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A STUDY OF THE STRUCTURAL CHALLENGES OF FOOTBALL CLUB PRIVATIZATION WITH A FACTOR ANALYSIS METHOD

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ABSTRACT

The purpose of this study was to study of the structural challenges of football club privatization in Iran with a factor analysis method. The method of conducting the research was a combination of two qualitative and quantitative methods. In the first stage of research was used library methods and qualitative interview with experts to identify and codification the variables and components of privatization. In the second part of the study, a questionnaire was designed according to the identified components of the previous stage and distributed among the statistical population. The statistical population of this study was 260 people. Considering the necessity of using the views of key experts in the first phase of the study was used Purposive sampling method and the type of snowball. Also In a quantitative phase, random cluster sampling method was used and 155 participants were randomly selected using Cochran formula. In order to analyze the data, was used of factor analysis. In the political-legal aspect were identified four factors including "legal, juridical, and managerial problems", "bureaucracy, lack of macro and middle planning", "the lack of operating the plans by the government", "informational and statistical weakness in the field of sports management" and In the aspect of economic challenges were identified four factors including "challenges of political economy and lack of economic infrastructures", "lack of productivity bases in football", "economic instability for investment" and "lack of financial incentive and encouragement for football".

Keywords: Professional Club, Privatization, Football.

INTRODUCTION

Privatization has been recently introduced as the main goal of economic and political thought as well as and an acceptable strategy for increasing productivity and achieving economic growth in less developed countries. At present, the discussion of privatization has been given due attention in all industries, and the sport industry is no exception. Nowadays it has been frequently asserted by the experts that the appropriate strategy to deal with the economic difficulties surrounding the sport industry is privatization and the partnership of the private sector in sport. Thus, in many countries of the world, the traditional structure of the clubs has been completely changed; the sport industry has flourished with the help of commercialization of the clubs (Michie, Oughton, 2004). Over the past few year, the discussion of privatization has been given due attention in all industries of the country, and sport industry is no exception. Thus, the traditional structure of the clubs has changes all over the world, and the sport industry

has thrived from the commercialization of the sport industry (Michie, Oughton, 2004). It seems like that the sport sector is in need of a fundamental change to transit from these conditions and it can reduce the huge costs imposing on the public budget. The main infrastructure of football industry is the clubs functioning as manufacturing factories and businesses of this industry and they have the most important role in the economic development of this industry. Applying the facilities, skilled and specialized human resources, and efficient management, these clubs have turned football to a profitable industry (Elahi et al., 2009).

The primary studies indicate that if the obstacles of football clubs' privatization are not removed, the Iranian football will definitely experience a real crisis. However, one can assert that the environmental, semantic, behavioral, and structural challenges are believed to be the most important challenges of football club privatization in Iran (Gharakhani, 2010).

The role and impact of football clubs as businesses are highly important in creating different jobs, reducing the governmental control over the affairs, attracting public investment and partnership, and thus leading to profiting in the national, provincial, urban, and even local levels; in the developed countries, football clubs have an important role in the gross national product (Hamil, Walters, 2010). Privatization in sport is not useful and profitable by itself, and if the necessary conditions are not provided, one cannot claim that the mere privatization in sport will result in profits and benefits (Doherty, Murray, 2007). Economic stability, economic liberalization, the existence of complete and fair competitions for conditions in the economy, establishing appropriate legal and regulatory frameworks, correcting the structure in some organizations, and the existence of large and effective financial markets are all regarded as the indispensable conditions of successful privatization programs within sport. The Iranian political as well as economic conditions are such that there are a variety of challenges and obstacles for football club privatization in Iran. One can study the challenges with a mere analytical method. However, it is very unlikely to provide a more clear analysis and interpretation of the aspects of the obstacles and challenges. Moreover, the stereotype political, economic, social, and cultural classification is recurrent and cannot help provide a clear perspective of the obstacles. In the present study, by the structural and macro elements, the researcher means to discuss the legal, political, and economic issues and obstacles. Factor analysis is a method for statistical analysis that can organize the data based on the internal consistency of the items in newer dimensions. Exploratory Factor Analysis (EFA) is a subcategory of factor analysis. In EFA, the researcher intends to uncover the underlying structure of a relatively large set of variables. The main presupposition is that each variable is likely to be related to any given factor. In other words, the researcher has no primary theory in this method. In the present research, it is aimed to study more recent aspects and components of privatization challenges and obstacles in Iran through a factor analysis.

Review of the experimental background

In a study titled as "the study of the challenges and obstacles of football club privatization in Iran" conducted by Gharehkhani in 2010, he aimed at identifying the most important challenges and obstacles of football club privatization through an exploratory method by conducting a field research. According to the findings of the aforementioned study, the most important challenges of football clubs' privatization include environmental challenges (0.93), behavioral challenges (0.89), semantic challenges (0.53), and structural challenges (0.36) (Gharakhani, 2010).



Amiri et al (2012) conducted a study titled “Definition and Prioritization of Obstacles Facing Privatization and Private Sector Participation in the Development of Sports”. The findings of their study indicate that according to the academic experts’ views, the main obstacles of sport privatization are managerial, cultural-social, political-legal, and economic obstacles. According to the executive managers, the main obstacles facing sport privatization are managerial, cultural-social, economic, and political-legal obstacles. According to the executive managers, the indirect competition existing between the government and the public sector, managers’ resistance against reducing the governmental control over the affairs, managers’ independence on the public sector, lack of investment security in our country, and abusing sport as a political tool by the government are included as the main managerial, cultural-social, economic, and political-legal barriers facing sport privatization in our country.

In the studies analyzed, the classifications of the challenges were somehow abstract and they had nothing to do with the organs dealing with those challenges. Moreover, within these classifications, one can find newer and less important aspects and factors. The present study aims at discovering the new aspects from the accepted classifications of the structural challenges of football club privatization. Besides, having accepted the accepted classifications existing for the political-legal and economic challenges and barriers, the researcher aims at discovering more recent aspects and factors from the aforementioned classifications. The main question behind the present study is “what new classification can be offered from the structural challenges facing football clubs’ privatization?”.

METHOD

Statistical population and samples

The samples of the present study were selected by cluster random sampling for conducting the quantitative studies. The samples were selected from the organizations and institutes where one can find the experts on the present issue. In total, 260 experts were working in the studied organizations and institutes; 150 individuals were randomly selected by using Morgan table and Cochran formula.

The findings of factor analysis

The exploratory factor analysis was conducted for turning the structural challenges of football clubs’ privatization to newly coined concepts as well as creating more recent aspects. One of the statistical methods for analyzing the data in the collection of data available is analyzing the factors or factor analysis. In this method, the variables are placed in factors, so that from the first factor to the subsequent ones, the variance percentage reduces. Thus, the variables placed in the first factors are the most influential ones. In the present study, the structural challenges of football clubs’ privatization are measured in three categories of political-legal, economic, and technological.

For measuring the appropriateness of the data for factor analysis, KMO test and Bartlett's test were applied. Based on the findings, KMO index is more than 0.7. This indicates that there is an appropriate consistency between the data for the factor analysis, and the consistency is at an appropriate level for factor analysis. Moreover, Bartlett's test is significant as well. This means that there is a significant consistency between the variables. In other words, the variables are consistent.



Factor analysis of the items of political-legal barriers and challenges

As for the political and legal challenges, first of all, 6 factors were identified, and given the limited number of items (and their consistency with the other two items), they were combined with the other factor. Six items were considered as identification factors, and they include “over-centralized decision making”, “lack of a clear definition for private and public sectors”, “lack of determination taking practical steps towards executing privatization”, “the existence of economic rents and the relationships existing behind the scenes in football clubs’ privatization”, “the poor performance of the qualified organizations and institutes in publicizing and developing sports culture”, “the existence of legal and lawful problems in offering the clubs’ shares in the stock market.

Table 1. indicates the consistency of the items with the six factors. The challenges primarily classified within the political-legal scope were changed to newer aspects by using factor analysis. The first aspect “legal, juridical, and managerial problems” deal with those aspect of law interfering with the managerial and legal issues. Centralized decision making, general tax laws, lack of programs, and stock market problems are among these problems.

The second aspect is “bureaucracy, lack of macro and middle planning”. Bureaucracy deals with the lack of order in the office systems for privatizing the clubs as well as the lack of planning for doing so. Lack of definition for the scope of private sector interference and the lack of a definite system for the agreement of the beneficiary parties are included as these factors.

The third aspect is “the lack of operating the plans by the government”. This aspect was included to discuss the lack of practical steps by the government as well as the lack of determination in privatizing the football clubs. Moreover, the lack of specialized laws for the clubs indicates that both the government and the legislator have not taken any positive toward privatizing the clubs. The execution of the programs are in need of definite laws.

The fourth aspect is “informational and statistical weakness in the scope of sports management”. Executing all kinds of important and critical programs including club privatization calls for a comprehensive informational and statistical system about the existing potentials and resources and the current conditions.

Table 1. The findings of rotational factor analysis matrix of the items: political and legal barriers and challenges.

Number	Variable (item)	Factor					
		1	2	3	4	5	6
1	Over-centralized decision making	0.829	0.205	0.203	0.036	0.149	0.019
2	Limiting laws and heavy taxes	0.708	-0.1	0.042	-0.19	-0.174	-0.288
3	The lack of formulation and execution of a system for managing, maintaining, and developing professional clubs	0.707	0.139	0.130	0.003	0.261	-0.086
4	Managerial problems and the security of private clubs	0.792	0.12	0.206	0.044	0.443	-0.088
5	Insecure and defective laws of ownership	0.01	-0.100	0.370	0.03	0.078	0.310
6	Not giving due attention to the serious participation of private sector in sport by the governmental organizations	0.406	-0.098	0.336	0.101	0.219	-0.374
7	Lack of a clear definition of private and non-governmental sector	0.049	0.740	0.12	-0.101	0.167	0.173

۸	The opposition raised by powerful beneficiary groups	۰.۲۳۲	۰.۷۴	۰.۱۱۳	۰.۰۰۴	-۰.۰۹۰	-۰.۰۰۲
۹	The parallel and simultaneous interference of the organs and the existence of numerous decision making authorities	۰.۰۰۶	۰.۶۰۰	۰.۰۹۶	۰.۳۷۹	-۰.۳۰۳	۰.۱۰
۱۰	Lack of identification and offering appropriate and cheap facilities for the private sector	-۰.۱۴۹	۰.۰۶۱	-۰.۰۶۹	-۰.۳۳۷	-۰.۰۹۶	۰.۰۳۹
۱۱	Lack of determination and taking practical and effective steps towards the implementation of privatization	۰.۰۹۸	۰.۱۱۹	۰.۸۴	۰.۰۹۰	-۰.۰۹۸	-۰.۰۹۶
۱۲	The government's little support for creating, optimizing, and the sports venues	۰.۳۴۴	۰.۱۳۲	۰.۷۱۶	۰.۱۰۷	۰.۳۰۴	۰.۱۳۸
۱۳	Lack of specialized laws for football clubs' privatization	۰.۳۷۱	۰.۳۱۶	۰.۶۹۰	-۰.۰۰۶	-۰.۰۸۸	-۰.۱۱۰
۱۴	The existence of economic rents and behind the scenes relationships for football clubs privatization	-۰.۰۰۸	۰.۲۹۳	۰.۰۷۴	۰.۷۰۶	۰.۰۶۳	-۰.۰۰۲
۱۵	Lack of macro planning	۰.۱۰۷	۰.۳۳۷	۰.۱۹۶	۰.۶۹	۰.۰۴۸	-۰.۰۶۷
۱۶	Unplanned and un-gradual privatization	۰.۳۴	۰.۴۲۲	-۰.۱۷۹	-۰.۰۹۷	-۰.۰۸۱	-۰.۰۳۹
۱۷	the poor performance of the qualified organizations and institutes in publicizing and developing sports culture	۰.۲۸۲	-۰.۰۰۶	۰.۱۹۶	۰.۰۲۲	۰.۷۳۹	-۰.۱۶۹
۱۸	The bureaucracy facing privatization permits	۰.۱۱۶	۰.۰۲۲	۰.۱۶۹	۰.۰۴۰	-۰.۰۵۷	-۰.۰۷۳
۱۹	The lack of accurate statistics and information about the current conditions of sports venues	-۰.۰۰۳	-۰.۰۲۶	-۰.۰۱۰	-۰.۱۱۲	۰.۱۶۹	-۰.۰۷۱۷
۲۰	The existence of legal problems for offering the clubs' shares in the stock market	۰.۲۴۴	۰.۳۰۸	۰.۱۲۷	۰.۲۸۰	۰.۳۳۳	۰.۰۸۷



The factor analysis of the items of economic barriers and challenges

Based on the information obtained, from among 19 items of this variable, four factors were identified. Four items were identified as the identification factors including “insecurity of investment in sport resulting from the lack of development in this industry”, “lack of necessary and quick facilities for granting the license needed for issuing the plan as well as building sports venues by the municipalities”, “national economic instability and insecurity”, and “low income of ticket sales and TV broadcast for the football clubs”.

As for the economic barriers and challenges, for new aspects were identified.

The first aspect is “the challenges of political economy and the lack of economic infrastructures” dealing with factors that are mainly political and legal affecting the economic procedures. The barriers and challenges of this aspect are mainly those legal and political issues that are likely to raise challenges on the road of investment in sport and football. The economic infrastructures include loans and other financial facilities that can affect investment in football clubs.

The second aspect is “lack of productivity bases in football”. In this aspect, we are facing numerous barriers and challenges that have resulted in an inefficient financial and economic market, and thus discourage the investors to invest in football. There is no “cost and benefit logic” in football market, and thus it does not pave the way for any benefits. Unwillingness existing in people toward sport is one of the barriers challenging the benefits of football market. The third aspect is “economic instability for investment” dealing mainly with bases of economic stability for investment. The main factors behind this instability include national economic

instability and insecurity, fear of making losses, insecurity for returning the capitals, and the unfair conditions existing between public and private sectors.

The fourth and the last aspect of economic challenges is “lack of financial incentive and encouragement for football”. Low income of ticket sales, TV broadcast for football clubs, and reduced motivation among the rich individuals and benefactors for cooperating with public organs are among the main bases of this aspect. Table 3 indicates the consistency of each of the items with the identification factors.

Table 2. The findings of rotational factor analysis matrix of the items: economic barriers and challenges.

Number	Variable (item)	Factor			
		1	2	3	4
1	Insecurity for investment in sport resulting from lack of development in this industry	0.875	0.165	0.096	0.056
2	Financing of the clubs by public organs due to their kind of ownership	0.829	0.226	-0.021	0.053
3	Lack of clarity about the financial information of the organs related to football industry	0.82	0.304	0.179	-0.093
4	Lack of studying the current methods of privatization for selecting the most effective way of privatization	0.811	0.321	0.231	0.023
5	Special ideological and political beliefs and values in the country's economic system	0.792	0.323	0.211	0.007
6	Lack of low-interest loans as well as legal and executive facilities provided by the ministry of sport	0.70	0.400	0.123	-0.106
7	The high costs of building sports venues and buying sports equipment	0.722	0.720	0.163	-0.164
8	lack of necessary and quick facilities for granting the license needed for issuing the plan as well as building sports venues by the municipalities	0.281	0.861	0.004	0.002
9	Lack of cost-benefit logic in the professional football clubs	0.230	0.820	0.072	0.188
10	Lack of appropriate efficiency of the private sector in sport	0.383	0.744	0.167	-0.006
11	Lack of necessary bases needed for an appropriate pricing of the services provided by the private sector	0.001	0.710	0.36	-0.110
12	People's unwillingness to spend money on sport	0.022	0.713	0.191	-0.061
13	National economic instability and insecurity	0.090	0.678	0.876	-0.178
14	The fear of making losses and insecurity for returning the capitals invested	0.224	-0.002	0.870	-0.042
15	Unfair conditions existing between public and private sectors with respect to enjoying the necessary facilities, conditions, and supports	0.086	0.020	0.761	0.192
16	High risk of investment in sports venues	0.018	0.218	0.067	0.122
17	Low income of ticket sales and TV broadcast for the football clubs	0.126	0.143	-0.208	0.709
18	Lack of motivations among rich individuals and benefactors for cooperating with the public organs in sport	-0.066	-0.018	0.410	0.702
19	Weakness of managerial skills in sports economy	0.162	0.436	0.32	-0.0

DISCUSSION AND CONCLUSION

Although one can primarily classify the challenges and barriers of football clubs' privatization within the accepted and stereotype frameworks and patterns, he can discover more recent and more different approaches and aspects within these common classifications; this results in a better understanding of the issues. In the political-legal aspect, four factors were identified as the micro barriers and challenges: legal, juridical, and managerial problems; bureaucracy, lack of macro and middle planning; the lack of operating the plans by the government; and informational and statistical weakness in the field of sports management. The above-mentioned factors indicate that legislation and management fields are facing numerous problems raising a variety of challenges for privatization. It seems that from among the four aspects of political-legal challenges of the present study, it was "legal, juridical, and managerial problems" that had structural challenges. In this respect, it is consistent with the study conducted by Gharehkhani (2010) that dealt mainly with structural challenges. However, the other three factors have a structural nature as well. In the study conducted by Amiri et al (2012), we can find categories of problems titled as "political and legal" and "managerial". In the study conducted by GhanbariFiroozabadi et al (2009), one of the barriers is titled as "the government's decision to reduce control over the affairs". It seems that this barriers is in line with the barrier titled as "lack of operating the plans by the government" in the present study. In fact, creating the opportunity of government's reduced control over the affairs calls for removing this barrier.

In the aspect of economic challenges, four factors were identified: challenges of political economy and lack of economic infrastructures; lack of productivity bases in football; economic instability for investment; and lack of financial incentive and encouragement for football. Two factors deal with political economy and creating political stability. The other two factors deal with the benefits of football and the demand existing in the public and fans for football. In the study conducted by Gharehkhani (2010), no direct reference has been made to the economic barriers and challenges. In the study conducted by Amiri et al (2012), one of the barriers and challenges of football clubs' privatization is economic barriers and challenges. GhanbariFiroozabai et al ("2009) have referred to the execution of Article 44 of the Constitution for the partnership of the private sector and investors.

To sum up, in comparison to the previous studies, the present study discovers more recent aspects of football clubs' privatization through adopting a more detailed approach. Given the new aspects discovered in the present study, it is recommended to review the privatization laws in the political and legal fields. It is also recommended that the government take more effective steps toward the execution of privatization programs. In doing so, it is needed to collect accurate information and data about privatization. In the economic field, an economic stability needs to be created, so that football flourishes efficiently. Areas such as broadcast right and sponsorship need to be developed as well.

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