



UNIVERSITY OF GOTHENBURG  
SCHOOL OF BUSINESS, ECONOMICS AND LAW

# Management Accounting in Sports Associations

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*- A Study of Large Elite Sports Associations*

Bachelor Thesis  
Management Accounting  
Spring semester 2009

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# Abstract

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**Title:** Management Control Systems in Sports Associations - A Study of Large Elite Sports Associations

**Background and Discussion of the Problem:** Elite sports associations, especially in football and ice-hockey, are becoming more commercialised and professional. Many sports associations are non-profit organisations. The financial aspect has, however, gained a higher importance greater importance. When mentioning management accounting, thoughts immediately go to businesses, because most studies concerning management accounting are done on for-profit organisations. Nevertheless, every organisation works with management accounting in one way or the other.

**Research Question:** How is management accounting used in large elite sports associations?

**Purpose:** The purpose of this study is to investigate how two large elite sports associations use the traditional tools of management accounting in order to achieve their goals.

**Delimitations:** The study focuses on two of the largest sports associations in Sweden, IFK Göteborg and HV71. It is more probable that large associations, with large budgets, use management accounting to achieve their goals.

**Method:** We have chosen to base the study on empirical data that is gathered by interviewing management accountants at the selected elite sports associations. The theoretical framework has been used to analyse the empirical data, to see to what extent the associations use management accounting.

**Results:** Management accounting is widely used in the studied organisations. For both associations, budget as a tool of management accounting is of great importance, and budgeting seems to have an important role. The organisations are still essentially non-profit organisations, but it does seem to be vital to provide goals and objectives, similar to the way it is done in traditional businesses. Incentive systems, however, are not used very often and the reason can be a lack of congruence between sports goals and financial goals. Moreover, there is a significant difference between football and ice-hockey elite associations concerning, i.e., the size of turnovers and equities.

**Suggestions to Further Research:** It would be interesting to study the difference between management accounting in elite sports associations that are still non-profit and those who have chosen to become joint-stock companies. Furthermore, it would be of interest to study to what extent people will work for free in non-profit organisations in the future. Finally, elite ice-hockey associations are interested in fully owning their arenas in order to generate more revenues. Therefore it can be interesting to see if elite football associations are heading in the same directions.

# Table of Contents

---

- 1. Introduction ..... 1
  - 1.1 Background..... 1
  - 1.2 Definition of the Problem and Purpose ..... 3
  - 1.3 Delimitations ..... 3
- 2. Methodology ..... 5
  - 2.1 Research Approach..... 5
  - 2.2 Gathering of Data ..... 5
    - 2.2.1 *Primary and Secondary Data* ..... 5
    - 2.2.2 *Credibility* ..... 5
  - 2.3 Selection Procedure ..... 6
  - 2.4 Interview ..... 6
  - 2.5 Analysis Approach ..... 7
- 3. Theoretical Framework ..... 8
  - 3.1 Non-profit Organisations and Sports Associations ..... 8
  - 3.2 Revenues ..... 9
  - 3.3 Objectives ..... 11
  - 3.4 Planning and Budgeting ..... 13
  - 3.5 Incentives ..... 14
  - 3.6 Results Controls ..... 15
- 4. Empirical Study ..... 16
  - 4.1 IFK Göteborg..... 16
    - 4.1.1 *The Association* ..... 16
    - 4.1.2 *Revenues* ..... 17
    - 4.1.3 *Objectives*..... 17
    - 4.1.4 *Planning and Budgeting* ..... 18
    - 4.1.5 *Incentives and Results Controls* ..... 18
    - 4.1.7 *Limitations* ..... 19
  - 4.2 HV71 ..... 19
    - 4.2.1 *The Association* ..... 19
    - 4.2.2 *Revenues* ..... 20
    - 4.2.3 *Objectives*..... 21

4.2.4 <i>Planning and Budgeting</i> .....	22
4.2.5 <i>Incentives and Results Controls</i> .....	22
4.2.7 <i>Limitations</i> .....	22
5. Analysis .....	23
5.1 The Association .....	23
5.2 Revenues .....	24
5.3 Objectives .....	25
5.4 Planning and Budgeting .....	26
5.5 Incentives and Results Controls .....	27
6. Conclusion .....	29
Reflections .....	29
Suggestions of Further Investigations .....	30
List of References .....	32
Appendix .....	35
Appendix 1: Questionnaire .....	35

# 1. Introduction

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*This chapter will begin with a background about the subject to explain reason for the choice of study. Furthermore, it will explain the research question and the purpose of this study.*

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## 1.1 Background

In these days elite sports associations are getting more commercialised and more professional, especially the sports that this study will focus on, football and ice-hockey. (Backman 2009, p. 1) This is shown by the fact that in 2007, the elite sports associations in football all together reached a total turnover of over a billion SEK for the first time (svenskfotboll.se 1), and it corresponds with similar figures seen in ice-hockey. (di.se) For example in football, competing at an elite level demands more capital than before. The turnover can create more possibilities to be more successful in the league. (Backman 2009, p. 15) The financial aspect is becoming of greater importance to the elite sports associations. However, in the end, financial means do not decide the results of a game in sports. (Kamras, Ovin & Persson 2003, p. 2)

Elite automatically refers to the best in a category. In sports, the elite level is reached by high achievements and good results. (Riksidrottsförbundet FoU-rapport 2007:11, p. 28) An essential thought in all competition is that through rules it is possible to be able to rank the achievements of a player or a team. (Riksidrottsförbundet FoU-rapport 2007:11, p. 21) Riksidrottsförbundet, the Swedish organisation working with the national sports movement, states that the elite level in sports is reached when an athlete or team plays in the highest level or participates in national championships. (Riksidrottsförbundet FoU-rapport 2007:11, p. 10) This is how it works in for example our chosen sports, football and ice-hockey. When the team has reached the two top leagues they are considered as an elite team, in the case of football it is Allsvenskan and Superettan and in ice-hockey it is Elitserien and Hockeyallsvenskan. (Riksidrottsförbundet FoU-rapport 2007:11, p. 51) Being in these leagues is a reflection of achievements throughout the seasons. (Riksidrottsförbundet FoU-rapport 2007:11, p. 28)

In Sweden there are approximately 20 000 sports associations with more than 3 million members. (rf.se 1) Many of them are non-profit organisations. The difference between a for-profit and non-profit activity is derived the goals of their operation. In for-profit, the activity is a method to achieve financial dividends while in non-profit the financial means are used to achieve their goal. (svenskfotboll.se 1) When coming across the fact that non-profit organisations have shown a tendency towards becoming more commercialised, (Weisbrod 1998, p. 1) there is a tendency amongst the sports associations to adopt a formation of the company, parts of it or even the whole association. (svenskfotboll.se 1) Furthermore, sports associations are starting to, completely or partially, own joint-stock companies. (Backman 2009, p. 1) This has become the solution to meet the financial development in sport. A consequence by leaving the traditional non-profit association is that they lose existing tax

relieves that is associated with this type of company and the possibility for governmental and municipal funding that they have been receiving. (Backman 2009, p. 14)

In 2008, there were about 3.375 football associations in Sweden, and these had in total about one million members. The Swedish football federation, Svenska Fotbollsförbundet (SvFF), is the largest sports federation in Sweden and administrates everything concerning football in Sweden. They are working to maintain the position as the most popular sport in the country, in active players and spectators (svenskfotboll.se 4) There are currently 16 teams in each of the two elite leagues. (svenskfotboll.se 1,2) Föreningen Svensk Elitfotboll (SEF), a Swedish economic association with interest for the teams that have an elite license, works with the development of football and to improve the conditions for the football associations. They are acting in areas such as economics, commercial and administration. Through a common agreement they help the football associations with financial means in order to motivate international success. This can be through marketing and publicity for the sport. (svenskelitfotboll.se)

Svenska ishockeyförbundet is the equivalent organisation to Svenska Fotbollsförbundet in ice-hockey, and includes 652 ice-hockey associations and 2595 teams in Sweden. The number of active people in the association is about 66 000, these are both players and referees. (swehockey.se) There are currently 12 teams in the first league, Elitserien, and 16 teams in the second league, HockeyAllsvenskan. (swehockey.se 1) Svenska Hockeyligan AB is an association who represents all the teams playing in Elitserien. The board consists of all the chairmen from each of the teams and they work for common sporting and commercial interests among the clubs, for example broadcasting rights. (hockeyligan.se)

An organisation is created on the basis that it should achieve a goal and therefore carry on their activity in purpose to fulfill that goal. The different types of organisations that exist can be categorised by using criteria such as for whom and for what interest they are working. Therefore it is up to every individual how they choose to categorize an organisation. (Bruzelius & Skärvad 2004, pp. 28-29) A common goal is to maximize its profits, especially amongst companies. (Ax, Johansson & Kullvén 2005, p. 44) Other goals can focus less on profit and more on the activity they perform, and for whose interest they are active (Ax et al. 2005, p. 45) What is special with sports associations is that they work simultaneously with different kinds of goals. Their goals for sports achievements and social goals are combined with financial goals. The challenge is to find a balance between them all. (svenskfotboll.se)

Management accounting means providing information inside the organisation in order to help improve decision-making. These actions can help to improve the effectiveness and efficiency of operations (Drury 2004, p. 7) Every organisation works with management accounting in one way or the other. This becomes more vital the larger the organisation. Most studies concerning management accounting are done on for-profit organisations. When mentioning management accounting, thoughts immediately go to businesses (Anthony & Young 2003, pp. 2-3). Considering all of this it gives an idea that in order to use management accounting in organisations there is no universal way of thinking, everyone has to consider the different conditions and resources when planning a strategy for how to reach goals.

## 1.2 Definition of the Problem and Purpose

In today's society there is a large amount of money that circulates within sports associations, especially in sports associations competing at an elite level. Sport is becoming more commercialised and elite teams have many sources of income, for example sponsorship, funding, membership fees, ticket sales and transfers. (Sund 2003, p.2) With the amount of money involved, the sports associations are transforming from a tradition of being non-profit associations towards becoming more like regular businesses. This result in a great need for management accounting within sports organisations. These organisations also have non-profit workers as a part of their association working for them and from a management perspective it is harder to demand achievements from these kinds of workers compared to normal-paid personnel.

There is an uncertainty involved, when working with sports and achievements, and for that reason it is more difficult to plan the outcome. Our thought is that elite sports associations can never predict how far their team will go in the play-offs, a factor that is relevant for prognosticating revenues from, e.g. spectators, sponsorships and broadcasting rights from television. It is also important to bear in mind that a lot of things can go wrong during a season and ruin a plan, for example if players gets injured or supporters start to lose interest when their team loses.

An interesting angle is to investigate and to further understand how traditional theory concerning management accounting that normally is applied in profit seeking organisations is used in organisations when there is a focus on other goals than financial ones. As mentioned earlier most studies concerning management accounting are done on for-profit organisations. The characteristic of a non-profit organisation is different and their usage of management accounting can therefore vary from for-profit organisations. At the same time, non-profit elite sports associations are becoming commercialised to a greater extent. With this in mind, the main problem can be expressed as:

- How is management accounting used in large elite sports associations?

To be able to answer this question we have done interviews with management accountants working within two clubs that are considered large elite sports associations in football and ice-hockey, IFK Göteborg and HV71.

The purpose of this study is to investigate how two large elite sports associations use the traditional tools of management accounting in order to achieve their goals.

## 1.3 Delimitations

In order to gain knowledge we have focused this study on two large elite sports associations in the most popular sports in Sweden, football and ice-hockey. It is more relevant as well as more interesting to examine large associations with large budgets, and it is more probable that these use management accounting to achieve their goals. Therefore, our opinion was that IFK Göteborg and HV71 are representative associations to exemplify the usage of management accounting. We chose this delimitation due to the fact that in these organisations it is possible





to find different levels of workers and participants, from elite to non-profit, and both organisations produce an annual report which makes it easy to follow their results.

## 2. Methodology

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*This chapter will give the reader an understanding of how we have executed the thesis, what decisions we have taken and how we have reasoned throughout the working process. We will explain what methods we have used to gather information, why they are relevant for the thesis and if there are any disadvantages with using them. It shall give the reader a possibility to see how we have reasoned and an opportunity to create an opinion of the probability of the result. We will also explain the procedure in finding organisations to focus on in this report, describing the method used for the interviews.*

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### 2.1 Research Approach

Due to the shortage of previous studies on this specific field, how management accounting is used in sports associations, we have approached this study with an explorative method. This means that there are gaps in the knowledge and the purpose is therefore to gain more knowledge using this method. It allows different techniques being used when gathering information (Patel & Davidson 1994, pp. 10-11) Because of the lack of previous studies we have focused on literature concerning traditional theory and information and combine this with interviews to see how it is practised in reality.

### 2.2 Gathering of Data

#### 2.2.1 Primary and Secondary Data

When gathering data, there are two types of data available, primary and secondary data. The definition depends on the source. All information that is first hand information is mentioned as primary data. Remaining gathered data is secondary data. (Patel & Davidson 1994, p. 56) In this thesis the primary data is gathered by conducting interviews with personnel within the sports associations. Secondary data in the study has consisted of research and development reports from Riksidrottsförbundet, articles and websites about the field of interest. The empirical study also consists of information available on the sports associations' websites and in their annual reports.

#### 2.2.2 Credibility

When writing a thesis it is important to provide credibility for the readers. In that sense it is important to be critical towards the data we gather. Therefore it is relevant to bear in mind from when and from where the data originates, what purpose it has and who the author is. (Patel & Davidson 1994, p. 55) The data and sources used in the study have been evaluated by us and chosen for its relevance to the research question.

The interview questions are formulated as clearly as possible to avoid misunderstandings and misinterpretations. We have also given the respondents the opportunity to receive the questions prior to the interviews as an act to prepare them in the best possible way. Furthermore, we have made it clear to the sports associations involved in the study that they have had every right to be anonymous, but they agreed that it was not necessary. The choice

to offer this possibility was for the reasons that it could be considered easier for the respondents to answer as truthfully as possible and feel relaxed about their participation.

### **2.3 Selection Procedure**

To increase the relevance of the thesis, we have chosen to study two sports associations that are competing at an elite level. It is more relevant to examine associations with large budgets and many people involved in the organisation, as it leads to more need for a well functioning management accounting.

When initializing the selection procedure we began by deciding that associations at an elite level would be of interest because of their size and their accessibility of information. We decided to look at two different sports, football and ice-hockey because of the amount of money circulating there. Examining a list of current teams that are playing in the top leagues we decided to contact a few by telephone to see if they were interested in participating. We followed no particular order when we rang but focused on the top teams. Ultimately, the objects of this study are the football team IFK Göteborg and the ice-hockey team HV71. These are considered amongst the largest clubs in their sports and they meet our criteria.

### **2.4 Interview**

One technique of gathering data is through interviews. Interviews give information from a greater perspective when someone on the inside can explain how something works in reality. (May 1997, p. 148) The interview can be done by meeting in person or by telephone. (Patel & Davidson 1994, p. 60) When choosing a method on how to conduct an interview and what structure it should have, it is important to reflect upon the purpose with the interview and to understand what relevance it will give to the study. (May 1997 p. 168) There are two concepts involved in deciding how to conduct an interview. Firstly, what degree of standardization should be used, which means how much responsibility is on the interviewer regarding the formation of questions. Secondly, the kind of questions you ask can have different degree of structure, meaning how freely the subjects of the interview are allowed to answer. (Patel & Davidson 1994, pp. 60-61)

We have found the semi-structured method suitable for this study. Using this method, the questions are specific but it lets the subject of the interview express and elaborate their answers. Using the same types of questions allows the answers to become useful in order to make a possible comparison. (May 1997 pp. 150-151)

The questions asked in the interviews were elaborated using traditional theories, in this case the theories by Merchant & Van der Stede (2007). The questions can be seen in Appendix 1. There are three conditions that should be fulfilled when conducting an interview in order to make it useful for the study. Firstly, the subjects of the interview should possess a function that allows them to be able to answer the questions, meaning the information should have accessibility. (May 1997, p. 156) Therefore, we have chosen to conduct our interviews with people who work within the financial department of the organisation and who function as financial manager or management accountant. Secondly, the subject must understand what their role in the study is and what is expected out of them, thus cognition must be required. If the purpose is not clear it can affect the result of the interview. (May 1997, p. 157) After

establishing a first contact with our subjects of the interview we have been in further contact with them explaining our purpose for the study and why we have chosen them. Moreover, we sent out the questions to them in advance so they would know what fields we are interested in. Thirdly, motivation is an important condition. The subject of the interview must feel that their contribution to the study is of importance. (May 1997, p. 157) We emphasised this when we first made contact with them and it was enhanced when following up via email.

## **2.5 Analysis Approach**

The theoretical framework is divided into a number of categories that are considered areas of interest for this study. The following categories have been created mainly by using Merchant & Van der Stede (2007):

- Non-profit Organisations and Sports Associations
- Revenues
- Objectives
- Planning and Budgeting
- Incentives
- Results Controls

These categories are also the foundation for the interviews and therefore the empirical data will be processed in the same manner and have the same design. The theoretical framework and the empirical study will later be used, for comparison, in the analysis by connecting the results from each category. Later in the conclusion we will use this analysis to give an answer to our research question.

## 3. Theoretical Framework

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*This chapter will present existing knowledge about the different fields that this study is focused on. The chapter is categorised according to our analysis approach. Therefore, it will start with a description of non-profit organisations, continuing with describing their different sources of revenue to later concentrate on chosen areas of management accounting theory.*

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### 3.1 Non-profit Organisations and Sports Associations

A non-profit organisation is defined by their objective, which is setting other goals than earning profit for stake-holders. Their main purpose for existing is to provide public service, public benefit, private benefit or a mutual benefit for members. (Merchant & Van der Stede 2007, p. 781) Success is not directly related to the profits and instead the management works to improve the service they provide and therefore it is important to use their resources efficiently and effectively. Furthermore, the performance is not as easily measured as it is when using financial measurements. (Anthony & Young 2003, pp. 48-49) Non-profit organisations differ in some ways from the regular for-profit organisations, and another example is that they play a more societal role. (Merchant & Van der Stede 2007, p. 781)

However, most of these organisations provide services and compete with other organisations. Another aspect they have in common with for-profit organisations is that they have professionals who develop their objectives, strategies and budgets. (Merchant & Van der Stede 2007, p. 781) A non-profit organisation cannot choose their industry and different ways of competing as the for-profit are able to. For-profit organisations are able to distinguish their product and position themselves in a lucrative market. (Anthony & Young 2003, p. 62) Revenues earned in non-profit organisations go back into the organisation to improve their future activity. Furthermore, it is common that goal unclarity may exist. (Merchant & Van der Stede 2007, p. 782) This suggests that management accounting in these types of organisations becomes more complicated. It is more difficult to measure and analyse the effect of a management accounting system. (Merchant & Van der Stede 2007, pp. 783-784) The problem is to find out which methods in traditional management accounting are useful because of their different objectives. (Anthony & Young 2003, pp. 48-49)

Non-profit organisations do not have external parties that control them like, for example, share-holders in joint-stock companies. However, they may have to answer to parties such as society, donors and members. Thus, the external scrutiny they go through may affect during decision-making. (Merchant & Van der Stede 2007, p. 787) As the non-profit organisation does not focus on earnings and revenues it reflects on the salaries that the employees earn, and salaries are usually lower than in for-profit organisations. This can affect the actions the employees take. Nonetheless, it can mean that employees are greatly devoted to the organisation. Being part of the organisation may be motivation enough. (Merchant & Van der Stede 2007, p. 788)

The non-profit organisations sector is an important part of the society. (Riksidrottsförbundet FoU-rapport 2007:7, p. 9) It involves a great deal of people around the country. It has grown not only in the amount of people, but also financially. (Riksidrottsförbundet FoU-rapport 2007:7, pp. 11) This has led to a trend to copy methods from businesses and government on how to run their organisations. (Riksidrottsförbundet FoU-rapport 2007:7, p. 9) Primarily it is the leisure sector that is increasing, where sports associations are included. They have grown tremendously since the 1980's. (Riksidrottsförbundet FoU-rapport 2007:7, p. 11)

Sports organisations often lack the management resources that exist in their corporate counterparts. (Ferkins, Shilbury, McDonald 2005, p. 218) However, when managing a sports association there are environmental factors that lead to a sharper focus. Examples of factors are media and public scrutiny, more professionalism and the fact that they are now situated in more of a business environment. (Ferkins et al. 2005, p. 206)

### **3.2 Revenues**

To cope with the greater turnover, non-profit associations have started to create new ventures. For example they can outsource activities to subsidiaries, activities that are not financially possible in non-profit organisations. These activities can be for example production of goods and services, which can be seen in competition with for-profit organisations. (Anthony & Young 2003, p. 63) Having a for-profit activity in a subsidiary with the aim of producing an income as another source of revenue for the parent is an example of that (Tuckman 1998, p. 188). There are non-profit organisations that receive most of their turnover from sales and therefore are client depending. Others get support primarily from public sources and therefore do not depend as much on the number of clients. (Anthony & Young 2003, p. 65) Non-profit organisations receive a great deal of their resources from grants or donations, which can come with demands concerning how they should be distributed. Having inflows exceed outflows to a great extent is not always found positive, as it would in a for-profit organisation. Instead it can be a sign that the organisation is not doing their outermost on improving their activity. (Merchant & Van der Stede 2007, pp. 785,787)

The sports sector has grown the last decade and its turnover keeps increasing. Its revenues can be derived from the government or the market. The government provides grants for the youth activity and through the market, other revenues, such as sponsorships, are provided. The elite sports associations in football and ice-hockey receive most of their revenues from sponsorships, ticket sales and revenues involved in transfers of players. (Sund 2003, pp. 1-2)

In 2003, the Swedish government gave almost 6.5 billion SEK to non-profit organisations, out of which 1.2 billion SEK were received by the sports sector. (Riksidrottsförbundet FoU-rapport 2007:7, p. 13) This funding is a way for the government to use management accounting on the associations. When providing grants they have clear purposes and demands that follow, for example reports about the results and where the grants have gone. (Riksidrottsförbundet FoU-rapport 2007:7, p. 20) The government hand out grants to Riksidrottsförbundet who later distributes it to all the member organisations. (Riksidrottsförbundet FoU-rapport 2007:7, p. 16) The Swedish government has passed laws

where they from now on are considering non-profit associations more like businesses. For example this has had its effects on fiscal matters. (Riksidrottsförbundet FoU-rapport 2007:7, p. 12) The amounts given differ between the sports. Some sports are considered having larger economies and do not need as much as others. For example Svenska Fotbollsförbundet receives about 5 percent of their finances from governmental funding. (Riksidrottsförbundet FoU-rapport 2007:7, p. 22) According to a report about the Swedish sports sector, football is by 95 percent self-financed and ice-hockey 82 percent. (rf.se 2)

Svenska Spel, a gaming and lottery company owned by the Swedish government, gives their entire surplus to the society (svenskaspel.se). Svenska Spel has developed a stable relationship with five sports considered large regarding factors such as the amount of spectators and participants in competition. These sports are football, ice-hockey, handball, bandy and floorball (Riksidrottsförbundet FoU-rapport 2007:11, p. 47). The currently running agreement states that Svenska Spel is the lead sponsor for Riksidrottsförbundet, and over a three years time they will give the organisation 60 million SEK that they can distribute out to different sports associations. (rf.se 3)

Sponsorship is an important financial source for sports associations. A team will create good publicity and gain attention if they are successful, and this will companies try to benefit from by relating their brand to the team. (Riksidrottsförbundet FoU-rapport 2007:5, p. 10) The meaning of sponsorship has evolved through time from being a financial support to activities without any specific demands, to a mutual agreement between two parties in the extent where both demand services in return. (Ekonomistyrningsverket 2002, p. 7) Moreover, competition for the supply of money, meaning sponsorship contracts, between sports can appear, and those sports having a great amount of publicity will have an advantage (Riksidrottsförbundet FoU-rapport 2007:11, p. 41).

Sponsors make demands on athletes, especially at the elite level, because they are considered role models in society. Athletes are expected to express a positive picture and have good relationships with media. Negative publicity may affect the company as well. Therefore it is not uncommon to have agreements stating that negative actions may cause termination of the contract. (Riksidrottsförbundet FoU-rapport 2007:11, p. 32) In addition, if a sport fan has negative opinions about the team it is unlikely that this person becomes a loyal customer. Organisations with established positive reputations are more likely to be able to achieve and retain customers. (Ross, Bang & Lee 2007, p. 113)

The last decade the media coverage of elite sports have increased rapidly. (Riksidrottsförbundet FoU-rapport 2007:11, p. 41) Elite sports serve primarily as public entertainment. (Riksidrottsförbundet FoU-rapport 2007:11, p. 9) Compared to sports in lower levels, elite sports have more focus on entertainment value and publicity, which creates money. (Riksidrottsförbundet FoU-rapport 2007:11, p. 26) Today a game is more an event than just a game. It deals with offering the spectators other experiences than just the sport. (Brown & Kreutzer 2002, p.252) This creates a competition for the media coverage and the publicity, not only between teams but also between sports. The increased media coverage has

not created a broader supply of sports, rather the opposite. Media gives more time to fewer sports, and if a sport is prioritized it can lead to more revenue. Winners are the sports where drama can be created; the excitement of following the league, transfers, scandals etc. This creates attention and an interest. (Riksidrottsförbundet FoU-rapport 2007:11, pp. 41-42)

In Sweden, the sports that had the most coverage on television in 2007 were in the following order; football, horse-racing, track and field, ice-hockey and down-hill skiing. With respect to the amount of spectators that visited events, football and ice-hockey had a great upper-hand. In football there was an average of more than 10 000 people at the games of Allsvenskan in 2008, and over 6000 at the ice-hockey games of Elitserien. (rf.se 2) Besides having a great media coverage, football and ice-hockey also have a great amount of sponsorships. SvFF has seen the evolvement of capitalization within their sport and therefore have been forced into new ways of thinking, where the management accounting is connected to the sport. Better financing normally leads to better possibilities for good evolvement in sports, meaning for example access to equipment, trainers, sponsorships and rewards. (Riksidrottsförbundet FoU-rapport 2007:11, pp. 45-46)

### 3.3 Objectives

Objectives are stipulated by the initiator of the organisation. In the beginning it is the creator who controls the goals, but with time the management of the organisation gain more leverage and can change the goals in order to satisfy demands from other stakeholders. (Bruzelius & Skärvad 2004, pp. 81-82)

An organisation can have financial and non-financial goals, whereof financial goals can be measured in money. (Bruzelius & Skärvad 2004, p. 146) A company's goal is to maximize its profits, which can be presumed is what most companies work towards achieving. (Ax et al. 2005, p. 44) Organisations can also have goals that coincide with the goal of the participators, but everything cannot be measured in financial terms. Organisations with different goals are striving to find a balance between several goals to be successful, and organisations are normally working towards achieving many different goals. For companies the profit is, nonetheless, normally the most prioritized. Profit is what makes the organisation survive. (Ax et al. 2005, p. 44-45) Non-financial goals have an importance for the financial results because they help steer the activity in the right direction. (Bruzelius & Skärvad 2004, p. 146)

It is important that the employees understand the objective that the organisation have stated. For that reason the objective is normally known. Without objectives it is hard to measure if the organisation is successful. (Merchant & Van der Stede 2007, p. 6) Furthermore, it is difficult to use management accounting if there are no clear objectives that specify what behaviour is desirable and state how the employees should work according to these objectives. (Drury 2004, p. 643) In non-profit organisations, objectives are hard to measure, and the actual achievements of employees even harder. There is less focus on performance measures in terms of the results achieved, since the relationship between resource inputs and the profits from using these resources is relatively unclear. (Drury 2004, p. 615)



In sports associations there are different kinds of goals that can be used. It is not mandatory that they are formalized, hence they can be agreed upon in a verbal form. If goals are not formalised, it does not signify that the organisation do not have goals or work together for the same cause. Examples of main goals that sports associations may have are:

- organisational objectives; concerning how the association should be designed or possibly changed
- size objectives; goals meaning they should grow as an association, e.g. the number of members
- sports achievement objectives (mainly in elite sports associations); participations in championships, arranging competitions
- marketing objectives; how they should create more publicity for the sport
- social objectives; what values that should be associated with the sport, e.g. working against doping
- financial objectives; how the financial status of the association should improve. (Riksidrottsförbundet FoU-rapport 2007:7, pp. 23-25)

In the elite teams, there are financial demands to uphold in order to play in the elite leagues. In football, the elite license is a requirement because a poorly managed economy may jeopardize the credibility of Swedish elite football. It is the Union of European Football Association (UEFA), which has stated the demands and SvFF have therefore set some guidelines that associations need to work with to maintain their elite license. In general, it states that the associations should work for a healthy economy and follow the regulations in order to have a sound auditing procedure. If the association does not comply with these demands, they can lose their license and therefore be relegated from the top leagues. It does not matter what type of company the association have chosen to adopt, the same rules are used for everyone. (svenskfotboll.com 3) In ice-hockey they also have criteria for the teams that are playing in elite leagues. In general, there is a demand for financial stability amongst the teams. But Svenska Ishockeyförbundet also states that there should exist a good organisation, a youth activity and a stadium with an acceptable capacity. If some of these demands not are satisfying a relegation to a lower league can be the result. (swehockey.se 2)

When setting up performance goals, it is important to consider what is desirable and the possibilities of achieving the set goals considering the resources the organisation possesses, and this is called strategy. (Merchant & Van der Stede 2007, p. 6) A strategy states how the goal will be fulfilled. A well thought-out strategy is used in order to fulfill its goals by using its resources and competence in the best way possible. This all suggest that goals and strategy are linked in the way that when setting up goals, a strategy is elaborated. (Bruzelius & Skärvad 2004, p 159) Well-formulated strategies will function as guidelines towards good actions and as constraints because they will make the workers focus on the organisation's strengths, i.e. their competitive advantages. Not all organisations have a formal stated strategy, instead they adjust themselves to the situations they stand before and then create their strategies. When creating strategies it is of relevance to make them specific and detailed. (Merchant & Van der Stede 2007, pp. 6-7)

### 3.4 Planning and Budgeting

Budgeting has many functions in an organisation, such as planning, coordination, communication, motivation, control, and performance evaluation. (Drury 2004, p. 593) By using planning and budgeting, the organisation states what it wants to achieve and in what way they intend to go there. It gives an idea about desirable results. (Merchant & Van der Stede 2007, p. 329) For the management it is relevant to coordinate different aspects, for example marketing and purchasing, into one overall plan. (Drury 2004, p. 589) The planning and budgeting process is used to organise and coordinate the decisions, and the activities of the employees. (Drury 2004, p. 590) Hence, every member of the organisation can use the budget for decision-making. (Fried, Shapiro & Deschrivier 2003, p. 24) Planning could be described as the design of a desired future and how to achieve it effectively. (Drury 2004, p. 590) When developing the plans they normally tend to take into consideration the future, and bring up new ideas that may have emerged. Planning and budgeting is a process that varies depending on the organisation's background, there is no universal way that every organisation uses. (Merchant & Van der Stede 2007, p. 329)

The duration of the plans can vary, from one year or less to 5 years or even longer (Merchant & Van der Stede 2007, p. 342). Long-range plans are meant to be created to implement strategies, but since they are designed for several years ahead they are normally uncertain, general and in need for change within time. (Drury 2004, p. 592) Budgets are more detailed than long-range plans, and are often broken down to shorter periods, one year or even months. (Merchant & Van der Stede 2007, p. 343) The conventional budget is detailed and prepared for one year. Critics mean that this is too severe and commits companies for twelve months, which can be linked with risks because of uncertain forecasts. (Drury 2004, p. 595) However, monthly budgets are of great importance for control purposes and should be done continuously. (Drury 2004, p. 596) Comparing the actual results on a monthly basis with the budget enables to identify any irregularities and investigate the reason for them. (Drury 2004, p. 600)

Forecasts works as tools for decision-making about the future, and are based on already existing data. (Merchant & Van der Stede 2003, pp. 306-307) Forecasts are more or less based on own guesses and assumptions. However, they should not be completely improvised, and it is therefore of great importance to combine them with personal experiences. (Fried et al. 2003, p. 80) All forecasts will inevitably involve predicting future events, which are greatly unknown. It is therefore not possible to make a prediction that is completely correct. Nonetheless, it is better to produce a forecast that has an accuracy of 80 percent then to have no prediction at all. (Fried et al. 2003, p. 80) If the forecasts are accurate it will result in less work in adjusting the plans that exist. (Merchant & Van der Stede 2003, pp. 306-307) A follow-up is a performance review process where everything is analysed in order to improve the processes. (Merchant & Van der Stede 2003, pp. 306-307)

Benchmarking involves finding an organisation that is considered to represent best practise for an activity that needs to be improved, and studying how this organisation performs the activity. It can save time and money by not making the same mistakes that others have made.

(Drury 2004, p. 965) Benchmarking involves, for example, using financial information of other firms to acquire a financial profile of the average firm in the industry. This information can be used when assessing the viability of own forecasts. Sport teams can use published information on salaries of players, which can provide a more realistic perception of expenses. (Fried et al. 2003, p. 82)

The making of annual budgets has been criticized for not always being useful, because of its inability to meet demands from the competitive environments of the information age. (Ekholm & Wallin 2000, p. 519) Annual budgets are seen as leading into rigid planning and incremental thinking, time-consuming, too much focus on short-term financial numbers, and to hold a company under control which is not optimal when annual budgets are a result of forecasts. What is needed is more anticipation, monitoring and empowerment. The solution should therefore be to use rolling forecasts instead of annual budgets, typically every month or quarterly. The advantage with this are that it gives more up-to-date figures which incorporate more flexibility and it allows more timely allocation of resources. The disadvantage is that it can be perceived more uncertain due to the constant changes. (Ekholm & Wallin 2000, p. 521)

### **3.5 Incentives**

An incentive system is vital amongst the individuals to contribute actions to the organisation. (Clark & Wilson 1961, p. 130) Performance rewards have three main benefits: they are informational, motivational and they are personnel-related. The latter means they can improve employee recruitment and retention. Performance rewards are normally mentioned monetary rewards, but there are other things that employees value as well, for example job security. (Merchant & Van der Stede 2007, pp. 394-395) Hence, the incentive can be either tangible or intangible, the importance is the existence of an incentive system. (Clark & Wilson 1961, p. 130) The benefit with tangible incentives, however, is that they can be more understandable and therefore work as a motivator for performing better results. (Baruch, Wheeler & Zhao 2004, p. 247)

There are different kinds of monetary rewards, which an organisation can offer for reaching set targets. There can be a performance-based salary increase, a short-term incentive award such as a bonus or commission. The latter are normally reflected on performance that has occurred the last year, and it can be individual or in group. (Merchant & Van der Stede 2007, p. 396) Group rewards consist of rewarding the whole group for good performance. Here the personnel and cultural controls come in to place, meaning a group works together and pushes each-other to reach the levels for rewards. (Merchant & Van der Stede 2007, p. 406)

Monetary rewards are appreciated in society, and they can function as a symbol for success. (Merchant & Van der Stede 2007, p. 404) In general, non-profit organisations have not been successful in designing incentive compensation plans that motivate on long term, and one reason is the impossibility to use stock options. (Anthony & Young 2003, p. 591) However, regarding professional sports; individual skills and efforts are crucial to the accomplishment, short-term worker performance levels are essential, and these levels can be measured objectively. When these factors are included performance rewards are likely to be more

effective. (Baruch et al. 2004, p. 246) Worth mention is that it might work differently with players on teams than individual athletes. If performance rewards leads to competition between team-members, it is likely to harm collaboration. (Baruch et al. 2004, p. 251)

### **3.6 Results Controls**

Using results controls means gathering and reporting information about the final results. (Drury 2004, p. 648) Results controls tell the employee what is prioritised and let them take actions to accomplish these results. However, they are not effective if the employee cannot influence the outcome, meaning the results must be measured effectively. (Merchant & Van der Stede 2007, pp. 25-26) Results controls, furthermore, refers to how the employees are rewarded or punished for good or poor results. The measures and rewards can be either monetary or non-monetary, and by non-monetary meaning rewards like promotion or recognition. (Merchant & Van der Stede 2007, p. 31)

If the results are not similar to the targets it gives an indication that actions need to be taken to change and to correct, for more success in the future. By providing rewards that are valued it is easier to motivate the employee to work in agreement with the objective, for example rewards such as salary increases, bonuses and promotions. By using punishments, in this meaning for example degradations and loss of job, the organisation tries to avoid that wrong actions are being taken. (Merchant & Van der Stede 2007, p. 31) To determine the effectiveness of results controls; there must be a communication of what is desired, the employees must be able to affect the results, and the measurement of the results must be precise, objective, timely, and understandable. (Merchant & Van der Stede 2007, pp. 32-34) If the management cannot fully specify the desired results, results controls can cause lack of goal congruence. This can result in employees intending to maximize their individual performance according to the control system disregarding of how much contribution it gives to the organisation. Moreover, if results controls are practised too harshly or in an insensitive manner, they are likely to lead to negative reactions and maybe not fulfill their purpose. (Drury 2004, pp. 650-651)

## 4. Empirical Study

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*In this chapter, we will present the empirical data gathered by carrying out an interviews with management accountants at each of the selected sports associations. The chapter begins with a short presentation of the interviewee. Thereafter, the data is divided into the same categories as were used in the theoretical framework.*

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### 4.1 IFK Göteborg

The empirical data about IFK Göteborg is based on personal meeting with a management accountant named Johan Gustavsson working at the financial department of IFK Göteborg. Gustavsson, who has a degree in International Economics from Karlstad, has worked for IFK Göteborg since January 2005. His previous experience comes from working with finance for different Swedish travel agents. Further information used is from information available on their website, especially their annual report.

#### 4.1.1 The Association

IFK Göteborg is today officially a non-profit organisation, with a fully owned joint-stock company, IFK Göteborg Promotion AB. This joint-stock company manages advertising and market activities connected to the association, and the souvenir store. The corporate group also includes the joint-stock company IFK Göteborg Sportskadeklinik AB, which is currently dormant. The youth academy Änglagårdsskolan is run by IFK Göteborg together with the education company Rubato AB (IFK Göteborg Annual report 2008). What is unique with Änglagårdsskolan is that every pupil has three sessions of football practicing per week, during school hours.

The association's business primarily concerns the sport, which includes e.g. arranging games, which is where the sponsors gets involved in the organisation. The development of the association shows that they are making a transition from a traditional non-profit organisation to becoming more commercial. According to Gustavsson, there is a need to keep up with the financial development that the sport is experiencing. The association is heading towards becoming more like a "regular" company.

The association is divided into different departments. Every department has their own personnel. The club director makes the overall decisions. The organisation today is constituted by: the CEO (club director), Financial Manager, Market and Sales Manager, Head of the Youth Academy, CEO of the subsidiary company and Sports Manager. At the financial department there are today three people working and all three have a Master of Science in Business and Economics. According to Gustavsson the work is broad, it involves more than financial work, and a few people do a variety of tasks. The association IFK Göteborg has 44 employees in the aggregate (Annual report of IFK Göteborg, 2008).

IFK Göteborg want to convey *the spirit of comradeship* as a part of the culture of the association, according to Gustavsson. A couple of years ago IFK Göteborg had some negative

publicity due to some financial irregularities, and therefore it has become even more important to convey a positive picture. It should be added that IFK Göteborg was considered as a victim and was cleared in court.

The spectators are important and the association work to be able to offer them a great experience. They have a good relationship with their fan club, Änglarna. However, this does not prevent them from gaining negative publicity, like for example turmoil in the city where fans are involved. There will always be criticism from the media. However, IFK Göteborg does not let that influence the decision making. Gustavsson states that the organisation is so strong that they do not need to be influenced by the media or spectators when making decisions. But he also adds that they listen to their external parties.

Benchmarking is used within the association, and they have role models in Europe where they have seen that clubs do good jobs. For example, F.C. Köpenhamn has been very successful in developing a great ticket system.

#### **4.1.2 Revenues**

In 2008, IFK Göteborg had a total turnover of 77.3 million SEK. The largest sources of revenue were sponsorships, 27.1 million SEK, and match revenues, 20.6 million SEK. (IFK Göteborg Annual report 2008)

IFK Göteborg's revenues from sponsors are, as shown above, their largest source of revenue. The role of the sponsors has changed in recent years to becoming more like corporate partners. The association and partners work together and try to find solutions that maximise the gain from the relationship. In other words, it is about offering partners a network for business. The revenues from sponsors are not based solely on the success in sports, but naturally it does affect. There is always a connection to the sport. Furthermore, Gustavsson believes sponsors that do not focus on financial exchange exist, but will become fewer in the future.

There are market agreements in football involving television broadcasts, and these are negotiated through SEF. They give out a basic funding, and the rest is based on the position in the league table and the number of transmitted games. In 2008, the revenues from SEF were 14.7 million SEK. (IFK Göteborg Annual report 2008)

The stadium Gamla Ullevi is partially owned by Göteborgsalliansen, which is a collaboration between IFK Göteborg, Örgryte and GAIS. They together have 9 percent and the rest is owned by a public company.

#### **4.1.3 Objectives**

The vision of IFK Göteborg is to be a leading sports association in Sweden. Goals are set so that respective department knows what they are working towards. A vision was set up for 2010 with different goals to achieve. Out of these, examples of non-financial goals that were fulfilled were the creation of a school and a field with synthetic grass for practicing.

Regarding sports goals, an example is that 50 percent of the first team players should be from their youth activities.

The primary financial goal for the association is that they should have a positive equity, which is extremely important for them. Specifically the goal is set to exceed 10 million SEK. In 2008, the equity was 20.7 million SEK. (IFK Göteborg Annual report 2008) The demands of the elite license are also considered important because it can be costly otherwise, which Örebro IK came to experience when they were relegated. Gustavsson's opinion about the elite license is that it serves a good purpose. He also adds that from UEFA, the bar is set even higher with further demands on, e.g., arena and personnel. Achieving the goals of the elite license leads to possibilities to achieve other goals, and therefore it is a good management accounting tool to use. According to Gustavsson there is a need for financial balance to be able to commit on a long term, but the football activity is naturally the core activity.

Regarding how well IFK Göteborg achieves to reach the set goals, Gustavsson states that the association does it better and better. They try to set achievable goals. *Nowadays we have a complete different awareness when setting goals than we used to*, he says.

#### **4.1.4 Planning and Budgeting**

Their primary tool of management accounting is the budget. There is a budget for the overall association that is subsequently broken down to respective area. Hence every department, e.g. Änglagårdsskolan, has their own budget. IFK Göteborg makes budgets for each game, and each game is considered as its own market. This means that they can easily evaluate and follow up their work, and there is continuity in their follow-ups. They work with monthly plans and accounts, and this is where they follow up the budget and prognosticate.

It is hard to plan on a long term, because this business goes through faster transformations than normal companies, means Gustavsson. However, the aim is to have a plan over three years. Some kind of thought about the future needs to be there. In addition, transfers of players are never in the budget. That figure always stays at zero, and he believes that having them in the budget could be risky. However, purchases of players can be included in the budget.

IFK Göteborg has activities in different sports, e.g. track and field and orienteering. However, these activities stand alone and make their own decisions, and planning and budgeting. These associations receive grants from IFK Göteborg but the association is not affecting their management accounting.

#### **4.1.5 Incentives and Results Controls**

The designed incentive system mostly concerns the players, where there are both individually and group based systems. Everything depends on the contracts, and everyone receives different rewards. The personnel do not get any monetary rewards.

With reference to motivation, it is hard to make the same demands on everyone involved. The development is heading towards some kind of compensation to non-profit workers. Especially those who are running and administrating this workforce. They have an important job to do.

IFK Göteborg intends to show appreciation for the efforts the non-profit workers put in, and Gustavsson stresses that they should feel appreciation. Gustavsson also believes that the development in this field is due to the change in generations, and that there are now different demands from people to get involved. *The passion for the association is not enough motive force today as it used to be*, Gustavsson states. Primarily, it is the personnel behind the matches that are non-profit.

The organisation tries to motivate the employees by showing them appreciation at the working place. There is a need for working with every individual. The players, however, is a different deal. They have their contracts that are negotiated and none of them have the same contract.

#### **4.1.7 Limitations**

Regarding if there are any limitations in using traditional management accounting in elite sports organisations, Gustavsson stresses the fact that it is in a highly changeable business they run their activity. For that reason, the monthly updates are very important.



#### **4.2 HV71**

The empirical data about HV71 is based on a telephone interview with the financial manager, Marita Jansson, at HV71. Jansson has the overall financial responsibility for the corporate group HV71, that is HV71 and their real estate company. She has a great deal of experience after 19 years in the association. During that time she has been involved in building up the hockey association from a small non-profit association to the medium-sized company it is today. Much has happened since she started, above all an arena has been built and self-financed internally by HV71. Her background consists of working as an accountant for a car company and working within the auditing industry, where she also ran her own firms. Furthermore, she has a degree in small business administration at Jönköping University and after that she has participated in courses provided by the accounting firms, and other types of internal educations. Further information used is information available on their website and annual report.

##### **4.2.1 The Association**

HV71 is essentially an ice-hockey association whose purpose is to have as good team as possible at playing ice-hockey. The purpose is sport-oriented, and the sport creates occupation in other work areas. The parent company in the corporate group is a non-profit association which owns a dormant joint-stock company, HV71 Elitishockey AB (HV71 Annual report 2007/2008). The cause for being dormant is a preparation in case there will be a formation of players. Furthermore, this joint-stock company owns the real estate company HV71 Fastighet AB who owns Kinnarps Arena where Arena Service is included. The real estate company runs their activity by owning, conducting, and renting out Kinnarps Arena to HV71, other sports events, concert activities, etc. (HV71 Annual report 2007/2008) Arena Service manages the commercial kiosks, bars, restaurants, conference activities and so on.



The CEO, i.e. the club director, is the head of both the association and the real estate company. To his assistance he has six departmental managers who are responsible for their respective department within both corporations. These six departments are Sports, Finance, Market, Arena, Arena Service and Development.

Regarding culture, Jansson states the spirit they want to mediate is being a top ice-hockey association in Sweden. This is reflected in the process of developing local players in order for them to reach the first team, Jansson adds. The Club Director expresses it: *HV71 should be the best ice-hockey association in Sweden, with openness and accessibility. We are going to have fun and act for humility.* (HV71 Annual report 2007/2008, author's translation)

Concerning impact from external parties such as fans and media, Jansson states that there is none, especially not from media. *The organisation is too strong*, according to her. The association have been in the business for too long and have become used to handling this. One day a great deal is written about the association, and the next day everything is forgotten. The fans do not really affect the activity either. When it comes to decision-making, it is done elaborately to assure that there are no doubts regarding the decisions.

Benchmarking was more used earlier, before the club became what they are today. Now when they are one of the largest clubs HV71 is probably observed by other associations, but Jansson states that HV71 does not compare themselves to others. They have a well developed document for the different areas in the organisation that describes how to manage the association and what they stand for.

#### **4.2.2 Revenues**

HV71 had a total turnover of 139.3 million SEK in the season of 2007-2008. The largest revenues came from ticket sales, 55.1 million SEK, and advertising, 46.9 million SEK. (HV71 Annual report 2007/2008)

Sponsors are extremely important and they, together with revenues from ticket sales, are the association's greatest source of income. Jansson expresses that the sponsors are considered partners and there is a frequent contact between the market department of HV71 and sponsors. Nowadays, sponsors do not only want to be seen in the arena, but also in television and so on.

HV71 receives different types of grants from both the state and the municipality, but since the association is self-supporting to a great extent they get less. They receive grants for the youth activity, and because a "hockeygymnasium" [English translation: Equivalent to an upper secondary school, in this case with focus on ice-hockey] is run, grants from the municipality are received. However, these grants are only a small part of the total turnover.

The revenues from the broadcast agreement are shared equally among the 12 teams in Elitserien. The negotiation of the agreement is done by Svenska Hockeyligan, where the chairmen of each association are the members.

HV71 was the first club in Sweden to own their own arena. As the situation was in Jönköping by that time, the club had to buy Rosenlundshallen, which was the name of the arena back

then, in order to continue in the elite league. The municipality could not afford to rebuild the arena or even restore it. The arena has been very significant, states Jansson. It has generated revenues because of the rebuilding<sup>1</sup>. For example, now they have a real kitchen to be able to run a restaurant. All this has resulted in sales being linked to the games are much greater now. Before, in Rosenlundshallen, *there were only a couple of kiosks, and that was it*, Jansson explains. HV71 states that Kinnarps Arena has been important in building up an economy that, according to them, is among the best in Swedish ice-hockey. (HV71 Annual report 2007/2008)

#### **4.2.3 Objectives**

HV71 works with a great amount of goals. Regarding the main objective, the aim is to be one of Sweden's top ice-hockey clubs. That is absolutely the most important. Furthermore; Market, Sports, Youth, Kinnarps Arena and Arena Service all have their own goals to achieve. Their financial targets are set to increasing the equity by approximately 10 percent annually, the turnover by around 5 percent annually, and the financial capacity for sports activities by one million SEK per year. These are the targets but Jansson adds that they are not always that easy to live up to. In 2007-2009, the equity was 33.6 million SEK. (HV71 Annual report 2007/2008)

Sports goals are more prioritized than financial goals, but the economy does walk hand in hand with the sport. The financial conditions work as a base to create a team as good as possible, which is the absolute most important.

There is no ambiguity concerning their financial targets. If, for example, a player gets injured, this would not have an effect because there are insurances covering financial aspects. However, it could affect the sport. They do rigorous follow-ups on the activity every month. Sports and economy work together constantly. The sports director knows exactly how much money he has to work with. Concerning communicating the financial targets, they have personnel meetings once every month where the performance of the organisation and thoughts about the future are brought up. Every co-worker is participating greatly and knows where the activity is heading.

Jansson thinks the demands set by the elite licence demands are appropriate and are set on a reasonable level. There is a need for being harsh and making demands at this level, she says. It is expensive to run an association in the first league.

In total, Jansson claims the goals are being achieved quite well. A "tough" budget with high targets is set for the season 2009-2010, despite the current financial situation. Only one team is competing at the elite level in Jönköping, and HV71 believes that companies experiencing poor times primarily cut their sponsorships to smaller teams, and therefore are likely to keep on investing in the elite association HV71. This is the reason why they believe in having an optimistic budget.

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<sup>1</sup> The new arena was built to a great part outside the walls and roofs of Rosenlundshallen. During the spring of 1999, the old arena was torn down and Kinnarps Arena was completed inside the new shell. (hv71.se)

#### **4.2.4 Planning and Budgeting**

When planning and budgeting, a rolling three years budget is used, along with a more detailed budget on an annually basis. It has its start in the autumn before the following season and this budget is elaborated in the spring. A main budget is set that subsequently is broken down for the different areas. Thus, every department has their own budget which the departmental managers are responsible for. The budget is followed up once every month, which is something that is worked towards achieving even though it does not really work out that way. The reason why the budget is set on a three year basis is because of the assumption of a scenario that HV71 will still be in the elite league in the future. There is a monthly follow-up and also forecasts on how things will be on the 30<sup>th</sup> of April, hence there will be no surprises about the results that date. If deviations from the budget would emerge, these are being discovered early. The budget is the ultimate management accounting measure, and the only one they use.

#### **4.2.5 Incentives and Results Controls**

In the association there are few rewards, which mostly concern the players. However, these are individually negotiated, and the bonuses are not disbursed until they reach the final. There are, however, no bonuses linked to the amount of points scored by individual players in the league or anything similar, like there are in the National Hockey League in America. Moreover, there is a reward system for development players during their first year in the first team, based on how many games they play. Junior players from the outside of Jönköping have a small fixed salary to be able to manage their accommodation.

Regarding HV71's strategies to reach goals, they have developed a document including precise instructions of what to do in the different departments. For example, they try to increase the youth activities, an objective is to trying to increase the amount of active players, meaning to produce more local players. They are working towards creating more ice-rinks, and developing trainers by offering them trainings and education. Furthermore, there is a project involving all trainers with an aim to demonstrate the hockey.

Jansson points out that nowadays there are almost no non-profit workers in the organisation, accept a few functionaries who function as hosts during the games. Besides that, every person involved in the association is salaried. Trainers in the youth activities can be paid a small amount every season, and even though they can be contemplated as non-profit workers they still get compensated. Jansson argues that the concept of non-profit workers is disappearing. The activity becomes more professional which is reflected among those involved, in the fact that they demand compensation. The situation is probably different in smaller associations, Jansson adds. Those working for HV71 without getting paid, are devotees that been around since the club started, and the reward they get is to watch the games. The question is whether in the future, there will be any non-profit workers at all, Jansson discusses.

#### **4.2.7 Limitations**

Jansson has nothing to point out regarding limitations in running management control in an elite sports association. She sees no difference from running an ordinary company in trade and industry, or as she expresses it: *I have been involved too long to notice any difference.*

## 5. Analysis

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*In this chapter, we will present material vital to answer the research question, by analysing the theoretical framework and the empirical study. When referring to the sports associations in the empirical study we will here mention them by their association's name, and not by the names of the interviewees.*

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### 5.1 The Association

In the theoretical framework it is stated that the definition for being a non-profit organisation is that their main objective is other than earning profit. They should instead provide a service to the public or its members. Many non-profit organisations provide a service which can be seen as competing with other organisations. (Merchant & Van der Stede 2007) Without profit as a measurement for success, the success comes as a result of how well they provide their service. Revenues earned are invested to improve the activity. (Anthony & Young 2003)

Non-profit organisations are described by Riksidrottsförbundet (2007:7) as an important part of society. They have grown not just in the amount of people involved, but also financially. This has come to show by the fact that they are copying methods from businesses. IFK Göteborg is essentially a non-profit organisation who owns joint-stock companies. Their main objective is the sport, not the profits. They want to express themselves as an association of fellowship. However, the association is becoming more commercialised and seen as regular company, all this in order to keep up with the financial development in the sport. HV71 claims that their main purpose is to play hockey and have a team as good as possible. They want to convey the picture that they should be a top ice-hockey association in Sweden. HV71 is also a non-profit company who owns joint-stock companies, for example HV71 Fastighet AB who owns the arena where they play the games. By doing this, the subsidiary can focus on conducting events and let others rent the arena for usage. They can gain revenues from many different areas.

The sports associations are becoming more professional, more situated in business environments and are becoming more like regular companies. However, they often lack the management resources that exist in their corporate counterparts. (Ferkins et al. 2005) The interviewed associations are, however, organised in a way similar to regular companies. In IFK Göteborg there is one CEO, or club director, and then there are departments that manage different areas of the activity. In the end, the club director makes the overall decisions. In HV71, the club director is the head of the group, i.e. both the association and the joint-stock company. Besides that, there are departmental managers who are responsible for different areas such as finance and market. The interviewees both have an academic degree and experience from working with finance in other business.

Merchant & Van der Stede (2007) state that non-profit organisations do not have external parties that control them. Instead they can be scrutinized by, for example, the society or their members. This can lead to a sharper focus, which can be an important factor to bear in mind when making decisions. IFK Göteborg argues that there can be many different parties trying

to influence them. The spectators are extremely important for the association and they work to keep a good relationship to their fan club. Media can many times give criticism. However, they consider their organisation to be strong and it would require a great deal to be influenced by media. Sponsorship is an important source of revenue and the question is whether this revenue is given unconditionally. IFK Göteborg explains that the role of the sponsors has changed into being considered as partners and collaboration should bring positive effects to both parties. HV71 states the same type of thought. They are not affected by the external parties, especially not the media. The association has too much experience and is used to handling the scrutiny they go through. In media, news one day is forgotten the next. There is a great deal of work behind every decision so there are no doubts concerning them.

## 5.2 Revenues

As we stated in the framework the elite sports associations in football and ice-hockey receive most of their revenues from sponsorships and ticket sales. (Sund 2003) This is furthermore reflected in both associations, according to their annual reports. In 2008, IFK Göteborg's largest source of income was sponsorships, and their second largest was match related revenues. HV71, during the season 2007-2008, had the same primary sources of revenues, but in the opposite order. Worth mentioning, is that HV71 compared to IFK Göteborg had significantly higher revenues.

Sponsorship revenues are, as mentioned, important to the associations. Previously they have been a financial support without any specific demands. However, that is not the reality nowadays. Sponsorship is often a mutual agreement between two parties where both demands services in return. (Ekonomistyrningsverket 2002) HV71 and IFK Göteborg both point out that sponsors are now seen as their partners. IFK Göteborg further states that the former view on sponsorship, without a focus on financial exchange, does probably exist but will become fewer in the future.

Ross et al. (2007) state that if a sport fan has unfavourable attitudes with respect to the team that person is unlikely to become a loyal customer, which in turn affects, e.g. ticket sales. IFK Göteborg stress that it is especially important to convey a positive picture in these times, when IFK Göteborg a couple of years ago had some negative publicity due to some financial irregularities. HV71 uses it as a part of their vision of being the best ice-hockey association in Sweden. By having fun and act for humility they will create a positive image. (HV71 Annual Report 2007-2008).

According to Anthony & Young (2003), non-profit associations have started to outsource for-profit activity to subsidiaries. IFK Göteborg has IFK Göteborg Promotion AB managing advertising and market activities connected to the association. HV71 has the real estate company HV71 Fastighet AB who owns and rents out the arena. This is an example of the commercialisation within the elite sports association.

The government supports the work of the sports association by providing funding. In 2003, the government gave 1.2 billion SEK to the sports sector. However, the amount that a sport receives varies due to the need of financial backup. Some sports are considered having larger economies and do not need as much as others (Riksidrottsförbundet 2007:7). Both football

and ice-hockey are to a great extent self-financed (rf.se). This is what HV71 points out when explaining that the association receives different types of grants from both the state and the municipality, but since the association is self-supporting to a great extent they get less and these grants are only a small part of the total turnover.

In the last decade, the media coverage of elite sports have increased rapidly (Riksidrottsförbundet 2007:11), and football and ice-hockey were among the sports with the most coverage on television in 2007 (rf.se). Media gives more time to fewer sports (Riksidrottsförbundet 2007:11), and this means more revenues to football and ice-hockey. In football, there are market agreements involving television broadcasts. SEF distributes basic funding, and the rest is based on the position in the league table and the number of transmitted games. In ice-hockey the revenues from the broadcast agreement are shared equally among the 12 teams in Elitserien.

HV71 was the first Swedish ice-hockey association to completely own their arena. Having an own arena generates revenues for the team and has been a foundation for building up a healthy economy. As written in the framework, Brown & Kreutzer (2002) states that today a game is more than game, it is an event. It deals with offering the spectators other experiences than just the sport. This is connected to having an own arena. HV71 can nowadays offer dining experiences and conference opportunities. For IFK Göteborg, the situation is not the same. They do not fully own the stadium but they do own 9 percent of Gamla Ullevi, together with two other clubs from Gothenburg.

### **5.3 Objectives**

In the theoretical framework it is stated that every organisation set goals, whether they are financial or non-financial, they are always an important factor. The goals can vary from non-financial goals such as focusing on achievements in sports to financial goals, which are measured in money. Non-financial goals help the organisation to steer in the right direction, which is important for the financial results. (Bruzelius & Skärvad 2004) The key to success is to find a balance between all goals. (Ax et al. 2005) HV71 states that there is no incongruence between sports and financial goals, due to rigorous follow-ups. The main goals of both associations are to be leading in the sport where they are active. In the end, this is the core activity and what is most important.

As our interviewees are management accountants, they nonetheless stress the importance of financial goals. These are, according to them, necessary to secure the survival of the association. The association's financial goal is not typically the same as in for-profits. Through the interviews it was expressed that the financial means are what helps to improve the activity in order to make it as good as possible.

Both associations state that they set many different goals. IFK Göteborg had for the year 2010 set up a vision including goals to achieve, out of which they have fulfilled several of them. The goals are communicated in that sense that all the departments within the association know what to be achieved. HV71 also works with a great amount of goals. Every department have goals to achieve and knows what resources there are available. From the interviews we

understood they have a great deal of specifics concerning their financial goals. They know exactly what kind of results they want. To assure that the activity goes in the right direction they do follow-ups. The goals are communicated through personnel meetings on a monthly basis where they discuss past and future actions. It is stated in the theoretical framework that it is difficult to use management accounting if there are no clear objectives. (Drury 2004) Therefore it is important to be clear and communicate understandable goals in the organisation.

The elite license sets financial demands in both sports. These goals somewhat functions as guidelines, and these need to be fulfilled in order to maintain their status as an elite team. (svenskfotboll.com) The purpose with the elite license serves a good cause, according to both associations. IFK Göteborg mentions that a financial balance is vital to commit on long term. HV71 states that at the level in which they are competing, demands should be harsh because of the financial constraint that follows with being an elite team. In football, the associations should have a healthy economy. IFK Göteborg is setting a goal to have positive equity higher than 10 million SEK, a goal they are fulfilling according to their annual report 2008. Managing to fulfill these goals is a step to achieve other goals. They specify the importance of fulfilling the demands of the elite license because of the consequences from being relegated can result is loss of revenues and be costly for the association.

With reference to how well the associations manage to fulfill their goals, in the end both associations are quite positive about their results. In the case of IFK Göteborg, they state that they do it better and better. There is a different awareness now when setting objectives and they have understood the importance of setting achievable goals. The budget is considered an important tool of management accounting. In HV71, they state that the goals are achieved quite well.

#### **5.4 Planning and Budgeting**

As stated in our framework it is relevant to coordinate different aspects into one overall plan, and thereafter to organise and coordinate the decisions (Drury 2004). Both IFK Göteborg and HV71 set a budget for the overall association that is subsequently broken down to respective area, leading to that every department has their own budget.

As long-range plans are designed for several years ahead they are normally uncertain, general, and in need for change within time (Drury 2004). This is what IFK Göteborg indicates, when stating the fact that is it hard to plan on a long term, with the reason that sports business goes through faster transformations. HV71 plans on a three years basis with the assumption that the team will still be in the elite league in the future.

According to Merchant & Van der Stede (2007) the conventional budget is more detailed than a long-range plan and prepared for one year, and budgets are often broken down to shorter periods, for example months. Regarding the sports associations, an example is that HV71 works with a more detailed budget on an annually basis, and both HV71 and IFK Göteborg works monthly with follow-ups. This follows the framework, meaning that monthly budgets are of great importance for control purposes and should be done continuously (Drury 2004).

According to HV71, this is the reason for deviations being discovered early and then corrected.

Even though the making of annual budgets has been criticised for not always being useful (Ekholm & Wallin 2000), budgeting is the primary tool of management accounting for both associations. HV71 even states that it is the only tool they use. An example of criticism that Ekholm & Wallin (2000) state is its inability to meet demands from the competitive environments, and the solution could be to use rolling forecasts instead of annual budget, typically every month or quarterly. This would give more up-to-date figures which incorporate more flexibility and it allows more timely allocation of resources. HV71 uses a rolling three years budget, and for IFK Göteborg, the purpose is to have a plan over three years. HV71 is working towards achieving that the budget is followed up once every month, even though it does not really work out that way. IFK Göteborg also makes monthly accounts and this is where they follow up the budget and prognosticate, and the club means that the fact that every department has their own budget makes this easier.

Benchmarking can be used when assessing the viability of own forecasts. (Fried et al. 2003) IFK Göteborg uses benchmarking, for example, by observing ticket systems in other clubs. However, HV71 claims that they do not compare themselves to others, instead other clubs probably observe them.

### **5.5 Incentives and Results Controls**

According to Clark & Wilson (1961) incentive system is vital amongst the individuals to contribute actions to the organisation. Performance rewards can be individual or in group (Merchant & Van der Stede 2007). In both associations they have incentive systems, but it mainly concerns the players. IFK Göteborg has both individual and group-based systems but everything depends on the contracts. In HV71, players receive a bonus if they reach the final, and these are also individually negotiated. Furthermore, there is a reward system for development players during their first year in the first team, based on how many games they play in the team during a season.

Neither of the associations have any monetary rewards for other personnel. The fact that monetary rewards only concerns players is connected to what Baruch et al. (2004) state; that performance rewards are probably more effective when individual skills and efforts are crucial to the accomplishment, short-term worker performance levels are essential, and these levels can be measured objectively. However, with players on teams, individual incentives can lead to competition between team-members. HV71 points out that there are no bonuses linked to the amount of points scored by individual players in the league, or anything similar.

Results controls are used to gather and reporting information about the final results. (Drury 2004). In addition, Merchant & Van der Stede (2007) state it is possible to communicate to the employees what is desirable, and thereafter let them take actions to achieve it. In order to influence the behaviour in the right way, result controls deals with rewarding or punishing the employees to take the right actions. Rewards can be monetary or non-monetary. IFK Göteborg offers rewards to the players, and these are negotiated individually so the players do not have the same contracts. HV71 controls the result by offering monetary rewards if the



team reaches the final, and these rewards are also individually negotiated through the player's contracts.

In both associations there are non-profit workers involved. In IFK Göteborg there are non-profit workers active in every game, and the association means that it is hard to make the same demands on those working without getting compensated. However, everyone should feel appreciation for what they do. IFK Göteborg believes that the change in generation also is changing the demands. In the future a non-monetary reward might not be enough. The love for the game as a motivation is disappearing. In the case of HV71, most personnel inside the organisation are salaried. A small compensation is given to, for example, trainers of youth teams as a reward for their important work. This might be contemplated as non-profit work, but they are still compensated. In the organisation, there are almost no non-profit workers left, except a few functionaries who host the games. The work conditions are becoming more professional, and HV71 speculates that in the future there is a possibility there will be no non-profit workers at all.

Merchant & Van der Stede (2007) states that in order to have effective results controls there is a need for communicating the desired results. Employees must be able to affect the results and the measurements should follow certain criteria, such as preciseness and comprehensibility. If the desired results are not specified there may not exist congruence between the organisation and the employee, meaning they work with different intentions. To avoid this, HV71 has created a document containing information about their goals and their strategies to achieve them, which is communicated to every department. For example the youth activities have goals to increase the amount of players.

## 6. Conclusion

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*The final chapter will give our conclusions and answer the research question that the study is based upon. Furthermore, we will give our reflections about the result, and finally we will be giving our suggestions for areas of interest for further research.*

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We have studied two large elite sports associations, with the basis of our research question:

*How is management accounting used in large elite sports associations?*

We have, following from our analysis, come to the conclusion that management accounting is widely used in the studied organisations. To a great extent they work with objectives, as well as planning and budgeting. Nevertheless, incentive systems are not used very significantly. Both organisations are still essentially non-profit organisations, but we have noticed that there seems to be of great importance to provide goals and objectives, similar to the way it is done in traditional businesses. Even though the goals may not be as easily measured as in for-profit organisations.

Although control by using goals is emphasised, it seems that financial incentives based on performances are not used to a great extent. A reason for this can be the lack of goal congruence. Personnel working with the economy do not have bonuses for reaching financial targets, for keeping the budget, because this may intervene with the sport. Both associations have emphasised the importance of the budget as a tool of management accounting. Thus, budgeting seems to have a more important role in elite sports associations than in regular companies, where other management accounting tools can be used as well.

Noteworthy, is the fact that sponsorships are a great source of revenues, and it is therefore likely that sponsors do have an impact on decision-making. When large sponsors provide funding to the association they may have demands on how the association should manage certain economic questions, which could obstruct the internal management control.

There is, moreover, a significant difference between football and ice-hockey elite associations concerning, i.e., the size of turnovers and equities. The revenues of HV71 were, in the last fiscal year, nearly twice as large as IFK Göteborg's revenues. Much of this has its source in the fact that HV71, and most of the other clubs in Elitserien, has its own arena with all the revenue generating activities that are connected to it. On the whole, HV71 seems more aware of creating businesses to increase revenues. Our impression is that they are very professional, but this may, however, partly be a way to create an image.

### **Reflections**

The sports associations in our study are formally defined as non-profit organisations, and they share several characteristics with those types of organisations, such as other goals than profit-based. However, the associations are becoming more commercialised and own subsidiaries. Similarities to regular companies are, furthermore, reflected in the structure of the

associations, with a CEO and different departmental managers. The interviewees both have backgrounds similar to employees working at financial departments in regular companies.

However, as sport associations become more commercialised there could be a conflict between financial and sport related goals, which could complicate the process of management accounting. The sports goals are the most important for both clubs, and this must somehow inflict on the economic activity. If, for example, the team has a poor season or star players get injured, is likely that an urge appears for investing money in new players or other aspects that may improve sports performance. Hence, the economy might be neglected.

Non-profit workers have earlier been of great importance to sports organisations, but as they become fewer, the need for being commercial and generating revenues will be more significant. Thus, financial goals will be more prominent in the future. However, in a for-profit company every employee is salaried and therefore easier to control. At this moment, the associations still have non-profit workers as manpower, even though to a lower degree than before. For the sports associations is it more difficult to make demands on those working non-profit than those salaried.

Hence, in the future it is likely that many elite sports associations will transform from being non-profit organisations to become joint-stock companies. HV71 even has a dormant company in case there will be a formation. We believe that this may, moreover, lead to the fact that the usage of management accounting changes with the process of evolving from a non-profit into a for-profit organisation. Incentive systems can become more prominent, when there is an opportunity to offer the employees stocks.

Regarding the fact that players have incentives for team performances but not for individual performance, might be a Swedish way of looking at sports management, meaning the cultural aspect where a team works together and encourages each other. In America, for example, it is common to reward players for individual performances such as scored points and goals.

Another reflection is that we find it unlikely that HV71 does not use any kind of benchmarking at all. The club is at the moment involved, together with a couple of other teams from Elitserien, in plans to start an international/European league. When planning this, there must have been observations done on other major leagues such as the North American league, NHL, and the Russian league, KHL. Another aspect is, when signing contracts with players there should be relevant to look into player salaries in other clubs to gain perceptions of salary levels.

### **Suggestions of Further Investigations**

After doing this study we would like to express ideas for further research. Due to the fact that few studies have been done on the subject there are, according to us, several ideas that could be of interest. Hence, the proposals for further research are stated below:

With the fact that the non profit organisations are becoming more commercialised it would be interesting to understand the difference in management accounting between elite sports associations that are still non-profit and those who have chosen to become joint-stock

companies. Furthermore, to study the future commitment by people in non-profit associations; to investigate, and prognosticate, to what extent people will work for free in the future. Finally, turnovers are larger in elite ice-hockey associations than turnovers in elite football associations. There is a development of elite ice-hockey associations to fully own arenas for generating more revenues, and an investigation can be done on the need and possibilities for football associations to consider this alternative.

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#### Interviews

IFK Göteborg Johan Gustavsson 2009-04-29, 40 min (personal meeting)

HV71 Marita Jansson 2009-05-07, 30 min (telephone)

# Appendix

## Appendix 1: Questionnaire

- **Respondent**
  - What is your professional title? What are your responsibility areas?
  - How long have you been working for this sports association?
  - What previous positions have you had? What line of business?
- **The association**
  - Describe the organisation in general? What you do, your vision, business idea?
  - How is your organisation designed? Who makes the decisions?
  - Can you describe the culture in the organisation?
  - External parties, e.g., spectators and media, how do they affect your activity?
  - Benchmarking: Do you have any models for your way of running the business?
  - What is your opinion regarding fully owning your arena?
- **Goals and results**
  - What goals have you set for the organisation, primarily financial and non-financial? Are there different goals for different people involved? How do you measure the results? Are there different ways of measuring different goals?
  - What goals are prioritised, sport or financial goals?
  - Can the financial goals be unclear due to the connection to the results in sports? How well are the financial goals communicated? What is your opinion regarding the elite license?
  - What are your strategies for reaching your goals?
  - Motivation
    - How do you motivate your employees/players/non-profit workers to aim for the set goals?
  - Do you have any reward system?
    - If yes: Can you explain how it works? Are there different kinds of rewards to different people involved? Are they personal or group-based? How do you measure the performances in the different levels?
    - If no: Explain the reasoning behind it?
  - How well do you reach the goals you have set?
- **Planning and budgeting**
  - Planning in short and long term?
  - How do you cope with the shortage of information? For example the insecurity for knowing the success the team will have
  - Are there different budgets for different areas of activity?
  - Do you receive any governmental or local funding?
  - What role is sponsorship playing when you are planning the activity?
- **Other**
  - What limitations may exist when using management accounting in elite sports associations?