



Northern Ireland
Assembly



Knowledge Exchange Seminar Series (KESS)

THE BUSINESS OF SPORT

Considerations for Government Policy Evidenced by the Impact of Social Media Upon the Consumption of Sport in Northern Ireland.

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Introduction

Despite its relatively small size, Northern Ireland (NI) produces sports teams and individuals that regularly and successfully compete at a globally elite level. Many of these teams and individuals are aided in their development by various domestic semi-professional clubs and organisations (Harris et al., 2009). Clubs and organisations that play a crucial role in society by promoting values, enriching their communities and addressing issues that are of the utmost importance and highly prevalent to a transformative post-conflict area such as NI today. Existing governmental sports policy has also played a key role in this development with its focus, to-date, upon the three strategic priorities of *Participation*, *Performance* and *Places*¹.

As a result, of this existing policy, much of the current government sport funding is directed towards fulfilling the three existing strategic priorities of '*Participation*' in sport & physical recreation; '*Performance*' in terms of producing successful world-class performances and the development of systems required for elite athlete development; and '*Places*' in terms of the standard and availability of improved stadia and facilities. This can make it difficult to envisage how many of the current domestic semi-professional sports teams and bodies in NI will develop, and in some cases survive,

¹ <http://www.sportni.net/sportni/wp-content/uploads/2013/03/SportMatters.pdf>

without them realising alternative sustainable revenue streams and becoming less reliant on government funding. Furthermore, as governmental spending faces increasing pressures and monies to many government departments are being reduced, it is increasingly imperative that greater attention is dedicated by all sports clubs and organisations, with already limited resources, to the *Business of Sport* and to developing their own self-sustaining revenue streams.

The global sports industry is worth in excess of approx. \$750bn per year. The principal aim of this paper is to highlight a current gap in the government policy of NI in relation to the *Business of Sport*. Its intention is to stimulate discussion and develop an understanding of how greater attention to an additional strategic priority at a domestic semi-professional level has the potential to realise self-sustaining economic benefits - beyond the existing £867m pa².

The Delivery of Sport

Sport is delivered via the 'Public', 'Non-profit' and 'For-profit' sectors whose boundaries and remits are both distinct and well defined, yet also highly interdependent and frequently overlap with the distinction becoming increasingly blurred (Hoye et al., 2015).

The 'Public' sector operates across state, regional, provincial, or local government areas and is predominantly focused on developing sport policy and the provision of funding for organisations that deliver those policies or deliver sporting performances at an 'Elite' level where the pursuit of competitive excellence and winning is of primary importance. It utilises public monies as a source of *profit-for-participation & elite performance*. The 'For-Profit' (FP) sector operates across global as well as national, provincial, state, or local government areas and is predominantly focused on sport as a 'commercial' activity that delivers 'sport as entertainment' to a paying public and where the professional generation of *profit-for-pay* is of primary importance for its wide-ranging stakeholders i.e. players, agents, owners, shareholders, sponsors, sports apparel and equipment manufacturers, the media, stadium operators, event promoters and increasingly the sports betting industry. The 'Non-profit' (NFP) sector operates within smaller locale and incorporates competitive sport at the amateur, voluntary, community, non-government levels and includes egalitarian co-operatives and friendly / civic societies. It is predominantly focused on delivering sport for the pleasure, health, development of self-worth and social connections of its participants and the community within which it operates. It is often referred to as the 'third' sector comprising a partnership between Public sector money and Private sector management. It utilises public sector monies as a source of *profit-for-participation* and their activities can also extend to providing the foundations to *elite performance*. Whilst it may be interested in and/or generate profit from its activities these are not distributed to any members, owners or shareholders but rather re-invested within the organisation (Chelladurai, 1994/2012; Westerbeek & Smith, 2003; O'Beirne, 2004; Turner, 2007; Wicker & Breuer, 2011).

The Semi- Professional Sports Club / Organisation

One area where these three generic sectors overlap and is poorly understood but has been receiving increased attention in recent times is that where the smaller sports clubs exist. These have been defined in terms of being clubs who compete in national league structures, offer their games to a paying audience, have poor average attendances that are well below available capacity and are not fully

² <http://www.sportni.net/sportni/wp-content/uploads/2016/07/Economic-Importance-of-Sport-in-Northern-Ireland-2013.pdf>

professional organisations but aspire to compete at higher levels (Gallagher, 2008; Gilmore et al., 2011; Gallagher et al., 2012). As sports organisations they exist at the intermediary category or a hybrid level between the FP and NFP sectors and are more appropriately defined as being 'semi-professional' sports clubs (SSCs).

The SSC focuses on delivering the dual objectives of actioning those sport policies developed at the 'NFP' level, in terms of managing the delivery of positive health, societal and community benefits achieved through mass participation in sport and recreation, whilst simultaneously managing the resources required to ensure the provision of a team who participate in a competitive sporting environment for the purposes of serious competition - it is very often the incubator that nurtures much of the sporting talent utilised at the Elite and Professional level.

This duality of focus raises the very real question of whether sports organisations in this sector should shift their focus away from financial dependence on Public sector funding towards employing increased commercial activity akin to that of the FP sector in order to achieve greater financial independence (O'Beirne, 2004; Turner, 2007). To-date the SSC has placed much of its time, effort and focus upon its NFP objectives and activities in order to satisfy the requirements and objectives of its Public sector funding – upon which it has been heavily reliant. As a result, its limited managerial and volunteer resources are employed mainly in the delivery of positive health, societal and community benefits. The majority of its volunteering activity is realised in sports coaching, youth development and/or community outreach programs. They have failed to give sufficient attention to their 'economic foundation' (Edwards, 1975) and neglected the FP and commercial activities that are now crucial to their future sustainability. For example, it is not unusual to find a SSC with numerous highly active and dedicated volunteers who are deeply passionate about the delivery and development of the sport itself but only a few with any interest in its commercial development. In an increasingly global neo-liberal reality, where hitherto available Public sector monies is decreasing at an alarming and unremitting rate, it has become critical that sports organisations operating in this sector adopt an increasingly business-like approach to their activities in order to generate their own *profit-to-play* (Robinson, 2008; Westerbeek & Smith, 2003; Auld & Cuskelly, 2011; Chelladurai, 2012; Hoye et al., 2015).

The Challenges and Issues of the Semi-Professional Sports Club

Operating at the nexus of the FP and NFP sectors the Semi-Professional Sports Club exhibits many of the characteristics and encounter many of the problems and challenges found by organisations in both sectors. They are sports organisations that are akin to small medium enterprises (SME) in respect of the requirement that whilst they are not an actual company they '*would be a SME company*' if it were in fact to be a company (Gallagher et al., 2009; Gilmore et al., 2011). In this respect they possess unique characteristics and may be constrained in the successful execution of their activities, as they are limited by a lack of resources in terms of their marketing, human resources, finance, infrastructure and strategic development (O'Beirne, 2004; Turner, 2007; Wick & Breuer, 2011; Gilmore et al., 2001).

Much of the existing strategic development is being done on a kitchen table basis (Wilson & Piekerz, 2016), being carried out by volunteers within a flat organisational structure that has centralised decision making and an absence of any real strategic planning or specialist roles. They now have no choice but to become much more focused and sophisticated in their commercial operations. They need to move away from an over-reliance on volunteers working on a part-time non-paid basis and towards

professional employees who are charged with generating multiple revenue streams on the basis of sound strategic planning and well defined roles so as to deliver a greater focus upon *profit-for-competitive development* (Turner, 2007; Kikulis 2000).

For SSCs in NI, the absence of this organisational capacity is a crucial issue and is fundamental to their sustainable development (Misener & Doherty, 2009). They must achieve a greater balance in delivering their NFP and FP objectives, not by decreasing their NFP activities but by increasing their FP focus.

Social Media and the Strategic Development of Sport

Social media (SM) provides opportunities that are crucial for the survival of many sports teams and bodies. SM use by sport organisations is largely driven by two key factors: the relatively inexpensive cost of SM when compared to traditional marketing tools and the ability to connect with millions of fans with ease (Dittmore & McCarthy, 2014). SM shifts communication from one-way (e.g., television advertisements) to a more interactive exchange thereby providing a cost-effective tool for building brand relationships through cooperative dialogue between sport organisations and fans (Williams & Chinn, 2010). In short, SM is a unique marketing communications tool that sport organizations can use to attempt to overcome the challenges related to budgets, media coverage, and fan interaction all while providing the means to increase the key revenues of match day and non-match day revenues and realising the activation needs of sponsors.

SSCs are one segment of the sport industry that could greatly benefit from SM because they operate with limited resources. While all sport organizations stand poised to benefit from SM, this is especially relevant for SSCs as they do not have the budgets allowing for full utilization of traditional marketing outlets such as paid television, radio, print, internet, and outdoor advertising (Eagleman, 2013). Many SSCs do not receive mainstream media coverage on a daily basis and therefore they must create their own publicity, their own market share and develop a new fan base in order to be sustainable (Greenhalgh et al., 2011). Eagleman et al (2009) found that while mainstream sports like men's American football and basketball, enjoy a mutually beneficial relationship with the mass media, it is much more difficult for other sports to generate awareness and build fan bases, and therefore they must seek channels other than mass media to achieve these goals.

Research on sport organizations and SM has found that these platforms present a unique opportunity for sport organizations to communicate and foster interaction with the public (Pegoraro et al., 2017; Williams & Chinn, 2010) and that each SM platform enables sport organizations to engage with their publics in different ways (Hopkins, 2013). SM has enabled sport organizations to directly connect with their fans and build relationships through a personalised interactive approach (Abeza et al., 2013), linking the fan to the sport club, while simultaneously broadcasting these interactions to fans' and brand networks alike (Pegoraro, 2010). The growth in SM usage rates requires that all sport organisations, especially SSCs, pay attention and develop specific strategies to use SM to enhance fan loyalty and build brand equity. If a brand focuses their SM strategy on what a person is passionate about, what motivates that person to reach out, to share experience, or to express an opinion, the result will be increased brand awareness and loyalty (Aaker, 2015). Perhaps nowhere is passion more evident than in the world of sport and its related fandom and therefore SM provides the platform to connect these

fans to brand building initiatives by SSCs. A focus on enhanced SM efforts will provide direct benefits such as increased fan support, increased interest in the clubs (more volunteers), increased sponsorship opportunities as well as helping to increase participation at the grassroots for that club.

Findings:

The findings report on an investigation into the SM activities of SSCs in NI within the context of clubs within the Northern Irish Football League (NIFL). They present the findings of a multimethod study that employed a netnography study, in-depth interviews with key sector informants and a wide ranging fan survey ($n=1049$) that evidences the impact of SM upon sports consumption in terms of fan attendance, commitment, positive word-of-mouth recommendation and season ticket & merchandising purchasing behaviour. They provide support for growing calls for greater attention to the strategic development of local domestic sports clubs and organisations via increased prioritisation of the *Business of Sport* at a policy level.

Recommendations

The findings of this report corroborate previous findings by the authors that include a wider body of research across a comprehensive range of sport clubs and organisations across NI, Canada and USA. They provide the basis for making the following recommendations:

- That greater consideration for the *business of sport* is realised in future government policy;
- The development of a *business of sport* education program to fast-track the sustainable development of SSCs;
- The development of a 'pilot' program of intervention to facilitate the development of a *business of sport* education program to aid the sustainable development of SSCs;
- To develop a program of development to facilitate a greater realisation of female spectatorship for the benefit of SSCs and;
- The appointment of a 'Commissioner for Sport' to oversee the development of sport including the *business of sport*.

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