

THE ROLE OF FINANCIAL MANAGERS IN FOOTBALL CLUBS IN SAUDI ARABIA

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Abstract

Recently the Saudi government has taken major steps towards privatization of many sectors of the economy. Privatization represents a major shift in the management of sport organisations from public to privately funded and controlled. Football has become the first sport subjected to long-term planning and organisational reforms through plans for (part-) privatisation, which is going to have major implications for clubs' financial management. Hence, understanding the existing nature and scope of the financial management, as applicable to the Saudi football industry, is an important issue that needs to be analysed if these plans are to be effectively implemented. This research offers original insights into the current state and future prospects of three main aspects of clubs' financial management - planning, controlling and decision-making.

RESEARCH AIM

To investigate the nature and scope of financial management within football clubs in Saudi Arabia. In particular, to examine the role of financial managers in relation to financial and overall management of football clubs.

THEORY AND METHOD

The regulation of the football industry is slightly different from other sectors of the economy. Morrow (1999) notes that the ownership of football clubs is characterised by 'highly centralised control'. Football clubs are in reality still owned and managed in a highly centralised way. Peculiarities regarding the forms of ownership and control within football clubs lead to different types of conflicts between various stakeholders. One of the critical conflicts of interest concerns the tension between financial and sporting demands in the context of modern professional football clubs. Football authorities also impose various restrictions on matters which may affect the competitive behaviour of clubs. The above issues may directly affect the level of accountability and disclosure provided by the

clubs. This was the conclusion of Hamil and Walters', studies (2010, 2009, 2001). They found that this is due to poor management and financial management in particular, and in some cases involved fraudulent business practices.

This research builds on literature in the field of management accounting. Issues for investigation included, firstly, how financial management and financing strategies are linked to the overall business strategy and the diverse interests of different stakeholders. secondly, the link between conventional management accounting and strategic decision making (Grundy, 2004; Yazdifar, 2003), such as the use of performance measurement systems, e.g. the Balanced Scorecard (Kaplan and Norton, 1992). A third issue was the level of involvement and participation in decision-making (Lipsky, 1980). A fourth and final issue concerns the extent of the use of information technology in communication and ultimately decision-making (Dicken, 2003, Held, 1999;).

The study used a case-study approach. Data were collected from three different levels of management. Level one included policy makers within the Ministry of Sports and Youth. Level two comprised participants from the Saudi Organisation for Certified Public Accountants (SOCPA). Level three included financial managers from two football clubs, namely Al-Ittihad and Al-Hilal. Primary data was mainly obtained through the use of semi-structured interviews with three people at least in each level, or nine respondents in total.

In addition to the primary data several secondary sources were also used such as annual reports, official government and SOCPA documents, media and press reports. Background information on the case clubs were obtained directly from the clubs and other published sources. Content analysis was used to analyse the data (Hsieh and Shannon, 2005).

RESULTS AND DISCUSSION

The analysis produced a number of interesting findings. The financial management profession in Saudi Arabia was found to be inadequately prepared to deal with the unique aspects of the football industry. Football clubs are still largely treated as public sector organisations, subject to many accounting standards governing this type of bodies. The non-profit nature of most football clubs was another crucial factor. The research also revealed a number of important similarities across the three levels of investigation as well as the two case clubs. There was an agreement on the fact that the current financial reporting practices are not entirely adequate. The lack of appropriate standardisation is a major contributing factor. A related practical issue is the lack of published annual reports and the unusual high level of secrecy that surrounds this issue. A common view held by the majority of participants was that accountability and compliance levels are still very inadequate amongst football clubs. Opinions diverged a little as to the reasons for this but most participants agreed on the measures required for future improvement. Another significant finding was the limited attention given to financial management and the related lack of involvement of financial managers in strategic decision making.

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