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## 4

## MAJOR SPORT EVENTS AT THE CENTRE OF INTERNATIONAL SPORT FEDERATIONS' RESOURCE STRATEGY

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### Introduction – From regulating to commercializing sport events

The stakes have moved up considerably, customers expect events to be international, to be bigger and better than previously and everything is geared towards achieving the bottom line.

*Emery 2010, p.166*

One hundred years ago, International Sport Federations (ISFs) came into existence for a practical reason – to organize and regulate international sports. The first modern Olympic Games (OG) in 1896 (Athens) made international rules indispensable and the growing success of the Games made major sport events more and more attractive. The historical function of ISFs can be compared to that of a government (Hoehn, 2006): they exert a legislative role by establishing rules, a judicial role by monitoring and enforcing these rules, and an executive role by organizing major sport events such as World Championships. Since their creation, ISFs have undergone important structural and functional evolution. Starting out as volunteer-run associations, IFs employ today up to 450 or more staff members at their headquarters (i.e. FIFA, UEFA). In literature, these evolutions are often categorized as organizational change. On one hand, they stem from internal needs for rationalization and efficiency (Chantelat, 2001; Dowling, Edwards & Washington, 2014) such as the hiring of paid managers, whose specialized background and expertise entails internal formalization and standardization procedures. On the other hand, they are the result of an adaption to external changes. ISFs have to adapt to an increasingly complex and competitive environment, including growing numbers of interest groups with varying and sometimes diverging expectations. In response to these pressures, ISFs invent different solutions. Looking at major sport events is one possible approach to investigating ISFs' strategic resource acquisition patterns. The findings reveal that observed patterns are either historically funded or emerge/have emerged as the result of changing environmental circumstances and organizations' internal response strategies to them.

For the analysis of ISFs' resource strategies, three aspects make international sport events an interesting starting point: (1) their constantly growing number and globalization, (2) their

continuous commercialization, and (3) the lack of research on sport events from the perspective of ISFs. All three points are briefly outlined below:

1. The growing number and globalization of sport events: In 1975, the ISFs of the 25 sports represented at the OG counted 160 international events, these being World Championships, World Cups, Grand Prix, World Tours and so on. Within 38 years, this number rose to 2,162 events in 2013 (source: the Association of Summer Olympic International Federations (ASOIF)). Initially, the World Championships represented the sole and most important event of ISFs, crowning the best athletes of the sport. With the abolition of the Olympic amateur code in 1981, World Championships and their like became more attractive for top athletes (seeking prize money) which, in turn, lured spectators (seeking entertainment), broadcasters and sponsors (seeking a return on investment). Progressively, ISFs recognized their commercial value, began to define which rights had value (e.g. event hosting, event bidding, logo/naming rights, broadcasting and so on) and established ownership of these rights. Once event formats and rights had been established, many ISFs turned towards new countries in search of additional market opportunities and the global spread and development of their sport. Countries previously unknown for sport events entered the stage: in 2016, Qatar, a peninsula primarily covered with sand, hosted 85 major international sport events, and even Mongolia hosted 16 (e.g. Motocross World Championships, Sumo World Championships, international biathlon competition). Sport is no longer just a physical activity and social meeting point. It has become an economic product and an increasing number of actors from various levels try to leverage its financial potential.
2. The commercialization of sport events: Since the 1980s, the galloping commercialization of broadcasting and sponsorship rights linked to the sprouting economy around major sport events (e.g. Olympic Games), and increasing competition between top-level sports, have pushed ISFs to embrace strategic thinking and planning. For some ISFs, being on the Olympic Programme has become a financial comfort zone, but also a highly competitive affair. Through the first Olympic revenue distribution in 1992, totalling US\$ 37.6 million, each of the 25 ISFs on the Olympic summer programme at that time received US\$ 1.5 million. Over the years, the revenue share did not stop increasing, reaching a record high of US\$ 526 million after the London 2012 Games (source: ASOIF). Although the financial windfall of the OG is uncontestedly a blessing for ISFs, it can also result in a quandary. On the one hand, ISFs need to attract sponsors, investors and partners in order to finance a growing number of activities (strategic and operational) and defend their Olympic status (IOC evaluation criteria). Hence, ISFs have to be responsive to stakeholders' needs, wishes and expectations. On the other hand, ISFs need to stay true to their core values and missions and advocate their members' needs, wishes and expectations (Berrett & Slack, 2001). Navigating between these two poles, ISFs adopt different approaches to satisfy one side or the other. Strategic planning, including the setting of goals, an action plan to achieve these goals, and the mobilization and allocation of resources to execute the action plan, has become a valuable tool for sport federations, be it at the national (Shilbury & Ferkins, 2011) or international level (Nagel et al., 2015). Events appear to play a pivotal role in ISFs' strategy in terms of resource acquisition. Today, the success of an ISF's economic model largely depends on its capacity to commercialize its major events (e.g. broadcasting and sponsor rights, organizing fees).
3. Lack of research: Despite the exponential growth of international major sport events, little research exists on major sport events from the perspective of ISFs. Taking the perspective

of the organizing committee (e.g. Parent, 2008), previous studies primarily focus on event management (e.g. Leopkey & Parent, 2016; Parent & Smith-Swan 2013) and organization as well as commercialization (Lee & Taylor, 2005; Szymanski, 2003; Malfas, Theodoraki & Houlihan, 2004). In light of these evolutions, two central and so far unexplored questions emerge: which elements constitute ISFs' main sources of income and expenses? Which financial and strategic role do sport events occupy in ISFs' economic model?

This chapter starts with an overview of event types in international sport, followed by a general summary of ISFs' main sources of revenue. The main question of major sport events as a central element of ISFs' resource strategy is examined by applying a two-fold approach: first, observed commonalities across several ISFs are outlined; second, four cases exemplifying four different models of revenue generation are presented: FIFA as the international football federation, the FIH as the international hockey federation, FISA as the international rowing federation and the UCI as the international cycling federation. The evaluation of the four federations is based on an analytical model presented beforehand.

### Federations' resource strategies through major sport events

Today, two major actors govern sport at a global level: the International Olympic Committee (IOC) organizing the OG every four years (Chappelet 2008) and ISFs regulating international sport and organizing World Championships and World Cups (Arcioni & Bayle, 2012). While the regulation, promotion and organization of their sport used to be ISFs' core mission and the reason for their emergence, sport events have taken centre stage, especially with regard to resource acquisition. This evolution results in a seemingly contradictory hybridity: established as associative non-profit structures, ISFs have developed a strong commercial orientation. Although these two rationales appear to be diametrically opposed, they are also complementary, as generating financial income is vital for the development and continuity of ISFs' activities (Bayle, 2000). ISFs partially or entirely delegate the organization of their events to an event organizer (for example, national federation, region, government). The delegation of organizing responsibilities, financial charges and profits depends on the type and appeal of the event. It is therefore important to first distinguish different types of events and event ownership.

### Event types

Considering events as the central element of federations' sporting, economic, societal and organizational performance, Bayle distinguishes (2015) different types of sport events owned and/or organized by sport federations (international and national). Adapted to ISFs, four event types can be emphasized: World Championships, international circuits, promotional sport-for-all events and international multi-sport games. ISFs generally own the first three event types and are participants in the fourth type. Being the owners of the first three types empowers them to decide on the event allocation and to capitalize on commercial rights such as TV and sponsorship rights. ISFs usually concede ticketing and domestic sponsorship rights to the organizer, this being a national sport federation (NSF), region or private organizer. In this constellation, the ISF is in a position of power, especially if the event is very successful and attracts a number of potential organizers competing for the allocation.

1. *World Championships*: Often the flagship event of an ISF, these major one-off events may be held at differing periodicity depending on the ISF (e.g. the UCI and FISA every year,

- FIFA and the FIH every four years). The ISF decides on the event allocation, often through a bidding process. Divided into men, women and, for some sports, mixed competitions (e.g. tennis, badminton), World Championships are organized for different age categories (e.g. Junior, Under 23, Elite, Masters).
2. *International circuits*: International circuits is a collective term for World Cups, World Tours, World Series, Grand Prix events and their like. ISFs generally own the circuit but not the events composing the circuit. Depending on the various aspects (e.g. the balance of power between the ISF and event organizers, historical reasons), events may be registered on the ISF calendar (e.g. Diamond League in athletics), constitute private professional circuits outside the full control of the ISF (e.g. ATP World Tour in tennis or PGA Championship in golf) or belong to a national sport federation (e.g. Australian Open, US Open) or a private organizer (e.g. Tour de France). In some sports, the international circuit, or even single events of it, are more powerful than the ISF's major event (e.g. tennis with Grand Slam, Tour de France in cycling).
  3. *Promotional sport-for-all events*: Less focusing on competition, mass-participation events or international sport festivals are an opportunity for an ISF to promote its sport and reach out towards unexploited markets.
  4. *International multi-sport games*: Although ISFs are only participants in these events (e.g. the Olympic Games, the Commonwealth Games, the Asian Games, university games, etc.), international multi-sport games can be of high sporting, strategic and economic importance as they convey visibility which, in turn, increases the attractiveness of a sport for sponsors, athletes and fans.

Although different event types may co-exist, ISFs' deliberate creation of an event portfolio that is tailored to their needs and strategy is a rather recent evolution. Event portfolio means in this case a deliberate pattern of events owned, organized and/or controlled by the ISF. The event portfolio has an impact not only on the federation's image, but also on its sporting, economic, societal and organizational performance. It is therefore hardly surprising that events occupy today a pivotal role in ISFs' strategy and resource acquisition. Within the event portfolio, events may be of different importance, creating a certain hierarchy. We assume that the economic value of events is determined by their importance.

#### Main sources of revenue

Unlike NSFs, ISFs are not dependent on government funding. Until the 1980s, ISFs functioned mainly thanks to the time and knowledge investment of a few passionate volunteers. At that time, ISFs' boards were almost entirely composed of individuals with a background in the respective sport (e.g. former athletes or presidents of a NSF). Especially in the early years of a federation, this prerequisite was inevitable as rules had to be established, requiring an extensive understanding of the sport. All functions within the ISF were then non-remunerated. Affiliation fees from NSFs and small sponsorship contracts were therefore sufficient to fund and maintain the ISFs' activities. This changed rapidly with the commercialization of major sport events and most of all the OG. Sponsors began to use sport events to showcase their products and ISFs began to compete for their financial resources. Two main sources of financial income arose from this situation for ISFs: (1) revenue from federations' own events and (2) the Olympic revenue.

#### Events

Looking at the last completed summer Olympic cycle (2012–2015), nine out of 18 summer Olympic ISFs for which information is available generated 50 per cent or more of their revenue through their events.

To a large extent, this situation is the result of a growing interest in televised sport and the rise of an international broadcasting industry. Television brought sport from the restricted reach of fields and stadiums into the living rooms of thousands of people. While the first FIFA World Cup (Uruguay, 1930) was attended by some 430,000 spectators in the stadiums, the 2014 FIFA World Cup (Brazil) counted 3.4 million spectators and another 26.3 billion TV viewers! The demand for televised sport has attracted not only media and sponsors, it has also increased the need for expert knowledge within federations in order to respond to stakeholders' expectations and produce attractive events. Profound organizational changes were needed to adapt to this new situation. The growth in size and number of events, a question of both the popularity of the sport and the ISFs' ability to capitalize on this popularity, is generally accompanied by a diversification and complexification of ISFs' activities. As a consequence, voluntary positions are no longer sufficient to carry out ISFs' administrative tasks and organize major sport events implying multiple stakeholders. Since the end of the 1980s and the beginning of the 1990s, ISFs have progressively hired paid Secretary Generals (e.g. FISA in 1989, the UCI in 1992), followed by a steadily increasing number of paid staff (especially in the ISFs with fast-growing events). FIFA has increased its staff from about 250 in 2003 to more than 450 in 2014, the UCI from three in 1991 to 79 in 2014 and even a smaller federation such as the FIH has more than doubled its staff within a relatively short time (2010–2015) from 14 to 35.

Table 4.1 Revenues from ISF events and Olympic revenue

Federation (IOC terminology)	Period analysed	Revenues from ISF events (% of overall revenue)	Olympic revenue (% of overall revenue)
BWF – Badminton World Federation	2012–15	78%	21%
FEI – International Equestrian Federation	2012–15	78%	9%
FIE – International Fencing Federation	2012–13	3%	29%
FIFA – International Association Football Federation	2012–15	88%	0.4%
FIH – International Hockey Federation	2013–15	56%	32%
FINA – International Swimming Federation	2014–15	70%	21%
FISA – International Rowing Federation	2012–15	37%	52%
IJF – International Judo Federation	2012–14	64%	23%
ISAF – World Sailing	2012–13	13%	61%
ISSF – International Shooting Sport Federation	2012–15	2%	85%
ITF – International Tennis Federation	2012–15	75%	10%
ITTF – International Table Tennis Federation	2012–14	50%	31%
ITU – International Triathlon Union	2013–15	40%	56%
IWF – International Weightlifting Federation	2013–14	17%	56%
UCI – International Cycling Union	2012–15	70%	14%
UWW – United World Wrestling	2012–15	29%	40%
WA – World Archery	2012–14	31%	63%
WR – World Rugby	2012–15	97%	0%

### Olympic revenue

The Olympic revenue share is closely related to the general evolution of broadcasting rights. For the 1960 Olympic Games (Rome), USA TV (today CBS) paid US\$3.2 million (in today's dollars) for the broadcasting rights. Forty-eight years later, the broadcasting rights for the 2012 London Games were sold for nearly US\$1.2 billion to NBC, a multiplication factor of more than 300! In a sense, the commercialization of and profit generated by the OG began with the 1984 Los Angeles Games. Under the direction of Peter Ueberroth (president and general manager of the Los Angeles Olympic Organizing Committee), the 1984 Games were the first to be privately organized and immediately generated a surplus of US\$250 million. The following Games pursued the same strategy and with success. In 1992, the IOC distributed for the first time a part of the Games' proceeds to the ISFs: a total of US\$37.6 million was equally divided between the 25 ISFs that figured on the Olympic Programme (US\$1.5 million/ISF). Twenty years later, a total of US\$526 million was divided between the 28 ISFs that were involved in the Olympic Programme of the 2012 London Games, this being US\$19 million on average per ISF. Meanwhile, the IOC had introduced the *Evaluation Criteria for Sports and Disciplines* in 2004: based on the evaluation criteria, 30 per cent of the additional surplus of the OG dedicated to the ISFs is subsequently allocated, depending on the ISFs' contribution to the overall economic success of the Games (e.g. tickets sold, TV audience). After the 2012 London Games, the IAAF (athletics) was awarded the highest share – about US\$47 million for a four-year period. The prospect of a higher share if outperforming other sports has entailed strong competition between Olympic ISFs as well as non-Olympic ISFs who seek to enter the Olympic Programme. The benefit of being an Olympic sport impacts at both the international and the national level: on the one hand, it contributes to the financing of ISFs' activities; on the other hand, governments tend to support NSFs of Olympic sports more generously with funds to increase their chances of beating other countries at OG, making sport a geopolitical tool.

In summary, ISFs' resource acquisition has changed drastically due to the explosion of broadcasting rights, the interest of sponsors in showcasing their products through televised sport events and the skyrocketing profitability of the Olympic Games. While affiliation from member fees and smaller sponsor contracts constituted the main source of income for many decades, the demand for televised sport spectacles has brought forth a new and more business-oriented rationality. Nevertheless, the spread between ISFs with high revenues and ISFs with low revenues is immense: while FIFA generated a comfortable US\$2.096 billion in 2014, half of the non-Olympic, but recognized, ISFs function with less than €200,000 per year (source: Association of IOC-recognized International Sport Federations (ARISF)). The mission-based goal of ISFs is to finance the development of their sport, for example by cross-subsidizing unprofitable events (as is the case with 11 out of the 12 FIFA events), supporting national development programmes (e.g. FIH Targeted Assistance Programme) or helping to improve members' functioning (e.g. UCI Sharing Platform). In this context, federations' events and economic models should be a means to develop their sport. In order to understand and predict why some ISFs have more successful economic models than others, four Olympic ISFs of different sizes are analysed more closely. The main focus is on ISFs' events and their role in the federations' economic model.

### International Sport Federations' economic model and the role of major sport events

It is very difficult to compare the functioning and economic models of ISFs for various reasons, such as accessibility to, as well as transparency and exhaustiveness of documents.

ISFs' organizational structure (e.g. bodies, departments, organizational complexity), functioning (e.g. organizational performance, behaviour and learning) and culture (traditions, values) play a significant role here. Initially, events such as World Championships were not created for financial reasons, but to determine the best athletes. This chapter does not claim to produce a comprehensive understanding of the development of ISFs' events over time. However, it tries to identify emerging commonalities regarding ISFs' economic models and the role of major sport events in it. Following this, the chapter proposes an analytical model and four exemplary cases to which this model has been applied.

### Emerging commonalities

Despite limited comparability, a few emerging commonalities could be noticed between the federations in terms of event-related resource acquisition.

### Event ownership and event rights

ISFs generally claim ownership over a minimum of one, often two, event types. These are World Championships (in some sports called World Cup) and international circuits (e.g. World Tour, World Cup, Grand Prix), both being major one-off competitions. ISFs also tend to sanction international events that are not their property. The ISF may register these events free of charge or against a calendar or organizer fee. In the case of the UCI, the calendar, licence and affiliation fees constitute 17 per cent of the federation's overall financial income (2012–2015: 40 per cent if the organizing fees are added). However, the claiming of property rights is only profitable if there are enough buyers. Then again, the more buyers that compete for the rights acquisition, the more the federation can raise the price. Risks inherent to this situation are excessive prices that stakeholders are not willing or able to pay, and unsatisfactory returns on investment for stakeholders.

### Financial cycles around events

If one or several major events form the ISF's principal source of income, the federation has an interest in ensuring they function well. Financial cycles around ISFs' major events can be observed, meaning that important parts of the revenue from federations' flagship events are reinvested in the events. In the case of FIFA, the flagship event (the FIFA World Cup) is organized every four years. In 2014, FIFA generated 91 per cent of its overall income from the 2014 FIFA World Cup (e.g. 35 per cent from broadcasting rights, 23 per cent from ticketing and 22 per cent from marketing rights). In the same year, FIFA invested 42 per cent of all its expenses in the same event including, for instance, TV production (19 per cent) and prize money (18 per cent). On average, FIFA invested 53 per cent in events during 2012–2015, 41 per cent in the FIFA World Cup alone. In the case of the UCI, 25.5 per cent was invested in events during the same period.

### Olympic revenue dependence

While the Olympic revenue share may be irrelevant in the budget of a very big federation such as FIFA (0.4 per cent), it is vital for many small federations such as ISSF (shooting) (85 per cent). Federations with high Olympic revenue dependence run the risk of not being self-sustainable without that money. For the last summer Olympic cycle (2012–2015), the

average dependence of the 18 summer Olympic federations for which financial statements are available was about 33.5 per cent. It is of no surprise that Olympic sports, and especially those that are highly dependent on the Olympic revenue share, are making every effort to defend their place on the Olympic Programme.

Although the focus of this section is on ISFs' economic models, its impact on the wider system including continental and national federations is worth mentioning: ISFs generating important revenue through their own events are expected to invest larger parts of their expenses externally (i.e. primarily on events and development) and ISFs with average or low event profitability invest internally (i.e. primarily on operations, administration and governance). The following examples support this assumption: FIFA invested 71 per cent externally and 18 per cent internally (2012–2015), contrary to the FIH, which invested 37 per cent externally and 61 per cent internally (2013–2015) and FISA, which invested 31.5 per cent externally and 68 per cent internally (2012–2015).

### Analytical model

For the purpose of illustration, data on event revenue were collected from 18 summer Olympic federations. In addition, four exemplary ISFs were selected for a more fine-grained analysis: FIFA, the UCI, the FIH and FISA. Data stem from externally audited financial statements and financial reports, event regulations, bidding documents, organizer guides, face-to-face interviews ( $n=15$ ) with ISF officials and staff members from FIFA, the FIH, FISA and the UCI, as well as representatives of umbrella organizations, i.e. the Association of Summer Olympic International Federations (ASOIF), the Association of IOC Recognized International Sport Federations (ARISF), and SportAccord. We admit that data collection was complicated by the lack of available documents as well as by the varying exhaustiveness of documents (e.g. financial reports varied between seven and 156 pages). This undeniably impeded the data analysis and made direct comparability of ISFs more difficult. Findings should therefore be considered as approximate values rather than definite numbers.

Besides the described commonalities, ISFs' resource acquisitions through events are very difficult to classify for reasons already mentioned. A closer look at four Olympic summer federations of differing size illustrates the variety of income solutions adopted by them and the role that events play in these solutions. In an attempt to establish a replicable model of analysis, the authors selected several key variables. Some of these key variables are based on Chantelat's (2001) typology, which distinguishes between three kinds of expenditure in amateur sport clubs – sporting, social and economic expenditures. Chantelat calls the combination of the three kinds of expenditure the "production of sport clubs". Concluding from the analysis of 238 French amateur sport clubs, he determines six socio-economic patterns. These patterns emphasize the diversity of economic logics that characterize amateur sport clubs. Adapted to ISFs, and in order to further our understanding of their financial flows and the part of their major sport events in them, a two-fold approach was adopted: first, by looking at ISFs' economic model (expenditures, sources of income) and, second, by establishing a basic event portfolio for each of the four ISFs analysed.

For the analysis of ISFs' economic model, six main variables were selected, three on the income side and three on the expenditure side. In the four models detailed on the following pages, the ISFs' main source of income and main expenditure are emphasized in bold letters.

While studies at club level mainly use the financial flow analysis to provide a tool capable of defining political subsidies to clubs (Chantelat, 2001), this chapter places ISFs' events at

Table 4.2 Main variables for analysing ISFs' economic model

Income	Expenditure
Events (e.g. TV and sponsor rights)	Events
Olympic revenue share	Administration (including governance and operations)
Fees (e.g. membership, licences, calendar)	Development

the centre of investigation. Following Bayle's (2015) perspective, which sees ISFs' major sport events at "the heart of their economic model", events are classified here as economic products. The main elements of event incomes are organizing rights, TV rights and sponsorship rights. A second variable is that of Olympic revenue share. The greater proportion of income is constituted by Olympic revenue share, the less the ISFs are self-sufficient. A final variable on the income side analyses fees of various natures (e.g. membership, licences, calendar). Historically, fees constituted ISFs' main source of income. With the increase and complexity of ISFs' activities and the hiring of paid staff to ensure and develop these activities, ISFs have needed to turn towards new sources of income. Today, the external financing of ISFs is common practice. However, in some federations the share of income from fees seems to remain relatively important.

On the expenditure side, expenses dedicated to events, administration and development are examined. Event expenses allow us to analyse whether the event balance sheet is even, whether events are profitable or whether they represent a costly activity for the ISF. A look at federations' administration expenses allows us to determine the remaining funds the ISF has at its disposal to finance activities other than administration. To complete the analysis of their economic model, their development expenses are examined. Development expenses should represent an important part. Using Chantelat's terms, the finality of ISFs as non-profit associations is, above all, supposed to be "extra-economic", meaning that the ISF is a corporate actor that should not seek financial gains for its headquarters as a priority, but redistribute a maximum of its gains to its members and the development of its sport. We expect ISFs with high income to redistribute larger parts into development than ISFs with lower income. We further assume that ISFs with high income from events, but low investment in development, follow an entrepreneurial logic rather than associative goals. Horch (2001) calls this process "auto-destruction", a process through which non-profit sport organizations lose their core values and identity.

With regard to ISFs' event portfolio, we base our analysis on four variables:

- Creation of the ISF (year)
- Size (number of paid staff)
- ISF events (number, periodicity)
- Flagship (event, discipline)

We assume that the age of an ISF might play a role in the presence of traditional (and sometimes mythical) events. Historically established events are not necessarily owned by the ISFs (e.g. the Tour de France in cycling, Wimbledon in tennis). To capitalize on these events, federations need to establish ownership rights. Depending on the power structures between the ISF and event organizers, strong negotiation skills are required. The second variable is that of size in terms of paid staff. Kikulis (2000), as well as Thibault, Slack and

Hinings (1991), equate the increased presence of paid staff with an increase in specialization as the workload can be divided more efficiently. The central variable here looks at ISF events, and notably the number of ISF events and their periodicity. These two elements are useful indicators for analysing whether an ISF is focusing rather on one or two events or whether it seeks to diversify its event portfolio even further. The focus on one event might signify that this event is particularly successful and therefore absorbs an important part of the federation's resources. At the same time, reliance on one event bears a major risk: the implosion of the financial system if the event does not attain the expected objectives (e.g. event cancellation, lack of/waning public interest). On the other hand, an event portfolio with many events bears the risk of image delusion which, in turn, is likely to impact the events' attractiveness for sponsors, TV broadcasters and fans. The fourth and final variable of the event portfolio examines the ISF's flagship, this being an event or a discipline. Indicators for this variable are the federations' own assessment, generally to be found on the ISF's website, and the income through this flagship.

#### Classification of economic models – a first attempt

The presentation of the following four cases constitutes an exploratory approach to the question of ISFs' economic model and the role of major sport events in it. This approach can be classified as a socio-economic rather than a managerial approach. In light of this relatively small sample, the validity of the analytical model and its variables discussed above, as well as findings presented hereafter, could be tested in the future by using a larger sample.

#### FIFA – One-mega-event model

The economic model of FIFA revolves around a single competition: the FIFA World Cup, a high profit mega-event generating 83 per cent of FIFA's overall revenue during the period 2012–2015. Compared to this, the remaining 11 FIFA World Cups are of insignificant economic impact. If we take a closer look at FIFA's income from 2014, about 91 per cent was generated through events, this being about US\$1.9 billion. Of this 91 per cent, 90.4 per cent was generated through the FIFA World Cup alone. The detailed sources of income are as follows: broadcasting rights (35.4 per cent), ticketing (23 per cent), marketing rights (22.2 per cent), hospitality rights (5.3 per cent), licensing rights (2.5 per cent), other (2.6 per cent). The success of FIFA's economic model is grounded on two main elements. One is football's popularity. Football is probably one of the world's most popular sports. A large-scale FIFA survey from 2007 concluded that football counts 265 million players and 5 million referees worldwide, this being 4 per cent of the world's population at that time (source: Big Count, FIFA Magazine, July 2007). The other element is a close-knit strategy around the FIFA World Cup including commercial rights and limited risk-taking, as the following examples from the FIFA World Cup Regulations 2014 demonstrate:

*Commercial rights:* FIFA has established rights to the event's most profitable elements – "financial rights, audiovisual and radio recording, reproduction and broadcasting rights, multimedia rights, marketing and promotional rights" (Art. 15).

*Limited risk-taking:* FIFA takes no responsibility regarding damages relating to the organization and course of the FIFA World Cup, for either the preliminary or the final competition (Art. 2.3 and 27). Even though "[all] revenue from the exploitation of the commercial rights for the preliminary competition matches belongs to the host association" (Arts 24.1 and 24.4), the latter also has to cover expenses for insufficient financial outcomes of these matches.

Table 4.3 FIFA as an example of the one-mega-event model

Creation	1904
Size	Very big federation (>450 staff members in 2015)
FIFA events	1 major sport event format 11 FIFA World Cups 1 Confederations Cup
Flagship event/discipline	FIFA World Cup (since 1930; quadrennial) 83% of FIFA's overall 2012–2015 revenue
Revenue (2012–2015)	US\$5,826 billion of which Events: 88% of which FIFA World Cup: 83% TV and marketing rights: 68% (incl. FIFA World Cup)* Other: 12% of which Financial income: 6.5% Olympic revenue: 0.4% Other operating income: 5.1%
Expenses (2012–2015)	US\$5,757 billion of which Events: 53% of which FIFA World Cup: 41% Development: 18% Administration, operations and governance: 18% of which Administration: 7% Financial expenses: 6% Governance: 5% Other: 11%

The risk of the one-mega-event model consists of its high dependence on a single mega-event. FIFA's economic model around the FIFA World Cup functions as long as the federation finds buyers for its commercial rights, notably broadcasting and marketing rights, which represented together 68 per cent of FIFA's 2012–2015 income. Based on the FIFA example, we establish the hypothesis that ISFs with the characteristics of the one-mega-event model tend to be large in size, have a very profitable flagship event, high expenditure on their flagship events and moderate internal expenditure. Low administration costs in the case of FIFA (7 per cent) are notably related to a transfer of responsibility to the organizer.

#### UCI – The fee-collector model

The UCI model is built on two main pillars: (1) the UCI Road World Championships as the UCI's flagship event, and (2) calendar, licence and affiliation fees.

1. During the period 2012–2015, the UCI generated about 29 per cent through the UCI Road World Championships alone. The UCI establishes a contract with each World Championship and World Cup organizer individually. Depending on the organizer's capacity to commercialize marketing rights locally, the organizer buys between 30 and 60 per cent of the marketing rights from the UCI. Generally, these rights are negotiated in conjunction with the hosting fee of the event. However, the UCI WorldTour, with

Table 4.4 UCI as an example of the fee-collector model

Creation	1900
Size	Big federation (79 staff members in 2015)
UCI events	2 major sport event formats 7 World Championships (annual) 14 World Cups (annual)
Flagship event/discipline	Flagship discipline: Road cycling Flagship event: UCI Road World Championships (since 1921) 42% of UCI's overall 2012–2015 revenue
Revenue (2012–2015)	CHF155.74 million of which Events: 54% of which UCI Road World Championships: approx. 29% Organizing fees: 23% Fees (calendar, licences, affiliation): 17% Olympic revenue: 14% Other: 15%
Expenses (2012–2015)	CHF132.427 million of which Administration, operations & governance: 52% of which Personnel expenses: 26% Governance: 20.5% Fees & Consultancy: 5.5% Events: 25.5% Development & training: 12.5% Other: 10%

cycling's most prestigious races (e.g. the Tour de France, the Giro d'Italia), escapes this rule. Besides communication rights, the UCI holds no commercial rights for these races. This explains the meagre income of CHF 240,000 for the UCI from the 2014 UCI WorldTour.

- To counterbalance the historical arrangement of cycling's most prestigious races, the UCI, under the presidency of Hein Verbruggen (1991–2005), claimed control over the international cycling calendar, which used to be in the hands of the biggest cycling organizers. Today, calendar fees vary depending on the discipline and the race classification. The yearly registration of about 1,500 races on the UCI international calendar (all disciplines confounded) constitutes an important pillar in the UCI's economic model. They contributed 11% to the UCI's overall income in 2014. What is more, the official document labelled "Road – Calendar Fees" indicates that the UCI has increased the 2016 calendar fee by 31 per cent for UCI WorldTour races, from €24,369 for one-day races in 2015 to €31,923 in 2016). A similar strategy has been applied to teams with an increase of team licence fees in 2016. Team licence fees depend on the discipline and the tier that teams are in. The fee of €85,500 for the registration of a UCI WorldTour team in 2016 constitutes an increase of 11 per cent from 2015 to 2016. During the period from 2012 to 2015, organizer, affiliation, calendar and licence fees together represented 40 per cent of the UCI's overall revenue (23 per cent from organizer fees, 17 per cent from calendar, licence and affiliation fees).

The risk of this model lies in the need to keep the balance between the attractiveness of the ISF's main product and buyers' interest and financial capacity to pay the fixed fees. In the case of the UCI, the economic model is two-fold. On the one hand, it is based on the UCI Road World Championships as its flagship event. A successful financial return through this event requires a product sufficiently attractive for an organizer to pay the hosting fees in addition to the marketing rights owned by the UCI. On the other hand, the UCI's economic model is based on income from calendar and team licence fees. This supposes two things: first, that a stable number of cycling race organizers are able to produce profitable (or at least break-even) events; and, second, that sponsors behind cycling teams see a value big enough for them to financially support these, which, in turn, allows the team to register on the UCI calendar and participate in the races with a competitive set of riders. Currently, cycling teams suffer from the lack of sponsors willing to finance them on a long-term basis and at an amount that allows the team to cover increasing costs including UCI licence fees, travel costs or the team's entourage (e.g. sport director, medical and performance staff, etc.).

The main risks of the fee-collector model hence consist of a mismatch between the price level fixed by the ISF and the effective appeal of its product(s). Excessive pricing may entail precarious situations among the main fee payers. The strategy of the federation therefore needs to take into consideration not only its own financial needs, but also the capacity of its main actors to absorb higher fees while maintaining their activities. Based on the example of the UCI, we establish the hypothesis that the fee-collector model occurs perhaps more often in federations with very old event traditions. These traditional and historical events are sometimes more popular than the federation's events and financially independent of the latter. This makes it particularly difficult and delicate for the ISF to establish and impose ownership rights that allow them to capitalize on these prestigious events, which are outside the federation's property. Due to the important part of fees in the economic model and the need to administer these fees, administration expenses are assumed to be relatively high (e.g. the UCI: 52 per cent).

#### FIH – The mixed model

In the period from 2013 to 2014, the FIH's income was based on a resource mix including 32 per cent from Olympic revenue, 30 per cent from sponsors and 26 per cent from events, including TV rights and hosting fees. A majority of the FIH's expenses were spent internally (54 per cent), 22 per cent on events and 15 per cent on development. Although the FIH was previously "the sole owner of the media and marketing rights and all other commercial rights relating to the events that it organises" (FIH General Regulations, Art. 8.3.1), hosting fees were only introduced for the first time in 2015. Currently, the FIH splits commercial rights equally with the host organizations. According to the FIH business development director, this model "works if you have big events and big television", which is not the case for the FIH. In combination with a relatively high percentage of Olympic revenue, similarly structured ISFs, if they want to maintain and develop their activities, have to be creative and proactive. After the arrival of a new CEO in 2010, the FIH brought forward a number of potential solutions towards a more dynamic and sustainable model. The new action plan reposes on several pillars: a young and highly educated staff (in 2015, 74 per cent of the staff members held a university degree); the hiring of experts from inside and outside hockey/sport (marketing, communication, business); a long-term strategic plan (Hockey Revolution 2014–2024); and the creation of a new sporting format (Hockey5, a short-version form of hockey) capable of attracting new sponsors, spectators and athletes by showcasing field

Table 4.5 FIH as an example of the mixed model

Creation	1927
Size	Middle-sized federation (35 staff members in 2015)
FIH events	3 major sport event formats FIH World Cups (Junior, indoor, Men/Women) Hockey World League Champions Trophy
Flagship event/discipline	FIH World Cup (since 1971; quadrennial)
Revenue (2013–2015)	CHF30.4 million of which <b>Olympic revenue share: 32%</b> Sponsors: 30% Events: 26% of which TV rights: 24% Hosting fees (since 2015): 2% Fees (licences, affiliations): 10% Other: 2%
Expenses (2013–2015)	CHF30.1 million of which <b>Administration, operations and governance: 61%</b> of which Administration & operations: 44% Marketing & communication: 10% Governance: 7% Events: 22% of which TV costs: 18% Development: 15% Other: 2%

hockey as an entertaining, young and urban sport while remaining true to its values of being a family and gender-equal sport.

The mixed model produces a fairly stable situation as it spreads ISFs' financial risks across several sources of income. However, in the specific case of the FIH, the relatively important Olympic revenue represents a risk as the federation has little influence on future redistribution modalities. An increase in TV rights (currently at 24 per cent) and the advent of hosting fees (currently at 2 per cent) might mitigate fluctuations in Olympic revenue. Based on the example of the FIH, we establish the hypothesis that ISFs with mixed-model characteristics tend to be dynamic organizational structures with a strong focus on strategic thinking and anticipation. Although the downfall of one source of income might not inevitably cause the collapse of the ISF's economic model, it requires a continuous analysis of the federation's environment, quick adaptation to change and a drive to explore new market opportunities as these diminish the risk of potential future shortcomings. Even in case of moderate incomes, we expect ISFs of the mixed model to invest a relatively significant share in development as successful member federations extend the ISFs' radius of action (e.g. events, athletes) and appeal (e.g. sponsors, broadcasting).

#### FISA – The Olympic-dependence model

During the period 2012–2015, FISA obtained 52 per cent of its funding from its Olympic revenue. For the most part, revenue was used to finance the federation's administration costs

Table 4.6 FISA as an example of the Olympic-dependence model

Creation	1892
Size	Small federation (about 19 staff members in 2015)
FISA events	5 major sport event formats World Rowing Championships (annual) European Rowing Championships (since 1893; annual) World Rowing Cups (annual) World Rowing Tour (annual) World Rowing Masters Regatta (annual)
Flagship event/discipline	World Rowing Championships (since 1962)
Revenue (2012–2015)	CHF30.2 million of which <b>Olympic revenue share: 52%</b> Events: 37% Other: 11%
Expenses (2012–2015)	CHF30.1 million of which <b>Administration, operations and governance: 68%</b> of which Marketing & communication: 19% Events: 22% Development: 9.5% Other: 0.5%

(68 per cent). There may be different reasons for this dependence, such as human resources (17 staff members in 2015) and low visibility. The higher an ISF's headcount, the more the organizational structure and functioning are likely to be specialized and coordinated, hence triggering higher performance. In the specific case of FISA, the promotion of rowing is difficult as it is an expensive sport in terms of equipment and facilities. In view of FISA's dependence, staying on the Olympic Programme is the federation's top priority: "[The] Olympic Games are a big machine. A lot of people, a lot of sports want to enter. [If FISA] doesn't move today, we are at risk. Because not being an Olympic sport destroys all the rest" (FISA President). The constantly growing prestige of the OG adds another pressure as desire to enter the Olympic Programme has increased competition between sports. In light of limited athlete capacity at the Games (around 10,500), the high number of rowing athletes raises some critics. With 550 athletes, rowing has the third highest number of athletes at the Games. Compared to this, triathlon only counts 96 athletes. Reducing the number of rowing athletes might allow other sports to enter the Games, but would weaken the position of FISA.

ISFs that function according to the Olympic-dependence model are under continuous pressure to defend their position on the Olympic Programme. The dependence makes them particularly vulnerable, as the slightest decrease in the attribution of the Olympic revenue share jeopardizes their economic model. Furthermore, dependence limits their scope of action. Aligning with IOC requirements and expectations ultimately becomes the safest pathway for them to ward off the discontent of the IOC and potential revenue reductions related herewith. However, IOC evaluation criteria and expectations can also be considered as a precious guide for federations in establishing a strategic plan that, ideally, results in more professionalization and organizational performance. Based on the example of FISA, we establish the hypothesis that ISFs with the characteristics of the Olympic-dependence model invest less in development as large parts of their revenue are consumed by administrative costs.



### Conclusion and perspectives

In light of the small sample size, findings obviously cannot be generalized. The analysis is therefore limited to specific risks and challenges encountered by the four ISFs as well as some hypotheses. Nevertheless, it becomes evident that events are a necessary prerequisite for federations to attract sponsors and potential buyers of broadcasting and commercial rights. Without them, federations can no longer carry out either their historical mission or the activities they have developed over the years and the structures necessary for their maintenance (e.g. promotion and development of a sport at the grassroots level). This necessity is emphasized by the increase in major sport events and the evolution from volunteer-run structures towards more professionalized entities with an increasing business focus. The organization of attractive events requires sound expertise at various levels including sport, marketing, communication, administration (which can be summarized under the concept of specialization), written rules, policies and procedures (which can be summarized under the concept of formalization), strategic planning and performance evaluations (which can be summarized under the concept of rationalization), and an adapted decision-making structure (which can be centralized or decentralized).

In summary, the event portfolio has become a central part of ISFs' strategic and functional model. Whether this model follows a clearly defined strategy or whether it is the result of historical evolution and environmental circumstances depends on the federation itself. At the same time, each model can change rapidly and for various reasons. The arrival of a new key decision-maker (e.g. president, general director, etc.) may for instance influence the federation's strategy. Overall, federations have to face a number of new and complex challenges related to the growing importance of, and demand for, major sport events. One of them is the question of profit redistribution. Contributing considerably to the event profit, stakeholders (i.e. NSF, teams, clubs, athletes, organizers) might claim their part in profit redistribution. To avoid friction with main stakeholders, building compromises becomes indispensable for ISFs. Another challenge is that ISFs have to manage their dependence on events. Unforeseen elements such as event cancellation, security matters, the decreasing appeal of the event/sport, the concurrence of other sports, new events, and so on, may put their economic model at risk. Based on these observations, a couple of starting points for future research on the importance of major sport events in ISFs' strategic planning are proposed:

1. The question of ISFs' event portfolio as a strategic tool.
2. The question of ISFs' event ownership rights and organizing mode.
3. The question of ISFs' redistribution model of event profits.

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