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Financial management results of the “Sportmarketing” company in Kosovo

Financijski menadžment kosovske kompanije “Sportmarketing”

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Abstract: *“Sportmarketing” is a public sport management company from Prishtina, Republic of Kosovo, created with a role to manage, exploit and maintain objects of sport recreational purpose. The Department of sport in Prishtina founded the company on the 23rd December 1991. From 2000, after the war, it has been a part of the UNMIK administration. The companies basic function is the management of the recreational installations on the Lake of Germi and the ski school installations “Shtepia e Gurit” on the mountain of Brezovica. Therefore, the company operates on seasonal basis, winter and summer. The main purpose of the paper was to give the prospective on the financial situation of the company including its incomes and outcomes on a nine-month basis, from 1st January to 1st September 2013. Thus, the paper includes the financial analysis of the company. The financial results showed that outgoings exceeded incomes in a way that company made a debt of 5712, 58 € in a nine month period. In conclusion, possible solutions for the financial recovery are offered.*

Key words: *sport management, financial report, case study, sport company*

Sažetak: *“Sportmarketing” je javna kompanija za športski menadžment iz Prištine, Republika Kosovo. Kreirana je s ciljem upravljanja, korištenja i održavanja športsko-rekreativnih objekata. Odbor za Šport Grada Prištine osnovao je kompaniju 23. prosinca 1991.godine. Od 2000.*

godine, nakon rata, bila je dijelom UNMIK administracije. Osnovna svrha kompanije jest upravljanje instalacijom infrastrukture za rekreativne svrhe na jezeru Germi i u Školi skijanja “Shtepia e Gurit” na planini Brezovica. Kompanija stoga djeluje na sezonskom principu, i zimi, i ljeti. Glavni cilj rada bio je prikazati financijske pokazatelje uključujući prihode i rashode za devetomjesečni period, od 1. siječnja do 1. rujna 2013. godine, kao i financijsku analizu. Financijski pokazatelji pokazuju da rashodi premašuju prihode pri čemu je ostvaren dug od 5.712,58 € u navedenom periodu. Ponuđene su i potencijalne solucije financijskog oporavka.

Ključne riječi: *športski menadžment, financijsko izvješće, studija slučaja, športska kompanija*

1. Purpose

Effects of sport on economy can be divided into two categories: macro economical and micro economical effects (Bartoluci i Škorić, 2009).

“Sportmarketing” is a public sport management company from Prishtina, Republic of Kosovo, created with a role to manage, exploit and maintain objects of sport recreational purpose. Bartoluci (2004) puts forward some of the sport management roles, thus the roles of an sport management agency: organize, manage, coordinate, control, plan. The Department of sport in Prishtina founded the company on the 23rd December 1991. From 2000, after the war, it has been a part of the UNMIK administration. It could easily be concluded that “Sportmarketing” is a sport company that works on regional level and thus creates micro economical effects.

The companies basic function is the management of the recreational installations on the Lake of Germi and the ski school installations “Shtepia e Gurit” on the mountain of Brezovica. Therefore, the company operates on seasonal basis, winter and summer. In winter it organizes the skiing school for children from elementary schools of Prishtina, while in summer, apart from the general managing of the installations in the Lake of Germi, it organizes the swimming school for the same population as for the skiing school.

The main purpose of the paper was to give the prospective on the financial situation of the company including its incomes and outcomes on a nine-month basis, from 1st January to 1st September 2013. Thus, the paper includes financial analysis of the company made on the year basis and in conclusion, some solutions were offered.

2. Methods

The text under the heading methods is written in a different way than the classical scientific paper. The reason for that can be seen from the title, which points that the paper is a case study defined as a descriptive, exploratory or explanatory analysis of a person, group or event (Yin, 2009) and therefore does not consist of the standard scientific paper parts. “Sportmarketing” consists of three main corps:

- a) Shareholder committee – three members
- b) Board of Directors – it is selected by the members of the Shareholder committee and it consists of four member of which: chairman, chairman of the auditing committee and two members.
- c) Permanent employees – eighteen employees of which:
 - Chief accountant
 - Official for youth culture and sport
 - Cashier
 - Administrative assistant
 - Financial assistant
 - Driver
 - Technical employee (3)
 - Guard on the Lake of Germi (4)
 - Technical employee on the mountain of Brezovica (4)

Seasonal activities of “Sportmarketing” are divided into two periods:

1) PERIOD 1st JANUARY – 31st MARCH

The year 2013 started with the preparations for the winter season school of skiing. Pre-works started in December 2012, which included announcement of the skiing school in elementary schools of Prishtina and presentations of the planned activities and organizations of the school schedules in cooperation with the school boards. Since the capacity of the skiing school is 55 person, the main occupation of the organizers and the school boards was to organize an optimal schedule that would satisfy children’s and parents expectations.

For the purpose of ski instructions, professors of physical education from the schools where children came from were engaged.

Expenses per capita for seven days were 150 euro but each student paid 7 euro plus 1 euro state touristic taxes. Since “Sportmarketing” is a public company students skiing school is mostly subsidized by the government funds.

Skiing school 2012/2013 on the mountain of Brezovica started at the end of December 2012 and continued on the beginning of January 2013. The seasonal results showed 268 students attended the skiing school which is a bad result since one year ago 513 students attended the same school. The main reason for that are the infrastructural problems that appeared in season 2012/2013. Only one object was in function and the ropeway was out of order.

2) PERIOD 1st APRIL – 15th SEPTEMBER 2013

The preworks were organized at the beginning of April which included the installations control. Some of the works done included: controlling of the water pumps, motors and pipes that carry water, cleaning of the reservoirs, filters and water wells from which the lake obtains its water. This phase of works also included the purchase of chemical substances (chlorine gas, chlorine granules, aluminium sulphate, and copper sulphate) which are used for water cleansing during the season.

In May the preseason activities continued with the same dynamic. The main goal was to recruit staff that would be in disposition during the season. The staff was recruited in the given order: technical staff and professional staff (medical staff, lifeguards (13)). In addition, some technical issues on the objects and the environment were made.

On the 1st of June the Lake opened its doors and the season started. The Lake worked with the schedule from 8 am till 7 pm. The schedule was accepted by the “Sportmarketing” shareholder board with the following rules: the swimming school for children was organized every day from 8:30 am till 10 am and afterwards the Lake was in order for all the visitors who were visiting the lake with the price of two euro per day. During this period of time 35 607 visitors visited the lake but also 287 students attended the school of swimming.

The 1st September was the date the lake closed its doors and it signified the date when the cleaning and the water discharging started. The closing phase ended on the 15th September.

3. Results

This heading is analysing the financial results made by the company in the working period of year.

1) INCOMES

The next tables presented as incomes show separately incomes made by the company in Germe and Brezovica.

Table 1. Incomes Germe

No.	SERVICE	SUM €
1.	Tickets	72214. 00
2.	Hotel service	25 833. 54
3.	Swimming school, first period	2440. 00
4.	Swimming school, second period	1670. 00
5.	Advertising	313. 20
6.	Organisational service	3132. 00
7.	Other incomes	2020. 00
	Taxes (TVSH 16%)	14713. 47
	TOTAL gross	106622. 74
	TOTAL gross	91616. 59

Table 2. Incomes Brezovica

No.	SERVICE	SUM €
1.	Ski school, first period	41880. 00
2.	Ski school, second period	4050. 00
3.	Donations	800. 00
4.	Other incomes	6523. 38
	Taxes (TVSH 16 %)	7233. 07
	TOTAL gross	53193. 38
	TOTAL gross	45856. 36

Table 3. Total Incomes Net

INCOMES	SUM €
Lake Germi	91616.59
Mountain Brezovica	45856.36
TOTAL Net	137472.95

Tables 1, 2 and 3 showed incomes the company “Sportmarketing” had made in the nine-month period, from 1st January until 1st September. The company has earned 137472, 95 €, from which 91616, 59 € were generated by Germi, and 45856, 36 € by Brezovica.

2) OUTGOINGS

The next tables presented as outgoings show separately outgoings made by the company in Germi and Brezovica.

Table 4. Outgoings Germi

No.	SERVICE	SUM €
1.	Materials	10781.84
2.	Overheads	19130.58
3.	Salaries	61662.57
4.	Sport ambulance expenses	3988.20
	Taxes (TVSH 16%)	15290.11
	TOTAL gross	110853.30
	TOTAL Net	95563.19

Table 5. Outgoings Brezovica

No.	SERVICE	SUM €
1.	Materials	8835.27
2.	Overheads	15628.99
3.	Salaries	21314.13
4.	Sport ambulance expenses	1843.95
	Taxes (TVSH 16%)	7619.57

	TOTAL gross	55241. 91
	TOTAL Net	47622. 34

Table 6. Total Outgoings net

OUTGOINGS	SUM €
Lake Germe	95563.19
Mountain Brezovica	47622. 34
TOTAL Net	143185. 53

Tables 4, 5 and 6 showed outgoings the company had made in the same period. The company has expended 143185, 53 €, from which 95563, 19 € were expended by Germe and 47622, 34 € by Brezovica.

3) COST – BENEFIT ANALYSIS

Table 7. Cost –benefit analysis

No.		SUM €
1.	TOTAL INCOMES (net)	137472. 95
2.	TOTAL OUTGOINGS (net)	143185. 53
3.	TOTAL	-5712. 58

Table 7 showed the cost-benefit analysis, which provides information about company's break-even point and profitability. The company has made a debt of 5712, 58 € in a nine-month period which is a negative result.

The financial results showed that outgoings exceeded incomes in a way that company made a debt of 5712, 58 € in a nine month period. The debt could be explained in various ways. The official board of the company report mentioned few reasons that could explain the negative result:

- Lack of states support
- Lack of sponsors
- Extremely low prices
- Unfavourable weather conditions

- Non tax breaks
- Lower number of visitors than expected

Surely, more reasons could be mentioned as general economic crisis, expansive overheads, expansive salaries etc.

4. Conclusion

The company “Sportmarketing” conducts public service and is thus needed to fulfil the public physiological needs for sport and movement as a part of Maslow's hierarchy of needs theory (Simons et. al., 1987). Anyway, it is necessary for a company to make positive financial results in order to survive. The results showed that the company worked with a debt of 5712, 58 € and is therefore unable to function because of the salaries and overheads not being paid. Ferenčák (2003) offered two possible options when working under the profitability threshold:

- Termination of production
- Exit the market.

Although the company has made a debt in working period, because of its function the recovery solutions should be provided. Some of the solutions the company could change for the ongoing working period are:

- raise prices – the prices could be controlled by the company because of their monopolistic position on the market. Thus, the company is a “price maker” and should create prices that achieve the economical profit;
- lower wages – wages are part of the company's input and thus can be controlled by the company. In the situation of unsustainable existence the company should lower wages or use the tactic mentioned in the next topic;
- dismiss proportion of the employees – employees same as the wages are the inputs controlled by the company, and thus the proportion of employees could be dismissed in order of reaching the sustainable existence.

The company “Sportmarketing” has a strong role in state's society because of its sport and recreational functions and thus the general board should find the suitable solutions for the continued existence.

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