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Management Control Systems in Elite Sport Organizations

Understanding MCS structure in Swedish professional sport clubs

Abstract
This paper employs a qualitative survey approach to study the structure of formal management control systems ("MCS") among the top Swedish football and ice hockey clubs. Applying a theoretical framework based on research of initial MCS adoption among start-up companies, we create a unique and comprehensive empirical overview of MCS adoption in Swedish sport clubs. With this as a starting point, we develop a framework for understanding patterns in the core MCS structure across three stages of MCS professionalization. Our framework offers a point of origin for future research on control in a professional sports context, and could also be used by practitioners in the field looking to design MCS structures in professional sport clubs.

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Table of Contents

1. Introduction

Over the last few decades, elite sport organizations around the world have been going through a change towards increased globalization, commercialization and professionalization. (Houlihan & Green, 2008). Professional sports is big business these days, and looking at the "big five" football leagues[1] in Europe, the combined revenue for the 2014/15 season is expected to reach more than €11.5 billion (Deloitte, 2014). As teams commercialize with ever increasing revenues, higher player salaries, players being traded for large sums of money and larger arenas, a natural consequence is an increasing need for professionalization of the supporting organization and its' staff that handle the business aspect of sports. This imposes demands on the professional sport organizations to keep up with the change through the adoption of more sophisticated management practices to increase organizational effectiveness (Taylor, Doherty & McGraw, 2008 as cited in Skirstad and Chelladurai, 2011).

As professional sports has commercialized, it has attracted significant attention from the economics and social science research community with researchers having studied a wide range of topics, such as differences in national elite sport development systems in a globalized world (Green & Oakley, 2001); effectiveness and efficiency of Spanish top division football teams (Espitia-Escuer & García-Cebrián, 2004); factor mobility in terms of player migration after the Bosman ruling in 1995 (Frick, 2009); and how factors such as pay affect player performance in football (Torgler & Schmidt, 2007).

However, research on management control in professional sport teams appears to have been largely ignored by researchers thus far. As organizations grow and mature, they typically become more formalized with professional managers that introduce formal routines, methods and tools such as management control systems ("MCS") (Davila, Foster & Jia, 2010). Consequently, we would expect this to have happened in many professional sport organizations as they have grown and commercialized over the last decades. MCSs are the tools to assist management in steering an organization towards its strategic objectives (Anthony & Govindarajan, 2007). However, those objectives may not always be perfectly clear. In the context of professional sport clubs, adhering to the demands of multiple stakeholders is part of their nature, which apart from winning games includes providing a service to fans/customers and creating marketing exposure for sponsors. Whereas there are many demands on sport clubs,

[1] English Premier League, French Ligue 1, German Bundesliga, Italian Serie A and Spanish La Liga

two key objectives for most European sport clubs are to win on the field with a budget in balance (Stewart & Smith, 2010). However, despite a large overall increase in revenue for professional sport clubs, a vast majority of clubs are actually losing money (Miller, 2013). A number of cases in Sweden have shown professional clubs going into bankruptcy or barely being able to keep going concern, only to survive by receiving municipal aid, downsizing administrational staff or wages, or breaking player contracts (see for example: Svenska Dagbladet 14 February 2013; Idrottens Affärer 29 December 2014; Berntsson, 2015; Käck & Andersson, 2015; Gustafsson, 2015). This interesting paradox indicates a situation that is far from sustainable in the long-run. This situation makes it highly relevant to build an understanding of control in professional sport clubs and investigate the existence of MCSs that help managers control these uncertainties and aid them in achieving their strategic objectives.

A first step in designing effective MCSs is to understand the current structure. However, to the best of our abilities we have not been able to find any studies investigating the design and existence of MCSs in sport organizations. The lack of such studies is confirmed by Byers, Henry & Slack (2007) and O'Boyle & Hassan (2014) who acknowledge the gap and make calls for such research.

We thus aim to address this gap by looking at the top two leagues within Swedish football and ice hockey, which are two of the sports in Sweden with the highest popularity and level of commercialization (RF, 2013; Backman, 2012), with the aim to understand how MCSs are designed by answering the following research question:

> *How are management control systems structured in Swedish professional sport organizations?*

By applying a qualitative survey approach based on a comprehensive MCS framework, we make three main contributions to this field.

Contribution 1: We provide a unique and comprehensive empirical overview of the current MCS structure, including the current adoption levels of 79 different MCSs, as well as an indication of planned MCS adoption in the near future across Swedish top professional sport clubs in hockey and football.

Contribution 2: We show that MCS adoption levels vary largely between the top and second leagues, but there is also a large intra-league variation. We find that there is an association between MCS adoption, club size, and league position. This relationship is expected based on

previous research on MCS adoption among start-up companies made by Davila, Foster & Jia (2010).

Contribution 3: We develop an initial framework for understanding how the core MCS structure in professional sport clubs differs across teams with three different levels of control formalization. The design of the framework is based on research of initial MCS adoption in start-up companies adapted to fit the sport context (see section 2.5). We find that the first group with a low level of MCS professionalization tend to build their controls around sport performance and sales management, together with routines for player purchases. These controls could be seen as the equivalent of Sandino's (2007) "basic MCS".

In the second level of MCS professionalization, the MCS structure has more resemblance to that of start-up companies (Davila & Foster, 2005, 2007). The systems adopted are slightly more advanced in their nature, such as having an integrated view of financial performance, and there are also tendencies towards adopting more forward looking systems.

In the final group with a high MCS professionalization, organizations adopt a large degree of forward looking systems, and the management controls at this stage have a high level of formalization and are thoroughly structured.

The rest of the thesis is organized as follows;

Firstly, we review sport management research to understand the specificities of the sport context and the implications these may have on MCS design. We then proceed to MCS research in a non-profit context, where sport organizations have their origin. Next, we review research on initial adoption of MCS. The existing MCS theories are then used to construct a framework, which through an iterative process is modified to be applicable in a sport setting.

Secondly, we describe the methodology, covering research design, data collection, analysis and the reliability and validity of the study.

Thirdly, we provide a background of the Swedish sport context and its' historical background.

Finally, we present the findings of the study together with a conclusion and suggestions for further research.

2. Theory

In this section, we first present an overview of existing research on sport management, specifically commercialization trends, the context of sports and the current understanding for control of sport organizations. We then present a theoretical perspective of MCSs with research both from the non-profit sector where professional sports has its' roots, and from MCS adoption in entrepreneurial start-up firms. Finally, we present the theoretical framework used in the analysis.

2.1 Sport Research

2.1.1 Sport management research

The growth and globalization of sport has driven changes in the consumption, production and management of sporting events and organizations at all levels (Hoye et. al., 2006). Many of these changes have also spurred the interest for sport management as a field of study. Commercial practices influencing sports is recognized by most people and has received scholarly attention in areas such as the creation of the sporting goods industry (Sage, 2004), television and the commercialization of sport (Andrews, 2001) and sport sponsorship (Amis et. al., 1999). Commercialization could be defined as turning something – in our case sports – into a profit generating operation (Peterson, 2002).

Much research within sport management has been related to issues of effectiveness and efficiency with the aim to improve managerial practices and functioning of organizations (Slack, 1998). Commonly associated to the term commercialization of sport is the notion of professionalization of sports. This is defined as "the hiring of paid professional staff and coaches and the adoption of a more sophisticated management practices to increase organizational effectiveness" (Taylor, Doherty and McGraw, 2008 as cited in Skirstad and Chelladurai, 2011). These management practices are commonly adopted from private sector businesses and involve, for example, the hiring of paid employees, the use of visionary plans, and forming alliances with corporate sponsors (Stewart & Smith, 1999).

2.1.2 The context of professional sport organizations

The context in which sport clubs operate means that they have to adhere to demands from multiple stakeholders, for instance winning games, providing a service to fans, customers and sponsors, or meeting community service obligations. Managers in sport clubs need to be aware

of these multiple expectations on the organization, while at the same time acting as responsible financial managers (Hoye et. al. 2006).

With multiple stakeholders having different demands on the organization, a question is raised regarding what logic should guide the management of the professional sport club. Barros et. al. (2002) provide a detailed discussion about the "transatlantic divide" – i.e. a difference in the logic guiding professional sport organizations in the US and Europe. US professional sport teams tend to embrace commercial objectives with hermetically sealed leagues and restrictions of economic competition both on the labor market (players) and product market (revenue sharing, joint merchandising and broadcasting rights). The European model on the other hand tends to include promotion and relegation between leagues and a freer movement for players between clubs. Sloane (1971) suggested that European sports teams are *utility maximizers*, focusing on maximizing on-field success subject to a balanced budget constraint. The utility maximizing view is based on the assumption that sport clubs are highly competitive, and the most important arena for this competition is on-field success (Dabscheck, 1975 as cited in Stewart & Smith, 1999). Utility maximizing clubs tend to sacrifice operating profits and dividends to shareholders to achieve an on-field advantage, an example of which is the high salary levels in European football, driven by intense competition for the best players (Stewart & Smith, 2010).

Some researchers have suggested that there is a tension between the goals of profitability and sport success (Stewart & Smith, 1999). While the balance between controlling and enabling use of MCS is a natural part of management control tensions, limited goal congruence between sport and financial success may be a source of conflict in execution (Anthony & Govindarajan, 2007). However, the dichotomy between winning and profits has eroded as sport has commercialized, and there is a growing recognition that revenue and profits are important keys to winning, and that winning in turn leads to profitability (see for example Foster et. al., 2006; Gerrard, 2005; Szymanski & Kuypers, 1999 as cited in Stewart & Smith, 2010). Thus, these goals are no longer seen as dichotomous – rather, they go hand in hand (Stewart & Smith, 2010). Consequently, MCSs should be relevant in a professional sport context – both sport related systems directly linked to on-field success, but also other types of MCSs such as financial planning and evaluation under the assumption that they help managers achieve revenue growth and a budget in balance, which in turn can improve the prospects of winning on the field.

2.1.3 Control in sport organizations – how is it different?

As elite sports has gone through a commercialization process over the last few decades, many organizations have adopted processes and practices from private sector business enterprises (Stewart & Smith, 1999). The increasing similarities between sport organizations and regular businesses have raised the question whether elite sport is idiosyncratic and requires a specific set of management practices or whether it is just another form of business (Stewart & Smith, 2010). The two main 'camps' include those who argue sport is unique and requires a distinct type of management, and some who argue that sport is just part of a generic business system and should be managed like any other company (Stewart & Smith, 1999).

Stewart & Smith (1999) set out to identify the distinct features that characterize sport and make it different from other types of business. They identify ten different areas, including the intense emotional relationship between fans and their clubs, the tension between on-field success and profitability, the importance of a balanced competition, the difficulty in ensuring constant quality, the frequent need for (anti-competitive) collaboration between clubs, the high product and brand loyalty, fans' vicarious identification to families and friends, blind optimism and a fixed short-term supply given the fixed number of games per season.

Some of these areas have however been contested in more recent research. In a critical revisit of their 1999 article, Stewart & Smith (2010) argue that some of these unique features of sport have diminished over time due to significant structural and operational change of professional sports over the last decade, but that there are still "enough idiosyncratic features to justify a customized set of management practices". Three of the general points raised in their 1999 article were argued to remain highly relevant

> "First, '…a failure to recognize sport as a business will produce poor performance', and second, management strategies that 'give no recognition to its special features (p. 97)', will fail to deliver optimal outcomes. So too does their pronouncement that '…it is precisely these special features which demand the application of sophisticated and 'professional' business principles' (p. 98)" (Stewart & Smith, 2010)

This indicates that management control practices in a professional sport organization likely have similarities to those of conventional private sector businesses, but with some adaption to the specificities of the sport context. However, to the best of our abilities we have not been able to find any empirical research investigating broad management control structures in professional sport organizations. It appears as if management control has not yet been the focus

of sport management scholars, which is also pointed out by Byers, Henry and Slack (2007) as well as O'Boyle & Hassan (2014) who acknowledge the gap and make calls for such research

Previous research that has made contributions in areas related to management control in sport organizations include for instance Hoye's et. al. (2006) discussion about performance management. They emphasize a number of special features that need consideration when customizing a performance management model for sport organizations. A "9 point model" is presented where dimensions such as performance (wins, awards) and product improvement are considered important in the performance management design. However, since the model is theoretically constructed to offer guidance in designing performance management systems in sports and not based on empirical observations, it offers no guidance regarding how performance management in professional sport organizations is in fact structured.

Other research has investigated performance and effectiveness of national non-profit sport organizations (e.g. Bayle & Madella, 2002; Papadimitrou & Taylor, 2000) and identifies variables and measures that affect organizational performance. While this gives an indication regarding what managers should focus on, their results are inherently focused on performance measurement dimensions rather than analyzing performance management practices that assist managers in achieving their strategic goals and manage them properly (O'Boyle & Hassan, 2014).

Furthermore, Byers et. al. (2007) contribute to the domain by employing a multiple case study approach to examine control in three small English voluntary sport clubs. Using Hopwood's (1974) framework as a basis for analysis they conclude that while administrative controls (e.g. agendas and policies) exist, it was social and self-controls that mainly appeared to influence members' behavior through values and norms. However, they recognize control in sport organizations to be an uncharted territory and suggest future research to compare organizations of different structures and contexts, such as professional sport organizations, to advance the understanding of how modern sport organizations are controlled. Lastly, Amis & Slack (1996) investigate the size and administration relationship of voluntary sport organizations by using written job descriptions and certain policies (a component of management control) as an indicator for formalization. Although it is not a holistic view on management control, they find a trend that structure is related to size, thereby extending the understanding of control in sport organizations.

Sport has an increasingly significant economic and social impact on society and the commercialization trend has turned some teams into big businesses. Yet despite several claims of sport adopting business practices from private enterprises (Stewart & Smith, 1999; Peterson 2002; Moore & Levermore, 2012) the knowledge of actual MCS structure and design in sport organizations, specifically for professional clubs, is limited. Due to the lack of empirical studies in the field, we now turn to MCS research in related domains in order to frame an initial understanding towards MCS in professional sport organizations.

2.2 A background to MCS research

Management Control Systems (MCS) are defined as the "formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities" (Simons 1995, p. 5). These systems help managers focus their attention, liberate them from decisions that can be controlled by exception, and help distribute information when the informal network is overloaded (Davila & Foster, 2007). A key purpose of MCSs is to assist managers in steering an organization towards its strategic objectives (Anthony & Govindarajan, 2007).

"The terms management accounting (MA), management accounting systems (MAS), management control systems (MCS), and organizational controls (OC) are sometimes used interchangeably. MA refers to a collection of practices such as budgeting or product costing, while MAS refers to the systematic use of MA to achieve some goal. MCS is a broader term that encompasses MAS and also includes other controls such as personal or clan controls. OC is sometimes used to refer to controls built into activities and processes such as statistical quality control, just-in-time management." (Chenhall, 2003). The definition of MCS has evolved over the years, and includes both internal and external information used to assist managerial decision-making (Chenhall, 2003).

Ever since Anthony (1965) published a framework for analyzing planning and control systems much research has been performed on adoption and performance implication of different types and aspects of MCSs. The vast majority of empirical MCS research over the last century has been performed as cross-sectional studies focused on large and mature firms where a majority of MCSs are already implemented (see Chenhall, 2003; or Berry et. al., 2009 for a longer review). However, much of the literature has "ignored the origins and evolution of organizational control" (Cardinal, Sitkin & Long, 2004). Over the last decade however, a stream of research analyzing the initial adoption of MCS in small entrepreneurial firms has emerged. This research could offer guidance for understanding sport clubs' adoption of MCS,

given that it covers the initial adoption of formal MCSs, where organizations transition from informal control towards formalized control. Also, the start-up firms studied are typically similar in size to the sport clubs studied, and it is a reasonable assumption that there is a higher level of similarity in the types of MCSs used between sport clubs and start-up companies than between sport clubs and large multi-national companies (Moore & Levermore, 2012). The research on initial MCS adoption among start-up companies is covered in section 2.4.

Since most professional sport organizations have their origins as non-profit organizations, and a vast majority of the clubs studied are organized as non-profit associations, we first turn to MCS research performed on non-profit organizations.

2.3 MCS in non-profit organizations

There is a difference between MCSs in corporations and in non-profit organizations ("NPOs") since success in a company, due to the primacy of the shareholders and the homogeneity of their interests, easily can be measured in profits (Speckbacher, 2003), whereas "success for non-profits should be measured by how effectively and efficiently they meet the needs of their constituencies" (Kaplan, 2001). This does however not mean that MCSs are not needed in NPOs. Drucker captured this in his paper from 1989, in which he states that "Twenty years ago, management was a dirty word for those involved in nonprofit organizations.[…] Non-profits prided themselves on being free of the taint of commercialism […] Now most of them have learned that non-profits need management even more than business does, precisely because they lack the discipline of the bottom line […] Good intentions are no substitute for organization and leadership, for accountability, performance, and results." (Drucker, 1989)

Among non-profits, the different requirements of multiple constituents, and the heterogeneous objectives may lead to confusion or ineffectiveness (Kaplan, 2001). Ambiguous targets, often intangible or bundled in the case of non-profits, is the most difficult issue for establishing successful management control (Hofstede 1981). Studies have shown how non-profits may have very clearly articulated missions, around which they are built (Speckbacher, 2003), but that they fail to develop appropriate performance management systems measuring whether the organization has an impact on its' mission (Sheehan, 1996; Sawhill & Williamson, 2001).

Sport clubs in Sweden have their roots in a non-profit environment, and in a majority of the cases they are still organized as non-profit associations. Thus, the research on MCS in NPOs should be relevant in understanding MCS design in sport clubs. Whereas the sport club

stakeholders share an interest in winning on the field, they all have different other interests that do not always go hand in hand. It is likely that the sport clubs are structured around the mission to win on the field, but where NPO research suggests weak performance management systems, we also know that there is an ongoing trend towards professionalization and adoption of business practices, which suggests a higher adoption of MCSs among the more professionalized sport clubs. The initial adoption of such systems has been studied in the start-up setting, which we cover below.

2.4 MCS in small entrepreneurial firms/start-ups

In 1972, Greiner presented a growth model, in which he argued that there is a crisis of leadership in the end of an organization's first growth phase and where MCS systems need to be implemented. "Increased number of employees cannot be managed exclusively through informal communication […] and new accounting procedures are needed for financial control" (Greiner, 1972). Only recently have researchers begun to examine this argument in depth. Moores & Yuen (2001) mapped up the different types of management accounting systems used across the lifecycle of a firm, and identified the change from the birth phase to the growth phase as the point where these systems are formalized. This is due to increased organizational complexity, and the introduction of MCSs help free up manages' attention from processes that can be managed by exception whereas an informal management style requires constant personal interaction (Davila, 2005).

The transition from informal- to formalized control has become known as the *entrepreneurial crisis* since this is a stage where entrepreneurs tend to fail (Greiner, 1972). This transitional stage that growing companies go through could be compared to the professionalization process that sport clubs are going through as they become increasingly similar to small or medium sized enterprises in their management practices due to the commercialization of elite sports (Moore & Levermore, 2012).

There are two main streams of research related to the initial adoption of MCS. Firstly, case studies that describe how controls are adopted during the early years of a company (see for example Cardinal et. al., 2004; Granlund & Taipaleenmäki, 2005).

Secondly, a stream of studies on large samples of entrepreneurial firms that investigate the association between different organizational variables and MCS adoption. Variables examined include company size, age, strategy, CEO changes and venture capital investments (for

example Romano & Ratnatunga, 1994; Davila, 2005; Davila & Foster 2005, 2007; Sandino 2007, Davila, Foster & Li, 2009; Davila, Foster & Oyon, 2009, Davila, Foster & Jia, 2010).

Davila (2005) took an evolutionary perspective and investigated the adoption of HR systems in entrepreneurial companies and found that the adoption was associated with size, CEO transition and presence of venture capital investors.

Davila and Foster (2005) looked at a broader set of MAS among 78 start-up companies and presented evidence that there is an association between adoption of operating budgets and various measures of company performance (valuation, revenues and headcount). Also, they suggested that the MAS adoption decision is associated with the hiring of a financial manager, which supports the "import-in" notion of MAS where new managers bring controls and systems that they are used to from previous positions.

In their 2007 study, Davila and Foster build on their 2005 study, but broaden their scope to cover 46 different systems within eight different MCS categories (financial planning, financial evaluation, human resource planning, human resource evaluation, strategic planning, product development, sales/marketing, and partnerships) where they had previously only focused on systems belonging to the MAS part of MCS (financial planning and financial evaluation). They show the relevance of MCSs to the growth of start-up companies and conclude that financial planning systems tend to be most widely adopted at an early stage, followed by HR systems and strategic planning systems.

Sandino (2007) performed a survey based study on 97 early-stage US retailers, in which she found that they first adopt a set of "basic MCS" including budgets, pricing systems and inventory control. A second set of MCS was later introduced, with different components depending on the strategy of the firm.

Whereas historically there has been a belief that the formality and bureaucratic elements of MCS can jeopardize the success for entrepreneurial companies, these studies have challenged this belief by showing that a higher MCS adoption intensity is associated with higher growth (Davila, Foster & Jia, 2014).

2.5 Theoretical framework

2.5.1 Starting from research on initial MCS adoption

In order to understand the existence and structure of MCS in professional sport organizations, we develop a theoretical framework based on Davila, Foster & Jia's (2010) framework of eight MCS categories, which includes financial planning, financial evaluation, human resource planning, human resource evaluation, strategic planning, product development, sales/marketing, and partnerships.

The set of systems identified in Davila, Foster & Jia's (2010) framework are intended to capture the most important MCSs among start-up companies, which have been identified through previous research in the field. Their framework has been developed over several studies, and the addition of numerous MCS categories has created a comprehensive framework suitable for creating a holistic overview of formal MCS design. Although focused on a different field than sports, the similarities between entrepreneurial firms becoming more professionally managed and sport organizations going through a similar process by adopting routines and practices similar to private enterprises (Moore & Levermore, 2012), justifies this choice as suitable point of origin for the theoretical framework.

2.5.2 Modification of theoretical framework for sport organizations

In order to better suit the context of sports we make modifications to the initial MCS category structure of Davila, Foster & Jia (2010). For instance, concerning the financial evaluation category, we specify customer acquisition cost analysis as two-folded, one for sponsors and one for individual ticket buyers, since both groups could be considered customers in a sport context, but where the sales processes are very different. We also translate customer development plan to audience/fan strategy. Furthermore, the partnership management category is adapted to focus on sponsors and donors as the relevant partner relationships for sport organizations. Finally, traditional product development has limited correspondence in sports as the "product" is a package combined of emotions from fans, winning games, and development of both the game and youth talents. We have therefore modified this category with specific sport characteristics in mind, for instance by specifying youth development plans.

2.5.3 Additional MCS categories added to the framework

Furthermore, we add four additional MCS categories to the original framework of Davila, Foster & Jia (2010) in order to capture the unique performance management criteria for

professional sport organizations. More specifically, we add two sport specific categories related to player performance and team performance. In addition to this, we add one non-financial evaluation category and one action planning category which is focused on short term planning (up to twelve months). These additions were iteratively developed and validated by three sport club CEOs in the research planning phase.

The focus of the theoretical framework is on formal MCSs, as the conception is that sport organizations professionalize and adopt more formalized management practices to overcome the limitations of informal management systems. Our holistic theoretical framework ultimately consists of twelve different MCS categories with a total of 79 individual systems which is illustrated in appendix A.

3. Method

In this section, we explain our research approach of conducting a qualitative survey method in order to explore the MCS design in professional sport organizations. The process of collecting data, based on our theoretical framework, via an online survey tool as well as the steps of analysis is presented.

3.1 Research design

Following the definition of theory exploration made by Keating (1995), our research aims to map the complex phenomenon of MCS in sports that currently is inadequately explained by existing sport management theories. As mentioned earlier, we do so by constructing a framework based on existing theories on initial MCS adoption and through an iterative process modify it to be applicable in a sport setting.

In order to answer our research question, we apply a qualitative survey method to acquire a broad empirical dataset. This makes it possible explore the empirical diversity of MCS structures across different sport clubs and draw generalizable conclusions, rather than relying on a single in-depth case study. In comparison to a quantitative survey that typically aims to establish frequencies or distribution, the qualitative survey aims to explore the diversity of some topic within a population – in our case MCS design in professional sport clubs – and establish explanations for meaningful variation in relevant dimensions and values. (Jansen, 2010)

The selected population for our study consists of the teams in the two top leagues in Swedish male football and hockey respectively, namely Allsvenskan (1st league) and Superettan (2nd league) for football and Swedish Hockey League "SHL" (1st league) and Hockeyallsvenskan (2nd league) for hockey. Football has the highest popularity in Sweden in terms of number of registered players and number of clubs (RF, 2013) while hockey has developed a lot in commercializing arena experiences, and the Swedish Hockey League is considered one of the top hockey leagues in the world (Backman, 2012). Commercial media in Sweden has also been claimed to consist of 90% football and hockey related coverage, further illustrating the significance of these sports on society (Lindfelt, 2007). By including both the first and second league of each sport we are able to outline differences in MCS to different contexts and professionalization level. A cut-off was made by the 2nd league as clubs in lower leagues typically have small organizations with staff working on a voluntary basis rather than on a

professional basis, making them unsuitable to include in this context focused on professional sport clubs.

There are two basic distinctions for empirical studies, the open/inductive approach and the pre-structured/deductive approach. The inductive approach involves identifying relevant objects, dimensions and categories based on raw data from a context and building theory from that. The aim is to explore rather than verify theory in this perspective. On the other hand, the deductive approach starts with a pre-defined theory where dimensions and categories are set beforehand for which a hypothesis may be tested against to conclude whether characteristics exist empirically (Jansen, 2010). Since previous research on MCS design in professional sport organizations is limited, none of the above approaches are a direct suitable fit for our research design.

The process we use rather conforms to the definition of an abductive approach by Alvesson and Kärreman (2007), which serves as a combination of a deductive and inductive approach. A significant characteristic of such an approach is the iterative process of moving back and forth between data and theory to draw verifiable conclusions. Hence the process both explores theory from a context according to the inductive approach, as well as starting from pre-defined categories to build a structure that guides the analysis in order to see which characteristics exist empirically according to the deductive approach (Jansen, 2010).

In summary, we choose to apply a holistic perspective on MCS design with a focus on formal controls. Our intent is to extend the currently limited understanding of MCS structure in professional sport organizations, and whereas we acknowledge that informal controls are an important factor in the control of sport organizations, formal controls are better suited for case comparison in a survey than informal ones, because the latter leaves room for the subjectivity and perception of the individual. In accordance to the abductive approach, we extract MCS knowledge from fields other than sport to define the main topics to be studied, which guides our analysis of MCS in sport organizations.

3.2 Data collection

Before distribution of the survey, a pilot study was made with three different sport club managers to ensure that the survey was accurate and considered valid. Feedback was incorporated and the survey was iteratively modified in order to make the questions relevant in a sport setting, until it was deemed fully satisfactory by the pilot group. This process also

allowed us to understand the nature of the work in a sport organization and therefore optimize the survey questionnaire.

Full approval and support for the survey was awarded by the chairman for the league association of Swedish Elite football (an interest organization including the teams comprising Allsvenskan and Superettan) and the CEOs of the hockey leagues SHL and Hockeyallsvenskan. An advance letter, co-authored by the aforementioned chairman and CEOs, stating the purpose of the study was distributed prior to the survey in order to create motivation among the recipients to participate in the study.

The survey was sent to the manager/CEO of each sport club and asked them to identify which management control systems are used by each club to manage their operations. The data collected was based on the twelve categories of MCS systems (see appendix A) constructed in our theoretical framework. For each MCS category, a number of individual systems were presented where the respondent answered a closed-ended question, Yes/No, whether the system is adopted by the organization or not. In the case that the club has the MCS, they were asked to state how long they had been using it ((i) Less than 12 months, (ii) 1-3 years, or (iii) more than three years). In case they did not have the MCS, they were asked to indicate whether they were planning to implement it or not. The survey also offered an opportunity to add comments for each category.

Distribution of the survey was made electronically via e-mail to the total of 58 teams active in the four separate leagues, and filled out via an online survey tool. Reminders were sent out three times and a follow-up call was made for those who had not filled out the survey. If the respondent did not take the survey after a total of five follow up events (initial distribution, three reminder e-mails and one telephone call), they were excluded from the analysis. Out of the 58 surveys we received 51 responses, out of which 50 was fully completed and one response deemed inconclusive, resulting in 49 satisfactory survey completions and a response rate of 84% which could be classified as high (Evans, 1991).

The final sample was as follows:

Panel A: Sample selection

	No. (#)	Share (%)
Number of organizations targeted	58	
Number of respondents	51	88%
Less - incomplete or invalid surveys	(2)	
Final sample	**49**	**84%**

Panel B: League representation

	No. in sample (#)	No. Total (#)	% in sample
SHL	11	12	92%
Hockeyallsvenskan	10	14	71%
Allsvenskan	14	16	88%
Superettan	14	16	88%
Total	**49**	**58**	**84%**

Panel C: Position of the respondent	No. (#)	Share (%)
Club Manager	24	49%
CEO	12	24%
President	5	10%
General Manager	4	8%
Head of Secretariat	3	6%
Head of Finance	1	2%

Table 1 – Sample description

Additional secondary data was also collected including annual reports for the sport clubs, reports on the financial situation among football clubs made by the league associations as well as news articles regarding commercialization of sport and Swedish professional sports in general.

3.3 Data analysis

The responses from our survey were qualitatively analyzed based on sport, league, size and other organizational factors. The responses were coded together into various dimensions of league, sport and organization specific data. Secondly, patterns in MCS adoption, between both individual systems and categories, were analyzed to explore any empirical diversity, differences and similarities between the sports and leagues.

Furthermore, we analyzed relationships between MCS adoption and potential explanatory factors, for instance revenue, sport outcome and league position and manager tenure.

3.4 Validity and reliability

By executing the pilot study with club manager/CEO representatives from three sport clubs before launching the full survey, we made efforts to ensure validity of the study. Each control system was reviewed by the individual manager, who explained their interpretation of the question. Any differences between the respondents were followed up to ensure a consistent interpretation. The survey was made in Swedish and great care was therefore made to ensure that translation of control systems from English business vocabulary was clear in Swedish as well. A description of each individual system was also added to the survey to assist the respondent's interpretation and avoid overly academic jargon, in order to create consistency in responses.

Both in emails, telephone calls and in the survey we highlighted that all responses were to be treated anonymously to avoid interpretation bias from individual managers. We chose to send out one survey per organization, directly to the club manager/CEO. Similar studies, such as those by Davila and Foster (2005, 2007) send their surveys to multiple parties in each organization, and responses are then triangulated with any discrepancies clarified in interviews in order to increase the reliability. However, triangulating data from several sources from each organization would have been challenging to perform within the scope of this thesis, given time and resource constraints. Also, since the sport clubs studied vary in size and number of employees to a great extent, not all organizations have multiple individuals that would be relevant to inquire responses from. Consequently, in order to acquire a breadth of data and avoid unnecessary drain from the organization, a conscious decision was made to only send one survey to each club manager and treat each organization equally, regardless of size or league. Furthermore, the advance letter co-authored by league representatives to ensure commitment emphasized the value of self-reflection, we thus rely on the managers to respond at the best of their abilities.

4. Background and specificities of the sport context

In this section we describe the organization and historical development of Swedish sports, specifically with football and hockey in mind, seen as a contextual background.

> "Any journalist making such trite observations as 'it's no longer 'only a game'', 'it's all about the money these days' or, heaven forbid, the interminable 'sport has become big business' should have his or her salary docked and press pass revoked for stating the mind-numbingly obvious." (Andrews, 2001)

The fact that lots of money is involved in elite sports these days is clear when looking at European football. The top five leagues (Bundesliga – Germany, La Liga – Spain, Ligue 1 – France, Premier League – England and Seria A – Italy) had a total turnover of €9.8 billion in 2012/13 (Deloitte, 2014). Elite sport organizations around the world have been going through a change towards increased globalization, commercialization and professionalization over the last few decades (Houlihan & Green, 2008).

4.1 The Swedish elite sports context

The global commercialization trend in sport has also been noticed in the Swedish elite sports setting, especially for football and hockey that attracts some of the highest audience figures in Sweden (Lindfelt, 2007; Båvner, 1998).

Historically, Swedish sports come from a century old tradition of voluntarism and democracy, where sports were seen as a contributor to public welfare. Sport organizations have historically been structured as non-profit organizations in order to comply with regulations for governmental aid and to follow one of the primary fundamental values of Swedish Sports; everyone's equal right to participate (Stenling and Fahlén 2009).

During the last couple of decades elite sport organizations in Sweden have transformed from sport based on amateurism, voluntarism and non-profit objectives to a professional sport setting that largely builds on entertainment and commercial forces. Elite sport clubs are now earning significant revenue from advertising and sponsor deals, TV-licenses and ticket sales. Allsvenskan, reached a total revenue of SEK 1.2 billion in 2013, representing a CAGR[2] of 8% since 2004 (SvFF, 2014). The top ice hockey league, SHL, reached a similar level of revenue in the 2009/10 of SEK 1.3 billion, representing a CAGR of 11% since 1996 (Backman, 2012).

[2] CAGR = Compounded Annual Growth Rate

While the revenues have increased, so have the player compensations where a top ice hockey player earned a monthly pay check of roughly 14,000 SEK in 1984, which one decade later was closer to 200,000 SEK (Fahlström, 2001).

4.1.1. The organization and structure of Swedish sports

As early as 1928, the men's premier league clubs joined together in what is today Föreningen Svensk Elitfotboll. This League Association organizes the clubs at the two top tiers, Allsvenskan (top league) and Superettan (second league), comprising 32 clubs in Swedish Football today. There are also equivalent League Associations in ice hockey, SHL (top league), founded originally in 1955, and Hockeyallsvenskan (second league), founded in the 1990s, and the members consist of the sport organizations from each league. These league associations are involved in areas such as marketing, securing media and TV rights, commercials, league structures, licensing of revenues and the overall development of elite sports. These actions have contributed to the revenue growth of the elite sport clubs (Gammelsæter, 2009).

Today, the two top Swedish leagues in Football and Hockey consist of 58 teams in total, with the allocation as follows; Allsvenskan 16 teams, Superettan 16 teams, SHL 12 teams and Hockeyallsvenskan 14 teams.

4.1.2. Historical development of Swedish football

Football was first established in Sweden in the late 1800s after being imported from Great Britain. The clubs were subordinated to the amateur principles that characterized all sport in Sweden and organized as voluntary non-profit organizations. Until 1967 the amateur rules guided Swedish football and the guiding elements was to play, amateurism, sportsmanship and the will to win, not by gaining profits or return. Football clubs were operated by its members and truly embodied the voluntary spirit and neither players nor leaders were paid for their efforts (Billing et. al., 2004).

The Swedish Football Association (Svenska Fotbollsförbundet, SvFF) decided to dismantle the amateur rules in 1967, which resulted in a higher degree of organization of both the clubs and of the game, though still within the legal frames of a voluntary organization (Billing et. al., 2004). By the late 1990's, an agreement was struck between Swedish national television and Swedish Football Association that guaranteed clubs more money than ever before. Together with the Bosman ruling in 1995 it resulted in players receiving higher wages and opened up a full transfer market for players (Peterson, 2002).

The increasing spectacle of football grew the interests of sponsors to be involved in the game, and the coverage by media developed with elements such as commercial breaks and sponsors for individual games. These changes placed stress on the existing non-profit structure of sport organizations and voices were raised to allow private limited liability companies to be formed instead, as they were argued to be more suitable in the new professional setting (Båvner, 1998). In 1999, the Swedish Football association and Swedish Sports Confederation approved this change (Peterson, 2002). Today, four clubs out of the total of 32 elite football organizations are organized as limited liability companies.

4.1.3. Historical development of Swedish hockey

Swedish hockey made its first appearance in the early 1920s when the Ice Hockey Federation was established. At first the sport lacked money and had to rely on support from wealthy individuals and voluntary work to survive. It was not until the 1950s that the interest for the sport took off, following investments in indoor hockey rinks and popularity for a few elite teams was established (Backman, 2012).

The Swedish Sports Confederation allowed advertising on player clothing and on ice rinks during a trial period in 1959-1960. It turned out to be a revenue success for the sport organizations and became a standard for the entire league. The popularity for ice hockey rose during the 1960s as the national team's successes in the World Cup and Olympics was broadcasted on TV (Stark, 2006).

A top premier league for the best teams, what is today known as SHL, was formed in 1976 which had a new league structure as well as a play-off system. The main reason for this implementation was to significantly increase revenues for the best clubs and improve player quality by removing the worst teams and offer more competitive compensation to players (Backman, 2012). A more even game attracted viewers, while the risk of relegation became a threat for clubs as the loss of potential revenues and media coverage was substantial.

During the 1980's, full-time contracts with higher salaries and longer time periods were being offered to professional hockey players in Sweden. Significant sponsor contracts were signed centrally with the Swedish Ice Hockey Federation and the money allocated to the teams in the league. When the Swedish monopoly for TV rights was abolished 1987, new broadcasting owners financed by advertising were able to acquire the rights to SHL, which paved the way for the sharp increase in media revenues to Swedish elite hockey organizations (Färm & Lindström, 1997). Salaries for professional hockey players increased even further during the

early 2000s with the average player being paid more than twice as much as the average state employee (Backman, 2012). Audience numbers were 2 million for the 330 games during the ordinary SHL season 2014/2015 (SHL, 2015).

4.1.4. Unique aspects of Swedish sports

As a result of the increased commercialization of hockey and football during the 1990's, the Swedish Sports Confederation decided in 1999 to allow corporatization of sports teams – i.e. that they are allowed to be organized as limited liability companies. However, at least 51% of the shares must be owned by the member associations (Båvner, 1998). This ensures that the control of the club remains with the members rather than private corporations and investors. Only a handful of the teams have chosen to form LLCs, with the majority remaining non-profit membership organizations.

Whereas some countries have closed league structures with a set number of teams, such as the Finnish hockey league SM-liiga and the American NHL, Sweden has an open league structure both in hockey and football. This means that depending on their performance on the field, teams can move up and down between the different leagues. However, in order to ensure that the sport clubs in the highest leagues maintain a sufficient level of financial stability and organizational capabilities, both the Swedish Football and Hockey associations have introduced an elite license, which puts a number of demands on the sport clubs. In hockey, the elite license was introduced in 2004 and applies to all teams in both SHL and Hockeyallsvenskan. The rules are related to financial stability, organizational capabilities, youth activities and arena size. If a club does not fulfil these requirements, the elite license may be revoked leading to a mandatory relegation to a lower league with a resulting large revenue loss due to lower sponsorships, TV-rights and ticket sales. For minor breaches there is no relegation to a lower league, but the club can be fined up to 500,000 SEK. There are similar license criteria in football (SHL elite license, 2015; SvFF elite license, 2015).

5. Findings from the study

In this section we present the result from our survey, firstly illustrating overall MCS system adoption and relationship to organizational size and strategic outcome in sports. We then proceed to develop an initial framework of MCS design in sport organizations as they move through three stages of professionalization.

5.1 Overall system adoption – relationship to organizational size

Through the survey we collected data from the club managers regarding the adoption of formal MCS clustered around twelve different categories. After coding and interpreting the data, a number of patterns and relationships appeared.

Comparing the four different groups of sport clubs in figure 1 we can conclude that the greatest difference in MCS adoption exists between the top and second league in each sport, rather than between the two different sports[3]. The level of formal MCS adoption is on average 15 – 20% higher in the top league compared to the secondary league. The figure below presents MCS adoption levels for the sport organizations in our survey – i.e. what share of the 79 individual control systems included in the survey that on average is adopted among the clubs in each league.

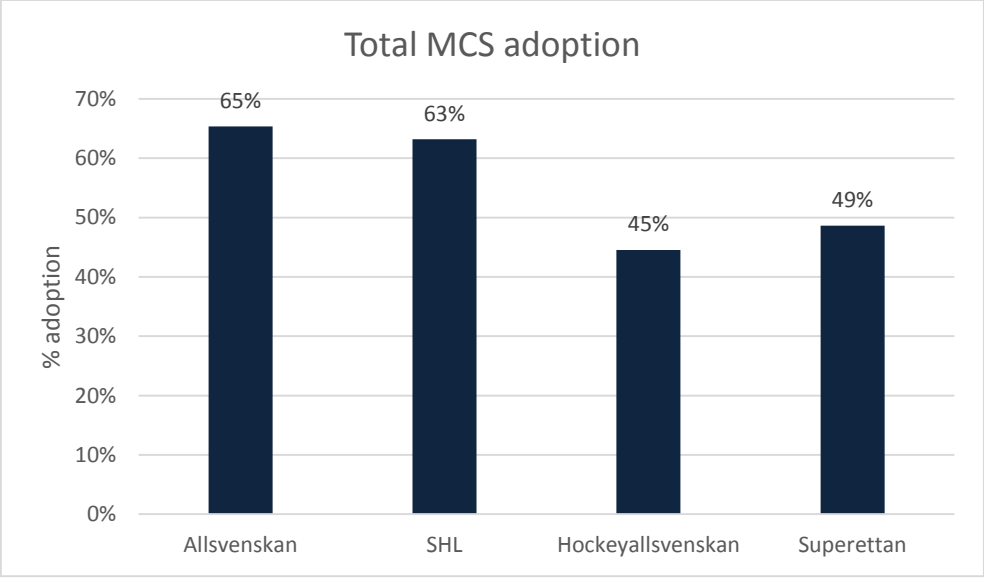

Figure 1 – Total MCS adoption levels per league (n= 49)

One pattern that becomes apparent is the positive association between size of an organization and adoption level of formal MCSs. It is generally the case that the size of a sport organization,

[3] An overview of adoption differences between the sports is available in appendix E

using revenues as a proxy in our case, increases as a team advances up the league structure, since sport organizations in the top league earn higher revenues as media rights are sold for more money and higher attendance numbers for the games are achieved, which in turn increases the value and revenue earned from sponsor deals.

Figure 2 below further explores this relationship between the size of an organization and total MCS adoption[4]. Dividing the teams into three groups, high, medium and low, based on two year average yearly revenues[5], a positive relationship between size of revenues and formal MCS design is identified.

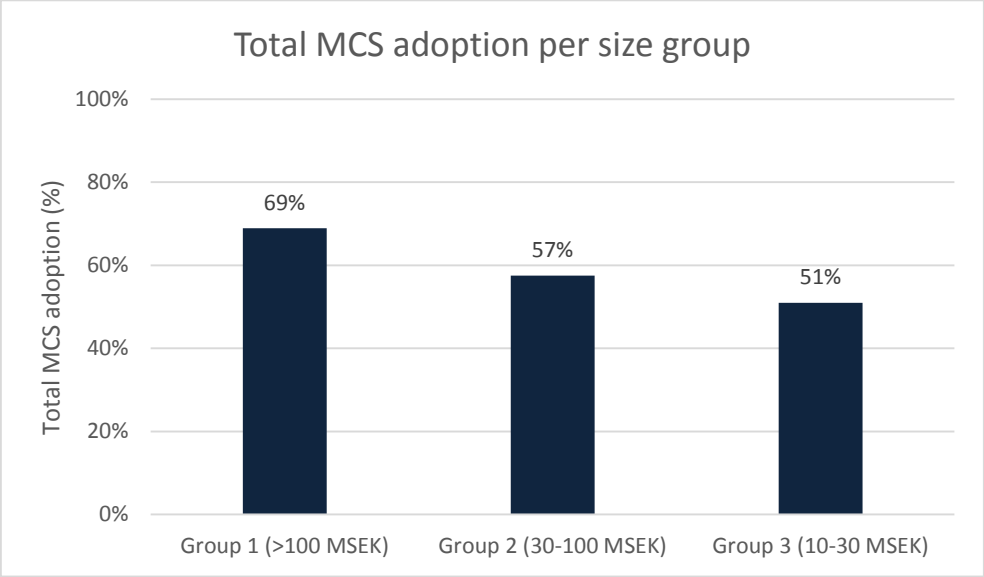

Figure 2 – Relationship between MCS adoption and average revenue for last two years (n=36)

Extending the size – MCS relationship analysis to uncover differences between the different leagues, football (Allsvenskan and Superettan) and hockey (SHL), the findings seen in in figure 3 are mixed. Higher revenue for a team in Allsvenskan and Superettan is positively associated to higher intensity of formal MCS design. In SHL, teams that are placed in the middle of the revenue range has a higher adoption of formal MCS than the largest organizations in their

[4] Clubs in Hockeyallsvenskan excluded, since financial data is not publicly available.
[5] Average revenue is used in order to reduce the impact of one-off events. Using two years for the average is in order to ensure a relevant comparison between current MCS adoption and revenue, given that MCS adoption changes over time.

hockey league. This finding suggests that while some positive association between size and formal MCS design exists, it is not a one-to-one relationship.

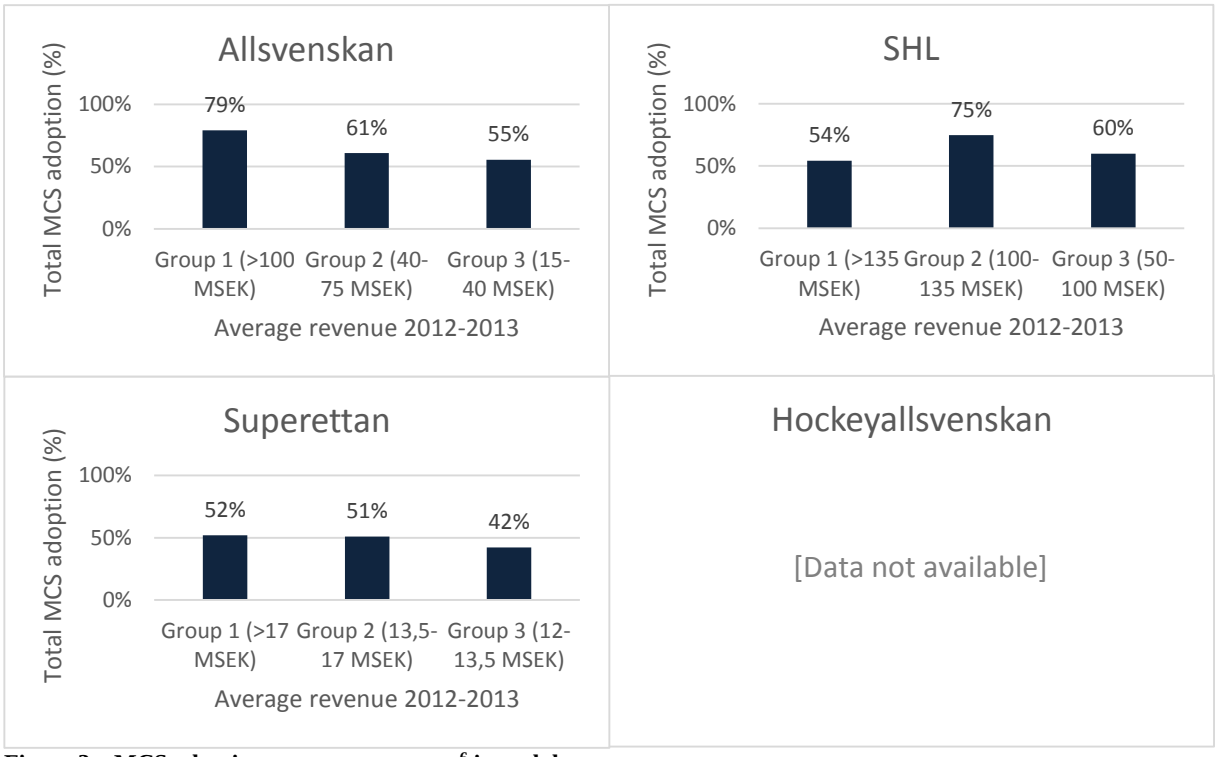

Figure 3 – MCS adoption per revenue group[6] in each league

Size has in previous literature consistently been identified as a factor that influences the structure of an organization (Chenhall, 2003). Our findings suggest that also for professional sport organizations, size is a factor which has implications on the structure of an organization, specifically with regards to the management control structure. This finding also corresponds to the conclusion of Davila, Foster and Jia (2010) stating that the start-ups that reach the largest size are also those with the highest adoption of MCSs. Although, in their study the size element is based on headcount while we use revenue as a measure of size, since we consider this as a more comparable variable due to complex variation of voluntary vs. full-time classification of headcount among the sport clubs. The findings also confirms the size and structure relationship suggested by Amis & Slack's (1996). Although not an inherently surprising result, our study verifies that a similar size – structure relationship found among voluntary sport organizations also holds true in the context of professional sport organizations.

[6] Number of clubs per group: Allsvenskan (5, 4, 5), SHL (4, 4, 3), Superettan (4, 3, 3). Hockeyallsvenskan excluded since financial data is not publicly available.

5.1.1 MCS and sport performance

As MCSs are used to assist managers in steering an organization towards its strategic objectives (Anthony & Govindarajan, 2007), a related question is raised regarding how MCS adoption is associated to the outcome in sports? The following section explores the relationship between formal MCS design and on-field performance. We focus the analysis on sport performance as utility maximizing clubs tend to sacrifice operating profits to achieve on-field advantage (Stewart & Smith, 2010).[7]

Arranging the teams in league one into three groups based on their historical position in the league table by the end of the season; top, middle, and bottom third, a relationship pattern appears in figure 4. Those sport organizations that perform better on the field tend to also have higher intensity of formal MCSs.

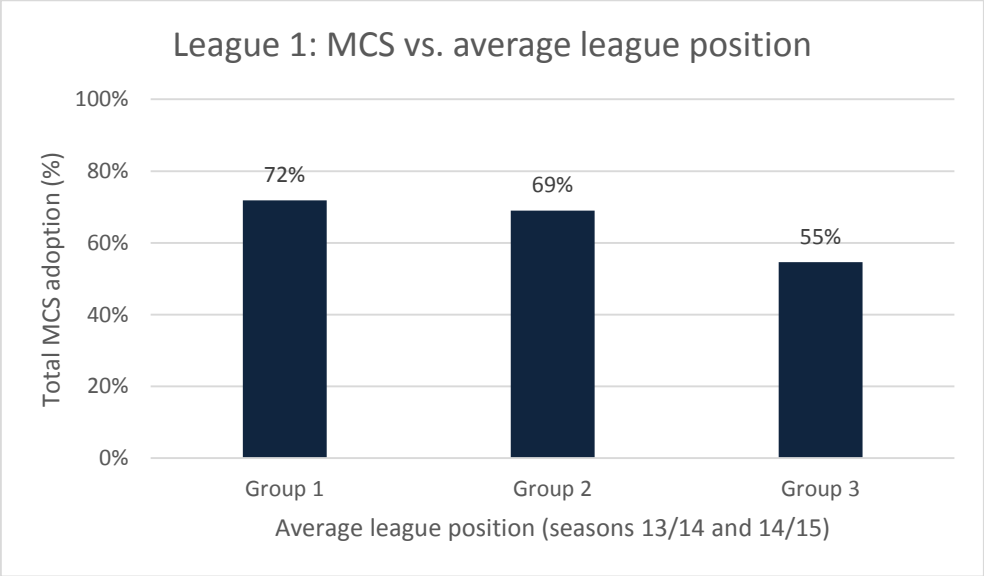

Figure 4 – MCS adoption broken down on average league position, league 1[8]

Executing the same reasoning for the teams in the second league in figure 5 we see a somewhat similar pattern of the top-performers to have a higher adoption of MCSs. Although the teams placed in the middle of the table have somewhat lower MCS adoption than those who fight for survival at the bottom third. This is however only a small deviation, and not too surprising given that there are many different factors that affect league position, such as having key players, the right coach and a strong winning mentality. These are strategic uncertainties that

[7] An early analysis was made to uncover the relationship between MCS structure and profitability. However, no clear or significant relationships between MCS structure and profitability could be established, regardless of looking at total adoption or any category specifically, such as financial planning or financial evaluation.
[8] There are 8 teams in each group

are influenced by many other factors than solely MCS structure. However, it is indicated from our study that a higher adoption of formal MCSs is positively associated to successful sport outcome.

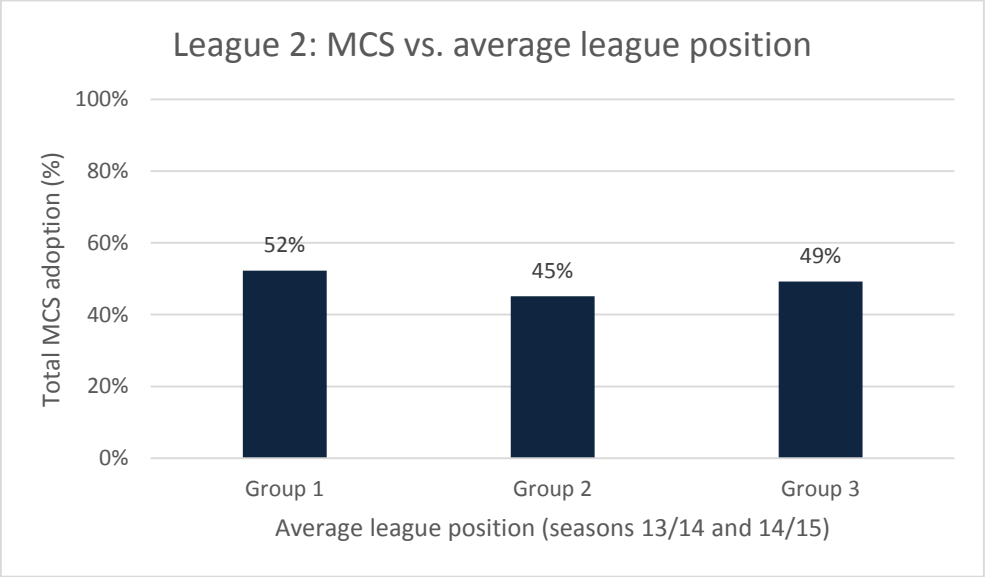

Figure 5 – MCS adoption broken down on average league position, league 2[9]

In summary, one should be aware of the relative relationships in commercialized sport where revenue and profits are related to achieving a strong sport performance, and that winning in turns leads to profitability (Foster et. al. 2006; Gerrard, 2005; Deloitte, 2014). A larger sport club with higher revenue and monetary strength can attract and recruit individuals with specific qualities and experience; both administrative staff and unique players for the team, which ultimately improves the performance.

In terms of MCS adoption and relationship to strategic outcome, the positive association between formal control and sport performance corresponds to the finding of Davila, Foster & Jia's (2010) relationship between MCS adoption, higher growth and implicitly company valuation. Whereas we cannot claim that a higher MCS adoption generates on-field success – that would be a naïve reading of the results – it is clear that there is a positive association between MCS adoption, size and sport outcome.

5.1.2. Formal MCS design in sport organizations

While above findings are based on MCS intensity on an aggregated level, the actual MCS design consists of multiple individual systems and routines that are adopted according to the

[9] Number of teams in Group 1: 7, Group 2: 8 and Group 3: 8

needs and resources of an organization. Figure 6 presents the MCS adoption levels of the various categories for sport clubs in the top and second leagues respectively, which is the dimension with the largest difference in adoption. For comparisons of adoption per category along other dimensions, such as between the two sports and between clubs organized as non-profit associations vs. as sport corporations[10], please refer to appendix E.

The figure shows the average adoption for league 1 vs. league 2 of *all* systems within each category, sorted according to the adoption level among clubs in the top league.

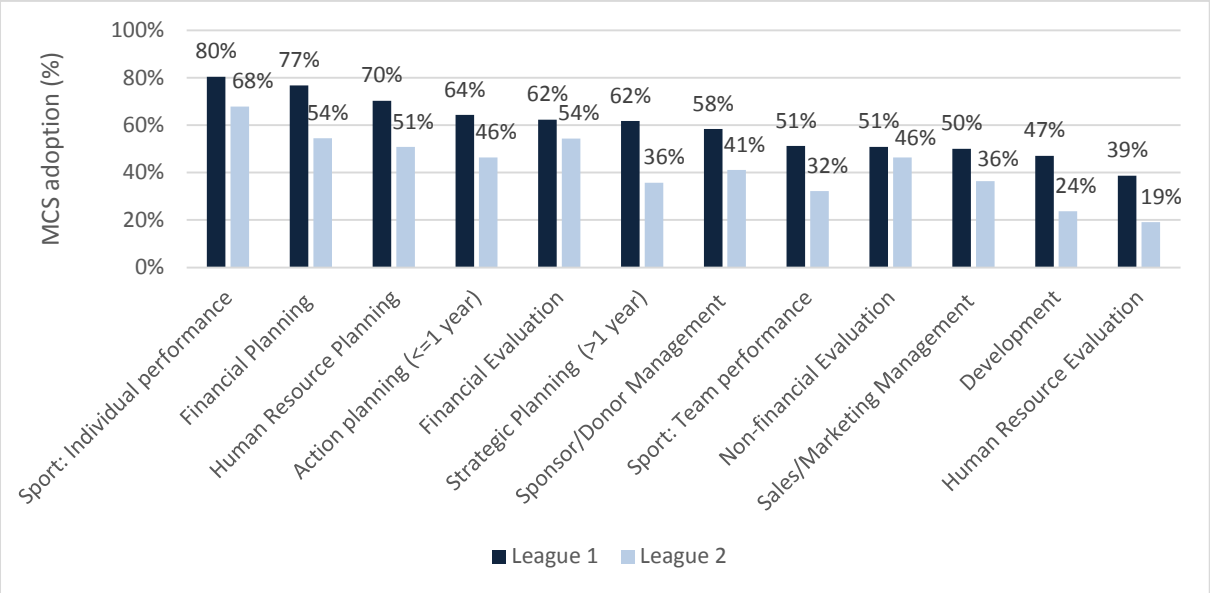

Figure 6 – Adoption of the different MCS categories – full sample

We find that all of the twelve different categories are present in professional sport organizations, although to various extent. The teams in the top league have a consistently higher adoption of formal MCS than the teams in the second league, across all categories.

The adoption levels illustrated above are in some ways in line with adoption among start-up companies. For example, financial planning and human resource planning tend to be the categories with highest adoption among start-ups (Davila & Foster, 2007). However, looking at human resource evaluation, which is one of the categories with the highest adoption among start-ups, we find it has the lowest adoption of all categories in the sport context. This might seem surprising, but we need to acknowledge that whereas steering employee behavior, measuring employee performance and incentivizing the employees are highly relevant in a start-up setting, the administrative staff in a sport club do not have the same impact on a sport

[10] "Idrottsaktiebolag" in Swedish, described in section 4.

club's primary goal – to win on the field. Rather, the sport club equivalent of this category could be seen as the "Sport: individual performance"-category, which is the category with the highest adoption across both the first and second leagues.

The difference between the two leagues is largest for systems in the strategic planning and development categories, where top league clubs place higher emphasis than second league clubs. Among start-ups, strategic planning is one of the categories with the highest adoption, and one that has a high level of adoption very early in the companies' lives. In sports however, the adoption level is lower compared to other categories, specifically for clubs in the second league. A potential explanation to this could be the fact that the entrepreneurial start-up companies in the high-tech sector studied by Davila and Foster (2007) operate in an environment characterized by a high level of uncertainty, where strategic planning is important in order to bring clarity to where the organization is headed. Sports on the other hand is characterized by a higher level of certainty and structure – not in terms of on-field success, which is affected by many different factors – but in terms of business model and products (Stewart & Smith, 2010). As a manager in a professional sport organization, you know that there is a fixed number of games to be played each season, and the product offering is relatively fixed. Thus, one could argue that the need for strategic planning and development MCSs is lower in a sports context than among start-ups.

For a full break-down of the 12 categories into individual systems, please see appendix C.

5.2 Formal versus informal control

In our attempt to explain MCS structure for professional sport organizations we have found that there is an overall relationship between size, sport performance and MCS adoption for the clubs in our sample. Clubs in the first league on average have higher MCS adoption than clubs in the second league. However, there is also a large intra-league diversity in formal MCS adoption, illustrated in figure 7 below, which is not fully explained by this identified overall relationship.

There are for instance a few clubs from our sample in league two that have a higher adoption than a number of teams in league one, which is somewhat contradictory in relation to the findings in the previous section. Also, there are examples of some of Sweden's largest and most successful sport clubs that have a relatively low adoption of formal MCSs. This variation probes further questions regarding why some clubs choose to adopt formal control systems,

whereas others continue using more traditional informal controls. What are the underlying reasons that drive the decision to adopt more formal MCSs?

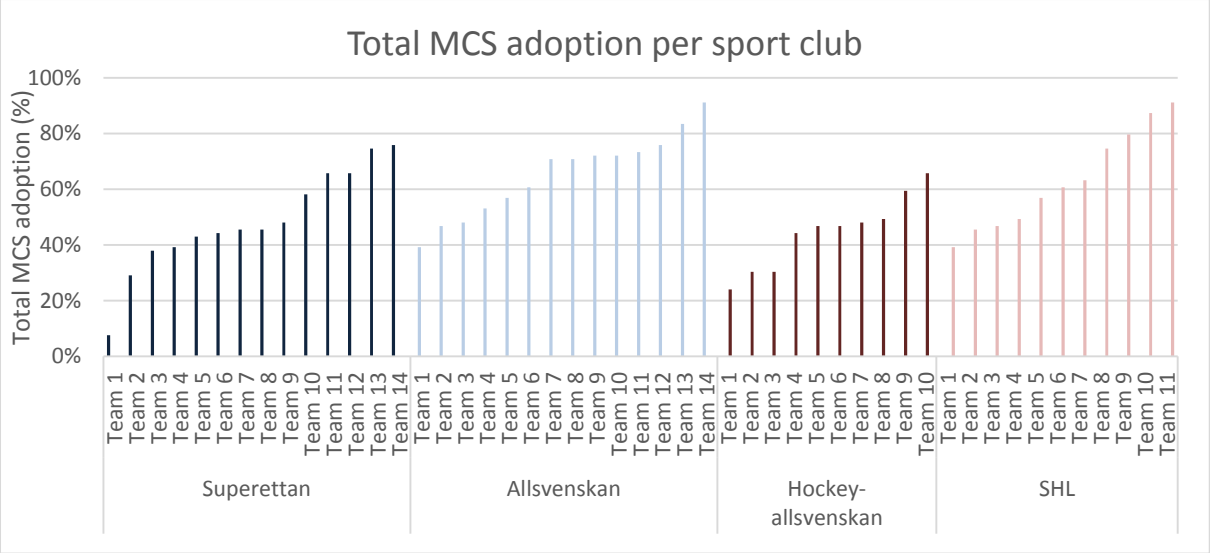

Figure 7 – Total MCS adoption per sport club (ordered by adoption intensity)

Literature on initial MCS adoption among start-up companies points toward a number of possible reasons and needs that may drive the adoption of formal controls, such as the need to manage complexity of increased number of employees, which can be challenging using informal controls (Greiner, 1972). In a series of papers Davila (2005) and Davila and Foster (2005, 2007) document several different reasons that could drive adoption of formal MCS, "one of them being reaction to a crisis; others include (1) the 'import in' concept, (2) codify learning, (3) manager's perceived need, (4) contract with external parties and, (5) legitimizing the company vis-à-vis external partners" (Davila, Foster & Oyon, 2009)

While we are unable to provide any definite answers to this question, we find tendencies – illustrated below in figure 8 – that point toward (a) that a lower level of formal MCS adoption is associated with a more recent change of club manager, and (b) that new managers are more likely to adopt more new formal MCSs than managers with a longer tenure, which is in line with the "import-in" concept, where formalization of MCS is related to the hiring of a new club manager who imports knowledge of MCS based on previous experiences and employs it into the new sport organization (Davila & Foster, 2005). The most recently hired managers (less than two years tenure) on average plan an adoption of MCSs that represent an increase of 16 percentage points, from 49% to 65%, whereas managers with more than five years tenure only plan further MCS adoption representing an increase of 6 percentage points.

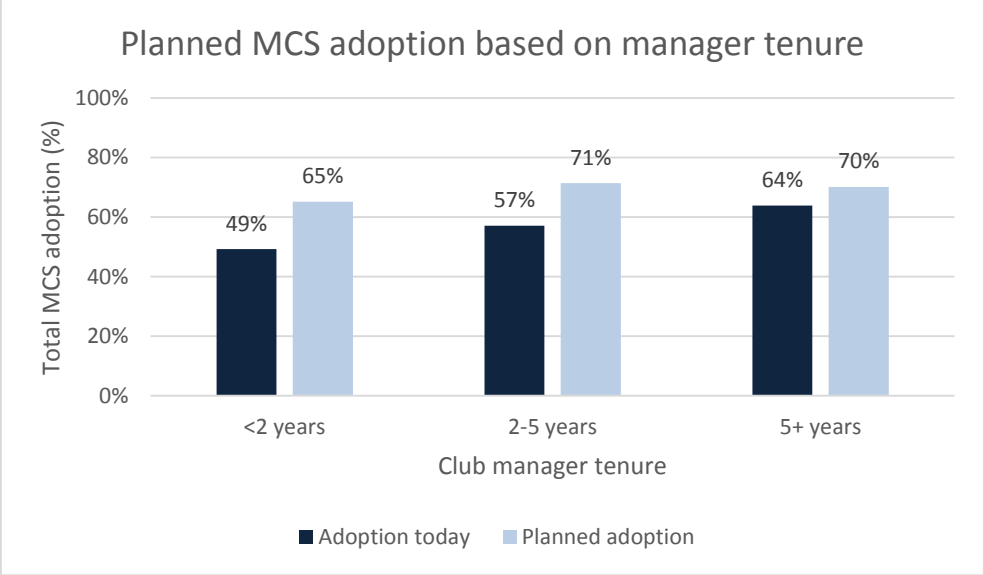

Figure 8 – High adoption activity among recent hire managers indicating support for the import-in practice [11]

The findings so far have provided an overview of MCS adoption for professional sport clubs in Swedish football and hockey and highlighted a number of relationships and patterns. These patterns raise a related question: Is there a way to conceptualize the MCS design as sport organizations become increasingly professionalized?

5.3 Towards a framework for understanding MCS structures in professional sport clubs

The review of previous literature displayed a general gap in empirical understanding of MCS structures in sport organizations (Byers et. al., 2007; O'Boyle & Hassan, 2014), despite several claims of sports being professionalized and adopting business practices from private enterprises (Peterson, 2002). While sport organizations may become increasingly similar to small and medium sized enterprises (Moore & Levermore 2012), Stewart and Smith (2010) also emphasize the special features of sport management practices that need consideration in controlling sport organizations successfully, suggesting that applying control characteristics directly from small or entrepreneurial companies into sport organizations and expect it to function perfectly would be naïve. There are aspects to the MCS structure of sports organizations that are inherently unique and yet to discover.

Combining the collection of texts in sport management and initial MCS adoption among start-ups (Davila, Foster & Jia 2010), we suggest that there are underexplored linkages to develop.

[11] Number of clubs per group: <2 years: 20, 2-5 years: 15, 5+ years: 14

We therefore aim to make steps towards a framework for MCS structure as a sport organization becomes increasingly professionalized.

Our ambition is to understand (i) if there are any patterns in how these systems are adopted, and (ii) which systems are the most central vs. not so central in managing professional sport organizations. We thus seek to identify the sequencing of the *core systems* adopted by the sport organizations through different steps of professionalization.

As a first step, we divide the organizations into three levels of professionalization, measured by their total adoption rate of MCSs. The MCS adoption rate serves as a proxy for professionalization (Taylor, Doherty & McGraw, 2008, p. 277 as cited in Skirstad & Chelladurai, 2011), and works as an indicator of the level of formalization of the control in the organization.

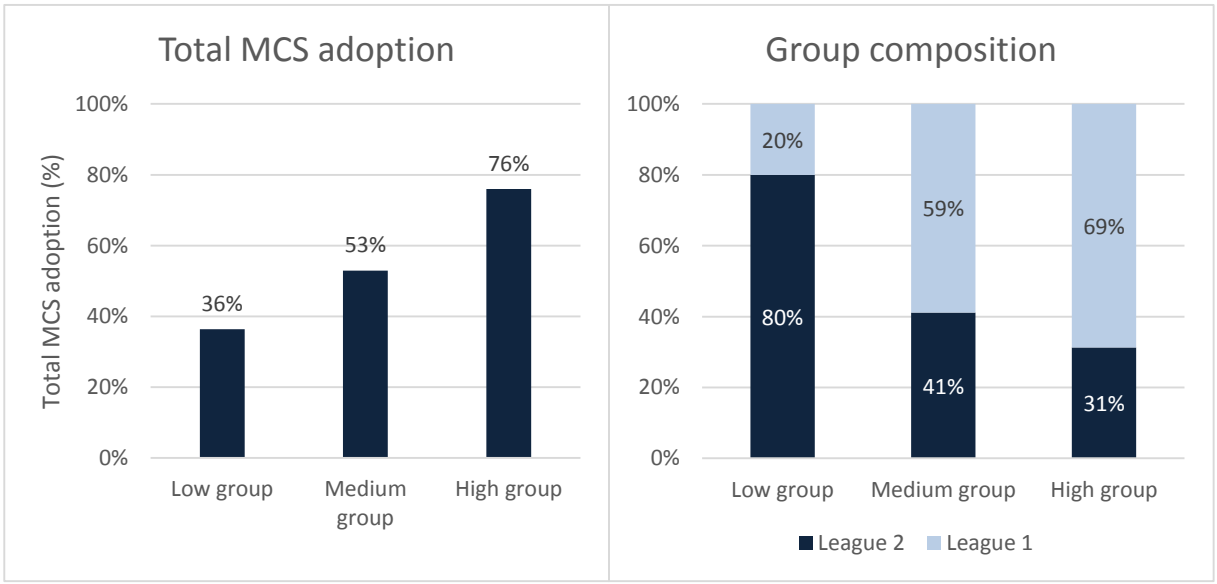

Figure 9 – Clubs divided in three groups based on total MCS adoption[12]

Secondly, we examine the level of adoption for each of our 79 individual control systems for the three identified groups respectively, illustrated below in figure 10.

[12] Number of clubs in each group – Low: 15, Medium: 17, High: 17

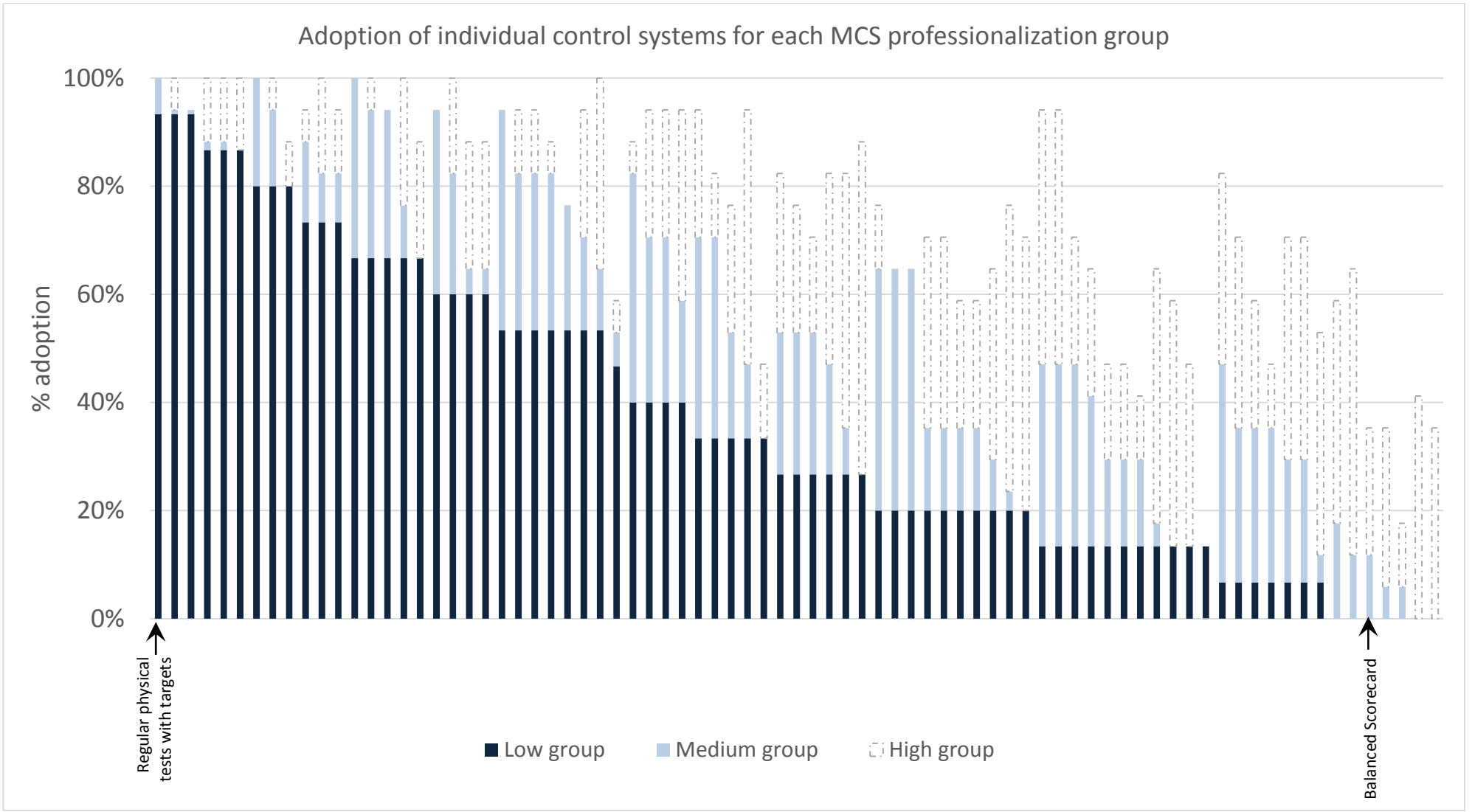

Figure 10 – MCS adoption per individual MCS for each MCS professionalization group

The figure shows that there is a pattern in the MCS design among the professional sport organizations, where a number of systems are clearly more important than others. For example, the column to the far left in the figure shows adoption rate for the system "regular physical tests with targets", which is used by most sport organizations independent of their level of professionalization. Towards the other end of the figure, we find "Balanced Scorecard" with a much lower adoption level.

As an organization increases in MCS professionalism, two things happen. Firstly, the adoption rate for systems used by clubs in the Low adoption group tends to increase, for instance the routine physical tests exist in 93% of the clubs classified as Low, while the Mid- and High professionalization group have 100% adoption. Secondly, new systems are introduced, for instance Balanced Scorecard has 0% adoption among the Low group, but 12% adoption in the Mid- group and 24% adoption in the High group.

For each of these three groups we seek to understand which MCSs serve as the *core systems* (i.e. systems adopted by a vast majority of the clubs in each group), and how the MCS design differs between the three groups. In order to achieve this, we apply a cut-off point of minimum 75% adoption of the system by the organizations in each group. Through this analysis, we are able to identify the systems most commonly adopted through the different levels of professionalization.

5.3.1 Group A: Low level of MCS professionalization

Looking at the group with the lowest total MCS adoption of 36%, there are a total of 9 core systems belonging to five different MCS categories; financial evaluation, Sport: individual performance, Sport: team performance, sales/marketing management and development. Among the 9 individual core systems, the average adoption is 87%.

These 9 systems constitute the core MCS setup among the clubs with low formal MCS adoption and are likely to be among the first MCSs adopted for a professional sport organization set out to formalize their management controls.

Core MCS systems in the group with Low MCS professionalization		
MCS Category	**Individual MCS**	**% adoption**
Financial Evaluation	Routine analysis of financial performance against target	**87%**
	Player purchase approval procedures	**80%**
	Evaluation of financial implications of player purchase	**80%**
Sales/Marketing Management	Targets set for annual ticket sales, sponsorships and merchandise	**93%**
	Sales targets for salespeople	**87%**
Sport: Individual performance	Regular physical tests with targets	**93%**
	Routine analysis of physical tests versus set targets	**80%**
Development	Development plan for youth teams	**87%**
Sport: Team performance	Goals for league position at end of season	**93%**

Table 2 – Core Systems in the group with the lowest overall MCS adoption

Looking at the individual systems adopted, the two systems related to individual player performance (regular physical tests with targets, and routine analysis of the physical tests towards targets) are clearly linked to the primary objective of the organizations; to win on the field. Linked to the sport performance is the "development plan for the youth organization", defined as that there is "a plan in place to develop young players to join the club's top team", as well as having routines in place for approving player acquisitions and analyzing the financial impact of such acquisitions. Lastly, there are also targets for annual sales, individual sales targets for the sales staff and regular follow-up of financial performance versus targets. Together, these systems could be seen as the equivalent of Sandino's (2007) "basic MCS", which are among the first systems adopted.

Davila et. al. (2005, 2007, 2010) conclude that the systems most likely to be adopted early by start-up companies are related to financial planning, HR planning and strategic planning. Among these systems, the operating budget is a core system early in the MCS adoption. This is however not the pattern we can see among the professional sport organizations, which is somewhat surprising as we would intuitively expect an operating budget to be among the first systems adopted given the central role budgets have among MCSs in most organizations.

However, this is more understandable when considering the fact that these teams operate in a setting with a fixed number of games played each year, which makes the yearly costs highly predictable (Stewart & Smith, 1999, 2010). One of the largest cost pools for these clubs is

player salary costs[13] which are mainly fixed unless players are bought or sold. Buying players could have large effects on the club's cost base. However, there are routines in place among the low MCS intensity clubs to analyze the financial implications of player purchases. Among the financial components, there is more potential for variation in the revenues which depends on factors such as game attendance, season ticket sales, sponsorship and merchandise sales. Whereas the forecasting of revenues and cash flows are not among the core MCSs in this group, there are however MCSs in place for setting annual sales targets and allocating these to the sales staff, which could be seen as a predecessor of forecasting. The performance versus these targets is followed up regularly.

With regards to the lack of HR planning MCSs, which would also be expected if the sport clubs followed the same MCS adoption patterns as the start-ups studied by Davila (2005), the argument for early adoption among the start-ups is that steering employees in the same direction is a central aspect for the start-ups. However, with on-field success being the primary objective in accordance to the view of utility maximization (Stewart & Smith, 2010), it makes intuitive sense to first adopt systems clearly related to this objective – in this case the systems for player and team performance.

5.3.2 Group B: Medium level of MCS professionalization

In the medium group, with an average MCS adoption of 53%, the number of core systems have almost tripled to a total of 24 systems. The 15 *additional* core systems are illustrated in table 3 below. The average adoption among the core systems is 88%.

[13] In 2013 salary costs among the clubs in the top Swedish soccer league, Allsvenskan, ranged from 36% to 69% of total revenues with an average of 55%. (SvFF, 2014)

Additional core MCS systems in the group with Medium MCS professionalization		
MCS Category	**Individual MCS**	**% adoption**
Human Resource Planning	Vision statement	**100%**
	Organizational chart	**94%**
	Core values	**82%**
	Written job descriptions	**82%**
	Club identity	**76%**
Financial Planning	Operating budget	**94%**
	Cash flow projections	**94%**
	Sales projections	**88%**
Financial Evaluation	Operating expenses approval procedures	**94%**
	Capital investment approval procedures	**76%**
Non-financial Evaluation	Player council	**82%**
	Regular cross-functional meetings for non-financial matters	**82%**
Action planning (<=1 year)	Goals and actions for next 12 months	**82%**
Strategic planning (>1 year)	Recruitment plan for players	**82%**
Sport: Individual performance	Individual game statistics with systematic follow-up	**82%**

Table 3 – Core Systems in the group with medium MCS adoption

When analyzing the group with medium MCS adoption, the core systems have more resemblance with those identified by Davila and Foster (2005, 2007) as early adoption systems.

Firstly, with regards to the systems related to financial control, revenues and costs are now integrated in operating budgets and there is a process for forecasting revenues and cash flows. With regards to costs, there are apart from player acquisition routines also routines for approving operating expenses and capital investments.

Secondly, there are more forward-looking MCSs in this group – not only with regards to financial forecasting, but also in terms of having action plans and strategic plans for player acquisitions in order to strengthen the team and ensure future talent and quality in the team.

Thirdly, the medium intensity group also have a more formalized organization and identity in terms of HR planning systems such as organizational charts, core values, club identity, vision and written job descriptions. There is also a higher level of formalization of interactions, both between players and administrators through the player council and between different parts of the administration through regular cross-functional meetings.

Lastly, in terms of sport performance the core systems in this group also includes regular reviews of player on-field performance. This could be seen as a more advanced MCS which

measures actual output/performance by the players, rather than only working with physical tests which is more input focused.

5.3.3 Group C: High level of MCS professionalization

In the group with the highest MCS adoption of 76%, there are 22 *additional* core systems versus the medium group, bringing the total up to 46 systems. Among the core systems, the average adoption is 91%.

Additional core MCS systems in the group with High MCS professionalization		
MCS Category	**Individual MCS**	**% adoption**
Sponsor/Donor Management	Recruitment plan for new sponsors	**94%**
	Sponsorship/donation milestones	**94%**
	Sponsor/donor monitoring systems	**94%**
	Policy for sponsorship/donations	**88%**
	Sponsor satisfaction feedback	**82%**
	Development plan for current sponsors	**76%**
Strategic Planning (>1 year)	Audience/fan strategy	**94%**
	Definition of strategic (non-financial) milestones	**94%**
	Investment budget (for future investments)	**82%**
	Investment budget including financing	**76%**
Sales/Marketing Management	Tracking of ticket sales vs. sales target prior to game	**94%**
	Market research projects	**94%**
	Marketing collaboration policies	**76%**
Human Resource Planning	Codes of conduct	**100%**
	Mission statement	**88%**
Development	Process for innovative use of technology for sport development	**82%**
	Development plan for handling of player data	**82%**
Human Resource Evaluation	Individual accountability assigned for target achievement	**94%**
Financial Evaluation	Regular cross-functional meetings for financial matters	**88%**
Action planning (<=1 year)	Aligned goals across functional areas	**82%**
Sport: Individual performance	Yearly development targets with systematic tracking	**88%**
Sport: Team performance	Result targets for each game	**76%**

Table 4 – Core Systems in the group with high MCS adoption

A new MCS category among the core systems in this group is the sponsor/donor management category, of which all six systems included in the survey constitute core systems in this group.

The fact that revenue from sponsors is a major component of the revenue mix[14] in professional sports makes it somewhat surprising that the category is represented among the core systems only for the group with the highest MCS adoption. There are also other core systems among this group related to revenues, such as the tracking of ticket sales for each game, regular market analysis, and audience strategy.

Another new category among the core systems is HR evaluation, represented through the system "individual responsibility for goal achievement". Aside from this system, the HR evaluation category systems have a low adoption with an average of only 46%, which is lower than expected based on the results by Davila & Foster (2007), as discussed in section 5.1.2.

5.3.4 Key differences in MCS structure between the groups

In summary, our efforts towards a framework for MCS structure in professional sport organizations provide the building blocks for understanding which systems are central through three stages of increasing formalization of control.

As a first step towards professionalization of MCS, organizations classified as having "Low MCS professionalization" tend to adopt sport-related controls, specifically related to players' physical abilities. While the cost structure is relatively predictable in a sport context, purchasing an expensive player can have a significant impact on a club's cost base. Organizations therefore adopt measures to control for both the quality and the costs of players. Since revenue typically is more variable than costs in the sport context, clubs with this level of professionalization tend to adopt systems such as goals for ticket sales and sponsorships. Overall, the core management controls at this stage are very basic in their nature.

Organizations in the second step, classified as having a "medium MCS professionalization", have a MCS structure with more resemblance to those adopted by start-up companies (Davila & Foster, 2005, 2007). The systems adopted are slightly more advanced, such as having an integrated view of their financial performance through a budget rather than only having sales goals, and there is an overall higher adoption of both planning and evaluation systems. Organizational controls such as HR planning are also formalized at this stage. This group also show tendencies of adopting more forward looking systems and controls.

[14] Among teams in the top Swedish football league, Allsvenskan, revenue from sponsors and advertisement amounts to roughly 30% of total revenues (SvFF 2009, 2010, 2011, 2012, 2013)

In the final group with a "High MCS professionalization", organizations adopt a large degree of forward looking systems such as long-term audience strategies, marketing projects and development plans. Overall, the management controls at this stage has a high level of formalization and are thoroughly structured. For example, instead of having a revenue forecast, these clubs tend to have specific systems for different revenue components, such as tracking of ticket sales for individual games, and a number of systems specifically for managing sponsors.

5.3.5 MCS in sport organizations in relation to traditional non-profit control

Previous literature identified control in non-profit organizations to be characterized by a lot of emphasis on articulated missions, but with limited ability to implement effective performance management control to verify that strategic outcomes are achieved (Speckbacher, 2003). In the context of professional sports we can conclude that this view holds little relevance. Sport organizations display a vast array of management controls for both sport and financially oriented objectives across all identified groups in our framework. Articulated vision statements are first considered a core system among the clubs in the group with a medium level MCS professionalization. However, this could be seen as so central to a sport club, i.e. the pursuit of winning games and achieving sport success (Stewart & Smith, 2010), that although they are not formally defined, they are likely to be well-known among the organization members on an informal level.

5.4 Next steps in MCS design

In the previous section we identified a number of *core MCSs* across three stages of MCS professionalization. Apart from these core systems, there are many other systems with varying degrees of adoption. This leads us to two further questions; (i) what are the current trends with regards to MCS adoption? And (ii) what systems currently have the lowest adoption levels, and could thus be seen as less relevant in a sport context?

5.4.1 The next steps in management control for sport organizations

In the survey, we not only asked whether systems were implemented or not, but also whether the club have plans to implement the specific system in case they currently do not have it. The results can be seen in figure 11 below, which gives an indication of the relative importance of the different system categories and what the adoption might look like in the future. For example, this indicates that the adoption of the systems in the development category that currently only has a 39% adoption might increase by 18% to 57% in the future, whereas there are almost no plans to implement further systems in the "Sports: Team performance" category.

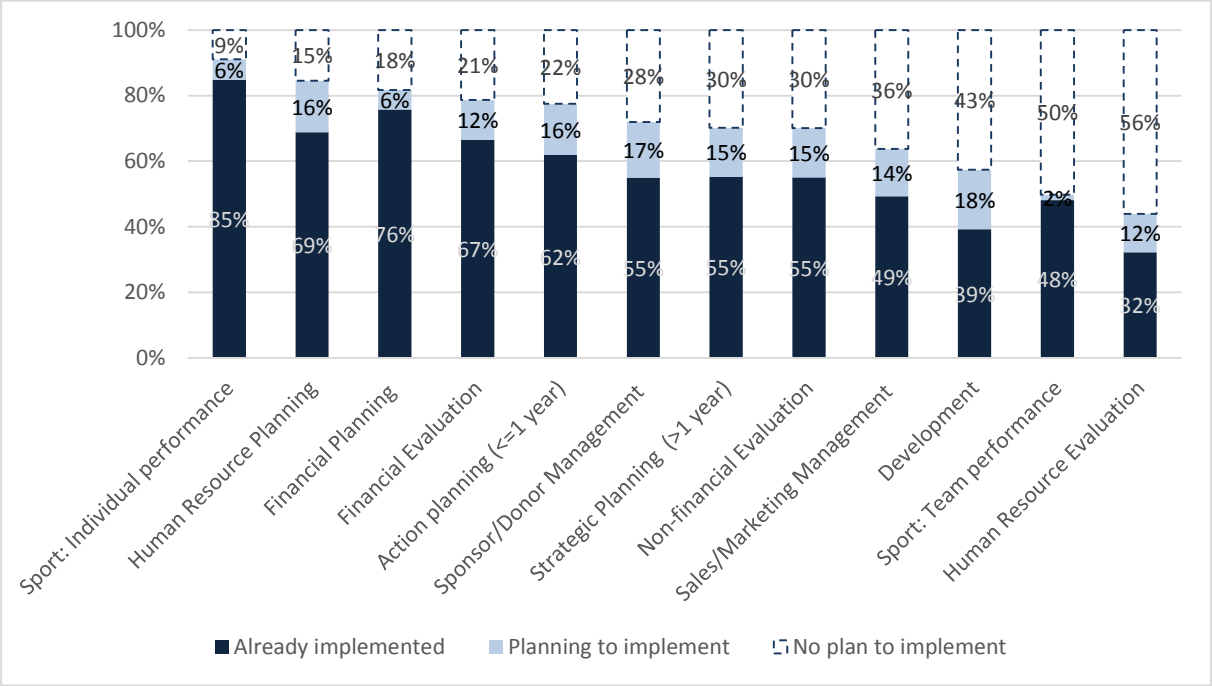

Figure 11 – Forward looking interest for specific MCS categories

The adoption of financial planning and sport controls, both individually and team focused, are considered to be satisfactory at current stage and only limited changes are expected in the near future. Larger changes are expected in the other categories where, if current implementation plans are executed, there will be an average 15% increase in adoption.

Looking at the individual systems that managers are currently considering to implement in the near future, there are 13 systems with a planned adoption of more than 20%, illustrated below in figure 12.

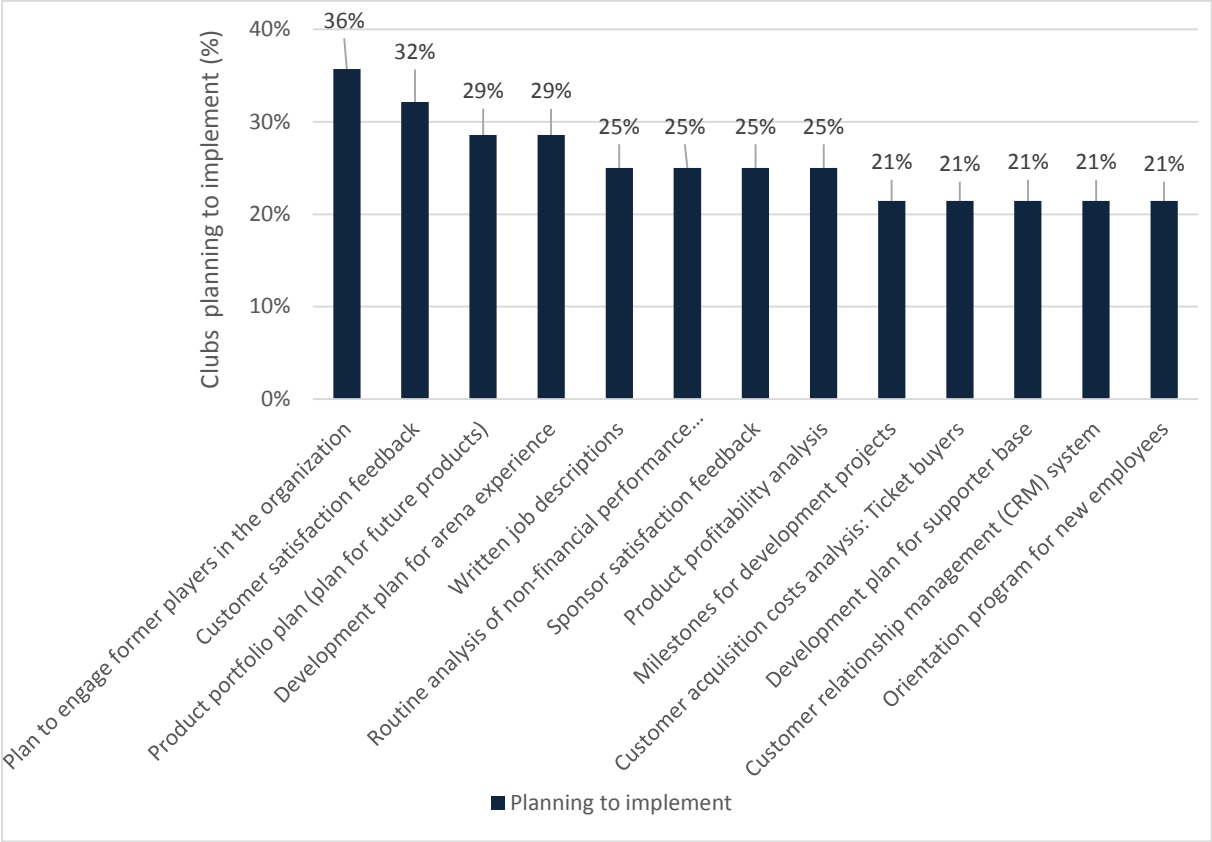

Figure 12 – "Trending" MCSs to be implemented going forward

Several of the systems with high planned adoption relate to the product being offered, such as implementing development plans for arena experience, supporter base and for the product portfolio going forward, as well as having milestones for these development plans. Other systems relate to stakeholder satisfaction, such as implementing CRM systems and regularly measuring customer satisfaction and sponsor satisfaction.

Another group of systems relate to following up performance such as profitability analysis per product, analyzing costs of customer acquisition as well as regularly analyzing non-financial performance versus targets.

Lastly, there are some systems related to HR, such as having written job descriptions, introduction programs for new employees and a plan to engage former players in the organization.

5.4.1 Identifying the non-core systems

Among the 79 systems included in the survey, there are a number of systems with a low adoption rate independent of the degree of professionalization. These individual controls seem to be of limited interest for sport organizations and could possibly be excluded in future

research on MCS in professional sport organizations. An overview of these systems are included below in figure 13.

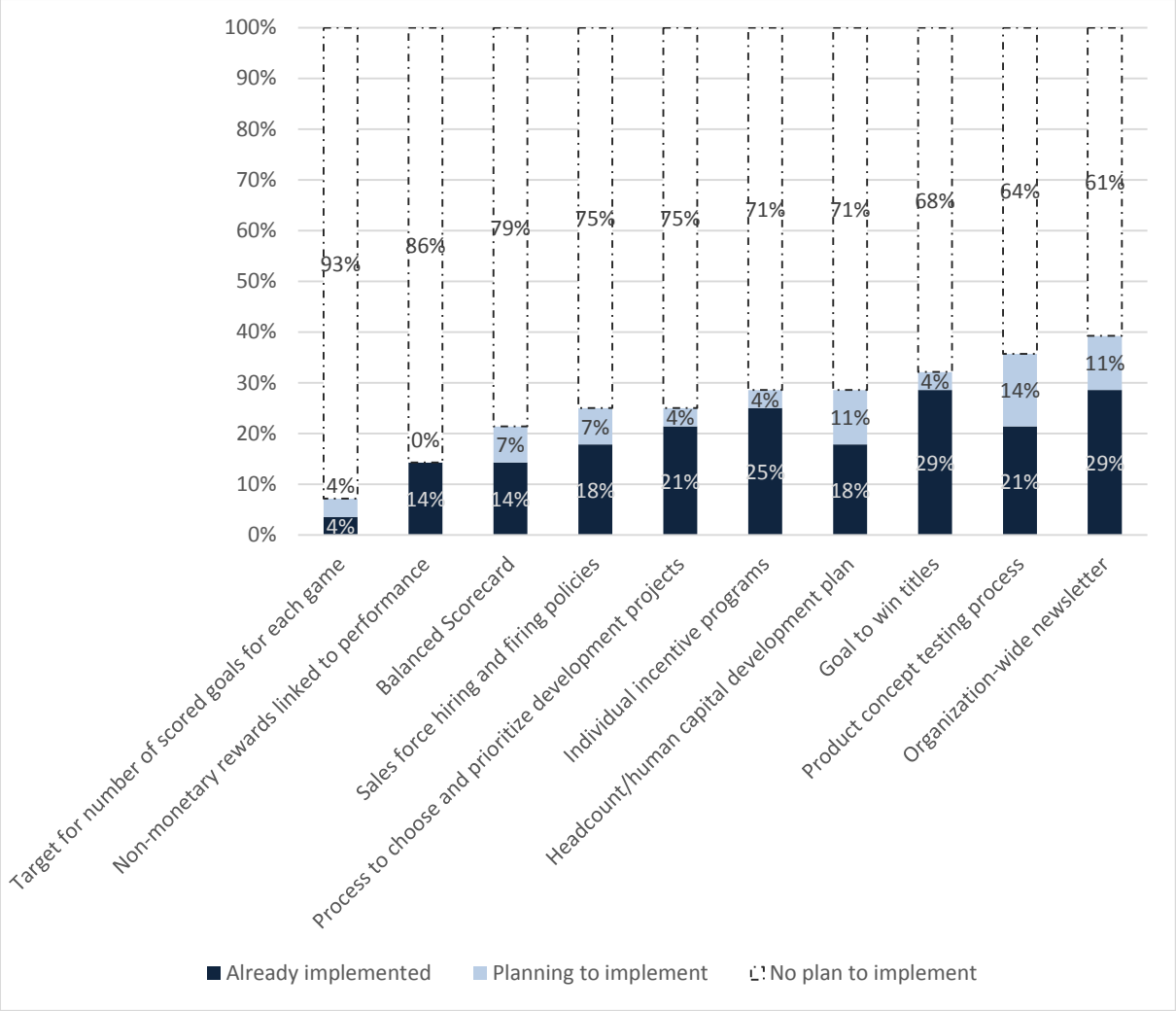

Figure 13 – The ten MCSs with the lowest adoption

6. Conclusion

The purpose of this thesis has been to answer the research question "*How are management control systems structured in Swedish professional sport organizations?"*

We do so by conducting a survey covering 79 management control systems in 12 categories among Swedish football and hockey clubs in the top two leagues. The survey is based on research of initial MCS adoption among start-up companies, which we iteratively develop to fit the professional sport context together with representatives from three Swedish sport clubs.

In line with previous research (Davila, Foster & Jia, 2010), we find a relationship between organizational size and having a more formalized MCS structure. Across all twelve MCS categories there is a higher adoption level in the top league than in the second league. When comparing the adoption of the different categories to that found in a start-up context (Davila & Foster, 2005, 2007), we find that both financial planning and human resource planning systems also in a professional sport context are among the systems with the highest adoption. However, whereas human resource evaluation systems are central among start-up companies, these systems are rarely adopted in the sport context. Sport clubs instead focus on adopting systems related to player performance rather than performance of the administrative staff.

In order to understand how the MCS structure differs across teams with different levels of MCS formalization, we develop a framework where the clubs are divided into three groups with increasing levels of formalized control (low, medium and high). For each of these groups, we identify the individual MCSs that constitute the core of their control structure.

The first group with a low level of MCS professionalization tend to build their controls around sport performance and sales management, together with routines for player purchases. These controls could be seen as the equivalent of Sandino's (2007) "basic MCS".

In the second level of MCS professionalization, the MCS structure has more resemblance to that of start-up companies (Davila & Foster, 2005, 2007). The systems adopted are slightly more advanced in their nature, such as having an integrated view of their financial performance through a budget rather than only having sales goals, and there is an overall higher adoption of both planning and evaluation systems. Organizational controls such as HR planning are also formalized at this stage. This group also show tendencies of adopting more forward looking systems and controls.

In the final group with a high MCS professionalization, organizations adopt a large degree of forward looking systems such as long-term audience strategies, marketing projects and development plans. Overall, the management controls at this stage has a high level of formalization and are thoroughly structured. For example, instead of having a revenue forecast, these clubs tend to have specific systems for different revenue components, such as tracking of ticket sales for individual games, and a number of systems specifically for managing sponsors.

Our findings constitute early insights in the young research field of management control in professional sport organizations, and should be seen as building blocks on which future research can be based. As a part of exploring new theory, our findings raise a number of new questions and suggestions for future research, which can be found below in section 6.2.

In addition to serving as a basis point for future research, our framework could be of value for practitioners in sport administration and could serve as a roadmap for sport organizations that aspire to become more professionally managed.

6.1 Limitations

When initially designing the survey on which this thesis is built, we wished to not only understand the current MCS design among the participating clubs, but also get an understanding of the historical development for each organization. However, due to the relatively high turnover of club managers in the professional sport context, many respondents have only had their position for 1-2 years and thus lack the historical perspective necessary to reliably answer when each system was adopted. In order to base all conclusions on reliable data, we consequently exclude the historical perspective and instead focus on current design and planned adoption going forward, where the underlying data is reliable.

In order to further ensure the reliability of data, this study could have employed triangulation to capture more than one respondent per organization in order to reduce memory and interpretation biases. However, due to time and resource limitations this would not have been possible to carry out within the frame of this study.

We believe the findings to be valid and generalizable for professional football and hockey in Sweden given the high response rate, where almost the entire targeted population is included. The findings should also be generalizable to other professional team sports in Sweden, given that they operate in a similar contextual environment. While globalization and commercialization has made sports in different nations more similar, there are unique aspects

to the structure of Swedish sports, as described in section 4, which need to be accounted for when applying our framework in an international setting.

6.2 Suggestions for future research

Our ambition has been to form the building blocks for understanding MCS design in professional sport organizations. Being a domain with limited existing understanding, we have taken the first steps towards a framework for future research of this area. In this section we list several interesting research areas for further studies, and possible approaches to verify and improve on our work to further extend the current academic knowledge.

6.2.1 Longitudinal in-depth case study

One option for future studies would be to start from the limitations of this thesis. Employing a longitudinal in-depth case study of one or multiple sport organizations would capture the development of control over time to a greater extent than in our approach. Doing so together with an examination of our framework would deepen the understanding of the MCS design as it develops from informal to formal and professionalizes over time.

While we have found an import-in tendency for the Swedish sport organizations in our study, there is still a lot to verify in relation to how sport organizations identify the need for more formal controls. Building on the reasoning of Davila (2005), is it due to process breakdowns? Do partners require them? This should be further investigated along with where the knowledge of MCS design comes from, for instance board knowledge, manager experience or trial and error?

This examination could also be made in other sports than hockey and football that aspire to grow and become more professionally managed, for instance Swedish volleyball, basketball or floor ball. Such an approach would extend the understanding of formal control adoption at the early stages of MCS professionalization.

6.2.2 Study organizations with deviations from overall patterns

While we found a relationship between MCS adoption, club size, and league position, there were some organizations that displayed contradictory patterns. For instance large and successful sport clubs that had relatively low adoption of formal MCSs and also smaller organizations with surprisingly high adoption of formal controls. Future research could adopt in-depth case studies for those identified organizations and examine their approach to management control, and also investigate factors that drives the need or desire for a smaller

organization to adopt a high intensity of formal controls, and the potential effects on strategic outcome this might have.

6.2.3 Multiple case study of dual goal in sport organizations

As a part of our study we examined the relationship between MCS and sport performance while another part of sport organizations' dual goal context is to achieve financial profitability or stability. For professional Swedish sport clubs this financial goal could be summarized as "having a sustainable financial balance", under the assumption that they function as utility maximizers (Stewart & Smith, 2010). We could not establish any meaningful or clear patterns between MCS design and profitability in our study. However, many Swedish sport clubs suffer from operating losses and have to rely on financial support from wealthy individuals, municipal aid, supporters and other donors, or the sales of players in order to balance the books. The relationship between financial profitability of sport organizations and MCSs could therefore be studied at greater lengths than what the scope of our study allows, potentially through a multiple case study approach. Especially as UEFA (Union of European Football Association) introduced Financial Fair Play regulations in 2009 to prevent the increasing trend of football clubs spending more than they earn in the pursuit of success and thereby accumulating vast amounts of debt that is not being amortized at a satisfactory pace (UEFA, 2014). The implications of such regulations on management control would be interesting to study. However, the effects of such regulation are likely most relevant for the larger leagues in Europe at this stage.

6.2.4 Examining our framework for MCS in international context

Our attempts towards a framework of MCS design in sport organizations would also benefit from an examination in an international context that might be inherently different from the traditional Swedish non-profit setting. Among the larger football leagues in Europe (Premier League, Bundesliga, La Liga, Serie-A) the commercialization trend has gone a lot further than in Sweden. Replicating our research approach would contrast the professionalization of management control in Swedish sport leagues to other larger leagues. With regards to our comments about international generalizability, one relevant difference to consider in such a study would be the ownership situation. The Swedish 51% rule is unique compared to the international context which limits outside investors to purchase a club, exercise power and invest money into new players and the organization, whereas this is ever more occurring in international sports. In relation to Davila, Foster & Jia (2010), the presence of Venture Capital owners is associated to higher adoption of formal management systems among start-up

companies. Similarly, majority owners may therefore have a large impact on control structure for sport organizations internationally, at least as a stewardship function to safeguard their assets. Another element to consider is the difference in control in relation to open (e.g. Swedish system) vs. closed league (e.g. Finnish SM-liiga or NHL) setup. As a closed league removes the possibility for a team to be relegated (or promoted from a lower league) it arguably removes a lot of insecurity for club managers concerning down-side risks and may make them more prone to long-term development, with potential effects on the control requirements and design.

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Telephone interview with Manager of a SHL club, 2015-02-03

Telephone interview with Manager of a SHL club, 2015-05-12

Telephone interview with Manager of an Allsvenskan club, 2015-05-12

8. Appendices

Appendix A – Overview of MCSs included in the survey

Category	Individual MCS
Financial Planning	Sales projections
	Operating budget
	Cash flow projections
	Scenario analysis
Financial Evaluation	Capital investment approval procedures
	Operating expenses approval procedures
	Player purchase approval procedures
	Evaluation of financial implications of player purchase
	Routine analysis of financial performance against target
	Product profitability analysis
	Customer acquisition costs analysis: Sponsors
	Customer acquisition costs analysis: Ticket buyers
	Regular cross-functional meetings for financial matters
Non-financial Evaluation	Routine analysis of non-financial performance vs. goals
	Balanced Scorecard
	Regular cross-functional meetings for non-financial matters
	Player council
Human Resource Planning	Core values
	Vision statement
	Mission statement
	Club identity
	Organizational chart
	Codes of conduct
	Written job descriptions
	Orientation program for new employees
	Organization-wide newsletter
Human Resource Evaluation	Written performance objectives for managers
	Written performance evaluation reports
	Linking compensation to performance
	Non-monetary rewards linked to performance
	Individual incentive programs
	Individual accountability assigned for target achievement
Action planning (<=1 year)	Goals and actions for next 12 months
	Aligned goals across functional areas
Strategic Planning (>1 year)	Definition of strategic (non-financial) milestones
	Audience/fan strategy
	Recruitment plan for players

Category	Individual MCS
Strategic Planning (>1 year)	Headcount/human capital development plan
	Product portfolio plan (plan for future products)
	Investment budget (for future investments)
	Investment budget including financing
Sales/Marketing Management	Targets set for annual ticket sales, sponsorships and merchandise
	Sales targets for salespeople
	Tracking of ticket sales vs. sales target prior to game
	Sales force compensation system
	Sales force hiring and firing policies
	Sales process manual
	Sales force training program
	Market research projects
	Marketing collaboration policies
	Customer satisfaction feedback
	Customer relationship management (CRM) system
Sponsor/Donor Management	Recruitment plan for new sponsors
	Policy for sponsorship/donations
	Development plan for current sponsors
	Sponsorship/donation milestones
	Sponsor/donor monitoring systems
	Sponsor satisfaction feedback
Development	Product concept testing process
	Budget for development projects
	Process to choose and prioritize development projects
	Process for innovative use of technology for sport development
	Development plan for handling of player data
	Development plan for arena experience
	Development plan for supporter base
	Development plan for youth teams
	Milestones for development projects
	Reports comparing actual progress to plan
	Plan to engage former players in the organization
Sport: Team performance	Goals for league position at end of season
	Result targets for each game
	Target for number of scored goals for each game
	Performance targets for parts of the season
	Goal to play on an international level
	Goal to win titles
Sport: Individual performance	Yearly development targets with systematic tracking
	Individual game statistics with systematic follow-up

Category	Individual MCS
Sport: Individual performance	Regular physical tests with targets
	Routine analysis of physical tests versus set targets

Appendix B – Adoption of individual management control systems

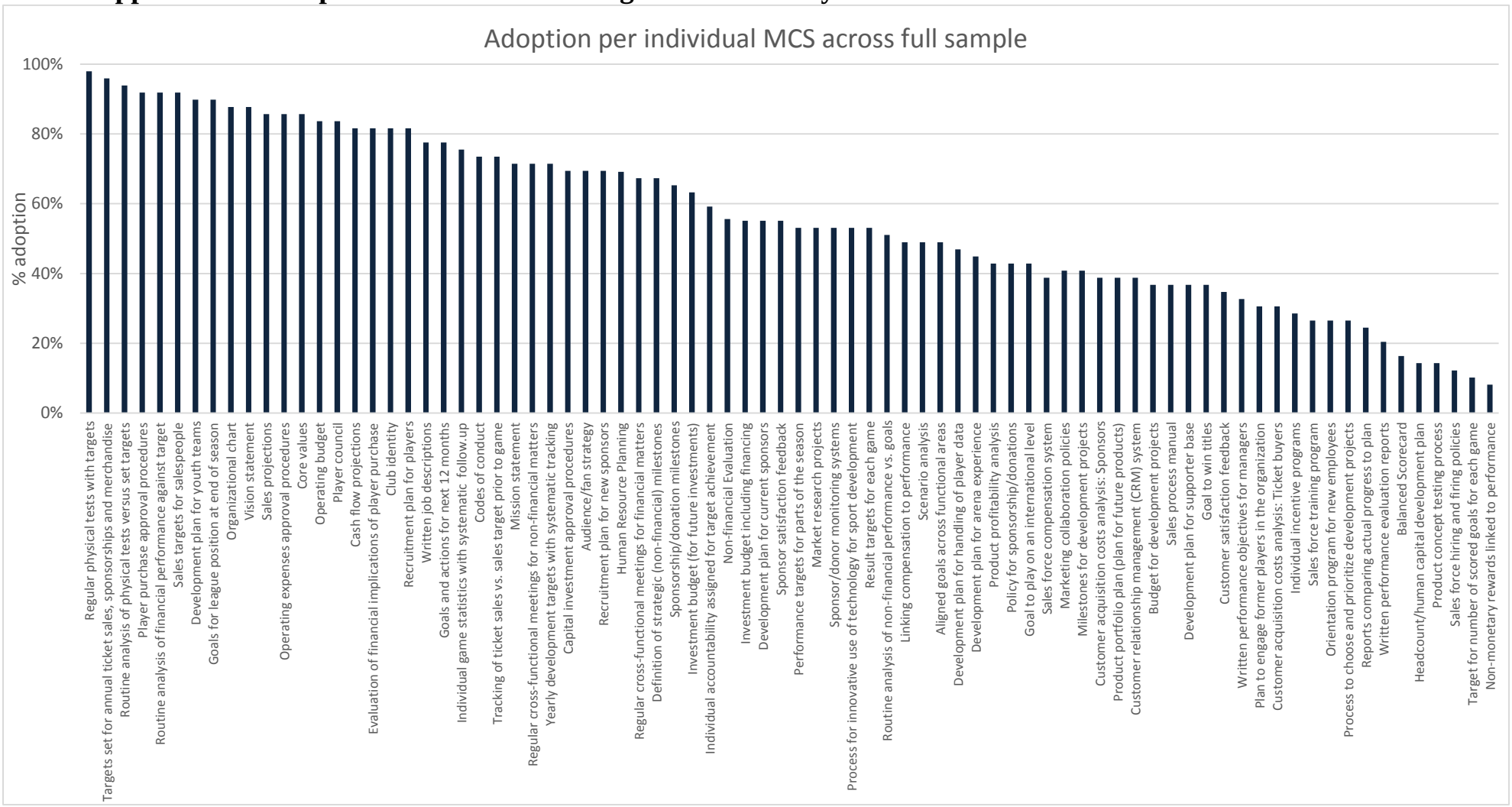
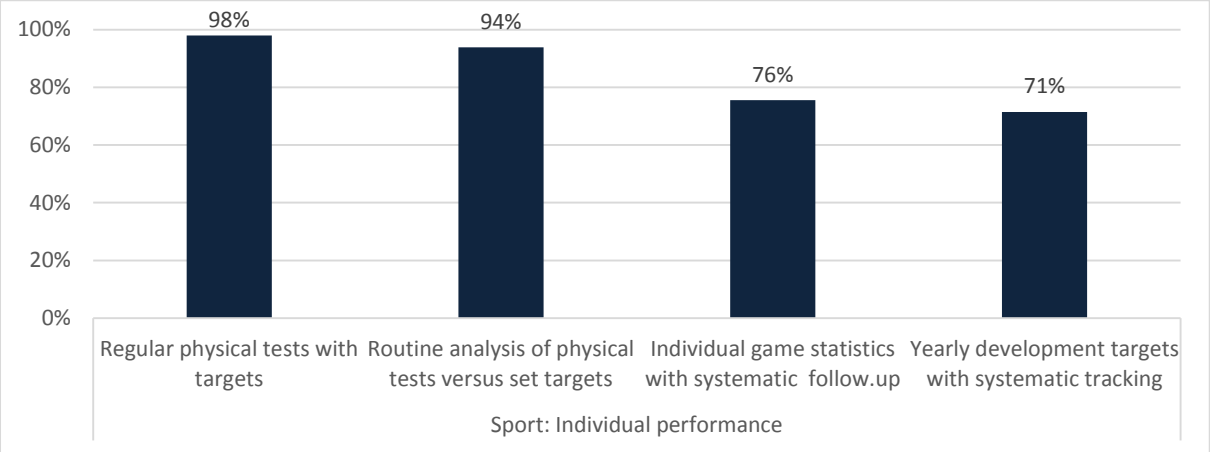
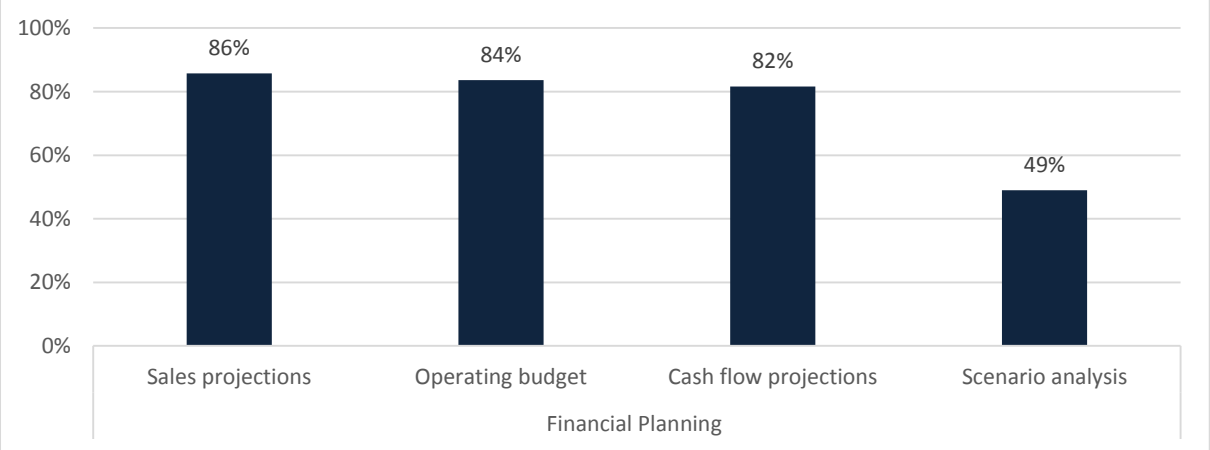
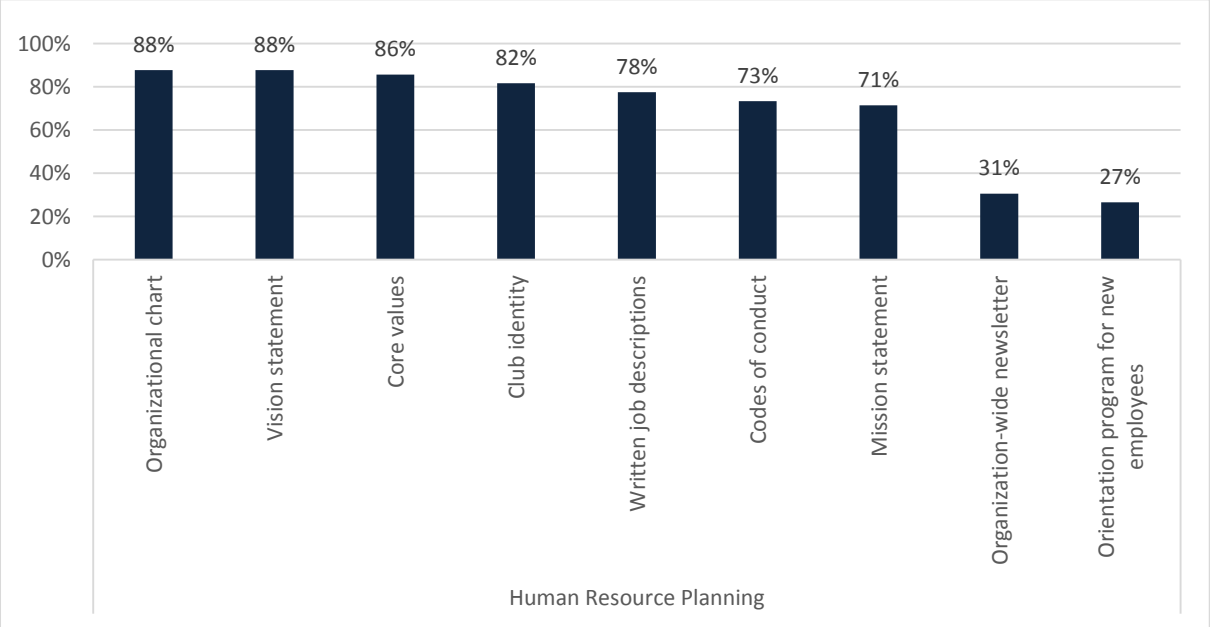


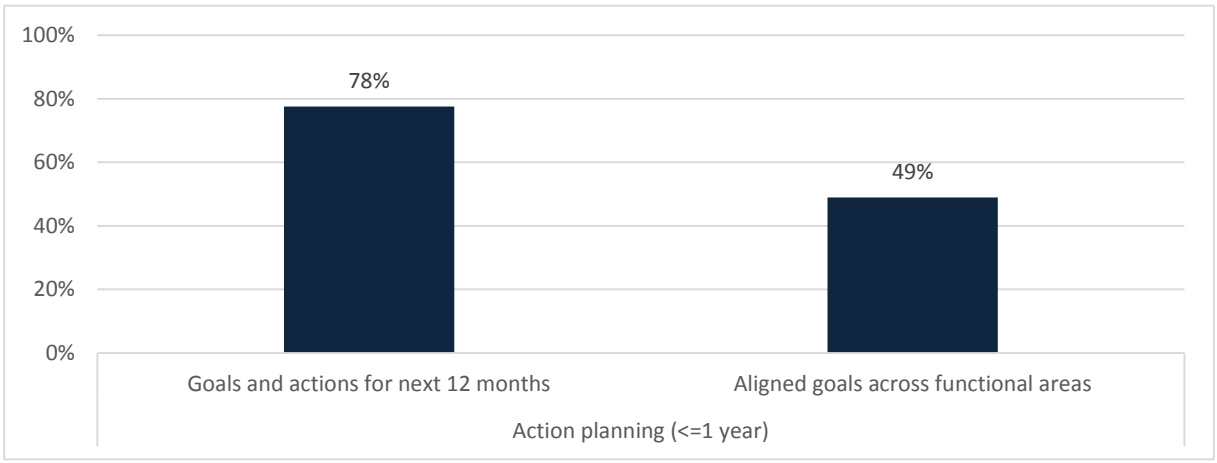
Figure 14 – Total systems adoption for all individual control systems

Appendix C – Overall MCS adoption within each category





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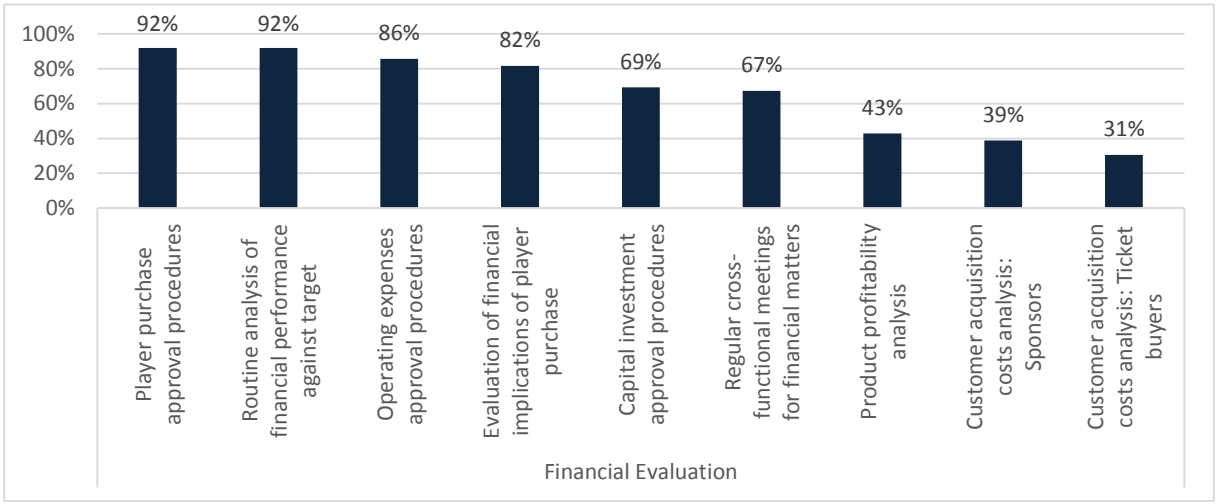
Goals and actions for next 12 months
Aligned goals across functional areas
Action planning (<=1 year)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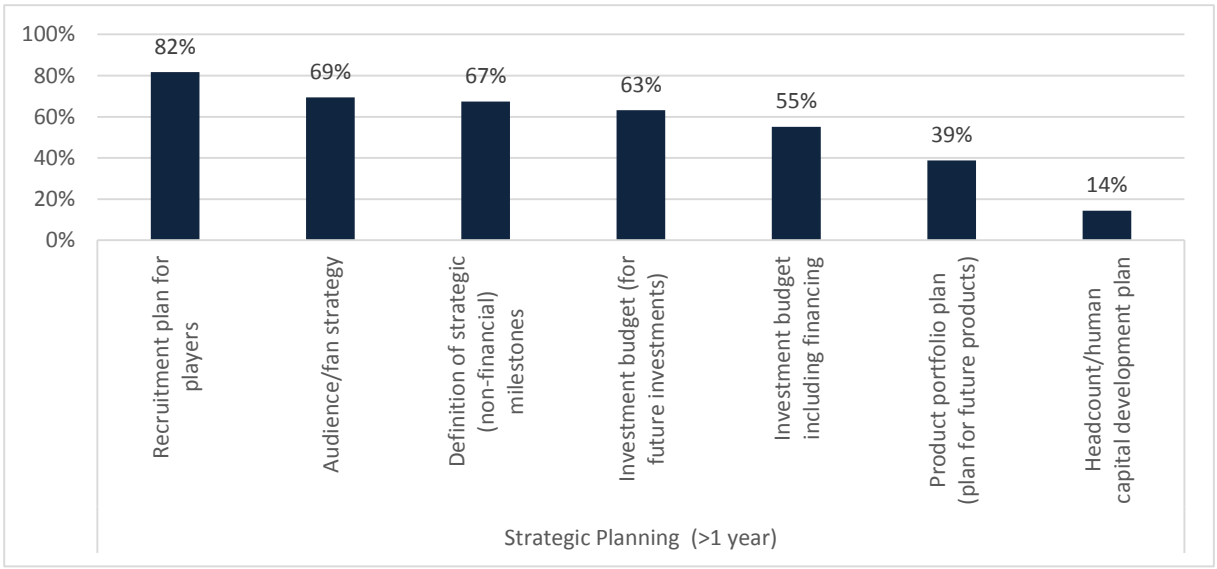
Player purchase approval procedures
Routine analysis of financial performance against target
Operating expenses approval procedures
Evaluation of financial implications of player purchase
Capital investment approval procedures
Regular cross-functional meetings for financial matters
Product profitability analysis
Customer acquisition costs analysis: Sponsors
Customer acquisition costs analysis: Ticket buyers
Financial Evaluation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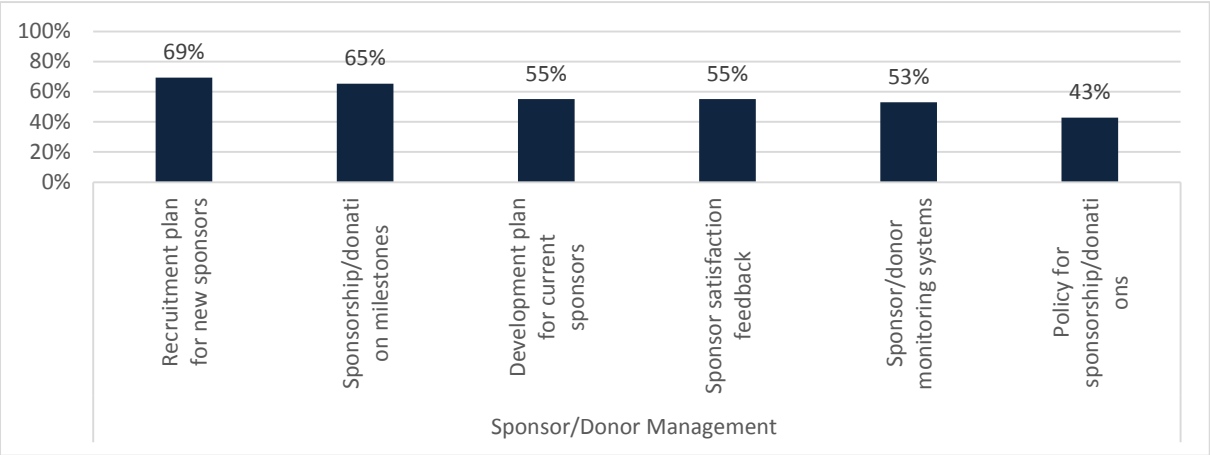
82%
69%
67%
63%
55%
39%
14%
Recruitment plan for players
Audience/fan strategy
Definition of strategic (non-financial) milestones
Investment budget (for future investments)
Investment budget including financing
Product portfolio plan (plan for future products)
Headcount/human capital development plan
Strategic Planning (>1 year)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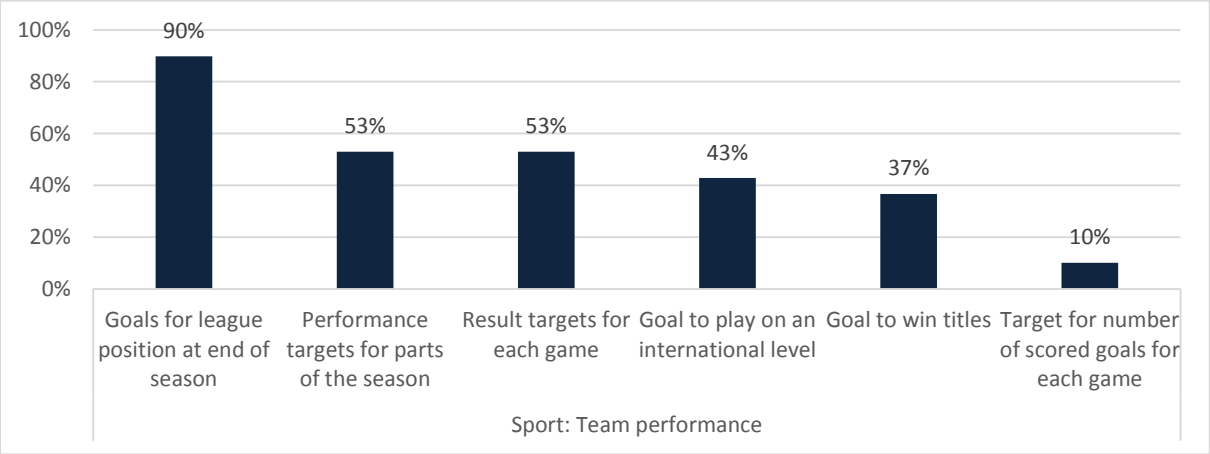
Recruitment plan for new sponsors
Sponsorship/donation milestones
Development plan for current sponsors
Sponsor satisfaction feedback
Sponsor/donor monitoring systems
Policy for sponsorship/donations
Sponsor/Donor Management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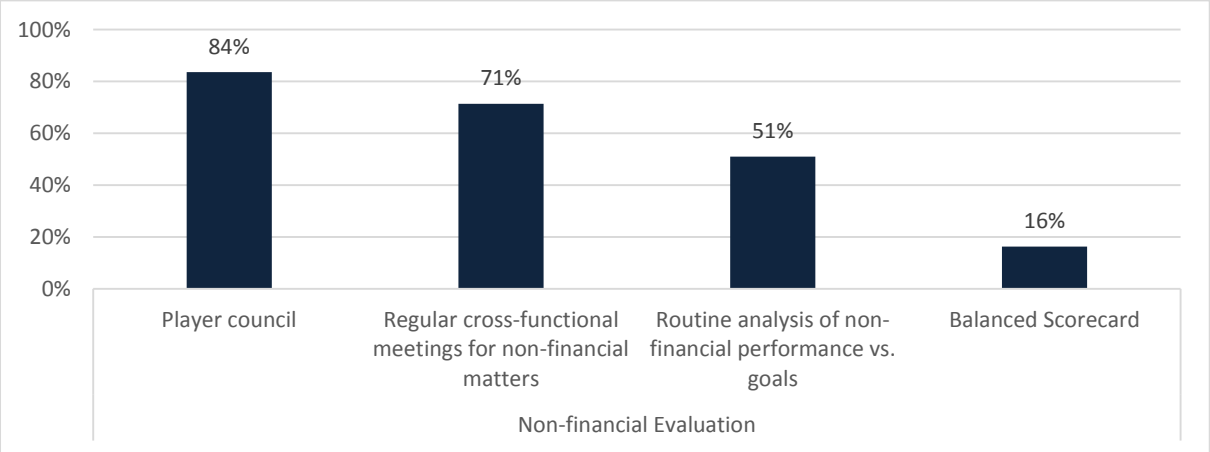
Goals for league position at end of season
Performance targets for parts of the season
Result targets for each game
Goal to play on an international level
Goal to win titles
Target for number of scored goals for each game
Sport: Team performance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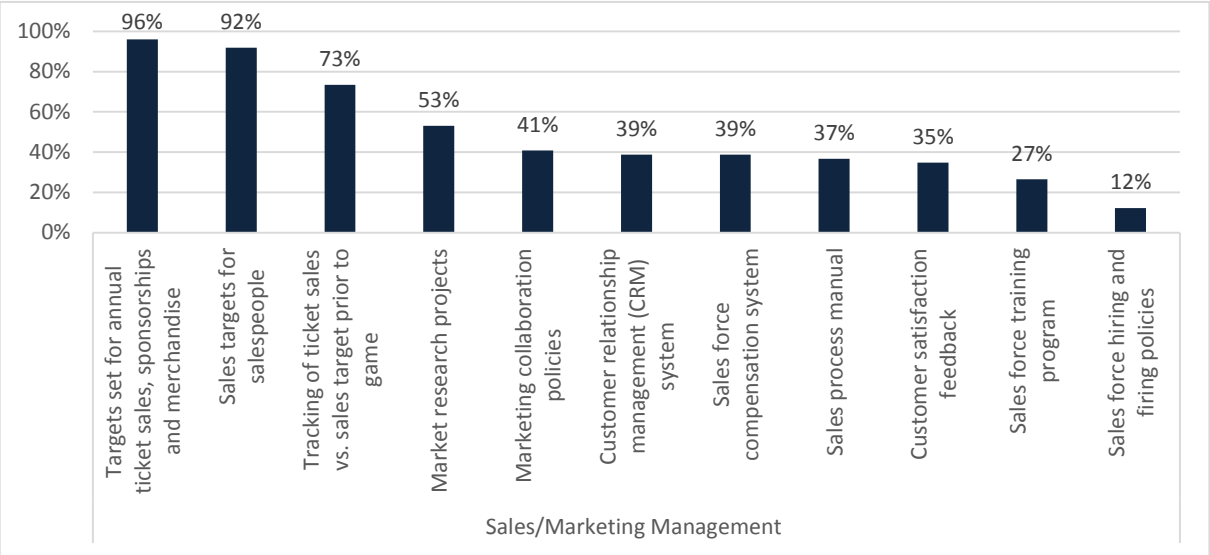
84%
71%
51%
16%
Player council
Regular cross-functional meetings for non-financial matters
Routine analysis of non-financial performance vs. goals
Balanced Scorecard
Non-financial Evaluation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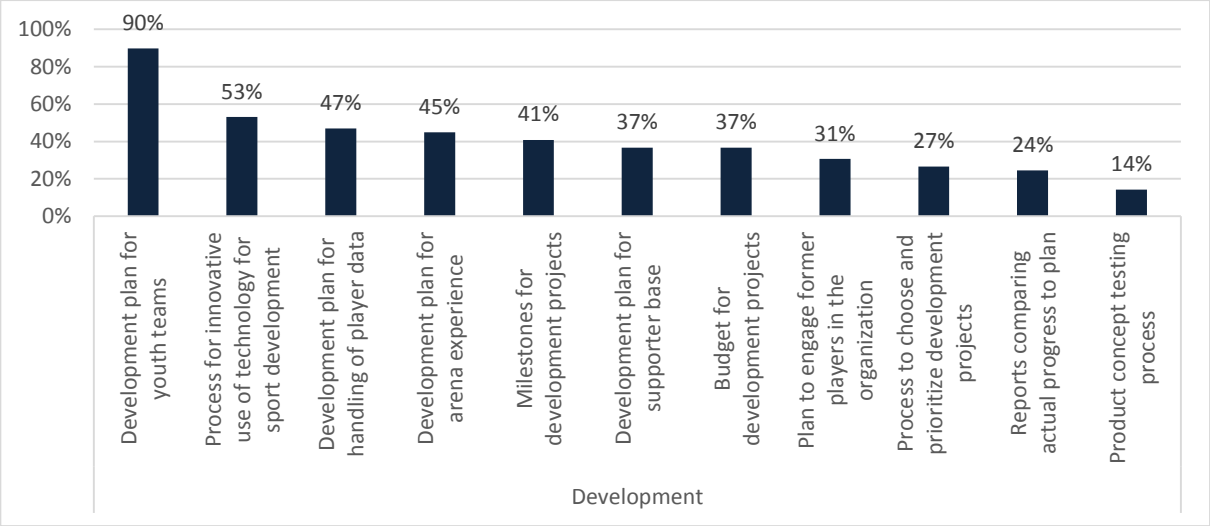
27%
12%
Targets set for annual ticket sales, sponsorships and merchandise
Sales targets for salespeople
Tracking of ticket sales vs. sales target prior to game
Market research projects
Marketing collaboration policies
Customer relationship management (CRM) system
Sales force compensation system
Sales process manual
Customer satisfaction feedback
Sales force training program
Sales force hiring and firing policies
Sales/Marketing Management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Development plan for youth teams
Process for innovative use of technology for sport development
Development plan for handling of player data
Development plan for arena experience
Milestones for development projects
Development plan for supporter base
Budget for development projects
Plan to engage former players in the organization
Process to choose and prioritize development projects
Reports comparing actual progress to plan
Product concept testing process
Development


100%
80%
60%
40%
20%
0%
59%
49%
33%
29%
20%
8%
Individual accountability assigned for target achievement
Linking compensation to performance
Written performance objectives for managers
Individual incentive programs
Written performance evaluation reports
Non-monetary rewards linked to performance
Human Resource Evaluation

Appendix D – Framework: Adoption level of core MCSs per professionalization group

Category	Individual MCS	% adoption		
		Low	Medium	High
Action planning (<=1 year)	Goals and actions for next 12 months	*non-core*	82%	94%
	Aligned goals across functional areas	*non-core*	*non-core*	82%
Development	Development plan for youth teams	87%	82%	100%
	Process for innovative use of technology for sport development	*non-core*	*non-core*	82%
	Development plan for handling of player data	*non-core*	*non-core*	82%
Financial Evaluation	Routine analysis of financial performance against target	87%	88%	100%
	Player purchase approval procedures	80%	94%	100%
	Evaluation of financial implications of player purchase	80%	76%	88%
	Operating expenses approval procedures	*non-core*	94%	94%
	Capital investment approval procedures	*non-core*	76%	76%
	Regular cross-functional meetings for financial matters	*non-core*	*non-core*	88%
Financial Planning	Operating budget	*non-core*	94%	94%
	Cash flow projections	*non-core*	94%	94%
	Sales projections	*non-core*	88%	94%
Human Resource Evaluation	Individual accountability assigned for target achievement	*non-core*	*non-core*	94%
Human Resource Planning	Vision statement	*non-core*	100%	94%
	Organizational chart	*non-core*	94%	100%
	Core values	*non-core*	82%	100%
	Written job descriptions	*non-core*	82%	94%
	Club identity	*non-core*	76%	100%
	Codes of conduct	*non-core*	*non-core*	100%
	Mission statement	*non-core*	*non-core*	88%
Non-financial Evaluation	Player council	*non-core*	82%	94%
	Regular cross-functional meetings for non-financial matters	*non-core*	82%	88%
Sales/Marketing Management	Targets set for annual ticket sales, sponsorships and merchandise	93%	94%	100%
	Sales targets for salespeople	87%	88%	100%
	Tracking of ticket sales vs. sales target prior to game	*non-core*	*non-core*	94%
	Market research projects	*non-core*	*non-core*	94%
	Marketing collaboration policies	*non-core*	*non-core*	76%
Sponsor/Donor Management	Recruitment plan for new sponsors	*non-core*	*non-core*	94%
	Sponsorship/donation milestones	*non-core*	*non-core*	94%
	Sponsor/donor monitoring systems	*non-core*	*non-core*	94%
	Policy for sponsorship/donations	*non-core*	*non-core*	88%
	Sponsor satisfaction feedback	*non-core*	*non-core*	82%
	Development plan for current sponsors	*non-core*	*non-core*	76%

Category	Individual MCS	% adoption		
		Low	Medium	High
Sport: Individual performance	Regular physical tests with targets	93%	100%	100%
	Routine analysis of physical tests versus set targets	80%	100%	100%
	Individual game statistics with systematic follow-up	*non-core*	82%	88%
	Yearly development targets with systematic tracking	*non-core*	*non-core*	88%
Sport: Team performance	Goals for league position at end of season	93%	94%	82%
	Result targets for each game	*non-core*	*non-core*	76%
Strategic Planning (>1 year)	Recruitment plan for players	*non-core*	82%	100%
	Audience/fan strategy	*non-core*	*non-core*	94%
	Definition of strategic (non-financial) milestones	*non-core*	*non-core*	94%
	Investment budget (for future investments)	*non-core*	*non-core*	82%
	Investment budget including financing	*non-core*	*non-core*	76%

Appendix E – Additional MCS structure breakdowns

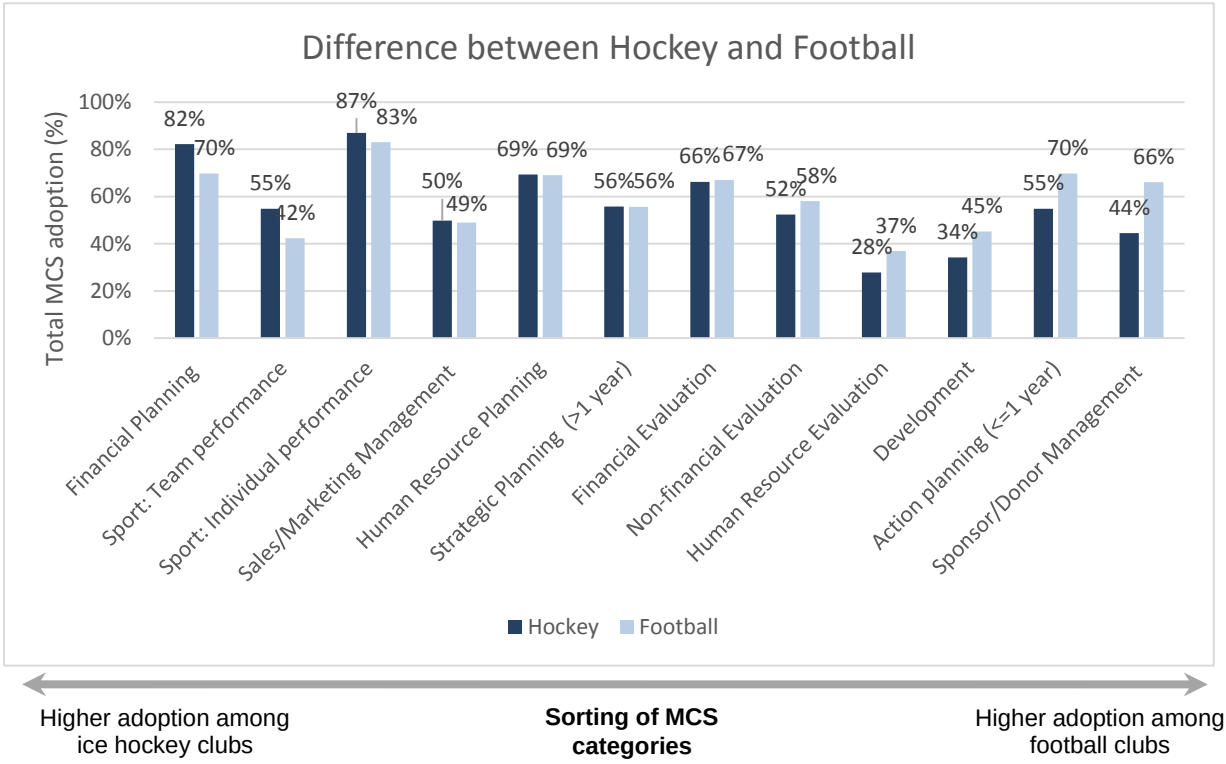

Figure 15 – MCS adoption in hockey vs. football

Hockey clubs on average place greater emphasis on systems within the financial planning and sport: team performance categories than football organizations. On the other hand, football clubs show higher adoption of MCSs within HR-evaluation, development, action plans and sponsor management. Overall, the adoption levels are relatively similar between the sports, with some exceptions indicating that there are some sport specific characteristics that have an influence on the MCS structure. One example is sponsor/donor management where football clubs have a significantly larger adoption than ice hockey clubs. A possible explanation to this is that sport clubs sometimes cooperate across the league in a way that would not be allowed among regular companies (Stewart & Smith, 2010). This could for example include investing in a common system to be used by all clubs in a league.

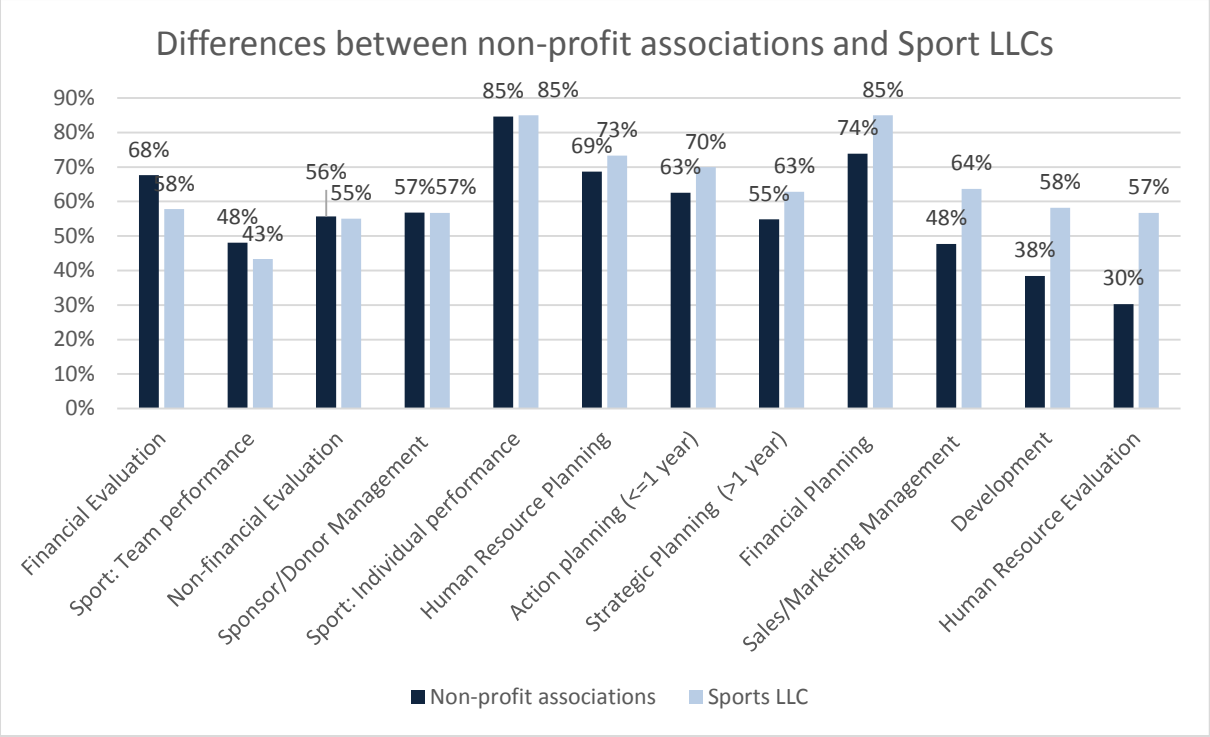

Figure 16 – MCS adoption differences between clubs organized as non-profit associations or Sport LLCs

Following the Swedish Sports Confederation's decision in 1999 to allow for limited liability companies in Swedish sports, a number of teams have changed the legal structure of their organization from non-profit associations to limited liability companies. Within our sample there are currently five organizations classified as full limited liability companies. Full LLC meaning that the entire organization is organized as limited liability companies, not only part of the operation such as the sales and marketing function, which is common among a number of sport clubs.

Figure 16 presents the MCS structure for the two types of legal structure for sport organizations in our sample. At an overall level the MCS structure does not deviate to a great extent. However, limited liability sport organizations seem to have higher adoption of High professionalization MCS categories (according to our framework) including control categories such as sales and marketing management and development.

Based on previous research on control structures within non-profit organizations versus profit seeking companies, one would assume that the MCS structure between two such inherently different organizations would differ. However for sport organizations this does not seem to be the case. Sport LLCs and non-profit sport organizations have very similar MCS designs with

only minor differences. There is therefore an indication that the legal structure of a sport organization in Sweden is irrelevant to the control design. This result should however be interpreted with caution, given the Swedish 51%-rule[15], which limits external investors from gaining control of the club. In a context where external investors can gain majority control, the MCS structure could look very different. The generalizability of this finding outside of Sweden should thus be seen as low.

[15] Described in section 4