

# The effect of the crisis on the economic federative situation and evolution of sports results in Spain

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## ABSTRACT

Sports federations are the great promoters of sport at the national level. Their public-private structure requires them to maintain a strong relationship with the public administration. That is why the economic situation of a country, as well as the sports support policy, significantly influence the structure, projects and sports results obtained. This work shows the evolution of public funding in the Spanish federative sport, as well as the evolution of the medals obtained in the Olympic Games held in the period 2008-2017.

**Keywords:** Sport federations; Sport model; Organisational performance; Finance.

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## INTRODUCTION

The management structure of Spanish sport is based on a decentralized model with distribution of competences between national, regional and local institutions, with a mixed structure between public participation and private associations, mainly Spanish Sports Federations (SSF) and clubs (Deloitte, 2018).

The Superior Sports Council (CSD) is the main government body in the field of sport in Spain. At the regional level, the Autonomous Communities are responsible for the regulation and organization of sport at different levels, the management of their own sports services, the recognition and supervision of federations and clubs and the organization of competitions (Lera-López & Lizalde -Gil, 2013).

Other relevant actors of national sport in our country are: The Spanish Olympic Committee (COE), the Spanish Paralympic Committee (CPE), the Olympic Sports Association (ADO), the Spanish Agency for Health Protection in Sport (AESPD), Spanish Sports Federations (SSF), Autonomous or Territorial Sports Federations (FF.TT), Professional Leagues and other sports associative entities.

At the local level, municipalities are "the main managers of public sports services through municipal sports services", and "play a decisive role in the construction and management of local sports facilities" (Delorme & Raspaud, 2011). The Provincial Councils support the construction and financing of sports facilities, as well as the development and creation of initiation and advanced sports schools.

Among all of them, the role of the Sports Federations stands out, as it also fulfils an important social role as stakeholders (Wollman, 2018). However, given the current situation, the financing of sports activities can become a challenge for sports entities and associations.

The Spanish Sport Law of 1990 indicates that high-level sport is considered to be of interest to the State, as it constitutes an essential factor in sports development, due to the stimulus that it supposes for the promotion of base sport, by the virtue of the technical and scientific requirements of its preparation, and for its representative role of Spain in official international sports tests or competitions (Sports Law 10/1990 / First Title. General Principles. Art. 6). In Spain, the development of high-level and high-performance sports is responsibility of the Spanish Federations, in collaboration with the Autonomous Communities.

As indicated by Deloitte (2018), it can be affirmed that the public administration and the state apparatus are the main financiers of sport through the annual public investment items recognized in the state general budgets. Despite the fact that sport is a private activity, its links with the public sector are quite strong, since the public sector is normally responsible for promoting sport in Europe and in all developed countries (Kosciolek, 2019).

Governments must participate in the development and financing of high-level sports through their support to Sports Federations, since the external funding they receive, both public and private, is essential for their operation (Torres et al., 2018), in addition, in general terms, the impact that sport can have on public health, the fight against overweight and obesity is considered fundamental (Eime et al., 2013; Kim et al., 2012; Velázquez, 2010).

Spanish Federated Sport is, therefore, a model with a public-private structure. SSF are one of the main components of the associative private sector of the Spanish sports system, even if they receive significant public funding, among other things because they carry out delegated powers from the public administration,

which implies strong state intervention and a direct relationship between sport government agencies and Sports Federations (Scheerder et al., 2015).

Spain has 66 legally constituted national federations and 74,455 sports clubs, with a total of 3,946,098 participants with a federated license (CSD, 2019). SSF are responsible for selecting the athletes who represent Spain in official international competitions. SSF are financed with competitive grants from the CSD, in accordance with their objectives, their sports programs, their proposals and their organizational structure. However, they do not have a clear management model that structures, organizes or plans the work to be carried out (Brotons, 2006).

In addition, their operations are characterized by being dynamic and diverse, also due to the characteristics of the different disciplines, and because the demands and expectations of athletes and users are constantly changing (Escamilla-Fajardo et al., 2018). These are entities that operate in a complex, dynamic and highly changing environment, which forces them to constantly adapt and assimilate new information and adopt new strategies that lead them to achieve success in their organization (Ratten, 2019).

The SSF are responsible for the organization of official state competitions and the organization of the rest of such meetings is distributed among the federations of the corresponding territorial area. In this way, the classification of official competitions reproduces the federative pyramid structure. All of them are properly articulated, since the victory in the official sports tests of lower rank entitles the promotion to tests of an immediately higher order. In the case of soccer and basketball, they also have to be coordinated with the Professional Leagues, since they are the organizations responsible for running professional competitions (Camps, 2006).

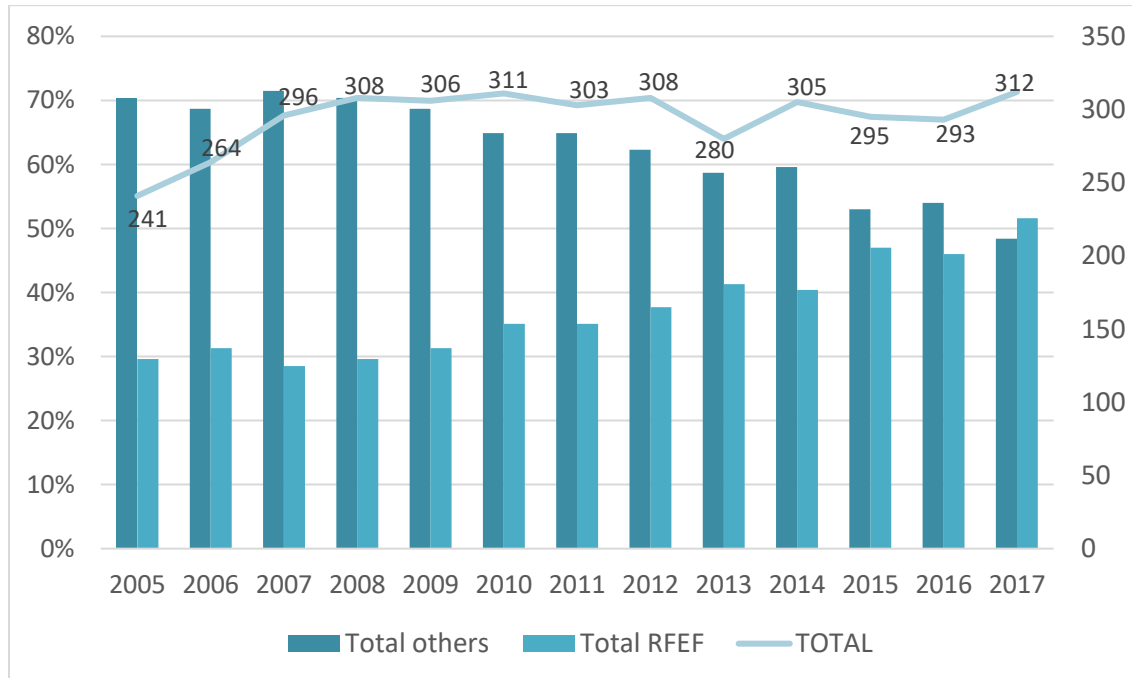


Figure 1. Total financing of SF in the period 2005-17 in millions €, differentiated to football (Deloitte, 2018).

The Sports Law (Law 10/1990) placed the Sports Federations as the driving force of sport in Spain (with the CSD as the driver) and attributed them public administrative functions. As a result, they were recognized as public utility organizations. In addition to their particular attributes, they exercise public functions through a process of administrative delegation, in this case acting as agents of the public authority. In this way, the relationship between SF and government agencies can be considered correlative to the main agent's approach (Hallmann & Petry, 2013; Llopis-Goig, 2015; Scheerder et al., 2015).

According to the study by Deloitte (2018), the income of the federated sport has remained around 300 million euros since 2008, which hides a trend that must be taken into account: the income of the Royal Spanish Football Federation (RFEF) has raised from representing 30% of the total in 2005, to 51.6% in 2017, while the income of the rest of the SSF has decreased gradually since 2008, reaching 48.4% of the total in 2017.

According to figures 2 and 3, it can be observed how the own resources have gone from representing 58.8% of the total in 2005, to 77.1% in 2016. This stability in total income is understood by the increase in the generation of the own resources of the RFEF, if these are not taken into account, there is a decrease in total income and a representation of own resources of 56% in 2016 (Deloitte, 2018).

Another data derived from the results of the study that shows the significant reduction in financing for Spanish sport is the total amount received from the ADO program by all the SSF, which has gone from 12.1 million euros in 2008 to 5,7 million in 2017, being the lowest amount in the entire series of the 10 years analysed. When comparing 2008 with 2013, there is an average decrease of 51% in ADO support for the Olympic SSF, very similar to the comparison between 2008 and 2017, which is slightly higher (53%).

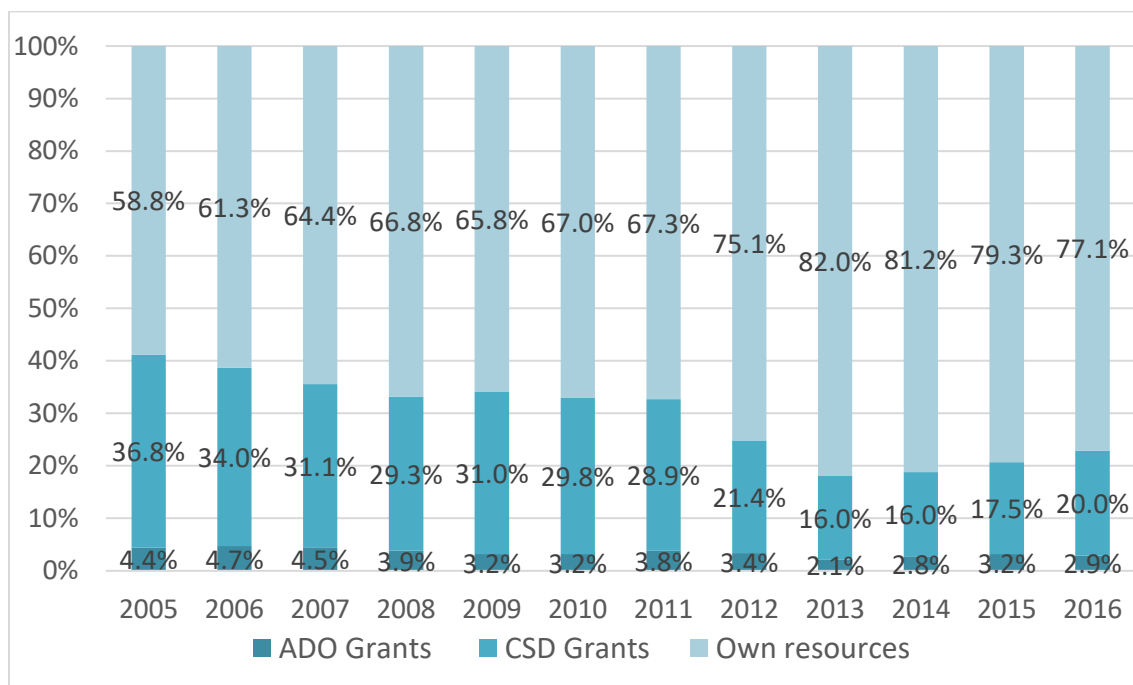


Figure 2. Distribution financing period 2005-16 (€ million) by type of resource in the Summer Olympic FF, with Football (Deloitte, 2018).

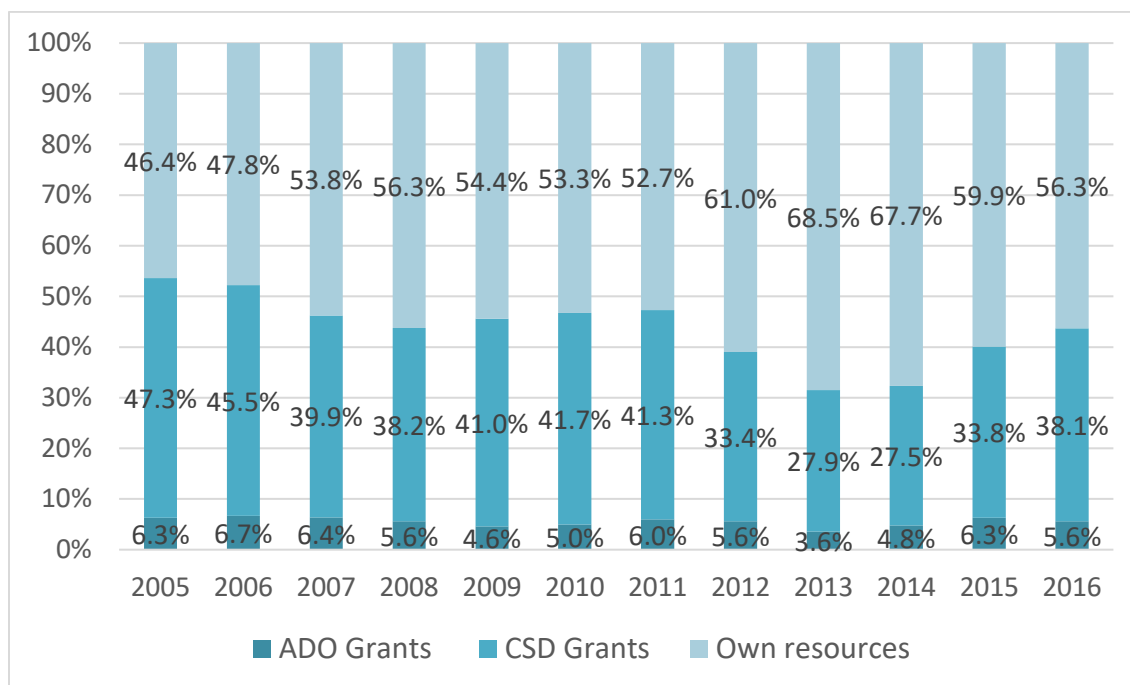


Figure 3. Distribution financing period 2005-16 (€ million) by type of resource in the Summer Olympic FF, without Football (Deloitte, 2018).

The main source of income comes from licenses and fees, and from the organization of activities / competitions, representing between 55% and 62% during most of the years of the 2008-2017 period. Sponsorship / advertising represent less than 20% of the average annual income from own resources for that period (Deloitte, 2018).

It is evident that the CSD subsidies are a determining factor for the financing of the federated sport, being reduced significantly since 2012, with a fall in half in 2011, with respect to 2010 or earlier. It is necessary to clarify that the ADO subsidies are aimed directly at athletes, but are managed through the SSF, although it is an entry and exit without effect (Deloitte, 2018). Therefore, the objective of the present study was to observe the evolution of the economic situation of the SSF as well as of the sports results.

## METHODOLOGY

### *Procedure and Sample*

Following the strategies indicated by McMillan and Schumacher (2005) for the selection of documents, and which were already selected by CSD (2008 and 2010) and by Cabello (2017), this study has been based on the location, identification, analysis and document criticism, through content analysis.

For this, access was obtained during the period from 2008 to 2017 of the CSD budgets, CSD Statistics Yearbook, SSF Annual Accounts and ADO Aid Distribution. In turn, the Deloitte Analysis for ADESP was consulted during the period from 2005 to 2016. More specifically, these data were analysed for a total of 59 SSF, among which, 31 were Non-Olympic and 28 Olympic. Olympic sports modalities were considered to be those that have been considered in this way throughout the period analysed, such disciplines as sports dance, American football and adapted sport were discarded (to be incorporated in 2015).

The following variables were analysed from each of them:

- Total financing: Total budget of the SSF. in each of the years analysed.
- CSD Grant: Public funding received for each of the accounting years by the SSF.
- Own resources: The level of financing that results from the management of the activities of each SSF.
- ADO Financing: Result of the sum of the amount of the scholarships for athletes, technicians and aid for special plans of the SSF, also called ADO Help (subsidy).
- Sports results: number of medals achieved, for the participation of athletes and national teams in official international competitions (world championships and Olympic games).

### Analysis

For statistical analysis of the data, the statistical package SPSS 21.0 for Windows has been used, performing a descriptive analysis of the data shown as mean and standard deviation throughout the selected period of time (2008-2017).

### RESULTS

Figure 4 shows the evolution in the period 2008 to 2017, the financing of all the SSF (Non-Olympic and Olympic) and the percentage weight that it has represented in the Olympic Federations, with a progressive reduction in the Total budget of 201 million to 123, although maintaining the weight of the Spanish Olympic Federations.

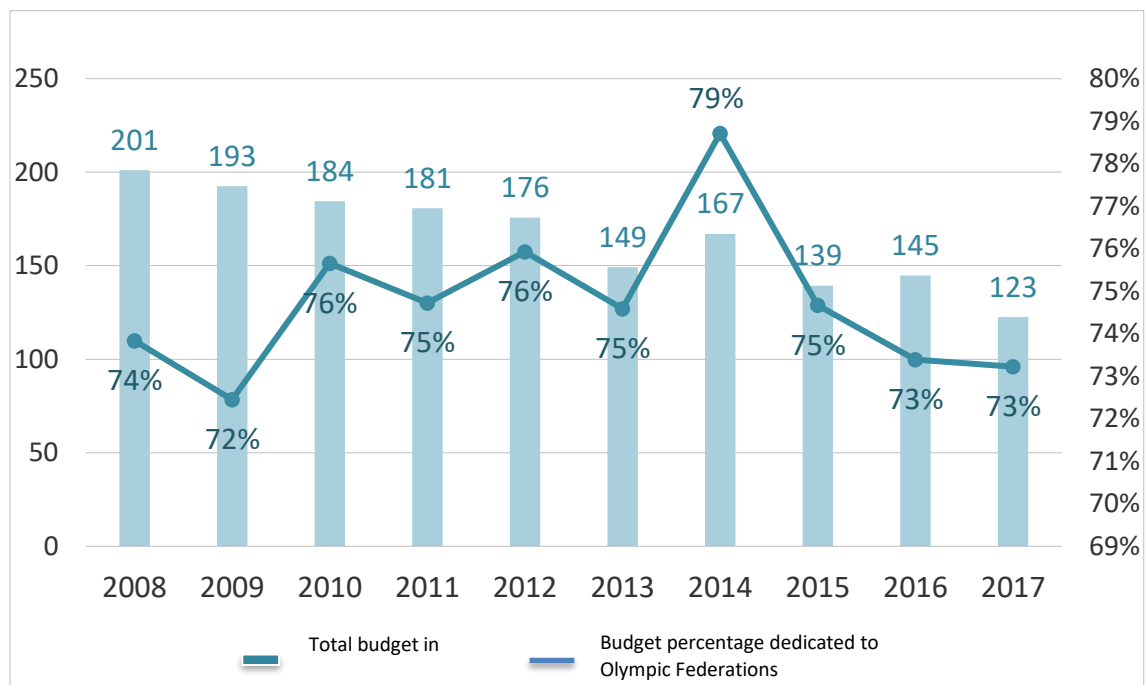


Figure 4. Evolution of the total financing (budget) of all the SSF and the weight (%) of the Olympic SSF.

Figure 5 shows the evolution of the total budget and the total number of medals achieved by all the SSF in recent years, which, despite a reduction of 78 million over 9 years, had no impact on the achievement of medals which increased by more than 40%, going from 521 in 2008 to 759 in 2017.

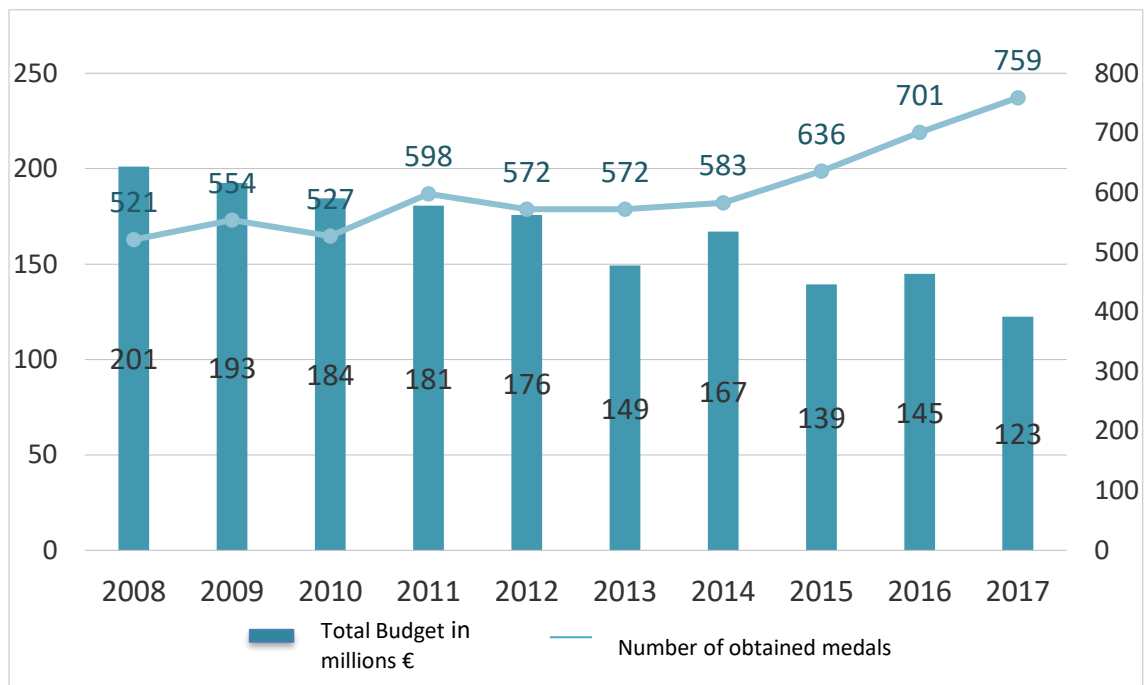


Figure 5. Evolution of the total financing and the number of medals obtained by the whole of the SSF (2008 - 2017).

## DISCUSSION

In the present work, the evolution of the SSF financing in Spain has been observed, as well as the evolution of medals obtained by them in world championships and Olympic games. As described by Deloitte (2018), this study has also found a significant reduction in financing for federated sports in recent years, marked by the decrease in public subsidies since 2011, with a higher incidence in 2012 and 2013.

Since 2008, the annual income of the federated sport has remained stable at around € 300 million, but in a misleading way, since the exponential growth of the RFEF's own resources represented 29.6% of the total in 2008, has raised to 51.6% in 2017. This means that the income of the rest of the SSF has decreased since, in 2008, it represented 70.4%, with 90% corresponding to the Olympic SSF. Thus, own resources (not counting RFEF) have been reduced by more than € 20 million in the last 10 years, which, despite the reduction since 2011, CSD grants continue to be the basic pillar of financing for the SSF, of which almost 90% are allocated to the Olympic SSF. Practically all of the income of the federated sport comes from the Summer Olympics, which between 2005 and 2016 have represented, on average, almost 98% of the total. The cuts of 2012 and 2013 similarly affected both types of federations, seeing their aid reduced by more than 42% on average between 2011-13.

The data obtained shows that the total amount of the budget of all the SSF has gone from € 201 million in 2008 to € 123 in 2017, almost 40% less. These data agree with those obtained by Muñoz-Llerena et al. (2018), confirming that from 2014 to 2016, there was an increase in aid and subsidies, with a decrease in 2017, which could be related to the defeat of the Madrid 2020 Bid for the Olympic Games, which could have led to the reduction of investments from that moment.

The total amount generated by all SSF through own resources has gone from € 118 million in 2008 to € 81 million in 2017, with the lowest amount in 2014, with only € 41 million. When comparing 2008 with 2013, an average decrease of 9% is observed in the generation of own resources of the SSF, with differences between each federation.

The injection of public money into Spanish sport has been drastically reduced, with a much greater reduction for all non-Olympic SSF than that for the Olympic ones, which, added to the reduction in the ability to generate own resources, has led to a reduction of total financing, with very serious consequences for the SSF as a whole, resulting in a decrease in sports structures and projects.

Contrary to the above, the data on medals in world championships of the present study, allows us to affirm that when all the SSF are analysed as a whole, there are no differences between the years analysed, just as it happens when we do comparisons with the different typologies of Olympic and non-Olympic sports. However, despite this, it can be said that from 2008 to 2014 an average of 562 medals has been maintained, but since 2015 the achievement of medals has exploded exponentially, reaching 759 in 2017. However, it can be seen that the evolution of the total financing (budget) has been decreasing progressively in recent years, going from 201 million euros in 2008 to 123 in 2017, however, the total number of medals has progressively grown from 521 in 2008. These data contradict some of the studies and many of the statements that lead us to think that the greater the financing, the greater the sports results, demonstrating that there are other factors that affect performance, without there being a cause-effect relationship between money and results. Which leads us to affirm or confirm the data presented by De Bosscher et al. (2013 and 2015) that the level of sports results depends on a balanced multifactorial policy in which financing is an important part, but not the only determining element of sports performance and the achievement of medals in world championships and Olympic Games.

In other words, in economic terms, the degree to which an organization achieves its goals and expectations determines its effectiveness. In the specific case of elite sports management, this effectiveness will not only depend on the resources received, but also on the capacity they have to obtain the maximum benefit from those resources in terms of competitive results, in our case study, in terms of Olympic success (De Bosscher et al., 2015, Robinson and Böhlke, 2013).

It is important that federations support their athletes financially and organizationally (in terms of equipment, training venues, medical care). They also must show transparency in their operation and high levels of cooperation with them, as all this will translate into sports results (Lesniewska et al., 2018; Weber et al., 2019).

## CONCLUSIONS

Despite the progressive decrease in the budget in recent years, going from € 201 million in 2008 to 123 in 2017, the total number of total medals has progressively grown, from 521 in 2008 to 759 in 2017. However, obtaining of Olympic medals has remained relatively stable in number, although the quality of them has decreased. This effectiveness must be measured at a multi-dimensional level, in financial, non-financial, marketing, social, objective and subjective terms (Neely et al., 2002). Furthermore, these capabilities need to be dynamic and adapt to the competitive environment, as this will allow them to respond and adapt to the current environment (Hooley et al., 2017).



Taking into account all these dimensions, and having adequate internal and external financing, better results and greater satisfaction of all stakeholders (governments, federations, athletes, and other people, entities and related sports organizations) can be achieved. We verified with this study, and with the review of the bibliography analysed, that an adequate and sustained investment brings good sports results, while an anarchic and unstable subsidy, such as the one carried out in Spain, due to the greater severity of the crisis and the lack of a strategy, brings with it unpredictable, strange and perplexing results. This, together with the lack of investments and long-term strategic policies, will mean a decapitalization of the sports structure and a reduction in sports results in the short and medium terms.

## AUTHOR CONTRIBUTIONS

Esther Puga-Gonzalez: literature review and methodology. Elena España-Estevez: introduction and conclusions. Gema Torres-Luque: results and data analysis. David Cabello-Manrique: introduction, conclusions and general review.

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## DISCLOSURE STATEMENT

No potential conflict of interest was reported by the authors.

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