

# Identifying the Problems and Challenges of Economic Management in Iranian Professional Football Clubs

## ABSTRACT

**Purpose:** This study aimed to identify the problems and challenges of economic management in Iranian professional football clubs.

**Design/methodology/approach:** This research involved a qualitative content analysis conducted with a directional approach, utilizing a framework based on existing literature and prior studies aimed at enhancing the theoretical foundations related to the issues and challenges of economic management in professional football clubs. To complement the established framework, semi-structured interviews were performed with experts in football management. The study population comprised experts knowledgeable about the research topic. Participants were chosen through purposive sampling and snowball sampling methods for the interviews, which continued until data theoretical saturation was achieved (14 interviews).

**Findings:** According to the results, seven categories were identified for the problems (lack of club philosophy, weakness in human resource accounting, absence of a transfer strategy, poor fan management, neglect or insufficient attention to youth football, lack of knowledge about the football industry, and poor club brand management) and six categories for the challenges (nature of the football industry, economic challenges, cultural challenges, political challenges, fan fanaticism, and financial governance of the league organization).

**Originality:** Although a significant amount of research has been conducted in various areas of Iranian football, such as marketing, branding, and privatization, the extent of research addressing economic management and examining the related problems and challenges still needs improvement. This study identifies this research gap and aims to provide a clear picture of the current state of economic management in Iranian professional football clubs. It will diagnose the weaknesses, issues, and flaws in the current practices of these clubs and analyze the challenges that professional clubs face within Iran's unique political and economic environment, to help address the existing situation.

## Keywords

Club Economic Management; Football Management; Club Cost Control

**Paper type** Original Article

# شناسایی مشکلات و چالش‌های مدیریت اقتصادی در باشگاه‌های حرفه‌ای فوتبال ایران

## چکیده

**هدف:** هدف از پژوهش حاضر شناسایی مشکلات و چالش‌های مدیریت اقتصادی در باشگاه‌های حرفه‌ای فوتبال ایران بود.

**روش:** این پژوهش از نوع تحلیل محتوای کیفی بود که با رویکرد جهت‌دار و با استفاده از چهارچوب شناسایی شده بر مبنای ادبیات و پیشینه پژوهش، به دنبال گسترش مبانی تئوریک مربوط به مشکلات و چالش‌های مدیریت اقتصادی باشگاه‌های حرفه‌ای فوتبال بود. برای تکمیل چهارچوب شناسایی شده، مصاحبه‌های نیمه‌ساختاریافته‌ای با خبرگان حوزه مدیریت فوتبال صورت گرفت. جامعه پژوهش، خبرگان آشنا به موضوع پژوهش تشکیل دادند. مشارکت‌کنندگان به دو روش نمونه‌گیری هدفمند و نمونه‌گیری گلوله‌برفی برای انجام مصاحبه انتخاب شدند که تا رسیدن به اشباع نظری داده‌ها بود (۱۴ مصاحبه) ادامه یافت.

**یافته‌ها:** بر اساس نتایج تحقیق، ۷ مقوله برای مشکلات (نداشتن فلسفه باشگاه، ضعف در حسابداری منابع انسانی، نداشتن استراتژی نقل و انتقالات، مدیریت ضعیف هواداران، بی‌توجهی یا توجه کم به فوتبال پایه، ضعف دانش نسبت به صنعت فوتبال و مدیریت ضعیف برند باشگاه) و ۶ مقوله برای چالش‌ها (ماهیت صنعت فوتبال، چالش اقتصادی، چالش فرهنگی، چالش سیاسی، هواداران متعصب، حکمرانی اقتصادی سازمان لیگ) شناسایی شدند.

**اصالت و ابتکار مقاله:** هرچند که در زمینه‌های مختلف فوتبال ایران از جمله بازاریابی، برندسازی، خصوصی‌سازی و مانند آن، تحقیقات نسبتاً زیادی انجام گرفته است، لیکن، کمتر به به مباحث مدیریت مالی و اقتصادی و نیز بررسی همزمان مشکلات و چالش‌ها در این زمینه پرداخته شده است. تحقیق حاضر با تشخیص این شکاف تحقیقاتی، تلاش دارد تا با ارائه تصویری واضح از وضع کنونی مدیریت اقتصادی باشگاه‌های حرفه‌ای ایران، تشخیص نقاط ضعف، معضلات و آسیب‌های مدیریت کنونی باشگاه‌ها در بخش مالی، و نیز چالش‌هایی که باشگاه‌های حرفه‌ای در فضای خاص سیاسی، اقتصادی ایران در زمینه اقتصادی پیش رو دارند، به خروج از وضعیت موجود کمک نماید.

## کلیدواژه

مدیریت اقتصادی باشگاه؛ مدیریت فوتبال؛ کنترل هزینه باشگاه

## **1. Introduction**

Since no organization in the world can survive without proper economic management and securing its ongoing expenses, it can be said that one of the most essential dimensions of management in all organizations is economic management (Torabi et al., 2015). This issue is significant for profit-making companies, private businesses, and non-governmental organizations. The economic management system, accounting, reporting, and auditing are influenced by the industry in which an organization operates (Plumley et al., 2019). As one of the sectors with unique and complex characteristics, the sports industry requires proper economic management, which necessitates acquiring knowledge and skills to cope with these characteristics and specific challenges. Developed countries, by adopting appropriate strategies, have been able to turn many of these challenges into opportunities and capitalize on the high potential of the sports industry to improve their economies. For example, Germany generates a significant portion of its GDP through the economic prosperity of sports. However, less than one percent of the GDP in Iran is derived from the sports economy (Yabalooie et al., 2023). Professional clubs, the cornerstone of the sports industry, have not been able to professionalize entirely in Iran's state-driven economy and don't play a significant role in Iran's sports industry economy. Despite promises made by the government over the past two decades, the privatization of the country's football clubs has not been realized. The involvement of government officials and politicians, who lack adequate understanding of the unique features of the sports industry, revenue-generation strategies, cost management, and proper financial management in this specific sector, has created an economic crisis for Iranian football clubs. In such a situation, where professional clubs in Iran rely on government resources and annually transfer the financial burden caused by their inefficiency onto the government, there is a strong need to break free from this situation (Amiri et al., 2013). Knowing that escaping this inefficient cycle will not be possible without a thorough understanding of the current situation and its problems and challenges, this study aims to provide a comprehensive review of the problems and challenges faced by Iranian professional football clubs in economic management.

## **2. Theoretical background**

### ***2.1. Economic Management of Clubs in Leading Countries***

At the end of the 20th century, with the rise of media broadcasting rights and the significant entry of commercial companies into sports sponsorship, the potential revenue-generation methods for professional clubs worldwide increased. However, many clubs faced financial crises and the risk of bankruptcy due to poor understanding and implementation of accounting and financial management principles and overspending (Morrow, 2014). Many clubs faced severe financial crises in the five major European football leagues (England, Italy, Germany, Spain, and France). They were on the brink of bankruptcy due to improper financial resource management, lack

of balance between income and expenses, and excessive spending, especially in the player transfer market (Hamill & Chadwick, 2010). National and international federations adopted various defensive and control strategies to prevent further escalation of costs and the potential collapse of clubs (Caglio et al., 2019). For example, after the threat of bankruptcy for many French clubs, the French government established DNCG (La Direction Nationale du Contrôle de Gestion) to organize the financial affairs of football clubs. According to this system, all French clubs must submit their budget plans and annual financial reports to the DNCG, which has the authority to prevent certain expenditures. Failure to comply with DNCG rulings can lead to severe penalties, including relegation (Dermitt-Richard et al., 2019).

Similarly, in Spain, following the financial crisis resulting from the lack of central regulations, increasing commercial pressures, rising costs, poor economic performance, and high debt levels, the SAD (Sociedad Anonima Deportiva) club model was introduced to the country's football industry in the 1990s. SAD is a joint stock company used for sporting purposes (Hamill & Chadwick, 2010). Furthermore, in the UK and the USA, when a club can either no longer maintain a positive cash flow or no longer see how it can service its debts in the longer term, it will seek the protection of the courts to avoid its debtors seeking a winding-up order. In Britain, this is known as "going into Administration"; in the United States, it is known as "filing for Chapter 11 bankruptcy" (Hamill & Chadwick, 2010). In 2010, the European Football Association introduced a series of regulations called "Financial Fair Play" to ensure financial stability among European clubs. The most important aspect of these regulations was the break-even rule, which limited clubs' spending on wages and player transfers (Peeters & Szymanski, 2014). These national and international interventions aim to add logic and balance between the two main factors of professional club financial performance (revenue and expenses), which will be briefly introduced below.

## ***2-2. Revenue and Expenses in Professional Sports Clubs***

To understand why many clubs fail to achieve a sustainable business model and the reasons behind unprofitability and the risk of bankruptcy, we must first consider the two key elements that determine profit and loss: revenue and expenses (Nicolliello & Zampatti, 2016). Revenues are a positive factor in profitability, which clubs aim to maximize. The revenue streams for football clubs are divided into three main categories: 1. matchday revenue, 2. broadcasting rights, and 3. commercial revenue. Traditionally, the primary source of income for clubs (even at the lowest league levels) comes from matchday receipts. This includes revenue from season ticket holders, individual match tickets, and money from selling hospitality packages (Hamill &

Chadwick, 2010). Broadcasting rights, such as television, satellite, and internet rights for all domestic and international matches, form another significant source of income for clubs. In most countries, broadcasting contracts typically last for 3 to 4 years. For example, the English Premier League sold the broadcasting rights for its 2014–2017 seasons for over 5 billion pounds (Premier League, 2017). Commercial revenues are also divided into three subcategories: sponsorship (e.g., shirt sponsors and kit suppliers), merchandising (e.g., club-branded replica shirts), and ancillary services (e.g., hosting non-football events like conferences and pop concerts on non-matchdays) (Desbordes & Richelieu, 2019). However, alongside these revenue sources, the uncontrolled growth of costs, particularly player wages, in recent years has overshadowed revenues, leading to financial crises for many clubs. Additionally, the global economic situation in the early 21st century exacerbated the financial difficulties of clubs, forcing national bodies to intervene with new regulations (Peeters & Szymanski, 2014).

### ***2-3. Economic Management in Iranian Professional Clubs and the Main Research Question***

The Economic management situation of football clubs in Iran significantly differs from the examples above. Many of these differences highlight the urgent need to address the Economic situation of football clubs in Iran. Due to various limitations, the Iranian league and the clubs participating in it can only access some of the three primary revenue streams standard in football and their subcategories (Izadi, 2016). Therefore, there is a strong need for proper attention to the financial management of Iranian clubs and adopting appropriate measures and regulations to prevent further worsening of their economic conditions. Seyfpanahi (2017) states that out of 43 standard revenue-generating methods in football, only 11 are implemented in the Iranian Premier League. The lack of appropriate broadcasting rights, the absence of necessary intellectual property laws and licensing rights, the lack of powerful sponsors, and the absence of individual and team endorsement opportunities have created significant obstacles for the Iranian Premier League and its clubs in generating income. Torabi et al. (2015) noted that while revenue from media and television broadcasting accounts for 31% of football clubs' financing in the UK, in Iran, this figure is less than one percent, which is extremely low. Rezaei et al. (2015) and Amiri et al. (2013) identified the state ownership of the national media, the lack of private media outlets, competition for broadcasting rights, the absence of supportive laws in this regard, and poor coordination between the federation, Ministry of Sports, and the national media as the main barriers to achieving broadcasting revenues in Iran. Financial support from sponsors is one of the few revenue streams achieved in Iranian

football (less than 15%), but this income level is negligible compared to other countries (Naghdi et al., 2013). In addition to the lack of necessary revenue streams, what has made the situation even more critical for Iranian clubs is the mismanagement of expenses, particularly in player transfers. Iranian football clubs compete fiercely yearly to achieve sporting success without considering their income levels, leading to inflated player transfer costs and an inability to meet financial obligations (Torabi et al., 2015). This approach has led to an increase in international legal disputes against Iranian football. Clubs like Persepolis and Tractor have recently been banned from the transfer window due to legal cases and failure to pay their debts to foreign players. This situation has hindered the success of Iranian clubs on the international stage and in the AFC Champions League, severely damaged the overall brand of Iranian football, and placed it in a position of weakness (Nazemi et al., 2021).

Given the above points, it is evident that Iranian football urgently requires a fundamental change in approach, regulatory interventions, and the proper formulation and implementation of suitable laws regarding Economic management in clubs. However, as mentioned earlier, before such actions can be taken, there is a pressing need for a comprehensive and accurate understanding of all aspects of the Economic management of Iranian clubs, along with the specific context in which they operate. Although a considerable amount of research has been conducted in various areas of Iranian football, such as marketing, branding, and privatization, the extent of research addressing economic management and simultaneously examining the problems and challenges in this area remains limited. This study, by identifying this research gap, seeks to provide a clear picture of the current state of economic management in Iranian professional football clubs, diagnose the weaknesses, issues, and flaws in the current economic management practices of these clubs, and analyze the economic challenges that professional clubs face within Iran's unique political and economic environment, to help to address the existing situation. Therefore, the main research question is as follows:

What are the most significant problems and challenges facing Iranian professional football clubs in achieving optimal economic management?

### **3. Methodology**

This study is a qualitative content analysis with a directed approach, using a framework identified based on the literature and previous research, aimed at expanding the theoretical foundations related to the problems and challenges of economic management in professional football clubs. To complete the identified framework, semi-structured interviews were conducted with experts in football management. The study population consisted of experts familiar with the research topic, including board members of Premier League clubs and the League

Organization, specialized managers from the Football Federation and League Organization, Ministry of Sports and Youth, the Sports Commission of the Parliament, researchers, and university professors, and other knowledgeable individuals who could contribute to uncovering concepts and categories impacting the research topic. To this end, participants were selected using two sampling methods: purposive and snowball sampling. The number of participants was determined based on the theoretical saturation of the data, which was achieved after 14 interviews. The interviews generally lasted 30 to 55 minutes and were semi-structured to allow in-depth exploration and follow-up of opinions. During the interview sessions, in addition to taking notes on important points, the interviews were recorded with the consent of the participants. After transcription, the interviews were analyzed in three stages: open coding, categorization, and structuring the categories.

To ensure the scientific rigor of the study and enhance the validity of the findings, Guba and Lincoln's (1985) criteria were applied, considering four criteria: credibility, dependability, confirmability, and transferability throughout the study. The researcher used self-reflection to ensure credibility and attempted to compare the findings with other relevant theories and the existing literature. Additionally, the full text of all the coding and categories extracted by the research team was reviewed and confirmed through interaction among the team. To enhance dependability, the findings and extracted codes were reviewed by an external auditor. The research team carefully monitored the process to verify the research's confirmability, ensuring the steps were precisely followed. Regarding transferability, the applicability of the findings in other contexts can be assessed based on the research setting, the selection of participants, the data collection method, and the analysis process. Overall, efforts were made to employ one or two appropriate strategies for each criterion to show that the findings highly represent the research.

## 4. Results

Table 1 presents the demographic characteristics of the research participants (interviewees) categorized by age, gender, and educational level. As shown in the table, the majority of the study participants were male (85%), and most participants held PhD degrees (57%) and were between the ages of 41 and 50 (around 43%) compared to other age groups.

**Table 1.** Demographic characteristics of the interviewees.

|            | Gender |       | Education Level |           | Age Group |       |       |
|------------|--------|-------|-----------------|-----------|-----------|-------|-------|
|            | Female | Male  | Master's        | Doctorate | 30-40     | 41-50 | 51-60 |
| Frequency  | 2      | 12    | 6               | 8         | 5         | 6     | 3     |
| Percentage | 14/28  | 85/72 | 42/86           | 57/14     | 35/72     | 42/86 | 21/42 |



To identify the problems and challenges affecting the economic management of football clubs in Iran, alongside library studies and a review of previous research, interviews with experts and specialists were conducted. The data and concepts discovered were analyzed sequentially and iteratively to classify codes and concepts with shared or similar meanings into different categories. In contrast, redundant concepts were removed from the analysis cycle. After conducting several stages of content analysis, all final concepts were classified into 13 higher-level categories: problems (7 categories) and challenges (6 categories). Tables 2 and 3 present the final categories from the qualitative data analysis and their corresponding sub-components. Additionally, in the last column (source of code), the number of interviewees who referred to each concept is provided.

**Table 2.** Problems in the economic management of football clubs in iran.

| Categories                                       | Concepts   | Source Code       |
|--|--|-------------------|
| 1. Lack of Club Philosophy                       | Absence of strategic thinking  | P3,P8, P13        |
|  | Lack of appropriate club vision  | P8, P13           |
|  | Absence of a clear strategy for attracting sponsors                              | P3,P4, P11        |
|  | Arbitrary selection of different coaches   | P1,P6, P9         |
|  | Frequent and excessive changes in coaching staff and players                     | P1,P2,P6, P13     |
|  | Management instability and disregard for previous positive actions               | P1,P10, P12       |
|  | Failure of public clubs to follow a consistent budget-setting process            | P2,P10            |
| 2. Lack of Transfer Strategy                     | Short-term contracts (one or two years)  | P2,P4, P12        |
|  | Excessive legal weaknesses in contract agreements                                | P2,P11            |
|  | Not considering players' age in contract agreements                              | P1,P4             |
|  | Absence of a specialized technical committee overseeing player acquisition       | P6, P14           |
|  | Renewing contracts of ineffective players  | P9                |
|  | Lack of investment and revenue generation from young players                     | P6, P10           |
|  | Full authority given to coaches during transfer seasons                          | P1,P12            |
| 3. Weak Human Resource Accounting                | Not utilizing official and specialized intermediaries                            | P4,P10            |
|  | Weak negotiation and bargaining power  | P3,P8, P13        |
|  | Treating players as costs and liabilities  | P8, P13           |
|  | Lack of financial transparency   | P1,P3,P5, P10,P14 |
|  | Not using specialized auditors   | P7                |
|  | Lack of proper internal auditing in the club                                     | P10,P12           |
|  | Disregarding player value in transfers   | P2,P5,P6, P11     |
| 4. Lack of knowledge about the football industry | Not tying contracts to player performance  | P1,P8,P14         |
|  | Lack of awareness of diverse revenue sources in the football industry            | P4,P10 ,P13       |
|  | Not employing specialized professionals in marketing and branding                | P2,P3,P6, P14     |
|  | Strong correlation between technical and financial performance in football clubs | P4,P14            |
|  | Not using legal consultants in sports law  | P3,P8, P13        |



|   |   |             |
|---|---|-------------|
| 5. Poor Brand Management                            | Lack of established core values and club brand identity                               | P8, P13     |
|   | Constant change of sponsors   | P3,P4       |
|   | Not using commercial partners or Co-branding efforts                                  | P1,P6, P9   |
|   | Not utilizing brand development potential   | P1,P2,P6    |
|   | Weak logo and other visual brand elements   | P1,P10, P11 |
| 6. Poor management of fans                          | Failure to provide appropriate service quality to customers (spectators)              | P2,P12      |
|   | Lack of proper fan database   | P2,P4       |
|   | Absence or lack of organization in fan clubs  | P2,P10      |
|   | Failure to honor loyal fans   | P1,P4       |
|   | Lack of two-way and interactive communication with fans                               | P6, P10     |
|   | Using unqualified individuals as fan leaders  | P9          |
|   | Offering free tickets for matches   | P9          |
| 7.Neglect or under attention to grassroots football | Absence of a youth football development model   | P6, P10     |
|   | Not exploiting the sale of youth players and training compensation                    | P1,P12      |
|   | Focusing on buying players without considering the resources available in youth teams | P4,P10      |
|   | Not allocating a specific percentage of the main team budget to youth teams           | P3,P8, P13  |
|   | Not consulting youth coaches in forming the main team                                 | P8, P13     |
|   | Low salaries and benefits for youth team coaches and staff                            | P1,P10      |

**Table 3.** Economic management challenges of football clubs in iran.

| Main Categories                                     | Subcategories  | Source Code   |
|---|--|---------------|
| Fanatical fans                                      | Presence of passionate supporters with little understanding of proper club management              | P1,P3,P8      |
|   | Intense sensitivity of fans to short-term results  | P1,P4         |
|   | Fan loyalty to specific players or coaches   | P6            |
|   | Fan resistance to fundamental changes in club management   | P2,P6         |
|   | Fans' tendency to acquire or retain star players at any cost                                       | P6            |
| The Specific Nature of the Football Industry        | Joint production of the core product (the match) and mutual interdependence among clubs            | P3, P11       |
|   | Uncertainty of outcomes  | P11           |
|   | Presence of numerous intangible assets   | P4, P12       |
|   | Perishability of the core product  | P11           |
|   | Widespread interest and enthusiasm for football in Iran  | P9,P13        |
| Poor economic governance of the league organization | Lack of transparency in league organization auctions and financial contracts                       | P1,P3,P13,P14 |
|   | Failure to enforce media and internet rights for football  | P4, P14       |
|   | Extreme revenue claims by the federation from limited club incomes                                 | P1,P4,P14     |
|   | Absence of league representation for clubs   | P1, P4        |
|   | Misdistribution of earned revenues   | P4,P10,P14    |
|   | Failure to protect the football brand by the league organization                                   | P4,P8         |
|   | Lack of financial independence of the league organization from the federation                      | P7,P9,P13     |
|   | Formation of stakeholder networks benefiting from the existing financial chaos in Iranian football | P1,P5,P10     |
|   | Poor organization of intermediaries  | P4, P12       |
|   | Excessive and ineffective legislation  | P12,P13       |
|   | Deep-rooted financial corruption among stakeholders in Iranian football                            | P5,P11        |
|   | Lack of prioritization of sports in national governance  | P1,P6,P12     |

|           |  |                |
|-----------|--|----------------|
| Political | Inadequate infrastructure for revenue generation and genuine club independence                   | P9, P12        |
|           | Security-driven governance approach toward popular football clubs                                | P4,P6,P10,P14  |
|           | Direct involvement of various government sectors in club management                              | P6,P13, P14    |
|           | Political interference in various aspects of sports  | P4,P6,P14      |
|           | Excessive influence of political managers in football administration                             | P1, P14        |
|           | Weak sports diplomacy at the national level  | P6,P13,P14     |
|           | Resistance to establishing strategic relationships with football-leading countries               | P1,P13         |
|           | Continued employment of ineffective political managers in sports                                 | P3, P12        |
| Economic  | Monopolistic and non-competitive nature of the country's economic environment                    | P5,P13         |
|           | Lack of perceived need among large enterprises to financially support sports                     | P3,P7,P10      |
|           | Continuous depreciation of the national currency   | P9, P12        |
|           | Monopolization of the media space (especially television) and refusal to pay broadcasting rights | P4, P10        |
|           | Limited household leisure spending capacity within society and among fans                        | P1,P7, P13,P14 |
|           | Dominance of the state-controlled economy in Iran  | P6,P13         |
|           | Excessive emphasis on a closed and resistant economic model                                      | P1,P2,P11      |
|           | Reluctance of foreign investors  | P1,P3,P8,P14   |
|           | Weak sports sponsorship culture in the country's commercial institutions                         | P1,P4,P8, P10  |
| Cultural  | Significant rise in the influence of social media on people's lifestyles                         | P6             |
|           | Introduction of sacred and religious matters into the sports domain                              | P2,P6          |
|           | Absence of a professional sports culture   | P1,P4,P10      |
|           | Negative societal perceptions of professional athletes' income                                   | P6, P13        |
|           | Presence of a culture of cronyism and nepotism, replacing meritocracy                            | P1,P4,P14      |

## 5. Conclusion & discussion

The primary issue facing football clubs in Iran is the need for more knowledge among managers regarding the nature of the football industry, which significantly manifests in the absence of a clear philosophy, weak brand management, and problems in subsequent operational areas. Due to various limitations, Iranian Premier League football clubs need access to many of the three familiar sources of income in football and its subcategories (Izadi, 2016). Therefore, there is a growing need to focus on economic management in Iranian clubs and adopt appropriate measures and regulations to prevent further deterioration of their financial situation. In this context, possessing adequate knowledge about the nature of the football industry, standard revenue-generating methods, and cost management is crucial. Seifpanahi (2013) states that out of 43 common revenue-generation strategies in global football, only 11 are present in the Iranian Premier League, and even these are limited in scope. The lack of knowledge and awareness among Iranian football managers about the football industry (as discussed in the challenges section) has a profound impact on other

management problems in the clubs, such as the absence of a long-term strategy, weak brand management, and marketing, lack of a transfer strategy, and efforts to reduce club expenses through academies, poor fan management, and more. Sohrabi et al. (2023), Amiri et al. (2013), Deldar et al. (2015), and Rasouli et al. (2019) have also pointed out the need for more executive managerial knowledge in football.

Weak brand management and marketing contribute significantly to clubs' current financial and economic management situation. Strategic management in modern football is no longer solely about results on the field. Today's managers aim to protect themselves from short-sightedness and narrow perspectives, seeking to create a unique position for their clubs through brand management. The goal of comprehensive branding is to enhance the customer experience, which is not just about the joy of winning in football. Entertainment, fun, communication, or even comfort and enjoyment in the stadium are all part of the fan experience. A brand, through its defined identity, differentiates the club from others. This brand identity keeps the fans loyal to the club, brings them to the stadium, convinces them to wear the team's shirt, and even to cheer and cry for the team. While football clubs worldwide exploit every possible avenue to generate income and increase their financial turnover, in Iran, such opportunities are often overlooked, and little attention is paid to them (Nadrian et al., 2015). Attracting sponsors, creating online stores, online sales, issuing credit cards, and selling shirts, scarves, flags, and other merchandise are some revenue sources that professional clubs in different leagues rely on. However, these income sources are often ignored in Iran for various reasons, some rooted in managerial ignorance. Bahmani et al. (2020) emphasized that professional sports leagues in Iran must implement proper sports marketing management to achieve sustainable competitive advantage. The results of Kamyab et al. (2023) indicated that business activities outside of sports were the most effective method of financing football clubs in Iran. Iranian football clubs need to be more decisive in implementing branding principles, such as defining brand identity, core values, and visual symbols and utilizing various branding elements in sports (Rasooli et al., 2016; Nazemi et al., 2023).

In addition to the lack of necessary revenue generation, what has worsened the situation for Iranian clubs is poor financial management, particularly in managing expenses, especially player transfer costs. Iranian football clubs compete intensely yearly to achieve sporting success regardless of their income, leading to fierce competition in the player transfer market. This, in turn, drives up player prices and leaves clubs unable to meet their financial obligations (Tarabi et al., 2015). As a result of this approach, we have witnessed a rise in international legal cases against Iranian football. Persepolis and Tractor are the latest examples banned from the transfer market due to legal cases and non-payment of debts to foreign players. This situation not only hinders Iranian clubs' success on the international stage and in the AFC Champions League but also severely damages the overall brand of Iranian football, leaving it in a weakened position (Nazemi et al., 2023).

According to the findings of this study, one of the main economic management problems in Iranian football clubs is the need for more human resources accounting. This critical issue is closely linked to two higher-level problems: the need for a transfer

strategy and the neglect of academies and grassroots football. In Iran, the amounts paid for player transfers are typically accounted for as period expenses in the profit and loss statement. As a result, players need to be recognized as assets on the balance sheets of Iranian clubs. Furthermore, various methods exist for determining the value of human assets in sports clubs, making it essential to identify and select the most appropriate method for the current state of football in Iran (mousavi et al., 2021). It is also important to note that most professional clubs in Iran end their fiscal year with a negative financial balance. A negative balance in professional clubs occurs when expenses exceed revenues. European football clubs, particularly after implementing UEFA's Financial Fair Play regulations, now focus more on generating income through the transfer market and balancing their financial statements rather than simply spending on transfers (Mareque et al., 2018).

In contrast, only about 1% of financing in Iranian Premier League football clubs is generated through transfers, a figure significantly lower than the global average (7-10%) (Nadrian et al., 2014). Even though transfers are one of the primary sources of revenue generation for football clubs worldwide, Iranian football clubs tend to overspend in this market. Surprisingly, the focus on acquiring star players and other players from rival teams increases each year. Before the start of the 2018-2019 Iranian Premier League season, clubs like Nassaji Mazandaran, Tractor, Esteghlal Tehran, Zob Ahan Isfahan, and Naft Abadan signed 16, 15, 13, 11, and 11 new players, respectively, often with high costs, which is considered unusual in global football. Meanwhile, these clubs do not generate significant income from player sales for various reasons, such as short-term contracts (Nazemi et al., 2023). The research by Mosavi et al. (2021) also pointed to the weakness in the player transfer system in Iranian football, identifying six key factors—technical aspects, non-technical factors, agents, clubs, the federation, and the government—as determinants in international transfers of Iranian football players. They suggested that international football transfer stakeholders adopt a systemic perspective in dealing with these issues.

The insufficient attention to grassroots football stems from these very problems (lack of philosophy, vision, long-term planning, financial knowledge in club management, improper accounting of human resources, lack of a transfer strategy, etc.), which have cumulatively worsened the economic and managerial situation of Iranian football clubs. Developing an integrated philosophy and long-term program for clubs, along with a proper focus on academics, player development, and talent acquisition from a young age to a professional level, could significantly reduce the unnecessary annual spending on new players. Additionally, this approach could create a valuable revenue stream for clubs by selling homegrown talents.

Weak fan management is another significant problem contributing to Iranian football clubs' economic management situation. According to all academic sources, fans are a considerable asset for clubs; they not only directly contribute to revenue through ticket and merchandise sales but also influence many of the indirect revenues

of clubs. Media outlets naturally pay more attention to clubs with a loyal fan base, and television networks, commercial companies, and sponsors are more willing to pay higher amounts to clubs with a more substantial following (Desbordes & Richelieu, 2019). The study by Yabaloui et al. (2023) also revealed that "attention to fans" is one of the most critical factors in evaluating the efficiency of professional clubs. Undoubtedly, the core of sports marketing, club management, and a sports club's target market is its fan base because, without fans, all club activities would be futile. Honoring and engaging with fans is considered a motivating factor in modern clubs, with significant effects on the club's brand and financial matters. Unfortunately, this aspect is neglected mainly in professional sports in Iran.

One of the fundamental challenges in football management is that football clubs differ significantly from other businesses and commercial entities in various aspects. These differences stem from the unique nature of the football industry and its core product (Memari et al., 2023). If club managers are unaware of these unique characteristics, they will likely face challenges, particularly in the economic management of their clubs. For example, a club's financial performance is heavily dependent on its sports performance, and despite all necessary precautions, success on the field in football remains highly unpredictable. Uncertainty is the core element of football's product and one of the main reasons people engage with it. The uncertainty encompasses excitement, stress, emotions, and tension, which are rarely found in other products. How to market this uncertainty and its associated experience is one of the key challenges football marketers face. To address these challenges, marketers must design tangible, complementary, and potential features for the football product (Hasan & Hamill, 2010).

The specific nature of the football industry, coupled with the political challenges, forms the foundation of the financial management problems football clubs face in Iran. Based on the research findings, several political challenges were identified, including the lack of prioritization of sports in the broader governance of the country, inadequate infrastructure for revenue generation and the actual independence of clubs, direct involvement of various governmental sectors in club management; political interference in multiple aspects of sports; the security-oriented approach of the government toward popular clubs; excessive political influence over football management; weak sports diplomacy at the national level; resistance to establishing strategic relationships with football-powerhouse countries; and the persistence of appointing ineffective managers in sports. The political mindset, actions, and interference of governmental institutions in the management of clubs, especially by appointing political managers who lack understanding of the football industry, can create numerous problems for the country's football, as evidenced by the country's current state of football management. Several studies have shown that government-related and political factors hinder football clubs' marketing and revenue generation. Political interference in sports, laws prohibiting commercial advertising of athletes (which is in contrast to the global norm), lack of copyright laws, the monopolistic control of state television, absence of supportive regulations for broadcasting rights and revenue generation, lack of club independence, the failure to privatize clubs, and

the inability to issue licenses for the establishment of club-owned television networks are legal gaps in Iran's sports sector that limit football clubs' revenue-generating potential and increase their dependency on the government (Alam et al., 2018). This view is supported by Resooli (2014) who also confirms the impact of political challenges on Iranian football clubs.

The economic challenges are another significant factor that can severely impact the financial management of professional football clubs in Iran. Gharehkhani et al. (2015) state that privatization of football clubs in Iran faces several barriers, the most prominent being economic. Without removing these barriers, the privatization policy will not be operational, and like in previous years, the privatization of football clubs will remain a dream. Therefore, based on the research findings regarding the presence of three specific types of barriers and the importance and priority of economic and financial barriers, it is recommended that the government, sports managers, and the Football Federation take serious actions to remove these obstacles and create a favorable environment for the commercialization of football clubs to increase their revenue streams. The private sector seeks profit, and loss-making clubs must be more attractive.

Additionally, providing the necessary legal and regulatory environment with cooperation from national institutions, such as the parliament, the Privatization Organization, and the government, is essential. This includes drafting legal bills and plans by the government, enacting necessary laws by parliament, and preparing conditions and guidelines by the Privatization Organization. Structural changes within clubs and creating an environment for economic and sports activities are required. In other words, while competing on the field, football clubs should also focus on commercial and business engagement (Gharehkhani et al., 2015). The special economic conditions of Iran and specific existing laws have created significant challenges for professional clubs. The rise in foreign exchange rates has severely reduced clubs' ability to attract foreign players, which, in turn, has caused an artificial inflation in the prices of domestic players who do not necessarily have a high performance. The uncertain economic environment and the country's inward-looking economy have led to losing opportunities to attract foreign investors or business partners for the clubs. Other issues, such as inadequate broadcasting rights, lack of necessary laws regarding intellectual property and licensing, absence of powerful sponsors, lack of individual and team endorsements, etc., have created multiple barriers for the Iranian Premier League and its clubs to generate revenue. Terabi et al. (2015) noted that while media and television broadcasting generate 31% of the financing for football clubs in England, this figure is less than 1% in Iran, which is a very low percentage. Rezaei (2018) and Amiri et al. (2013) highlighted that the state monopoly over national media, the absence of private media outlets, and the competition for broadcast rights without proper supporting laws or interaction between the Football Federation and the Ministry of Sports with the national broadcaster are the primary obstacles preventing football clubs from generating revenue through broadcast rights. Financial support from sponsors is among the few revenue sources realized in Iranian football (less than 15%). Still, this figure remains insignificant



compared to other countries (Naghdi et al., 2014). In this context, Elahi et al. (2009), Shajee et al. (2012), and Naghbandi et al. (2012) argue that until legal issues related to copyright, private broadcasting network establishment, and other laws related to free market trade in sports are resolved, sponsors will continue to view the football industry in Iran as too risky to invest in. Other studies also indicate that the barriers to private sector participation and significant corporate investments in Iranian football include the uncertain economic environment, high investment risks in the football industry, the lack of foreign direct investment (FDI) opportunities in Iranian football, and the lack of genuine political will to privatize the clubs (Elahi et al., 2009; Shajee et al., 2012; Amiri et al., 2013; Rezaei et al., 2015). Research by Ehsani et al. (2014) on barriers to attracting financial sponsors in Iranian football also found that external economic factors (outside the football industry) significantly impact the failure to attract sponsors. Fundamental changes in the country's commercial laws to increase competition in the domestic market are seen as one of the potential solutions to this issue.

Cultural challenges are also significant obstacles that football managers face in improving their economic conditions. These challenges, especially regarding revenue generation and the impact of cultural variables on fan bases, must be carefully addressed. Today's life is closely linked to mobile services, the internet, and, more broadly, the virtual space. Additionally, the global advancement of video games and digital entertainment has led to a shift in the younger generation's interests, decreasing their attention toward sports in terms of active participation and fan support (Rasouli et al., 2019). However, it is possible to turn this challenge into an opportunity by leveraging the power of influence and expanding these technologies to enhance communication with fans and attract them. Notably, prominent football clubs worldwide have taken advantage of the growing popularity of social networks and video games, using these platforms extensively to strengthen their connection with fans. Rezaei (2018) also emphasized the need for reform in the country's cultural structure of professional sports. He suggested that necessary cultural reforms should be implemented to create an environment conducive to scientific efforts aimed at financial component development, which is essential for privatizing football clubs in Iran. However, it must be noted that progress can only be made by defining and specifying the financial components of football clubs.

## **5. Managerial implications**

Since this study is one of the first to explore the economic management of football clubs in Iran, and it approaches the topic from both micro (management problems within clubs) and macro (larger-scale challenges facing optimal economic management in clubs) perspectives, it can provide a more comprehensive picture of the current state of financial management in professional football in Iran. Practical suggestions can be offered at three levels: governing bodies, Premier League Organizations, and clubs.



Based on the study's findings, especially in the challenges section, improving clubs' financial and economic situation is only possible with the support and cooperation of the country's governing bodies. This cooperation should be in the form of something other than direct financial assistance (which is still ongoing for some clubs), but rather in creating a suitable macro-environment for professional club management in the country. The key actions these bodies should take to build an appropriate framework include reducing the security-based outlook and political interference in club management; avoiding the appointment of unqualified and uninformed managers about the nature of the football industry; facilitating the privatization of clubs; supporting the realization of football revenues, especially television broadcasting rights; protecting the legal rights and intellectual property rights of clubs; reducing monopolistic tendencies and increasing competition among commercial entities; and improving the economic environment of the country.

At the second level, the Premier League Organization, as the main body responsible for organizing and overseeing the Iranian Premier League, should act as an independent organization (while cooperating constructively) with the federation to reform, address weaknesses, and improve its governance, especially in the economic governance domain. Key actions at this level include reducing administrative corruption, ensuring the independence of the main branches of the federation, transparency, and complete disclosure in commercial contracts, including the assignment of environmental advertising rights, reforming laws and regulations in favor of clubs, and providing training on appropriate financial management and professional club administration methods to club managers.

At the club level, which is the core focus of this study, various economic management weaknesses were identified that all club managers need to address. Some of the most important actions required at this level include:

- Developing a long-term vision and strategy and adhering to it.
- Reforming the organizational and ownership structures of the club.
- They focus on diversifying revenues and reducing the main costs of clubs, which are player wages and acquisitions.
- Initiating a formal brand management process for the club (registering the brand, developing brand identity, and using unique elements for the brand, along with legal protection of the brand in various platforms).
- Paying more attention to youth academies and grassroots football and reducing exorbitant, unsupported spending on transfers through a club's transfer strategy.
- Creating a fan database with varying levels of engagement.

In addition to the lack of financial data from clubs, one of the significant limitations faced by the researcher in this study was the need for more cooperation from football managers for interviews and research participation. Considering the impact this limitation has on the results of domestic studies; it is recommended that the Football Federation and the Premier League Organization create an environment conducive to better-conducting research that can help the development of football in the country. The primary activity could be establishing a research committee or unit focused on

research and scientific development in football, issuing clear instructions with necessary execution backing to facilitate the cooperation of all football stakeholders in conducting scientific studies and collecting valid data.

This study is among the first research efforts in the field of economic and financial management of football clubs in Iran, and it aims to comprehensively identify the general causes of poor economic management in Iranian football clubs. For this purpose, a mixed qualitative approach was used. To ensure the validity of the results, it is suggested that future researchers develop a standard questionnaire based on the results of this study and conduct a survey-based investigation, comparing their findings with the results of this research.

## Disclosure statement

The authors declare no potential conflicts of interest.

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