

COMMERCIALIZATION OF NON-PROFIT SPORTS ORGANIZATIONS

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Abstract:

This article examines the process of commercialization of non-profit sports organizations and its impact on the development of sports. The authors discuss the reasons, problems and prospects for commercialization, and also propose key strategies for the successful implementation of this process.

Keywords: Financial stability, Balance of interests, Development of a successful business plan, Professional development.

Introduction

Commercialization of non-profit sports organizations is the process of turning sports organizations that have no profit in their purpose into commercially successful enterprises. This process includes a variety of strategies and approaches that enable nonprofit sports organizations to attract more sponsors, increase revenue, and improve their financial sustainability.

Consistent with the literature on nonprofit organizations, studies of national sport organizations note that commercialization is associated with sector-wide resource gaps in (public) funding (Nagel et al., 2015; O'Brien & Slack, 2004) and resource diversification strategies. used in response to financial uncertainty (Wicker, Feiler, & Breuer, 2013). In considering the implications of both financial uncertainty and new management approaches, Robinson (2003) described sport as “a business that competes for limited consumer resources, requiring a business-like approach to management using professional management techniques” (p. 308).

Robinson identifies four factors that have led to the commercialization of sports: the trend towards sports viewing, changing technology, increased competition and the professionalization of sports management. Research by Amis, Slack and Hinings (2004) provided evidence that sport organizations are being forced to professionalize and commercialize to adapt to an increasingly complex and competitive environment. Professionalization has led to increased levels of specialization and the hiring of paid staff (Kikulis, 2000; Thibault, Slack, & Hinings, 1991). It is assumed that sport organizations with better paid staff, greater functional division of labor and formalized procedures may be more easily commercialized because the expertise of paid staff allows them to more easily adapt to environmental changes.¹

Analyzing the activities of French national sports organizations, Bayle and Robinson (2007) relate headcount 4 to four stages of professionalization: first restructuring (5–10 employees), functional specialization (15–40 employees), coordination (>40 employees) and professionalization of the network (> 100 employees). While NPOs and national/state sports organizations have been forced

¹ Беликова, Е. В., Зубарев, Ю. А., & Перфильева, И. В. (2020). Влияние коммерциализации спорта на проблемы управления спортивной организацией. Бизнес. Образование. Право, (1), 54-59.



to respond to environmental financial uncertainty and, in particular, to reductions in government contributions, MFs have not experienced a significant income gap. In contrast, the funding model based on initial membership fees was supplemented by commercial activities. The concept of commercialization of MFs can be linked to their professionalization and internationalization (Forster & Pope, 2004), while commercial revenues are mainly associated with sporting events, including broadcast rights and sponsorships (Li, MacIntosh, & Bravo, 2012; Slack, 2004). The sporting event has become a currency of exchange that offers businesses “increased awareness, improved image, product trial or sales opportunities” (Crompton, 2004, p. 268). Bale (2015) describes IF events as “the heart of their economic model” (p. 109). Income from hosting fees, broadcasting fees and sponsorship rights allows the MoF to finance its operational activities (eg administration), build reserves and increase its self-sufficiency. While the initial arguments for the commercialization of international federation events were to ensure the federation's economic stability and boost its development activities, Krieger (2016) argues that in the case of the International Association of Athletics Federations (IAAF), as early as 1977, “initiatives on technological development served as a tool to justify the commercialization of the IAAF and athletic sport” (p. 1345).² Forty years later, the development argument is still used to justify commercialization, especially by wealthy IFs. Although FIFA emphasizes that its goal is to “share the success of the FIFA World Cup with our member associations” (FIFA, 2016), the commercialization of international federations has been associated with excessive and negative consequences, such as corruption, fraud and bribery (Geeraert, 2015; Pielke, 2013). The lack of accountability mechanisms is particularly common in commercially successful sports organizations (Forster, 2006; Pielke, 2013), such as the IOC (Tomlinson, 2005) and FIFA (Cornelissen, 2010).

Once the outcome is determined, we need to identify and evaluate the causal conditions of potential empirical and theoretical implications for IF commercialization. It should be noted that the timing of the study results and conditions do not completely coincide. Although the result is historical (2010-2013 and 2012-2015), the terms are based on the latest data (2015-2017). Most international federations publish their financial statements only one to two years after the end of the financial year, since they are approved by the IF Congress, which in some cases meets only once every two years (for example, FIH - International Ice Hockey Federation, FIS - International Ski Federation. Federation). The levels of commercialization that we were able to calculate for the 22 international financial institutions that publish financial statements are averages. We selected a period when data was available for as many of the 35 Olympic IFs as possible, accessing information on IF websites and public documents.

(STRAT) Strategic planning is considered a tool for anticipating, implementing, and achieving future goals and is intended to provide structured processes that support important decisions and actions (Bryson, 1988). Effective strategy formulation depends on “the consistency of rhetoric (what people say), choice (what people decide and are willing to pay for), and action (what people do)” (Bryson, 1988, p. 77). A key goal of an NPO's strategic plan is the acquisition of resources (Stone & Brush, 1996). Business partners may have different motives for connecting with an IF (e.g., fame, image, culture). However, they all seem to be looking for a return on investment.

² Заиченко, Лилия. “Коммерциализация спортивных отношений: проблема правового статуса спортивного клуба.” *Legea și Viața* 279, no. 3/3 (2015): 24-28.



Therefore, we assume that IFs create a clear strategic plan that profit-oriented stakeholders can identify with and want to join. The strategic plan is seen here as a tool for the MoF both to attract and support business partners and manage their expectations, and to promote and develop the sport.

(SOCM) Sports organizations, capable of creating high levels of social interaction (Smith & Stewart, 2010), are increasingly focusing on relationship marketing (Abeza et al., 2013) to attract and retain fans, business partners, media and clients/consumers. Social media is a cost-effective relationship tool for engaging sports fans and business partners (Abeza et al., 2013; Belot et al., 2016). IFs' engagement on social media is assessed based on the Sport on Social 2017 report published by REDTORCH (2017), a data-driven communications agency. The report provides an analysis of the followers of official Olympic IF accounts and the number of interactions with each account (i.e. Facebook, Twitter, Instagram and YouTube) from February 2016 to February 2017. We divided MFs into those with higher social media activity ([1]) falling into the top 50% and those with less social media activity ([0]) falling into the bottom 50%. The International Triathlon Union (ITU) was 18/35 and could be ranked in the top 50% or bottom 50%. Since ITU did not rank first in any of the four social media channels, it is ranked in the bottom 50%. Other thresholds, such as at least the top two tens, were also tested. However, they were rejected because they led to inconsistent configurations.³

One of the main reasons for the commercialization of non-profit sports organizations is the desire to increase financial opportunities and resources for the development of sports. Organizations are seeking to increase their revenues to improve conditions for athletes, develop infrastructure and provide access to sports to a wider audience. In addition, commercialization can help improve the level of professionalism within an organization, attract qualified talent, and provide more opportunities for the development of athletic programs. However, the commercialization of non-profit sports organizations may encounter certain problems and cause controversy. One of the main dangers is the possible distortion of the goals and objectives of a sports organization in the pursuit of profit. A commercial focus can lead to a loss of social significance, values and principles of the sport. Moreover, commercialization can create inequalities in access to sport, as prioritizing those athletes who generate the most profit can have a negative impact on the development of the sport as a whole. However, the commercialization of non-profit sports organizations can be successful if a proper balance is struck between commercial interests and the social mission of the organization. It is important to develop strategies that will preserve the values and principles of sport and ensure equal opportunities for all participants. To successfully commercialize non-profit sports organizations, it is necessary to develop a clear business plan that includes marketing strategies, partnerships with for-profit organizations, the development of new sources of income, and an assessment of risks and opportunities. It is also important to pay attention to the development of professional management and marketing skills in the sports business.

In conclusion, the commercialization of non-profit sports organizations is a complex and multifaceted process that requires a competent approach and balancing of interests. Properly executed, commercialization can help improve the financial sustainability and development of sporting organizations while preserving the values and purpose of sport.

³ Йович, С., 2020. Актуальные вопросы управления некоммерческими спортивными организациями. Креативная экономика, 14(8), pp.1887-1899.



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