

STAKEHOLDER ANALYSIS OF THE FOOTBALL INDUSTRY IN CYPRUS

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Abstract

The purpose of this paper is to theoretically identify the main stakeholders of the football industry and to define and delineate their typology, prioritization and interrelationships, along specific attributes; drawing in parallel explicit theoretical and practical conclusions towards scholarly advancement and managerial implementation. The research focuses on the case of Cyprus, a small European (EU) island-state, whose football-specific attributes, in all its business, sporting and social contexts make it a rather unique and valuable case study. Methodologically, the research relies on an extensive theoretical study and the application of Mitchell, Agle and Wood (1997) typology of stakeholders' attributes and salience.

Keywords: *football industry, managers, attention, stakeholder theory, stakeholder salience, attributes, typology, stakeholder identification, prioritization*

Introduction

Theoretical research context

Football is a global sport having a direct impact on every aspect of our lives. It is without any doubt the most popular sport on the planet which has become increasingly commercial (Chadwick and Hamil, 2010). The football industry is becoming more affluent and powerful every day, operating in a dynamic corporate environment that deals with a variety of stakeholders (Morrow, 2003).

For the sport to operate smoothly and to improve performance and efficiency, these stakeholders need to be identified, analysed and prioritized, to reveal the attention volume required by managers (Senaux, 2008).

Industry research context – the football paradigm of Cyprus

Cyprus is a small European (EU) island-state in the Mediterranean, with a population of approximately one million. And yet the specific attributes of its football industry, in all its business, sporting and social contexts, make it a rather unique and valuable case study for football internationally.

Football in Cyprus managed to grow “big in terms of both numbers as well as the impact it has on public life, becoming a social phenomenon in all levels of the society and an essential part of its culture”. Although it does not have the international interest and fame or the big sponsors, it is a fact that Cyprus is a football-loving nation in terms of attendance and media coverage, having the highest attendance rate in Europe in relation to its population (Kartakoullis, Kriemadis and Pouloukas, 2009).

Cyprus, in the recent years, proudly managed to have several teams reaching the group stage of the two major UEFA competitions. The peak was the participation in the quarterfinals of the UEFA Champions League in 2012, which is considered by UEFA as the biggest success ever, considering the size and capacity of the industry.

Purpose of the study

The purpose of this paper is to identify the main stakeholders of the football industry in Cyprus, delineate their absolute and relative value and interrelationships, along specific attributes, and draw explicit theoretical and practical conclusions towards scholarly advancement and managerial implementation.

Methodologically, the research relies on an extensive theoretical study and the application of Mitchell, Agle and Wood (1997) typology of stakeholders' attributes and salience.

The findings of this study can provide invaluable insight into the stakeholder analysis process for small-size football industries and can be used as a pilot model to identify and classify their stakeholders.

Theoretical framework

Stakeholder theory

Freeman (2010) describes stakeholders as any group or individual that can affect or can be affected by the organisation's actions, objectives and policies. As outlined by Freeman, Harrison and Wicks (2007), the theory is linked to two core questions, “*what the firm's purpose is*” and “*what the management's responsibility towards the stakeholders is*”. These questions allow managers to understand the different values they create and how they are interrelated to the various stakeholders. At the same time, the questions specify the appropriate kind of relationship between the business and the stakeholders and determine the way managers should operate to satisfy their needs (Freeman, 1994; Huml et al., 2018).

Relationships and how they shift depending on the industry context is one of the main elements and at the same time, a great concern in this theory (Freeman et al., 2004). Sharing the same values and interests with the stakeholders is like putting together a partnership where at the end every party wins. Managing to have a reliable and smooth relationship is what pushes the organisation forward, helping everyone perform in a more efficient and effective way (Freeman et al., 2010).

Stakeholder salience model - "Who and what counts"

Mitchell, Agle and Wood (1997) propose a model based on the stakeholders' influence on the organisation, the legitimacy of their relationship with the organisation and the urgency of their claim on the organisation. Influence is defined as the capacity of power towards the organisation's decisions, legitimacy as "the perception that the actions of any entity are desirable and appropriate within some social norms, values and beliefs" and finally, urgency as the degree to which stakeholders claim immediate attention.

To better understand the stakeholder salience and how the different attributes reflect on each category, they summarise both the stakeholder's types and their attributes (Miles, 2017) and determine the priority and attention that managers should give to each stakeholder (Table 1).

	Salience	Typology	Attributes		
			Power	Legitimacy	Urgency
Latent	Low salience Minimum attention Passive stakeholders Monitor	Dormant	Yes	No	No
		Discretionary	No	Yes	No
		Demanding	No	No	Yes
Expectant	Moderate salience High response Active stakeholders Keep satisfied	Dominant	Yes	Yes	No
		Dangerous	Yes	No	Yes
		Dependent	No	Yes	Yes
	High salience - Manage closely	Definitive	Yes	Yes	Yes
	Considered as potential stakeholders	Nonstakeholder	No	No	No

Table 1. Stakeholder salience summary (Adopted from Mitchell, Agle and Wood, 1997)

Focusing on the salience model, the paper will apply this typology on the football industry of Cyprus, to identify the stakeholders' significance and importance in the decision-making process, prioritize them and reveal how much attention volume is needed by managers.

Managerial status

Specifying the managerial and legal status of football in Cyprus will help us define the relationship with the various stakeholders. Decisions are taken mainly by the board of directors, who has direct control on the operations. They are accountable to either their members or the shareholders (depending on the club's legal entity). Normally they are individuals having the social power and capacity to contribute to their club. This paper recognizes that the decision-making power lies mainly on them and so is the responsibility to give the equivalent attention to the stakeholders according to the attributes they possess.

Stakeholder typology and attributes for the football industry of Cyprus

Most studies in this field tend to focus on stakeholders as general categories ignoring the various groups that exist as diverse entities, holding different attributes. This paper will examine the industry under the empirical reality and the broad stakeholder analysis to identify the main stakeholders in a wider concept.

Authorities

Authorities involve every governmental organisation and legally appointed functional committee, responsible for forming sports policies and laws, allocating grants for developing infrastructure, designing programs for the development of sports, establishing youth programmes, nurturing talents, and providing a framework for the well-being, public health and education (Beech and Chadwick, 2004).

The Ministry of Education and Culture supports and executes the strategic policies of the government regarding sports, through Cyprus Sports Organisation (CSO), a semi-government organisation, whose board is appointed by the government following the recommendations of all political parties. CSO supports football with direct subsidies of €3.65 million euros for grassroots and youth development programmes, international participation, football stadiums maintenance, etc. (Cyprus Sports Organisation, 2017).

The Ministry of Justice and Public Order has the responsibility to provide a safe and secure environment to the supporters and maintain public order. It is actively involved in every football event and together with the clubs, is obliged to prepare and execute safety plans on a regular basis (Yiapanas, 2016). The annual policing cost (€1 million euros for 2016) is covered by the government and their relationship is grounded on constant communication, internal management values and mutual trust.

Football governing and regulatory bodies

Concentrating on Federation Internationale de Football (FIFA) and Union of European Football Associations (UEFA), one can easily identify that their mission is to develop football and create an attractive competition for their member associations (Holt, 2007). Even though FIFA's direct involvement with clubs is minimum, by default there is legitimate relationship.

UEFA, on the other hand, as the umbrella body of European football, has a strong direct relationship with clubs. The launch of the Financial Fair Play (FFP) assessment scheme is forcing every club to evidence that they do not have overdue payments towards their players, staff, other clubs and the government (UEFA, 2015). Every club is tightly monitored and individually assessed and those not in line with the FFP regulations receive restrictions and sanctions by UEFA (Dimitropoulos, Leventis and Dedoulis, 2016).

In addition to the above, the great volume of money UEFA is paying to the clubs participating in the two major competitions, Champions League (minimum €20 million euros for 2019) and Europa League (minimum €5 million euros for 2019), attracts the attention of every club in Cyprus.

The same stands for the Cyprus Football Association (CFA), being the governing body of football in Cyprus. The CFA is responsible for developing football in Cyprus, ruling and organising an attractive competition and keeping its club members in line with UEFA regulations. As clubs are under close supervision due to their high debts towards the government (taxes and social insurance), CFA reached an agreement with the government for a gradual payoff.

Football clubs

Most clubs are characterized by management culture intensity focusing on the logic of success as main their objective, pushing financial performance as a secondary aim (Ogbonna and Harris, 2014). The same applies in Cyprus, where all clubs are facing serious financial problems, in the form of millions of euros worth of debts.

Clubs are formed by shareholders or club members whose main responsibility is the election of the board members. The way shares are spread over a wide range of shareholders eliminates the possibility of monopoly and voting power to only a few people. For those clubs incorporated as public companies, a legal relationship exists with the parent club. The company is entitled to use the name and the emblem of the club over a fixed annual fee.

Managers basically rely on coaching and technical staff as well as football players to achieve the club's objectives. The swift development and professionalism of football forces clubs to recruit

qualified and experienced staff to satisfy the team's requirements (Anagnostopoulos, 2011). The staff undertake a variety of duties and need to be constantly informed about any possible aspect that might have an impact on the team's performance. Their interests are directly interwoven with the board's expectations.

One of the main characteristics of football in Cyprus is the large volume of non-Cypriot players listed in every club. Clubs spend millions of euros to buy players from all over the world, treating them as club assets since each one of them has a unique sale value, mainly based on their performance, experience and reputation (Majewski, 2016). Managers need to pay the utmost attention, not only because they must satisfy their needs but also to control diversity and protect the club's investment.

Football grounds owners

Most clubs in Cyprus do not own a football ground and are therefore required to rent facilities from ground owners. Currently, eight grounds accommodate twelve clubs but only three are owned by football clubs (UEFA, 2018). Clubs using rented grounds need to cover the expenses, including the rental fee, on match-days. On average, the total annual cost for ground usage is approximately €650,000 euros per club and most clubs have considerable rolling debts towards the venue owners. Currently the clubs' debts reach the total amount of €3.7 million euros. Ground owners resolve this issue by not conceding to clubs using their ground as home venue until they get paid.

Supporters

Supporters are the club's customers and are considered one of the basic value factors of football. Clubs develop a strong two-way relationship built on trust, loyalty, support and commitment. Shuv-Ami, Vrontis and Thrassou (2017) classify supporters based on a love and respect scale. They classify them as loyal fans - those who unconditionally support their team, as fans - those who support their team only if they are doing well, and as spectators - those who just watch football for the love of the game.

Loyal fans and fans are supportive and expressive towards their team. Engagement is what influences fans to attend football games (Zagnoli and Radicchi, 2010). Sponsors invest on their love and respect towards their club and club managers tend to hinge on them to gain value and money. Cyprus has a total yearly attendance of half a million supporters.

Spectators, since they have no direct relationship with the club, are classified as nonstakeholders, but managers need to consider them as potential stakeholders as they can easily possess an attribute and change into fans or even loyal fans.

Another category exists, the core fans also known as fanatics. These supporters are like loyal fans but exhibit different characteristics, revealing a violent and dangerous behaviour, having great power and control over the managers.

Media and sponsors

Media and sports are bound together in a complex relationship. Media invest in football and clubs rely on them for increasing their financial resources. Sports media and sports journalism is a rising sector in Cyprus. Every first division game is televised and currently three main broadcasters hold the TV-rights in Cyprus. The total annual income for the period 2016 - 2019 is €14 million euros, which considering the capacity and size of football in Cyprus, is considered extremely high. Most clubs depend on TV revenue, which amounts to 20% - 25% of their annual income (UEFA, 2018).

Sponsors consider football an exclusive powerful vehicle to reach an extensive audience and a new market in order to create brand awareness, build an image and increase their sales and value (Kartakoullis et al., 2013). They invest in football through exclusive activities, seeking engagement, insights and innovation. According to Thrassou et al. (2012), the product itself may constitute the relationship basis between the sponsor and supporters, who become emotionally devoted and linked to these products because of the relationship with their club.

Clubs, on the other hand, grasp this opportunity to strategically analyse potential sponsors and select those who are financially strong to firstly create value for their club (Vrontis et al., 2014) and secondly, to strengthen their financial position.

Regarding the examined industry, it is estimated by The European Club Footballing Landscape that 10% of the clubs' revenues come from sponsors and commercial contracts (UEFA, 2018).

Research findings

Applying the extensive theoretical study and Mitchell, Agle and Wood (1997) typology of stakeholders' attributes and salience, the main actors of the football industry in Cyprus are identified and classified based on the influence they have on the decision-making process. Other stakeholders such as licencing and safety committees, municipalities, competitors, various associations (i.e. football players, referees, coaches, etc.) and suppliers have not been analysed in

this paper although they possess different attributes and they may have an impact on the decision-making procedure.

Research findings evidence that a variety of stakeholders exists in the examined industry, holding different attributes and showing significant differences. Building upon this typology and focusing on the results (Table 2), the paper allows predictions regarding managerial behaviour with respect to each stakeholder class and what this means to managers.

Stakeholders	Typology	Attributes		
		Power	Legitimacy	Urgency
<u>Authorities</u>				
Ministry of Education and Culture	Discretionary	No	Yes	No
Cyprus Sports Organisation - CSO	Discretionary	No	Yes	No
Ministry of Justice and Public Order	Dependent	No	Yes	Yes
<u>Football governing and regulatory bodies</u>				
Federation Internationale de Football - FIFA	Discretionary	No	Yes	No
Union of European Football Associations - UEFA	Definitive	Yes	Yes	Yes
Cyprus Football Association - CFA	Definitive	Yes	Yes	Yes
<u>Football clubs</u>				
Shareholders Members Parent club	Dependent	No	Yes	Yes
Coaches and technical staff	Dependent	No	Yes	Yes
Football players	Definitive	Yes	Yes	Yes
<u>Football grounds</u>				
Grounds owners	Dominant	Yes	Yes	No
<u>Supporters</u>				
Loyal fans and fans	Dependent	No	Yes	Yes
Spectators	Nonstakeholder	No	No	No
Fanatics - Ultras	Definitive	Yes	Yes	Yes
<u>Media and sponsors</u>				
Main broadcasters and TV non-rights holders	Dangerous	Yes	No	Yes
Written press (Newspapers, magazines and websites)	Dangerous	Yes	No	Yes
Radio Stations	Dangerous	Yes	No	Yes
Main sponsors Official sponsors and partners	Dominant	Yes	Yes	No

Table 2. Stakeholder typology and attributes of the football industry in Cyprus

Furthermore, the results specify how and under what circumstances managers should respond to the various types of stakeholders. Whether this response should be high or low depends on the salience of the stakeholders which helps managers stipulate the volume of attention they must give to every actor to satisfy their needs.

Prioritization of the stakeholders

Harrison, Bosse and Phillips (2010) suggest that power should be the first criterion when prioritizing stakeholders, followed by legitimacy. Applying this concept on this research findings, the stakeholders of the examined industry can be mapped, classified and presented as a grid (Figure 1) in relation to the attributes they hold.

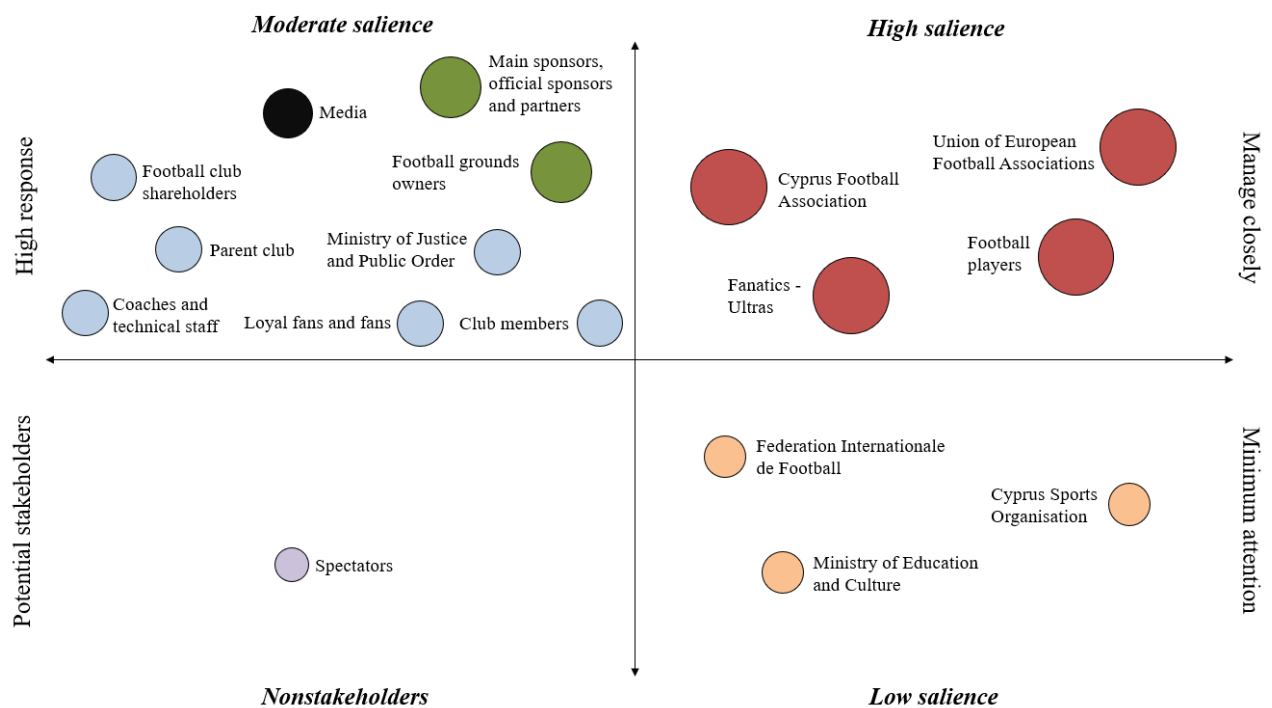


Figure 1. Stakeholder's prioritization grid of the football industry in Cyprus

The high salience field of the grid includes the definitive stakeholders also considered as active stakeholders. Based on the findings of the research, UEFA, the Association, the football players and the fanatics are mapped in this field. For the first three it is quite understandable to be positioned in this field since they are the main football actors, but the fanatic's presence is a unique industry finding, mainly due to the high power they display over managers. Managers should give priority and maximum attention to these stakeholders.

The moderate salience field includes stakeholders holding dominant, dangerous and dependent attributes. The research shows that sponsors and ground owners dominate this field that is also hosting the media, the club shareholders and members, the loyal fans and the authorities. It seems that this field accommodates the most stakeholders. It is worth highlighting the fact that media are

the only stakeholders classified as dangerous. Moderate salience stakeholders need to be kept satisfied and managers should immediately respond to their needs.

The low salience field includes stakeholders such as authorities possessing discretionary attributes with legitimacy interest. These stakeholders are considered passive and minimum attention is required.

Managers need to understand that any stakeholder can easily gain a second or a third attribute, become more salient and therefore the priority and attention will immediately rise.

Conclusion, implications and future research

A multifaceted industry like football is becoming more affluent and powerful every day, operating in a dynamic and complex environment that deals with a variety of actors involved in the execution, regulation and football activities (Rossi, Thrassou and Vrontis, 2013).

This paper identified these actors, delineated their absolute and relative value and interrelationships, along specific attributes, and drew explicit theoretical and practical conclusions towards scholarly advancement and managerial implementation. Findings show that a variety of stakeholders exist, possessing different attributes, and need to be satisfied based on the priority they hold. Satisfying and balancing their needs helps clubs perform in a more efficient and effective way (Freeman et al., 2010).

Although the dynamic model of stakeholder salience mirrors the attributes of each stakeholder, the typology and classification are purely based on the managers' hypothetical and subjective judgment, considering that personal relations and social power often impact on the decision-making process. This perception variability can easily affect the attribute-salience relationship.

Managers should realize that integrity and mutual trust builds a good relationship and adds value to every actor. They should recognise each stakeholder's priority and adapt their personal views according to their shared value.

Further research

While recognising that the paper provides invaluable insight into the stakeholder identification and salience, yet not enough is decoded in this complex environment of the football industry. This is only a preliminary work that requires refinement and development through empirical research, to validate the extensive theoretical findings and test the degree of application to the specific environment.

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