

KNVB Expertise – University of Twente

***“In which ways can scenario planning contribute to the management of Dutch professional football clubs in case of relegation?”***

Managing football clubs and relegation; how scenario planning can help:

***“In which ways can scenario planning contribute to the management of Dutch professional football clubs in case of relegation?”***

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## Preface

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This thesis is the result of a period longer than a year of working at KNVB Expertise, conducting a research and writing the final thesis. In this past year, I met a lot of interesting people with an above average love for the game of football; people with inspiring views on the current and future situation of the football business. It has inspired me to conduct research in this industry.

The reason for choosing for the specific topic of relegation lies in the conversations with my supervisor from KNVB Expertise, Jurrie Groenendijk and Jelle Beuker, director at CED. In these conversations, it became apparent that the topic of relegation lacks knowledge and causes problems and stress for the clubs involved. A workshop on the topic involved during a congress for club employees, which was organized by KNVB Expertise, CED and a professional football club, was highly attended. This has encouraged me to conduct my master thesis in this specific part of the football business.

Of course, I could never finish my thesis without the advice and help of others. First, I want to thank Jurrie Groenendijk for giving me the chance to work as an intern at KNVB Expertise, for doing my master thesis and for the good advices. And above all, we had a good time. Also, I want to thank my colleagues Giel Kirkels and Liset Schrijvers from KNVB Expertise for the advices, conversations and tips that have pointed me in the right direction. I'm thankful for the advices of my supervisors from the University of Twente, dr. Tom de Schryver and dr. Tsjalle van der Burg. And last but not least, I want to thank my girlfriend Nicol and my parents supporting and encouraging me all the time.

No thesis at all would be written without the time made available by the respondents. Thanks to them who all made time available to be interviewed. Without your help, time and knowledge this research has no value.

This master thesis also marks the end of my time as a student at the University of Twente. I had a good time here, but I'm looking forward to new challenges in my life. Hopefully, these new challenges will arrive soon after this thesis.

Niels Wigbold  
Enschede, 2013

### Background and research question

This research is conducted at KNVB Expertise, the knowledge and research centre for the Dutch professional football clubs. Many of these clubs find it difficult to manage the club before and after relegation, because of the uncertainty and short response time involved. Relegation has an enormous impact on the club, both emotional and financial. This thesis is especially focused on the financial component, because of the financial impact and challenges relegation implies. This thesis explores the options scenario planning as a management tool offers clubs coping with this problem to better handle it.

The main research question to be answered is;

*“In which ways can scenario planning contribute to the management of Dutch professional football clubs in the specific case of a possible relegation?”*

### Literature study

A formal framework is found to display the challenges of managers in the field of football. The business value model of Grundy (1998) is used, where match performance is the central factor that affects all the value that is being created in a football club, such as sponsorship or merchandising. In this model, relegation can be seen as a result of a series of bad sportive performance or match performance.

Relegation thus implies managerial challenges and according to the model of Grundy (1998) it has an effect on the value being created in a club. Data from KNVB Expertise shows an average decline of 25,4% in revenues after relegation, but only a 14,1% decline in costs. Adjusting costs to the new reality of lower revenues after relegation is found to be difficult and therefore implies managerial challenges.

There are reasons to believe that scenario planning as a tool from the ‘normal’ business world could be useful in preparing for relegation. Scenario planning establishes future thinking and enables better preparation, by having considered the circumstances and consequences in advance. The scenario development model of Mahmoud et al. (2008) is used to check activities of football clubs on scenario planning with a formal framework.

### Research method

In this explorative research, data has been gathered by interviewing five managers from five different clubs who have experience with (preparing for) relegation. In a semi-structured interview, introductory questions were asked on general experiences on relegation and more specific questions were asked on consistency with the models found in the literature study. These models are used to monitor the current activities of clubs on scenario planning and to see were improvements or recommendations are possible.

### Results

Clubs find it difficult to estimate the declines in revenues and costs after relegation. Estimating is difficult, because of the many factors involved. These are among others commitment of stakeholders, match performance and communication of the club. Clubs feel more confident in estimating declines by using data from other clubs and KNVB Expertise, own research and experience with earlier relegation.

Because of the financial component being the most important, clubs make scenarios in the form of budget plans. Clubs make a Eredivisie budget plan and a Jupiler League plan. It differs from club to club to which extent these plans are elaborated. Making budget plans have showed and learned clubs that they need to take precautions to handle the consequences of a possible relegation. The interviews showed that these precautions can be clauses in player contracts, dismissing personnel in case of relegation, making costs more variable and income more stable. The budget plans also give a clear vision of how future will look like in case of relegation and in staying in the Eredivisie, so any internal or external confusion can to a certain extent be ruled out.

## Conclusions and discussion

The interview results have led to an answer on the research question. Experience with (preparing for) relegation is found to be useful in predicting the decline more accurate and to reduce the uncertainty to a minimum. Scenario planning teaches management of clubs what the effects of a certain situation will be and it can learn from experiences of other clubs.

Scenario planning in the form of budget plans shows the management the expected decline in income and the challenge to adjust the costs to the declining income or weaken the decline. By knowing or having learned what the consequences will be, clubs implement risk management strategies or precautions to handle the effects of relegation if it would occur.

Using scenario planning will help clubs giving clarity about the consequences of relegation to the internal organization. Having considered the consequences of relegation before and communicating these with personnel within the club will help the management of clubs explaining the effects of relegation to the organization. The management of the club can also plan or prepare the communication to the different stakeholders upfront to handle the intense emotional feelings involved.

One might ask the question why not all clubs are well prepared for a possible relegation. The answer may lie in the model of Grundy (1998). We found that management of clubs succeeding in playing a few consecutive years in Eredivisie tend to make extra value creating activities to expand the business (investments and long-term contracts). The focus is here on the long-term growth of the business, instead of a focus to be variable and reducing risks to potential relegation.

Not only scenario planning could reduce the problems occurring during relegation. Also the KNVB can play an important role, without using scenario planning. The KNVB could make adjustments to lower the gap between both divisions and obligate clubs to prepare for relegation in terms of making budget plans or save funds. Also clubs can do more than solely using scenario planning. Commitment of stakeholders should always be at the highest point. KNVB Expertise could facilitate the demand for more knowledge on obligations of the different divisions and facilitate knowledge sharing between clubs.

## Recommendations

The most important recommendations for clubs are

- Ensure a process in the organization that is continuing over years that considers the possibility of relegation.
- One of the important aspects in that continues process is making realistic budget plans for two scenarios, which includes relegation, in which assumptions of trends in revenues and costs are based on earlier experience with relegation, experience of other clubs and data and research. Clauses in for example sponsorships and player contracts may help to come to better assumptions.
- Continuous try to make costs variable and revenues stable.
- Be always aware of the impact of relegation on the internal and external organization. Try to keep the commitment of stakeholders at the highest possible level, to prevent or weaken declines. Clear and true communication is at all time a useful instrument in maintaining commitment.

Not only clubs itself, but also the KNVB and KNVB Expertise can help the football business with the uncertainties and problems that surround relegation. KNVB could implement strategies to decline the enormous (financial) gap between the two divisions. KNVB Expertise needs to facilitate in the demand for accurate and detailed information on the contractual obligations that arise in the different divisions. Also, facilitating the knowledge sharing of the effects on relegation on clubs would be a task for KNVB Expertise

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## Chapter 1: Introduction

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The first chapter introduces the organization and the background in which the research is conducted. It introduces the research goal and the research question and ends with a reading guide.

### 1.1 The organization

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This research is conducted at KNVB Expertise, the knowledge- and research centre for the Dutch professional football clubs. KNVB Expertise is founded by the KNVB, “*Eredivisie CV*” (ECV), “*Coöperatie Eerste Divisie*” (CED) and “*Federatie voor Betaaldvoetbal Organisaties*” (FBO) and is located in Zeist, the Netherlands. KNVB Expertise aims to improve and increase the quality of management of Dutch professional football clubs on the long term. This is achieved by offering high-quality knowledge products, facilitating knowledge sharing, and offering education possibilities for professionals in the business and by supporting and translating knowledge products to the daily context of the football organization. These products and possibilities should increase manageability of the business environment of Dutch professional football clubs, in order to be and become more competitive in the European context (KNVB Expertise, 2013a).

This research will contribute to a deeper understanding of the football industry and its specific management problems by means of offering a knowledge product in the field of football on a specific topic; relegation. According to conversations with managers in the field of football, many clubs and managers find it difficult to manage the club before and after relegation. This thesis will explore the options scenario planning as a management tool offers clubs coping with this problem and what activities on this theme are already performed by clubs. The thesis ends with a recommendation how professional football clubs are helped with scenario planning in their struggle with relegation.

### 1.2 Background

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The Dutch professional football branch has to deal with changing conditions in which they operate. The changing economic environment forces clubs to act with new realism (KNVB Expertise, 2012), and the effects of the economical crisis are felt, for example in bankruptcies of sponsors. Also, new UEFA regulations on Financial Fair Play force clubs to decrease operational losses and focus on break-even results in order to compete with the resources available and not be dependent on resources of local municipalities and the community. Recent examples of Dutch clubs not succeeding in staying sustainable and went bankrupt are HFC Haarlem (2009), RBC Roosendaal (2011), AGOVV Apeldoorn (2013) and SC Veendam (2013).

The size of the financial possibilities has a strong connection with the quality of performances on the pitch. This connection may go both ways. The financial component of a professional football club has become of increasing importance and can be seen as one of the most influential components of sportive success on the pitch. The ability to generate income is therefore a conditional factor for playing football at the highest possible level and staying on that level. Good sportive performance may on the other hand increase income by attracting new sponsors and fans.

Relegation to a lower league can have a significant effect on the amount of money a club earns, due to lower attention of fans, sponsors and media (House, 2008a). The height of the financial component can be influenced by good or bad management, but management has less influence on the quality of the sportive performance on the pitch. Relegation implies challenges for management, because of the declining income (which thus implies less sportive quality on the pitch), but moreover and as a result of, management need to adjust the cost structure to the new reality. Cooper and Joyce (2013) conclude that where several components will face a decline in income, the height of expenditures is more difficult to adjust to the new circumstances. The decline in income precedes the decline in costs, which combined with bad equity positions, implies challenges for clubs. Next to emotional reactions of fans and sponsors, relegation can be characterized as a heavy challenge for management. The time to react after relegation



is often short, because the sportive struggle to prevent it often ends after the last matches in a competition.

One of the management tools available to handle with this future uncertainty and events is scenario planning. Scenario planning is chosen because it acknowledges more than one possible future state (which is in this case; staying in the league or relegation). It enables managers and management to make a coherent, internally consistent and plausible description of a possible future state, which is not a forecast but rather an alternative image of how the future can unfold (Mahmoud et al., 2009). One of the advantages of scenario planning is that critical circumstances have been explored before actually taking place. This can decrease response time to changes, because the consequences have been considered upfront. Making scenarios can be vital to sustain in changing environments (De Geus, 1988). Little is known and researched on the specific topic of the use of scenario planning in the football industry; the thesis therefore contributes to the scientific literature by addressing this gap.

### 1.3 Research goal

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Given the earlier mentioned subjects of the growing importance of finance in football, the financial consequences and impact of relegation implies huge challenges for the management of professional football clubs. Combined with the lack of specific research of the influence scenario planning possibly would have on those situations, this leads to the following research goal:

*“Gain insight in which ways scenario planning as a management tool could have an influence on management of Dutch professional football clubs facing relegation and give recommendations for the use of scenario planning.”*

In this research goal, it is assumed that scenario planning as a management tool could possibly help clubs to react better and faster on relegation or to be better prepared.

The research goal for the KNVB is to get more insight and knowledge in the whole process within a club to prevent or prepare for relegation and to find out which uncertainties exist among managers. Having (more) knowledge on this specific subject can be a reason for the KNVB to change strategy and policy for the benefit of the clubs. Moreover, for clubs, this research can help reducing uncertainty, risks and vulnerability to relegation, which is one of the main uncertainties in the football business. It has a direct impact on the managers who has to deal with this uncertainty, by providing knowledge and recommendations.

### 1.4 Research question and sub-questions

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The research goal is explorative by nature and can be characterized as a practice-oriented research. A practice-oriented research is a research in which the goal is to contribute to an intervention to change a current practical situation (Verschuren, 2007).

Considering the research goal, the question whether and, more importantly, how scenario planning can have a contribution to the management of professional football clubs is the main question of this research. The research question to be explored is:

*“In which ways can **scenario planning** contribute to **the management of Dutch professional football clubs** in case of **relegation**?”*

In order to have a clear understanding of the research question, the main terms highlighted in bold are defined below:

- *Scenario planning*: a management tool in which qualitative or quantitative pictures of a given organization are developed within a framework of specified assumptions (MacNulty, 1977), to establish

future planning which can minimize unpleasant surprises and broaden the span of managers thinking about different possibilities (Phelps, 1998).

- *The management of Dutch professional football clubs*: managing activities in the football industry, including managing value creating activities to support and increase sportive performance (Grundy, 1998).

- *Relegation*: demoting to a lower league as a fine for losing too often in a competition (House, 2008a).

A literature study will be performed in order to gain more knowledge on the topics involved and to discover where the topics relate and how they could benefit or harm each other. The literature study will address questions on how management of Dutch professional football clubs can be described and what the effects of relegation are on the management and the club. Also, the question is addressed why scenario planning as a tool we know from other business might help, according to the literature, the football business. Before addressing that question, scenario planning is explained in detail. The questions raised left without an answer found in the literature need to be answered by the gathering of own data and will act as the sub questions.

Sub-questions have been formulated to gain more in-depth and specific insight in the topics involved to get to an answer on the main research question:

1. *What are the experiences of Dutch professional football clubs on financial parameters of the club after relegation?*

The effects of relegation on financial parameters can be described in a quantitative way, which is found in the literature study. It may also be more important to know what effects on what parameters are considered by clubs to be very important to them and why and what meanings are given to them. Knowing these considerations will give insight in the bottlenecks involved and will provide a more clear picture of the problem.

2. *How can the activities of clubs on scenario planning be valued in a formal framework of scenario development in the specific case of relegation?*

In order to answer the research question on which ways scenario planning can contribute, it is important to know which activities on scenario planning are already performed. The literature study gives indications to suggest that scenario planning as a tool from the 'normal' business world can be of use in the football world. It gives no further direction how this can be, besides a formal framework, so knowledge on the activities already performed by clubs on scenario planning is necessary for more insight on the use and usefulness. It will ensure a clear view and knowledge of activities of clubs on scenario planning, shows how scenario planning could help and if clubs could learn from the activities of other clubs and values these activities in the formal framework. This question addresses the question how scenario planning could help reduce the negative effects of relegation. It also ensures an answer on the research question that is aligned with the actual performed activities.

3. *What weaknesses remain even if clubs use scenario planning in the prescribed way?*

If we assume that scenario planning is used by clubs to the full potential, one might ask the question if all problems and uncertainties would be solved or, more likely, which weaknesses will remain. This question examines if and which weaknesses will remain that can harm the preparation for relegation even if scenario planning is used on the best possible way. Answering this question will lead to bottlenecks that remain after the use of scenario planning. After valuing the scenario planning activities in sub question two, this question looks beyond the case that arises when scenario planning is used in the prescribed way.

## 1.5 Reading guide

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This first chapter introduces the organization, the background and context in which this research is performed, together with the research goal and research questions. The main theoretical definitions and models under study will be further deepened in chapter 2. The topics scenario planning, relegation and management of football clubs are highlighted in this chapter. Chapter 3 covers the research method which is used to perform the research, the methods used to gather and analyze the data and how reliability and validity is guaranteed. Chapter 4 analyses the data based on the concepts and models found in chapter 2. This analysis is used in Chapter 5 to answer the sub questions and the research question and is followed by a discussion of the results. Chapter 6 gives recommendations based on the answers found and gives a reflection on the research. To ensure clarity on the organizations and abbreviations mentioned, a list of definitions and abbreviations is included after chapter 6.

## Chapter 2: Literature study

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In this chapter, a literature study is performed on the topic of professional football clubs and scenario planning. The study is based on the topics and questions involved that are of particular interest for this thesis; managing football clubs as business and its business value system in paragraph 2.1, relegation and the relationship to the management of the clubs in paragraph 2.2. Paragraph 2.3 further deepens the specific topic of scenario planning as a tool from the business world and the relationship to the football business. A conclusion on the literature is provided in paragraph 2.4, where the assumed relations between the topics is defined and clarified.

The sources used to gather the literature and data for this chapter are mainly the online library and books of the library of the University of Twente and the database of KNVB Expertise.

### 2.1 Managing football clubs as business

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Many sport administrators acknowledge the advantages of managing sport organizations as businesses, or at least the need to use good management practices. This is not very surprising, as for example Koning (2010) concludes that the last few decades the financial and economic importance of sport and football in particular has increased rapidly. In the two highest Dutch football leagues, the joint earnings reached €491 million in 2012. The earnings in countries such as Spain, Germany and England are even significant higher; Real Madrid for example earns with €513 million more money as all the clubs in the two Dutch football leagues combined (Deloitte, 2013).

A unique aspect that is different from managing a sport organization compared to a 'normal' business is the intense emotional relationship between fans and other stakeholders and the clubs. As a result of this intense relationship, the core product, football, gets an above average attention from consumers and media, compared to other markets.

Other unique, economic aspects of the football branch that differ from other branches will be shortly outlined. One of the characteristics of professional football is that it operates in a more or less closed system with a fixed amount of members; if new clubs want to enter the competition they need to fulfil many requirements. In professional football, it is common to make mutual arrangements for the sake of competitive balance. These arrangements are for example arrangements on regulations, competition structure and distribution of media income. Kesenne (2007) found that many of the European markets showed a tradition of becoming more and more open (free trade, international mobility and the use of the same currency), while the European football markets kept using rules that are contradictive to this openness.

Another economic aspect of professional football is the mutual dependency between clubs and the unpredictability of the league. The height of unpredictability in a league affects the attention for the league, so one club dominating the league is not good for the league as a whole (Stewart, 1999). Normal companies would strive in the core business to a monopolist position with maximum profits, but professional football clubs can't perform without their competitors. Sports and football exist due to opposition and unpredictability of outcomes (Koning, 2010).

Due to the earlier mentioned emotional relationship between members, fans and clubs and the above average attention for the core product football, on-field performance is of great importance. A professional football club is most of the time judged by the short-term sportive results and less by the business performance on the long term. Both aspects, however, relate to each other. The height of the financial possibilities has a strong connection with the quality of performances on the pitch. Szymanski (1999) gave empirical proof for the assertion that team performance affects revenues. So the amount of money earned by football clubs is to a certain height dependent on the quality of performances. Cooper and Joyce (2013) noticed that the relationship also goes the other way around; economic capital is essential for winning since there is a correlation between investment (buying expensive players and managers and keeping them by paying higher wages) and success. The financial component of a professional football club has thus become of increasing importance and can be seen as one of the most influential components of sportive success on the pitch.

The increased importance of the financial component has changed the field of football. Increasing player salaries have led to a financial “rat race”, because there is a strong motive is present to spend more on player salaries than the competitor in order to stay competitive. Moreover, this motive is enhanced by the direct visibility of sportive performance in the media (Vermeend, 2010). Spending more on player wages relates to the earlier mentioned notion of Cooper and Joyce (2013) that there is a correlation between investment in buying players and managers (and keeping them by paying higher wages) and success. Decreasing salaries is often not an option, because of the logic of the industry; wages determine to a certain extent success (Kuper, 2010).

Having concluded that the financial component is influential next to the sportive component, it might lead to the conclusion that good management of a football club is focused on long-term stability, but also in creating the necessary value and cash-flows to support the on-field performances. The structure and organization of the club needs to be sustainable to moderate changes in on-field performance; a bad sportive season must not lead to unnecessary risks taken by management.

Thus, it is found that the challenge for management of professional football clubs is in creating value to support the on-field performance with the financial component, but also in sustaining the long-term stability of the club. The question is how we can put that challenge into a more theoretical framework to display, understand and check it. Grundy (1998) conceptualized a value system for the football industry, which shows the relationships between sportive performance and value creating activities. This value system is outlined below. We define in this light the management of a professional football club as managing actions within the business value system to create value to support and increase the sportive performance.

According to Grundy (1998), a business value system is “a system of internal and external value and cost drivers which determines, either directly or indirectly, the stream of cash flows within a business”. A value driver is defined as “anything either internal or external to a business which directly or indirectly contributes to cash inflows”. A cost driver is defined as “anything either internal or external to a business which directly or indirectly contributes to cash outflows”.

Grundy (1998) drew up the business value system for professional football clubs is, which is displayed in figure 1 and still can be applied to the field of football nowadays.

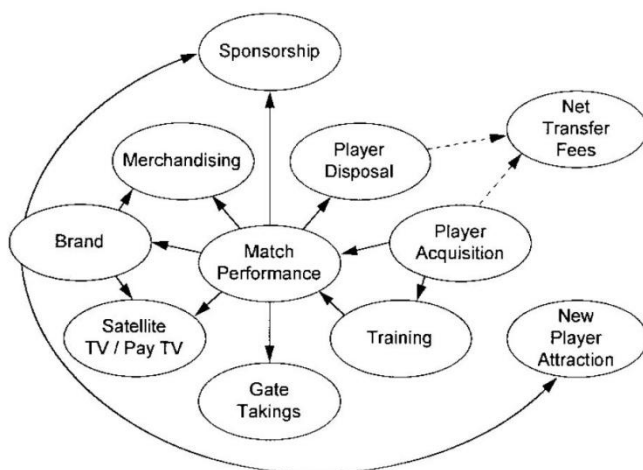


Figure 1: Business value system football clubs (Grundy, 1998)

In this model, match performance is the central factor that affects all the value that is being created. This highlights the need to maintain match performance as a means of providing the platform for value-creating activities elsewhere. Match performance influences the value that is created by gate takings, media income, the brand itself, merchandising and sponsorship. The brand influences the value generated in sponsorships and to which extent new players feel attracted to the club. More value in match performance, thus better match performance, can be achieved by training and player acquisition (which is again influenced by the extent to which players feel attracted to the club) (Grundy, 1998) .

There is no fixed set in the mix of the different value drivers in this value system. Grundy (1998) explains that in order to increase the value being created, clubs can radically redesign the mix of the value drivers. A recent example is the expanding activities of clubs on social networks (Facebook, Twitter), in

order to increase the value being created in the 'brand' value driver. Also, the home market determines to a certain extent the mix of value drivers, which can be illustrated by the following example; in the Dutch highest professional football league, earnings out of media and television rights reach an average of €2,8 million, which is equal to 12% of the total earnings. The total income of media and television earnings in the Dutch top league is equal to 3% of the total earnings on media and television rights in the English top league (KNVB Expertise, 2012). In total revenues, media income in the English league is far more important; Manchester United's income out of broadcasting in 2011/12 equals a sum of almost € 129 million, which is 32% of the total income of the club.

Clubs might also want to change the business value system in order to evolve. According to Grundy (1998), this can occur by a combination of divestment, outsourcing, value-system simplification, acquisition and new start-ups. By this means, clubs may change the way they add value to the value system. Value migration may involve dropping activities which offer less and less potential and continual re-thinking of activities which are assumed (or add 'hygiene' value) so that these are achieved at a lower and lower cost (Grundy, 1998).

Summarized, Grundy's business value system does justice to the developments in the field of football that are earlier described. Match performance is central, but is influenced by the financial possibilities of the club illustrated by the different value drivers and their amount. Clubs and management's performances are not judged by the financial results, but by performances on the pitch which is also the central aspect of Grundy's business value system. The central task for management of professional football is thus to create, within this system, value to support and increase the sportive performance. The latest developments in the field of football (for example in financial fair play) forces managers to perform in a sustainable financial manner.

The business value system shows also the inevitable pitfalls and dangers for managers in the field of football. Performance of the business is measured by the on-field performance. If we assume that managers have no direct influence on on-field performance, but are judged on these performances, one can perform extremely well on creating value in the value drivers (and thus performing well) but this hard work can be annihilated by on-field performances. Grundy (1998) points out the view that a series of bad playing performances might result in a loss of interest in the club and a fall-off in its new source of income and cash flow. So one might address the question what effect relegation would have on the club, if we consider relegation as the ultimate fine for bad playing performance. This question is addressed more in depth in the next section; paragraph 2.2.

## 2.2 Managing after relegation

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In this paragraph, a short introduction to relegation is given, followed by the implications relegation has on the management of football clubs and the business value system of Grundy (1998) to address the question above.

In the European football competition structure, a promotion and relegation structure is used, whereby teams are promoted and demoted to higher and lower leagues each season based on on-field performance (House, 2008a). One of the characteristics of the Dutch professional football leagues (Eredivisie and Jupiler League) is the open competition structure. Bad sportive performances in the Dutch leagues could eventually lead to relegation.

### 2.2.1 Relegation

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House (2008) points out the fact that promotion is a reward for winning and can increase fan interest in the games, assuming that fans prefer their team to compete at a higher level. Thus, the other way around, relegation is a fine for loosing and decrease fan interest, assuming that fans prefer their team to compete at the highest possible level.

House (2008) found that promotion and relegation, or in other words the league in which you are playing, has a very significant effect on how much money a team makes, next to the strength of the

home market. Playing in a higher professional football league will cause higher attendance, as you play better teams, higher television attention and higher attractiveness for sponsors. This also works vice versa in the case of demoting to a lower league, however the effect is less (House, 2008b). For example, Simmons (1996) found that attendance numbers will drop due to relegation. Next to that and as a result of that, sponsorship and media income will drop due to lower attention. Revenues in the Dutch second division are significant lower (Expertise, 2012). All income components will thus most likely decline.

### 2.2.2 Implications for management

Referring the above to Grundy's (1998) business value system in figure 1, the effect of relegation on this system is clear. Poor match performance resulted in finishing on the leagues bottom places, which led to relegation. This bad match performance negatively influences the value being created in sponsorship, merchandising, brand, television and media and gate takings, which is also found by several authors stated above. The influence of relegation on Grundy's (1998) business value system is displayed in figure 2.

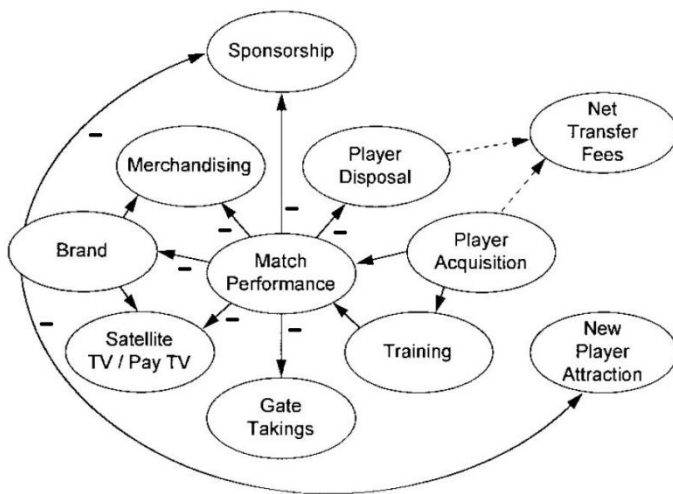


Figure 2: Business value system of Grundy (1998), adapted to relegation.

The suggested trends are confirmed by data of KNVB Expertise for the Dutch highest divisions. The trend in lower income and costs that has been studied for the clubs that demoted from Eredivisie to Jupiler League since season 2002/'03 until 2011/'12 showed that average income decreased 25,4%, but costs only decreased by an average of 14,1% (KNVB Expertise, 2013b). As an illustration, an example of the financial situation of a club before and after relegation is given in table 1. The height of the income before relegation and costs are randomly chosen, but is a normal amount for a club at the bottom of the Eredivisie. The status quo before relegation changed in to a negative operating result of €520.000,-.

	Before relegation	Decline	After relegation
Income (revenues)	€ 5.000.000,-	-25,4%	€ 3.730.000,-
Costs	€ 5.000.000,-	-14,1%	€ 4.250.000,-
Operating result	€ 0,-		€ -520.000,-

Table 1: Illustration of financial results before and after relegation of a random club.

One important remark to these numbers is that the income will further decline instead of stabilize in the second year after relegation, in case the clubs fails to promote back to the highest division. So the situation in the second year is even worse compared to the last year before relegation. These numbers can be found in appendix 2.

The following table illustrates some different components of income and the decline after relegation (KNVB Expertise, 2013b), based on a study on the clubs that demoted from the Dutch Eredivisie to Jupiler League since season 2002/'03 until 2011/'12.

	<i>Decline 1<sup>st</sup> season after relegation</i>	<i>Average portion of total revenues</i>
<b>Total revenues</b>	<b>-25,4%</b>	
Match revenues	-29,4%	16%
Sponsorship revenues	-26,7%	50%
Media revenues	-28,2%	20%
Merchandising	-33,2%	1%

*Table 2: Decline in different components of clubs' revenues after relegation*

These examples confirm the suggested decline in Grundy's (1998) model in value being created after relegation in the business value system of a club. Managers are confronted with declining incomes and value being created. Now, the question addressed in the previous paragraph is made clear. However, at this point managerial challenges arise.

The first challenge or implication is to adjust costs to the new situation. Grundy's (1998) model suggests lower value being created, which suggests that a lower amount of money can be spent. Where several components will cause a decline in income, the height of expenditures is more difficult to adjust to the new circumstances (Cooper & Joyce, 2013). The height of player salaries, for example, is registered in more-year contracts and fixed costs for maintenance to stadiums are hard to influence on the short term.

Next to that, the struggle to prevent relegation often ends after the last matches in a competition. As an illustration, the Dutch competitions ends at the end of May and the start of the preseason is scheduled at almost every club at the beginning of July. Thus, the time to react to the new circumstances and division is short. This is another implication for managers.

Given the earlier mentioned findings by House (2008) that promotion and relegation have a significant effect on revenues and the above findings that the decline in income precedes the decline in costs, relegation can cause clubs serious financial managerial challenges, because financial stability is uncertain. This financial instability results from the strong motive to invest in sportive quality and a financial "rat race" to spend more than competitors (Vermeend, 2010); many clubs do not have a healthy, sustainable equity position. Thus, there is hardly any space to moderate new losses. These challenges arise next to the existing challenge to create more value to support and increase the sportive performance on the pitch, reflected by Grundy's (1998) business value system.

The change that relegation would cause to the business value system suggests a conclusion that professional football clubs should be prepared in advance for that change. However, the difficulty lies in the fact that this change (relegation) can not be predicted as well as the timing of this change (if it happens at all). So, the question is how can clubs be prepared for this sudden but unpredictable change.

One of the tools that is used in the 'normal' business industry world is scenario planning. Scenario planning is seen as a usefull technique to make plans that can cope with changes. However, is scenario planning as a management tool from the normal business world usefull in the football business, with all its unique characteristics as is described earlier? This question will be addressed in the next paragraph.

### 2.3 Scenario planning as a tool from the business world

In this paragraph, a literature study on the topic of scenario planning is performed to address the question formulated above. In paragraph 2.3.1, an introduction to scenario planning as a tool in the normal business world with the definition and purpose is formulated. Paragraph 2.3.2 covers the different phases of scenario development in that 'normal' business world and paragraph 2.3.3 sets out the arguments why scenario planning can also be useful for small businesses like professional football clubs.



### 2.3.1 Scenario planning; definition and purpose

---

The world is becoming more complex and business faces changing environments and stakeholders different than the one that are familiar to the business. Prepared plans and scenarios are made to cope with changes; especially as such change may be unpredictable and may occur suddenly. In this changing environment, companies need flexible strategic planning in order to adapt fast enough to survive (Phelps, 1998). Scenario planning is regarded as a useful technique to handle that uncertain environment and situations inherent in the future (Foster, 1993).

In everyday language, people see scenario planning as an imagined sequence of events, with several detailed plans or possibilities (Coates, 2000). A definition of a scenario is a coherent, internally consistent and plausible description of a possible future state of the world. It is not a forecast; rather, each scenario is one alternative image of how the future can unfold. According to this definition, scenarios are not forecasts or predictions. Rather than relying on predictions, scenarios enable a creative and flexible approach to preparing for the future (Mahmoud et al., 2009).

A scenario is a qualitative or quantitative picture of a given organization or group, developed within a framework of a set of specified assumptions (MacNulty, 1977). Scenarios are possible future states of the world that represent alternative plausible conditions under different assumptions (Mahmoud et al., 2009). Scenario's and scenario planning are to establish future planning which can minimize unpleasant surprises and broaden the span of managers thinking about different possibilities (Phelps, 1998). Thus, scenario planning looks at longer term issues whose impact is likely to be far-reaching and enduring. Taking the longer term view can be seen to be critically important for any business (Foster, 1993).

The purpose and intention of using scenario planning as a tool or device is different among organizations. One of the purposes is to explain or explore the consequences of decisions or events (Coates, 2000) in multiple stories. These stories cover a variety of plausible future occurrences rather than claiming the ability to predict the future. This method encourages an organization to consider paradigms that challenge their current beliefs and thinking (Mahmoud et al., 2009).

It can be argued that scenario planning is a tool for learning. Chermack (2001) found that, although it first was a tool for strategic decision-making, nowadays scenario planning is noted as a tool for learning. An example of making scenarios that eventually helped a company survive is the scenario planning example at Shell (De Geus, 1988). Shell was prepared to act based on stories that had circulated through the organization (Chermack, 2001), by having learned from considering previously critical circumstances in different scenarios. This advantaged created by scenario planning is future memory; having considered the consequences and solutions of different possible future states upfront. Coupled with the idea that the only competitive advantage of organizations will be the ability of its managers to learn faster than their competitors, future memory can decrease the response time of an organization to external changes in the environment because the situations have been considered (De Geus, 1988). Thus, learning and making scenarios can be vital and essential to survive.

### 2.3.2 Framework for developing scenarios

---

Frameworks are developed to formally guide scenario planning in order to reach a good integration between strategy and planning, structure a good analytical process and reduce compounding redundancy and incompatibility (Mahmoud et al., 2009). In the process of scenario planning and the development of scenarios, Mahmoud et al. (2009) presented a framework in which five progressive phases of scenario development are formulated. These five progressive phases are scenario definition, scenario construction, scenario analysis, scenario assessment and risk management. O'Brien (2004) presented a slightly different five stages model, which includes the following stages; set the scene, generate and select factors, choose themes and develop scenario details, check the consistency of scenarios and develop and test strategies. Both authors argue that the first stage is to gain insight in the organization, its context and current and past issues that affects the organization. The authors both describe the second stage as the stage where critical factors and uncertainties are generated that

influence the different scenarios. After the second stage, O'Brien (2004) advises to make a number of scenarios in which the value of each factor is described. This process starts in the model of Mahmoud et al. (2009) in stage two. In this model, stage three already analyses the consequences of the interactions of variables, which is step 4 in the model of O'Brien (2004). Both models make an assessment of the different scenarios. Mahmoud et al. (2009) ends with risk management and monitoring scenarios. Risk management encompasses the implementation of strategies to reduce the vulnerability to the risks identified. Monitoring of scenarios recommends continuous reviews and corrections of scenarios, because of the constantly changing environment and future.

Mahmoud et al. (2009) placed the different phases in a model, see figure 3.

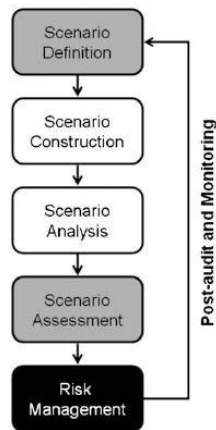


Figure 3: The five progressive phases of scenario development (Mahmoud et al., 2009)

At the end of paragraph 2.2, the question was formulated whether scenario planning as a management tool from the normal business world could be of use for clubs in the football business. There is some evidence found in the literature in theory and definitions, as presented above, which suggest that scenario planning could be of use for the Dutch football clubs. However, some authors suggest that scenario planning as a tool is only useful for big companies, because of the huge amount of time and money involved. Given that argument, scenario planning would not be of interest for Dutch football clubs with budgets from approximately € 3million to €8 million trying to prevent relegation.

Foster (1993), however, suggest that scenario planning is does not only have advantages for big companies. Also small companies can benefit from scenario planning in preparing for the uncertain future, which suggests that the small Dutch football clubs might also benefit from the use of scenario planning. How Foster (1993) suggests small business might benefit from the use of scenario planning is described in the paragraph below.

### 2.3.3 Scenario planning and professional football clubs

It is often assumed that scenario planning and development are an approach which only large, wealthy organizations can use because of the time, cost and expertise involved. Small businessmen tend to be reluctant planners, because they are too busy with running the business and the exercise is thought to be costly and too technical for the average owner of a small business (Foster, 1993). However, it is argued that small businessmen and organizations should plan strategically. One of the key elements is grappling with the uncertainty inherent in future. A study of small business in Australia found that there was a clear link between the success of businesses and their level of planning; if scenario planning is taken serious it helps people understand their business better. Investing time, energy and money in proactive planning is to try to improve the quality of decisions (Foster, 1993) and thus learn from it.

Foster (1993) identifies scenario writing as a scenario planning tool for small businesses and identifies five steps in doing so.

Step 1: Key factors: Identify Key Relevant Factors

- Step 2: Assumptions: State the assumptions to be implicit in the scenarios, including its horizon.
- Step 3: Sources: Identify relevant sources of information for key factors
- Step 4: Issues: Identify the issues / points of divergence arising from conflicting forces in the current situation
- Step 5: Pictures of the future: Assemble, or fit together, the information and forecasts obtained to generate internally consistent pictures or development pathways

These steps show resemblance with the steps of Mahmoud's (2009) scenario development model.

Practical considerations will often lead to a limited scope of two or three scenarios for small businesses and will often be 'local market' scenarios. Foster (1993) suggests that the first scenario is where the business is expected to be and the second is to explore to find out if the organization can stay in business if the worst happens. Once the scenarios are built, the position of the organization can be analysed and decisions on courses of action can be made. The choice is between designing the strategy around the needs of a given scenario and on which scenario to follow or try to devise a strategy which is workable across a range of scenarios. The most interesting and best option is, according to Foster (1993, p. 126), "probably to devise a strategy to optimize within the most likely future but with contingent escape routes built in." Thus developing scenarios and scenario planning learns the organization and management what the critical factors are and thus where to build escape routes in, in order to be prepared on a uncertain future.

So if we assume football clubs as small organizations, especially the ones that have to handle the possibility of relegation, then scenario planning could be of use. Now, the question earlier formulated if scenario planning could be useful in the football business is more or less answered, however the literature does not suggest in a concrete manner how it can be useful.

One might thus address the question what scenario planning looks like in practice. The literature does not give a clear answer to this question, but it is likely to assume that the focus is not on the benefits of having scenarios for multiple cases, but the process going through being more important. Coates (2000) argues that developing scenarios has two values. The first value is the obvious one, the plan. But more important is the complex process going through in developing alternative scenarios, discovering implications, evaluating them and creating a goal-oriented scenario. The process forces thinking and broadens one's awareness of the number of variables that one must consider that the higher value in scenario planning is educational—the expanded sophistication in thinking (Coates, 2000).

Coates (2000) continues by stating that scenarios are neither systematic nor transparent in the sense they are constructed by clear rules. They lack predefined variables and are not linked to systematically identified themes. The user with a transparent scenario should have three feelings. First is that he or she understands what was done. Second is that he or she could duplicate the process. Third is that having duplicated the process similar results would occur. That transparency builds great credibility in the scenario.

## 2.4 Conclusion of literature study

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In this paragraph, a short conclusion of the literature study will be provided, to give an overview of the important literature involved, their relationships and to explain how the literature that is found contributes to the research.

Three questions have been addressed in the literature study. These questions are:

- How can we put the managerial challenge of managers in the football business in a theoretical framework?
- What effect would relegation have on the club within that framework, if we consider relegation as the ultimate fine for bad playing performance?
- Is scenario planning as a management tool from the normal business world usefull in the football business, with all its unique characteristics as is described earlier?

The answer on the first question is found in the model of Grundy (1998), where match performance is the central factor that affects all the value that is being created in a football club. Relegation can be seen as a result of a series of bad sportive performance or match performance. The ultimate fine of that series is relegation. As a result of relegation, the model assumes a decline in the value being created in sponsorship, merchandising, brand, television and media income, gate takings and player disposal. The decline in brand causes a decline in new player attraction. These suggestions are confirmed by quantitative numbers of KNVB Expertise. Thus, the second question above is answered with a quantitative answer.

Because of the argued importance of a sustainable way of running the football club business, costs need to be adjusted to the new circumstances after relegation. The literature argues that the height of expenditures is more difficult to adjust to those new circumstances. The challenge is therefore to adjust the costs or to weaken the effects of relegation on income.

Because the time after relegation to a new season is short, clubs need to be prepared for this uncertain future. However, occurrence and timing of relegation can hardly be predicted. One of the tools we know from the 'normal' business world to cope with changes that are not certain to occur is scenario planning. The third question is on based on the applicability of this management tool to the football business; is scenario planning as a management tool from the normal business world usefull in the football business, with all its unique characteristics as is described earlier?

We found indications in the literature to suggest that scenario planning could be useful in the football business. Scenario planning establishes future thinking and enables better preparation, by having considered the circumstances and consequences in advance. It is also argued that scenario planning can also be useful for small organizations. The Dutch clubs preparing for relegation have a yearly budget between approximately €3 million and €8 million and can thus be considered as small.

It is not found which activities on scenario planning are performed by football clubs. To analyse the existing activities, the scenario development model of Mahmoud et al. (2009) is used. This framework consists of five phases, in which scenarios are developed, analysed and where actions to handle the outcome of the different scenarios are defined and applied.

Three important questions have now been answered by the literature study. They have provided the necessary insights in the topics involved and raised the questions under study in the next chapters. These questions are;

1. What are the experiences of Dutch professional football clubs on financial parameters on managing the club after relegation?
  2. How can the activities of clubs on scenario planning be valued in a formal framework of scenario development in the specific case of relegation?
  3. What weaknesses remain even if clubs use scenario planning in the prescribed way?
- These will go more in depth on the topics involved, because the literature does not give a satisfying answer. Answering these questions will provide for more knowledge on the topics involved.

## Chapter 3: Methodology

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This chapter explains the methodology that is used to conduct the research. Paragraph 4.1 describes the research method chosen and paragraph 4.2 deals with the method of data collection and the sample selection. Paragraph 4.3 sets out the way the data is analyzed.

### 3.1 Research method

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In this research, an explorative study is conducted on the question how scenario planning as a management tool could help management of Dutch professional football clubs in case of a possible relegation, which will lead to better understanding and more knowledge on this specific topic or, as Robson (2002) points out; finding out what's happening, to seek new insights, to ask questions and to assess phenomena in a new light. Both topics have been explored in an extensive literature study, but little is known on the specific use of scenario planning in the football industry. Therefore, the general models found in the literature study will be guiding in the specific use of both in the football business. A deeper understanding and study on this specific topic is needed. To achieve this, a qualitative research is used, based on the frameworks set out in paragraph 2.4. Qualitative research is well accepted to provide for deeper understanding of a specific phenomenon (Baarda, 2009).

As the strategy to answer the sub-questions, multiple case studies are chosen. A case study is a common used method in explorative research (Verschuren, 2007) and can be a very worthwhile way of exploring existing theory (Saunders, 2008). Robson (2002) defines a case study as 'a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence'. In our case, the real life context is relegation and the consequences on management of professional football clubs. The contemporary phenomenon is the management tool scenario planning.

In the research, five different clubs are studied and compared to each other. The reason for choosing a multiple case study over a single case study focuses upon the need to establish whether the findings of the first case occur in the other cases and, as a consequence, the need to generalise from these findings (Saunders, 2008).

### 3.2 Data collection

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In this section, the method for data collection and the selection of the sample is described. In conducting exploratory research, three principal ways of gaining data are central; a search of the literature, interviewing experts in the subject and conducting focus group interviews (Saunders, 2008).

#### 3.2.1 Method

---

The research has been conducted through interviewing five experts in the subject. Those experts are managers of Dutch professional football clubs that have been relegated in the recent years. Babbie (2009) argues that the strength of interviewing is the depth of understanding it permits, which thus fits the intention of this research.

Semi-structured interviews are used to gather the necessary data. Semi-structured interviewing allows asking further on the interviewees' answers if they are not clear to the interviewer or if the question asked was not clear to the respondent. In a case study interview, a consistent line of inquiry will be pursued, but the actual stream of questions is likely to be fluid rather than rigid (Yin, 2003), thus semi-structured interviews will fit.

The structure of the interview is based on the different models found in the literature study. In the introduction of the interview, an introductory question on the general experiences on relegation is asked

to introduce the subject and was the basis for more specific questions, to check consistency or differences with the findings in the literature that relate to the model of Grundy (1998). Questions were asked that related to the different stages of Mahmoud's (2009) model of scenario development. The different stages guided the formulating of questions. Both models are chosen because the sub questions are aiming for more in-depth knowledge on a specific topic in a general model.

The interviews were conducted face-to-face on the location of the interviewees' office. The interviewer was introduced as a trainee from KNVB Expertise, to ensure cooperation from the interviewee and to appear credible. Also was mentioned that the gathered data would be used for the personal thesis of the interviewer. At the start of the interview, it was stated that the data will be used confidentially and permission was asked to audio-record the interview. The advantages of audio-recording during data collection are broad; they insure and enlarge the quality of data, they gain more insight in the specific topic of interest and parts of the transcribed interviews can be added to the thesis in order to give readers the opportunity to judge the interpretations made (Boeije, 2008). The interviews lasted all within the agreed time of 1,5 hours.

### 3.2.2 Interview structure

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In the interviews, consistency with the models of Mahmoud et al. (2009) and Grundy (1998) is checked for all clubs. These models arise from the literature study, as is explained in paragraph 2.5. Because of the interview being semi-structured, standard questions function as a starting point to address a certain topic. This gives the interviewer the option to further deepen a subject and to respond on answers given by the interviewee. In order to address at least all the components of both models, standard questions on these models are asked in every interview. The standard questions that are based on the models are:

#### **Scenario development model of Mahmoud et al. (2009):**

1. *Scenario definition*: Does the club take the chance of relegation into account and on which ways? If yes, questions are asked on if the club uses scenarios for relegation.
2. *Scenario construction*: How are these scenarios constructed?
3. *Scenario analysis*: Do you map the consequences for the different parts of the football club / business in case of relegation?
4. *Scenario assessment*: Are plans changed over the years? Are plans communicated to the broader audience of stakeholders?
5. *Risk management*: Do you make adjustments to reduce the consequences of relegation? What have you learned from the past relegations?

#### **Business value system of Grundy (1998):**

What effects does relegation have on certain parts of the club?  
Which parts of revenues or costs will decline and with which amount?  
To which extent you think you have influence on the declines?  
In which ways tries the club to tie up stakeholders to the club after relegation.

All the interview questions can be found in appendix 1.

### 3.2.3 Sample selection

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A case study is often characterized by strategic sampling, which is a consequence of working with a small focus. With a small focus and a small sample of possible respondents, the chance of a random sample of atypical respondents is too big, with consequences for external validity of the research results (Verschuren, 2007). Next to that, random sampling could possibly lead to respondents that have no or less experience on the specific topic, in our case relegation and scenario planning. Verschuren (2007) conclude that in such cases the purpose and goal of the research replace the random assignment of respondents to the sample.

Therefore, in the selection of the sample for the case study, managers are strategically or in other words selectively chosen. In consultation with the first supervisor, five managers are selected from five different clubs that have been relegated in the past few years. The managers had to be working at least one season before the actual relegation took place and one year after, to assure a good picture of the time before, during and after the relegation. In total, the managers had the experience of six relegations.

Verschuren (2007) suggests that in an explorative research, it is advisable to select cases or respondents that are in general resembling to each other or have minimal variation in order to achieve proper general and descriptive statements and conclusions. The clubs and managers in the case study are to a certain extent similar to each other. All are working in the same business and competition, are working under the same business model, face the same regulations and are more or less of equal size. The effect of relegation and the use of scenario planning are assumed not equal at the clubs, so critical (success) factors and differences can be identified, but due to the minimal variation general statements can also be formulated.

### 3.2.4 Sample description

---

This paragraph describes the five respondents and their clubs. Because of the anonymity of managers and directors, the clubs are numbered starting with club 1 etcetera and names are not mentioned. The description will briefly describe their current situation and their history on relegation. An analysis of a club that relegated and went bankrupt was not possible, so one should be aware that the results only cover clubs that did not went bankrupt (a few years) after relegation. Before the club number, an E (Eredivisie) or J (Jupiler League) is mentioned to point out the league in which the club plays at the moment of the interview.

**Club E1:** The club was relegated recently from Eredivisie to Jupiler League and has returned to Eredivisie within a year with positive financial results. In the period of the interview, the chance of a new relegation in that current season was present. The respondent of the club was a person from the management team.

**Club E2:** In the period in which the interview is conducted; the club was in a struggle to prevent relegation from the Eredivisie to the Jupiler League. In the strategic plans, the club identifies itself as a club at the top of the Jupiler League and at the bottom of the Eredivisie. It therefore foresees in a relegation scenario. Relegation would however have a huge impact on the club. The respondent of the club was a person from the team of directors.

**Club J3:** The club was relegated a few years ago from the Eredivisie to the Jupiler League and is playing a few consecutive years in that league now. The respondent has experienced two relegations at the club and is member of the management team.

**Club E4:** The club is recently promoted to the Eredivisie. Because of the relatively small size of the club, relegation is an issue, but the club intends to grow to a substantial and lasting position in the Eredivisie without fear for relegation. The respondent is a member of the team of directors.

**Club J5:** The club was relegated to the Jupiler League past season. The relegation has come with heavy turbulence among fans and other stakeholders, much more as the relegation previously a few years ago. The respondent experienced both relegations which, as the respondent notices, came with different magnitudes in terms of financial setback and impact on the organization. The respondent is member of the management team of the club.

### 3.3 Data analysis

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All interviews are, with permission of the respondents, audio-recorded and transcribed afterwards. Notes are taken during the interviews, to report non-verbal communication and experiences. These observations are important in reporting and interpretation of the data (Boeije, 2008).

The transcribed interviews are encoded and entered in the qualitative research programme MAXQDA, which allows the user to filter fragments from the different interviews on certain topics. This allows the researcher a systematic storage and retrieval of data, which contributes to the transparency and control possibilities by others of what has happened during the research and analysis (Boeije, 2008). The purpose of this method of coding is to develop a conceptual framework which suits the data. Open coding provides the researcher with better synoptic data and a better conceptualising of the field of research (Boeije, 2008).

After encoding all the data retrieved, the different theme's are discovered and analysed, which allows the researcher to couple them to the topics and the research and sub-questions involved. The topics are derived from the literature study, are discussed in the interviews and are necessary to answer the research question and the sub-questions. All the themes were compared to the same themes in the other interviews, which allow the making of an comparison between clubs. In this final step, insights are extracted from the grouped, different themes and will be presented according to the structure of the models found in the literature study. These insights or findings are thus reflected on the models.

### 3.4 Validity and reliability

---

Validity refers to measuring and explaining what actually needs to be measured and explained. Validity relates to the influence on research by systematic faults (Boeije, 2008). By deriving the topics for the interviews out of the main research questions, the sub questions and the literature study, the data out of those interviews must provide an answer on the research questions.

A possible threat to the external validity is the low amount of respondents on which conclusions will be drawn. However, the amount of respondents is considered to be enough due to the fact that relegation only takes place for one or sometimes two clubs a year. The respondents cover more years of experiences with preparing for relegation in different clubs. Next to that, the low amount of respondents is not very significant because of the group of clubs to which the research findings will be generalised is also of a small amount.

Other adjustments to improve validity are, among others, the feedback opportunities for respondents. According to Boeije (2008) member validation enhances the validity of the research. All respondents got the chance to review the transcribed interview with comments on the researcher's assumptions and analysis with the question whether the information is correct. Next to that, the respondents received a concept version of the research to check whether assumptions and the analysis were correct.

Method triangulation is used at some points to clarify statements or findings. Method triangulation is the use of other data collection methods to strengthen findings from the one method. Quantitative data from KNVB Expertise is used to strengthen or clarify in another manner findings. The qualitative data collection method is the main data collection method, the quantitative data is used to reinforce findings.

Reliability refers to the influence of accidental or non-systematically faults on the observations (Boeije, 2008). Often, reliability is measured by the precision of the data collection methods. If the same phenomenon is measured with the same type of data collection method, the same observations should be made. The function of the respondent at the club could have an influence on the observations, a commercial manager way act and think in a different manner as a financial manager. The reliability is enhanced by transcribing and coding of the interviews, because the selection of quotes is in this way clarified. Also, the feedback opportunity for respondents with the question whether the information is correct enhances reliability.



## Chapter 4: Research results

The previous chapters have explained why, what and how the necessary data is assembled to answer the research question and sub questions. This chapter will represent the assembled data from the interviews, in a structure based on the models in literature study, which we want to extend with this data. The business value system of Grundy (1998) is used in the first paragraph explaining experiences of the management of Dutch professional football clubs on relegation. For scenario planning in the second paragraph, the components of the framework for scenario development of Mahmoud et al. (2009) is used.

### 4.1 Management of Dutch professional football clubs

In this paragraph, the retrieved data regarding the model of Grundy (1998) is displayed. This model is explained in detail in paragraph 2.1 and is displayed in figure 4 below.

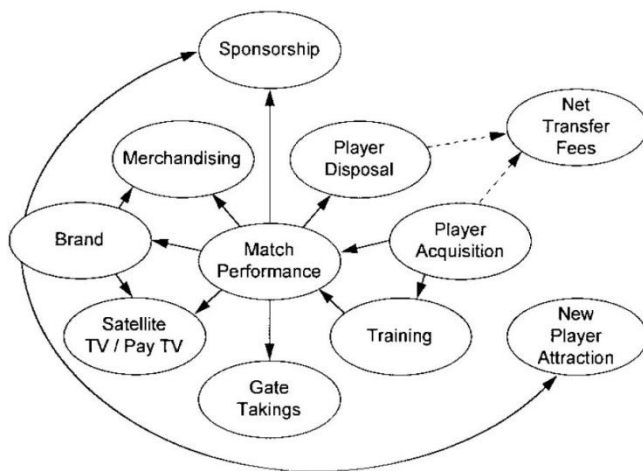


Figure 4: Business value system football clubs (Grundy, 1998)

In the model, match performance is the central factor that affects all other aspects. The literature study has pointed out that a result of a series of bad match performance could eventually lead to relegation. The magnitude of this effect however is hard to predict in quantifiable numbers in the specific context of one club. The data retrieved in chapter two from KNVB Expertise is only precise as an average over years. Within match performance some aspects may have an influence on the magnitude of the effect. These aspects are not more or less related to the match result, but on the type of play. The following quotes illustrate the above;

*'The relegation last time was a heavy one. Everything came together; a lot of negativity because of the style of play and the bad economical times where at the lowest point. A lot of sponsors dropped out.'*

(...)

*'The play-offs will be very important. If we show the kind of football we want to play next year, than that will influence the ticket sales.'*

Club J<sub>5</sub><sup>1 2</sup>

Researcher: *'Does the club undertake extra activities to try to keep the fans associated?'*

*'Yes, of course we will try that. But the time is scarce and if relegation will become reality, the club will be on fire the first few months. The people will not be happy and positive feelings needs to*

<sup>1</sup> For the sake of anonymity, all managers and directors are numbered starting with club 1 etc. Therefore, gender and function of the manager or director cannot be retrieved. For more detailed information on the clubs, see paragraph 3.2.4

<sup>2</sup> The club from which the quote originated will always be announced after the quote.

*come back. Those good feelings can only return if they see the team winning matches, people feel happier because they see more goals in favor than goals conceded.'*

*(...)*

*'After relegation, everyone is disappointed. Don't bother those people the first few days. Go and make new plans and create a positive message. Ensure positive news, but the good feeling will only return if you start winning matches. If not, the club will be on fire even longer.'*

Club E2

Although the style of play and winning matches after the relegation may change the magnitude of the effect of match performance on the other aspects of Grundy's model, the relegation will have a negative effect on all the aspects.

For clubs with a successive record of bad match performances in the form of losing matches and where relegation has a serious chance of occurring, creating value is difficult. The reason is because investment decisions will often be postponed to the point where there is certainty of the league in which the team will play next season;

*Researcher: 'Do you think that during a period of not knowing which league you will be playing, uncertainty will arise in the management or board?'*

*'Yes, especially in taking decisions. Making decisions on investments in for example your stadium. We have to wait, for the time being nothing can be done on that subject. Of course, this also counts for our players; you can't negotiate with any player if you don't know in which league you will be playing.'*

*(...)*

*'That kind of decisions, investments in people and materials can't be made at that time.'*

Club E2

This means that bad sportive performance can block extra value creating activities. Relegation will be the ultimate fine, because the financial possibilities will drop significant.

Data from KNVB Expertise proofs that the ultimate fine of relegation causes a decline of value being created in all the directly related aspects; sponsorship, television income, gate takings, brand, merchandising and player disposal.

Quantifiable numbers on page 13 show the average decline for teams that have relegated in the last ten years (see appendix 2 for complete comprehensive overview). The numbers are based on relegated clubs from season 2002/'03 until 2010/'11.

The decline of the brand aspect of the business value system is most tangible in sponsorship and new player attraction, as the model suggests. The interviews confirm the findings of KNVB Expertise. Sponsorship will decline because the club and the brand are less interesting because of among others the lower spin-off and lower media attention of the Jupiler League. The following statements are illustrations of these findings;

*'In the Jupiler League, you have to put in a lot extra effort to point out the reasons for keeping stakeholders at the club.'*

Club E1

*'The biggest decline is in sponsorship, you have brought that income to a certain level with marketing and big partners. Those partners will never pay that amount again after relegation.'*

Club E2

Grundy's (1998) model also suggests an indirect relationship between match performance and new player attraction through the aspect of 'Brand'. The data from the interviews shows that this relationship is ascertainable; uncertainty about which league to play may harm negotiations with players because of the unwillingness of a player to accept relegation clauses who will affect the player's salary.

Match performance is assumed to have an effect on player disposal and net transfer fees. In the case of match performance resulting in relegation, the research data supports this relationship; almost all clubs feel or are forced to dispose players after relegation. Often, the players are disposed because of the wages that are too expensive to pay for in the new league. One club states;

*'Our salary structure will go to another level after relegation. This means that you cannot longer afford your top five or six players. Those will not get a contract.'*

Club E4

Player disposal will lead to transfer fees for players with contracts. An additional disadvantage of the match performance ending in relegation is that your position in transfer negotiations is weakened. This is illustrated by the following quote;

*'Your position is weakened when they know you have been relegated. They know you need money and your player will put pressure on that.'*

Club E2

The model does not suggest that match performance has a direct or indirect effect on player acquisition. The above findings and quotes may suggest that there is an indirect effect. Match performance ending in relegation harms new player attraction, but as a result of that also the player acquisition. Relegation however, comes with less financial possibilities, a weaker negotiation position, a less interesting division for a new player to play in and lower wages. Given that, a line being drawn between new player attraction and player acquisition would connect match performance as an effect on player acquisition. In that case, the results therefore suggest that the model will need an additional arrow to highlight this relationship.

Clubs feel they need to put in extra effort to create value after relegation. However there is no proof coming from the interviews, this extra work might come with fewer personnel available, because there is a need to dismiss personnel to save costs.

*'After relegation, we addressed fans for their loyalty and love for the club. And of course we adjusted the prize of tickets.'*

(...)

*'You have to work a bit harder to satisfy everyone, you have to be creative in that. We need to do that again now, but in the Eredivisie you do this less. Now, we are searching creative ways to mark the added value for sponsors.'*

Club E1

*Researcher: 'How does your club try to bind sponsors after relegation? Does the club organize new activities or initiatives?'*

*'Yes, as well. It is a standard activity for us to visit the sponsors each year. That is now (after relegation, red.) even more important than ever before. You have to be there at happy hours, show yourself at games. Shake hands with the big sponsors.'*

Club J5

To summarize the findings, clubs face a decline in value being created after relegation in all aspects of Grundy's (1998) business value system because of the lower spin-off and exposure of the new league. The magnitude of the decline differs and one of the reasons is the match performance, central in Grundy's (1998) model. Within match performance, clubs believe that the style of play and winning matches after the relegation can harm or benefit the expected decline. When bad sportive performance in the form of loosing matches indicate a possible relegation, clubs acknowledge that creating value is difficult because investment decisions will often be postponed to the point where there is certainty of the league in which the team will play next season. This is also the case for new player attraction. So even before the actual relegation has taken place, creating value is harmed by the possibility on relegation.

Also, the results suggest a relationship between the match performances and player acquisition. Match performance ending in relegation harms new player attraction, but as a result of that also the player acquisition. The following statement illustrates this:

*Researcher: 'Does negotiating about relegation clauses harm your negotiation position?'*  
*'Of course. Every negotiation starts on Eredivisie level. But when it comes to relegation clauses, there are always players who say that if they need to sign relegation clauses they will not come.'*

Club J<sub>3</sub>

Assuming a line being drawn between new player attraction and player acquisition would connect match performance as an effect on player acquisition, and would make Grundy's (1998) model a cycle.

## 4.2 Scenario planning

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The components of the framework for scenario development (Mahmoud et al., 2009) are scenario definition, scenario construction, scenario analysis, scenario assessment and risk management. All five components and the gathered data on the specific topic will be reviewed in paragraph 4.1.1 until paragraph 4.1.5. In general, it is experienced that there is overlay between the different stages and the reader may argue that some aspects can also fit in other stages.

### 4.2.1 Scenario definition

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The scenario definition phase identifies the specific characteristics of scenarios that are of interest to the stakeholders and identifies critical forces or key variables that drive the system under study (Mahmoud et al., 2009).

All clubs argue that the leading component for Dutch professional football clubs in making scenarios that foresee in a possible relegation is the financial component. The reason for this is illustrated by the following quotes:

*'Everything is constructed on the basis of playing in the Eredivisie. You earn more income but on a certain moment you relegate. At that point, that income drops immediately, but you still have some obligations. You need to dismantle those obligations. That is the disadvantage of relegation, in a moment you lose everything.'*

Club J<sub>3</sub>

*'Clubs are all facing the same problems at relegation. I believe those are similar. A decline in every aspect.'*

Club J<sub>3</sub>

*'We have certain priorities in the organization.'*

*Researcher: 'Is football central to these priorities?'*

*'Yes.'*

*Researcher: 'Is there a financial component in these priorities?'*

*'Yes, despite of always saying this must not be a criterion. It does happen. It has to be payable, or else you have to shut the door'*

Club J<sub>5</sub>

Financially seen, relegation has thus an impact on the club. The expected decline in income, due to lower sponsor attraction, fan attention and media coverage, leads to problems fulfilling obligations that clubs have arranged in the time they were playing in the Eredivisie. The scale of those problems and obligations might have a relationship with the amount of consecutive years of playing Eredivisie, because clubs tend to look at growth and expansion after a few years of no relegation. The following statements illustrate the suggestion above:

*'Because of playing a few years in the Eredivisie now, you have built up something in the organization and the financial structure of the club. Relegation has a substantial impact.'*

Club E<sub>2</sub>

*'Every club has its own financial household. Look, Club X has a much bigger problem if they relegate than our club. We must handle a substantial decline (red.: in costs), but that can be overlooked. At Club X, this decline is more substantial and must be handled harsher and rawer.'*

Club E<sub>2</sub>

*'The longer you play in the Eredivisie, the bigger the step backwards after relegation'*

Club J<sub>3</sub>

Clubs know upfront that relegation means a huge step backwards in financial opportunities, but the magnitude of this step is hard to predict and dependent on several factors. Clubs name in different amounts factors as the way how a club relegated, the way how the club starts the new season with sportive performances (wins versus losses), positive and negative feelings that surrounds the club, financial circumstances among sponsors as the main factors that influence the impact of relegation on the financial parameters of the club. This makes that the magnitude of the impact of relegation on the parameters is hard to predict. Clubs admit that their predictions are not always accurate and that making predictions is hard:

*'At that point when we were relegated? I believe that in that year, we estimated our budget a bit too high. The reality, however, was different.'*

Club E<sub>2</sub>

*'At that time, I couldn't predict that the consequences would be that big for the club. Moreover, those were the good years for the clubs.'*

Club J<sub>5</sub>

*'In our budget, we took the risk of estimating the sponsor budget at a high level. In retrospect, this was predicted totally wrong by the commercial department.'*

Club J<sub>5</sub>

All the interviewed clubs acknowledge that experience on the topic of relegation help to make better predictions on the impact of relegation. Having experienced relegation before helps managers to estimate the effects in a more accurate way. Other factors that help managers in making better estimates are data from KNVB Expertise and conversations and discussions with other clubs. However, as is found above, certain factors make that predictions are uncertain and difficult.

All the interviewed clubs only work with two scenarios in case of a possible relegation; a Eredivisie scenario and a Jupiler League scenario. The first scenario can be seen as continuing in the current situation, whereas the second can be seen as the point of equilibrium or relegation scenario.

Summarizing, although football is the central point of interest, the most important characteristic of making scenarios for a professional football club is the financial component, because relegation causes a decline in income which is hard to predict. This may lead to problems fulfilling obligations that clubs have arranged in the time they were playing Eredivisie. The amount of these problems is found to relate to the amount of consecutive years playing in that division and the experience of the club with relegation.

#### 4.2.2 Scenario construction

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The next step in scenario development is to filter the scenarios with detailed quantitative and/or qualitative information that reflect the ultimate outcome of scenario characteristics. Relationships, critical uncertainties, assumptions, variables, situations and the timescale are represented in the scenarios (Mahmoud et al., 2009).

Because of the financial component being the most important in making the relegation scenario, the scenarios are made in the form of budget plans;

*'Our scenario is not a book in which everything is in place, but is just an elaborate budget plan in which everyone has on its own domain a more detailed description.'*

Club E1

*'These kinds of scenarios are best translated in a good budget plan. And where everyone is aware of his own account, let me put it that way.'*

Club E1

*'For the next season, we have a very clear and early finished budget plan for the Eredivisie as well as for the Jupiler League which has also been worked out very seriously.'*

Club E2

All the clubs that have a serious chance on relegation are working with two scenarios in the form of budget plans. The difference between the clubs lies in the depth of working out the relegation scenario. Dependent on the place on the ranking and how the club sees and positions itself, the relegation scenario is worked out. The following statement illustrates this, by being on the bottom places of the Eredivisie and stating that;

*'We had been working for months on our Jupiler League budget plan, but our Eredivisie budget plan was hardly given any attention.'*

Club E1

That other clubs are working with another perspective on their budget plans is illustrated by the following statements;

*Researcher: 'Is the Jupiler League budget plan equal important to the Eredivisie budget plan?'*  
*'For the time being, it is less important than the Eredivisie budget plan, but we have looked at it very careful and we have drawn down the consequences.'*

Club E2

*Researcher: 'Thus although playing in the bottom places of the Eredivisie, you have been planning for, in budget terms, another Eredivisie season and made a shadow budget plan for the Jupiler League?'*

*'Yes, although that one is realistic.'*

Club E4

Thus, all clubs are working with a quantitative scenario in the form of a budget plan. Some clubs have taken this quantitative scenario as the central point of attention and worked it out in a qualitative scenario. The way how clubs put this in practice differs. One of the clubs wrote a clarification on the relegation budget plan, also to prevent any discussions on interpretation differences and to be transparent in what is stated. Another club wrote in their strategic plans paragraphs on what would happen to their strategic plans in case of relegation. Some clubs didn't make any qualitative scenario and used the budget plan as the only central point of focus. The following quotes show the statements made above;

*Researcher: 'You just said that management uses a budget plan as a scenario and that every manager is responsible for its own account. Is this budget plan also worked out in a consistent plan or text?'*

*'No, we really do not have the time available to write a textual version of the budget plan.'*

Club E1

*'We do not have a concrete plan in case of relegation; it arises in particular out of the budget plan. Meanwhile, we have however a strategic policy plan, consisting of a commercial plan and a technical plan that also foresees in the scenario of relegation and playing in the Jupiler League.*

Club E2

*'After the second relegation, we made the switch to a quantitative and a qualitative budget plan. We wrote down all the components of the budget plan. In 35 pages, we explained per account what is in it and what is not and what are the assumptions and starting-points. All budget responsible managers got to see those budgets. If they miss something, they can mark that, but well argued. It can never be the case anymore that they say afterwards that they assumed something different.'*

Club J5

The results make clear that making scenarios on this specific topic is time-consuming for the often small organizations, but there is a difference in rejecting or accepting the activities involved. The absence of time is an important argument in the discussion whether or not to further deepen the scenarios or budget plans in quantitative and qualitative ways.

Summarizing; scenarios are made by clubs in the form of quantitative budget plans. Clubs preparing for a possible relegation make two budget plans; one for another year in the Eredivisie, one for the next year in the Jupiler League in case the club relegates. It differs among clubs how extensive these plans are worked out, also because of the time involved.

### 4.2.3 Scenario analysis

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The third phase in scenario development is scenario analysis. This phase is focused on identifying the consequences of interactions, driving forces and system components to examine the scenarios constructed in the prior phase. Activities include among others the quantification of uncertainties associated with the scenarios. Scenario analysis also identifies notable system conditions or behaviors, including trends, regimes, thresholds and triggers, discontinuities and cascading effects (Mahmoud et al., 2009).

The relegation scenario constructed in the form of budget plans in the prior phase carries the uncertainty to which extent the numbers in these plans are reliable and achievable. The following statements suggests that clubs and managers that have the experience of relegation in the past few years seem to find it easier to estimate the numbers on the budget plans, because in those cases often the budgets and financial results from those previous years are used. Having the experience does not imply that the budget numbers will be correct or true however. Clubs who are less familiar with relegation base their numbers on different forms of research. To reduce the uncertainty of numbers, some clubs discuss with other clubs the effects of relegation, some use existing data from KNVB Expertise and some perform own research;

*Researcher: 'Do you know upfront with which percentages the decline in income will be after relegation?'*

*'There are a few elements. Some aspects are known via CED or from past years. You extract averages from those data. Off course, there is also the Benchmark Betaald Voetbal which can be consulted. But we have also checked the effects at other clubs; we asked a club for example what the effect of relegation was on the sale of season tickets.'*

Club E1

*'We have been looking at the data of the past relegation, combined with our current situation, commercially seen.'*

Club E2

*Researcher: 'Where are assumptions in the budget plans on relegation based on?'*

*'I have been working for years in the business now, so I know where there will be a decline in costs, where costs disappear, but where new costs might appear.'* (...) *'Off course, you take a look at the last year in the Jupiler League; you take a look at what actually happens there.'*

Club J3

*'Yes, we always use the numbers from the previous years in the Jupiler League. You find a certain trend, however the trend from past season to this season (red.: occurrence of relegation) differs significant. We are now below the comparative figures.'*

Club J5

Some of the clubs argue that the numbers are more accurate, but that the uncertainty is not ruled out. The trend of declining income after relegation in case of sponsorship for example, is difficult to estimate in a reliable manner, as is stated by some clubs. Clubs point out that sponsors need certainty about the league in which the club will be playing next season. For that reason, many contract negotiations find place after the end of the current season and also after the budget plans are made up. For that reason, estimating sponsorship amounts in a relegation scenario is difficult, in the case of one-year contracts or if there are no relegation clauses. The following quotes confirm the statements;

*'In the case of sponsorship, we started conversations with sponsors very late, because they all want to wait for certainty about the league to play in. There were also many sponsors whom declared that they would quit, but later revised that. Then, you needed to come back for a second time.'*

Club E1

*'The unpleasant is that when talking about sponsorship, there will be a heavy decline. Many companies, especially when it comes to exposure, will decide to do less. It is less interesting for companies, even much less interesting at this moment.'*

Club E2

*Researcher: 'Do sponsors have relegation clauses?'*

*'Some sponsors do not have relegation clauses in their contracts. Especially the bigger sponsors have Eredivisie and Jupiler League tariffs. A few sponsors have a fixed tariff, with a flexible interpretation of that tariff.'*

Club J5

The last quote shows that clubs take precautions to have more certainty in the expected amounts after relegation. Some clubs have relegation clauses that describe declines or changes that are contractual predetermined in the case of relegation. Also, some clubs arranged multiple-years contract without clauses.

Clubs mention that there is one factor that gives companies an extra argument in contract negotiations to stop the sponsorship after relegation, which is the economical crisis.

In income, next to sponsorship, media income and gate takings get the most attention from club managers because of being the biggest in size. The biggest part of media income, income out of television rights, is reliable to predict for the clubs, due to a fixed distribution model. Club 2 acknowledges this by stating:

*'We looked at our current situation, commercially seen. What is our situation? Our sponsors, what will be the decline? This was also applied to season tickets. Those are the revenue streams. These are the most important revenue streams together with television income. The rest are small records.'*

Club E2

Clubs estimate the decline in gate takings in terms of percentages. These percentages are made with the help of benchmarks of the clubs' previous years in the Jupiler League or benchmarks based on experiences of other clubs. The following quotes make this statement clear:



*'And season tickets will approximately decline with 15%. With that data, you can make a decent assessment of what the decline will be'*

Club E2

*'Than let's move to the income. Let's start with a gate receipts decline of 15%.*

Club J3

*On gate takings decline: 'So, how to estimate a 12,5% decline? Just looking at absolute numbers and on occupation per stadium section and make an assessment on that. That has resulted in total decline of 12,5%. The future will tell us if that is a good assessment.'*

Club J5

Clubs notice that in gate takings, the sales of season tickets will drop after relegation. This decline is not always discovered in the sales of one-match tickets, as some clubs have noticed. The reason for this is found by clubs in the less strict rules on one-match ticket sale in the Jupiler League.

In the assessment of the relegation scenario, the influence of relegation on the personnel of the club is distinct and found at all clubs. Due to the decline in income, clubs feel forced to adjust or plan adjustments to the cost structure. By far, the personnel costs are the biggest cost center in size for clubs. After relegation, clubs often immediately adjust to the new circumstances:

*'The day after relegation, we sat with all the managers. At that moment, we knew what to do and that started with the personnel. In personnel and in the players group people will go out. We knew where we would end, because it was all worked out.' (.....) 'People need to leave. That sounds horrible, but you always look at first instance at your personnel.'*

Club J3

*Researcher: 'As a result of relegation, clubs often need to reorganize. Will there be a calculated reorganization on certain aspects of the organization?'*

*'That differs from club to club. But the one thing that not differs is the personnel. In personnel, there will be reorganization, which is the first thing to look at. It is also often the first job assigned by the supervisory board.'*

Club J3

*Researcher: 'Can you describe in a very concrete way how the club has been preparing itself on a possible relegation, next to budget plans?'*

*'That is for sure. But preparation is especially focused on contracts for technical staff and players. In these contracts, there are provisions made for relegation.'*

Club J5

Clubs differ in constructions to prepare for relegation in terms of personnel. Many take up relegation clauses in contracts, others discharge personnel. This will be addressed more in depth in the other paragraphs of this chapter.

Another point of interest for the clubs is that relegation comes with another division and another communal representative organ that represents the interests of the clubs playing in that division. The representative for clubs playing in the Eredivisie is the ECV. For clubs playing Jupiler League, this is the CED. Those representative organs come with different obligations and (financial) benefits. A few clubs acknowledge that they do not always have a comprehensive understanding of what the differences will comprise for their club. Often, when a new season has already started, clubs find out what the representative organ has to offer them. This uncertainty is illustrated by the following statement;

*'After relegation, we started conversations with CED. They came up with all sorts of collective deals. You can be as a club very happy with that or it is disappointing because of a deal you have agreed is less good as the CED deal. The second time however, you know exactly what will happen.'*

Club E1

Summarizing; in the scenario analysis phase, where activities are among others focuses on the uncertainties associated with scenarios, clubs try to make accurate numbers for their budget plans. The results show that clubs rely on data from own experiences, KNVB Expertise, other clubs and also discuss the numbers with other clubs. Estimating those numbers is found to be difficult because of the many contracts involved. To have more certainty about the numbers, clubs arrange contract clauses and more-year contracts to be able to have an accurate estimate of the situation in case of relegation. Often, the decline in gate takings is explained in percentages.

#### 4.2.4 Scenario assessment

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The fourth phase in scenario development is scenario assessment. In this phase, the assessment includes identifying risks, rewards, mitigation opportunities and tradeoffs; presenting results to stakeholders and devising plans to monitor and audit scenario plans and resulting management strategies. This phase extracts a set of narrative describing scenario results from the outcomes of the scenario analysis phase, and examines the implications for resource management and other decisions in different dimensions (Mahmoud et al., 2009).

In the more specific case of this research, this phase is more focused on a few points of the official definition of this phase, which is identifying risks and devising plans and management strategies to monitor, handle and react on the risks recognized in paragraph 4.2.3. The reason for doing so is because of the small size of the organizations and the small amount of time and money available, which is also already addressed in paragraph 2.4.3 of the literature study.

As paragraph 4.2.3 points out, the impact of relegation is most found in the declining income in sponsorship and among others media income. This is summarized in budget plans. As a logical result, costs also need to be adjusted to reach to an acceptable exploitation. Achieving this acceptable exploitation thus means for clubs to adjust costs or try to minimize the decline in income. This is most of the time done by clubs by means of contracts, clauses and other activities. The strategy or plans to do so differs among clubs, next to the differences in existing precaution strategies that clubs already use.

If we start with the income side and more specific on sustaining sponsorship income, clubs have adopted different ways to weaken the decline. Preventing the decline is nearly impossible:

*'We have brought the sponsorship income to a certain level with marketing and big partners. Those big partners will never pay that amount after relegation.'*

Club E<sub>2</sub>

Most of the clubs in the sample use relegation clauses in contracts with sponsors or use one-year contracts. The following statements illustrate the use of clauses and the differences between clubs:

*'Due to clauses, the decline in sponsorship will approximately be 12 or 13%, besides the bigger sponsor packages because those are custom made.'*

Club E<sub>2</sub>

*'We have tried to reduce the decline in sponsorship by offering sponsors a proposal with the same amount of money but with more facilities. This could be extra LED-boarding or an extra chair, at least with the same amount of money involved. We had that capacity; we have an overcapacity.'*

Club E<sub>1</sub>

*'We almost only have one-year contracts with sponsors. I think this is the time that companies do not want to tie themselves longer than a year. It means that we have to focus even more on relationship management and that we know early if the contract will be extended or not.'*

Club E<sub>2</sub>

*'What we have done after promotion is that we signed contracts with in particular bigger organizations for at least two or three years without any relegation clauses.'*

Club E4

*'Most of the bigger sponsors have an Eredivisie and Jupiler League tariff. A few sponsors have a fixed budget, wherein the terms are variable. In the Jupiler League, this sponsor can have six seats instead of twelve, but in exchange for that more LED-boarding.'*

Club J5

At the income side of the budget plans, sponsorship income plays the most important role because of the amounts and thus the risks involved. The significance of sponsorship amounts is illustrated by the following quote:

*'We have divided the sponsorship contracts in so-called A, B and C contracts. A is uninterrupted and 100% certain. B is pro forma terminations, so we make an assessment of which sponsors will continue and C is new revenues. B and C together is 50% of what is now stated under sponsorship income in the budget plans, which is thus a risk of 2,2 million. If that amount will not be reached, we better shut down the club. Do you have a bad night's rest of that fact? Yes for sure!'*

Club J5

Media income plays a less significant role, because it is more or less certain to predict which amount the decline will be due to a fixed allocation of resources model. Moreover, after relegation clubs receive the first years a relegation compensation for the decline in media income.

Gate takings face also a decline after relegation. Clubs face a decline in season-tickets sales, but a decline in one-match tickets is not always found because of less strict regulations in the Jupiler League. Also, the change of match-day brings new opportunities for clubs to attract new target groups.

Perhaps one of the most challenging aspects after relegation is to bring down costs to deal with the decline in income. Clubs take different precautions in order to cut costs after relegation. Almost all take precautions in player contracts, but the degree to which this happens differs over clubs. Relegation also, in many cases, forces clubs to cut in their internal organization, with dismissal of personnel as a result. Clubs also analyze, next to personnel costs, the other costs. The clubs take different precautions to handle these costs with barter deals, short-term contracts, new contract negotiations or cutting budgets. Some of these adjustments are ad-hoc, some are planned.

The biggest part of the costs of a club arise from personnel costs. Cutting personnel costs is thus automatically focused on after relegation;

*'Personnel are the first to have a cutback, which is the first thing to look at. Often that is also the first task you will get from the board of commissioners; there is a need to dismiss personnel.'*

Club J3

Part of the personnel costs are formed by the costs for players. Clubs use relegation clauses in contracts to cut down costs after relegation. The uses of these clauses are different among clubs, which is highlighted by the following quotes;

*'If we would relegate, that player will earn less with that amount, but some players do not have relegation clauses because during the negotiations we played in the Eredivisie, and the player negotiated not to take such clauses in the contract.'*

Club J3

*'We have agreed contracts with the players, in which that relegation clause is very clear stated. After relegation, our salary structure will go to another level. This means that you simply cannot afford your current top five or six players next season. Those will not be given a contract anymore.'*  
(...)

*'In some player contracts is even stated that they will be granted a free transfer in case of relegation.'*

Club E4

Most of the time, this clause features a reduction of gross wages. One of the clubs considers reducing also the personnel costs other than gross wages, in order to reduce the overall personnel costs even more;

*'What we are planning to do in future is to reduce not only loan costs, but also the other costs. Because often, the clause is a deduction of the gross wages, but the compensation for a car etc. will carry on with the same amount. So in that case the savings are, if deduction on gross loan is 40%, 15% to 20%. We are working on that; we want to get rid of this.'*

Club J5

Not only the players, but also a reduction of the intern organization is a commonly used adjustment of the club after relegation. Often this is not regulated by clauses, but by not extending contracts, combining functions with fewer hours, or even ending up with forced dismissal of personnel through official authorities in case of unceasing contracts. Because of the late certainty for a club whether or not it relegates, clubs notice that this lower job security causes some tension among personnel. The personnel know what will happen in case of relegation.

Next to personnel costs, clubs try to reduce the costs other than personnel costs. It is found that clubs try to make these overhead costs, such as cleaning costs, variable, arrange short-term contracts or barter-deals and in case those arrangements have not been made, clubs try to renegotiate contracts. The specific arrangements that clubs have made depends on the amount of preparation, the content of contracts and the effects of ambition and the succeeding years of playing in the Eredivisie. The following statements will give more insight;

*'At that point in time, we never considered long-term contracts compared with the fact that we could relegate. So something we had agreed three years before relegation, most of the time had no relegation clauses. Also in some sponsor agreements we had relegation clauses, but these were substantially. You will drop in income enormously in case of relegation, but that clauses were only formulated for the critical sponsor. In retrospect, those clauses have hurt us.'*

Club E1

*'Club-TV is something you do not need in Jupiler League and among the first to annul. We had a long-term contract, so that was not an option.'*

Club E1

*'In case of relegation, some developments we have started are forced to stop. You just cannot afford it any longer. The spin-off in the Jupiler League is way smaller, so you have to ask yourself if those developments are still meaningful.'*

Club E2

These statements suggest a more ad-hoc approach in case of relegation. It is reacting on the event of relegation or knowing what the consequences will be. Clubs have taken precautions, sometimes as a result of relegation experience, to be more prepared and respond well in terms of lowering costs, which is made clear by the following statements;

*'What I have learned is to be rigorous. After relegation, we stopped with making program booklets. It saves us so much work and money, which is very good.'*

Club E1

*'At all the costs, we took a closer look. We started very early with all the contracts. Is this still necessary? Can we do it cheaper? That is something we do all the time, it is a continuous process. Even in case of staying in the Eredivisie, we look at every aspect.'*  
(...)

*Researcher: 'So in fact it comes to being rational aware of a possible relegation?'*

*'Yes, rational. Think very well about the choices you make, especially financial. Don't do any crazy things, don't think opportunistic. Just look very close to what you have and what you will receive next year and base your decisions on that.'*

*(...)*

*'We never close long-term contracts with suppliers, almost all the time only one or two years, because you also have to get rid of it in case of.'*

Club E2

*'The first relegation has been a learning experience for me. After that, we have started with making the costs variable. Ensure you make them variable. Once, you will face the decline and reversing that is impossible. Go negotiating new contracts and negotiate them for a minimum of a year with an option for another year. Or make it at a minimum level in the Jupiler League and scale-up in case of the Eredivisie.'*

Club J5

The last statement makes a clear point on making costs variable. Many costs that clubs make are arranged in contracts, for example for club-tv or cleaning. As the statements suggest, some clubs have experienced the consequences of long-term contracts in case of relegation. These costs can often not be lowered due to contract arrangements. So making costs variable also includes; making contracts for the short term or with exit clauses. As the above statements suggest, clubs still face those contracts and experience troubles after relegation.

As some clubs and statements point out, communication is used as an instrument by clubs to weaken the decline after a possible relegation. By clear, transparent and positive communication clubs try to keep the different stakeholders involved with the club instead of leaving the club. This communication is often focused on the future, or as one club explains:

*'They don't want to know why it went wrong, because they all know. We bought players that aren't good enough. They want to know how the future will look like, in a sportive and a financial perspective.'*

Club J3

To external stakeholders, a clear and transparent can be important. These stakeholders want clarity, as some clubs found out. This is pointed out by the following statements;

*Researcher: 'Do you believe that transparent and consistent communication to stakeholders can have a positive contribution?'*

*'Yes for sure. To your fans and sponsors, you need to have a message where you are going. That is related to your policy plans if you can explain that well. At that time, we wanted to be back in the Eredivisie in two or three years and we explained how we expected to achieve that.'*

Club E1

*'The people need information about the situation of the club.'*

*(...)*

*'Also, we called everyone together and I presented the financial strategy for the past years, the budget for the coming season and if we whether or not would come into troubles.'*

*(...)*

*'I believe that it is very important to have a message for the future which is very clear and distinct.'*

Club J3

*'I believe it is important to know intern what you are doing and try to bring the business back on track. And also, emit ambition, bring the right players to the club and try to return to the Eredivisie.'*

Club E2

Not only is the communication to external stakeholders found to be important. Also the internal communication to personnel is important for clubs. Although clubs recognize that personnel know what the consequences are of relegation, they organize meetings to inform and discuss the consequences of a possible relegation. One club used communication as an instrument to inform the employees about the budget plans in the form of a textual budget plan. By this textual plan, he ensured that no uncertainty could arise among budget responsible personnel;

*'We had a quantifiable budget, but too often we had the discussion with people saying that they had not calculated for a certain costs or thought that another budget responsible would take that costs. At the end of the discussion, the costs were not in the budget plans, but the costs must be made. We then switched to a textual budget plan next to the quantifiable one. We wrote down everything what was in the budget plans. In total 35 pages of accounts of what is in the budget plans, what are the considerations for doing so and what are the starting points. All budget responsible persons have the opportunity to read it and adjust were necessary but only when a good argumentation is given. Then the budget is definite. After that moment, it can never happen that people say they didn't know what was in the plans.'*

Club J5

So communication is used for internal and external usage to clarify what the plans are for the future, because they feel forced by stakeholders and to be clear and transparent.

Summarizing; in this phase of scenario development clubs identify risks and devise plans and management strategies to monitor, handle and react on the risks earlier recognized. Clubs need to adjust the costs to the declining income, or weaken the decline. The results show that weakening the decline in costs is often done by contract clauses in sponsor agreements or offering more value for money. The decline in media income is difficult to influence. The most challenging is bringing down costs after relegation. Precautions are made to react on relegation in terms of personnel dismissal, clauses to bring down player salaries and contract agreements in the other costs. The amounts of precautions differ from club to club, depending on the experience with relegation, successive years of playing Eredivisie, and willingness to invest in the organization. The results show that some clubs use communication as an instrument to weaken the decline after relegation, by being clear and transparent to stakeholders to keep the club together.

#### 4.2.5 Risk management

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The fifth phase in scenario development is risk management. Risk management is the responsibility of decision makers and encompasses the implementation of strategies for reducing vulnerabilities to risk, resiliency to problematic conditions and positioning resources to exploit opportunities. Modelers may be helpful by modifying scenarios in response to risk management considerations and returning to the scenario definition phase of the process (Mahmoud et al., 2009). Much of the strategies to reduce risk are already discussed in the earlier paragraphs, due to the overlap between the different stages.

In this research risk management is limited to the implementation of strategies for reducing risks in case of relegation, because relegation is the focus in the scenario development process. The budget plans for a relegation scenario gives a club insight in where the bottlenecks will be in terms of declining costs and income. Many of the precautions and adjustments to handle these bottlenecks are discussed in the above paragraphs. Many of the consequences and risks to deal with are highlighted through examples of how clubs handle with these consequences and risks. Clubs negotiate relegation clauses in player contracts, choose for short-term contracts with suppliers, make extra efforts to please sponsors, try to communicate a clear vision for the future to the stakeholders etc.

One might ask the question if clubs need to save funds in the years that they don't relegate to handle the decline in income and liquidity problems after relegation. In the interviews, four of the five respondents were asked if it would be useful to use a positive financial result as savings for the possible occurrence of relegation. Three out of the four answered with a 'no'. They all see general savings as useful, but

acknowledge that the football industry is not focused on making positive results. When a positive financial result is achieved, this is most of the time used to repay loans or spend on players. The following statements illustrate these findings;

*Researcher: 'In the Eredivisie, a positive financial result is used to save funds in case we relegate.'  
'Well, I believe not a single club does that. However, it could be useful.'*

*(...)*

*'It could be useful, but it never happens. A positive result is nine out of ten times used to repay loans or will be spent on players.'*

Club E<sub>1</sub>

*Researcher: 'In the Eredivisie, a positive financial result is used to save funds in case we relegate.'  
'No. We are not a commercial company who needs to make a profit. So we try to end break-even.'*

*(...)*

*'If you are savings funds for relegation, you are in fact already in your thoughts busy with the occurrence. It is like skiing and being afraid to hit a stake on the track. Eventually, you will hit that stake.'*

Club E<sub>4</sub>

*'You should not save upfront for the possible case of relegation. Those are the wrong starting points.'*

Club J<sub>5</sub>

After risk management, the post-audit and monitoring function in the scenario development framework of Mahmoud et al. (2009) makes that the framework also acts like a cycle. It connects risk management with the first stage of scenario development, scenario definition. In that light, it is interesting to see whether clubs learn from or adopt adjustments found and taken in planning for relegation that are continue. In the case of football clubs the question is whether the arrangements made, stand for several seasons and if these become normal to the business.

*'At all the costs, we took a closer look. We started very early with all the contracts. Is this still necessary? Can we do it cheaper? That is something we do all the time, it is a continuous process. Even in case of staying in the Eredivisie, we look at every aspect.'*

Club E<sub>2</sub>

*'After two years of playing Eredivisie in which you constantly gave personnel temporary contracts you reach the point when the time is there to make decisions. We have to make a choice. We enter long-term obligations; we are starting to invest in the organization, because the work pressure is huge. You start to expand the organization. So after playing one year in the Eredivisie, the decline after relegation is not that big, but after three years, it is.'*

Club J<sub>3</sub>

The above statements illustrate that risk management for relegation can be conflictive with long-term investments. Clubs want to invest in their organization after succeeding in playing a few successive years in the Eredivisie. Clubs are at that point expanding, with a higher decline in case of relegation as a logical result.

We found another aspect that could possibly affect a continuous risk management, which is a high retreat among managers in the football industry. Although managers explain that experiences and numbers will be saved in the organization, they also acknowledge that new managers need to experience relegation to know how it affects the organization;

*'The basic knowledge, numbers and experiences can be retrieved and are saved in our club. But is always the case, in every function in the football industry, you have to really experience it to understand it. If I would resign from the club, knowledge and experience would be gone. A new person has to build that in a few years.'*

Club E<sub>1</sub>

*'In my first year, we played in the Eredivisie and everything in the business was new for me. I have experienced it a little bit in my former job. I could never estimate in the run-up and preparation for the relegation that this event would have such an influence on the club. Those even were the good years for a football club.'*

Club J5

*Researcher: 'In which ways is the knowledge and experience about promotion and relegation saved in the organization of the club?'*

*'It is not saved; it is the knowhow of the people. It is pure experience. I don't think there is a blueprint. You can give tips, but it is impossible to make a blueprint.'*

*Researcher: 'People have to experience relegation?'*

*'Yes, you need to experience that. There is so much to account for and that differs from club to club.'*

Club J3

The statements highlight that new managers need to experience what relegation means for the club and how to handle with it. Experiencing relegation thus admits that the cycle of risk management can be broken or not optimal used, because the statements suggests that it may depend on the person who works with it rather than the organization. Depending on the person may suggest that new employees who are not familiar with the system can make decisions that do not comply with risk management.

To summarize; many of the strategies to reduce risk are discussed. Through the post-auditing and monitoring function in Mahmoud's (2008) model, the model acts like a cycle and ensures a learning curve. The model is constantly seeking for improvements or better and more strategies to reduce risk by learning. The danger for this curve lies in the conflict with long-term investments. Investing in the organization by long-term investments and contracts may shift the focus on continuous risk management to making investments to stay in the Eredivisie.



## Chapter 5: Conclusion and discussion

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First, this chapter answers the sub questions and subsequently the research question will be answered and adds conclusions to them. The answers on the questions are based on the results found in chapter 4. A discussion of the conclusion is added to this chapter. The research question that will be answered in this chapter is;

- *In which ways can scenario planning contribute to the management of Dutch professional football clubs case of relegation?*

The sub research questions that will be answered in this chapter are;

- *What are the experiences of Dutch professional football clubs on financial parameters of the club after relegation?*
- *How can the activities of clubs on scenario planning be valued in a formal framework of scenario development in the specific case of relegation?*
- *What weaknesses remain even if clubs use scenario planning in the prescribed way?*

### Sub question 1

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*What are the experiences of Dutch professional football clubs on financial parameters on managing the club after relegation?*

This question was formulated to get specific knowledge on the effects of relegation on the management of a club. Grundy's (1998) business value system is a model that represents the challenge of managers in the football business. The literature study also showed quantitative data on what effect relegation would have on this model. More in-depth knowledge is needed to ensure that an answer on the main research question fits with the reality and the bottlenecks and problems of clubs preparing for a possible relegation.

Every aspect in the income side of the financial statements shows a decline in case of relegation. An average decline of 25,4% of revenues in the first year after relegation shows the impact of relegation. Sponsorship income accounts for the biggest amount of income for clubs and shows an average decline of 26,7% (KNVB Expertise, 2013b). These numbers are averages and will differ from club to club. As Cooper and Joyce (2013) already suggested, the height of expenditures is more difficult to adjust to the new circumstances after relegation. An average decline of 15% based on numbers of clubs relegated from season 2002/'03 until 2010/'11 shows that the decline in costs are less than the decline as revenues (KNVB Expertise, 2013b). The interviews show that expenditures of clubs are for a huge part agreed in (more year) contracts. Especially in player contracts, it is found that clubs use relegation clauses to adjust salaries to the new circumstances after relegation. Clubs also try to make other costs variable, if possible, by making short-term contracts or agree relegation clauses. In short, these numbers show the quantitative difficulties involved for clubs.

Before relegation (may) take place, clubs try to estimate the effect of the occurrence of relegation. Estimating this effect is difficult because of the amount of factors involved. An analysis of the interviews showed that factors that influence the ultimate decline are among others the economical crisis influencing sponsors and fans, commitment of fans (positive and negative feelings that surround the club, the style of play before and after relegation) and the communication of the club around relegation. Given these factors, predicting the decline is difficult.

The interviews show that clubs that have experienced relegation before, or have been preparing for relegation more often feel more accurate in estimating the declines in income. This, however, is not a guarantee for estimating the decline in income or costs right, as some clubs have found out. Instruments used by clubs to better estimate the decline in income are data from the KNVB and other clubs, own data of previous years and discussing the effects of relegation with employees of other (relegated) clubs.

Clubs express the feelings that match performance before and after the relegation can influence the decline after relegation. The style of play is found to be one of that aspects of match performance that may harm or benefit the club. Relegation with a bad style of play will have its effect on the value being created. Also winning the first matches after relegation may benefit the club, because positive feelings return more quickly. Although this effect is difficult to express in numbers, clubs argue that this can have an effect on the value being created.

Another effect of bad sportive performance which could eventually lead to a possible relegation is that creating value in some aspects is difficult because clubs will often postpone investments decisions to the point where there is certainty of the league in which the team will play next season. So even before the actual relegation takes place, creating value is harmed by the chance of relegation.

Summarizing in short the answer; the actual effect of relegation is difficult to predict. Clubs, therefore, make budget plans to estimate the effects and build in precautions to adjust to the new situation. Predicting the effect is found to be difficult, but experience on the topic is found to be useful to predict the decline, next to experiences of other clubs, contracts and own research. Other elements may influence ultimately that decline, such as commitment, communication and match performance. Also, clubs experience that the chance of relegation harms value being created by the need to postpone investment decisions.

## Sub question 2

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*How can the activities of clubs on scenario planning be valued in a formal framework of scenario development in the specific case of relegation?*

For answering this question, the scenario development model of Mahmoud et al. (2009) is used to have a formal framework to test and name the current activities on scenario planning of clubs. There are reasons to believe that scenario planning could be of use, as is found in the literature study. By addressing this sub question, the current activities on scenario planning, whether intended as scenario planning or not by clubs, are made visible. By answering this question, the knowledge is here to provide an answer on the main research question that is based on current activities and fits with that reality of unique characteristics of the football industry.

The first stage of the scenario development model of Mahmoud et al. (2009) is scenario definition, where the specific characteristics of the scenarios are identified who are important to the stakeholders. The analysis showed that the most important aspect in making scenarios for relegation to the Jupiler League and staying in the Eredivisie is the financial component. This is translated in the scenario construction phase of scenario planning in scenarios which are budget plans. Clubs with a chance on relegation make scenarios in the form of quantitative budget plans. These foresee in a Jupiler League scenario and an Eredivisie scenario. As Foster (1993) already mentioned in the literature study, the reason for not making more scenarios or making them more detailed is because of the lack of time and money in these small businesses. The interviews made clear that the degree of working out these quantitative budget plans differs from club to club.

The third phase in scenario development is scenario analysis, which is focused on identifying the consequences of interactions and forces to examine the scenarios made. The budget plan for relegation shows a decline in income in all aspects involved, such as sponsorship revenues, gate takings and merchandising. The budget plans forces clubs to cut costs in case of actual relegation, because it shows the expected decline in income and the loss that would arise. The fourth phase is focused on identifying risks and devising plans and management strategies to monitor, handle and react on the risks recognized. These plans are focused on more easily adjusting costs in case of relegation. Clubs have learned out of this phase to take precautions to adjust costs. This is done by contract clauses in player contracts, dismissing personnel, making other costs more variable and agreeing short-term contracts instead of long-term contracts. The fifth phase of scenario development is risk management, which is focused on encompassing the implementation of strategies for reducing vulnerabilities to risks. All the

concrete strategies of clubs to reduce risk are the precautions mentioned above. The third, fourth and fifth stage may have an overlap, because the borders of each development stage can be fuzzy for small organizations. The consequences and risks identified in the third and fourth stage are most of the time highlighted by examples that show the strategy to reduce the risks involved, which is in fact risk management, the fifth stage.

The interviews showed that clubs experience and learn from making the budget plans. They learn where the bottlenecks will be after a possible relegation. These bottlenecks can be removed by the precautions clubs make, such as the relegation clauses and short-term contracts. So in short, making budget plans have learned clubs where to make precautions to handle the bottlenecks in case of relegation and thus be better prepared.

The budget plans also give a clear vision of how future will look like in case of relegation and in staying in the Eredivisie, so any internal or external confusion can to a certain extent be ruled out. In the internal organization, making budget plans gives clarity and consciousness to the people involved about their budgets and what the effect of relegation will be on the club. Some clubs even make a qualitative, textual elaboration next to the quantitative budget plans to make it even clearer.

Concluding, clubs use scenario planning as a tool to prepare for relegation. However, as the clubs in the sample are all clubs placed at the bottom of the Eredivisie or have been relegated recently, it does not answer the question if all clubs use scenario planning in the prescribed way. Clubs that might have ended a few places higher on the ranking, may not have used scenario planning or in a different way. And even if they have used scenario planning as a tool in the prescribed way, weaknesses may remain. These weaknesses are addressed in sub question 3.

### Sub question 3

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*What weaknesses remain even if clubs use scenario planning in the prescribed way?*

Even if the full potential of scenario planning is used, some weaknesses remain and can harm the preparation for relegation. One of the weaknesses can be found in the business value model of the football industry itself. Clubs that have succeeded in playing a series of consecutive years in the Eredivisie score good at match performance in Grundy's (1998) model. The interviews showed that these clubs tend to focus more on long-term Eredivisie stability by investing more in long-term contracts. Clubs try to create more value. The business value system of the industry is designed to create added value, but that comes with more investments and long-term contracts. So the system itself can be contradictive to some aspects of scenario planning, such as the continuous process of making costs variable. Although this is not an excuse for clubs not to use scenario planning, it is a pitfall that can shift thinking away from scenario thinking.

As is already noticed in the literature study and was found in the analysis, one of the unique characteristics of the football business is the emotional relationship between stakeholders and the core business. This emotional relationship of fans and sponsors can stir up during turbulent times, such as before and after relegation. Commitment to the club is at stake in a period of relegation, even if the club has prepared itself in a business manner with scenario planning. The influence of these stakeholders cannot be ruled out. High commitment can decrease the decline in income and keep fans and sponsors connected to the club, but this commitment can easily be broken down by for example a non-accepted style of play or bad communication of the club. The emotional relationship therefore has an effect on the expected declines and cannot be neglected by clubs, even if they use scenario planning.

Even if clubs use scenario planning in a way proposed by Mahmoud et al. (2009), decisions that are made beyond their power can harm the preparation and learning aspect of scenario planning. For example, decisions made on the distribution of collective media income for Eredivisie clubs can create a smaller or even bigger gap between the two divisions. The interviews showed that clubs feel harmed by those decisions.

## Answering research question

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In this paragraph, an answer will be formulated on the research question. The research question which was formulated earlier is;

*“In which ways can scenario planning contribute to the management of Dutch professional football clubs in case of relegation?”*

The answer on sub question 1 showed that predicting the decline after relegation is difficult. Experience with (preparing for) relegation is found to be useful in predicting the decline more accurate and to reduce the uncertainty to a minimum. Experience is not only on an actual relegation, but also on having considered the consequences comprehensively. This is where scenario planning can be useful. Scenario planning teaches management of clubs what the effects of a certain situation will be and it can learn from experiences of other clubs.

As the answer on sub question 2 showed, scenario planning is used in the form of budget plans. These budget plans shows the management the expected decline in income and the challenge to adjust the costs to the declining income or weaken the decline. By knowing or having learned what the consequences will be, clubs implement risk management strategies or precautions to handle the effects of relegation if it would occur. This has resulted among others in relegation clauses in player contracts and sponsorship contracts, renewed contracts with suppliers and sponsors and making costs more variable. This exercise should be performed each season, because the model of Mahmoud et al. (2009) suggest a cycle to ensure an ongoing learning experience. This would ensure a maximal preparation in case relegation would occur.

Using scenario planning will help clubs giving clarity about the consequences of relegation to the internal organization. Having considered the consequences of relegation before and communicating these with personnel within the club will help the management of clubs explaining the effects of relegation to the organization. It eliminates uncertainty about what might happen after relegation. For example, all budget responsible personnel will know how relegation will harm their budgets. This will help the club to be better prepared and it can directly act on the new circumstances. The management can then act instead of react.

Through scenario planning, by knowing the consequences upfront and being prepared, the management of the club can also plan or prepare the communication to the different stakeholders upfront to handle the intense emotional feelings involved. Clubs consider the first weeks after relegation as if the club is on fire; many aspects of the organization functioned wrong in the eyes of stakeholders. Through communicating short after relegation (and thus having prepared this), clubs try to bind the stakeholders and send a (positive) message and a clear strategy about the future. This message is valued as very important by both the stakeholders as well as the club.

## Discussion

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By knowing the advantages of scenario planning, one would expect that management of many clubs would make budget plans for a relegation scenario and make them in a way Mahmoud et al. (2009) proposes. In this research, we focused on clubs that have been relegated or have a chance on relegation, but there is reason to believe that clubs that are not in the sample and have a less probability on relegation are less prepared with the help of scenario planning for relegation. Off course, a lower probability of relegation will not rule out relegation. Still, there are clubs that have experienced relegation but state that they were not fully prepared or could not estimate the effects of relegation. These were also in our sample. The interviews showed that having experienced relegation before helped clubs management better preparing for a new relegation. The question is therefore why clubs are not fully prepared for relegation.

A part of the answer on this question may lie in the model of Grundy (1998), which we have used to explain the management of professional football clubs. It is not an excuse not to prepare, but might explain the shift in thinking away from scenario planning or preparation in general. This model is focused on creating value to support and strengthen the on-field performance. We found that management of clubs succeeding in playing a few consecutive years in Eredivisie tend to make extra value creating activities to expand the business. These value creating activities come with investments and long-term contracts with among others suppliers and personnel. The focus is here on the long-term growth of the business and may harm the cycle Mahmoud et al. (2009) proposes, because there is a shift from concerning to be variable and reducing risks to potential relegation into investment in long-term agreements. The model of Grundy (1998) in fact shows this pitfall by placing match performance central and assuming that management can have no direct influence on the on-field performance, and thus not ruling out relegation. As is discussed in the literature study, only the height of financial possibilities influences (next to players and staff) the place on the ranking.

The question is whether the interruption of the learning cycle in the scenario development model of Mahmoud et al. (2009) by value creating activities causes the inexperience in accurate estimating the effects of relegation and preparing for it. In that case, one might suggest that scenario planning would be of use for more clubs than only the two or three that will fight for relegation according to their financial possibilities. Clubs may learn from making budget plans for several situations, among relegation, by recognizing bottlenecks and try to remove them; the learning cycle will then be ongoing, every season. There is reason to believe that clubs succeeding in playing successive years in the Eredivisie might have another vision on the future. Their focus is on extra value creating opportunities. In that case, further research might find if clubs that are using scenario planning are better prepared and more responsive for uncertain situations than clubs who don't use the mechanism. One might also ask the question if those more responsive clubs are more sustainable and perhaps more healthy as the other clubs. At the end, research with a broader focus could thus research the question if scenario planning could be of use for all the professional football clubs.

The question on how scenario planning could help clubs preparing for a possible relegation was addressed, with a focus on the instruments that are available for the clubs itself. Although it was not a key point of research, the KNVB itself could also help clubs prepare for relegation or lowering the gap between both divisions, without the use of scenario planning. One of the problems of relegation is the enormous gap between the two divisions in, especially, revenues. The challenge is to adjust costs to new reality of lower revenues. The KNVB could play a role in declining this gap. One of the options is to put pressure on the representative organs such as the ECV to adjust the distribution model of media income in such a way that it levels the distribution of revenues. The gap in revenues between the bigger and smaller clubs must be leveled to bridge the enormous gap. The new media deal made in 2012/13 with Fox International ensured more media revenues for clubs (Volkskrant, 2012), but created by definition a greater gap with the clubs in the Jupiler League. Leveling this gap can also be achieved by KNVB by attracting more fans and sponsors to the Jupiler League to level the gap, for example through acquiring new commercial partners for that division and investing in marketing projects to attract fans. Other possibilities for KNVB may be found in the licensing system for clubs. With this system, the KNVB tries to support and advise the clubs in the best possible way on five different license requirements (KNVB, 2013). One of these requirements is focused on the financial component. The KNVB could require within this system the obligation to prepare for a certain scenario (in our case relegation) in terms of budget plans or the obligation to save funds for the possible occurrence of relegation.

Saving funds for relegation is also done by the KNVB itself. It compensates clubs for the decrease of media income after relegation with a financial contribution. This is also done abroad by other football associations, such as the FA in England in bigger proportions. In the English Premier League, a parachute payment is received by clubs that relegate to the Championship (Moore, 2013). These parachute payments comprise 48 million pound per club divided over four years. The reason for these payments is that it compensates for the huge decline in revenues. Even if wage bills decline with 50%, it is still not enough to cover the decline in revenues. It is even stated that without the parachute payments, clubs will face bankruptcy; nine clubs have gone into administration within five years of being relegated from the league and many others have only narrowly avoided that fate. There is

discussion in England whether this solution is the preferable one, because clubs without the right on this compensation argue that this compensation is unfair competition.

Clubs itself can also make improvements to weaken the effects of relegation. The most obvious solution is perhaps to save funds, which can be used at the point of relegation. The interviews show that clubs reject the opportunity to save funds for several reasons. These reasons are among others that clubs do not feel the need to make profits and if they are made, those are spent on repaying loans or are spend on players. Implementing this option would need a shift in thinking of clubs.

Also, clubs acknowledge that extra efforts are needed to create value after relegation. However, this must be done most of the time with fewer personnel. One might ask the question if clubs could better save on player wages than on personnel in the internal organization. A weakened internal organization cannot provide the extra value creating opportunities to enlarge the on-field performance.

The analysis shows that the commitment of fans and sponsors is very important in the decline of several revenue areas. Clubs can try to keep the commitment of those stakeholders as high as possible, to ensure that they do not leave but stay at the club in difficult times such as a relegation period.

One of the bottlenecks that were displayed during the interviews was the absence of knowledge on the advantages of the different divisions in the ECV and CED. Most of the time, this knowledge was only acquired after relegation and, surprisingly, not in the preparation phase before relegation. KNVB Expertise could facilitate in this demand by providing on yearly base information on to the clubs involved. Also, knowledge sharing was found to be of use in the preparation for relegation and can help in making more reliable forecasts of the decline after relegation. KNVB Expertise can facilitate and enhance this knowledge sharing by organizing for example meetings.

## Chapter 6: Recommendations and reflection

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This research contributes to a deeper understanding of the football industry and its specific management problems. It gives insight in the struggle clubs and its management is coping with to be prepared for a possible relegation and what precautions can be made. This knowledge product also concludes that scenario planning as a management tool can help clubs preparing for relegation, because of having considered the consequences upfront. This learning cycle helps clubs to constant learn to implement strategies to reduce risk. Using this learning cycle is not always straight forward in the football industry, as is explained by the pitfalls in the business value system of clubs.

This chapter will give recommendations based on the conclusions in chapter 5. Although the research is explorative of origin, some recommendations based on the findings can be made. These recommendations will be divided in recommendations for the management of professional football clubs and some recommendations for KNVB Expertise. Also, this chapter will reflect on the research performed in order to enlarge the value of future research by making critical remarks and explain how future research on the topics involved can be improved.

### Recommendations

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This paragraph will present recommendations and points of interest for the management of professional football clubs how scenario planning can help and some recommendations for the organization, KNVB Expertise and KNVB, involved in this research. The answer on the research question showed that scenario planning can be useful in minimizing the uncertainty that comes with relegation. However, as the discussion section has pointed out, in the use of scenario planning other important aspects cannot be neglected. The recommendations will therefore not only focus on the use of scenario planning, but these will be placed in a broader spectrum of recommendations.

The management should be aware of the effects of relegation on their club (answering the question for who it is concerned is difficult). This effect can be strengthened or weakened by effects that can be little influenced by management; for example commitment of stakeholders or the economical circumstances of sponsors. This makes the magnitude of the effect difficult to predict. A more accurate prediction can be made by experience of managers, earlier relegations, experiences of other clubs and data from KNVB Expertise.

By implementing scenario planning in the form of writing budget plans for the different scenarios, clubs can foresee the consequences of relegation upfront, which also means that precautions can be made upfront to handle bottlenecks. It is important to elaborate these plans extensively, because of the many costs agreed in contract terms. Clubs should know upfront which costs will be ongoing because of contract agreements. Clubs need to try to make costs as much as possible variable and to make revenues as stable as possible. New contract agreements can be made to get rid off the costs or lower the costs in case of the occurrence of relegation. Clubs should keep in mind the fact that relegation might occur and take precautions in contract negotiations and agreements. In short; making as much as possible costs variable helps clubs to adjust to new circumstances after relegation. By making budget plans every year, clubs learn and see new bottlenecks and can implement new precautions to keep costs flexible.

The emotional aspect of relegation for fans, sponsors and other stakeholders should not be underestimated. Being prepared for relegation also involves communication to stakeholders after the relegation took place. Stakeholders want to know what the future will look like, to reestablish confidence in the management and the club. This confidence can be reflected in sponsorship revenues and gate takings, so clubs should have a true, clear and fair strategy for the future and communicate this to stakeholders. It prevents for a long period of emotional stress that surrounds the club.

Also, clubs should be aware that in a lower division extra efforts are needed to compensate for the lower exposure for sponsors and the lower fan attraction to the Jupiler League. Most of the time, these extra efforts come with a lower amount of personnel. A high commitment of fans and stakeholders could prevent or weaken the decline of lower attraction and revenues. Clubs should try to keep the commitment of those stakeholders as high as possible, at any time, to ensure that they will stay at the

club instead of leaving. Clear and fair communication to these stakeholders is found to be important to ensure high commitment.

In short, the most important recommendations for clubs are:

- Ensure a process in the organization that is continuing over years that considers the possibility of relegation.
- One of the important aspects in that continues process is making realistic budget plans for two scenarios, which includes relegation, in which assumptions of trends in revenues and costs are based on earlier experience with relegation, experience of other clubs and data and research. Clauses in for example sponsorships and player contracts may help to come to better assumptions.
- Continuous try to make costs variable and revenues stable.
- Be always aware of the impact of relegation on the internal and external organization. Try to keep the commitment of stakeholders at the highest possible level, to prevent or weaken declines. Clear and true communication is at all time a useful instrument in maintaining commitment.

Not only clubs itself, but also the KNVB and KNVB Expertise can help the football business with the uncertainties and problems that surround relegation. KNVB could implement strategies to decline the enormous (financial) gap between the two divisions. This can for example be done by a more leveled media revenues distribution model and more efforts to attract fans and sponsors for the Jupiler League. Another opportunity is the implementation of rules in the licensing system focused on saving funds or the obligation to prepare for more scenarios than one in terms of budget plans.

In some cases, clubs do not have the knowledge about for example the contractual agreements of the different divisions. Most of the time, clubs are confronted with these agreements after the actual relegation took place. For KNVB Expertise, as a facilitator of knowledge sharing among professional football clubs, this would be a task to perform. , including the costs and revenues involved, of the different divisions and make it available for the clubs involved. This would remove the surprises after relegation and helps making the budget plans more accurate. KNVB Expertise, the CED or ECV could also facilitate in the demand for accurate and detailed information on the contractual obligations that arise in the different divisions. Also, facilitating the knowledge sharing of the effects on relegation on clubs would be a task for KNVB Expertise.

## Reflection

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This thesis ends with a critical view on the research and some suggestions that might enlarge the value of future research on the topic involved.

The first point of interest is the selection of respondents in the sample. This selection was done in consultation with CED, which might lead to the selection of managers and clubs where relegation had a more significant impact than others. A random selection could have led to more diversity in the sample, but would probably not have led to more participants, because random selection could also assign managers that have no experience with the topic involved. Another point of methodological interest is that managers with different functions in a club are interviewed. However the questions in the interviews were of general nature, one might expect that the answers of managers, based on their findings, might relate to their background and job content. Interviewing more managers of one club might solve this problem, to check consistency on answers. In practice, this might be difficult because of time concerns.

In the selection of respondents, there was no respondent from a club that went bankrupt after relegation. The selection of those clubs is hard in the Netherlands, a suggestion might be RBC Roosendaal, but it is difficult to attribute the bankruptcy fully to relegation and moreover to find people willing and interested to talk about that period at the club. Interesting cases might be examples in the British competitions (Aldershot Town in 2013). It might be interesting to examine whether those clubs



have used scenario planning or budget plans. This might answer a more general question if scenario planning helped only now and then or if it always helps. Reaching an answer that implies that scenario planning only helps now and then might be the reason for further research for different improvements rather than the use of scenario planning.

One might also ask the question if the inherent strive for success in the non-relegation scenario would overrule the knowledge and experience caused by the use of scenario planning for relegation. This strive for sportive success, which is found in the model of Grundy (1998) would then make planning useless. This constantly contradictory strive can lead to the question if you would have less success if you use scenario planning. This can be the interesting starting point of further research.

The role of KNVB is also addressed in this thesis. One of the recommendations was that the KNVB should attract more sponsors and fans to the Jupiler League. In the literature study, it is already argued that the attention for a league is related to the height of unpredictability and competitive balance. A logical conclusion would be to implement the most fair distribution model of media revenues to enhance league attention for the Jupiler League (and Eredivisie). Further research could conclude what the effect is of the current model and what the fairest distribution would be for the KNVB to enhance attraction of the league and to decline the gap between both divisions. Also, further research might find out to what extent the KNVB can implement rules and obligations in their licensing system to force clubs to prepare for relegation.

Checking the data with data from clubs that are ending the Eredivisie ranking on the 10<sup>th</sup> to the 14<sup>th</sup> places in successive years might be interesting. This will enlarge the findings of this research, by checking whether these clubs take also precautions or work with a learning cycle by checking possible scenarios upfront.

## List of keywords and abbreviations

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CED:	Coöperatie Eerste Divisie, overarching organization for clubs in the Jupiler League (see below for description). The CED looks after the interests of all the clubs in the division in general and for the commercial interest in particular.
ECV:	Eredivisie CV, overarching organization for clubs in the Eredivisie (see below for description). The ECV takes care about the commercial exploitation of the media and sponsorship rights and the promotion of the brand 'Eredivisie'.
Eredivisie:	Highest professional football league in the Netherlands.
Jupiler League:	Second highest professional football league in the Netherlands.
KNVB:	Koninklijke Nederlandse Voetbal Bond. The KNVB is the overarching organ and national association for all the professional and amateur football competitions in the Netherlands and coordinates the national teams.
KNVB Expertise:	KNVB Expertise is the knowledge- and research centre for the Dutch professional football clubs. KNVB Expertise aims to improve and increase the quality of management of Dutch professional football clubs on the long term. This is achieved by offering high-quality knowledge products, facilitating knowledge sharing, and offering education possibilities for professionals in the business and by supporting and translating knowledge products to the daily context of the football organization
Relegation:	Demoting to a lower league as a fine for losing too often in a competition.
UEFA:	Union of European Football Associations. The UEFA is the controlling organ for football between European football teams. It represents the national associations of Europe; it organizes club competitions in Europe (Champions League, Europa League etc.) and manages the prize money, rules and media rights of those competitions.

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## Appendix 1: Interview questions

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### Experiences of clubs with relegation:

- How did you experience the different phases before, during and after relegation?
- Were there any uncertainties within the management of the club regarding relegation?
- What effects does relegation have on certain parts of the club?
- After relegation, a decline in sponsors and fans is expected. How did the club try to bind them with the club?
- Which parts of revenues will decline and with which amount?
- To which extent do you think you have influence on the declines?
- Are there any plans made in case of relegation actually becoming reality?
- Where are assumptions in these plans based on?
- As a result of relegation, clubs often need to cutback. On which parts especially is a reduction the case?

### Use of scenarios:

- Does the club take the chance of relegation into account and on which ways?
- Does the club have a concrete plan of actions in case of relegation?
- Do you feel any time pressure after relegation, despite of the adjustments made?
- Does the club make use of scenarios to map the consequences of relegation? On which topics are these scenarios made?
- How are these scenarios constructed?
- Do you map the consequences for several parts of the football club / business in case of relegation?
- To which extent or level of detail are these consequences mapped?
- Are plans changed over the years?
- Are plans translated to the broader audience of stakeholders?
- Do you make adjustments to reduce the consequences of relegation?
- What have you learned from the past relegations?

### Behaviour

- What are the most important experiences in the process before, during and after relegation you are still using in managing the club?
- Are there any choices or decisions made before or during the relegation, which won't be made or will be made different with the present knowledge?
- What would be an example of a best practice in the process of relegation of your own club which you want to pass on to other clubs?
- Can relegation be a reason to have a critical view on the internal organization of your club?
- In which ways are experiences and knowledge around this topic and other topics saved in the organization of the club?

### Closing statements

- After relegation, I would rather keep by my sponsors instead of my fans.
- In the Eredivisie, we use a positive net result to build reserves in case of relegation.
- If our club would be relegated again, I would manage the process differently than the last time.
- Relegation, in the end, has been good for our club.
- Relegation has made our organization more efficient.

## Appendix 2: Declines after relegation

Relegation	Decline 1 <sup>st</sup> year	Decline 2 <sup>nd</sup> year	Relative part in total revenues
<b>Revenues</b>	<b>-25,4%</b>	<b>-39,8%</b>	
Gate takings	-29,4%	-54,4%	16%
Sponsorship	-26,7%	-41,5%	51%
Media related income	-28,2%	-39,3%	20%
Grants and gifts	-31,9%	-42,1%	1%
Merchandising	-33,2%	-39,8%	1%
Food and Beverage	-12,4%	-29,6%	4%
Remaining	-9,4%	-7,4%	8%

- Both years are compared with the year in which relegation took place.
- Numbers on second year after relegation are only based on clubs playing two consecutive years in Jupiler League after relegation.
- Numbers are based on data from KNVB Expertise from season 2002/'03 until season 2010/'11.

Relegation	Decline 1 <sup>st</sup> year	Decline 2 <sup>nd</sup> year	Relative part in total costs
<b>Costs</b>	<b>-14,1%</b>	<b>-30,8%</b>	
Personnel costs	-22,1%	-35,9%	64%
Selling costs	-0,1%	-24,1%	7%
Accommodation costs	22,2%	-15,2%	8%
Match & training costs	-10,5%	-28,2%	9%
General costs	-4,8%	-29,6%	5%
Depreciation costs	-1,7%	-18,6%	4%
Remaining costs	-47,4%	-34,8%	3%

- Both years are compared with the year in which relegation took place.
- Numbers on second year after relegation are only based on clubs playing two consecutive years in Jupiler League after relegation.
- Numbers are based on data from KNVB Expertise from season 2002/'03 until season 2010/'11.