Expanded abstract

Transformation of associative entities into social enterprises in their scaling up process. The financial perspective of the sports third sector

Third Sector sports organizations are nonprofit entities with an important presence in Spanish society and, for their high number and specific activities, produce a notable socioeconomic impact and achieve positive effects in diverse aspects. For instance, the improvement of health, integration and social cohesion, the transmission of values, the maintenance and development of culture, the reduction of incapacity and sick leave, of public and private health expenditure or the rehabilitation of marginalized groups, among others.

Objectives

This paper pursues two main objectives: in first place, to characterize economically the Third Sector sports organizations and, secondly, to analyze the change in the financial resources structure of sports clubs in their scaling up processes. To this end, the aim is to provide evidence within the geographical scope of the sports organizations of the Spanish region of the Valencian Community. Within the framework of said double objective, the aim is to: 1) economically characterize the scope of the Third Sports Sector organizations, including the study of their general financial structure. 2) Analyze the financial structure of the sports sector, in order to assess whether in its financing it presents more analogies with the private commercialized model or with the public predominance model. 3) Contrast the extent of the scaling up phenomenon in the Valencian sports OTS, as well as its impact on the sector as a whole. 4) Analyze the variation in the financial structure of the OTS according to their size and according to their age. 5) Identify what financing models the Valencian sports OTS adopt in their growth processes, if they evolve towards a more market-oriented model, towards a model of predominance of public financing or towards a diversified financing model, with a large weight of the third sector's own resources. 6) Identify the explanatory factors of the changes in the financial structure of the OTS of the sports sector. Finally, 7) discuss whether the changes in the financial structure of the OTS constitutes a drift towards the denaturalization of its character as an entity of the third sector and the Social Economy.

Methodology

To obtain the data, the main method is an online survey. Obtaining responses from a total of 520 sports clubs over a population quantified in 6,498 entities belonging to 58 regional sports federations. The sample is statistically significant and proportionally distributed by type of sport and geographical region respecting to the known population. The results have been segmented into four large groups depending on the dimensions of the entities using a method based on the number of members and the annual budget of each club. In addition to size, the sample has also been divided depending on the age of the clubs, if they were founded before 2005 or onwards.

Results and limitations

The analysis of the quantitative results on eight income categories into different sample segments, by size and age, shows the presence of significant variations in the way the entities obtain their resources. In addition, the results show differences in several other aspects, demonstrating, per instance, that the dimensions and maturity of sports clubs has a notable influence on the number of sources of income used and its distribution, on the adoption of more complex organizations setups, employing a greater number of workers, with more and more specialized roles, and establishing differentiated development patterns. The obtained data show that, although the majority of sports clubs do not grow over time, mostly of the few that enter into scaling up processes adopt specific expansion models. The main limitation of the research is the need of gather new information on the same entities in another temporal cut, to verify how growth patterns develop over time.

Conclusions

The results corroborate the existence of hegemonic organizational models and financial structures that have a relationship with the size, the age and the different stages of development of these organizations. In first place, most of the sport entities are micro and small size and they establish organizational models and financial structures configured by and for the members that belong to the entity, financed mainly by themselves. These entities develop their activity based on the voluntary work of the members, as they do not have workers and neither external users. They show little or no dependence on subsidies, agreements with public administrations and sales to the market, do not usually use financial instruments and their number of sponsors, if they have any, is very low. This organizational model is characteristic of small entities of the association movement whose main objective is the socialization of their members.

On the other hand, as they increase in size, the data show that sport Third Sector organizations diversify their financing, and at this point different models of social organizations and financial structures emerge depending on whether they are inclined towards certain types of income and management strategies. Three specific scaling up models have been detected.

First, bases their financing on obtaining public funds through alliances with administrations and their dependent organizations. These organizations mainly offer sports services to the public, in addition to their members. This model is highly dependent on public funding, usually because the organizations are concessionaires for the management of publicly owned sports facilities and/or carry out sports events and courses that are subsidized by public administrations. This management model, although rare, is more present in medium-sized and older sports clubs, which maintain agreements with local authorities that decide to outsource the management of sports activities.

The second model identified, more present in those large and older organizations, is oriented towards the market and is characterized by the fact that the majority of funds come from the sale and distribution of goods and services, both sporting and non-sporting, to the public. In general, as well as by having a greater number of sports sponsors and the use of financial instruments. These types of entities are direct owners or concessionaires of large sports facilities; they employ a high number of full-time workers, with specialized positions in specific management areas. All of this makes them behave like social companies, obtaining the majority of their income from marketing despite their nonprofit approach, and it is even possible that income from the market exceeds 50% of the organization's total financing. In fact, the segment of large entities founded before 2005 is the only one where the resources obtained from the market exceed, on average, all income from own and public origin.

Thirdly, some old medium and large-sized entities have also been found that have managed to maintain a certain balance between different sources of income. These organizations obtain the necessary funds to develop their activities in a more or less equitable manner between their own, public and private financing, which entails a significant reduction in dependence on public and market sources, thus increasing the possibilities of survival and maintenance of the mission and original values of the sports entity.

In other hand, the data also allows to infer the presence of two effects of interest in this sense: a crowding-in effect that occurs with increasing diversification and a 'trampoline effect' caused by public funding that can generate significant growth processes in early and mid-stage clubs. In addition, despite the demonstrated correlation with size, the high heterogeneity present within the segments points to the existence of other non-dimensional variables that also have a significant impact on how clubs obtain their resources.