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The Culturally Embedding of Risk Management – A Case Study Research of Sparta Rotterdam

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ABSTRACT

The paper provides a deeper understanding of how Enterprise Risk Management (ERM) is embedded in the culture of organizations. Collier et al. (2007) provide a generic picture of the adoption of ERM based on the social constructions of managers and developed a theoretical framework which fits the approach to the concept of culturally embedding risk management. By conducting a case study research at a professional football organization (PFO) – Sparta Rotterdam – and using Collier et al.'s (2007) theoretical framework, this research reveals the specific characteristics of the football industry and also shows the strengths and weaknesses of the theoretical framework.

The findings of this case study research reveal that the framework to a large extent is very useful in analyzing the embeddedness of ERM. However, the influence of the change in organizational culture on the way in which risk management is approached by the organization, that was noticed at Sparta, was not reflected by the framework. Therefore this research presents an adjusted framework, where the influence of organizational culture becomes evident.

Keywords: Enterprise Risk Management, Organizational Culture, Football

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1. Introduction

After a series of major financial and business scandals pressure arose on organizations to take the managing of risks serious and to implement and maintain an adequate system of risk management practices (PWC, 2006). Governments and supervisory institutions reacted by publishing several codes and reports. This led to the fact that listed companies, small and medium-sized enterprises, and also governments are now paying more attention to risk management (Deloitte, 2009).

Risk management systems used to be predominantly focused on protecting the organizations against negative financial effects of risks. However, the focus has moved from this defensive approach to a more offensive and strategic approach. Enterprise Risk Management (ERM) is perceived as the key to this approach, by making risk management part of the organizations overall strategy. ERM connects risk management to business strategy and objective-setting. This enables organizations to make better risk-adjusted decisions that maximize stakeholder value (Arena et al., 2010; Liebenberg and Hoyt, 2003).

Despite the increased interest in ERM, there is still a lack of clarity around the subject. There is not an ideal risk management system that is universally applicable, which makes that ERM is seen as a sort of “umbrella”, under which there are many different risk management practices, techniques and tools. Most of the extant research deals with the role of ERM in the corporate governance debate. Not much is known yet about the stages of ERM deployments or factors that affect the embrace of ERM within organizations and there are yet few critical contributions exploring how organizational assembling evolves and contributes to a risk management style (Arena et al., 2010; Beasley et al., 2005; Liebenberg and Hoyt, 2003).

Contributions of Mikes (2009) and Arena et al. (2010) moves the research focus to the important role social interaction plays in the way ERM expresses itself in an organizational context. In getting a deeper understanding of how ERM works in practice, the important role of social interaction needed further development (Arena et al., 2010). The survey-based research of Collier et al. (2007) initiated this by providing a generic picture of the adoption of ERM based on the social constructions of managers. Case study research is needed to enrich the findings of Collier et al. (2007) and this research contribute to filling this gap in literature by getting a deeper understanding of how ERM is embedded in the culture of an organization. How fundamental values, assumptions, and beliefs shared by members of the organization (Ostroff et al., 2003) influences the way in which ERM is embedded.

A case study research conducted at a professional football organization, Sparta Rotterdam, is used to fulfill this. The football industry is a business with very specific characteristics, like its natural pursuit for playing field success, instead of gaining profits. This facilitates the testing of Collier et al.'s (2007) assumption that basic risk management structures are common across large organizations regardless of their business sector. Moreover, this case study research will answer the call from Bhimani (2009), who stated that the particularity of risk management characteristics in specific organizational settings has not to date been the subject of vast research.

To fulfill the main research aim of getting a deeper understanding of the embeddedness of ERM in the culture of the organization, first the drivers of risk management of the case study organization are discussed. After that the existing risk management practices are discussed. Then the perceived effectiveness of organizational performance is examined and finally the involvement of accounting in risk management is considered. Taking all these things in consideration together an answer will be given to the core research question: How is Enterprise Risk Management culturally embedded in practice?

To support answering this question a theoretical framework of Collier et al. (2007) is used. The contribution to the research literature is threefold. First this case study gives a deeper understanding of the manner in which risk ERM works in practice by looking at the culturally embeddedness of ERM in a specific organization. Secondly, it maps the way in which an organization handles risk management in the football industry, a business with a very specific character. Finally, the paper discusses the usefulness and then extends the Collier et al. (2007) framework in analyzing ERM in practice.

The paper has six main sections. In the following second section, it describes the theoretical background, by evaluating previous research studies. It shows how risk management developed over time to its considered importance nowadays and its role in relation to corporate governance and internal control. This section also presents the theoretical framework used to perform the case study research. In the third section, details about the research method are provided. Section four describes the business in which the case study organization operates and the background of the organization. The empirical findings of the research are presented in the fifth section. Section six discusses the research finding and presents some concluding remarks.

2. Theoretical background

Risk can be defined as “the combination of the probability of an event and its consequences” (Collier et al., 2007, p.6). The probability of an event and its consequences can be twofold. You can see risk as a possible loss, which refers to possible negative consequences.

Managing these risks is focused on reducing the probability of the negative events and is typically a concern for those responsible for conformance. But on the other side you can see risk as an opportunity for possible gains and accept that there is a relation between risk and return¹. Shareholders expect the board to achieve a higher return than is possible from risk-free investments, and therefore they expect that the board try to be entrepreneurial in taking risks. Those responsible for performance are typically concerned with risk in this context (Collier et al, 2007).

In the International Federations of Accountants report (IFAC, 1999) risks were defined as uncertain future events that could influence the achievement of the organizations' strategic, operational and financial objectives. With this definition the focus was moved from a negative interpretation to a more neutral one, taking into consideration possible negative and positive consequences. It takes into account that managing risks is an integral part of generating sustainable shareholder value (Collier et al., 2007).

Taking into account the above mentioned, we come to the following definition of risk from Collier and Berry (2002, p. 274), which we will use in this paper: "Risk is the consideration of a process and the consequences (negative or positive) of unpredictable and uncontrollable events and perceptions about those events".

2.1 Enterprise risk management (ERM)

Risk management used to be predominantly concerned with the protection of the organization against adverse financial effects of risk. However, the focus of risk management shifted from a silo-based defensive approach to a more offensive and strategic approach (Gordon et al., 2009; Liebenberg and Hoyt, 2003; Woods, 2009). This shift in approach, in combination with the increased regulatory attention to corporate governance, influences such as globalization, industry consolidation, and deregulation, and the progress in technological possibilities to quantify and analyze risk, drove organizations to approach risk management in a more holistic manner. Enterprise risk management (ERM) provides this more holistic approach towards managing an organization's risk, providing a structure that combines all risk management activities into one integrated framework that enables the identification of such interdependencies (Gordon et al., 2009; Liebenberg and Hoyt, 2003).

¹ For a discussion of conceptual approaches to risk, its relation to internal controls, financial reporting quality and corporate governance see Spira and Page (2003).

ERM was the key to a more offensive and strategic approach by making risk management part of the overall strategy of the organization. ERM links risk management to business strategy and objective-setting, entering the domains of control, accountability and decision making. In this manner, organizations make risk management part of their overall strategy and they are enabled to make better risk-adjusted decisions that maximize stakeholder value (Arena et al., 2010; Liebenberg and Hoyt, 2003).

In September 2004, COSO published *Enterprise Risk Management – Integrated Framework*, or COSO II. This framework meant a definitive guidance (Arena et al., 2010) for building effective ERM. The framework defined ERM as followed:

“A process, affected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.” (COSO, 2004, p. 2)

This definition shows several similarities with the definition of internal control by COSO. This is not surprising because COSO II builds on the Internal Control-report of COSO (1992) and internal control is considered as a part of ERM. COSO (2004) advocates that ERM consists of eight components – internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring – which are in place to assure to a certain level that the organization achieves its’ objectives, which are in the context of the mission and vision formulated by the organization. The ultimate goal is to increase the value for its stakeholders (Beasley et al., 2005; Vaassen et al., 2009).

The essence of ERM consists of an organization-broad, consistent and structured process of identifying and analyzing, reacting to and monitoring and reporting of potential future events that can influence the achievement of the organizations’ objectives. Collier et al. (2007) states that line managers are mostly concerned with identifying, analyzing and reporting on risk, the finance directors with analyzing, reporting and monitoring and reacting to risks is predominantly the concern of the chief executive and the board.

ERM provides the organization the possibility to react proactively to changing circumstances. By signaling potential events and the resulting risks in an early stadium, the organization is able to act timely and to modify the system of internal control measures in an adequate manner (PWC, 2006).

The difference of ERM, compared to traditional risk management is that everywhere in the organization an explicit risk analysis forms the base to the management agenda and to the design

of the internal control system. Moreover, by monitoring changes in the risk profile of the organization, the internal control system can continuously be adapted to changing circumstances. By taking the risk profile as basis to the design and improvement of the internal control system, also a coordinating framework arises, which makes all organizations' existing activities in the domain of risk management a coherent entity (PWC, 2006).

2.2 Academic research on ERM

Interest in ERM has grown rapidly during the past 15 years, with regulators and professional associations calling for its adoption and the adoption of ERM systems has become a blueprint of appropriate corporate governance. Many organizations are implementing ERM processes to increase the effectiveness of their risk management activities. But, it is not quite clear yet how organizations will benefit from adopting risk management, because it is a relatively upcoming management control practice (Arena et al., 2010; Mikes, 2009; Silvestri et al., 2011).

Lots of corporate collapses and financial scandals and the recent financial credit crunch have shown that current ERM-mechanisms can fail. Therefore, there is a growing public policy need for more effective ERM and corporate governance. The academic community is greatly positioned to contribute to this. In the light of the recent governance reforms, most of the existing research deals with the role of ERM in the corporate governance debate. Few contributions exploring how ERM works in practice can be found in the ERM literature (Beasley et al., 2005; Silvestri et al., 2011).

In developing its ERM framework, COSO (2004) recognizes that the appropriate ERM system will likely vary from organization to organization. Because there is no universally ideal ERM system, COSO suggests a contingency perspective toward the appropriate ERM system for a particular organization. ERM can be different things in different organizations, and even different things within the same organizations at different times (Arena et al., 2010). Different recent academic contributions on ERM focused on this fluidity.

Some researchers used a contingency perspective to identify factors, or contingent variables, that influence the interpretation, use and performance of ERM-systems. In this manner these studies try to contribute to understanding the fluidity of ERM.

Gordon et al. (2009) uses a contingency perspective to investigate the relation between the use of ERM and the performance of the organization. In this quantitative study it is suggested that this relation is contingent upon five specific organization factors: environmental uncertainty, industry competition, firm complexity, firm size and board of director's monitoring. The

implication of this study is that firms should consider the implementation of ERM with contextual variables surrounding the firm.

The aim of the qualitative research of Woods (2009) is to get a deeper understanding of the manner in which ERM is used in the public sector. Through a case study research Woods demonstrates that the basic structures of risk management are common across large organizations, but that at a detailed operational level the ERM-system is contingent upon three variables: central government policy, information and communication technology and organizational size.

Mikes (2009) also points out the changeability of ERM. She describes ERM as an assembly of practices, which together form a risk management mix. The risk management mix corresponds to particularities of the organization and its context. In this study the cases show that managerial preferences towards ERM-practices are shaped by calculative cultures. Calculative cultures is a concept based on alternative logics of calculation. The 'usage of language' in the risk management discipline can range from highly analytical to highly judgmental. Mikes illustrates this with case studies at two financial institutions that have different company models, with diverging organizational significance: ERM by numbers, where risk management is used to manage risks within the organization's risk appetite. Or holistic ERM, where risk management is applied to identify potential events that may affect the organization and brings it to sophisticated decision-making. The study suggests that these calculative cultures are relevant constituents of the fit between a risk management system and its organizational context.

Mikes focuses on the forms of ERM and their possible developments, but the organizational coupling of ERM with other managerial control processes is not investigated. Arena et al. (2010) jumped on to this by focusing on the organizational dynamics of ERM and the intertwined dimensions involved in implementation. The research focuses on how organizational assembling evolves and contributes to a risk management style, by investigating the way in which ERM is translated and alters the behavior and mindset of the individuals, participating in risk management. Through a longitudinal multiple case study the trajectory of ERM within the organization was revealed. It was shown that the organizational translation of ERM diverge when it meets pre-existing centers of control and practices. The authors state that greater social interaction emerged as crucial for transferring cultural values and stimulate managerial comprehension in ERM.

Most of the recent contributions on ERM are focused on the changeable character of ERM. It is noticed that ERM is seen as a sort of umbrella, under which there are many different risk

management practices, techniques and tools. This makes ERM variable in different settings and therefore there is a danger of ERM falling into complying on rules, instead of becoming embedded in managers' decision-making and business process. ERM is in line with the requirements of the corporate governance codes which are applied on the organization, but the organization's relationships with the broader social environment is overlooked. This makes that the concept of embeddedness appears to remain limited at organizational level. In the wake of the recent financial crisis this ERM embeddedness has been further underlined (Arena et al., 2010; Mikes, 2009; Power, 2009; Silvestri et al., 2011).

With the recent academic contributions of Mikes (2009) and Arena et al. (2010) research focus moves to the important role social interaction plays in the way ERM expresses itself in an organizational context. To succeed in its role in assuring to a certain amount the achievement of organizational objectives, ERM needs to become culturally embedded in the organization's business operations. Organizations must not only focus on the technology regarding ERM, but look beyond this and focus more on a culture of risk management throughout its organization (Arena et al., 2010; Collier et al, 2007; Silvestri et al., 2011).

What does this culture of risk management mean? Organizational culture is about the fundamental values, assumptions, and beliefs commonly held by members of an organization (Ostroff et al., 2003). So, the culture of risk management throughout the organization is about the way in which risk management is perceived by the members of an organization, based on their shared values.

ERM is intended to align risk management and business strategy with each other. Collier et al. (2007) states that the adoption of risk management and control procedures is based on socially constructed risk perceptions and risk propensity. A risk management system may achieve little without a culture that supports the organizational approach to risk management.

In getting a deeper understanding of how ERM works in practice, the important role of social interaction needs further development (Arena et al., 2010). The survey-based research of Collier et al. (2007) made a start to this by providing a generic picture of the adoption of ERM based on the social constructions of managers. But case study research is needed to enrich the findings and fill the gap. This study contributes to filling this gap in investigating in practice how ERM is culturally embedded in a case study organization.

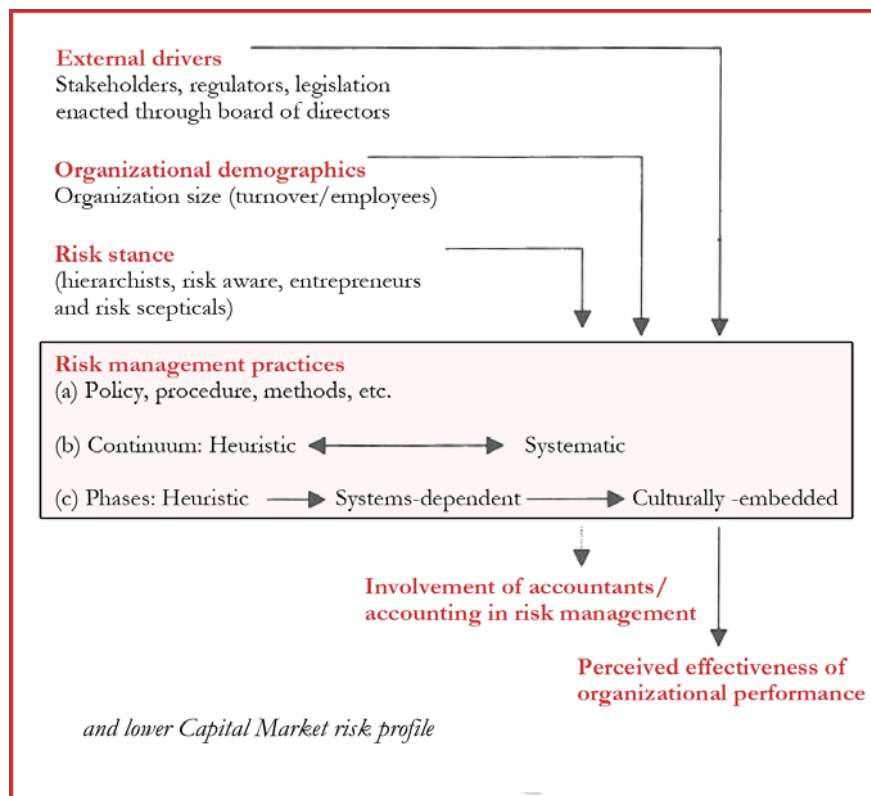
2.3 Theoretical framework

Central aim of this research is to get a deeper understanding of the key drivers and practices of ERM and the consequences for performance for the organizations by investigating *how Enterprise Risk Management is culturally embedded in practice*. The fundamentals of this research are build on the concept of ERM embeddedness. Collier et al. (2007) developed a theoretical framework which fits to this approach (see Figure 1).

The framework reflects the determination of the key drivers for risk management practices, and it takes the risk management practices in the organization's management control system into account. Moreover it considers the perceived effectiveness of risk management practices, by determining the perceived impact on performance and it reflects the involvement of accountants and accounting numbers in risk management. This can be translated into four sub-questions, which supports answering the main research question:

- What are the key drivers for risk management?
- What risk management practices are present?
- What are the consequences of these practices for perceived performance?
- What role play management accountants and accounting in the risk management process?

Figure 1 Theoretical framework



Source: Collier et al. (2007, p.106)

Key drivers of risk management

The framework reflects the key drivers to the use of risk management. The framework displays three types of key risk management drivers: (1) external drivers, (2) organizational demographics and (3) risk stance. Investigating these key drivers will focus on the first sub-question: *What are the key drivers for risk management?* Each type of key driver will be discussed.

External drivers

Following the survey research by Collier et al. (2007) the external drivers of risk management practices were observed to be stakeholders and the demands of regulators and legislation. These external drivers are enacted through the board of directors and are considered likely to exert influence over the policies and methods adopted for risk management.

From the survey research of Collier et al. (2007) and the follow-up interviews it became clear that the importance of compliance with legislation was the dominant driver for many organizations to the use of risk management practices. Increased rigour of regulatory oversight is seen as the major external factor that has driven the trend toward ERM.

This is linked to the legitimating role risk management can have and is also described as the ‘tick box’ compliance approach. But the interview data of Collier et al. (2007) also shows the beginning of a shift to a more proactive stance where risk management is perceived to provide benefits for the business. From the interviews it became clear that there is an intention to push this shift and to move away from this ‘tick box’ approach.

Organizational demographics

No correlations were found in Collier et al. (2007) survey research on the influence of organizational demographics data, like the ownership structure or the nature of the business, on risk management practices. However, Collier et al. (2007) did find a positive correlation in their research between size of the organization and the use of basic and sophisticated methods of risk management. Organization size can vary in turnover and number of employees. This implies that size impacts the risk management practices, contrary to what Liebenberg and Hoyt (2003) found in their research.

Risk stance

Where risk on an individual level is seen as much about achieving positive consequences as avoiding negative ones, organizational risk management is mostly focused on avoiding negative consequences (Collier et al., 2007). But both individual risk preferences, and risk preferences taken-for-granted within the organization are important in understanding organizational responses to risk management (March and Shapira, 1987).

Following Adams (1995), everyone has a propensity to take risk, which varies from individual to individual and is illustrated by a so-called ‘risk thermostat’. This means individual risk taking represents how perceptions of risk and the propensity to take risks are balanced against accident and losses as a consequence of taking risks.

Considering organizational risk taking, the risk perception is seen as a cultural process. Some risks are highlighted and other risks are downplayed, biased by a particular culture, set of shared values and supporting social institutions (Douglas and Wildavsky, 1983). Collier et al. (2007) found this ‘socially constructed’ view of risk a better reflection of organizational risk management than the rational modeling approaches characterized by textbooks and professional training, with their subjective reflection of risk perceptions and preferences. This view helps to understand how managers influence risk management and internal control decisions.

Risk stance refers to the managerial perceptions of risk and thereby the distinctive world views that organizations can have on risk. An organization’s risk stance is based on perspectives as to whether risk management is largely about avoiding negative consequences or achieving positive consequences. Based on Douglas and Wildavsky (1983) and Adams (1995) four different perspectives on risk were identified, which were adapted by Collier et al. (2007) to risk management stances (see Figure 2):

Figure 2 Risk management stances

		Risk management is about avoiding negative consequences	
	<u>Low</u>	Risk sceptical	Hierarchists
Risk management is about achieving positive consequences	<u>High</u>	Entrepreneurs	Risk aware

Source: Collier et al. (2007, p. 18)

Fatalists have minimal control over their own lives and don’t belong to groups that are responsible for decisions that rule their lives. They resign themselves to their fate and see it as useless to try to change it. Logically, risk management is useless for them. Collier et al. (2007) replaced the term fatalist to risk sceptical, to reflect those organizations that consider risk management as not important at all. Hierarchists live in a world with strict group boundaries with social relationships being hierarchical. They are always evident in large organizations with strong structures, procedures and systems. They feel the most comfortable with a bureaucratic risk management style using various risk management techniques. Individualists are enterprising, self-made people, relatively free from control by others, but aiming for control over their

environment. Entrepreneurs in small and medium sized organizations belong to this category. Risk management to these people is rather intuitive than systematic. Egalitarians stand on strong group loyalties, but have little respect for externally imposed rules. They are commonly found in public-sector and non-profit organizations, where values are oriented to social concerns. They are comfortable in situations of risk sharing through insurance, hedging or transferring to other organizations. Collier et al. (2007) replaced the term egalitarian by the term risk aware. This is to describe the organizations that might be high on both aspects of risk management and which attempts to build a culture of risk management into their business operations. Collier et al. (2007) states that the risk aware group would embed risk management in culture and decision making of the organization.

The results of the regression study of Collier et al. (2007) showed that the risk stance of the organization moderates the perceived usefulness of risk management practices. The importance of this risk stance is also suggested by Hillson and Murray-Webster (2007), who stated that the influence of individual attitudes and corporate culture is probably more important than the actual risk management tools. It will be clear that the social constructions of managers play an important role in embedding risk in organization's culture and decision making. Therefore it is a key subject in this research.

Risk management practices

ERM can be described as an assembly of risk management practices, which together form a risk management mix. The risk management mix corresponds to particularities of the organization and its context in a given organization (Mikes, 2009). To indicate the attitude of managers towards the techniques and methods in use Mikes (2009) introduces the term calculative culture. Managers, through their backgrounds and experiences with ERM-practices, develop preconceptions about how to manage risks and base the risk management mix on this. The calculative culture influences and is influenced by the choice for the use of particular practices.

To determine the calculative culture and to decide in which cluster to situate the organization, ERM by number or holistic ERM (Mikes, 2009) an analysis of the risk management mix is needed. Which management control systems and risk controls are in place to manage risks? The rectangular box in the framework focuses on the ERM-practices and will answer the second sub-question: *What risk management practices are present?* The rectangular box of the framework consists of part a, b and c, which will be discussed separately.

(a) Policy, procedure, methods, etc.

The organization's policy on risk management, the procedures that are therefore implemented and the methods used by the organization give an impression on how risk management is present in the organization. The organizations' policy is often captured in a policy plan related to several future years and the operational processes of the organization are mostly registered in procedure descriptions. These documents on itself are forms of risk management practices, but they also can give an indication of how risk management practices are present through the organization. Methods can be thought of as the applications and techniques in place to manage risks, like the risk-based controls in the management control system.

Management control systems play an important role in risk management. A management control system is described by Merchant and van der Stede (2007) as a systems that includes all the devices or systems managers use to ensure that the behavior and decisions of their employees are consistent with the objectives and strategies of the organization. They play an important role in assuring to a certain degree the achieving the organization's objectives. This makes management control systems crucial for successful risk management.

So, risk-based controls in the management control system are essential for managing risks. But an excess of controls, or an over-reliance on formal controls can have negatives consequences. It may let managers have an over-confidence in that risks are well controlled. Unforeseen circumstances may arise and opportunities may be missed. Another negative consequence is that opportunities may be missed in that too much controls may prevent the organization from undertaking any risky activities (Collier et al., 2007).

(b) Continuum

The framework states that risk management practices exist along a continuum from heuristic to systematic. ERM practices based on heuristic refer more to experience-based techniques, developed by learning and discovery. It uses subjective methods as rules of thumb, educated guesses, intuitive judgments, or common sense. Systematic-based ERM practices are more formal and based on more sophisticated techniques. It uses more objective methods as scenario planning, computer simulations, decision trees, or software packages.

The survey findings of Collier et al. (2007) show that the more subjective methods for risk management were the highest in use. This suggests that a heuristic method of ERM is at work in contrast to the systems-based approach that is associated with ERM in much professional training and literature.

Not all kind of risks are objectively identifiable and measureable, but they are subjective and qualitative. Think of risks as economic downturns, natural disasters, the loss of key employees or

the risk of litigation. Therefore risk is to a certain degree ‘socially constructed’ and it is needed that the response to risk reflects the perceptions and social constructions of the participants in an organization. As a consequence it is important to use quantitative tools and techniques, where it appropriate to do so and at the same time recognize that subjective judgments need to be made (Collier et al., 2007).

So, even when well developed methods are in place, managers would always need to transcend them with heuristics. Collier et al. (2007) recognized that there need to be a good balance between objective information and more subjective methods based on experience and intuition.

(c) Phases

The survey based research of Collier et al. (2007) shows that most organizations considered risk in the past tacitly, but did not document or formally manage risk. The present consideration of risk is predominantly in a systematic way and formally documented. Compared to the consideration of risk in the past, risk nowadays is considered relatively more often as documented and used to aid decision making than in the past. It looks like this trend is going ahead, because the planned approach of most organizations is to approach risk in a more holistic manner, with risk being used to aid decision-making.

This observed trend makes that risk management practices are believed to develop over time from heuristics to systems dependent, and finally to culturally embedded. So, risk management practices are in development, but in general there is still a way to go before they are culturally embedded in the organization. At least it identifies the desire of organizations to link risk management practices with organizational decision making (Collier et al., 2007).

Perceived effectiveness of organizational performance

The only thing that matters for an organization is that in the end the benefits of ERM practices exceed the costs, that ERM shows its effectiveness. But these benefits are not easy to measure. There have been very few studies, which have been able to measure the consequences for organizational performance arising from ERM practices. Empirical evidence confirming the relation between ERM and firm performance is therefore quite limited and not based on a robust measure of ERM (Collier et al., 2007; Gordon et al., 2009).

The earlier mentioned research of Gordon et al. (2009) implies that contingent variables influence the relation between applied ERM and organization performance. The study mentions environmental uncertainty, industry competition, organization complexity, organization size and

board of director's monitoring as contingent variables. These variables will undoubtedly play a certain role in the effectiveness of ERM, but the conclusions of Gordon et al. (2009) are based on periodic reports of more than hundred different kind of organizations. Therefore it is quite general and the specific characteristics of a particular business are not taken into consideration. Moreover, the contingent variables do not say much about how managers perceive the effectiveness of ERM.

But, the research of Collier et al. (2007) suggests that risk management is perceived by managers to improve organizational performance. From interview data it was shown that managers realize there are important benefits of implementing effective risk management, including both avoiding downside and taking advantage of upside opportunities. However, it is accepted by managers that it is needed to consider the culturally embedding of risk into organizations as a taken-for-granted practice. A risk aware stance will support achieving this (Collier et al., 2007).

The perceived effectiveness by managers of ERM is reflected in the framework by one of the arrows which come from the risk management practices box. This emphasizes the influence of the way in which ERM is approached and risk management practices are in use on the perceived effectiveness of managers. In this manner the third sub-question is reflected in the framework: *what are the consequences of these practices for perceived performance?*

Involvement of management accountants and accounting

The last sub-question is reflected in the framework by the other arrow: *what role play management accountants and accounting in the risk management process?* Management accountants are concerned with information used in formulating business strategy, planning and controlling activities, decision-making, efficient resource usage, performance improvement and value enhancement, safeguarding tangible and intangible assets and corporate governance and internal control. Therefore, it seems logical that management accountants are involved in internal control mechanisms (Collier et al., 2007).

Scapens et al. (2003) suggest that the role of the management accountant is changed since the beginning of the twenty-first century. Because of the improved technical possibilities many routine management accounting tasks were taken over by computer systems. Management accounting in organizations shifted from the traditional monitoring and control perspective to a more business and support-oriented perspective. This led to a shift of accounting report from management accountants to the business managers, so they could be constantly aware of the financial consequences of their decisions.

Therefore, the role of management accountants in corporate governance has particularly an informing character. But, with their ability to analyze information and systems, performance and strategic management they can play a significant role in the development and implementation of risk management and internal control systems within their organizations (Collier et al., 2007).

Despite of this, the survey based research of Collier et al. (2007) shows that management accountants in most organizations had a marginal role in the risk management process. The interview findings of Collier et al. (2007) show that the skills of management accountants were not seen appropriate for a close involvement in risk management. This in contrast to the finance director, whose role in risk management was suggested crucial with his more strategic oriented responsibilities. On the other hand, management accountants are seen as very useful in a supportive role with their analytic and modeling skills.

Collier et al. (2007) suggests that management accountants need to take a wider perspective on strategy, risk and management controls, beyond the traditional emphasizing on what is measurable. For management accountants to become more involved in risk management, a shift towards a more strategic and value adding role, including considering risks, is necessary. This strokes with the changing role of the accountant as earlier mentioned with the work of Scapens et al. (2003).

Capital market risk profile

The market beta gives an indication of the volatility of an asset compared to the overall financial market and indicates the risk you take when investing in a particular organization. In their survey research, Collier et al. (2007) observed that the market beta for organizations characterized as risk aware was lower than for other organizations, which suggests that the risk aware stance, with paying attention to both protection and to opportunity, leads to organizations, being awarded a lower beta by capital markets, and hence a higher value.

The framework suggests that risk management is perceived to improve organizational performance and it's indicated that a risk aware stance could be related to a lower capital market risk profile. This is reflected in the framework with the sentence in the lower left corner (Collier et al., 2007).

3. Research method

An explanatory case study is used to gain a deeper understanding of the manner in which ERM works in practice and how it explains the reasons of how ERM is culturally embedded in a particular football organization. An important characteristic of this kind of case study research is

that existing theory is used to get a deeper understanding and explain the specific, rather than producing generalizations. If the empirical observations from the case study are not provided with convincing explanations from theory, refinement or extensions of this theory may be necessary to apply (Scapens, 1990).

In selecting the appropriate organization to study, the first line of approach was to study football business due to the many financial struggles football organizations face internationally, and particularly in the Netherlands. The main advantage of such a organization is the very specific risk profile of these kind of organizations, which lies in the fact that these organizations do not focus on getting high profits, but on getting good results on the pitch.

An organization with great national reputation but in an unstable environment, would make it even more interesting. Sparta meets these requirements as the eldest Dutch professional football organization, famous for its traditions and its top-class youth academy, but struggling on the edge of the highest and the second highest division in professional football.

The main data collection was gathered during May and June, 2012. After the collection of internal documents², interview questions were developed based on the theoretical framework on risk management and the available information about Sparta. A total of 7 face-to-face, semi-structured interviews were conducted (see table 1). The predetermined interview questions were developed out of previous literature on ERM in particular and on management control practices in general. Also all available information about Sparta was used in developing the questions.

Interviews were held with complete board and management: the CEO/technical director, the financial manager, the commercial manager, the manager public business and the manager organization football business of Sparta Rotterdam. Also an interview was held with the head coach to cover the operational part of the organization and the chairman of the supervisory board to cover the supervisory part of the organization. All interviews took place at the stadium of Sparta in Rotterdam.

The first interview was deliberately planned first with the financial manager, because in general this manager is identified with more aspects of risk management than any other role, suggesting that he has a pivotal role in risk management (Collier et al., 2007). So, by interviewing

² Internal documents collected included the extended version of the annual, the general policy plan, the technical policy plan, the policy plan for the youth academy and all kind of procedure descriptions and protocols. All these documents were thoroughly studied at home and helped in learning to know and understanding the organization. Moreover this information supported the most important step of the data collection, namely the interviews.

him first a rough overview could be collected of the risk management practices at Sparta, which helped to better structure the other interviews.

After finishing an interview, each interview was evaluated. Out of these evaluations new themes and point of views were noted and processed in the interview guidelines of the subsequent interviews. This also helped the triangulation of data (Yin, 2009), by highlight important information from the evaluated interviews in the subsequent interviews for confirmation.

Table 1 List of interviews conducted

Interview number	Function Interviewee	Duration (minutes)
1.	Financial Manager	101
2.	CEO and Technical Director	84
3.	Commercial Manager	82
4.	Manager Organization Football Businesses	81
5.	Manager Public Businesses	78
6.	Head Coach of the first team	55
7.	Chairman of the Supervisory Board	57

Each interview was digitally recorded on tape with a professional voice-recorder and then transcribed, because audiotapes provide a more accurate recording of interviews than any other method (Yin, 2009). The interview data combined with all supporting information from internal documents and public sources was extensively identified and analyzed. A categorization of themes was made, mainly based on the theoretical framework.

To safeguard the quality of the case study research, construct validity, external validity, internal validity and reliability need to be ensured during the case study research (Yin, 2009). In trying to ensure construct validity multiple sources of evidence are used to assess the validity of evidence in the context of this particular case study. Evidence from the various interview data are compared with each other, but also with evidence from internal documentation of the organization.

Internal validity is ensured by using a pattern-matching logic. This means continuously wondering if the inferences suggested by the collected interview data and documents are correct and matches the predicted ones. Predictions based on the theoretical framework, information

about the organization you have beforehand and interconnected information you gathered from the interviews.

External validity is ensured through assessing to what extent the evidence fits the broader theory. By comparing the case study findings with the theoretical framework of Collier et al. (2007), theory is tested and it's determined to what extent theoretical generalizations can be made from this research.

To ensure the reliability of the case study research each step and each procedure in conducting this research is well documented. A case study protocol was made, which extensively describes how evidence is collected. Moreover, guidelines are formulated for the semi-structured interviews. These documentation helps in keeping the right track and minimize the risk of missing opportunities to collect relevant data.

4. Case study

Football is considered unique in the way it touches the everyday life of people. All over the world football evokes great passions and plays an important role in the life of individuals, local communities and even nations. On a social level football functions as a binding agent, bridging borderlines like nationality, age and religion. Football is deeply rooted in culture and society and its impact is more and more recognized³. In line with this, professional football organizations (PFO's) realize the very important role they can play in society. This makes the professional football industry a socially very valuable phenomena, with great social and economical meaning (Breitbarth and Harris, 2008; Briene et al, 2005; Vermeend, 2010).

Because of its extreme popularity football has developed into a global industry. During the 1990's the PFO's expanded not only in terms of physical growth by expanding their stadiums, but also in terms of development into media, merchandising, sponsorship and other activities. Nowadays, billions go round in this industry, predominantly in broadcasting rights, sponsoring, tickets and merchandising (Breitbarth and Harris, 2008; Briene et al., 2005; Grundy, 2004).

A PFO is quite similar to any other medium-sized, multinational company, consisting of tangible, intangible and financial assets that are professionally managed and marketed. On the other hand, the professional football industry is also a very unusual business. PFO's are highly

³ According to a survey conducted by FIFA (2006), 265 million people from more than 200 countries regularly play football, which makes it the most popular sport in the world. In addition, all over the world football is played on professional level nowadays. Billions of people are watching football games on television or the Internet, which gives football the highest global television audience in sports. Besides, billions of people visiting their favorite team regularly in the stadiums (Briene et al, 2005).

competitive between each other. But, their main goal is not to get the highest profits, like most of the non-public organizations. Their ultimate goal is to get the best results possible on the playing field (Breitbarth and Harris, 2008; Vermeend, 2010).

To get the best results, PFO's want to contract football players with the highest football skills. This gives an incentive to invest on success on the playing field by buying players and paying high player wages to attract and retain the best players. PFO's are strongly competitive in contracting these players and are pushing each other to the limits in contracting high quality players. The more money you have, the more possibilities you have in contracting high quality players. Evidence suggests that the more money you spend on football player salaries, the better are your results on the playing field. This motivates PFO's to spend their money as much as possible on contracting football players (Michie and Oughton, 2005; Vermeend, 2010).

Therefore, PFO's need to balance financial sustainability on the one hand with playing success on the other. Because of several factors in the environment every organization in the industry has different chances in getting (inter)national playing field success. Each PFO need to act at their own possibilities, but these possibilities can differ between the organizations. The strong relation between financial spending and sports success and the upward or downward spiral this correlation produces, causes several professional PFO's to "live on the edge" financially. Such a way of governance can be quite reasonable when the organization has sufficient financial buffers to meet a possible financial disappointment and the internal controls are sufficient to justify this "living on the edge". But this isn't the case in most situations. Too often, sports opportunism prevails over common sense (Michie and Oughton, 2005; Vermeend, 2010).

Two more specific characteristics of the football industry brings some additional peculiarities. First, PFO's that make up a competition are offering a joint product that depends on effective co-operation between competing clubs. They agreed that you join and relegate to a competition by performance. The economic value of the product supplied by each individual club increases, when there is some degree of competitive balance in the league so that the outcome of matches is uncertain. Moreover, the outcome of these matches determines the success of a PFO (Michie and Oughton, 2005).

Second, those competitive pressures led to significant pressures on the "labor market" and player salaries. In the 1990's a change in law with the "Bosman" judgement provided greater freedom to players to move between clubs. This, combined with the huge increase in broadcasting revenues for organizations and the growing commercialization of professional

football over the past two decades, have led to enormous increases in player salaries (Breitbarth and Harris, 2008; Michie and Oughton, 2005).

4.1 Football industry in the Netherlands

With more than a million members, the Dutch football association (KNVB) is the biggest sports organization in the Netherlands. The professional football industry consists of 36 PFO's, divided over 2 divisions. The highest level, called the Eredivisie and the second division, called the Jupiler League. In the season 2010/2011 more than 7 million people visited an Eredivisie- or Jupiler League match, and the stadium occupancy in the Netherlands belongs to the highest in Europe (Briene et al., 2005; KNVB Expertise, 2012; UEFA, 2009).

Despite the popularity of professional football in the Netherlands, Dutch PFO's are unable to compete with PFO's from the large European countries, England, Spain, France, Italy and Germany. The economical differences are to such an extent that competing on financial scope is not realistic. The main differences lies in the fact that revenues from broadcasting in these countries are enormous compared to the Netherlands. Total revenue of PFO's in the large countries consists for 45-60% of broadcasting, while in the Netherlands this is on average only 10% (UEFA, 2009).

Revenues of Eredivisie club teams, are mainly focused on match takings (31%) and sponsorship deals (45%), together accounting for more than 75% of revenues. The distribution in Jupiler League is quite different from this. With only 15% on match takings, these PFO's are mainly dependent on sponsorship deals, accounting for 61% of total revenues (KNVB Expertise, 2011).

As mentioned earlier, PFO's have an incentive to invest on success on the playing field by buying players and paying high player wages to attract and retain the best players. This is reflected by the high percentage of total expenditures spend on personnel expenses (63%) for Eredivisie club teams. However, for Jupiler League club teams this percentage is even higher with 77% of total expenditures. The personnel expenses consist of expenses for office staff, technical staff, medical staff and directors and management. But the main part of these expenses is the salaries for the contracted football players (KNVB Expertise, 2011).

The professional football industry in the Netherlands is under great pressure the last couple of years, because of the financial position of many organizations. In trying to achieve good results, some PFO's are taking too much risk in investing on success on the playing field. Financial support from central authorities shouldn't occur, but when we look at the past we see several PFO's became in financial trouble and had to appeal to the local authorities to save the

organization from bankruptcy. And in most of the case the local authorities support this appeal, because the organizations have an important influence on society. It's seen as highly unfair that society has to pay for the mismanagement of the organizations. Mismanagement, because the organizations took irresponsible risks (Vermeend, 2010).

Financial rules and supervision from the KNVB are important means to control for acting at their possibilities of the organizations, but the industry holds the view that entrepreneurship and creativity need to be maintained. The degree of rules and supervision is therefore dependent on the financial performance of the organizations (Vermeend, 2010).

This is done with the license system of the KNVB where clubs are categorized in category I, II, or III. Clubs are required to hand in their annual report, semi-annual report, and next seasons budgets. Based on these documents the financial situation of clubs is rated through a point system. The more points the club scores, the better. The healthiest clubs are classified in category III, club scoring below the lower limit are classified in category I, with sanctions and possible penalties as a consequence. Using this license system the KNVB tries to signal in time and prevent financial problems, and when problems are there, to stimulate for a solution (Vermeend, 2010; KNVB, 2012).

But, in fact the current situation is only partly a financial problem. Good corporate governance is essential if clubs are to be managed effectively and to survive in the difficult economic circumstances surrounding the football industry. In several situations irresponsible financial decisions are taken by management of the organizations. Often through pressures from the sports results, where the internal control is insufficient and a lack of appropriate internal and external accountability is noticeable (Michie and Oughton, 2005; Vermeend, 2010).

The difference between football organizations in the Eredivisie and in the Jupiler League are immense. Average revenues in Eredivisie for the season 2011/2012 were almost 24 million euro, while in Jupiler League this is only 3 million euro (KNVB Expertise, 2011). Therefore, relegation from the first to the second level requires considerable adaptations for an organization, especially when it comes to player salary expenses.

Revenues are going down in all section of the organization. Match takings and sponsor income decreases, because the interest from fans and sponsors will be much lower. Also revenues of broadcasting right are much lower, because there is less interest from the greater audience in watching football from the Jupiler League.

So, when revenues go down, costs need to go down too. And as mentioned before, football organizations have the most of its costs in salary expenses, of football players in particular. Salary

expenses in Eredivisie are on average 15.4 million, of which 7.4 million euro for players. In the Jupiler League this is 1.9 million euro, of which 0.74 million is for players. Logically that's a huge problem when you relegate. This means that you need to let go players, or try to reduce their salaries substantially, which is very difficult, especially when they have continuing contracts.

All this brings significant risks for football clubs, especially for those, balancing between first and second level. Sparta Rotterdam is such a club.

4.2 Sparta Rotterdam

Sparta Rotterdam is the oldest professional football organization in the Netherlands, founded in April the 1st in 1888 as Sparta. It has a rich history and gained their biggest results in the early years of its existence. Since the introduction of professional football in the Netherlands in 1956, Sparta always played at the highest divisional level until 2002, when they were relegated to the second level. Because Sparta never played at that level, they were totally unprepared. This led to a very difficult period, which almost resulted in a bankruptcy. The club was saved by some wealthy business people and support from the local authority of Rotterdam, which bought the stadium. In 2005 they made a comeback in Eredivisie, but in 2010 they went down again. In fact, Sparta is balancing on the edge of the highest and second-highest division for the last 15 years.

Despite of the changeable performance on the playing field in the last 15 years Sparta is still seen as a prominent football organization in the Netherlands. Many people will agree that they belong in to the highest Dutch football division. Sparta is famous for its identity and traditions, with a historical football stadium and their traditional club colors. Moreover, Sparta is still 5th (behind Ajax, Feyenoord, PSV and FC Twente) on the eternal league table of the Eredivisie.

Since 1916 Sparta plays its matches at Sparta Stadium Het Kasteel ("The Castle") in the neighborhood of Spangen in Rotterdam. In 1999, when the stadium was renovated, the frontage with its two authentic towers remained. Despite the renovation, the stadium still oozes nostalgia and belongs to the heritage site of the local authority Rotterdam. The stadium has a capacity of 10.599 people (Voetbal International, 2011).

In 2003, shortly after the relegation, due to financial difficulties, the local authority of Rotterdam help to save Sparta by purchasing the shares of the stadium . One of the requirements of the local authority was that Sparta would change its name in Sparta Rotterdam. In 2011 Sparta bought back the shares of the stadium and after almost 10 years they are owner of their stadium again.

The youth academy of Sparta has always been seen by the organization as one of the most important pillars with the focus on the development of the individual player, providing personal development besides football, by offering education. It is the lifeblood of Sparta and seen as an essential link. Sparta's academy is highly estimated and perceived as one of the best in the Netherlands. Moreover, Sparta's current first team squad has one of the highest percentages of players which are educated by the club its own Youth Academy in the Netherlands. The goal is to move up as much players as possible to the first team of Sparta or to other (inter)national professional teams.

The Sparta Youth Academy has its own complex at Nieuw Terbregge in Rotterdam. It has various facilities, like football pitches, a canteen, class rooms, conference rooms, offices, medical and fitness rooms and dressing rooms. These facilities are used for different football activities like matches and trainings, scouting events or other events and studying.

Also, as mentioned earlier, professional football is seen as a social very valuable phenomenon and therefore it's important for a professional football club to show a certain level of social involvement through corporate social responsibility (CSR). Sparta is aware of the special position it has in society as a PFO. Therefore Sparta strives to take its responsibility, by supporting charitable organizations and attendance at various social activities. In this way Sparta tries to create a solid relationship with its environment and regional society. The football players serving as role-models, have a very important task in these activities.

Sparta created an own entity for its activities on CSR, "de betrokken Spartaan" (the involved Spartaan). This organization uses the knowhow, attraction and power of Sparta to help a variety of social groups in the neighborhood on different pillars, like safety, education and health. Together with involved partners the organization wants to use football for a better society in its maintenance area.

So, in summary the most important activities of Sparta are on the playing field. Sparta is a football club with many people supporting the club, hoping to be part of appealing achievements. The business model of a football club is therefore designed to perform as good as possible on the playing field. But besides facilitating the activities on the pitch, there are supporting activities that are important for a football organization. Fans and sponsors visiting matches want good stadium facilities, football players are educated at the Youth Academy and social involvement need to be shown through CSR.

To finance all these activities, Sparta has three main sources of financial resources. During the season 2010/2011, 13% of revenues came from match takings, 54% of revenues was the

result of sponsorship deals and 15% came from broadcasting rights. The remaining 18% was from other income. The importance of business to business activities is shown by the high percentage of revenues which resulted from sponsorship deals.

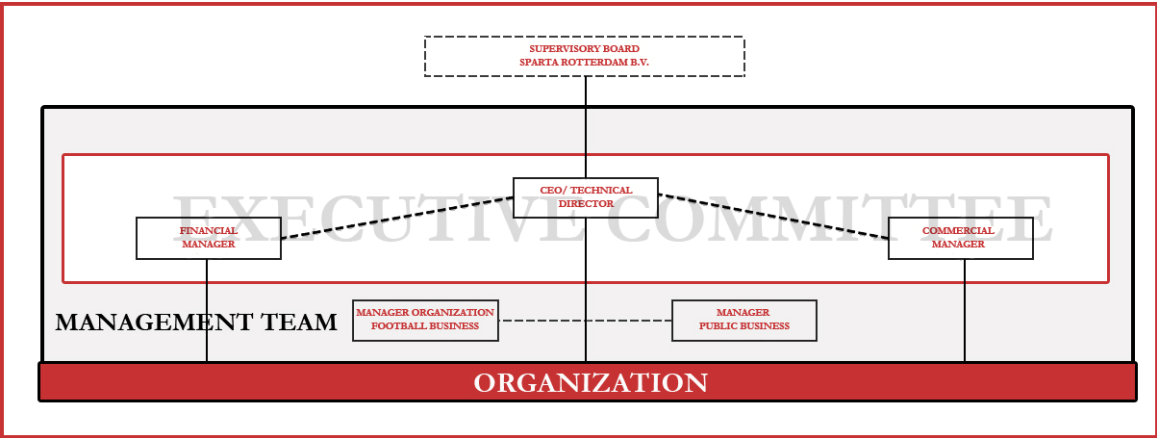
As mentioned earlier, the purpose of a football organization is not to achieve the highest profits, but to achieve the best results on the playing field. Therefore the greatest part of these revenues is used for personnel expenses, especially player expenses. In the season 2010/2011 this was even 79% of total revenues.

4.3 The internal organization

Sparta Holding is governed by a single-headed board, under the supervision of the Supervisory Board. The Supervisory board is represented by a president and two other commissioners, but has to grow to a total of five commissioners. The main function is supervising and examining the plans and proposals of the management team of Sparta Rotterdam BV. Sparta Holding has four subsidiaries. All actions related to the football activities are concentrated in Sparta Rotterdam BV.

Sparta Rotterdam BV is run by an executive committee and the management team (see Figure 3). The executive team consists of a CEO/general director, a financial manager and a commercial manager. The management team consists of the same persons complemented with a manager organization football business and a manager public business. Their way of acting and decision making is supported and evaluated by a supervisory board, consisting of three people. During the season 2010-2011 the organization consisted of 80 employees. This included 30 football players.

Figure 3: Organogram



Source: Organogram organization Sparta (2012)

CEO/Technical director is responsible for managing the whole organization, and in particular for the technical part of the organization. This means the professional football section and the youth academy. The manager organization football business supports this section of the organization and serves as the connection between the technical organization and the office.

The financial manager is responsible for managing the service unit, which consists of the financial administration, legal and fiscal issues, facility services, safety, personnel business and KNVB license business. He is also responsible for the entities, like the earlier mentioned entity for CSR activities “de betrokken Spartaan”. And he is responsible for Sparta’s subsidiaries. In one of these the stadium is accommodated.

The commercial manager is responsible for all commercial revues. Marketing and sales. His main focus is on commerce, concluding sponsorship deals. Ticketing, communication, merchandising, and the junior club are taken care of by the manager public business.

Sparta is perceived by its people as a flat organization, with a very open and transparent character and short direct lines between all employees.

“When you see our office, it’s one big space. Three years ago that was an intentional choice. Walls away, no separate spaces anymore, everyone must be able to communicate with each other.” (Manager public business)

“Very short, clear lines, I think. En that’s pleasant. Clarity is very important. And communicating is pretty easy then.” (Head coach of the first team)

Objectives

Sparta has recorded objectives in a general policy plan, covering the steps the organization want to take in the period from 2012 to 2017. The objectives can be divided over technical (first team and youth academy), financial and commercial objectives.

The most important objective is the promotion to the highest Dutch division, the Eredivisie. This is an absolute necessity, because Sparta’s business model is based on a stay in Eredivisie. Besides this main objective Sparta wants to make its players better individually. And it wants to keep its good players at Sparta. Related to the youth academy Sparta wants that all sections of the organization contribute to the education of professional football players.

“Make youngster aware that they can make it to professional football. You offer them a football education, football is as profession. We make them ready for society. Develop further the complete human being” (CEO/Technical director).

This has to be translated ultimately to 2 or 3 youth players joining the first team, as noted in the policy plans of the organization. The objective of the scouting staff is to contract players qualitatively better than players in the current squad and players who meet the formulated standards of a Sparta player.

Financially, the main objective is to guarantee the financial continuity of Sparta. On the short term Sparta needs to take care of not falling into the unsafe category I of KNVB's license system, and on the long term find oneself continuously in the safe category III. Besides this, the policy plan states that the financial department needs to increase further transparency to the stakeholders, optimize information supply and modernize the policy related to receivables.

Regarding the commercial area, the objective is to optimize the commercial budget, by pulling in sponsors and keep current sponsors. A very important objective for paying the business because total revenues depends mainly on commerce. As the commercial manager claims "our budget is 6.5 million at the moment and I'm responsible for 4 million of it". Related to ticketing the objective is to increase the amount of season ticket holders with a percentage of between 4 and 8%.

Together all objectives need to lead to the ultimate goal of Sparta.

"But in the end everything goes together under the greater umbrella, the Eredivisie, not going below the lower limit, football is a profession and corporate social responsibility. These are the cornerstones of this organization and of the vision we have."
(CEO/Technical director)

Also reflected in the mission and vision of Sparta stated in its general policy plan:

"Sparta's mission is to be a unique experience full of passion and pride through all sections of the club, where the key values in the future need to lead to a social responsible first division football club with a stable organization and policy."

Risks

In general, the most threatening risk is that Sparta remains too long at second division level, in the Jupiler League. Sparta has the ambition to play in the Eredivisie. Its housekeeping is based on a stay in the Eredivisie and therefore its fundament for a healthy exploitation are in that division. When Sparta remains for too long in the Jupiler League, it will have radical consequences for the total organization.

"You can't sustain this anymore after a fourth year in the Jupiler League, then it will break down completely." (Commercial manager)

Technical risks

In realizing the ultimate goal of promoting to the Eredivisie, good results on the playing field are necessary. There are several risks thinkable that can disturb this. Some are very hard to manage, because they depend on luck to a certain degree.

“Pitch wet, other circumstances, referee decisions. It can all have influence and suddenly you do not realize your objective. So there’s a lot of risk, because everything is fixed around 34 matches”... “A ball hitting the inside of the post, bouncing in or out, can decide success or failure.” (CEO/Technical director)

There are also some other risks, that are probably better manageable. For example, injuries of key players. Of course it can be bad luck, but to some extent certainly manageable. Also, the key players can leave for other clubs. This is certainly a risk when playing at the second level, because ambitious players are more attracted to the Eredivisie. In addition salaries are much higher in the Eredivisie.

“When another club makes a high bid, we’re not able to compete against and the player wants to leave. On a certain moment you can’t stop it.” (Head coach of the first team)

But maybe the most important risks that can influence the results on the playing field is the failure of the first team football players. Players from the first team who do not perform to their qualities because of particular circumstances, for example mentally. New players you contracted, but do not satisfy their expectations, for example because they do not fit into the team. Bad chemistry between technical staff and players. These are all examples which can make that football players, and in the end the total first team, do not perform at their potential.

Related to the youth academy a risk is of course that too less youngsters make it in the end as a professional football player. Youngsters in which the organization invested by offering an education, but didn’t add value for the organization in the form of performances for the first team, or money when the player is sold.

Another huge risk is other clubs taking away your youth players, with potential to make it to the first team. And in particular youth players of under the age of 16th, because clubs are unable to offer contracts to players of that age. Players between 12 and 16 are very slightly protected, with a fixed contribution for each education year, but youngster under the age of 12 are totally free to go elsewhere. This is a risk Sparta frequently struggles with. Especially, because, again, Sparta does not play at the highest level and the bigger clubs can offer more in financial terms.

“PSV, Ajax en Feyenoord took 5 players of us this year.”... “While they were all potential first team players for us.” (CEO/Technical director)

Financial risks

The risk of the financial department, like in any other organization, is that revenues and costs are not what you expected beforehand, for example because of uncollectable receivables or unforeseen costs. This can have multiple implications that can damage the organization. The most far-reaching is running into a bankruptcy, which is maybe the main risk the financial department needs to avoid. On a somewhat smaller scale, potential risks are imposed sanctions and possible penalties of the KNVB, when Sparta will be ranged in category I of the license commission. So, it's very important to control your budgets to a certain extent. Not an easy task in the difficult football industry, as well as in controlling costs as in controlling revenues.

The financial risks are to a large extent prompted by the time Sparta remains in the Jupiler League, because the organization is not able to completely cover its exploitation, when playing at this level.

“It's because we have housing and a youth academy, both deeply embedded in the club, especially the youth academy. ‘Het Kasteel’, the stadium, is a trademark of the club, everybody knows ‘Het Kasteel’ in the Netherlands. But it also brings huge costs with it. And the youth academy brings huge costs with it.” (Financial manager)

These huge costs are not covered anymore when playing in the Jupiler League. The stadium is not profitable, because there are less revenue from sponsor deals.

“When playing Eredivisie you get much more money for a business seat or a skybox, in relation to the level of Jupiler League.” (Financial manager)

And also the profitability of the youth academy is under pressure. It's more difficult to keep the high potential players, because they don't have Eredivisie in prospect when staying at Sparta. Moreover, youth players that make it to the first team, yields less.

“ When playing in the Jupiler League you will receive less, regularly. Therefore, to make the youth academy profitable, you have to go the Eredivisie.” (Financial manager)

The gap created because of these reasons is closed by financing some of its obligations, based on the expectation that Sparta will return to the Eredivisie. But when this return takes too long and Sparta is not able to get things straight financially, they probably fall down to category I of the KNVB's license system, which will lead to some very unpleasant consequences.

Another important risk Sparta faced in the past related to the salaries of football players after relegation, because of the huge difference between salaries in the Jupiler League and in the Eredivisie. After the first relegation in 2002, and again in 2010 Sparta had far too high player salaries for a team playing in the Jupiler League.

But, in any case salary expenses need to be kept an eye on. The incentive to invest in player salaries, because the positive effect on playing field performance, this is sometimes taken much too far by PFO's, with salary expenses of even more than 100% of revenues.

Commercial risks

Inevitably, Eredivisie or Jupiler League has also implications for the commercial objectives.

“If we do not realize promotion this year, we are not going to achieve our objectives for the next 5 years for certain. So that's the biggest risk there is.” (Manager public business)

People are more interested in games against Ajax, PSV, instead of small clubs in the Jupiler League. Moreover, Sparta attracts a lot of families, for whom it's easier to come to Eredivisie matches on Sunday afternoons, then on Jupiler League's Friday evenings. Therefore, the level at which Sparta plays has a huge impact on the amount of supporters and sponsors coming to the stadium. As a result Sparta is not able to exploit its stadium optimally.

“We lost 40% of our season ticket holders because of relegation. That's massive in amount, but also in money. Regarding ticketing our budget was cut in half.” (Manager public business)

This is simply because supporters and especially sponsors may go to another football club, because they want to be part of success, and therefore really want to see football at Eredivisie level.

“You notice that when Sparta relegates. And ADO [a PFO from The Hague, very close to the west part of Rotterdam, where Sparta is located] has a new stadium and in addition has success on the pitch, that ADO has a much better penetration in this area.” (Manager public business)

The impact of difference in playing level is also reflected in broadcasting rights, because the audience is far more attracted to Eredivisie.

“They go for 3 million viewers on Sunday evening”..., “Jupiler League is only 300 thousand. That indicates where the risks and opportunities are. Because when I promote, that's a vast difference.” (Commercial manager)

Also the present financial crisis is seen as an important risk, because one of the first things organizations are looking at for retrenchments are sponsoring activities. Of course Sparta has no influence on the crisis itself, but it can run the risk of not adapt oneself to the situation by adjusting its sponsorship packages.

Another risk related to ticketing is that Sparta misses revenues from match takings or is not able to attract new supporters, because the stadium is sold out.

Other risks

Sparta is the position of balancing between Jupiler League and Eredivisie, which can bring changing circumstances on the short term. As already seen, promotion and relegation have a huge impact on the organization. The past showed that Sparta was not well prepared to this changing circumstances, leading almost to a bankruptcy after the relegation in 2002.

But also the other way around. It's clear that Sparta's business model is designed for Eredivisie, because the exploitation is based on Eredivisie. But to what extent the organization in all its sections is prepared for Eredivisie? A bad preparation may lead to a direct relegation again. And to what extent Sparta is prepared when it does not succeed in promoting to the Eredivisie? Is the continuity of Sparta in its current form guaranteed?

One of the consequences of remaining too long in the Jupiler League will be that Sparta needs to make cutbacks to keep its financial situation stable. This can force Sparta to cut costs, for example in the youth academy. The risk is this is that Sparta then may lose traditional key values, on which the organization built a great reputation.

“Costs of 1,2 million of your youth academy on a total budget of 7 million, you won't make that anymore...” “But from a traditions perspective, you don't have the right to exist anymore.” (Commercial manager)

“You have to wonder if Sparta is still Sparta then. The question is if you want to sell your soul in that case” (Manager organization football business)

Communication and the interpretation of the outside world, can possibly damage Sparta's image. Particularly in a world as the football business, where there is a lot of media attention, communication is an important issue. Players, coaches and other employees can harm the organization by communicating things in an not very well considered way.

5. Case study findings

The finding will be discussed according the theoretical framework of Collier et al. (2007). First the drivers of risk management will be discussed. After that the existing risk management practices will be discussed. Then the perceived effectiveness of organizational performance is examined and finally the involvement of accounting in risk management will be considered.

5.1 Drivers of risk management

This part is about the reasons why risk management practices are present. What drives the organization to implement a policy plan, procedures, all sorts of methods, etcetera to manage its risks well. The framework advocates that there are three types of drivers: external drivers, organizational demographics and risk stance.

External drivers

The external drivers of risk management at Sparta are predominantly coming from its stakeholders. Of course there are rules and regulation which Sparta have to comply with, but its effect on risk management practices is marginal.

Rules and regulation

In general, there are many rules and regulation a football club have to apply with.

“Law book, local authorities, labor law, television format. For everything there are laws. Actually, you have not much to say. We have shirts for the team, if I want advertising on them of 20 centimeters, I can’t do it”... “If there is a match of category B, you are not able to sell tickets and you can’t invite people on the day of the match. That are a lot of rules and regulation.” (CEO/ Technical manager)

But, most of these rules and regulation do not really have much influence on Sparta’s risk management practices. The risk of not applying on these rules is curtailed by the expectation that the responsible managers know what rules and regulation they are confronted with.

“Wesley [manager public business] have to know everything about ticketing, Kevin [manager organization football business] knows everything about contracts for the first team et cetera, Manfred [financial manager] knows everything about foundations and so on. Television and commerce lies at Risk [commercial manager]. They are the specialists, I am the generalist. But they have to know it really accurate to the nearest”. (CEO/Technical manager)

This heavy reliance on the knowledge of people in the organization is emphasized by one of the managers mentioning his importance in the compliance on rules and regulation in the field of agreements.

“All labor agreements, all transfer agreements, except for the commercial agreements. I check all the agreements. That is very important. That everything is according to the laws.” (Manager organization football business)

On the question what Sparta will do when he leaves, the answer was:

“Then we have a problem. Than the organization has a problem. They know that.”
(Manager organization football business).

There are some rules of the Dutch football association (KNVB) that do influence the organizations' risk management practices. Most present is their license system. A system that rates the financial situation of PFO's, based on their annual report, semiannual numbers and budgets for next seasons. Based on this categorizations (I, II or III) PFO's can be restricted in their operations and even get points reduction in the league as a fine.

“One of the requirements of the license system is that we have to disclose our annual numbers [over a football season from the 1st of July, until the 31st of June] before the 1st of January. So every year we place our report on the website”... “The KNVB prescribes how they want us to report. Consistent with each PFO, so they are able to compare PFO's with each other. That's the only obligation they impose on us.” (Financial manager)

Another area where the KNVB has imposed some rules and regulation is on the way the Dutch youth academies are organized. But this is still quite limited.

“They are more and more looking after the policy. But still to less, in my opinion. KNVB is following, not leading in it. I think they should do much more about it. Set much higher standards on it. That not everyone can just become a regional youth academy.” (Manager organization football business)

Overall, there are many rules from the KNVB, but PFO's are quite free in the way they comply with these rules. In most situations there are no clear prescriptions on how to deal with rules and regulation, except for the way in which PFO's comply with the rules of the financial rating system.

Stakeholders

A professional football club has to deal with several stakeholders. Local authorities, creditors, fans, sponsors, employees and KNVB are just some examples of possible stakeholders. The

football business have proven to be very sensitive to the opinion of stakeholders in the past. When results on the playing field are disappointing, pressure from stakeholders to take actions are getting more serious. Sparta is very aware of the importance to take its stakeholders serious and the impact stakeholders can have on the organization.

“The external influence is massive and that’s something what everybody misjudges, who is in some way related to professional football. As club, as a fan, as a volunteer or as an employee. You have to realize that society is the owner of the club. Or owner is maybe the wrong word, but it is very determining in it. Everything we do, we don’t give account to our shareholders, but to our supporters. That can be sponsors, fans, directly involved people, everyone and everything. So, that group is gigantic. Different layers of society, so that is very complicated” (Financial manager)

It looks like professional football, in general, has made a shift in its social awareness.

“Now, we realize all together that professional football has a massive impact on society. Everyone is busy day and night with football”... “And we realize now more than ever that we have a social function in society.”... “For example, to motivate children to be not too fat. Every kid has a favorite player and a favorite team, and that awareness has arrived in comparison with 15 years ago.” (Financial manager)

This shift to social awareness has come from the PFO’s itself and is not forced by the KNVB. The role of the KNVB has been in supporting this awareness by imposing some regulation.

“...so, I think the [social] awareness had the most important role and not the KNVB. The only aspect the KNVB has put through, which makes us even more aware, is that the KNVB implemented a license-regulation with the requirement to publish the annual report on the website.”... “When the clubs had not agreed with it, than the license-system would never have been implemented. So then you talk again about awareness. That existed at the clubs and not at the KNVB. The KNVB motivated this process maybe, or marked it, or gave insight, but the clubs decided”... “For me, the most important step is that a director gives account of the figures and numbers published on the website to the fans. Than in comes very close, because it’s very tacit.” (Financial manager)

Because of this self-developed awareness Sparta has no problem with regulation to be transparent to its stakeholders.

“We want to be very open and transparent. We want to be pro-active”... “I think we need to be very aware of the ideas and wishes our fans and sponsors have”... “Our policy is to be very open. So, we want to stop when the traffic light is red. Then you can discuss, do we stop when it’s orange? Yes or no? But I don’t want to have that discussion. It’s a fact,

we do that and we don't have problems with it by nature, because we want to stop when it's red. So by nature Sparta oozes that it is an open club, close to its fans, openness to the fans, there where it's possible." (CEO/Technical director)

Overall, the football business is not one heavily regulated by legislation or regulatory bodies. PFO's have always been relatively free in the way they give account for their actions. But, pressure from stakeholders have made the football business aware of their social responsibility and this is supported by some regulation from the KNVB. So, regulatory oversight from the KNVB and the risk management practices that may be in place for that, is definitely not approached as a "tick-box" compliance approach. Sparta has a proactive stance in this and risk management is perceived to provide benefits for the business.

This proactive stance is probably because the regulation is not aggressively imposed by a regulatory body, but developed from the football industries' collective awareness to its role in society. The PFO's noticed the need to be accountable to its stakeholders and provide an open and transparent policy. This mitigates the influence of regulatory oversight of institutions like the KNVB.

Besides this accounting for an open and transparent policy, there are some other external stakeholders with which Sparta have an obligation.

"The bank wants an annual report. That's an obligation we entered into with the financing of the stadium"... "We have one obligation to a bank, and that is handing over an annual report." (Financial director).

In the past there were some obligations to the local authority because they were the owner of the stadium. But in 2011, Sparta bought back the shares of the stadium and since then it has not any obligations to the local authority of Rotterdam.

Organizational demographics

The influence of organizational demographics, in forms of organizational size is very hard to investigate in a single case study research as this. Sparta has increased and decreased in turnover and employees, as a result of relegation to the Jupiler League or promotion to the Eredivisie. But it is very hard to make statements based on this, also because the organization always is designed for a stay in the Eredivisie. To really state something valid about the influence of organization size, it is needed to conduct multiple case studies at organizations differing in size.

Risk stance

The individual risk stance of the managers at Sparta is quite different.

“By nature, I’m not someone who takes a lot of risks. By nature, I have conservative strategies. Sometimes I can leap out, but then I always have something like, ouch should I have done that?”... “I don’t think it’s really avoiding risks.”... “Dosed. Conservatively dosed.” (CEO/Technical director)

“Without making mistakes you make nothing. So, I am someone who really likes to take action and want to improve and especially innovating,”... “so, I am really someone who likes to take risks, but well-considered. Reflected upon strategy and policy.”... “But now you have the responsibility, you are more thoughtful about the risks. If you take them, what the consequences can be.” (Manager organization football business)

“By nature I am someone maybe not taking the step first, but definitely as second.” ... “The spontaneous impulse is still there, but of course I weigh up the pros and cons.” (Commercial manager)

“For me it’s no problem to take risks once in a while. But okay, you have to weigh them up. And that will differ for each individual situation.” (Manager public business)

So the manager organization football business has a quite entrepreneurial risk stance, just like the commercial manager and the manager public business are more risk-takers than risk-defenders. But all risk aware. On the other side the Sparta’s CEO is more reserved in taking risks and has a quite hierarchical risk stance. This hierarchical stance of the CEO is reflected in his organizational appearance.

“All bills arrive first in my office, all bills. I do that so I keep myself informed. Why they ordered a bunch flowers? Why they order this? Why that? Why having dinner with a sponsor? That’s the second time this month. That’s what I try to do. Then you are really at operational level. Only after that, all bills go to the financial department.”... “It has to do with a pleasant feeling. In my opinion you can better be proactive than that you are going to react. So it’s better to agitate and prevent than to react. That’s also how I am a little bit.”(CEO/Technical director)

The way the CEO wants to know everything that happens in the organization is also noticed by the other managers.

“This director wants to know everything. And in such a way, control-freak I sometimes call it.”... “but maybe a CEO is permitted to know everything.” (Financial manager)

“That’s his strength and his weakness. He’s a control freak. He wants to know everything what’s happening. Even on detailed level.” (Manager public business)

But not only the CEO, also the financial manager has a more hierarchical stance to risks.

“They all know that if they want to do something, or take a risk, first they always have to make a financial calculation or have to ask me for that.” (Financial manager)

So, at an organizational level the more entrepreneurial risk stance of some managers is balanced against the more conservative stance of the CEO and the financial manager. This balancing is not always seen as satisfactory, but in general the more entrepreneurial managers reconcile themselves to the situation.

“Innovation is our strength in our youth academy and it’s also my strength. Always looking for possibilities to develop with less costs as possible. What drags me is that people always looks at the cost and how much money, you know. That’s something I have difficulties with. I’m someone who wants to innovate.”... “I always want faster and I am impatient, I want to go further. But okay, you also have to look at what’s best for the company and how the shape is.” (Manager organization football business)

“On the strategy we want to follow we agree in most cases, but he (the CEO) has also the financial responsibility and there I’m going to fast sometimes. So, that’s my pitfall, that I want to take risks too fast”... “But I think you need to be a counterpart. And the possibilities are there, there is space for it, but he wants to cover everything, he wants to cover every single euro. That is not always possible.”... “I would like sometimes when I come up with a good idea that he says: we’re going to do that! But okay, finance...” (Manager organization football business)

The way in which the more entrepreneurial types and the more hierarchical types in the organization are balanced against each other is important in understanding the role of social construction in embedding risk in organization’s culture and decision making. The different views and opinions together on how to handle risks, shape the way in which the organization manage its risks.

Other drivers

In addition to the issues mentioned related to the framework of Collier et al. (2007) there are also some other drivers that influenced risk management.

Sparta went through some massive changes after the relegation in 2010. The complete supervisory board resigned and was replaced, which had some important implications for the organization. The previous supervisory board is perceived as “rich people, who had a passion for Sparta”. This meant these people were very committed to the club, and emotionally therefore closely involved with Sparta’s performance. Because of this, it happened frequently that commissioners dealt with operational issues and forgot their supervising role.

“We had a supervisory board who determined strategy and then interfered in operational matters. That can’t be the intention. We have a general director for that.” (Manager organization football business)

“The previous commissioners were busy with Sparta like it was their toy. And actually they overruled the general director.” (Commercial manager)

This could be translated back in their policy. Focused on the short term, instead of the long term. As a result, Sparta replaced its head coach of the first team or its technical director multiple times, because of disappointing playing field results. Claims are that policy was influenced by emotion, which led to a short term, opportunistic, way of governance.

The commissioners of the new supervisory board were professional highly qualified directors. All of them with an impressive career in business and a personal bond with Sparta. Compared to their predecessors they clearly adopted a more conservative role regarding involvement in operations and act mainly as a supervisor and a sounding board for Sparta’s management.

“I think the new [supervisory] board is some more professional, but involved with the club. A very sound informal relationship with management. But, besides that, also attention for the more formal side in the function as supervisor.” (Chairman of the supervisory board)

This change is also recognized by the people in the organization.

“The supervisory board is completely replaced by directors, instead of people with money, who like to run a football club. So, that’s a big difference. And of course the current supervisors have an opinion and of course sometimes emotions is involved, but they understand their role.” (Commercial manager)

In the past it happened that a member of the supervisory board, also had an operational position in the organization. This changed with the arrival of the new supervisors. To improve the corporate governance of Sparta two important issues were managed.

“Of course the first important thing is the separation between supervisory board and board of directors”... “and to let the organization think in scenarios about the future.” (Chairman of the supervisory board)

Especially, scenario-thinking is emphasized by the chairman of the supervisory board:

“Think forward. Both in a scenario that you achieve promotion, as well as in a scenario you don’t achieve promotion. And design your policy in such a way that you can anticipate on both scenarios”... “We have to think now about a scenario when we do not achieve

promotion next season. Not just in the spring of 2013, no you have to start it now.”

(Chairman of the supervisory board)

Separation of the supervisory board and board of directors and more focus on thinking in scenarios were the pillars of the new supervisors. This should lead to a less opportunistic policy, with a decrease of the emotional influence of commissioners and more focus on the long term. As a guideline the supervisory board developed an information memorandum, where the plans for the long term are described. These plans were internally and externally communicated to all stakeholders.

So, the corporate governance clearly changed with the replacement of the supervisory board. The renewal of the supervisory board does not directly influence what happens at operational level. But with their control from the top they are able to let the organization think more professionally. This influences the organizational culture, because fundamental values, assumptions and beliefs (Ostroff et al., 2003) are affected by the control of the supervisory board.

Maybe these development will have no immediate influence on the short term, but on a longer term it will definitely have implications for the approach to risk management. The initiated approach to a policy with more professional thinking and more eye for scenarios, shows that at the top of the organization really something has changed.

The risk management approach is maybe more directly influenced by the new general director, appointed by the supervisory board. This new general director is seen as a totally different person than his predecessor, so things has changed since his arrival. People in the organization noticed this by things like more structural meetings and more focus on protocols. As a result, things are experienced as more clear in the organization. This also has to do with the quite hierarchical character of the general director, as mentioned in the previous section.

People at Sparta have the strong feeling that this new approach to the organizational structure has improved governance, and shifted focus from short-term opportunistic decision making based on emotion, to a long-term approach based on policy.

“Now there is a clear vision at the front, a clear policy. And we won’t panic too quick and we know where we want to go.” (Head coach of the first team)

So it looks like organizational culture has a clear influence on how risk management is present in the organization. Maybe not through the direct implementation of all kind of new sophisticated risk methods, but more through the manner in which risk management is approached through the complete organization.

5.2 Risk management practices

This part is about the risk management practices that are really present at Sparta and will focus on all methods and techniques in place to manage the risks of the organization. These practices can be all kind of types. Policy, procedures, methods, etc. These methods can be ordered on a continuum from based on heuristics to particularly based on systems. Also, a development of the methods from phase to phase is noticed.

Policy, procedure, methods, etc.

Policy plan

With the arrival of the current CEO in 2011, the policy plans were introduced in their current substance. Sparta now has multiple policy plans in place. They have a general policy plan, a technical policy plan, and a policy plan for the youth academy. All these policy plans are focused on a period for 5 years, from 2012 to 2017, and are implemented by the current CEO. Most of the policy plans are not totally complete yet, and some managers are not really satisfied with the way their responsibility area is dealt with in the general policy plan.

“Financial and commerce is less discussed when you read the report well. And the things that are in there, are very marginal in my opinion.” (Commercial manager)

However, the policy plans are seen as very important by the CEO, but not covering risks very well. On the question if risks are covered well in these reports the answer was a definite no.

“And we’re never thinking about that Sparta maybe plays at the 17th spot of the Jupiler League in 2018. And then what? So, therefore I definitely want to take it in to account. In my opinion that also a responsibility as CEO. You have to think beyond your matters.” (CEO/Technical director)

The general policy plan is a collection of all sections of Sparta. Mission, vision and objectives are discussed. General objectives, technical objectives, financial objectives, commercial objectives and objectives of the scouting department are all paid attention to. Sometimes, risks are mentioned between the lines, but the risks that are really threatening the achievement of the organizations’ objectives are not hard on paper. As mentioned, the CEO endorses this, but not everyone in the organization is convinced of necessity of really recording the risks in the policy plan. One of the managers, wondering if the capturing of risks in the policy plan is needed said the following:

“You know what the frameworks are and you know what the goals are. So I think the policy plan is important to give insights in the steps you want to take and which risks you must take or must dare to take”... “I wonder when you capture it, it really changes something.”... “We may have to do it more, but on the other side, I think for many

people it's hard to understand it well and to consider it. So you have to invest more in communication, discuss things and understand what you say. Then you take away a lot of risks." (Manager organization football business)

So, possibly the risks need to be captured better in the policy plan, but communication is seen as more important in managing risks. An opinion shared by the financial manager:

"Many times a policy plan is put away. And that is also a risk. So, you have to assure that the policy plan remains a topical subject. Frequently you see, because it's based on the long-term, that urgent short-term issues is some kind of way get priority in relation to the policy plan. There are always ad-hoc issues. Therefore I think it's more important that you make your organization aware of risks and that everyone in every later is working on it" ... "So, in my opinion, besides putting things on paper, which is also important, that also need to be done. But again, that you also make your organization very aware of it" (Financial manager).

So, the general opinion is that the risks in achieving the organizations' objectives are not enough covered in the general policy plan. The CEO is convinced that this needs to be improved. The managers agree to a certain level. But, they think that, making the organization aware of risks by good communication, needs more attention.

Procedures and protocols

Sparta has many procedures and protocols for different kind of activities and duties. Most of them are documented in files. In this way there are for example procedures for the payment of invoices and salaries, the monthly management report, for selling tickets, etcetera. But also process descriptions for medical tests and formulating agreements for new players. Sparta is quite satisfied with its procedures and protocols, although there are always improvements possible.

"On essential issues, as for example recording player contracts, we have it very strict, but there are some areas where it can improve." (Manager organization football business)

"They are there, but it need to be improved. Better preparation at the front, so the performance become more efficient." (Commercial manager)

Procedures and protocols are an important means for Sparta's risk management. It assures that it is clear what the needs to be done and how. Moreover, in the form of task descriptions it assures that everybody knows what is expected from him or her in relation to the organization.

"In each labor contract they are present. And also in the policy plan. Each coach, even each volunteer nowadays has a task description." (Manager organization football business)

Besides the policy plans, procedures and protocols Sparta uses many other types of methods to manage its risks. This section will show which methods and techniques are used to manage the risks, mentioned above.

Risk methods – Technical

Considering the technical part of the organization, as mentioned in the previous chapter Sparta's most important risk is that getting promotion to the Eredivisie is not realized on the short term. But success on the playing field can depend on circumstances you don't control. Therefore, it's important that the organization tries to diminish the factor of unluckiness as much as possible and tries to create the perfect circumstances to achieve optimal results on the playing field. Sparta uses different methods to create these circumstances to achieve their most important short-term objective: get promoted to the Eredivisie.

“We want to do everything possible to achieve the highest sportive result possible. So you have to use all possibilities.”... “The objective is so important.”... “So, why shouldn't we use everything possible, to try to increase the chance of achieving that goal, as much as possible.” (Head coach first team)

First of all it is important to have the right players available. Current good player can leave and to make sure new players are able to replace them, Sparta uses a developed scouting-system, where all potential players are monitored. The Sparta scouting team watched 1400 matches last year in- and outside the Netherlands to make a list for each position, so that Sparta always is prepared to replace players leaving the club.

“We put it in a computer system, is all sorted on age, home country, foreign country, typical age categories. And then the scouts make particular reports, than it says 'follow', when 3 times 'follow' is noticed, than the fourth time it says: 'invite for a test'. All computerized.” (CEO/ Technical director)

But besides the technical ability of a player, Sparta also gives attention for the mental and physical aspect, because this also is very important in the successfulness of players. A player can have stunning qualities, but if he doesn't fit into the group, that will be a problem.

“We're doing interviews, mental coaching interviews. Purely on behavior. And there we also evaluate if a player fits at Sparta. To downplay the risk as much as possible. ”... “Each player who comes to us, gets an exertion test and an anatomical test, so bones and muscles and all these kind of things. These tests are taken together with the mental test and then we decide to contract him or not.” (CEO/Technical director)

Sparta uses various methods to keep the players as fit as possible and to prevent them from getting injured. An optimal planning of the trainings program, mostly based on experience of the head coach, but also a close cooperation with the medical staff. Sparta also uses heart rate monitors at all trainings to measure the intensity players experience during a training. All these data are monitored and recorded in computerized files. Besides biometrics are measured like this weight are measured and a lot of testing is done. Condition tests, sprinting tests and jumping test. Again, also the mental aspect is taken into account. Sparta cooperates with an agency to mentally coach players individually, but also the whole team together.

So, Sparta does a lot to make sure perfect circumstances are created for the players to perform optimally.

“We are proactive. Developing, settling, testing, everything in a preventative way to have as less injuries as possible. So, science enters clearly our organization. And you cannot prevent everything with it, because it is still a contact sport. A healthy body and a healthy mind. Don’t forget the mind, that’s why we do mental coaching. Because of these things players are less sensitive to injuries.” (CEO/Technical director)

In some case, Sparta even closes an insurance for individual players, when a contracted player has a history with injuries. So, when a player gets injured, the effect is slightly moderated because the organization receives a benefit from the insurance company.

To optimally perform on the playing field against its league competitors, Sparta uses some methods for preparing these matches. A match analyst visits match games of coming opponents and informs the technical staff about the strengths and weaknesses. This information is supported by video-recordings prepared by a video-analyst. Everything to be optimally prepared.

“All kind of useful information. So, we won’t get surprised. Basically, we have everything that is possible to get to know. We have covered that.” (Head coach of the first team)

Regarding the youth academy, to keep young high potential players at the club, Sparta offers a contract to these players when they become on the age of 16. In this way Sparta is able to create a good negotiation position when other club are interested in the player. Before the age of 16 it is not possible and that is a problem for Sparta. Sparta is searching for an option to manage this problem.

“We’re trying to offer youth players between 14 and 16 a contract, a kind of education-contract. Only it is legally not totally watertight. So it’s doubtful if the judge will accept it.” (CEO/Technical director)

But besides a legal method Sparta also tries to use a method with regard to the content of the youth academy. A top-class academy with a clear structure and attention to all aspects of the development of the children. Playing in the Eredivisie in the future also plays an important role, because the best young players want to have the prospect of playing at the highest level.

“If we have a top class youth academy, with education and everything plus, and that is very important, outflow to the first team on Eredivisie level, than I think the loss of boys will be less.” (CEO/Technical director)

Sparta also wants to create an atmosphere so that young players are willing to stay at Sparta. Creating relationships is considered very important in this.

“Create relationships. That people don’t want to go away. And we’re getting better and better in that. Involvement, way of educating, the role of parents, the role of the player. Information, communication, extra activities, everything...” “Invest in the children and not in the football players.”... “Evaluating the privileged and the underprivileged situation of the child and the parents. Evaluating the agent which is around them, evaluating his situation at school. Evaluating his football development. All these kind of aspects influence the choice of a player. All these things are monitored in files, with coaches, medical staff and the mental coach.” (Manager organization football business)

To file this kind of information Sparta uses a so-called ‘player-follow system’, in which all types of data regarding the youth players is stored. Match ratings, nutrition, growth power, study results, etcetera.

“It’s all in the system and we can all call it up whenever we want. And then you can react more adequately.”... “Because coaches know more, they can be more efficient in developing the players.” (Manager organization football business)

Everything for increasing the chance of the ultimate goal. To develop the boys to professional football players, and try to keep the outflow as low as possible.

Risk methods - Financial

The financial department uses the well-known method of budgeting to manage the risk of disappointing revenues and costs, in relation to what they expected.

“The financial manager tunes all budgets with people who have budgets. And also settles these with the holders of the budgets, so manages these budgets.” (Financial manager)

Besides budgeting, on the revenue side it is important for Sparta to make sure all budgeted and expected revenues are received. The management of receivables is an important method in this.

“We’re sending standard reminders to attend people. But we do that once or twice a person and then we make a call directly. After that we involve the person who sold the activity or facility. So we’re on top of that. And we try to limit that risk, but companies go bankrupt, what you didn’t expected. So therefore we yearly take on an account doubtful debtors in our exploitation. And sometimes we have huge setbacks.” (Financial manager)

On the cost side, as seen in previous chapter, football organizations have very high personnel expenses. It’s important for a football organization to keep an eye on the development of these expenses. Predominantly on the salaries of the football players, because these salaries are relatively high compared to other personnel. To control this Sparta uses an upper maximum for football players salaries, but this isn’t a strict maximum:

“..., but I can fluctuate in it, here and there.” (CEO/Technical director)

When players are contracted the history of players is kept in mind quite well, so the particularities of contracts can be modified to this. For example, when a player has had lots of injuries or didn’t play many matches in the past. This is an important way to cover oneself against the financial risk of failing players .

“I will keep that [past injuries] in mind when designing the contract. For example one year contract, with an option for another year, or an automatic option when he is 20 times in the starting line-up, or performance compensation at 10, 20 or 30 matches. I keep guard over that.”... “In my opinion you can incorporate these risks in the contracts, so you keep the risk for your organization low” (Manager organizational football business)

But, contracting players is subject to strict steps in any case. These steps are clearly recorded in a process description. CEO, financial manager, manager organization football business and a member of the supervisory board are involved in this process.

Moreover, Sparta has the difficult position of the possibility to go up and down, from Eredivisie to Jupiler League and the other way around. The average salary of a football player in the Eredivisie is many times higher than for a player in the Jupiler League. This is a huge problem Sparta struggled with this in the past, especially at the time Sparta relegated for the first time in its history, in 2002.

“A downfall didn’t exist at this club and when it is there it’s abrupt and you didn’t account for it” (Financial manager)

You would expect Sparta to learn from the mistakes in the past, but after the relegation in 2010 there were again struggles.

“There were people with long term contracts which the club had to release. And players with contracts at the level Eredivisie, without a relegation clause. Or contracts continuing for two more years.” (Manager public business)

“Last year we had players here with salaries of 250.000 euro. That are salaries for the level of Eredivisie. But they were still here.”... “There were relegation clauses present, but only 15% of salary.” (CEO/ Technical director)

So, in terms of contracts with personnel, Sparta was not very well prepared to getting relegated. There were methods present at Sparta to control the salaries, but they were not sufficient. The CEO tries to explain the difficulty in this.

“The problem in the football business is, if I want a player, so then we promise a lot. And like every company we expect profit. So, in other words, we expect to be successful, that we play in Eredivisie. So, I want to contract a player. Then I’m not going to tell to him that he only will get 80.000 euro when we relegate. I tell him that he gets 250.000 euro. And in the end we have to do something. But then his agent says: come on, it’s the best player. And you think, well, it will probably not happen, so let’s make it 180.000 euro. And that is killing! But that’s how it works in football business. People are swayed by the issue of the day.” (CEO/Technical director)

But it looks like Sparta have it in control at the moment, with the experience of two relegations.

“In all agreements are clauses. Everything is considered, Eredivisie, Jupiler League. Also when you have a contract for three years and we achieve promotion, and a year after that we get relegated. Everything is considered. That wasn’t the case in the past, but now it is.” (Manager organization football business)

“If we become champion and next summer contract are negotiated, then it will be one of the most important point of interest. That there are clauses, that when you relegate salaries goes down, or the player is even forced to leave.” (Manager public business)

It has become clear that player salaries are a very important financial risk, because these salaries determine the biggest part of the costs. More than 60% at most PFO’s, as shown in chapter 4. Definitely, in the unstable sportive situation of Sparta, it’s important to protect oneself against salaries disproportional to the financial possibilities of the organization. This is seen as very difficult, because you still want to contract the best players. Sparta has been too enthusiastic in the past with contracting players, not thinking about the possible consequences of the contracts in the future. But, after two relegations and the accompanying financial troubles, it seems like Sparta won’t make these mistakes anymore.

Risk methods - Commercial

The commercial department tries to maintain its current sponsors by keeping close contacts with each individual sponsors.

“The business won’t come to you, you really have to go to the business.” (Commercial manager)

Contact moments with sponsors are recorded in a database to guarantee that each sponsor gets attention. But this database is not really perceived as sophisticated and its efficiency is casted doubt on. Sparta works on a new database system, which must make it more easy to produce reports, showing for example which sponsors were contacted each month and how.

An important factor which indicates if sponsors are still interested and attracted to Sparta is their frequency of visiting matches. All match tickets are scanned and this is processed in a system. This makes it possible to signal which sponsors were present and which were not and to take action on this information, but it’s not used much yet.

“It can be arranged, but it’s not in our DNA yet” (Commercial manager)

To make sure all sponsor pay their bills there are frequent contact moment between the financial department and the commercial department, where the list of accounts receivable is discussed. Based on this, actions or sanctions can be taken, if necessary.

Another method of Sparta to optimize its level of sponsorship deals is by visiting all kind of business events. To attract new business Sparta started a collaboration with a call-center, to approach organizations and ask if they may be interested.

In principal, all kind of sponsorship deals are standardized. But in practice it appeared quite frequent that there was deviated from this standardization. Especially after a relegation it’s very difficult to hold on to standardizations, like in 2010.

“It was the case to keep all sponsors as much as possible, at cost of everything. Because otherwise the club was going down.” (Commercial manager)

As a result, the club is still trying to bring back contracts to the standardized tariffs, which is a struggle sometimes. To avoid these kind of trouble in the future Sparta adapts its sponsorship deals to the division in which Sparta plays, by contractually capturing automatic reductions when Sparta relegates, but also the other way around: automatic increases when Sparta promotes to the Eredivisie.

In the preparation for a possible promotion Sparta particularly uses its experience .

“We have of course the numbers of earlier years, so they will not differ very much. So, based on that you can make your assumptions of what you can expect.” (Commercial manager)

Moreover, it's noticed that the focus is very much on the short term. It's about now and here and not about what may come to you in the future. Sparta want to make steps in that.

“I would like to know what are the possibilities for the future, and then I mean the structural future.”... “What kind of budget do you need? Do you have the facilities?” ...
“We are busy with these kind of things, but we need to put more flesh on it.”
(Commercial manager)

To keep track of all present sponsor-deals Sparta developed a excel-sheet where all contracts are registered, by coupling all companies to the stadium and its facilities. When a new agreement is signed this is processed in this sheet. But it doesn't operates in a very efficient and atomized manner, and therefore in the future Sparta is willing to go to a more sophisticated systematic system.

Regarding ticketing a business-wide system is used to control the ticketing process. This system makes it possible to register who visits the stadium and to manage customer relationship. But this system has some shortcomings, particularly in flexibility what makes it difficult to acquire relevant information quickly. The industry is busy with developing an improved system and Sparta tries to influence this process by participating in a working group related to this subject.

In trying to sell as much tickets as possible for match games, Sparta plans a lot of promotional activities and special offers. To know when the activities and offers are needed to get the stadium sold out, it's partially planning, but also much is trusted on experience and guts feeling. All promotional activities are planned beforehand, and are re-adjusted to the course of the competition. Another tactic Sparta uses is lobbying to play matches Sunday afternoon, despite the fact that Jupiler League matches are fixed on Friday evening.

It's also very important what Sparta does with its prices, especially after a year of relegation or promotion. Some benchmarking is used for this. But price setting particularly depends on experience, because price elasticity in the football industry is considered as very hard to measure.

“Two years ago our price was too high for the short side. We rarely sold tickets.”... “So, we reduced the price the year after. So, that are signals you receive, which you have to pay close attention to.” (Manager public business)

So, these kind of misjudgments are solved by experience and not by some kind of formula, which can estimate the most optimal price to implement. The mutation in the amount of season tickets holders after relegation or promotion is also based on the experience of earlier years.

To make sure it's always possible to attract new supporters Sparta maximizes its amount of season ticket holders. There always has to be an amount of tickets available. When this becomes difficult, because Sparta promotes to the Eredivisie, has success, and therefore has more requests for seasons tickets than the maximum, the stadium needs expansion. Sparta is prepared to this, because the plans to expand the stadium are already there.

Risk methods – Other

Besides risk methods, at technical, financial or commercial level, there are also some other risk methods present in the organization.

Sparta position of balancing between Jupiler League and Eredivisie asks for good preparation of changing circumstances. A typical method to do this is by scenario planning. To a certain extent this is done. For example when Sparta faced relegation from Eredivisie in 2010.

“Most clubs in the lower regions of the Eredivisie, do prepare budgets based on Jupiler League in main lines.”... “So we made a estimation of where you're heading to commercially, and regarding salaries, particularly of the players.” (Financial manager)

“Well okay, then [after Sparta didn't succeed in getting promotion] scenario 1 is put aside and you're going to work with scenario 2. So, in that way we were prepared.” (Manager public business)

So, there is some preparation for maybe playing at another level, but on the other hand some discussions that are part of the preparation, are delayed.

“Nobody wants to think about relegation at that moment. And you're not going to speculate beforehand who's stays in and who goes out? Because that are discussions, well they are not unpleasant, but you delay them.” (Financial manager)

In Sparta's current situation focus of scenario-planning is predominantly on the preparation for Eredivisie. Even very detailed when it comes to the technical design of the first team.

“...when we're going to the Eredivisie, we need this team.” ... “We had mapped all players, but I didn't know yet if we were going to promote or not”... “ Everything on paper. I work with various back-up lists for everything what has to do with scouting. Also for youth teams and everything.” (CEO/ Technical director)

But despite the detailed thinking about the technical design, the financial consequences of getting promotion is less detailed.

“No [less detail in preparing for Eredivisie], because it has a positive effect,”... “in main lines you know where you’re going. When you’re heading to a championship and getting direct promotion, of course, than you prepare a budget. But when you still have to play play-off matches, then were not already going to make a budget at the level of Eredivisie.”
(Financial manager)

Also, a scenario is possible of not going up to the Eredivisie on the short term and Sparta remains in the Jupiler League for a long period. A scenario clearly underexposed, because Sparta don’t expect it to happen.

“We never think of a situation that Sparta maybe reaches the 17th spot of the Jupiler League. And then what?” (CEO/ Technical director)

“I don’t see that happen, but it might be.” (Commercial manager)

Sparta probably needs to make cutbacks to keep its financial situation stable, when remaining too long in the Jupiler League. Many other organizations in the Jupiler League disposed their youth academy or smoothed down the activities, because of their financial struggles. An uncomfortable discussion at Sparta, because of the traditional key value of its youth academy. Moreover, its seen as very difficult to value the profitability of the youth academy.

“The profitability is not only in the sense of selling players, but also the complementing of your first team. That’s very hard to give a market value.” (CEO/Technical director)

Besides the direct profitability, the youth academy also play an important role in social responsibility. An aspect of which added value is even harder to measure.

“Children in this region need to get a chance to become a professional football player. That’s part of the social responsibility. Maybe it’s not financially profitable, but it fits our philosophy.” (CEO/ Technical director)

Without an idea about the added value of the youth academy it is very hard to make a well-considered decision on the survival of the youth academy. It looks like Sparta’s method to manage this risk is focused on the hope of never arriving in the position of considering this option.

Considering external communication Sparta has a clear policy. Only the head coach and the CEO talks to media about the organization, besides of course players after a game. There are also clear procedures for written communication about the club to media, fans and sponsors.

Related to behavior on social media Sparta draws up clear instructions for its players, to make them aware of what online behavior can bring, and to prevent them from harming Sparta in some kind of way.

Continuum

The previous section showed various methods and techniques to manage the organization's risks. This section will discuss the position of these methods on the scale from heuristics to systematic. Heuristics, based on subjective methods as rules of thumb, intuitive judgments, common sense, etcetera. And systematic methods, more formally based on sophisticated methods as software programs, scenario planning, etcetera.

The methods and techniques displayed in the previous section showed that risk methods are to a large extent based on heuristics. Especially risk methods related to the commercial department. like the commercial part of the organization, where much is done on experience and guts feeling.

“Ticketing and commercial, which are difficult worlds to manage, that’s what I want better. Less feeling, hard number.” (CEO/Technical director)

There were many examples of risk management methods, which are based on the skills and appropriateness of the people in the organization, their knowhow and their experience.

Risks are taken away by what the organization and its people experienced from the past. For example from what is learned about the consequences of relegation.

“Because of that [relegation], changes were enforced, which led to a much stronger fundament than before. Because at that time [before relegation] there was an unstable house, and now there’s a strong fundament, on which we’re building a house stone by stone.” (Commercial manager)

So, it’s perceived that the organization came out stronger, because of the setback. Other risks were taken away by the skills of the people and what they learned from experience.

“You need to assure that you have the right people in your management team. Because proper people take care of ranking your risks timely.” (Financial manager)

“Each player which signs a contract elsewhere and was in our academy yields money. Nobody knows these players. I’m here for 12 years. I know all the players that were in our academy.” (Manager organization football business)

This last statement exemplifies the importance and sometimes dependence on people’s knowhow and experience.

On the other side, also many risk methods are based on systematic techniques. Especially at the technical side of the organization more risk management practices are based on systematic methods and techniques. For example, a computerized system is used to keep an eye on scouted players, contracted players are extensively tested physically and mentally, and current first team players are preventively monitored physical and mental. Another example is the so-called 'player-follow system', in which all kind of data regarding the youth players is stored, to keep the organization updated about the development of each individual youth player.

But, it's not only systems, heuristics are still seen as important, because football is a business where you work with people and it's perceived that you have to manage them like people.

"It's about people eventually and therefore act on intuition. That's something you can't forget."... "Testing, measuring physically, fine. Doing assumptions regarding football, fine. But let feeling also play a role." (Manager organization football business)

So, overall it can be stated that regarding the technical part of the organization risk methods are predominantly based on systematic, supported by heuristics. While in some other parts it's frequently the other way around, with heuristics as more dominant.

Phases

This section discusses the development risk management practices have made over time. The way in which risks were managed in the past, are managed in the present and should be managed in the future, is discussed.

In the past, risks were probably considered to a certain extent. Only not in a very systematic way, but rather tacitly.

"People had no idea what were the risks here. There was very little knowledge at people and we didn't had a clue of what we were doing" (Manager organization football business)

This lack of a systematic risk management is sort of reflected in decisions that were made at that time. Many decisions were based on emotion, instead of systematic policy.

"Multiple examples [of acting on emotion]. Salary increases, because we promoted coincidentally. Do you have to earn more then? You are still answering a similar amount of telephone calls, right? So, that's what happens when you act on emotion." (CEO/Technical director).

Another clear and very recent example of acting on emotion is from 2010, when Sparta was struggling against relegation and hired a very expensive coach, Aad de Mos, to evade a downfall to the Jupiler League. Sparta didn't make it, de Mos left, and Sparta was left behind in the Jupiler

League with sky-high salary expenses. On the question is something like this could happen during the CEO's period of office the answer was clear.

“Ridiculous! Absolutely not!” (CEO/Technical director)

Apparently, not too long ago, Sparta was still very much in the phase of heuristics, with decisions made on emotion. Something changed with the arrival of the current CEO at Sparta. The organization became more professional and less emotive. This also had its implications for risk management practices.

“There was nothing here about policy or about vision or policy plans. Nothing was on paper”... “They worked with protocols and procedures, but not really with a policy plan, that you really going to make steps, which is complied step by step”... “They were swayed by the issue of the day here.”(CEO/Technical director).

This lack of working systematic, on a step-by-step plan changed, and more hierarchy was implemented by the new CEO.

“We have an organization different than people were used to. More structured meetings, more formal meeting moments. More on paper, more with policy” (CEO/Technical director)

So, the way in which the organization worked changed with the arrival of the current CEO. This change is also recognized by the managers.

“It's funny to see if you look at the players we contract nowadays. They are scouted. They are talented and have qualities. And in the past we contracted players because of their name.” (Manager organization football business)

This also resulted in risk methods that are more formal and more based on systematic methods. So, in this way, a move is noticed from a phase of heuristics to a systems-dependent phase.

But, it's not the case that there weren't any systematic risk methods in use at Sparta, until the arrival of the new CEO. At the technical part of the organization, and especially in its youth academy, Sparta already used sophisticated methods to support the achievement of the organizations' objectives. For example the way in which information about youth players was gathered.

“At the youth academy rather everything is processed in databases, all players are in there.” (Manager organization football business)

The more formal methods in the technical part of the organization automatically leads to decisions based on these sophisticated techniques and less on intuition as exemplified in this example:

“Decisions are more and more made on measurable things, for example on video analysis. Because coaches are nowadays videotaping all matches and watching back these matches. Therefore they get a complete different angle on observations and therefore makes other choices. So that’s what’s happening. It is not anymore only on intuition.”

In general it’s observed that the methods already developed, to a certain amount and in certain areas, to more formal and systematic ones. But with the arrival of the current CEO these kind of methods gets more support from the top of the organization. This has also something to do with the character of the CEO and corresponding to this, his individual risk stance, mentioned above.

“I believe in numbers, I am a man of numbers. I have always reasoned out of numbers. I extracted conclusions from it, that’s in my character. And I believe more and more in it.”... “And I am firmly convinced of it and then it weakens risk.” (CEO/Technical director)

This conviction of systematic methods with numbers to weaken risks, is reflected in the progressive organizational ambitions of the CEO.

“The football business is a conservative old-fashioned bureaucratic business.”... “I think many more decisions are made for emotional reasons in the football business. Therefore I want to introduce ratio as much as possible, introduce logic” ...“You need to let go the subjective. Objective measuring results are needed” (CEO/Technical director)

For these reasons the CEO has a lot of innovative ideas for the future to introduce logic to a greater extent through the complete organization. Innovative techniques and methods like a system to measure the development of players or a sophisticated rating system for scouted players.

It’s clear Sparta want to make steps in the future. In some areas of the organization risk methods are already in the systems-dependent phase, but in other areas it’s only just moving from heuristics to systems-dependent. Sparta’s CEO believes that risk methods through the organization need to develop to a more unified system..

“So, all kind of systems which are far more connected with each other.”... “But we should get that far more automated.”... “I think that is very important for the continuity of the club.” (CEO/Technical director).

“I think risk is part of the organization in total. The complete organization needs to take care of creating a culture, in which the whole organization is aware of its possible risks.” ... , “and that has to express itself into one final body and that body is the board of directors and management, the Management Team.” (Financial manager)

Sparta is yet far from where it wants to be. Sparta has the ambition to move to more systems-dependent methods of risk management, so that achieving its objectives depends to the least extent on luck. And finally a risk management system that is culturally embedded in the organization and where risk management practices are linked with organizational decision making.

So, there’s a trend observed of risk methods moving over time from heuristics to systems-dependent and eventually to culturally embedded in the organization. Only, this trend started very recently and it looks like Sparta has still a very long way to go

5.3 Perceived effectiveness of organizational performance

This section discusses how people at Sparta perceive the effectiveness of the way in which Sparta manages its risks, with the ultimate question if they think it improves organizational performance. It’s interesting to see if the managers feel that the benefits of the risk methods exceed the costs made to implement them. And if they think the risk methods only boosts organizational performance by avoiding downside consequences of risks or also by taking advantage of the upside opportunities of risks. And eventually if they think the risk methods have positive consequences for the results on the playing field.

Managers at Sparta seems to believe in the effectiveness of a well-developed risk management system in avoiding the downside consequences of risk. For example, budgeting provides them information about their financial possibilities and clear task descriptions makes that people don’t forget which things need to be done.

“I want to manage my risks. Why? Because I want to have control over my budget.
(Commercial manager)

“It provides insight, for you as a manager, to all the things you have to deal with.”
(Manager organization football business)

Some managers also see the effectiveness of risk management in taking advantage of upside opportunities. Well-developed risk methods gives the organization more structure, which makes the organization better suitable for the development of players for example.

“The more calm, the better the organization, the better the top-class sport climate, the better players can develop themselves.” (Manager organization football business)

Sparta's CEO is even convinced that to a certain extent convinced that the effectiveness of risk management even has influence on the performance on the playing field in the end.

“100%. I reason that because when risks are restricted by the organization, the flow of money increases. And an increase in the flow of money means a quality boost. And if we don't have injuries and the key player are always fit, it will lead to success.”
(CEO/Technical manager)

But there are also people that are more reserved in qualifying good risk management as effective for organizational performance. For example the financial manager who suggests that the effectiveness of risk management only can be considered afterwards.

“When you took a risk consciously and it works out wrong, then it will have financial consequences and you are able to evaluate it. But when a risk doesn't work out wrong, 9 out of 10 times it will not be evaluated.” (Financial manager)

The same managers question the effectiveness of documenting your risks in an appropriate way, because it is only about being accountable when risks turn out wrong.

“..., because that's what it's all about, covering.”... “and then I've to tell that we have a loss of 100.000 euro. And then I'm sitting with the stakeholder saying; goddamn you did it totally wrong! And then I've to tell them; yes but we thought about it very well 2 or 3 years ago. You can see the minutes [of meeting] here. You know what they will say then? Stick these minutes in your ...” (Financial manager)

This manager is clearly not convinced of the effectiveness of risk methods to improve organizational performance. So, there are different opinions at Sparta and not everyone is convinced of the usefulness of risk methods. The CEO of Sparta seems quite enthusiastic about further developing the quality of the risk management system, but he definitely needs to convince the organization of the usefulness before it can be really developed to what he has in mind.

Overall, it seems that the people at Sparta see the usefulness of well-developed ERM to a certain extent, but it's yet far from considering the culturally embedding of risk as a taken-for-granted practice. Therefore, probably a more risk aware stance need to be created in the culture of the organization. It seems like this already started to a certain extent with the arrival of a new supervisory board and a new CEO, which changed the organizational culture, as mentioned before. The future will tell if this will develop further.

5.4 Involvement of accounting

This section discusses the extent of management accounting that is used in managing risks. Accounting and accounting numbers can play a significant role in the development and implementation of risk management and internal control systems.

Sparta's financial department consists of two people, the financial manager and a bookkeeper as his right-hand man. From the interview data it becomes clear that Sparta's financial manager is involved very much in decision making, when it comes to risk, especially the financial consequences of risk.

"I discuss everything with my right-hand man, and that is Manfred (financial manager).

Everything. All expenditures. Buying, selling, changes. Everything arrives at Manfred."
(CEO/Technical director)

"When there are investments, Manfred becomes involved. I want to take that decision, but I also like to share it." (Commercial manager)

When it comes to plans the financial manager is not always directly involved in discussing the way risk need to be managed. In most cases the other managers work everything out by themselves. Eventually all risks management issues probably will be discussed during the meetings of the management team. In that way the function of 'risk manager' is organization-wide. But when it comes to financial consequences of risks the financial manager is really seen as 'the risk manager' of the organization.

"When they didn't involve me, they will have a problem..." "Everyone knows when they want something, or they want to take a risk, that they always have to come to me first. Make a financial calculation or ask me for that." (Financial manager)

So, overall the financial manager has a very pro-active role, strategic and value-adding role when it comes to risks. This is of course also prompted through his presence in executive committee and management team, where all decisions are discussed.

6. Discussion and conclusions

6.1. Linking the framework

Drivers of risk management

The framework of Collier et al. (2007) recognizes three types of key risk management drivers. External drivers, organizational demographics and risk stance.

Considering external drivers, Collier et al. (2007) concludes that the importance of compliance with legislation was the dominant driver of risk management. But looking at the case

study findings this conclusion is not comparable to the findings of this case study research. Probably this results from the fact that Sparta is not a listed company [contrary to the companies in the survey of Collier et al.] and therefore is not exposed to the heavy consequences of this for rules and regulation.

Moreover, the football business is not heavily regulated by legislation or regulatory bodies. The Dutch football association, KNVB, has many rules and regulation, but PFO's are relatively free in the way they comply with these rules and therefore this doesn't lead to the implementation of sophisticated risk methods. Sparta relies very much on the experience and knowledge of the people in the organization to manage these rules and regulation.

One type of regulation that does have a clear influence on risk management practices is the license system of the KNVB, which rates the financial situation of PFO's and imposes possible sanctions and penalties. This system was indeed imposed by the KNVB, but with acceptance of the PFO's themselves, forced by the pressures from stakeholders to improve their social awareness. PFO's are aware of their social responsibilities nowadays and are willing to equip their risk management system to provide an open and transparent policy and account for their actions.

Collier et al. (2007) notice a shift from a 'tick box' compliance approach to a more proactive stance, where risk management is perceived to provide benefits for the business. This shift is not noticed in the football business, because the 'tick box' approach never really was present. Pressure from stakeholders have made the football business aware of their social responsibility and this is supported by rules and regulation from the KNVB.

There are many rules from the KNVB, but PFO's are quite free in the way they comply with these rules. In most situations there are no clear prescriptions on how to deal with rules and regulation, except for the way in which PFO's comply with the rules of the financial rating system.

Overall, it can be stated that conform the theoretical framework, stakeholders, regulators and legislation are indeed important external drivers. Only where in the survey research of Collier et al. (2007) rules and regulation is seen as the most important external driver, in this case study research the influence of stakeholders predominates.

As suggested by Collier et al. (2007) the organizational approach to risk management is influenced by the individual managerial risk stances. At Sparta it's shown that managers have different perceptions of approaching risks, some with a more hierarchical risk stance, while others are more entrepreneurial.

These individual risk stances are balanced together through a cultural process, for example during meetings of the management team. This creates an organizational risk stance based on a

the culture of the organization and a set of shared values, which leads to highlighting particular risks and downplaying others (Douglas and Wildavsky, 1983).

For example, the organizational stance of Sparta leads to the fact that regarding the technical area, everything needs to be done to decrease the risk of a non-optimal performance of the first team. And that in the youth academy its considered very important to monitor all kind of information about the children to increase their chance of succeeding in becoming a professional football player. Therefore in these areas of the organization Sparta works with very sophisticated risk methods, like video-analysis, heart rate monitors, and a data system to monitor all kind of information about youth players.

On the other hand risks regarding commercial issues like losing sponsors or not exploiting the stadium optimally, are not neglected, but managed with relatively less sophisticated risk methods and techniques.

The organizational risk stance also influences to what extent the organization considers risk management about achieving positive consequences or avoiding negative consequences. The findings show that this is quite balanced at Sparta. Of course many risk methods are implemented to avoid certain risks like injuries of players, drop-out of youth players, or falling into the unsafe category of the KNVB's license system. But on the other hand Sparta uses a scouting system to prepare for a possible promotion and to optimally prepare for match games sophisticated methods are used, like video analyses and heart rate monitoring.

These findings supports the findings of March and Shapira (1987), that both individual risk preferences, and risk preferences taken-for-granted within the organization are important in understanding organizational responses to risk management.

Related to risk stance it was considered that the risk stance of the general director is quite dominant at Sparta. The replacement of the general director at Sparta resulted in an approach where risk management practices are not anymore undermined by decisions based on emotions, that resulted from disappointing playing field performances. Actually, the replacement of the complete supervisory board initiated this approach by shifting to an approach with a clear separation between supervisory board and board of directors and more focus on thinking in scenarios.

This brings us to the influence of organizational demographics. Considering organizational demographics, Collier et al. (2007) suggests a positive correlation between size of the organization and the use of basic and sophisticated methods of risk management. It's very hard to make a statement about the influence on the influence of size on risk management practices,

because this research is based on a single case study and therefore not able to compare organizations of differing sizes.

But, besides organization size, this research revealed a clear influence of the change in organizational culture on the approach to risk methods. The corporate governance of Sparta clearly changed with the replacement of the supervisory board. The new supervisors are some more professional than their predecessors, with a clear separation between supervisory board and board of directors and more focus on thinking in scenarios. The structure of the organization changed and resulted in a different tone at the top of the organization. This influences the organizational culture, because fundamental values, assumptions and beliefs (Ostroff et al., 2003) are affected by the control of the supervisory board. It doesn't mean that it led to the direct implementation of all kind of new sophisticated risk methods, but more through the manner in which risk management is approached through the complete organization.

This important role organizational culture plays in risk management is not reflected by the framework of Collier et al. (2007). Maybe because it doesn't have direct short-term implications. But, in the case of Sparta it's clear that it can't be neglected, because it has obvious implications for the way in which risk management is approached.

Risk management practices

All kind of methods to cover the risks of Sparta's objectives are discussed extensively in chapter 5. Based on the framework of Collier et al. (2007) a difference in level of sophistication of risk methods was revealed, between the football technical part of the organization and the office part of the organization. Risk methods around youth academy and first team are focused on managing the manageable as much as possible, and reduce the influence of luck. Therefore, in the technical part of the organization risk methods are predominantly based on systematic methods, supported by heuristics. While in some other parts it's frequently the other way around, with heuristics as more dominant.

Moreover, it's shown by the findings that Sparta is in the process of moving from the heuristic phase to a more systems-dependent phase. The ultimate goal of Sparta is to link all risk management practices of the organizations' different areas and let them come together in the central decision-making authority, namely the management team, which corresponds with the calculative culture of holistic ERM of Mikes (2009), where risk management is applied to identify potential events that may affect the organization and brings it to sophisticated decision-making.

These findings are in line with the conclusions of Collier et al.'s (2007) survey based research, showing that most organizations considered risk in the past tacitly, but nowadays are more

formal in a systematic way. And moreover, that organizations have a desire to link risk management practices with organizational decision making, to culturally embed risk management practices.

Perceived effectiveness of organizational performance

It's shown that people at Sparta believe in the importance of good risk management. As well in avoiding downside consequences, as in achieving positive consequences of risks. This corresponds to the suggestion of Collier et al. (2007), that managers perceive risk management as improving organizational performance.

This trust in the usefulness of risk management, probably resulted from the fact that the Dutch football industry is not heavily regulated and most regulation that is imposed is initiated by the PFO's themselves. This created a kind of self-developed risk aware stance and makes that a PFO as Sparta perceives its implemented risk management systems as useful. Even in such a way that most people in the organization are convinced that it positively affects performance on the playing field.

But, although it seems that the people at Sparta see the usefulness of well-developed ERM to a certain extent, it's yet far from considering the culturally embedding of risk as a taken-for-granted practice. Therefore, probably a more risk aware stance need to be created in the culture of the organization. This means that the fundamental values, assumptions, and beliefs shared by the people in the organization (Ostroff et al., 2003) need to be more of a risk aware stance, where everyone in the organization believes that well-developed risk management supports good decision making.

It seems like this already started to a certain extent with the arrival of a new supervisory board and a new CEO, which changed the organizational culture, as mentioned in earlier in this paragraph . The future will reveal if this initiated trend will persist.

Involvement of management accountants and accounting

The research of Collier et al. (2007) showed that management accountants in most organizations had a marginal role in the risk management process, because the skills of the management accountant are not seen as appropriate for a close involvement in risk management. In contrast to the finance director, who generally has a crucial role with his more strategic oriented responsibilities.

This last statement is in line with the situation at Sparta, where the financial manager has a strategic role and automatically is involved in risk management of the total organization through

the meetings of the management team. The financial department of Sparta consists of this financial manager and a bookkeeper as his right-hand man, so the role of management accountant is not really present.

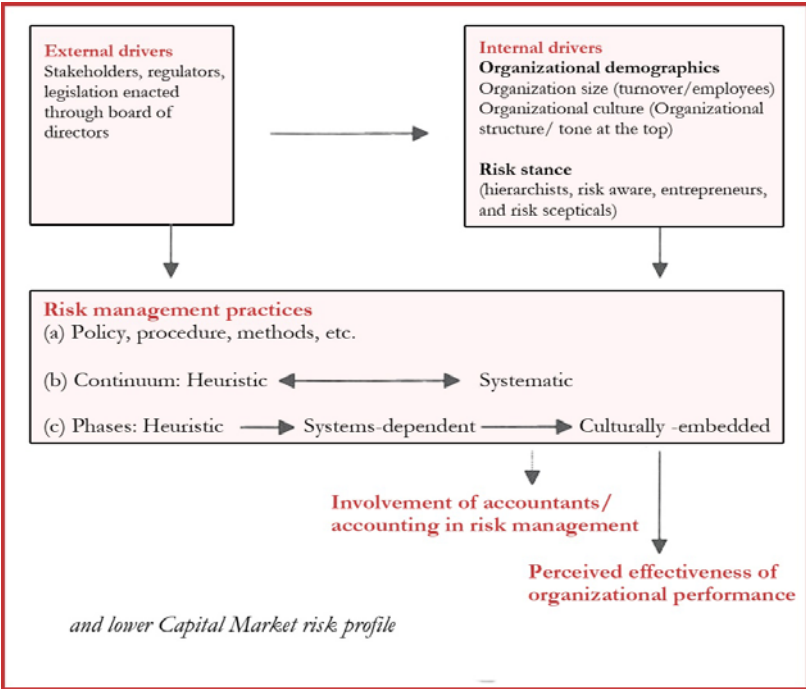
But it seems like the financial manager can act on the statement of Collier et al. (2007) and (Scapens et al., 2003), that managements accountants need to take a wider perspective on strategy, risk and management controls, beyond the traditional emphasizing on what is measurable. The financial manager of Sparta is only seen as ‘the risk manager’, because of the financial consequences of decisions and therefore only is involved at the moment plans are already worked out by other people in the organization.

Adjusting the framework

Overall the framework was considered quite useful in analyzing the culturally embeddedness of risk management at Sparta. It gives a clear view on how fundamental values, assumptions, and beliefs commonly held by members of an organization (Ostroff et al., 2003), influences the way in which ERM is embedded.

However, this research shows that regarding organizational demographics, besides the organization size, organizational culture also is an important driver of risk management. Therefore this study suggests an adjusted framework (see Figure 4), where the influence of organizational culture becomes evident.

Figure 4: Revised framework



Source: Adapted from Collier et al. (2007)

Moreover, it's suggested that for the total overview it's better to present the drivers of risk management as external drivers on the one side, and internal drivers on the other side. The internal and external drivers are presented facing each other with an arrow from the external drivers to the internal drivers, because stakeholders, are able to influence the organizations' internal drivers, particularly in a business like football, where emotions play an important role. In this research it was clearly shown that the force from all stakeholders to perform on the playing field, led to significant changes relating to organizational culture.

Conclusion

The main purpose of this study was to get a deeper understanding of ERM by investigating *how risk management is culturally embedded in practice*. By conducting a case study research at a Dutch professional football organization, Sparta Rotterdam, this thesis answers this question.

The purpose of a risk management system is to assure to a certain degree that the organizations' objectives are reached. The presence of a risk management system does not mean automatically that the organization's objectives are reached actually. It means that it becomes transparent on which risks the realization of objectives are dependent and what kind of risk management practices are therefore in place to deal with this.

Risk management moved from a defensive approach to a more offensive and strategic approach. ERM is seen as the key to this approach, by making risk management part of the organizations overall strategy. ERM connects risk management to business strategy and objective-setting. This enables organizations to make better risk-adjusted decisions that maximize stakeholder value. ERM is now considered an important process regardless of their sector, activities and origin (Silvestri et al., 2011).

With recent academic contributions of Mikes (2009) and Arena et al. (2010) research focus on ERM moved to the important role social interaction plays in the way ERM expresses itself in an organizational context. Collier et al. (2007) states that the adoption of risk management and control procedures is based on socially constructed risk perceptions and risk propensity.

In getting a deeper understanding of how ERM works in practice, further development of the important role of social interaction is needed (Arena et al., 2010). The survey-based research of Collier et al. (2007) initiated this by providing a generic picture of the adoption of ERM based on the social constructions of managers and developed a theoretical framework which fits the approach to the concept of culturally embedding risk management. This research enriched the

findings of Collier et al. (2007), by investigating in practice how ERM is embedded in the culture of a case study organization.

The case study research is conducted at a professional football organization, Sparta Rotterdam. An organization with great national reputation as the eldest Dutch professional football organization and famous for its traditions and its top-class youth academy. But, also in an unstable environment, struggling on the edge of the highest and the second highest division in professional football.

The findings of this case study research largely corresponds to the framework developed by Collier et al. (2007). Sparta seems in the phase of going from heuristic risk methods to more systems-dependent risk methods, and striving to culturally embed risk management in decision-making eventually. But, Sparta seems yet far from considering the culturally embedding of risk as a taken-for-granted practice. Therefore the organizational stance needs to develop to one where everyone in the organization is convinced that well-developed risk management supports good decision-making. It seems that this is already initiated to a certain extent with the arrival of a new supervisory board and a new CEO appointed by these supervisors.

These new supervisors and CEO at Sparta clearly changed the organizational culture, with a new organizational structure and another tone from the top of the organization. This also has implications for the way in which ERM is approached by the organization. Therefore, this research presented an adjusted framework, where the influence of organizational culture became evident.

The research gave a deeper understanding of the way in which ERM works in practice, by intensively analyzing an organization following the theoretical framework of Collier et al. (2007). It gave insights in what is meant by the framework, by translating it to a real-life setting.

Moreover, the research reveals the specific characteristics of the football industry, like the influence of stakeholders and the important role emotion can play in decision-making. This has clear implications for the way in which ERM is approached, because sophisticated risk methods are possibly undermined when acting on emotion. Therefore, it seems important for PFO's to embed sophisticated ERM in the culture of the organization, to prevent decisions on emotion from dominating over objective decision-making.

The research also revealed the strengths and weaknesses of the framework. Strengths in the sense of findings from the case study that supports the framework. And weaknesses, by showing important issues in analyzing the culturally embeddedness of ERM in the case study organization, that were not reflected by the framework. This resulted in a suggestion for an improved

theoretical framework, which enriches the findings of the survey based research of Collier et al. (2007).

Limitations

In general, case study research, has inherent problems, like all types of research method, that can make it less rigorous and powerful in its interpretation. But when these problems are addressed appropriately, case study research can be the ideal research method to gain a deeper understanding of business processes and roles people and systems play in organizations. This research tried to address these problems in section 3, where the research method is discussed.

Another issue of this study was that in the case study the role of the management accountant in risk management was more about the financial manager than really a management accountant. Also, the case study organization is not a listed company, which makes it probably less exposed to regulation and legislation. Therefore the case study organization used in this research is not comparable to the organizations used in the survey research of Collier et al. (2007), on which the theoretical framework is based. Case study research at a bigger, listed organization would probably solve these issues.

Finally, this research is based on a single case study. As a result the influence of organizational demographics like organization size as a driver for risk management couldn't be revealed based on this case study.

That brings us to some suggestions for future research. To further extend a deep understanding of how risk management works in practice more case study research is needed on organizations differing in organizational demographics. Not only in size, but also the driving role of other organizational demographics, like organizational design and tone and the top, on risk management need to be focused on.

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