive answers in real time. In order to test the proposed model, a structured questionnaire, organized into three sections, was adopted using previous research. The online questionnaire survey collected data (138 answers) on users' engagement with MIMs, satisfaction, and fan loyalty. Moreover, the involvement and fan engagement with the football team was measured. The scales used to measure the constructs in this study were adopted from previous studies to ensure content validity. Items measuring the customer engagement construct were adopted from Hollebeek *et al.* (2014) and Marino and Lo Presti (2018). The sport involvement was adopted from Katz and Heere (2016), while the items measuring fan engagement were adopted from Yashida *et al.* (2014). Finally, adv the items measuring satisfaction and loyalty were taken from Wang *et al.* (2004). We also measured the authenticity scale from Tsiotsou (2012). Responses were made on a seven-point Likert scale (from 1=definitely disagree to 7= definitely agree).

Google form was used to create the online survey and was administered to the team's fans between 1 June 2018 and 20 July 2018 and collects only a sample of convenience. The questionnaire was sent to the supporters of the football club for completion. 138 questionnaires were collected for the final

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analysis. Of 138 respondents, 56 fans declared to use WhatsApp to chat with football players, while 82 respondents did not use the MIM with the players. 56 fans were also asked to respond to questions regarding customer engagement with WhatsApp, their satisfaction and loyalty. For both groups demographic characteristics were collected. To verify if there are differences between fans using MIMs with football players and fans not using MIMs with sports teams, so as to be able to justify the use of WhatsApp with sports teams, we conducted a sample t-test on both groups.To analyse the hypothesized relationships regression analyses were developed only on the fan group's responses. To evaluate the mediating effects of fan engagement and satisfaction between customer engagement online and offline, and the loyalty to the team and the intention to continue using MIM apps, a sequential regression model (Baron and Kenny, 1986) was implemented.

4. Results

4.1 Description of the Sample

In the sample, there were more men (76%) than women (24%). Most of the respondents are in the age groups of 46–55 years (27%) and 25–35 years (20%). Respondents had a high school diploma (46%) or a university degree (3%). Only 41% of respondents declared to use WhatsApp to chat with football players (Table 1).

Table 1 – Description of the sample (continue)

Description	Variable	N.	%
Age	25 – 35	28	20
	36 – 45	19	14
	46 – 55	37	27
	56 – 65	25	18
	< 25	18	13
	> 65	11	8
	Total	138	100
Gender	F	33	24
	M	105	76
	Total	138	100
Education	University degree	54	39
	High school (license)	64	46
	8th grade diploma	18	13
	cell empty	2	1
	Total	138	100

Source: author's elaboration

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4.2 Regression Analysis

The results of sample t-test shows that the differences are present in two out of three constructs investigated in both groups: fan engagement (t(132)=-3.994, p=<0.001, MMIMuser=5.42 SD=1.62 Mnonuser=3.73, SD=1.53) and involvement (t(132)=-2.773, p=<0.001, MMIMuser=4.9, SD=1.68 Mnonuser=3.6, SD=1.84) while for authenticity there is a slight difference (t(132)=-1.908, p=<0.1; MMIMuser=5.3, SD=1.56, Mnonuser=4.5, SD=1.56). For age, level of formation and gender both the groups are similar. These preliminary results demonstrate that WhatsApp with the football player is used only if there is a strong fan motivation. A regression sequence was performed to evaluate the relationships between engagement and involvement and the mediating effect of fan engagement and satisfaction, checking for gender, instruction level and age.

The mobile instant messaging engagement construct and involvement were firstly adv regressed on fan engagement (model 1) and satisfaction (model 2). In the second sequence, engagement construct and involvement were regressed on fan loyalty (model 3). Finally adv, the mediating effect of fan engagement and satisfaction were investigated in models 4 and 5. All regression models are significant (F-statistics with $p<0.001$) and explain a substantial amount of variance (relatively high R2).

Moreover, the models demonstrate low multicollinearity (VIF for each independent variable in all models is smaller than the threshold value of 3). Behavioural engagement (β=.637, p=.054**) by means of MIM apps and involvement (β=.600, p=.008***) with sports teams demonstrate significant effects on fan engagement, as shown by model 1, supporting H3 and H4. Consequentially, hypothesis H1, H2 are not supported (Table 2). As stated in hypotheses 6, only emotional engagement has an effect on satisfaction. The result for this variable was consistent with model 2. Furthermore, the age variable is relevant for customer satisfaction.

In particular, the younger the fans are the more they are satisfied in the use of MIM apps with players. This is consistent with the literature that affirms that the digital engagement platform is a channel appreciated by Millennials (Statista 2018). Regarding the analysis of loyalty models, the results of model 3 and Model 4 demonstrated a significant influence of involvement (respectively β=.491, p=.003*** and β=.331, p=.065*) and age (respectively β=-362, p=.003*** and β=-405, p=.001***). Only H8 is verified. In model 4, a partial mediating effect from fan engagement is present (β=.268, p=.099*), giving support for H9. Finally, in Model 5 the effect of fan engagement and involvement on loyalty is mediated by satisfaction (β=.570, p=.003***). Age and gender variables also have an important role on the intention to continue

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using the MIM apps with football players as the literature confirms (Li *et al.*, 2018; Burk *et al.*, 2016).

5. Discussion

The present study intends to fill a gap in the literature concerning the role of conversational marketing tools by sports organizations by means of the use of MIM Apps with fans. Overall, this study has highlighted the importance of behavioural engagement during the use of WhatsApp with football players on fan engagement and the role of emotional engagement on fan satisfaction. This last result confirms the recent results of the literature on the topic (Marino and Lo Presti, 2018).

The results also revealed that involvement and fan engagement are determining for the loyalty to the sports team and for the continued use of the MIM apps in the future. In particular, this is true for young people who are satisfied when using WhatsApp with players. It means that WhatsApp, also in sport management, is capable of giving young fans a more active role, increasing the fan engagement by means of emotional and behavioural engagement.

This study focus on the crucial role of mobile media as a key channel of social experience in a interconnected context. The popularity of WhatsApp and the group conversations that this app facilitates have created a unique experience for fans (Weimann-Saks *et al.*, 2019; Tamir, 2020). This study confirms that the use of mobile media and online social media can affect the degree of the users' engagement and proactiveness (Tamir, 2020; Weimannand-Saks, 2019).

The results demonstrate that fans can develop loyalty while using their smartphones with their favorite football players. This research confirms that MIM apps stimulate interaction between the fans, thus creating social bonds that allow mutual support and sustain the sports team with concrete actions (purchase of merchandise, season tickets, brand support, brand ambassador, etc.). This paper represents an addition to the growing corpus of knowledge on relational marketing in the sports sector and on the use of digital services for actions of engagement and fan retention. The results of the research show that instant messaging, used as a platform for fan engagement, has an effect on satisfaction which can generate spontaneous, interactive and co-creative behaviour with the sports team and/or with other fans and favours the sense of belonging to the football brand.

The instant messaging apps therefore have a determining role as an in-

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strument of conversational marketing, thus confirming the results of the literature on the issue (Lo Presti *et al.*, 2021b) and can be an important factor in the support of sports teams in addition to the usual events and shows that are set up ad hoc.

From a theoretical perspective this work contributes to the literature on conversational marketing in three ways. Firstly, this research is, as far as we know, the first study to study the role of instant messaging on fan engagement and the satisfaction of the fans when used as an instrument for engagement between fan-sports teams in the context of conversational marketing. Secondly, in the light of what has been said so far, this study enriches the still limited research by investigating the role and importance of contacting fans through direct and immediate channels such as those of MIM apps and of guaranteeing the extension of the fans' football experience well beyond the sports events. These results are also coherent with Hsu (2019) who demonstrated that during the fan journey, for example in the stages of attachment and alliance, specific marketing actions are required, among which: "emphasis the fan community"; "extend the community to non-event settings"; "personalization". In line with this research, our work contributes to furthering the academic knowledge by showing that fan-sports team conversations can create an effective contact for the activation of new and positive experiences for the fans.

Thirdly, the results of the research contribute to enriching the knowledge on relational marketing instruments in the sports sector for an efficient fan relationship management. The proposed investigation, albeit limited to the experience of a single case study, shows how it is possible, starting from the engagement lever through the opportunities offered by instant interaction with sports teams, to plan omni-channel strategies that are more immersive and tailor made. This research can be used as a base for furthering the knowledge on the future of relational marketing in the sports sector. In fact, this study contributes to the literature on sport brands claiming that with digital engagement platforms based on the instant interaction of the fans. The consolidation of the relationship with the sports brand can be greatly adv increased if leverage is placed on the emotional level and on the satisfaction of the fans created by the interaction with the players. This study is coherent with the extant literature on the consequences of cultivating the brand-customer relationship through engagement (Fournier, 1998).

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Table 2 – The results of sequential regression analysis

	Model 1[b]			Model 2[c]			Model 3[d]			Model 4[e]			Model 5[f]		
	Fan engagement[a]			Satisfaction[a]			Loyalty[a]			Loyalty[a]			Loyalty[a]		
Variables	Stand. Coeff.	T Value	Sig.	Stand. Coeff.	T value	Sign.	Stand. Coeff.	T value	Sign.	Stand. Coeff.	T value	Sign.	Stand. Coeff.	T value	Sign.
Constant		.883			1.106			2.597			2.337			2.185	
Cognitive engagement	-.118	-.410	.686	.276	1.263	.221	.113	.544	.593	.145	.727	.476	-.025	-.149	.883
Emotional engagement	-.228	-.928	.365	.334	1.793	.088*	.182	1.023	.319	.243	1.404	.176	.028	.184	.856
Behavioural engagement	.637	2.048	.054**	.113	.478	.638	.019	.084	.934	-.152	-.644	.528	-.148	-.780	.446
Fan engagement										.268	1.737	.099*	.161	1.257	.225
Satisfaction													.570	3.380	.003***
Age	.160	1.058	.303	-.269	-2.345	.029**	-.362	-3.312	.003***	-.405	-3.781	.001***	-.234	-2.353	.030**
Gender	.006	.037	.971	.136	1.294	.210	-.037	-.369	.716	-.093	-.922	.368	-.148	-1.792	.090*
Education	.209	2.509	.147	-.119	-.917	.370	.072	.584	.566	.071	.598	.557	.139	1.435	.169
Involvement	.600	2.948	.008***	.079	.513	.613	.491	3.330	.003***	.330	1.961	.065*	.349	2.579	.019***
Adjusted R^2	.727			.843			.857			.876			.924		

[a]Dependent variable; Model 1[b]=R(.852), F(7.595), p<0.001; Model 2[c]=R(.918), F(15.295), p<0.001; Model 3[d]=R(.926), F(17.083), p<0.001; Model 4[e]=R(.936), F(16.834), p<0.001; Model 5[f]=R(.961), F(24.444), p<0.001; *p<0.1; **p<0.05; ***p<0.01

Source: author's elaboration

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5.1 Managerial implications

It has also strong managerial implications. Fans who are engaged and more satisfied thanks to the use of MIM apps can be ambassadors for the sport brand thus affecting the WOM and stimulating the support of the team. For this reason, sports team managers have to consider the MIM app as a tool that can increase fan engagement. This suggestion is coherent with the recent research results (Yadav *et al.*, 2023) that demonstrate the crucial role of digital interaction for supporting fan engagement in sports ecosystems. Our results add new information to the understanding of the role that information and communication technologies play in facilitating social connections between sports fans and the organizations that cater to them (Yadav *et al.*, 2023). Previous studies find a dynamic link between the brand, consumer, and consumer-brand interaction in the context of an information-enabled sports communication network (Cheung *et al.*, 2021; Yadav *et al.*, 2023). Our research demonstrate also that the use of a conversational marketing tool for the engagement strategy has to keep in mind that the efficacy of its use depends on the level of fan engagement and fan involvement (as demonstrated by the results of the independent sample t-test). It is recommended that sports teams employ a conversational approach in an integrated marketing strategy for communicating with fans through the use of social media. Sport marketers should monitor fan engagement to assess the impact of operational changes (e.g., social media) on the fans' engagement level (e.g. Yoshida *et al.*, 2014; Kang, 2017). This suggests that managers should adopt the instant messaging apps as a relational marketing instrument as it is exactly the type of technology that has the emotional and behavioural dimensions as its objective. Companies should use MIM Apps to create emotional and behavioral engagement. MIM Apps help football clubs strengthen their relationship with the fans by guaranteeing support (by word of mouth, collaboration, and sharing on other social networks) and continued use of MIM in the future. Furthermore, football clubs could have better fan monitoring by reducing dropout. Despite this, the importance of acquiring relational skills, which are only sometimes inherent in those who use the chat with fans, is highlighted. Some skills will be needed: adaptability, relational skills, and empathy.

5.2 Limitations and Future Research

Although this study has taken one step forward in understanding MIM for enhancing fan commitment, it has various limitations. First, the customer's

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point of view limits its generalizability: The analysis was conducted on very limited sample of customers. This research refers to the sport of football, so for this reason, further research could investigate the potential customer–brand relationships in MIM chats for other sports. Moreover, this study does not investigate MIM Apps as engagement platforms from the firm's point of view; this limitation can be addressed in future research. Furthermore, this study measures fan engagement without considering the football season, which had already ended in the survey period. These factors may have influenced fan responses.

This study does not investigate the direct relationship between satisfaction with using WhatsApp and the construct of fan engagement. However, the objective of the work was to measure the importance of fan engagement through WhatsApp on satisfaction with the fan engagement construct and, in turn, on loyalty. Luo (2002) suggested that interactivity, information quality, and entertainment in the online context are the basis of user satisfaction and, therefore, user loyalty. According to the theory of uses and gratifications, in future research development, one could verify the relationship between satisfaction with the use of WhatsApp and fan engagement through a structural equation model. In the future, it will be necessary to investigate other case studies that adopt MIM apps to interact with fans to detect the effectiveness of this engagement platform as a marketing channel for fan relationship management. Our research represents the first step in addressing a research approach to conversational marketing in sport management. Furthermore, the proposed model and its results can be helpful in strategic planning for future research in customer relationship marketing.

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Financial fair play and competitive (im)balance in the Greek Super League

*Argyro Elisavet Manoli**

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Abstract

The inception of financial fair play (FFP) regulations in 2011 prompted debates about their potential impact on competitive balance within European football. Divisive arguments emerged: some anticipated a negative influence, foreseeing a decline in competitive balance, while others posited a contrary viewpoint, suggesting that these regulations could actually enhance competitive balance by diminishing the significance of financial supremacy. Amidst this discrepancy in perspectives, and unlike existing studies on major European football leagues, this investigation was prompted to scrutinize the influence of FFP on competitive balance within the Greek Super League. Utilizing the Herfindahl Index of Competitive Balance as the primary assessment tool, complemented by analyses involving the standard deviation of points, this study evaluated competitive balance within the league across 15 seasons, equally spread before and after the introduction of the FFP regulations. Echoing and even amplifying the concerns, the findings unveiled indications that FFP had engendered a decline in competitive balance within the Greek Super League, with a previously noted improvement abruptly halted and in fact reversed after the introduction of the FFP. This auspicious impact surpasses the intended primary objective of the regulations and underscores the influence they can have regarding the future (in)stability of club football. While acknowledging the imperative need for further exploration in this domain, this study represents an initial foray into understanding the effects of FFP regulations on competitive balance in medium and smaller sized European football.

Keywords: club football, European football, football governance, sport financial management.

* PhD, MBA, Associate Professor of Marketing and Management. University of Bergamo. argyroelisavet.manoli@unibg.it

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Sommario

L'introduzione delle norme sul fair play finanziario (FFP) nel 2011 ha suscitato dibattiti sul loro potenziale impatto sull'equilibrio competitivo nel calcio europeo. Sono emerse argomentazioni controverse: alcuni hanno anticipato un'influenza negativa, prevedendo un declino dell'equilibrio competitivo, mentre altri hanno ipotizzato un punto di vista contrario, suggerendo che queste normative potrebbero effettivamente migliorare l'equilibrio competitivo diminuendo l'importanza della supremazia finanziaria. In mezzo a questa discrepanza di prospettive, e a differenza degli studi esistenti sui principali campionati di calcio europei, questa indagine analizza l'influenza del FFP sull'equilibrio competitivo all'interno della Super League greca. Utilizzando l'indice Herfindahl dell'equilibrio competitivo come strumento di valutazione principale, integrato da analisi che coinvolgono la deviazione standard dei punti, questo studio ha valutato l'equilibrio competitivo all'interno del campionato in 15 stagioni, equamente distribuito prima e dopo l'introduzione dei regolamenti FFP. Facendo eco e addirittura amplificando le preoccupazioni, i risultati hanno rivelato che il FFP aveva generato un declino dell'equilibrio competitivo all'interno della Super League greca, con un miglioramento, precedentemente notato, bruscamente interrotto e di fatto invertito dopo l'introduzione del FFP. Questo impatto di buon auspicio supera l'obiettivo primario previsto dai regolamenti e sottolinea l'influenza che questi possono avere sulla futura (in)stabilità del calcio per club. Pur riconoscendo la necessità imperativa di ulteriori approfondimenti in questo ambito, questo studio rappresenta una prima incursione nella comprensione degli effetti delle normative FFP sull'equilibrio competitivo nel calcio europeo di medie e piccole dimensioni.

Parole chiave: calcio per club, calcio europeo, governance del calcio, gestione finanziaria dello sport.

1. Introduction

The financial turmoil of European club football remains a growing concern, despite soaring revenues. While Europe's top-division clubs collectively amassed a staggering €13.2 billion in revenue during the 2011 financial year, a disheartening truth emerges: these same 734 clubs faced a combined net loss of €1.7 billion for that period (UEFA, 2011; Franck, 2014). A disconcerting escalation in net losses – spiking by a staggering 760% between 2006 and 2011 among these 734 clubs – adds weight to the issue (Franck and Lang, 2013). Alarming statistics show that 55% of these clubs reported net losses in 2011, with an additional 38% trapped in a quagmire of negative equity, their debts overshadowing the value of club assets (Franck, 2014).

This dire financial landscape prompted the implementation of financial

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regulations across Europe, spearheaded by UEFA's Financial Fair Play (FFP) regulations. These rules aimed to infuse a sense of order and prudence into the tumultuous finances of European club football, ultimately safeguarding its stability (UEFA, 2015).

Despite the noble intentions behind FFP, a cloud of scepticism lingers over these regulations, with concerns raised about their potential adverse impact on the competitive balance within European football (Lindholm, 2010; Sass, 2014; Szymanski, 2014). This contentious issue has garnered considerable attention in existing literature, yet its depths warrant further exploration. Thus, this study endeavours to delve into this discourse to ascertain its validity. Employing two distinct statistical measures – namely, the Herfindahl Index of Competitive Balance and the standard deviation of points – the study aims to unveil insights into the effects of FFP regulations on the competitive balance within the Greek Super League (the top division of football in the country). Unlike previous studies on the matter that have primarily focused on the bigger leagues of Europe (e.g., Freestone and Manoli, 2017; Plumley *et al.*, 2019; Garcia-del-Barrio and Rossi, 2020), this study centres on a previously unexplored medium to small league. These results not only promise to shed light on the alterations in competitive balance within the league but also foster continued discussions and analyses on this captivating subject, by expanding our appreciation of the effects of FFP beyond big leagues in European football.

The article is structured into five sections. After this initial exposition, the study delves into its theoretical underpinnings before outlining its research design. Subsequently, a meticulous presentation of the study's findings will scrutinize the impact of FFP on competitive balance. Finally, the implications of the drawn conclusions will be expounded upon, accompanied by recommendations for future research endeavours in this domain.

2. Literature review

This section will navigate the existing corpus of literature discussing the intertwining subjects of competitive balance and financial fair play, laying the groundwork for this study. Commencing with an exploration of competitive balance, this concept stands as the linchpin underlining this research.

At the heart of any sports competition lies the essence of competitive balance, a concept rooted in the premise that «competitors must be of approximate equal 'size' if any are to be successful» (Rottenberg, 1956, p. 242). This notion hinges upon the necessity for sporting contests to encompass elements of unpredictability, ensuring an uncertain outcome, thereby offering

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entertainment value to spectators (Humphreys, 2002; Késenne, 2007; Scelles, François and Dermit-Richard, 2022). Unlike traditional economic theory, the sports "product" represents an indivisible, collective output shaped by every participating team within a league, contingent upon the collaboration and contributions of each (Morrow, 2003; Goossens, 2006; Lee and Fort, 2012). While business pursuits strive for monopolistic dominance within legal limits, in the realm of sports, "pure monopoly is a disaster", as teams rely on adversaries of comparable prowess (Neale, 1964, p. 2; Scelles *et al.*, 2022).

Debates surrounding competitive balance have simmered within academia, dissecting its relationship with league structure and club priorities. Studies have delved into various potential influencing factors, including revenue sharing from gate and TV sources (Feess and Stähler, 2009; Grossmann *et al.*, 2010), talent distribution (Kesenne, 2006; Winfree and Fort, 2012), salary caps (Dietl *et al.*, 2011a), promotion-relegation systems (Andreff, 2011), investment regulations, taxes (Brandes and Franck, 2007; Dietl *et al.*, 2010), the number of opponents, and participation in international competitions (Pawlowski *et al.*, 2010). Interrelationships among these factors and their correlation with competitive balance have spurred conflicting viewpoints, intertwining with discussions on clubs' focus on profit versus winning (Dietl *et al.*, 2009; 2011b; Madden, 2015; Gasparetto, Mishchenko and Zaitsev, 2023).

Measuring competitive balance remains contentious in scholarly circles. Diverse methodologies have emerged, contingent on the league's nature and regulations (open or closed), gaming rules (possibility of a draw), and talent distribution norms (open or closed market, salary caps). Various measures like the Herfindahl Index of Competitive Balance (Michie and Oughton, 2004; Pawlowski *et al.*, 2010), standard deviation of points (Koning, 2000; Szymanski and Kuypers, 2000), and the Scully-Noll ratio (Cain and Haddock, 2006; Lee and Fort, 2012) exist, with two of them discussed further in this study's methodology section.

Yet, the literature signifies a shift in the landscape of competition in club football–a realm where financial resources have emerged as a pivotal driver for success (Franck, 2010; Gasparetto *et al.*, 2023). Wealth has become the currency to acquire playing and managerial talent, transforming European club football into a win-maximization environment, abandoning the erstwhile model of profit maximization that dominated the scene, especially prevalent in US sports ownership models (Wilson *et al.*, 2013; Franck, 2014). This transition has led to a mismanagement of financial resources, sparking apprehensions about the efficacy of European club football's functionality (Wilson *et al.*, 2013).

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This scenario raises two primary concerns. Firstly, it has fostered a financially precarious environment, potentially jeopardizing the long-term sustainability of European club football (Lago *et al.*, 2006; Franck, 2014; Plumley *et al.*, 2022). Instances of insolvency, such as Leeds United's ordeal, underscore the perils of reckless financial gambling, resulting in severe debts and club downfalls (Buraimo *et al.*, 2006). Administration, a favoured recourse among financially beleaguered football clubs, presents a lifeline to restructure rather than obliterate ailing entities (Beech *et al.*, 2008; Szymanski, 2012). However, it often leaves creditors short-changed, inadvertently subsidizing clubs' imprudent financial behaviours due to football clubs' societal and cultural significance (Szymanski, 2012).

Recognizing their unique stature, football clubs exploit their seemingly safeguarded status against financial failure, fostering an environment akin to soft budget constraints–a phenomenon found in socialist economies, the public sector, and finance sectors (Storm and Nielsen, 2012). European football clubs adopt the expectation of post hoc support, establishing a belief that they are «too big to fail» (Preuss *et al.*, 2014). Shockingly, a substantial number of European football clubs teeter on the brink of bankruptcy, portraying the English Premier League as less than a year away from financial ruin when evaluated as a conventional business (Kearney, 2010; Franck, 2014; Plumley *et al.*, 2022).

The second concern centres on the escalating trend of "financial doping" – the reliance on external backers to cover perpetual losses, securing a financial edge over rivals (Muller *et al.*, 2012). These "sugar daddies" inject colossal sums into clubs, often becoming owners, with little concern for the financial haemorrhage (Lang *et al.*, 2011). More than half of Europe's top-tier clubs perennially operate at a loss, splurging money they lack (Beech *et al.*, 2008). This "doping" tag signifies an endeavour to gain an unfair advantage by artificially manipulating the innate competitive balance in sports (Schubert and Könecke, 2015), leading to a distorted competitive landscape within and between European leagues (Schubert and Könecke, 2015; Plumley *et al.*, 2022).

This arms race of spending beyond means has sparked an inflationary cycle, escalating transfer fees and player salaries in the pursuit of immediate success (Hill, 2011). European football clubs, fixated on win maximization, exhibit profligate spending behaviours, neglecting the essence of profit maximization or efficient functioning strategies crucial for financial stability and sustainability (Wilson *et al.*, 2013; Wagner, Preuss and Könecke, 2021).

Responding to these mounting concerns, UEFA implemented Financial Fair Play (FFP) regulations to oversee the financial conduct of clubs participating in UEFA competitions. While the regulations directly affect only 235

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out of 734 top-division clubs each season, leagues across Europe, including the Greek Super League, have adopted their versions to impose financial standards on all clubs (Hill, 2011).

UEFA's FFP aims to promote responsible spending, safeguard creditors, and encourage clubs to operate based on self-generated revenues, safeguarding the long-term vitality of European club football (UEFA, 2015). These objectives hinge on two regulatory mechanisms – the no overdue payables rule and the break-even rule (Peeters and Szymanski, 2013). The former targets timely payments to employees, social and tax authorities, and other clubs, aligning football clubs with standard business practices (Szymanski, 2014).

Compliance with the break-even rule mandates clubs to match expenses with income (UEFA, 2015). Although exceptions exist, clubs must eventually balance their books to partake in UEFA competitions. Despite variations in specific details, financial fair play regulations across Europe derive from UEFA's framework.

However, these regulations have encountered criticism spanning legality concerns, potential reduction in team quality, downward pressure on players' wages, and limitations on external financial injections (Long, 2012; Drut and Raballand, 2012; Dietl *et al.*, 2009; Madden, 2012; Franck, 2014). Notably, debates have centred on the regulations' potential adverse effects on competitiveness, paralleling a relative salary cap that could favor larger clubs and exacerbate existing hierarchies (Lindholm, 2010; Sass, 2012; Franck, 2014).

European football's historical competitive imbalance, coupled with declining competitive balance since the 1990s, has manifested in a dominant league hierarchy (Pawlowski *et al.*, 2010; Peeters and Szymanski, 2013). FFP, lacking a specific aim to address competitive imbalance, strives to disrupt the status quo by introducing discipline and rationality to European football, shifting the focus from external financial boosts to efficient management. This shift is projected to reduce avenues for instant success through cash injections, fostering organic growth (Geey, 2011).

Thus far, the little existing research juxtapositioning FFP and competitive balance has produced rather mixed results, all focused on major European leagues. Such research has argued that a decline in competitive balance after FFP was noted in the French, Spanish and German top leagues (Garcia-del-Barrio and Rossi, 2020), with the results in the analyses in the top division of football in Italy and England suggesting either no difference in the competitive balance, or a slightly positive outcome following the implementation of the FFP respectively (Freestone and Manoli, 2017; Plumley *et al.*, 2019). Despite this, an analysis evaluating the impact of financial regulations on competitive balance in smaller or medium sized leagues in Europe remains

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absent. Hence, this study seeks to scrutinize competitive balance trends and the effects of FFP regulations over the past 15 seasons to offer a more informed perspective.

3. Methodology

The extensive literature review regarding Financial Fair Play (FFP) regulations in European football has illuminated several arguments proposing that the implementation of these regulations might diminish the competitive balance in European club football, particularly within the Premier League and other major leagues within Europe. Therefore, the objective of this research is to scrutinize the validity of these assertions by analysing relevant data, aiming to either substantiate or refute the notion that FFP exerts a negative impact on competitive balance within a small or medium size league such as the Greek Super League.

Competitive balance serves as an indicator of the relative performance among teams within a specific sports league, offering insight into the overall equipoise among teams (Goossens, 2006). Determining the appropriate measure of competitive balance depends on the rules, structure, and format of the sporting competition. This research will focus on each team's points tally at the conclusion of every season as this metric provides the most accurate assessment of overall performance (Evans, 2014). Notably, the Greek Super League allocates one point for a draw and three points for a win, necessitating any metric used to encompass both wins and draws for an accurate evaluation of overall performance. Additionally, league position is determined by the total points accrued by each team over the season, making it logical to assess performance using the same metric.

However, points are not the sole metric to gauge relative performance; indicators like win percentage, goals scored, goals conceded, goal difference, and league position can serve as proxies for performance. While win percentage is frequently used in North American sports due to their win-loss framework (Scully, 1989; Quirk and Fort, 1992), metrics like goals scored and conceded, while informative, might be misleading when considered independently. Match results and subsequent points are not solely contingent on total goals scored or conceded but rather on the balance of goals relative to the opposition in each match. Therefore, achieving high goal tallies or conceding fewer goals doesn't guarantee victory or the accumulation of points. Likewise, utilizing league position as a performance indicator might not accurately represent the relative points difference between each position. Hence, the points-based system offers the most comprehensive assessment

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of overall and relative team performance within a league of this nature (Evans, 2014).

4. Research Design

In this study, the primary measure of competitive balance will be the Herfindahl Index, complemented by cross-examinations using the additional measures of the standard deviation of points. The Herfindahl Index, initially designed to evaluate inequalities among firms in an industry, has been adapted to analyse sports leagues' competitiveness (Michie and Oughton, 2004; Brandes and Franck, 2006). Given the Greek Super League's format, the market share variable is replaced by each club's share of points, considering points as the benchmark for measuring performance and success in the league. The other employed measure is based on standard deviation calculations. The standard deviation of points offers a statistical evaluation of point distribution among clubs concerning the league's average points total (Goossens, 2006).

4.1. Data Collection

The points awarded based on the playing success of the teams of the Greek Super League were selected and used for this study, which often deviated from the final points count of the season. That is because of the league's turbulent history, additional points were often deducted from the teams at the end of the season due to either financial mismanagement or violence incidents (Manoli *et al.*, 2021). These deductions however were not directly related to the playing success of the teams, and as such, they were disregarded for this study. As such, the total points accumulated by each team at the end of each of the seasons based on their playing performance were collated from the official website of the Greek Super League (www.superleaguegreece.gr).

4.2. Data Analysis

The research will generate competitive balance values for 15 Greek Super League seasons, equally spread before and after the introduction of the FFP regulations, beginning from the season 2002/03 and continuing to the 2018/19 season, utilising the methods mentioned above (Herfindahl Index

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and standard deviation). The seasons 2013/14 and 2014/15, however, are excluded for the analysis since the format of the league was temporary changed to include a different number of participating clubs. All selected seasons had the same number of clubs participating in the league, ensuring consistency in the dataset, crucial for the reliability of results (Michie and Oughton, 2004). Analysing representative and comparable statistics for each season enables the identification of trends over the 15-year period, particularly comparing data pre and post the introduction of FFP in 2011.

The analysis will also include a measure of the range between the top-ranked and bottom-ranked teams' total points, offering a simplistic representation of the point spread in the league. While this measure disregards data concentration between the highest and lowest points, it supplements the two primary measures to provide a more comprehensive overview of competitive balance.

5. Findings

Upon compiling data from the 15 Greek Super League seasons selected retrieved from the official website of the league, an intricate analysis ensued utilizing the Herfindahl Index and the Standard Deviation of points. These measures aimed to depict the competitive balance. The Herfindahl Index assesses the disparity between clubs in a league by gauging each club's share of total points relative to the competition. In a 16-team league like the Super League, the Herfindahl Index typically ranges between 0.05 (indicating a balanced league) and 0.07 (depicting an unbalanced league) (Michie and Oughton, 2004).

Initial observations of the minimum, maximum, and mean points values (Figure 1) underscore football's varied and unpredictable nature (Buraimo *et al.*, 2007). Although the Greek Super League naturally forms a hierarchy (even called a monopoly at times – e.g., by Manoli and Antonopoulos, 2015), the absolute points vary between seasons, indicating that singular season comparisons may be limited. Long-term trends, however, prove more illustrative and representative.

The examination of range calculations, revealing the point differential between first and last positions, unveils substantial variability across seasons (Figure 3). Notably, the 69 and 72-point differential in the seasons 2015/16 and 2018/19 respectively surpass the winning points total in 2004/05 (65 points) and exceeds the points tallies of second-placed teams in 12 instances. This disparity correlates with the significant difference in market values of the clubs, and highlight financial strength as a key driver of competition,

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encouraging risky financial behaviour among clubs seeking victory (Franck and Lang, 2013).

Figure 1 – Minimum, maximum and mean points

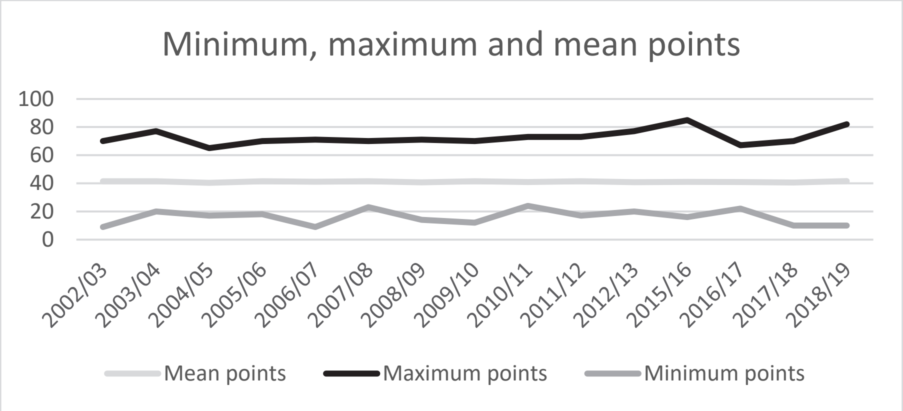
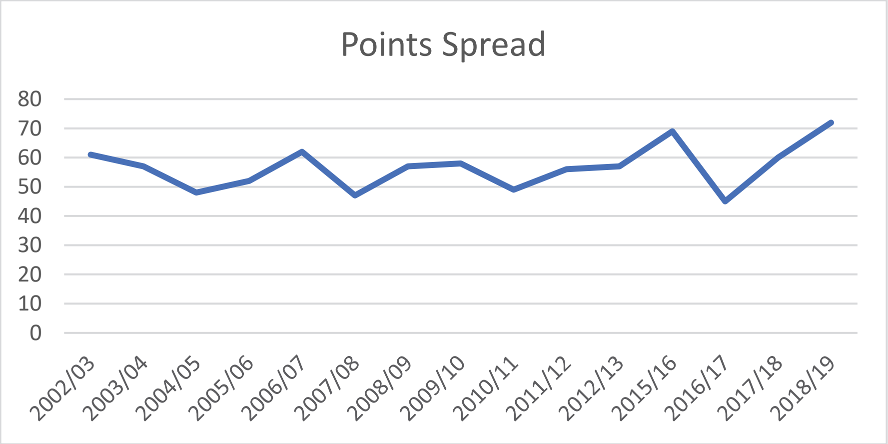


Figure 2 – Points spread



Herfindahl Index results (see Figure 3) indicate that while originally the league was very imbalanced competitively, a notable gradual improvement was noted from seasons 2002/03 – 2010/11, in which we see the league being the most competitively balanced.

This improvement, contradicts the wider suggestion that a general decline in competitive balance was noted in modern day football, inviting for the

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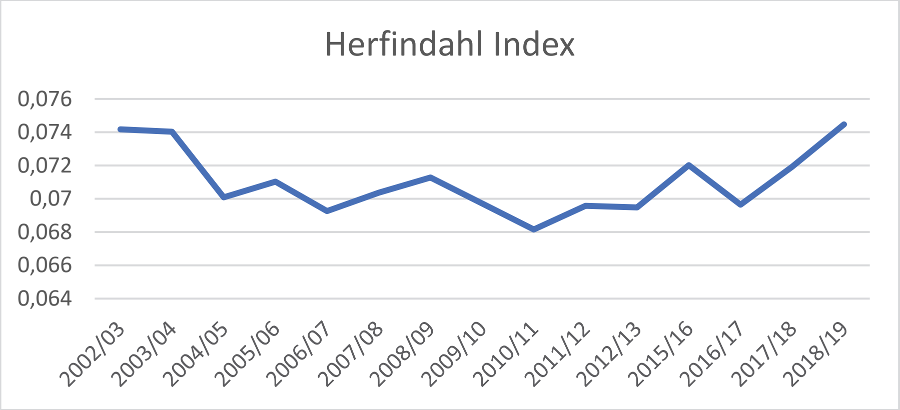
introduction of the FFP regulations (Michie and Oughton, 2004; Goossens, 2006; Pawlowski *et al*., 2010). This decline linked to substantial financial disparities among clubs due to increased prize money for sporting success was argued while analyses were based on major leagues (Drut and Raballand, 2012; Lee and Fort, 2012), which explains why such an opposite trend in competitive balance has not thus far been captured within existing studies.

Figure 3 – Herfindahl Index



Post the 2010/11 dip, the Herfindahl Index witnessed fluctuations, alternating between growth and decline, which nevertheless follow an upward trend, indicating a steep decline in the competitive balance of the league. While this coincides with the introduction of the FFP regulations implementation, this helps hint at a potential FFP impact post-implementation. The FFP's introduction coincided with the league experiencing an improvement in competitive balanced, yet it appears to have reversed the improvement trend. Identical results can be also seen in the standard deviation of the league's points, as it can be seen in figure 4 below.

Subsequent seasons revealed decreased competitive balance, with the final season examined, 2018/19 indicating the most competitively imbalanced season for the Greek Super League. Interestingly, this decline of competitive balance in the league coincided with the financial shift introduced by the FFP regulations, which emphasized the need for efficiency, innovation, and good management as competitive drivers (Wilson *et al*., 2013; Franck, 2014).

This changing competitive landscape suggested a potential shift from an improving competitive balance to an increasing competitive imbalance which seems to be worsening as time progresses. As such, unfortunately, we are presented with findings that not only echo but maybe amplify the existing

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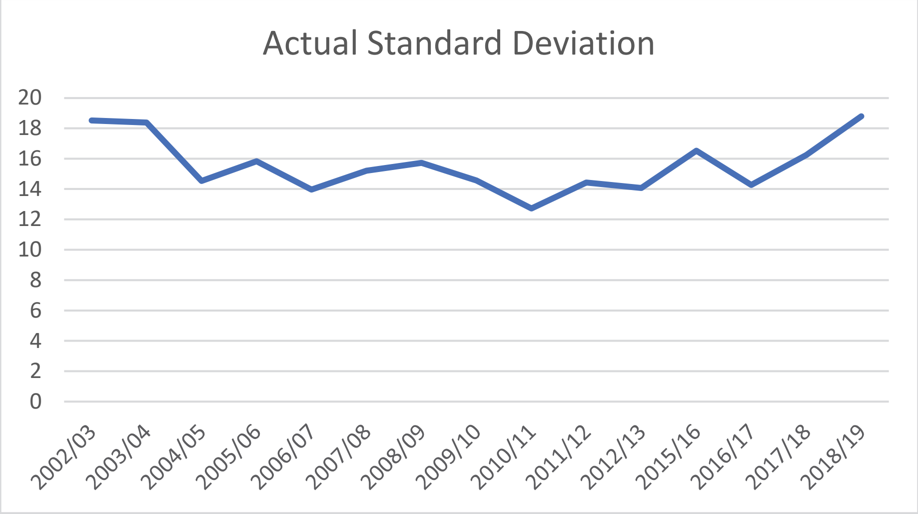
criticisms, in that the FFP regulations seem to negatively influence the Greek Super League's competitive balance, hinting at a new era of competition (Lee and Fort, 2012; Lindholm, 2010; Szymanski, 2014) in the football landscape of the country.

Figure 4 – Actual Standard Deviation



6. Discussion

This inquiry delved into the ramifications of financial fair play (FFP) regulations on the Greek Super League. Extant literature critiques these regulations, primarily centring on their legality, necessity, and potential side effects. In response to these concerns and complementing previous research on the matter (Freestone and Manoli, 2017; Plumley *et al*., 2019; Garcia-del-Barrio and Rossi, 2020), we focused on previously unexplored medium to small sized leagues and in particular the Greek Super League. Through our analysis, we therefore suggest that the FFP can indeed prove detrimental to the league's competitive balance. As such, initial criticisms stemmed largely from theoretical constructs, hypotheses, and extrapolations from analogous scenarios in other sporting and business domains, seem to be manifesting in the case of the Greek Super League.

Chief among the concerns was the anticipated decline in competitive balance within football leagues, speculating that these regulations could solidify the existing hierarchical structure, favouring affluent clubs at the league's

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summit (Sass, 2014; Szymanski, 2014). The premise suggested that smaller clubs, restricted from external financial sources, would struggle to compete, as fiscal prowess traditionally correlates with success (Vopel, 2013). Critics feared FFP might fortify the status quo, privileging a select group that previously exploited the absence of financial regulations in football.

In line with this, the study's findings paint a vivid picture of the immense disparity noted in the competitive balance of the Greek Super League, which appears to be coinciding with the introduction of the FFP. As the analysis shows, the improvement originally noted in the competitive balance of the league (pre-FFP) seems to be halted and in fact reversed after the FFP regulations are implemented. As such, the results amplify criticisms against FFP, while adding to them that the fears expressed in regard to the bigger European football leagues might be also manifesting in medium to smaller size leagues within the continent.

In our study, we note an improvement in the competitive balance of the league which seems to be halted and indeed reversed with the introduction of FFP. The improvement, right before the introduction of the FFP misaligns with the wider concerns expressed at the time that a decline in competitive balance occurred in modern day football, which in turn called for the introduction of FFP regulations (Michie and Oughton, 2004; Goossens, 2006; Pawlowski *et al.*, 2010). These arguments however, and the wider links noted between increased prize money for sporting success were made based on studies focusing on major leagues around Europe (Drut and Raballand, 2012; Lee and Fort, 2012), potentially explaining why an opposite trend was noted in our study, and indicating the implications of our study to the wider appreciation of competitive balance in smaller or medium sized leagues. The rise of a wealthy elite at major leagues' pinnacle accentuates the impact of Champions League payments on this decline (Pawlowski *et al.*, 2010; Goossens, 2006), while such disparities manifest in larger points gaps at the top while emphasizing the oligopolistic nature of the leagues (Michie and Oughton, 2004; Vopel, 2013). In the case of the Greek Super League, and while similar assumptions could be made based on the noted importance of European Champions League payments (Manoli and Antonopoulos, 2022) the opposite trend is noted here, inviting for further research to better capture and explain competitive balance trends in small and medium size leagues across Europe.

While more research is required in other medium and small size leagues around Europe, in light of the findings of this study, FFP emerges as a much-feared initiative for the Greek Super League, failing to address financial disparities that previously plagued European football, and worsening its overall competitive balance. This practical implication of our study, paints indeed a bleak picture for the implications of FFP in competitive balance in such a

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league. Even if FFP inadvertently impacts competitive balance, rectifying financial imbalances takes precedence over ensuring equitable competition (Andreff, 2011). The regulations' impact, fostering an environment that values sporting merit over financial prowess, signifies a significant paradigm shift, which has nonetheless yet to manifest in the Greek football context. As research on it has argued (Manoli and Antonopoulos, 2022) the financial health of the Greek Super League appears to be also worsening as years pass, leading us to question whether the FFP regulations have in reality had any positive impact on the league at all. Raising this question, as it emerged through the findings of our study, allows us to pinpoint the wider practical implications of the policy introduced, in order to better capture its affects on leagues of various sizes. Although further research is crucial due to this study's limitations, the signs of FFP's potential negative influence on league dynamics warrant continued investigation, especially across diverse European leagues subject to distinct FFP implementations. This evolving landscape may prompt clubs to develop innovative business models and foster a more balanced approach between sporting success and financial sustainability, ultimately enhancing efficiency and good management practices (Wilson *et al.*, 2013; Franck, 2014).

7. Conclusion

In this study, examining the competitive balance of the Greek Super League before and after the introduction of the FFP regulations, we offered a first insight on a previously unexplored medium to small league. The results of our study, demonstrate the (unintended) effects the regulations had on competitive balance within the league, further expanding our appreciation of the effects of FFP beyond big leagues in European football.

Taking all the above into consideration, it is worth noting that the inherent unpredictability in sports, especially in European club football, results in annual fluctuations in club performances (Buraimo *et al.*, 2007). Hence, distinguishing between natural fluctuations in competitive balance and changes due to FFP introduction can be challenging. Even if the results suggest a noticeable shift in competitive balance post-FFP introduction, attributing this change exclusively to FFP could be challenging due to the multitude of other factors influencing competitive balance. Nonetheless, analysing competitive balance trends and potential effects of FFP in the Greek Super League in this study, offered valuable insights into policy implications and the potential future management of European club football, especially in smaller and medium sized leagues.

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Private equity in football: How the arrival of funds has impacted the industry

Leonardo Modina[*]

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Abstract

This paper investigates the role of private equity in investment decisions in professional sports clubs, a phenomenon that is assuming growing importance in recent years. The entry of private equity into the main sports championships produces important changes in the management of professional sport which have not yet been fully investigated.

The results of the work conducted confirm the impact of private equity not only in terms of the size of investments, but also on the changes that will be necessary to encourage future investments by institutional investors. Secondly, qualitative analysis allows us to identify the criteria with which the ideal target companies are identified. Thirdly, it is shown how the coherence between choice criteria and investment strategies favors the construction of a more virtuous relationship that leads to longer-term investments and the improvement of the performance of professional teams and leagues. Finally, the quantitative analysis introduces an original calculation formula to determine the value of a sports club and shows its application to a sample of football clubs.

The study is of particular relevance because it offers insights into understanding the effectiveness of the private equity channel in stimulating investments in professional sport. In fact, promoting understanding of the effects of such investments is essential to encourage functional changes to maximize the benefits of the entry of private equity operators and mitigate their potential risks.

Keywords: sport, football, private equity, enterprise value, investments.

[*] Dr. Leonardo Modina, AC Milan Spa, Unimol – Dipartimento Economia. leonardo.modina@acmilan.com

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Sommario

Il presente elaborato indaga il ruolo del private equity nelle decisioni di investimento nelle società sportive professionistiche, un fenomeno che sta assumendo crescente importanza negli ultimi anni. L'ingresso del private equity nei principali campionati sportivi produce importanti cambiamenti nella gestione dello sport professionistico finora non ancora pienamente indagati.

I risultati del lavoro condotto confermano l'impatto del private equity non solo in termini di entità degli investimenti, ma pure sulle modifiche che si renderanno necessarie per favorire i futuri investimenti degli investitori istituzionali. In secondo luogo, l'analisi qualitativa permette di individuare i criteri con i quali si individuano le ideali società target ideali. In terzo luogo, viene mostrato come la coerenza tra criteri di scelta e strategie di investimento favorisca la costruzione di una relazione più virtuosa che conduca a investimenti di più lungo periodo e al miglioramento delle prestazioni dei team e delle leghe professionistiche. Infine, l'analisi quantitativa introduce una originale formula di calcolo per determinare il valore di una società sportiva e ne mostra l'applicazione a un campione di club calcistici.

Lo studio è di particolare rilevanza perché offre spunti per comprendere l'efficacia del canale del private equity nello stimolare gli investimenti nello sport professionistico. Infatti, promuovere la comprensione degli effetti di tali investimenti è fondamentale per incoraggiare i cambiamenti funzionali a massimizzare i benefici dell'ingresso degli operatori di private equity e a mitigarne i potenziali rischi.

Parole chiave: sport, calcio, private equity, valutazione d'impresa, investimenti.

1. Introduction

This paper aims to highlight the reasons why sport entities – specifically football clubs – have become an element of interest for investment funds, trying to answer two fundamental questions: *what makes a sport entity attractive to private equity?* And *which can be the basis for a financial valuation of a football club?*

The paper highlights the opportunities and potential drawbacks of private equity entry into professional sports in light of the recent entry of institutional investors into both professional leagues and individual teams. First, opening up to institutional investors elevates competition for stakes in professional sports clubs. This improves the valuation of teams and encourages greater liquidity of investment with a consequent reduction in the dependence on the entrepreneur-patron that, until now, has characterized sports club ownership. Second, expanding the pool of potential owners stimulates innovation in an industry that is often resistant to change. Consequently, private equity involvement can help improve the governance and management of

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professional leagues and teams. The increased involvement of funds in sport is not, however, immune to risks. Chief among them is the public perception that the entry of private equity funds is driven solely by economic reasons to the detriment of the emotional element (passion for the game).

In order to contribute to the debate, the work conducts two original analyses, one qualitative and the other quantitative. The qualitative analysis aims to define a series of criteria that private equity firms use to evaluate the goodness of an investment in a company belonging to the sports industry; the second has the ambition of defining a valuation method and formula applicable when determining the value of a sports company with particular reference to the football sector.

Starting by defining the specific characteristics of sports clubs (Brandes *et al*., 2017; Johnson, 2021; Karen and Washington, 2001) and the objectives that a private equity fund typically pursues (Balboa and Martí, 2007; Caselli and Negri, 2021; De Maeseneire and Brinkhuis, 2012; Gammelsæter, 2017; Harris *et al*, 2014; Jensen and Ruback, 1983; Kaplan and Stromberg, 2009; Korteweg and Sorensen, 2017), the qualitative analysis aims to identify a set of criteria that private equity firms can use to a priori assess the goodness of an investment in a company belonging to the sports industry. Building on contributions in the literature (Damodaran, 2012; Guatri and Bini, 2009; Markham, 2013; Scelles *et al*., 2013; Tiscini and Dello Strologo), the quantitative analysis aims to identify a valuation formula that can best be applied to the valuation of a sports club.

The results of the analysis show how the consistency between the target company's selection criteria and the fund's investment choices contributes to finding the best balance between the advantages and disadvantages of private equity's entry into the sports industry. In this perspective, the work makes a significant contribution to academic research and practitioners in the sector by providing a new key to understanding a phenomenon that has so far been little investigated in the literature (Cumming *et al*., 2022).

The work is organized as follows. Chapter 2 presents the literature review, while Chapter 3 describes the empirical methodology followed in the work. Chapter 4 highlights the results of the qualitative and quantitative analysis and, finally, chapter 5 presents some concluding remarks.

2. Literature Review

Academic interest in the entry of institutional investors into the sports industry is recent and, therefore, the literature has so far only partially investigated the phenomenon. Although sport has experienced a noticeable

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increase in its economic role in recent decades and researchers have covered a wide range of topics in the field of private equity, efforts to understand, firstly, sports entrepreneurship and, secondly, the reasons why investors such as private equity funds devote attention to the sports sector are still limited (Cumming *et al*., 2022).

The role and the functioning of private equity are fully described in Kaplan and Stromberg (2009) and Caselli and Negri (2021). After explaining how private equity funds are organised and what the characteristics of a typical buyout transaction are, Kaplan and Stromberg (2009) show how fundraising and private equity activities change over time. With regard to the effects produced, the empirical evidence suggests that private equity generally creates economic value, confirming the theory that private equity funds improve the performance of portfolio companies by contributing managerial, financial and good governance skills (Jensen, 1989). Overall, the empirical analysis confirms the existence of operational and productivity improvements in operations, including highly leveraged ones, conducted by private equity. However, it mitigates, but does not entirely negate, the criticisms of those who argue that private equity activity does not create operational value, but benefits primarily from cost cutting (Davis *et al*, 2014; Amess *et al*, 2013), tax breaks (Dyrda and Pugsley, 2018), superior information (Bernstein, 2022), and the ability to move in the capital market (Kaplan and Schoar, 2005).

The private equity industry today is characterized by a growing interest in sports business. This has led to the increase of purchase transactions in the sports sector and the expansion of sports-related products and services (Miragaia *et al*., 2017). In order to better understand private equity activity in sport, Hayduk and Walker (2017) use a sample of 967 deals made between 1998 and 2016 to track trends in capital investment in sports entrepreneurship and understand the conditions that influence the value of these investments. The survey results indicate that investments in sports companies are of growing importance to both investors and sports consumers. The main driver is that sports consumption has increased in parallel with the production, distribution and consumption of content via broadcast, cable and digital infrastructures. In particular, the advent of social media and Internet communications has stimulated the development of new modes of consumption such as online magazines, videos and live web tutorials.

New technologies offer a better experience by stimulating consumers and fans to seek new ways of communication and interaction and to use new channels in different ways according to their needs and expectations (Ratten and Taajeddini, 2017). At the same time, gaming through both game consoles and eSports has attracted the interest of traditional and digital content

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distributors, on the one hand, and institutional investors, on the other, due to the younger demographic it targets. Collective participation in new forms of sports entertainment fuels emotional attachment to favorite teams, elevates brand loyalty and stimulates subsequent purchase commitments.

In examining the entry of private equity into professional sport, Schenewark (2021) makes the case for why US sports leagues should not only facilitate the current influx of private equity investment, but also make substantial and permanent changes to their bylaws to encourage private equity funds to take minority or majority stakes in professional sports clubs. Koba (2021) examines private equity investment in sports activities in the United States between 2010 and 2020. The results of the study show the importance of revenue growth as the main driver for attracting investment. The finding that sports businesses with growing revenues acquire more funding is consistent with the risk profile of institutional investors. A positive correlation exists between businesses with growing revenues and likelihood of attracting investors (Ramsinghani, 2014).

Regarding the valuation of professional sports clubs, the literature seems to agree on the use of the financial method based on discounted cash flow valuation (DCF) as the main criterion (Demirakos *et al.*, 2004; Guatri and Bini, 2009). However, Tiscini and Dello Strologo (2016) point out that the use of DCF for the valuation of sports clubs is limited by the fact that in almost all clubs generate negative cash flows that, regardless of the discount rate, lead to a discounted value of zero and, in any case, below market value. Should the cash flows be positive, their unpredictability and high volatility would in any case not facilitate the ex-ante accuracy of the estimates (Markham, 2013).

There are two possible solutions to this problem. The first is the use of the multiples method or the comparable transactions method, which mitigate the dependence on future cash flows in industries with high revenue volatility (Damodaran, 2012). The use of the multiple method leads to relatively reliable valuations especially when revenue is used as the main business measure (Markham, 2003), while the comparable transactions method allows for the consideration of non-financial variables such as the size and accessibility of the sports facility that can positively influence annual revenue. The comparison between the use of revenue-based multiples and transaction prices makes it possible to highlight possible inaccuracies in valuations that may occur in certain time periods. The second solution is to introduce valuation methodologies that take into account not only the traditional financial variables, but also specific factors of the sports sector (e.g. roster value, development prospects of the competitive environment) that motivate the differential between market value and balance sheet value that is not always

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explained by rational valuation methods financial and, therefore, the interest of private equity operators to invest in sectors, such as sports, with typically negative profit margins. In this perspective, Markham (2013) introduces a multivariate analysis that considers, in addition to the traditional economic-financial magnitudes, some key indicators of the performance of professional sports teams with particular reference to football teams (i.e. stadium, television rights, players' service fees, fan numbers and loyalty). A significant indicator is the percentage of revenues supporting the cost of players' salaries (wage ratio), which should preferably be 50 per cent or more.

Although revenues do not contribute to covering wages, which are the main cost item of a sports club, they must not fall below a certain threshold in order not to negatively influence the value of the company. In other words, the strategy of increasing revenues, rather than one oriented to minimizing costs alone, may be the most appropriate choice to drive the increase in company value in the professional sports sector (Scelles *et al.*, 2016).

3. Methodology and data

3.1. Qualitative analysis

The purpose of the qualitative analysis is to define the unique characteristics of sports clubs and the objectives that a private equity fund pursues in order to identify some basic rules that an investor should follow before making an investment in the world of sport. Figure 1 describes the framework of the qualitative analysis.

In order to carry out the analysis, a database was constructed containing the holdings of management companies in companies operating in the world of sport. The database consists of 46 companies and considers the following variables the company targeted by the fund, the league in which it competes, the country in which it belongs, the investor who carried out the operation, the year in which the operation took place, the amount (if made public) at which the operation was concluded, the overall valuation that was attributed to the target company (calculated as the ratio between the paid-up capital at the close of the operation and the percentage of shares received in exchange for it), the share acquired by the target company and, finally, the type of shareholding (minority or majority).

The criteria mentioned above were selected to identify which sport attracted the most interest from investment funds (number of completed acquisitions), what the average value of a transaction in the world of sport is, and which type of transaction was conducted the most – majority or minority

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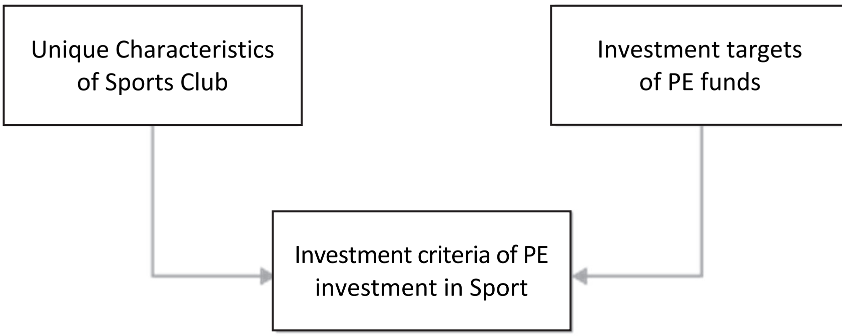
acquisition. Table 1 illustrates the database. The data gathered in the database, clearly show that football is the most attractive sport for private equity institutions. Transactions involving football entities corresponded to 65% of the overall transactions analyzed.

Figure 1 – Qualitative analysis framework



Observation of the database reveals that more than half of the transactions ended after 2020. The average value of the forty-six transactions analyzed is EUR 442.9 million. The upper and lower extremes of the reference sample were excluded from the calculation as they represent two significant outliers. The two transactions excluded are the purchase of 60 per cent of Cesena Calcio in 2021 for EUR 1.8 million by the US-based JRL Investments, and the purchase of all the shares of the entertainment company UFC, specializing in martial arts fights, carried out in 2016 by a fund string composed of KKR, SilverLake and MSD Capital for a total value of EUR 4.3 billion. The average value of the overall valuations of the companies in the sample is EUR 2.5 billion.

With regard to the type of transactions, there is a substantial balance between transactions involving the acquisition of majority and minority stakes in target companies.

In order to confirm the indications contained in the database, a number of interviews were conducted with private equity funds managers with interests in the sports industry and sports companies professionals now owned by private equity funds. The interviews in question were of two types. The first type of interview focused on the funds' understanding of the clubs' attractiveness and the components that most presented a source of uncertainty in the preliminary evaluation and negotiation phases. The second type of interview focused on elements such as the funds' objectives in investing in sports, the expected timing of such investments, the determinants through which the

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value creation of the targets is assessed, and how the acquisition value was estimated.

Table 1 – Private Equity investments in sports (up to 2022)

Sport	Nation	League/Competition	Club	Owner/Fund	Deal date	Investment (€)	EV (€)	Quota club
Football	Italy	Serie A	Atalanta B.C.	Stephen Pagiuca e co.	2022	200.000.000	422.832.981	47,3%
Football	Italy	Serie A	Genoa Calcio	777 Partners	2021	100.000.000	101.010.101	99,0%
Football	Italy	Serie A	A.C. Milan	Elliott Management Corp	2018	300.000.000	300.210.147	99,9%
Football	Italy	Serie A	A.C. Milan	RedBird Capital	2022	1.200.000.000	1.200.840.588	99,9%
Football	Italy	Serie A	Venezia FC	VFC Newco 2020 LLC	2020			100,0%
Football	Italy	Serie A	F.C. Internazionale	LionRock	2019	170.000.000	546.623.794	31,1%
Football	Italy	Serie A	Juventus	Lindsell Train				11,3%
Football	Italy	Serie C	Cesena Calcio	JRL Investments	2021	1.800.000	3.000.000	60,0%
Football	Italy	Serie C	Campobasso Calcio	Halley Holding	2019			69,2%
Football	UK	Premier League	Chelsea	Todd Bohely e co.	2022	3.000.000.000	3.000.000.000	100,0%
Football	UK	Premier League	Manchester City (City Football Group)	ADUG	2008	380.000.000	493.506.494	77,0%
Football	UK		City Football Group	China Media Capital	2015	400.000.000	3.076.923.077	13,0%
Football	UK		City Football Group	SilverLake	2019	500.000.000	10.000.000.000	5,0%
Football	UK	Premier League	Manchester United	Lindsell Train				30,0%
Football	UK	Premier League	Burnley	ALK Capital	2020	170.000.000	195.402.299	87,0%
Football	UK	Premier League	Newcastle United	PIF	2021	400.000.000	400.000.000	100,0%
Football	UK	League One	Ipswich Town	Gamechanger 20 (ORG)	2021	40.000.000	40.000.000	100,0%
Football	UK	Women's Super League	Women's Super League	Bridgepoint	2022			
Football	UK	Scottish Premiership	Celtic	Lindsell Train				18,6%
Football	France	Ligue 1	Paris Saint Germain	Qatar Sports Investments	2011	80.000.000	80.000.000	100,0%
Football	France	Ligue 2	Tolosa	RedBird Capital	2020			85,0%
Football	France	Ligue 2	Caen	Oaktree	2020			80,0%
Football	Spain	LaLiga	LaLiga	Cvc	2021	2.240.000.000	22.400.000.000	*10,0%*
Football	Spain	LaLiga	Atletico Madrid	Ares Management Corporation		217.000.000	586.486.486	*37,0%*
Football	Spain	LaLiga	Siviglia	777 Partners	2018			
Football	Portugal	Liga Portuguesa	Vasco de Gama	777 Partners	2022	121.000.000	121.000.000	100,0%
Football	Belgium	Pro League	Standard Liegi	777 Partners	2022			
Football	Australia	A-League	A-League	SilverLake	2021	120.000.000	400.000.000	30,0%
Football			Ata Football	777 Partners	2020			
Football	USA	MLS	Inter Miami C.F.	Ares Management Corporation	2021	150.000.000		
Martial Arts	USA	UFC	UFC	KKR, SilverLake, MSD Capital	2016	4.300.000.000	4.300.000.000	100,0%
Motor Racing		MotoGP, Superbike	Dorna	Bridgepoint	2006	640.000.000	640.000.000	100,0%
Sport Facility	USA		Yes Network	Blackstone	2019	560.000.000	4.307.692.308	13,0%
Sport Facility	USA		Yes Network	RedBird Capital	2019	560.000.000	4.307.692.308	13,0%
Sport Facility	USA		Madison Square Garden	SilverLake	2018			10,0%
Rugby		6 Nations	6 Nazioni	Cvc	2021	380.000.000	2.620.689.655	14,5%
Rugby	UK	Premiership Rugby	Premiership Rugby	Cvc	2018	250.000.000	925.925.926	27,0%
Rugby	UK	Guinness Pro 14	Pro 14	Cvc	2020	150.000.000	535.714.286	28,0%
Rugby	New Zeland		All Blacks	SilverLake	2022	130.000.000	1.511.627.907	8,6%
Basketball	USA	NBA	Atlanta Hawks	Dyal Capital Partners	2022	120.000.000	2.000.000.000	6,0%
Basketball	USA	NBA	Sacramento Kings	Dyal Capital Partners	2021	75.000.000	1.500.000.000	5,0%
Basketball	USA	NBA	Pheonix Suns	Dyal Capital Partners	2021	75.000.000	1.500.000.000	5,0%
Basketball	USA	NBA	Golden State Warriors	Arctos	2021	610.000.000	4.692.307.692	13,0%
Basketball	UK	British Basketball League	British Basketball League	777 Partners	2021			
Volleyball			Volleyball World - FIVB	Cvc	2021	300.000.000		
Various Sports			Fenway Sports Group	RedBird Capital	2021	735.000.000	6.681.818.182	11,0%

The information gathered in the interviews and the observation of the transactions contained in the database make it possible to identify the strategies accompanying the entry of private equity funds into the world of sports, to determine the elements of attractiveness of the sector and the factors behind the success of the transactions, and, finally, to determine some possible criteria for analysis of a qualitative nature. The illustration of the results of the qualitative analysis will be further explored in the next paragraph.

It is necessary to note that the database taken into consideration has limitations. Firstly, in terms of its breadth, as the number of transactions taken into account is not fully sufficient to draw complete and exhaustive conclusions. Secondly, the limited availability of reliable data on the value at which the transactions analyzed were conducted leaves room for inaccuracies regarding the values themselves. However, for the purposes of the research

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conducted, the database considered is sufficient to draw the most exhaustive information possible.

3.2. Quantitative analysis

The valuation of a company requires the use of criteria and methods capable of expressing, as far as possible, rationality, demonstrability, objectivity and stability. Professional doctrine and practice have developed various criteria and methods, focusing on the different aspects of the company being valued. Table 2 summarizes the main valuation criteria and methods.

Table 2 – Private equity valuation criteria and methods

Criteria		**Method**
Costs Criterion	→	
Flows Criterion	→	Methods based on Income
		Financial Methods
		- *Dividend Discount Model*
		- *FCFE Valuation*
		- *FCFF Valuation*
Mixed Criterion	→	Mixed Methods
Market Criterion	→	Multiples Methods
		Transactions Methods

The choice of the most appropriate criteria for arriving at an estimate of a firm's value must be based on the firm's specific characteristics and, generally, on the purpose of the valuation exercise.

Flow criteria identify the value of a company's capital according to the future benefits it generates; they are usually applied using financial and income methods[1].

[1] Financial methods are based on the consideration that the cash flows that a company will be able to generate in the future are the best representation of its actual value. The economic value of the company is, therefore, equal to the sum of the present value of the cash flows the company will be able to generate in the future, discounted at the rate of return on risk capital, or the weighted average cost of capital, depending on the cash flow configuration used. Profitability methods estimate the value of the company according to the profitability that the company is able to generate prospectively. This approach therefore identifies the contraposition of revenues and costs for the year as the fundamental driver of company value. Economic value is equal to the sum of the flow of expected normal income (over a limited, i.e. unlimited

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Taking up the considerations expressed in the literature review regarding the use of valuation methods in professional sports (Markham, 2013), the quantitative analysis is based on the method of multiples supplemented by some correctives.

The multiples method uses two market indices as guide variables: the ratio of Enterprise Value to revenue (EV/Sales) and the ratio of price to revenue (Price/Sales). The non-use of indices such as the ratio of Enterprise Value to revenue magnitudes (EV/EBITDA or EV/EBIT) is due to the high volatility of the latter. Enterprise value is thus determined by multiplying market multiples referring to listed companies operating in the same reference sectors with the selected enterprise quantities.

In the case study, the market multipliers (Price/Sales, Enterprise Value/ Sales) are taken from the Damodaran Online website and refer to the entertainment sector in Europe. The multiples of the industry under consideration are multiplied with the revenues of professional societies. in the sample determining the implied market value of each of the companies. The amount of corporate debt is then deducted from the market value thus obtained.

Two other addends are considered to determine the final value (Tiscini and Dello Strologo, 2016). The first addend is represented by the monetary variation given by the differential existing at the time of valuation between the market value of the athlete's roster (whose source is the Transfermarket platform)[2] and the book value of the same. The second addend is given by a coefficient that measures the target's development prospects: it is derived from the estimated growth of the professional league in which the company being evaluated belongs. The calculation formula is as follows:

$$W= [(\text{Revenues} \times \text{Multiple}) - \text{Debt} + \Delta\text{Team Value}] \times \alpha \quad [1]$$

where Revenues refer to the ones reported in the latest available company financial statements, Multiple is the multiple of segment revenues, Debt represents the book value of the company's net financial debt, Δ Team Value is

period of time), discounted at the rate of return on risk capital. Market criteria conceive the capital value of the company as a function of prices, expressed on regulated markets or in private negotiations, for shares in the capital of the company itself or similar companies. This approach therefore disregards actual, historical and prospective asset and earnings values. The multiples method and the comparable transactions method are part of this approach. The multiples method estimates the value of a company's economic capital on the basis of prices traded on organized markets for shares of comparable companies. The comparable transactions method is based on assigning a value to a company based on transactions that have taken place involving shares in the share capital of comparable companies.

[2] Transfermarkt is a German-based website that has footballing information such as scores, results, statistics, transfer news, and players' valuation.

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the difference between the market value of the team and its book value, and α represents the index of the prospects for the development of the competitive environment, calculated as (1 + ß), where ß corresponds to a percentage value defined on the basis of the growth in the value of TV rights broadcasting contracts signed in the past by the home league with broadcasters in the media industry. By applying the formula [1] to the clubs belonging to the sample, it was possible to derive the value (W) of each of them.

The sample of sports companies consists of soccer teams playing in the main Italian professional soccer league (Serie A). For the selection of these clubs, consideration was given to the existence of investment fund holdings in their properties, the presence of recent corporate handover transactions, news about the intention of divestment by the current owners, and, finally, the stock market listing. In compliance with the illustrated criteria, the selected clubs are as follows: A.C. Milan, A.S. Roma and B.C. Atalanta as they are the subject of recent ownership changes involving private equity funds; F.C. Internazionale Milano, which is rumored to be soon to be sold; and F.C. Juventus, as it is listed on the Italian stock exchange.

The choice of the following sample is given by the need to be able to carry out a comparison on companies operating in the same reference market, in order to verify the impact of the various elements used to develop the formula on players belonging to the same competitive scenario. However, in order to verify the applicability of the formula in different markets, an expansion of the sample considered could be carried out in future studies.

4. Results

This section discusses the results obtained from the qualitative analysis linking two dimensions: the characteristics of sports clubs that make them most attractive to an investment fund and the objectives of a fund when deciding to invest capital in sports. The combination of the two dimensions – characteristics of sports clubs and desiderata of investment funds – identifies the criteria that guide an institutional investor's entry into professional sports.

4.1. The characteristics of sport companies

There are five main characteristics of sports companies that can attract the interest of private equity funds: visibility and breadth of the fanbase; stability and growth of cash inflows; media potential; extra-sports development; and barriers to entry.

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Visibility and breadth of the fanbase. The sports industry is subject to very high public relevance, both media and social. In terms of media relevance, the sports industry represents the only case in which an industry has dedicated news outlets and radio and television broadcasts. In addition to the presence of numerous specialized media players, sports enjoy a high following on social networks, where pages and blogs proliferate and where live sporting events often become trend-setters that catalyze internet communication flows for the period of their duration. Social relevance is evidenced by the high attendance that sporting events have worldwide and the emotional involvement they generate in supporters (Karen and Washington, 2001). The link between fans and sports clubs is rooted in many geographical areas, particularly in Europe and South America, where there are numerous organized supporter groups supporting clubs. Sports, moreover, is a source of interest for the community of fans willing to invest their savings to follow their favorites through the purchase of tickets to attend live sporting events and/or subscriptions to audiovisual platforms that broadcast live events.

Stability and growth of cash inflows. As anticipated in a previous chapter, the presence of cash flows guaranteed by sports event broadcasting agreements with audiovisual broadcasters is unique to the sports industry and difficult to replicate in other sectors. This has high value for any investor because it allows the possibility of developing a business plan by leveraging a predetermined share of revenues. The growth in the value of television rights seen in recent years is a trend that is gaining momentum. The most striking cases are the English Premier League soccer league and the American professional basketball league NBA, which have seen the value of their television events more than double in just fifteen years (Johnson, 2021).

Media potential. Given their great social relevance and constant presence in the news media, sports clubs enjoy a high media potential that to date has not yet been fully exploited. The growth in social media following that sports club accounts have been experiencing in recent years and the creation of ad hoc TV series, especially by streaming services, testify to the media potential of professional clubs.

Extra-sports development. The sports industry presents development opportunities not only related to the core business, but also to other economic sectors/sectors such as real estate. The construction of new stadiums with multipurpose functions is the classic example. This includes the recent construction in London of the new Totthenham Hotspurs stadium, the renovation of Real Madrid’s historic stadium, and the project to build a new stadium in

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Milan, which would include the redevelopment of the area and the creation of public and reception spaces with a value of the project exceeding 1 billion euros.

Barriers to entry. A further characteristic of the sports industry is the high barriers to entry it enjoys. There are a few elements that make it difficult for a new player to enter the competitive system. First, the limited-seat competitive system forces a new entrant to climb ranks and leagues starting from the lowest level of the sports system, namely the amateur leagues. The implementation of such a path takes several years not compatible with a short-term long-term investment. Second, the high cost of the operation necessary not only for the acquisition of a club, but also to bear the expenses of management and strengthening the roster. Third, the difficulties in accessing the fanbase with the implications on media and social relevance. Many clubs have many years of history that has allowed them to polarize fan sentiment and consolidate their image. Recently, there is only one case of a new entrant that has managed to quickly gain a space on the international scene. RasenBallsport Leipzig, owned by the RedBull Group and born from the ashes of SSV Markrandstad, a small club playing in Germany's fifth league, has managed to rise from the German lower leagues to a stable presence in Germany's top league and Champions League in little more than a decade thanks to substantial payouts from the ownership.

4.2. The goals of investment funds

Observation of recent changes in ownership of sports companies facilitates the identification of the objectives that an investment fund intends to achieve when making a transaction in a company active in the sports sector. These objectives turn out to be a synthesis between the common objectives that move transactions carried out by an investment fund and the specific objectives related to interventions in the sports sector. Four stand out among them: the monetization of investment over a given time horizon, the implementation of an effective exit strategy, the control of risk, and the strengthening of the fund's reputational capital.

Monetization of the investment. A key element in the success of a private equity fund is the ability to maximize investment returns through its monetization over a predefined horizon (Harris *et al*., 2014). The capital gains generated by the buyout transaction must fall within the target parameters that a fund sets for itself. Among the most widely used performance

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measures is the Internal Rate of Return (IRR) generated at the end of the investment: this is calculated as the sale price of the asset, compared to the purchase price of the asset, raised by a ratio of one over the number of years the asset has been in the fund's portfolio, from which the absolute value of 1 is subsequently subtracted.

As of today's date, it is not possible to estimate the average IRRs expected in private equity transactions in sports because there is not yet a significant number of investment exit transactions. However, the recent transfer of ownership of the soccer club A.C. Milan, which is the first transaction involving the transfer of controlling shares of a sports club between two investment funds, is a proxy for determining the possible internal rate of return of private equity-led buyout transactions in sports. In this specific case, the Elliott fund took over the club in the year 2018 through the redemption of the share pledge granted by the previous owner, Chinese businessman Li Yonghong, against a loan provided in his favor by the same American fund. Through the Milanese company's data analysis, the value at which Elliott Management took over the club is close to 300 million euros. Calculating the IRR through the formula presented earlier as the differential between the purchase value (300 million euros) and the transfer value (1.2 billion euros) and considering the investment term of four years, the rate of return exceeds the threshold of 40 percent. Adding into the IRR calculation the capital paid into the club by Elliott for financial rehabilitation and support for day-to-day management (about €530 million) and subtracting the amount of €130 million related to the repayment of a previous bond issued to A.C. Milan by Elliott, results in a net investment value of €400 million to which corresponds an adjusted IRR of 14.4 percent. The result of the operation conducted by Elliot Management shows that it is possible to realize a return-and thus generate value-from investing in a sports club despite the fact that the sports club does not generate positive economic performance throughout the entire investment period.

Implementation of an effective exit strategy. As reported in the literature (Korteweg and Sorensen, 2017), the duration of a private equity fund is typically no more than ten years. If the investment in the sports industry-and in particular in companies that participate in sports competitions-is made using a fund with a limited duration as a vehicle, it is necessary that the duration of this investment does not exceed the duration of the fund; this translates into the need to realize a positive return on investment within a maximum period of ten years. Given the peculiar dynamics of the sports industry, in which clubs, especially in the European football scene, often operate with balance sheets in the red, it is not always easy to assume the realization of successful exit strategies within the predetermined periods. For this reason,

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it is vital for a private equity fund to identify the correct target company in which to invest.

The limited duration of investments leads to two consequences that produce a strong impact on the sports industry. On the one hand, the importance of defining the optimal capital structure of acquired companies emerges (De Maeseneire and Brinkhuis, 2012); on the other hand, opportunities to find contestable companies in the market at cyclical periods grow (Jensen and Ruback, 1983). To mitigate the critical issues related to possible mis-matching of the investment time period, private equity funds with a focus on sports are increasingly setting up evergreen vehicles, i.e., not subject to limited duration.

Control of risk. Because of the need to present positive returns over defined periods of time to fund subscribers, private equity firms need to adequately control the inherent risk of their investments. In the context of operations in the sports industry, the activity of risk control can be particularly complicated because there is a high correlation between the sports performance of clubs, which by their nature is volatile and not perfectly predictable, and the returns expected by investors. Therefore, it is relevant for PE managers to understand the dynamics of the sports industry and the competitive environment in which PE companies operate.

Strengthening the reputation capital of the fund. A unique element of the world of sports is its visibility, which affects not only the places and actors involved, but spreads to other spheres of activity such as culture, society, politics, and business in general (Gammelsæter, 2017). Such visibility can be exploited by a private equity fund as a tool to increase its reputation capital and brand awareness (Balboa and Martí, 2007). In the case of investments in top clubs, private equity managers can benefit from the reflection of a club's eventual victory to convey a message of success about their activities. This is in addition to other factors such as the track-record of completed deals, which, however, take longer to build and often have less impact on the investing public. In addition, any sporting successes of the club invested in sends a positive message to fund subscribers about the managers' expertise in sports, which, as previously highlighted, is a central pivot for successful investment strategies.

In addition to the four objectives presented, there is an additional objective of interest to funds specializing in the sports industry. This is represented by the possibility of diversifying investments in an under-explored sector characterized by different dynamics and cycles than those of the manufacturing or service economies, where private equity attention is typically focused.

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4.3. The identification of the selection criteria

As described in the theoretical framework, the qualitative analysis aims to identify some guiding criteria that can support private equity operators' investment choices in sports companies. The criteria are the result of the combination of the specific characteristics of sports companies and the investment objectives of private equity, described in the previous two paragraphs. The guiding criteria identified are five:
- the balance in the financial structure of the target company;
- the real prospects for development;
- the potential for sports success;
- the favorable competitive environment;
- the economic and social fabric of the target company's home territory.

Balance in the financial structure of the target company. The search for the optimal structure of the target company is a key guiding criterion. Within the sports enterprise landscape, an excessive presence of financial debt elevates the risk of the investment as variability in operating results puts regular debt service at risk. Cash inflows generated from television rights should be made entirely available for debt repayment by limiting their use to enhance the sporting and commercial development prospects of the club invested in. Likewise, the absorption of cash flows may produce tensions in operational management (e.g., delayed payment of salaries) resulting in exposure to sanctions by regulators and the risk of reduced competitiveness of the roster. A vicious cycle danger would be generated that could only be mitigated by the injection of new cash by the fund in the form of equity or quasi-equity.

In order to determine the financial soundness of a sports enterprise, two main indices are used: the primary liquidity index, given by the ratio of available cash to the amount of short-term debt, and the secondary liquidity index, given by the ratio of available cash plus immediately liquid assets-in this case represented by athletes' tags-and the amount of short-term debt. These indices, considering only available cash as the predominant item in the numerator, appear to be more stringent than the current liquidity index, given by the ratio of current assets to current liabilities, used by major European federations, including the Italian Football League.

The real prospects for development. Development prospects are defined as the potential for commercial expansion and sports growth of the target company. The prospect of commercial development is assessed both in relation to the size of the fanbase and the potential for growth in the value of

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television rights, which is decisively affected by the dynamics of development of the competitions in which the club participates.

With regard to direct commercial revenues, that is, those entirely dependent on the club's operational management, attention should be paid to the brand's popularity around the world, the engagement of local and international fans, and their propensity to spend on merchandising so as to determine the possible future trajectory of revenues from retail activities. In addition, the existing agreements of the club's current sponsors and the possible impact of sports performance on renegotiating contracts and seeking new sponsorships should be analyzed. Regarding commercial development related to television rights, it is necessary to observe the performance of previous negotiations with broadcasters and understand the attractiveness of the league to domestic and international audiences.

Finally, in terms of sporting growth prospects, it is crucial to carry out an accurate assessment of the club's roster of athletes and facilities dedicated to the youth sector because nurseries (cantinas) contribute to the internal creation of talent, which can represent future capital in both sporting and economic terms.

The potential for sports success. When evaluating an investment in sports clubs, it is important to consider the presence of real potential for sporting success since it is an enabler of revenue growth given that it fuels direct revenue from sporting performance, commercial revenue from merchandising, and a sponsorship-related revenue. As evidenced by renegotiations with sponsors conducted recently by clubs such as Real Madrid and A.C. Milan, the value of sponsorship increases significantly in the presence of sporting victories in major competitions. In addition, the existence of sports potential strengthens the fund's reputation capital by conferring an image of success, which can be leveraged in subsequent fundraising.

The favorable competitive environment. By competitive environment in the world of sports we mean the sphere represented by the other companies against which the target company competes. Specifically, the competitive environment refers to both domestic territory and international competitors: in the former case it is more easily defined since participation in domestic competitions for a club is certain; in the latter case the element of uncertainty grows since participation in international competitions is determined by sporting merit. This distinction clearly does not hold true for franchises present in American leagues where the only existing competitors are other league members.

The importance of the competitive environment, especially in the

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European context, is crucial to the success of a deal since the sale of league television rights, which is the main revenue item for sports clubs, is determined through negotiations between the broadcasters involved and the governing bodies of the individual leagues, which act as delegates of the clubs.

It is crucial for a potential outside investor to understand what the relational dynamics are within the competitive environments in which the target operates and whether there are shared league development programs among member clubs. The absence of cohesion or dialogue among clubs can undermine the development prospects of individual leagues by negatively affecting the revenues of individual participants and consequently limiting their development prospects.

The economic and social fabric of the target company's home territory. When selecting a company to invest in, the composition and quality of the economic and social fabric of the target company's home territory cannot be overlooked. The local economic fabric is relevant because smaller clubs receive most of their sponsorship from companies operating in the same territory of origin as the club. Consequently, a thriving economic fabric favors the inflow of resources from sponsorship agreements. The presence of social tensions, particularly between the club and organized supporters, assume some relevance when analyzing the investment. A fickle fan base that is particularly tied to sporting results can produce negative repercussions on the achievement of sporting success as well as phenomena of protest by fans against the team and/or ownership generate an image return that is not positive.

Finally, it is crucial to seize the opportunity to build solid relationships with local administrative bodies: through the discussion and approval of government bodies, it is possible to implement extra-sports projects, such as the construction of new facilities in which to host events. For example, the "Stadium Project" that A.S. Roma has been proposing for years struggles to find implementation due to the difficult relationships with the successive public administrations that have led the capital city over time.

When applied organically, the described guiding criteria are not a guarantee of a successful buyout transaction in sports, but they do help elevate its feasibility. Their intensity of adoption clearly depends on the investment strategy that the private equity operator wants to pursue. If the fund operates according to a strategy of creating a network of non-first-tier clubs, then parameters related to the prospects for sports development, the favorable competitive environment, and the quality of the local socio-economic fabric will be of primary importance. On the other hand, if the fund intended to make an investment in a top club, the criteria represented by the financial situation

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of the target company (because of the amount of capital required for the completion and ultimate success of the transaction), the sporting and commercial development prospects, and, finally, the potential for sporting success would assume greater weight.

In conclusion, the qualitative analysis points out that in the sports industry, especially in the European matrix, it is not possible to separate the value of a club's commercial results from that related to sports operations since the two elements are closely related and tend to influence each other.

4.4. The results of the quantitative analysis

This section presents the results from applying a specific calculation formula for determining the value of a sports club to a sample of soccer clubs. The selection of the sample was made by examining only clubs operating in the Italian soccer league that have recently completed a transfer of ownership between private equity funds (A.S. Roma, B.C. Atalanta, A.C. Milan), that are listed (F.C. Juventus) or that, responding positively to the criteria defined in the qualitative analysis, are a potential source of interest for private equity operators (F.C. Internazionale). Table shows the results of the analysis carried out.

Table 3 – the value of the multiples of specific revenues for each of the companies analyzed given by the ratio of club revenues to the total valuation calculated in the formula [1]

	Revenues (€)	Multiples	Enterprise value (€)	Debt (€)	Equity value (€)	Delta Team value (€)	Alfa	Total (€)
A.C. Milan	261.000	2,6	665.550	41.300	**624.250**	390.000	1,10	**1.115.675**
	261.000	2,9	764.730	41.300	**723.430**	390.000	1,10	**1.224.773**
F.C. Internazionale	364.700	2,6	929.985	471.300	**458.685**	284.000	1,10	**816.954**
	364.700	2,9	1.068.571	471.300	**597.271**	284.000	1,10	**969.398**
F.C. Juventus	480.700	2,6	1.225.785	343.000	**882.785**	70.000	1,10	**1.048.064**
	480.700	2,9	1.408.451	343.000	**1.065.451**	70.000	1,10	**1.248.996**
B.C. Atalanta	242.700	2,6	618.885	21.800	**597.085**	204.600	1,10	**881.854**
	242.700	2,9	711.111	21.800	**689.311**	204.600	1,10	**983.302**
A.S. Roma	190.400	2,6	485.520	311.800	**173.720**	205.150	1,10	**416.757**
	190.400	2,9	557.872	311.800	**246.072**	205.150	1,10	**496.344**

	A.C. Milan		F.C. Internazionale		F.C. Juventus		B.C. Atalanta		A.S. Roma	
	Value min. (€)	*Value Max. (€)*	*Value min. (€)*	*Value Max. (€)*	*Value min. (€)*	*Value Max. (€)*	*Value min. (€)*	*Value Max. (€)*	*Value min. (€)*	*Value Max. (€)*
Equity Value	**1.115.675**	**1.224.773**	**816.954**	**969.398**	**1.048.064**	**1.248.996**	**881.854**	**983.302**	**416.757**	**496.344**
Price/Sales	4,27	4,69	2,24	2,66	2,18	2,60	3,63	4,05	2,19	2,61
EV/Sales	4,27	4,69	2,24	2,66	2,18	2,60	3,63	4,05	2,19	2,61

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As shown by the applied results of the formula, a mere application of the revenue multiple does not reflect the intrinsic value of a football club, since it doesn't entirely take into account the impacts of the financial performance (debt structure), the on-pitch results (value of the team) and the interest generated by the league, the media value of which highly impacts the long-term results of each club.

Furthermore, it is important to note that the 2 elements that have received investments from private equity funds part of the analyzed sample (AC Milan and Atalanta BC), share a common characteristic, a low debt exposure, confirming how a balanced financial structure is a central criterion in the evaluation of a sports club by an investment fund.

5. Conclusions

This study aims to investigate the reasons that drive the interest of the world of private equity in the sports industry, a phenomenon that is recently experiencing considerable growth.

Analyzing the current participation of private equity funds in professional sports clubs, the work highlights the existence of two types of funds: multi-sector funds that want to diversify their portfolio by investing in the sports world; funds created for the specific purpose of making acquisitions of sports clubs. The former show greater interest in future revenues generated by the sports industry and, therefore, are oriented to the acquisition of participation of professional leagues; the latter act with the aim of taking control of individual clubs by adopting specific investment strategies (purchase of tier one clubs, purchase of one or more tier two clubs, hub-and-spoke acquisition strategy).

The purchase of a club of first level previews high costs of purchase and operating maintenance; the benefits are the high propensity of a top club to achieve sporting successes that contribute to the maximization of the value of the investment and the increase of the fund's reputation capital. The purchase of one or more smaller clubs is associated with a lower acquisition cost and lower management costs; the objective is to realize positive performances of the investment through synergies of cost and revenue that can be realized above all in the optical of the construction of network of club of second level. The adoption of a hub-and-spoke acquisition strategy involves, first, the purchase of a top club and, then, a series of minor clubs in order to create a network of sports clubs in which minor clubs orbit around the main club.

Having identified the most common strategies for entry into the sports

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industry, the focus of the work has shifted to defining, through an original qualitative analysis, what are the criteria that it is appropriate for a private equity fund to follow to implement a buy-out sports out in line with the expectations of its investors. Through the combination of the unique characteristics that companies in the sports industry possess and the investment objectives of a private equity fund, the five guiding criteria that emerge from work are: the balance in the financial structure of the target company, real development prospects, the potential for sports success, the favorable competitive environment and, finally, the economic and social fabric of the target company's home territory.

The study shows that the benefits of private equity in sport outweigh the potential disadvantages as the cohesion between the selection criteria of the target company increases, the investment objectives of the fund and the specific characteristics of the target sports club. The survey is innovative because it is, as far as is known, the first attempt to understand whether the investment policy of private equity funds, which finds the highest expression in buy-out transactions, be consistent with their nature and the values on which the sporting world is founded.

The empirical application conducted in the quantitative analysis and the comparison with recent comparable transactions shows that the price at which the transactions took place is within the range of values expressed by the new evaluation formula thus confirming its goodness.

From a theoretical point of view, the main contribution of the study is not limited to investigating the traditional factors underlying the investment choices of funds, but to offer both theoretical and managerial insights on the entry of institutional investors in sport by expanding the coverage of existing literature (Cumming *et al.*, 2022). From the point of view of managerial implications, the conscious research in the sport world of the target companies defines the competitive positioning of the private equity fund and the ways in which to undertake investment strategies in compliance with the principles of sport.

The limitations of study create opportunities for future research. While considering the exploratory content of the research, the first limitation is that the results may be influenced by the narrowness of the sample. Therefore, future works should broaden the survey base to better understand how private equity funds with different investment profiles pursue their performance objectives in buy-out transactions affecting the sports sector. A second limitation concerns the quantitative methodology adopted which could be affected by the content of the reference space of time. The extension of the time series would act as a mitigating factor, especially if it included economic phases characterized by different economic conditions (expansion/recession) and monetary (interest rate level).

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Possible developments starting from this study can take two main paths. A first relating to an expansion of the database created by analyzing a larger sample of transactions, in order to analyze the reference markets for investments in the world of sport and deduce further selection criteria. A second path instead concerns a deeper quantitative analysis, so as to increase the accuracy of the developed formula, integrating the literature currently existing regarding the financial evaluation of sports clubs.

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How complexity affects and shapes the dynamics in the football industry♦

Claudio Nigro[*], *Simona Curiello*[**], *Enrica Iannuzzi*[***],
Enrico Lubrano[****], *Vincenzo Sanguigni*[*****],
Raffaele Silvestri[******], *Rosa Spinnato*[*******]

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Abstract

This paper examines the complex dynamics at play within the football industry, highlighting how intricate and auto-catalytic processes impact and shape its operational landscape.

By examining the interplay and *mutual interactions in the objective functions* (1) and the *transition stages* in the *value chain* (2), the study tries to shed light on the very diverse range of interactions characterising football industry.

By examining the interplay and mutual interactions within the *objective functions system* (1), a source of complexity was found due to the impossibility of isolating the effect of a single variable on the entire structure.

Then, the study analysed the *transition stages in the value chain* (2), from lower levels to elite competitions and vice versa, revealing the complexity that impacts the organisation, strategies, and decision-making of football clubs.

♦ *Despite being a collaborative effort, §§ 1, 3.3 and 4 are attributed to Claudio Nigro; § 3.1 to Simona Curiello; §§ 3.3.1, 3.3.2 and 3.3.3 to Enrica Iannuzzi; §§ 3.2, 3.2.1 and 3.2.2 to Enrico Lubrano; §§ 2, 3 and 5 to Vincenzo Sanguigni; § 3.4 to Raffaele Silvestri; §§ 2.1, 2.2, 2.3, 3.1.1 and 3.1.2 to Rosa Spinnato.*

[*] Full Professor, University of Foggia. claudio.nigro@unifg.it
[**] PhD Student, University of Foggia. simona.curiello@unifg.it
[***] Associate Professor, University of Foggia. enrica.iannuzzi@unifg.it
[****] Adjunct Professor, University of Roma "LUISS". elubrano@luiss.it
[*****] Full Professor, University of Naples "Parthenope". vincenzo.sanguigni@uniparthenope.it
[******] Researcher, University of Foggia. raffaele.silvestri@unifg.it
[*******] PhD Student, University of Foggia. rosa.spinnato@unifg.it

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The paper aims to evaluate the contributions of different components, such as economic and financial requirements and team achievements, to the nature of the football ecosystem.

By examining these two themes, this article aims to provide a critical analysis of the intricacies of the football industry. This analysis should aid in identifying potential avenues for future research and determining the managerial frameworks and mechanisms required to navigate this complex industry.

Keywords: complexity, football value chain, transition stages, interplays in objective functions.

Sommario

L'articolo esamina le complesse dinamiche nell'industria del calcio, evidenziando come i processi complessi e autocatalitici influiscano e modellino il suo panorama operativo. In tale prospettiva, saranno esaminate le interazioni circolari e mutualmente condizionati delle funzioni obiettivo che caratterizzano i diversi *outcomes* (1), nonché le fasi di transizione nella catena del valore (2) nel sistema calcio.

Esaminando le reciproche interazioni all'interno del sistema delle funzioni obiettivo (1), è possibile evidenziare l'irrisolvibile complessità dovuta all'impossibilità di isolare l'effetto di una singola variabile sull'intera struttura degli *outcomes*.

Successivamente, lo studio ha analizzato le fasi di transizione nella catena del valore (2), dai livelli più bassi alle competizioni a quelli di élite, facendo anche qui emergere la complessità che incide sull'organizzazione, sulle strategie e sui processi decisionali delle società calcistiche.

Esaminando questi due temi, il lavoro si propone di fornire un'analisi critica delle fonti di complessità sottostanti all'industria calcistica. In tal modo, tale percorso concettuale si propone lo scopo di aiutare a determinare le traiettorie strategiche e i meccanismi gestionali necessari per affrontare tale complessità, nonché a identificare potenziali percorsi per ulteriori ricerche.

Parole chiave: complessità, catena del valore, fasi di transizione, interconnessioni tra le funzioni obiettivo.

1. Introduction

The work explores the complex dynamics of football, highlighting its intersection with economic and managerial components. It describes football as a system with causal interactions, creating a continuous feedback loop that adapts to changing circumstances.

Variables such as economic and sporting results, competition, budget, merchandising, and entertainment synergistically contribute to a convoluted

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system. This system shows how changes in one component can affect others, leading to dynamic processes with inherent instability.

The correlation between sports success and economic and financial outcomes in football clubs has intrigued scholars. Numerous studies (v. Table 1) contribute to these topics, focusing on the relationship between sports performance and financial outcomes. Thus, scholars explore how market value, competitive circuits, and success in national and international leagues can influence club revenues. Otherwise, they examine player proficiency, transfers, and expenditures for their impact on revenue and commercial prosperity. Empirical studies have shown stable relationships between sporting outcomes and financial performance.

Table 1 –Football financial and sporting results' literature

Author	Main Concept	Brief Description
Pinnuck and Potter's (2004, 2006)	Match Attendance and Success in Football Clubs	Examines the positive relationship between match attendance and success, both short-term and long-term, and their influence on financial success off the field.
Carmichael (2011)	Direct Link Between On-Field Triumph and Commercial Prosperity	Investigates the direct link between on-field success and commercial prosperity, highlighting the importance of players' proficiency in generating revenue.
Thrassou (2012)	Communication in football clubs	Marketing communication in football clubs
Dimitropoulos and Alexopoulos (2014)	Financial Success of Greek Super League Clubs	Focuses on the Greek Super League, investigating the financial success of clubs over a seven-year period and identifying factors contributing to their economic prosperity.
Galariotis (2018)	Football Clubs as Enterprises	Explores the realm of football clubs as enterprises, examining the intricate connections between financial, business, and sports performance in French football clubs.
Havran (2018)	Positive Rapport Between Expenditures and Augmented Revenues	Emphasizes the affirmative relationship between expenditures in transfers and salaries with increased revenues, cautioning against a drop in profits due to rising personnel expenses.
Miragaia (2019)	Correlation Between Income from Marketing and On-Field Success	Examines the correlation between income from marketing and success on the field, revealing a significant link between the two over two years.
Di Simone and Zanardi (2020)	Durability of Sporting Outcomes and Correlation to Financial Performance	Expands the analysis to investigate the durability of sporting outcomes and their secure correlation to financial performance among European football corporations.
Gonçalves (2020)	Export Markets and Impact of Player Sales Revenue on Financial Outcomes	Expands the research to Brazil, confirming the pattern of export markets and emphasizing the impact of player sales revenue on financial outcomes.
Alaminos (2020)	Neural Networks in Examining Financial Performance of European Soccer Clubs	Presents a new technique utilizing neural networks to examine the financial performance of European soccer clubs, emphasizing the determining factors of liquidity, leverage, and sporting performance.
Warias and Block (2021)	Influence of Market Value on Team's Position in the League Standings	Highlights the influence of market value on a team's position in the league standings, employing regression analysis to disentangle the complexities of this relationship.
Kaya (2023)	Correlation Between Athletic and Financial Performance	Uses a correlation test to investigate the relationship between athletic and financial performance utilizing weighted criteria.

Source: our elaboration

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Additionally, scholars delve into the role of marketing income, match attendance, and the development of football clubs as enterprises. When investigating financial performance, there are various methodologies available, such as correlation tests and neural network analysis. By doing so, scholars gain a more comprehensive understanding of financial performance.

However, it is important to consider the challenge of models that focus on isolated pathways. Instead, we advocate for the use of multilevel models that consider interconnected variables and significant feedback in the complex football system.

In this paper, we investigate the correlation between sporting and economic results, and unique managerial strategies that influence the intricate balance within football clubs, through a series of probing research questions.

RQ1. Do the sport results impact and to what extent on the economic and financial sustainability?

This study investigates two hypotheses:

1a) the effect of sporting results on economic and financial sustainability;

1b) the impact of economic and financial parameters on sporting outcomes.

The research aims to comprehensively analyse the intricate relationship between on-field performance and the financial stability of football clubs, exploring how transitional stages shape the value chain and ultimately impact the economic landscape of these clubs.

RQ2. Are there differences between football clubs' and other businesses' contexts? Or rather: are there other business sectors that can be comparable, in terms of complexity, to that of professional football?

This analysis examines the complexity of football clubs and explores their distinctive contextual factors in comparison to other businesses. Specifically, to address HP 2, we aim to understand whether the professional football industry is unique in terms of the mechanisms through which value is created.

The aim is to examine the contextual factors of football clubs that differentiate them from conventional businesses.

This requires identifying industries that exhibit comparable attributes, such as organisational structure, stakeholder relationships, financial management, and strategic decision-making. Possible sectors for comparison include the entertainment industry, event management, or other sports-related fields like NBA.

Essentially, these studies combine various theoretical approaches to achieve a comprehensive understanding of social dynamics, cascading processes, and threshold effects within complex systems, contributing to our understanding of significant events, self-reinforcing procedures, and chaotic

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phenomena, thus enhancing the wider discourse on the dynamic cycle in football systems.

2. Theoretical background

Football is a multifaceted environment where economic and financial factors significantly impact the sustainability of clubs and the sport itself (Dimitropoulos, 2014). The interdependence between sporting outcomes and economic parameters shapes the landscape of football, which affects the financial well-being of clubs (Galariotis, 2017). This study investigates the intricate interplay between sporting outcomes and their extensive repercussions on economic and financial sustainability. It also scrutinises how economic and financial factors, in turn, exert a substantial influence on the sporting achievements of football clubs.

Complexity could be seen through a multi-stakeholder perspective, whereas competition takes place at several levels and involves several key players, whereas Participation in European competitions and winning the associated trophies (especially the Champions League) allows football clubs to increase the visibility and attractiveness of their brand and symbols:
1. *fans*, as the most important market segment, due to the development and growth of the life-cycle value of fans;
2. *sponsors*: by participating to the best competition circuits clubs are able to conclude contracts with well-known technical and commercial brands. We assist with co-marketing strategies, where the prestige of one party affects the image of the other;
3. *agents*, who maintain good relations with them, allowing football clubs to anticipate and select potential champions and negotiate advantageous contracts for both the clubs and the players on the agents' lists;
4. *media outlet*, a complex issue that warrants further study regarding the relationship between clubs and the media. Key aspects include the control of the media by the owners of football teams, the value of advertising purchased by football clubs or their sponsors in media channels, and the participation in qualifying competitions to gain prominence in news coverage, especially on the front pages of newspapers;
5. *relations with other national and international football clubs*, establishing lasting and positive links to facilitate joint strategies: player exchanges, player loans, friendly matches, twinning arrangements, etc.

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2.1. A brief overview over complexity

The complexity stems from the existence of feedback among the variables, highlighting the dynamic interconnection of these components. In essence, the working hypothesis posits that diverse factors influence economic and financial outcomes, as well as sporting results. A thorough comprehension of the interconnections involved is essential in gaining a comprehensive and informed outlook on how these interactions shape the environment.

The study of social dynamics in football's multifaceted system is becoming increasingly significant, especially considering recent events with numerous interconnected factors. This emphasizes the mounting importance of comprehending intricate systems in conventional literature. Kominek and Scheffran investigate (2012) social diffusion and cascade processes, analysing the effects of significant events, thresholds, spillovers, tipping points, and cascade sequences using this approach. The study covers information cascades and intersystem cascades, providing a thorough comprehension of the interrelated dynamics inherent in social systems (see also Wiener, 1943; von Bertalanffy, 1967; Simon, 1985; Golinelli, 2000; Bonazzi, 2002; Barile, 2006; Morin, 2007).

Room's (2017) work emphasises the significance of self-reinforcing procedures and dynamic synergies in propelling social and economic transformation. This concept prompts an exploration of the elaborate mechanisms underlying complex transformative processes.

Petukhov's (2015) research presents a mathematical model explaining chain reactions as a form of threshold effects in complex social systems. In their study, San Miguel (2020) examined the analysis of chaotic social systems, which resulted in the introduction of bifurcation phenomena, deepening the modelling of chaos, and advancing predictability mechanisms of dynamic evolution. Technical terms have been explained when first used, and the text maintains proper vocabulary and grammatical constructs. The exploration of deterministic parameters and dynamic evolution within social chaos systems enhances comprehension of threshold effects.

2.2. Sporting results impacting economic-financial ones

The link between sporting results and a football club's financial stability is significant. The outcomes of sports affect incoming money, including merchandise, ticket sales, and broadcast rights, and also influence the image of the club. Positive results lead to greater engagement from fans and open up opportunities for sponsorship and commercial growth (Benkraiem, 2011;

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Ashton, 2003). Poor performances have a chain reaction resulting in decreased revenue and fan disengagement. Sporting outcomes influence the club's economic foundation through merchandise sales and sponsorships, reinforcing the impact of sporting performance on the club's prosperity (Pinnuk, 2006). The intricate relationship between sporting performance and the club's economic success underscores the strategic importance of both on- and off-field management for long-term sustainability.

Financial sustainability is fundamental for a football club's lasting survival and is intricately linked with sporting performance (Galariotis, 2017). Victories on the pitch make a significant contribution to generating economic benefits, boosting the club's overall value and attractiveness for sponsorships and investments. This symbiotic relationship reinforces a positive cycle, ultimately strengthening the overall economic health of the club (Galariotis, 2017). In contrast, financial instability has an adverse impact on player quality, coaching staff and infrastructure, resulting in decreased on-field performance (Clarkson, 2022). The interlinked nature of a club's financial wellbeing and athletic accomplishments highlights the significance of maintaining sound economic stability and tactical monetary management. Successfully managing this delicate equilibrium is not just a financial priority, but also a strategic imperative for attaining success in the cut-throat world of professional football.

2.3. Economic-financial results affecting sporting ones

The achievement of football teams in sporting events is solidly and separately linked to their economic and financial standing, which undoubtedly affects the quality of players, competitiveness of the team and overall sustained success. Factors such as salaries and transfer budgets, which are focused on players, have a direct impact on the team's skill levels. Top-class player acquisitions positively affect the overall team quality. Investments in youth development are crucial for long-term success (Kringstad, 2015). Financial stability extends beyond player-centric factors, affecting a club's ability to attract top talent and secure qualified coaches. Robust finances enable clubs to provide competitive wages, signing packages, and state-of-the-art training facilities, which directly enhance the players' preparation, recovery, and overall physical form (Wicker, 2015).

For economic sustainability, football clubs heavily depend on their fan base, and it depends on the stability of the club-fan relationship. The strength of the club-fan relationship is evidenced through the intimate link between sporting triumphs and the emotional connection of devoted fans (Vale,

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2017). Positive results in sports (Yoshida, 2014) lead to augmented attendance, merchandise sales, and heightened fan loyalty, fostering a productive economic cycle. However, extended periods of poor performance erode emotional connections and put vital revenue streams that secure financial stability at risk (Allison, 2013). It is imperative to acknowledge the interrelatedness between athletic triumphs and supporter engagement for sustained economic stability in the constantly evolving world of professional football.

3. Epistemological approach

This study takes an epistemological approach to comprehensively describe and understand the complexity of the football system. Our aim is to confidently identify and qualify the main factors that contribute to this complexity. We rely on a wide range of secondary data and scientific literature to achieve this goal.

The football system could be viewed as a complex catalytic system and receives special attention. An investigation into sporting and economic-financial outcomes in football revealed a significant disparity. Prior research often neglects the integrated approach when studying complex football-related phenomena through models, thereby overlooking the system's intricacy. This has underscored the requirement for the creation of an econometric model that acknowledges and incorporates contextual and ecological variables to offer a meticulous and extensive overview of the football system.

3.1 The complexity of the European football system value chain

The European football system is renowned for its complexity, which is compounded by the numerous levels of progression available to clubs depending on their category. These categories include minor leagues, national higher leagues like England's *Premier League* and Italy's Serie A, as well as various European competitions, all of which are contingent on a club's placement in the national topflight[1].

Football's peculiarity leads to an unavoidable uncertainty in the link between *sporting results* and *economic-financial outcomes*, as we hypothesize in **RQ1**. Do the sport results impact and to what extent on the economic and financial sustainability?

[1] FIFA Club World Cup Prize Money 2023 (consulted on 08/12/2023) https://sportsest.com/fifa-club-world-cup-prize-money/

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For this reason, the intricate relationship between sporting results and economic-financial ones within football clubs remains a central issue in the context of the European football system (Dimitropoulos, 2021; Caglio, 2022).

Consider, for example, UEFA's selection criteria and access to the Champions League. First, the number of participants from each country in the European leagues differs based on comparative parameters calculated using the UEFA coefficient. The number of teams qualifying is then based on the ranking obtained by this method.

For the *Europa League*, the official UEFA regulations for the 2021/22 football season specify that teams behind the *Champions League* qualifiers (reserved for only the top five leagues) and the winners of the national cups of the top fifteen associations have access to qualification. Additionally, the teams that are eliminated from the second qualifying round onwards of the *Champions League*, as well as the third-placed team from the group stage of the major competition, are eligible to qualify for the *Europa League*.

Consequently, the qualification and access mechanisms for the premier sporting competitions in Europe create a discrepancy between the *athletic outcome* and the *economic-financial performance* of professional football clubs. There is no certainty for a team that invests significant funds to develop a squad capable of competing in a European tournament and ultimately outperforming their opponents to gain access to the qualifying stages. An open hierarchy creates a significant differentiation between those who are able to reach the upper levels and those who are left out. As a result, this distinction fosters an accomplished exertion that may not always align with the financial limitations of the clubs (Financial Fair Play)[2].

The study aims to demonstrate an inverse causal relationship: the impact of sporting outcomes on economic and financial results (Hp1a). This section presents how sporting results impact the economic-financial sustainability of a professional football team.

Advancing to a higher level of competition leads to augmented player salaries, escalation in their market worth, and necessity for insurance to back teams transitioning up in categories. This counterintuitive success mandates insurance policies for managing the financial weight of involvement in a superior league.

When a professional football team performs poorly or its players are not of a high enough standard for top-level competition, the team faces an opportunity cost. For instance, competing in esteemed European tournaments like the Champions League can potentially result in higher team salaries,

[2] UEFA Club Licensing and Financial Fair Play Regulations – https://documents.uefa.com/v/u/MFxeqLNKelkYyh5JSafuhg

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which may not be fully compensated by mere participation, particularly if the team is eliminated in the group stages. Let's get into more detail. A club's failure to qualify for the *Champions League* from the prior year leads to a negative economic impact amounting to roughly €52.2 million. The *Champions League*, much like any other European competition, entails significant expenses for clubs.

A club's failure to qualify for the *Champions League* from the prior year leads to a negative economic impact amounting to roughly €52.2 million. This negative outcome includes a sharp decrease in TV rights and commercial sales value. Moving from the *Champions League* to the *Europa League* results in a €33 million decrease in net results. After assessing the costs incurred by clubs excluded from the preceding season's competition and considering the expenses associated with entering said competition, it becomes pertinent to ascertain the value of qualifying for either the *Champions League*, the *Europa League*, or the *Conference League*. This value extends to both footballing prestige and financial gain.

Being one of the 32 teams that participate in the top club football tournaments in Europe is decidedly significant and can considerably impact the economic-financial side of the club. According *to Calcio e Finanza*, for the group stage, UEFA will distribute a total of €2.022 billion to clubs[3]. Starting with the *Champions League*, the net revenue available to participating clubs will be broken down as follows:

Table 2 – Net revenues for participating clubs

Champions League (Participation)	Allocated Percentage	Amount
Starting quotas	25%	€500.5 million
Fixed amounts related to benefits	30%	€600.6 million
Rankings of the ten-year coefficients of return	30%	€600.6 million
Variable portions linked to the market pool	15%	€300.3 million
	Total	**€2001.9 million**

Source: our elaboration

Each of the 32 clubs that qualify for the group stage will receive €15.64 million. For each match in the group stage, bonuses will be awarded based on performance: €2.8 million for each win and €930,000 for each draw. Clubs that qualify for the knockout stage will receive the following amounts:

[3] The Champions League restarts: 2 billion for the clubs up for grabs (Accessed 17/02/23) https://www.calcioefinanza.it/2022/09/06/quanto-vale-champions-league-2022-2023/

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Table 3 – Amounts for the knockout stage

Champions League	Qualification Amount (per club)
Qualification for the Round of 16	€9.6 million
Qualification for the Quarter-finals	€10.6 million
Qualification for the Semi-finals	€12.5 million
Qualification for the Final	€15.5 million
Victory in the Final	€4.5 million

Source: our elaboration

Between the initial fee and the bonus for outstanding performance, the victorious team of the *Champions League* can receive a maximum of €85.14 million. Both clubs that secure their place in the 2022 UEFA Super Cup will receive €3.5 million each, alongside an additional €1 million for the winning side. To these official sums are added further funds stemming from television rights, depending on the reference market, and the historical ranking, which takes into consideration the performance of the teams in the past decade.

In summary, winning the *Champions League* can result in direct earnings of about 170 million euros for a significant market and a renowned team, excluding sponsorships and related industries. The following table summarises the involvement and performance bonuses awarded to participating clubs in the *Champions League*.

Table 4 – Champions League participation prizes

Total Impact of the Champions League on Clubs	
Qualification	€15,25 million
Winning 6 group stage matches	€16,8 million
Round of 16 qualification	€9,6 million
Quarterfinal qualification	€10,6 million
Semi-final	€12,5 million
Final	€15,5 million
Winner	€4 million
Super Cup qualification	€3,5 million
Total	**€ 87,75 million**

Source: our elaboration

As far as the *Europa League* is concerned, UEFA will distribute a total of €465 million to the clubs for the group stage[4]. The net revenue available to participating clubs will be divided as follows:

[4] Europa League 22/23 is worth €465m: club revenues (Accessed 18/02/23) – https://www.calcioefinanza.it/2022/07/09/premi-europa-league-2022-2023-ricavi-club/

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Table 5 – Net revenues for participating club

UEFA Europa League	Allocated Percentage	Amount
Starting quotas	25%	€116 million
Fixed amounts related to benefits	30%	€140 million
Rankings of the ten-year coefficients of return	15%	€70 million
Variable amounts (market pool)	30%	€140 million
	Total	**€ 465 million**

Source: our elaboration

Clubs that qualify for the knockout stage will receive the following contributions:

Table 6 – Knockout Stage Contributions

UEFA Europa League	Qualification Amount (per club)
Qualification for the Play-offs (Third-placed teams vs. Europa League runners-up)	€0.5 million
Qualification for the Round of 16	€1.2 million
Qualification for the Quarter-finals	€1.8 million
Qualification for the Semi-finals	€2.8 million
Qualification for the Final	€4.6 million
Winner of the UEFA Europa League Final	€4 million

Source: our elaboration

The table below allows you to visualize the economic impact of participation in the Europa League for Serie A clubs.

Table 7 – Europa League Participation Prizes

Total impact of the Europa League on clubs*	
Qualification for play-offs**	0,5 million
Round of 16 qualification	1,2 million
Quarterfinal qualification	1,8 million
Semifinal	2,8 million
Final	4,6 million
Winner	4 million
Total	**14,9 million**

*** where the third-placed teams in the Champions League groups play against the second-p laced teams in the Europa League*

Source: our elaboration

Finally, with regard to the last of the European club competitions, the *Conference League*, the values due to the participating teams are reported below. For the clubs that qualify for the group stage, UEFA will distribute a total of €235 million. The net amount available to participating clubs will be divided as follows:

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Table 8 – Net revenues for participating clubs

UEFA Conference League Group Stage Distribution	Allocated Percentage	Amount
Registration fees	40%	€94 million
Performance-related fixed tranches	40%	€94 million
Coefficient amounts	10%	€23.5 million
Variable portions linked to the market pool	10%	€23.5 million
	Total	**€235 million**
Down payment		€2.8 million
Balance		€140,000

Source: our elaboration

Table 9 – Conference League Bonuses

UEFA Conference League Group Stage Match Bonuses	Bonus Amount (per match)
Win	€ 500,000
Draw	€ 166,000
UEFA Conference League	**Prize Amount**
Group Stage Winners and Runners-up Prizes	**(per club)**
Group Winners	€ 650,000
Group Runners-up	€ 325,000

Source: our elaboration

Table 10 – Knockout Stage Contributions

Total impact of the Conference League on clubs	Qualification Amount (per club)
Qualification for Knockout Play-offs	€ 300,00
Qualification for the Round of 16	€ 600,00
Qualification for the Quarter-finals	€1 million
Qualification for the Semi-finals	€2 million
Qualification for the Final	€3 million

Source: our elaboration

The chart presented below provides both numerical and visual representations, with values expressed in millions of euros, of the monetary rewards received for participating in the three European competitions. This includes the qualifying phase and concludes at the end of the competition. The aim is to demonstrate the impact of each competition on financial gain (Urdaneta, 2021).

Turning to Italian football, it becomes apparent that Italian clubs compete for a prize purse worth 35.4 million euros. It is crucial, for the purposes of

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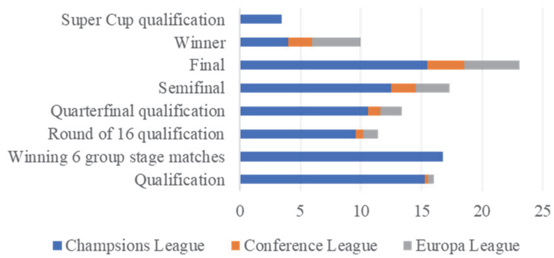
the present work, to compute the percentage of impact that these competitions have on clubs. In particular, we will focus our attention on the seven leading teams in the Italian Series A, often referred to as the "7 sisters", whose generated revenues are particularly significant. The seven main Series A teams – Milan, Inter, Roma, Juventus, Atalanta, Napoli, and Lazio – registered the following revenues during the 2020/21 season:

Figure 1 – Total impact of the European competitions on clubs



Source: our elaboration

Table 11 – Serie A Revenues

Clubs	Total Revenues
Milan	€232,6 million
Inter	€356,4 million
Roma	€194,8 million
Juventus	€437,5 million
Atalanta	€189 million
Napoli	€174,5 million
Lazio	€164,74 million

Source: our elaboration

On the total value of the revenues of professional clubs, it is interesting to consider how much impact an amount of, for example, 85 million euros (estimated value of impact of the *Champions League* based on starting fee and performance bonus).

By way of example, for a team as emblazoned as Real Madrid (whose total revenue for the 2021/22 season amounted to €641.8 million)[5], the *Champions League* impacts 13.24% of the team's total budget revenue.

[5] https://www.calcioefinanza.it/2022/04/16/big-confronto-serie-1-mld-dalla-liga-e-doppiata-dalla-premier/

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Table 12 analyses the impact, in percentage terms, that access to the qualifying phase for the quarter-finals has on the teams under analysis. As was to be expected, qualification for the *Champions League* plays a significant role in terms of revenue percentage, especially for underperforming clubs. This also applies, albeit to a lesser extent, to the other two European competitions, *Europa* and *Conference League*.

Table 12 – Impact of European competitions (quarter-finals)

Percentage impact of qualifying for the quarterfinals in the three European competitions on the total revenues of the '7 Sisters' of Serie A

Clubs	Total Revenues*	Champions League (quarterfinal qualification = 52,25m)	Europa League (quarterfinal qualification = 3,5m)	Conference League (quarterfinal qualification= 1,9m)
Milan	232,6	22,46%	1,50%	0,82%
Inter	356,4	14,66%	0,98%	0,53%
Roma	194,8	26,82%	1,80%	0,98%
Juventus	437,5	11,94%	0,80%	0,43%
Atalanta	189	27,65%	1,85%	1,01%
Napoli	174,5	29,94%	2,01%	1,09%
Lazio	106,3	49,15%	3,29%	1,79%

**values are expressed in millions of euros*

Source: our elaboration

Table 13 analyses the impact produced by the overall victory of one of the above-mentioned competitions on the revenues of the teams under analysis.

Table 13 – Impact of European competitions (win)

Percentage impact of winning the three European competitions on the total revenues of the "7 Sisters" of Serie A

Clubs	Total Revenues *	Champions League	Europa League	Conference League
Milan	232,6	37,73%	6,41%	3,83%
Inter	356,4	24,62%	4,18%	2,50%
Roma	194,8	45,05%	7,65%	4,57%
Juventus	437,5	20,06%	3,41%	2,03%
Atalanta	189	46,43%	7,88%	4,71%
Napoli	174,5	50,29%	8,54%	5,10%
Lazio	106,3	82,55%	14,02%	8,37%

**values are expressed in millions of euros*

Source: our elaboration

An important goal of this study is to comprehend the economic impact of a football team's victory or high position in the standings of the Series A championship. To illustrate the value of the revenues to be distributed based

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on the standings for the 2022/23 season, certain figures are worth considering. Still considering the same sample of teams, the table below shows the percentage values and extent of championship victory in *Lega Calcio Serie* A. To perform this calculation, we need some information. Firstly, the expected revenues for the top three ranked teams are: €17.6 million for the first; €14.8 million for the second; and €12.7 million for the third[6].

Table 14 – Serie A impact on clubs

Clubs	Total Revenues*	1st place	2nd place	3rd place
Milan	232,6	7,57%	6,36%	5,46%
Inter	356,4	4,94%	4,15%	3,56%
Roma	194,8	9,03%	7,60%	6,52%
Juventus	437,5	4,02%	3,38%	2,90%
Atalanta	189	9,31%	7,83%	6,72%
Napoli	174,5	10,09%	8,48%	7,28%
Lazio	106,3	16,56%	13,92%	11,95%

** values are expressed in millions of euros*

Source: our elaboration

In conclusion, the previous discussion of the economic effects of European and Italian football tournaments aimed to comprehend the competitive nature of football clubs. Despite the current structure of European football, where access to sports competitions is highly dependent on team performances rather than budget and economic management, this analysis remains impartial and factual. The diagram provided below illustrates the percentage impact of winning the three European football competitions discussed so far on the total revenues of the prominent Serie A clubs, collectively known as the "7 Sisters". The percentages represent the proportion of the clubs' total revenues attributed to each specific competition.

Sports outcomes do not merely measure success on the field but are a driving force for major impacts on various aspects of the economic and financial sectors, as emphasized by Yoshida (2014). The proposed model aims to elucidate these complex relationships, illustrating how victories or losses on the pitch directly affect the economic and fiscal well-being of football clubs. The intricacy of the European football system is apparent with the plethora of competition levels accessible to clubs, ranging from small leagues to illustrious national leagues and European tournaments. This type of competition offers possibilities for achievement and, concurrently, subject teams to advantageous and disadvantageous perils (Table 15).

[6] The Serie A 2022/23 season kicks off: here's the value of the standings (accessed on 18/02/23) – https://www.calcioefinanza.it/2022/08/13/quanto-vale-classifica-serie-a-ricavi-piazzamento/

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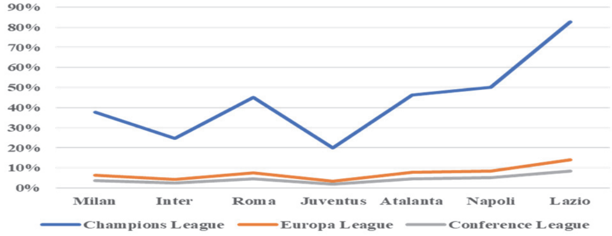
Figure 2 – Percentage impact of winning the three European competitions on the total revenues of the "7 Sisters" of Serie A



Source: our elaboration

3.1.1. Positive results

The complexity of the European football system is apparent through the various levels of competition accessible to clubs, from minor to prestigious national leagues and European competitions. This assortment of tournaments presents both opportunities for success and the possibility of favorable or unfavorable outcomes.

- *Championship Success*: the most highly sought-after achievement is winning the championship, which bestows prestige and honour to the club and may also result in significant financial gains, including direct entry to exclusive European competitions.
- *Participation in European Competitions*: qualifying for European competitions is also a positive outcome. Participation in UEFA Champions League or Europa League offers not just global exposure but also ensures significant financial gain from prizes and television broadcasting rights.
- *Increase in Brand Value*: a strong performance in domestic and European competitions can enhance the club's brand value.

3.1.2. Negative Results

- *Relegation*: this may lure higher-paying sponsorships and create further revenue through the merchandising and image rights sales. This represents not only a decline in status and prestige, but also carries significant financial consequences, resulting in a decrease in income derived from television rights and sponsorships. Relegation to lower leagues is among the most severe unfavorable results.
- *Failure to Qualify for European Competitions*: not qualifying for European competitions can cause financial losses and reduced international

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visibility, negatively affecting a club's ability to attract talented players and sponsors. Thus, it is crucial for clubs to perform well in domestic leagues to secure a place in these competitions. Loss of brand value: A prolonged run of poor performance could diminish the club's reputation. This may create obstacles in maintaining current sponsorship deals and attracting new investors.

- *Escape of footballers to higher-performing teams*: the movement of footballers to high-performing teams, commonly known as "player transfers" or "transfers," is a widespread occurrence in the football world. It occurs when players switch from one club to another, often with the aim of improving their playing opportunities, competitiveness, financial benefits, or a combination of these factors. Transfers play a crucial role in the ever-evolving football scenario, affecting team dynamics, league competitiveness, and the global football landscape. The choices made by players to switch to higher-performing teams are influenced by career aspirations, championship ambitions, monetary rewards, and the drive to compete at the highest level, exposing the intricate relationship between individual goals and team accomplishments in the sport.

The European football ecosystem presents exclusive prospects and difficulties to each club. Successful outcomes bring prestige and financial gains, whereas unfavorable ones can have ramifications on and off the field, affecting the economic stability and overall worth of the club.

Table 15 – Positive and negative results from on-pitch wins and losses

Positive Results	Negative Results
Different levels of competition accessible to clubs, from minor leagues to prestigious national leagues and European competitions	Relegation: Decline in status, prestige, and significant financial consequences, including decreased income from television rights and sponsorships
Championship Success: Winning the championship brings prestige, honor, and significant financial gains, with direct entry to exclusive European competitions	Failure to Qualify for European Competitions: Financial losses and reduced international visibility, impacting the ability to attract talented players and sponsors
Increased awareness of the football club's potential has led to a rise in potential sponsorship agreements.	Increased awareness of the football club's potential has led to a rise in potential sponsorship agreements.
Participation in European Competitions: Qualifying for UEFA Champions League or Europa League offers global exposure and significant financial gains	Loss of Brand Value: Prolonged poor performance diminishes the club's reputation, creating obstacles in maintaining current sponsorships and attracting new investors
Increase in Brand Value: Strong performances enhance the club's brand value	Escape of footballers to higher-performing teams: Player transfers influence team dynamics, league competitiveness, and the global football landscape, driven by career aspirations, championship ambitions, and financial rewards
Improvement of the players' self-confidence and their perception of their own safety on the pitch.	Reduced self-confidence among players, who feel less confident on the pitch.

Source: our elaborations

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Table 16 – UEFA circuit revenues estimation

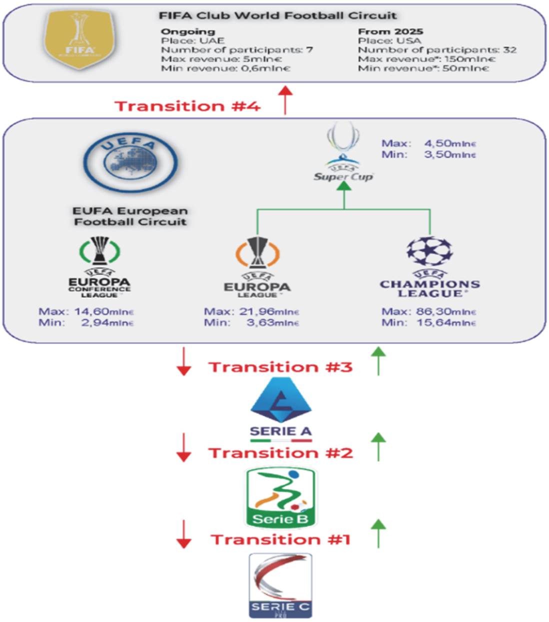
Circuit	Minimum	Maximum	
Conference UEFA League	2,94	14,6	Without considering the Play-off: 6 round of 16 matches; 6 games until the final
Europa UEFA League	3,63	21,96	Without considering the Play-off: 6 round of 16 matches; 6 games until the final
Campions's UEFA League	15,64	86,3	
UEFA Super CUP	3,5	4,5	

Source: our elaboration

3.2. Transition stages

The football industry undergoes a series of distinct transition stages and is significantly shaped by its value chain. The transition stages range from the inception of a club or league to its growth, maturity, and potential decline, each presenting unique challenges and opportunities that impact the competitiveness and sustainability of entities within the football ecosystem (Nadvi, 2011). Figure 3 summarizes the data reported in previous paragraphs, also presenting the different transitions that exist between the different circuits.

Figure 3 – Italian and European Football System Value Chain



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The value chain in football, which extends from youth development to commercial partnerships, plays a crucial role in determining success. The efficient and strategic management of this value chain affects a club's capacity to assemble competitive teams, secure sponsorships, and navigate the complexities of the contemporary football landscape (Grundy, 1998; Dolles, 2005).

Understanding the manifestation of complexity during transition stages and the intricacies of the value chain is essential for stakeholders to develop strategies that guarantee continued success and growth in the fast-paced football industry. Through this concept we analyse Hp2 of RQ1: Economic and financial parameters affect sporting results.

3.2.1. Ascending transition

When a football team competes in a championship, the results can be either victory or defeat. If the team succeeds and advances to a higher league with a victory, there is a positive onset of events that follow. These successes generate a multitude of benefits for the club. Benefits include elevated player ratings, enhanced ticket prices, improved rankings, players voluntarily surrendering their contractual benefits for the team's greater good, amplified royalties from television broadcasts and a surge in sponsor count.

Nevertheless, it is crucial to weigh the downsides, which encompass escalated expenses for managing the stadium and the team. This complex dynamic illustrates the challenges facing football transitions and the importance of responsible financial management.

3.2.2. Discending transition and parachute effect

If a club is relegated from a higher to a lower league, it experiences a period of decline characterized by various detrimental consequences. These include a decrease in operational costs, less income from stadium ticket sales, a lower ranking, a devaluation of player worth, a drop in television rights revenue, and a possible loss or reduction in sponsors. Nevertheless, it should be pointed out that this situation also brings some unforeseen advantages. Each reduction in the diverse revenue sources leads to a proportional cut in operating costs, thus enabling the enterprise to stabilize the budget and uphold balanced financial administration amidst the demotion challenge.

The phenomenon known as the *parachute effect* holds considerable significance in the realm of football, especially for teams that endure a demotion

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from a higher to a lower league. This term describes the situation wherein such teams, despite underperforming, continue to reap financial benefits from television contracts and commercial agreements made during their stint in the top league. After being relegated, teams often benefit from a "financial parachute", providing economic assistance during their transition to a lower league (Cerqua, 2014).

However, this benefit is often temporary, and it is crucial to manage this funding wisely to ensure sustainable progress and financial stability in the future. By doing so, the negative impacts of relegation on a club's overall financial health can be avoided.

3.3. The three catalytic mechanisms in Football System Value chain

Catalytic mechanisms pertain to the processes or situations where an element or an event initiates a sequence of reactions that intensify the initial outcome, resulting in a feedback loop that could either be positive or negative. This notion applies to various non-scientific or economic contexts and may lead to desirable or undesirable outcomes. Negative spirals could transpire when an unfavourable occurrence sets off a series of self-sustaining adverse outcomes (Grehaigne, 1997; Deneubourg, 1989). For instance, unfavourable news that harms a firm's standing may cause negative repercussions, including losing clients and reduced revenue, resulting in a detrimental cycle that is challenging to rectify (Hordijk, 2013; Lawton, 1979).

High-level competitions can trigger feedback loops, wherein success in one league leads to further opportunities or challenges for the team and other participants. Such systems generate positive outcomes, including financial enhancements, increased international visibility, and the attraction of talent (Vrooman, 2007; Fort, 1995).

However, the same systems can also result in negative repercussions, such as the deterioration of less competitive teams or imbalances in resource and talent distribution (Jessop, 2006).

Catalytic mechanisms are clearly visible within the football system, where various elements – including the *economic-financial stock*, *budget for team shaping*, *competitive context* and *sports team results* – interact in a cyclical manner, resulting in both positive and negative feedback:

1. *The economic-financial stock of a team represent a crucial basis*. Ample economic capital enables investment in top-notch players, cutting-edge amenities, and proficient administration. Sporting performance has a direct impact on the stock, as victories often generate revenue through prizes, sponsorships, and television rights.

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2. *The budget for team shaping is closely linked to the economic-financial stock, and an increase in financial resources enables investment in top-level players and youth development programs*. A competent team can enhance the club's public image, increasing its monetary prospects through sponsorships and other revenue streams.
3. *The competitive context is crucial to the development of the other elements*. A team with ample funds can strive towards high-level competition, amplifying visibility and financial opportunities. The outcomes of these competitions affect both stocks and budgets.
4. *Sports' team results: the club's perceived value and fan engagement are directly impacted by its sporting results*. Winning consistently can establish a positive trend, attracting skilled players, bolstering commercial revenue and strengthening the club's financial position. Reverse, a string of defeats can initiate a negative cycle, resulting in decreased sponsorships and revenue.

3.3.1. The first catalytic process: from the economic-financial stock to sports results

In a football club, the economic-financial stocks represent the core of an autocatalytic mechanism that has both positive and negative cyclical effects on team shaping, competition, and sporting results (Figure 4 - sub a).

A high economic and financial stock has a mutual positive impact on the budget earmarked for team training, providing a sturdy foundation for team shaping. A greater budget facilitates specific investments in acquiring high-quality players, improving facilities and promoting youth development programmes. These investments subsequently enhance the competitiveness of the team. Additionally, a strong economic-financial foundation contributes to competitive participation in high-level competitions. Winning in such competitions boosts the club's visibility, attracts sponsors and opens new revenue opportunities. This achievement further augments the economic and financial portfolio with supplementary income.

A favourable outcome establishes a virtuous cycle: heightened visibility, fresh sponsors, and prizes in tournaments collectively contribute to an additional escalation in the economic-financial stock. Conversely, it adversely impacts the budget for team shaping.

Sport' team results' positive impact on Economic-Financial Stock (green side): positive sporting outcomes, such as championship victories or prestigious competition success, enhance the club's visibility. This visibility attracts generous sponsorships and allows the club to negotiate more advantageous television contracts. Thus, increasing revenue and contributing positively to

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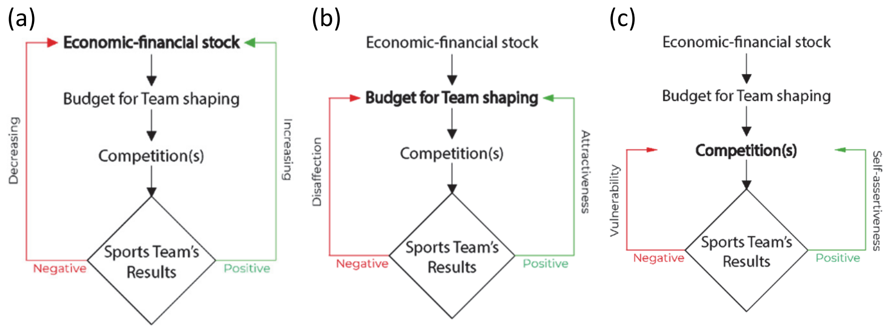
the club's economic-financial stock. This success also leads to more significant funds being available for team shaping, enabling the club to attract and retain high-quality players.

Figure 4 – The "Three Catalytic Processes"



Source: our elaboration

However, poor sporting results (red side) like demotion or dismal performances can reduce the club's visibility and negatively impact their economic and financial standing. This could lead to a reduction in sponsorships and a decline in television rights, which would reduce overall revenue and have a negative impact on the club's financial condition.

The Rohde & Breuer (2016)'s econometric model shows such aspect and, in particular, the National League success, international sporting success, and brand value have a highly significant and positive influence on revenues. National cup success also showed a weakly significant positive impact on revenue, thus providing an interpretation of the importance of participation in European circuits, primarily in the Champions' League.

3.3.2. The second catalytic process: from the budget for team shaping to sports results

The budget for team shaping at a football club results in a cycle of mutual reinforcement, affecting both the economic-financial stock of team performance either positively or negatively (Figure 4 - sub b).

Sports team results positively influence the budget team (green side): success on the pitch can lead to substantial prizes and a larger share of television rights. This additional revenue can be utilised to enhance the team shaping budget, allowing the club to attract or maintain high-calibre players in order to elevate the team's overall competitiveness.

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Furthermore, failures on the pitch may result in the loss of prizes and lower television rights, limiting the budget for team development. This may make it difficult for the club to attract or retain high-level players, negatively impacting their competitive position. Negative sporting results have a significant impact on the budget set aside for developing a team, resulting in a feeling of disillusionment.

Mainly, unsatisfactory on-field outcomes can reduce the team's attractiveness to both fans and sponsors. A decrease in fan enthusiasm typically leads to reduced revenue streams, including ticket sales, merchandise and television rights. Simultaneously, a decline in the team's visibility may impact sponsor interest, as sponsors are often drawn to thriving clubs with fervent fan bases.

Still, unfavourable sporting outcomes can undermine the market value of players. Successful footballers and winning teams generally command higher market values, but a string of lacklustre performances can reduce the players' worth, with consequential impacts on the club's ability to participate in market transactions. Such transactions might include acquiring fresh talent or selling players for supplementary revenue.

Moreover, unfavourable sporting results can present difficulties when attracting top-calibre players. Elite athletes are typically driven by the opportunity to compete within successful teams and partake in esteemed competitions. Teams undergoing a period of sporting decline may experience complications when attempting to entice top-tier players to join their club.

Referencing Barajas *et al*. (2005), it is evident that the formation and structure of the team group are significantly correlated with the competitive circuit in which they operate. Consequently, as demonstrated by the authors, while sporting results positively impact *revenue*, their influence on the *overall economic outcome* is comparatively weak.

3.3.3. The third catalytic process: the competition and the effect of victories and defeats

Positive sporting results can have a significant impact on team dynamics by promoting self-confidence and enthusiasm among players, thereby contributing to a positive competitive environment. Success on the field frequently translates into increased morale, a strong belief in their abilities, and a heightened eagerness to compete in top-level tournaments.

The affirmative influence that success has on an athlete's mindset is vital for maintaining a competitive edge. Winning outcomes enhance players' self-confidence, promoting trust in their abilities and enabling them to make

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bold decisions during matches. This augmented self-belief frequently results in a more assertive and proactive playing style, which positively impacts both individual and team performance.

Additionally, the positive emotions derived from achieving good results create a reinforcing feedback loop. Players who experience success are more inclined to approach their training and preparation with enthusiasm. This increased motivation can lead to better physical fitness, sharper concentration, and a willingness to put in extra effort to maintain success.

Players who have achieved positive outcomes take pride and excitement in participating in high-level competitions. Challenging top-tier opponents is met with anticipation rather than apprehension, as the team is bolstered by a sense of achievement. Adopting a constructive attitude can augment the team's general competitiveness and propensity to take prudent risks, resulting in a more dynamic and efficient performance.

Positive outcomes from such a good disposition can influence team dynamics beyond the field of play and promote collaboration and mutual support. Enhanced morale frequently boosts *camaraderie* among teammates, facilitating effective communication. A group that collectively achieves success is more inclined to form a unified whole, a crucial aspect for sustained competitiveness.

Coaches and support personnel perform a pivotal function in maximising positive outcomes to enhance the team's overall performance. They can strategically utilise triumphs as a motivating force, cementing positive actions and fostering a growth mindset within the players. This approach fosters the creation of a durable team culture capable of overcoming challenges and sustaining a competitive edge.

Poor sports results can seriously harm team confidence and performance in competitions. If players are confronted with a sequence of unsuccessful outcomes, it usually leads to a lowering of their self-confidence and morale. Such a psychological factor can create an environment that profoundly impacts the team's competitive edge.

Confidence constitutes an essential element in sports, as it affects decision-making, the execution of skills, and the team's dynamics overall. When athletes encounter a lack of success, uncertainty may enter their thoughts and influence their perception of their capabilities and the team's potential. This reduced self-assurance can lead to indecision, unwillingness to take chances, and an overall feeling of insecurity on the pitch.

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3.4. The uniqueness of the football system

Now, let us focus on investigating **RQ2**: *are there distinguishable differences between the operational contexts of football clubs and those of other businesses?* Our study aims to determine if there are comparable industries of similar complexity to professional football in order to gain insight into the distinctiveness of football clubs. In exploring this issue, we examine the distinct features that differentiate the professional football industry, analysing the means through which it produces value.

Hypothesis 2 (Hp2) proposes that the professional football sector represents a unique entity, featuring value-generating mechanisms that differentiate it from other commercial fields. This hypothesis requires a critical analysis and exposition of the distinct similarities and differences between the professional football industry and an established counterpart, such as the National Basketball Association (NBA).

The proposed European Super League and the NBA have been extensively debated since the league's announcement. Both supporters and opponents make connections between the two, with some viewing the NBA as a model for the developing football competition. Juventus President Andrea Agnelli and Real Madrid's Florentino Pérez have cited the NBA as an example, while others emphasize the difficulties of applying the same approach to European football.

The core similarity lies in a closed-circuit sporting competition, where profits are optimized through predetermined participation that delivers exceptional entertainment. Although the NBA and Super League share resemblances, some sporting and economic factors make it difficult to compare them in detail. The potential increase in economic inequality in the Super League opposes the NBA's attempts to tackle this problem with strategies that advantage all thirty contending teams.

From a sporting perspective, the NBA's Draft mechanism operates as a market, facilitating lesser teams' ability to acquire skilled players. This draft system is supported by the financial strategy of the salary cap, an annual maximum on team salaries that promotes equity. Participating in competitions, especially those of significant stature such as UEFA, presents distinctive challenges for football teams. These encompass increased player salaries, rising market values, and the need to secure against favorable occurrences. Notably, teams frequently seek insurance contracts to minimize risks and ensure beneficial outcomes associated with higher-level competitions.

In the context of Italian football, where seven top-tier teams compete for the championship title, the likelihood of winning is approximately 14%, which is comparatively high. In anticipation of potential victories, teams may

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pay significant insurance premiums, up to 20% of the theoretical player salary cost, to protect themselves against financial implications. This approach reflects the teams' willingness to invest in risk management, given their lower probability of success within the Italian football landscape.

To summarize, while similarities exist between the proposed Super League and the NBA, a nuanced understanding is required due to the distinct sporting and economic differences between each system. The unique challenges and operational processes of the Super League, particularly in relation to the economic disparities and risk management strategies (de Falco, 2012), underscore the necessity of a thorough assessment of the envisaged football tournament.

4. Findings

The study utilizes a mixed research methodology both by analyzing complexity-related literature, with specific emphasis on the football system as a complex catalytic system, and by elaborating the value chain and the extent of the most significative transition stages. The research assesses sporting and economic-financial outcomes in football, highlighting a significant lack of literature in this area. Previous studies examining complex phenomena through models have frequently disregarded the integrated approach. This has resulted in the failure to recognise the unity of the intrinsic complexity of the football system.

Indeed, if possible, it would be mandatory to develop an econometric model that considers both positional and situational elements. This could provide a more comprehensive perspective over the complexity of the football system in its entirety. Let's have a try.

The econometric model could be organized as a system of "Multiple structure objective functions", where the objective functions are interconnected, reflecting the complex interplayed relationships in the football context.

The sports results, marketing, merchandising, player trading, sponsorship, broadcasting, and ranking objectives are closely related to the economic-financial objectives [1]. Similarly, sporting objectives [2] depend on economic-financial, player trading, and ranking objectives. The sport's ranking, broadcasting, and sports results significantly influence merchandising and sponsorship objectives [3], [4]. The ranking is intrinsically connected to the objective function of sports results [5], while sports results and ranking crucially impact broadcasting objectives [6]. Such an interconnected model comprehensively depicts the dynamics' complexity that characterizes the football system (Figure 5).

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Figure 5 – Multiple Structure Objective Functions (MSOF) of a Professional Football System

$$
\begin{cases}
[1] & O_{e/f} = f\left(O_s w_{s;}; O_m w_m; O_{pt} w_{pt}; O_{sp} w_{sp}; O_{br} w_{br}; R_t w_{rt}; \varepsilon_1\right) \\
[2] & O_s = f\left(O_{e/f} w_{e/f}; O_{pt} w_{pt}; R_t w_{rt}; \varepsilon_1; \varepsilon_2\right) \\
[3] & O_m = f\left(O_s w_{s;}; R_t w_{rt}; O_{br} w_{br}\right) \\
[4] & O_{sp} = f\left(O_s w_{s;}; R_t w_{rt}; O_{br} w_{br}\right) \\
[5] & O_{br} = f\left(O_s w_{s;}; R_t w_{rt}\right) \\
[6] & R_t = f\left(O_s w_s\right)
\end{cases}
$$

Legend

$O_{e/f}$ = Objective function for economic and financial results
O_s = Objective function for sporting results
O_m = Objective function for merchandising
O_{sp} = Objective function for sponsorship
O_{br} = Objective function for broadcasting
R_t = Objective function for ranking
$O_s w_s$ = Weighted Sporting Results

$O_m w_m$ = Weighted Merchandising
$O_{pt} w_{pt}$ = Weighted Player trading
$O_{sp} w_{sp}$ = Weighted Sponsorship
$O_{br} w_{br}$ = Weighted Broadcasting rights

ε_1 = Positional Errors (evaluable in mid-long terms)
ε_2 = Situational Error (evaluable in short terms)

Source: our elaboration

The econometric model should utilize *Multiple system objective functions*, to adopt an integrated approach that represents the specific goals of the football system. These functions would be interconnected within a complex network, to demonstrate the interplayed nature of relationships present within the Football context.

The economic and financial objectives are, in fact, pivotal and directly influenced by sporting, marketing, merchandising, player trading, sponsorship, broadcasting, and ranking. This connection means that achieving economic and financial goals requires successful sport performances, media spotlight, fan participation, and ranking placement.

Similarly, sporting objectives are affected by economic and financial objectives, player trading, and ranking. The club's overall objectives rely on the critical factors of achieving sporting goals, effective player trading and ranking positioning.

The dynamics of merchandising and sponsorship are linked to sporting objectives, ranking and broadcasting. The club's ability to attract sponsors and generate revenue through merchandising depends on global visibility, popularity and success on the pitch as key factors.

Broadcasting is influenced by sports results and ranking, which in turn are determined by the objective function of sporting performances. This interconnected cycle highlights how sporting performances impact media visibility and positioning in the rankings. This fuels a virtuous circle or conversely, a potential cycle of disadvantage.

In the context of this analysis, the primary error, named the ε_1 *Systematic*

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or Positional Errors (evaluable in mid-long terms), can be classified as inaccuracy that emerges from coincidental factors and control variables. This kind of errors are inherently associated with evaluation processes that, when put into action, produce diverse outcomes. Factors like corporate governance and organizational structure can be attributed to this variation. The ε_1 error refers to the difference between expected outcomes and projected objectives, aiding the understanding of the basic forces that affect the accuracy of evaluations
and findings.

The ε_2, *Situational Error (evaluable in short terms)* covers mistakes occurring during the sporting event, including mistakes made by referees and players. Reflecting on this process highlights the significance of recording such events in detail, through note-taking, as a vital step in subsequent analysis. However, a noteworthy issue arises in football: sporting outcomes are interdependent, creating a crossover that reflects mutual conditioning between economic and sporting objectives.

5. Discussion and conclusion

Unravelling the intricate workings of the football system, our analysis has identified complexity as a principal and prevalent theme. The interplay of diverse elements in the football value chain results in a nuanced and multifaceted setting. In navigating this elaborate landscape, both Kahneman & Tversky' *Prospect Theory* and Ashby's Law of *Requisite Variety* emerge as two profound lenses of analysis and comprehension of the dynamics of the football system.

The depth of Kahneman & Tversky' (2013) *Prospect Theory* can be seen through the presentation of the following scenario: twenty teams participate in a tournament, for which only four will win important prizes (for instance, to participate to the UEFA Champion's League). Thus, the teams equip themselves to win (for example, purchasing the strongest and most expensive players, asking for further funding to set up the team) but only 7 of the 20 manage to recover sufficient resources to be able to aspire to receive one of the four prizes. Let's also assume that, in addition to playing matches according to the rules of fair play and correctness, the teams can resort to illicit behaviour (i.e., such as paying the referees or selling the results).

The case above mentioned can be understood through the lens of *behavioural economics* and the principles of Prospect Theory.

Prospect Theory posits that individuals evaluate potential outcomes relative to a reference point (usually the status quo) and make decisions based

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on *psychologic perceived gains and losses* rather than final outcomes. The theory introduces the concepts of "*loss aversion*" and the "*value function*," which describe how individuals weigh potential losses more heavily than equivalent gains.

Football clubs, especially those with significant financial stakes in competitions like the UEFA Champions League, may exhibit asymmetric risk perception. The fear of not qualifying for such prestigious tournaments and the associated financial losses could be more pronounced than the potential gains from participating. Thus, Clubs often face immense financial pressure to remain competitive and financially sustainable: *not qualifying for major tournaments can be perceived as a significant loss*. In the face of this loss aversion, clubs might be more inclined to take risks, even resorting to illicit activities, to secure participation.

Furthermore, the potential immediate gains from participating in high-profile tournaments might be prioritized over the long-term risks associated with legal consequences. *The allure of short-term success and financial rewards can lead clubs to take actions that, in the long run, may have severe consequences*.

Finally: 1. the economic structure of football, where revenue from tournaments like the Champions League significantly impacts a club's financial health; 2. the competitive pressures, with clubs vying for limited spots in elite tournaments; 3. and any regulatory gaps *may lead clubs to resort to illicit behavior in order to eliminate any probability of not acquiring the available prizes*.

The second observation refers to Ashby's principle (Ashby, 2006): it highlights the crucial role of individuals with a wide range of responsibility and power in managing and unifying complicated systems. When we applied this principle to the football industry, we identified a particular complexity that emerged from the interactions between variability, volatility, and diversification. These concepts, which can be used interchangeably, emphasise the diverse and intricate nature of the football sector. It is crucial to be able to adapt to the ever-changing challenges and opportunities within the football ecosystem to foster resilience and sustainability.

The principle of Ashby's *Requisite Variety* underscores the requirement for suitable cognitive and informational variety and, schemas to handle complexity effectively. Put differently, as complexity rises, so too does the need for greater cognitive diversity (Barile, 2006).

This cognitive diversity is determined in operational and management contexts by hierarchies and roles, while in the technical-sports domain it is influenced by the presence of leadership. A subsequent study might help to

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hypothesize that the organizational structure employed by professional football clubs have implications that diverge from traditional models, maybe resulting in a new ideal type of organizational structure.

Prospect Theory and Ashby's law of "requisite variety" can be confidently used to bring together elements that have a significant impact on Corporate Governance and Management of soccer companies.

The proposed observations and Corporate Governance have significant points of contact. Managing complexity requires considering various factors, such as ownership structure (familial or impersonal, with investment funds involvement) to ensure corporate sustainability and compliance with institutional regulations; organizational structure, which shows a significant complexity gap between technical-sports and administrative areas, and the leadership role in structuring and managing dynamics in the technical sports domain.

The research group is confidently studying these aspects. The themes are discussed in training courses for the preparation of Sports Directors of Italian football clubs as well.

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