

Module 4. Harnessing political opportunities in wealth management

Unit 4.1 Introduction and overview

The final reading of this course focuses on strategies for harnessing political opportunities for wealth management in sport. As with reading 3, it builds on the conceptual framework that we have developed across the course, categorising political opportunities according to the nature of the political system and substantive political dynamics within which a sports organisation or investment is embedded. The key focus across the reading is on how, given an understanding of the nature and dynamics of a political system and governance network, sports organisations and investments can derive wealth management opportunities that rely on smart power alignments, representing an exchange of hard power and soft power.

We begin by analysing political opportunities in stable political systems. In this type of system, political opportunities are already established and realisable through proactive action. Such opportunities are characterised by the fact that they can be seized without any change to the underlying regime, governance network, or substantive basis of politics. Following the logic and naming conventions established in the previous reading, we label these as established political opportunities. Under this heading, we group the following types of political opportunities – explicit and implicit public funding, public-private partnerships, and sports mega-events. We explore a range of strategic approaches that leave sports organisations well-positioned to benefit from this type of opportunity, returning to the benefits of political investment and alignment, but this time with a particular focus on the importance of sports organisations and investments connecting the intrinsic benefit of high-level sporting achievement to a range of extrinsic benefits that a political regime and actors in a governance network are primed to appreciate.

Within stable political systems, there are also political opportunities that emerge in periods of relative flux – with the emergence of new issues, new policies, and new actors in a governance network. We label these as dynamic substantive political opportunities. We begin by exploring a particular subset of dynamic political opportunity which is generated by the hosting of a mega sporting event. We then focus our attention on dynamic political opportunities that are associated with emerging issues; these can offer substantial brand equity development and facilitate the expansion of the fanbase of a sports organisation or investment. As with dynamic substantive political risk, the political



intelligence gathering and political analysis capacity of sports organisations and investments is a key consideration in this domain. In this reading, we continue to develop these themes, but we focus in more detail on the complementary strategic tools of political partnership and issue leadership as being central to seizing dynamic political opportunities. We also discuss examples of policy shifts that lead to an increased emphasis on investment in elite sports as a form of reputational enhancement for political regimes. Here, we argue that identifying regimes that are newly (or increasingly) prioritising investment in elite sport can provide a significant early mover advantage to sports organisations and investments.

Within unstable political systems, we explore the particular leverage that sporting organisations and investments can have for conferring legitimacy and a sense of normalcy to a new regime. In these circumstances, the potential for a mutually beneficial 'smart power' exchange is particularly potent. We argue that contexts of political instability are particularly challenging to sports organisations and investments from a commercial perspective and, commercially, are best viewed through a lens of risk mitigation. However, the most valuable soft power sporting opportunities are those that can shape the political systems within which they are embedded toward greater unity and stability.

The key takeaway from the reading is as follows: sports organisations and investments which develop political opportunities for wealth management can avail of enhanced profitability in a variety of ways. They are best positioned to do so when they understand the political opportunity structure that they face and position themselves strategically to develop 'smart' power exchanges that best take advantage of this structure.

Unit 4.2 Political opportunities in stable political systems: established political opportunities

In this section, we look at political opportunities within political systems that are stable both institutionally and substantively. That is to say, we explore the political opportunities for sports organisations and investments that are typically embedded within stable political systems. We explore these opportunities through an analysis of the wealth management interplay of the state and sporting organisations in circumstances of political stability.

There is a range of mechanisms via which state actors can fund or part-fund sporting organisations and investments. Most obviously, there is direct funding, wherein the state provides financial support to individual athletes, sporting organisations, particular projects and activities that encourage participation in sport and/or that use sport as a means to address social issues. Typically, this money is disbursed either through a

government ministry, via local government, or by arms-length sports federations. Andreff (2009) shows, using data capturing sports financing across EU member states in 2005, that state government (12 %) and local authority spending (24 %) makes up a total of just over 36 % of sports finance.

Furthermore (and this is important to note in identifying states where there might be particularly significant established political opportunities for wealth management in sport), it is important to note that individual states vary significantly in the next to which public versus private sources predominate in the financing of sport. Table 1 in this reading is adapted from data presented in Andreff (2009) and shows how pronounced these differences can be – with the proportion of public funding of sports varying from a high of 77.5 % (Bulgaria) to a low of 8.6 % (United Kingdom). These differences reflect both the historical trajectories of individual states (the larger proportion of public financing in post-Communist states is noteworthy, for instance), but are also the consequence of political decisions.

Table 1. Overall sport financing in 13 EU states

Table 1: Overall sport financing in 13 EU states: distribution by sources of finance based on 2005 data collected by Andreff (2009)

Country	Overall sport finance		Public finance	Private finance
	€ million	% of GDP		
Bulgaria	59.7	0.21	77.5	22.5
Cyprus	212.9	1.56	19.9	80.1
Estonia	127.1	1.13	49.7	50.3
Finland	2450.0	1.56	23.7	76.3
France	30330.0	1.76	39.7	60.3
Germany	31932.6	1.42	16.0	84.0
Lithuania	79.3	0.38	52.6	47.4
Netherlands	8359.0	1.64	21.5	78.5
Portugal	1432.5	0.96	33.5	66.5
Slovakia	240.8	0.63	72.4	27.6
Slovenia	195.0	0.69	35.5	64.5
Sweden	3817.1	0.52	17.3	82.7
United Kingdom	30175.6	1.67	8.6	91.4
Average			36.2	63.8

Source: Andreff, 2009, <https://bit.ly/3BWAmpT>.

One of the most significant areas through which public funding is invested into sports is through the development of sporting infrastructure. A particularly large body of research has developed centring on the economic impact of sports stadiums in the United States of America, with an emphasis on the question of whether they provide ‘value for money’ as a form of public investment [see Matheson (2019), for an overview]. The question of the

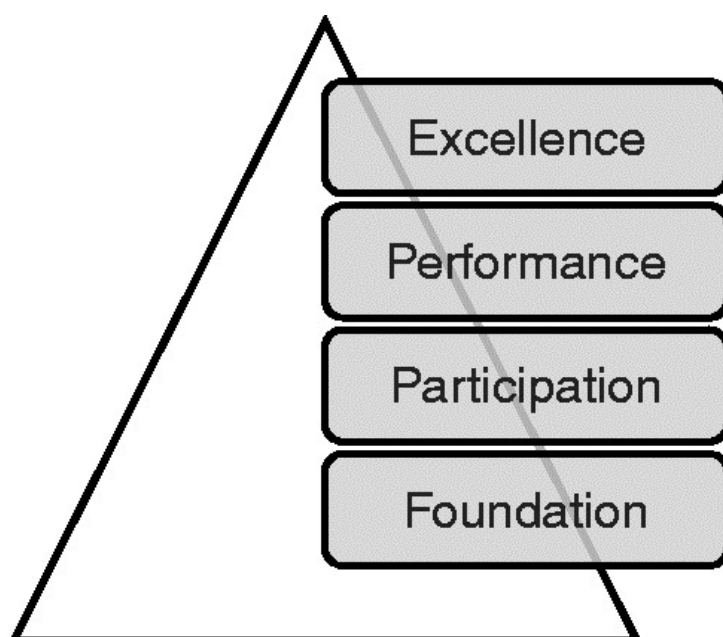


extent to which such investments represent value for money is very much open to question. The key insight of economists and urban planners is that many of the industry projections for the economic impact of new stadiums fail to account for the fact that such stadiums mainly absorb discretionary/leisure spending that would also have been spent into the local economy absent the new stadium (Siegfried and Zimbalist, 2000). However, these debates have been most heated in national-level American sporting leagues where franchises can, and do, relocate. Diedrich (2007) expresses this quandary elegantly: “The public does not want to pay for professional sports stadiums, but that does not mean we are willing to let our favourite team leave town” (p. 27).

Abhinav (2016) notes a growing prevalence of public-private partnerships in financing the development and refurbishment of stadiums in the USA, showing that “between 1997 and 2015, 16 out of 18 new NFL stadiums and two of two renovation projects were completed using mix of private and public money” (p. 887). The nature of these partnerships and the means through which public funds are invested have increased in financial complexity over time, with Drukker *et al.* (2020) noting that states are increasingly employing tax-exempt municipal bonds as a means to raise their portion of funding for such a project – shifting some of the cost to the federal level, which is unable to tax the interest earned on such bonds.

There are also considerable opportunities in the public financing of sport at non-elite levels. Generally, governments across the world are giving increasing priority to schemes that widen access to sports, an outcome that is usually characterised as being in harmony with the achievement of sporting excellence. Turner (2013) uses figure 1 to characterise what he describes as the ‘classic sport development model’, with fewer and fewer individuals making it to each stage in the process.

Figure 1. Development pyramid for public funding of sport



Source: Turner, 2013, p. 1251.

Foundational stage activities focus on building basic levels of engagement with the sport and creating amenities that make this possible. Participation represents active engagement in sport, usually through clubs and amateur competition. Performance represents the coaching and technical infrastructure that allows for sporting development, while excellence captures the activities of elite performers in their sports. In recent years, this model has become increasingly popular and has proven useful as a means of smaller or more 'niche' sports, particularly those which promise a significant return on investment in Olympic Gold Medals, receiving public finance (Zheng, 2015).

Thus far, we have looked at direct means through which the state can finance sporting organisations and investments, but it is important to be aware that there are established political opportunities for sports to benefit from a range of indirect forms of state financial support. In the first place, sports clubs and wider organisations can benefit from special tax exemptions, reduced rates of VAT or reduced social contributions; so too can those who either sponsor or donate to sporting organisations. Furthermore, in several states there are specific taxation arrangements which can be beneficial to athletes (for example, not charging tax on sporting scholarships, or prizes for certain types of athletic achievement).

In summary, this section has described some of the more prominent established political opportunities that exist for wealth management in sport, all of which involve sporting organisations and investments benefitting from public investment and support. We have shown that such investment and support come in a combination of direct and indirect benefits. In the next section, we will discuss strategic approaches to harnessing established political opportunities.

Unit 4.3 Strategies for harnessing established political opportunities in stable systems

What are the strategic steps involved in developing the type of established political opportunities that we discussed in the previous section? As was the case with mitigating established political threats, the value of political investment and alignment cannot be underestimated.

One of the major advantages that political investment confers is access to key actors in the governance network. Kalla and Broockman (2016) conducted an experimental study which looked at the responsiveness of congressional offices to requests for meetings with donor versus non-donor organisations, which led them to conclude the following:

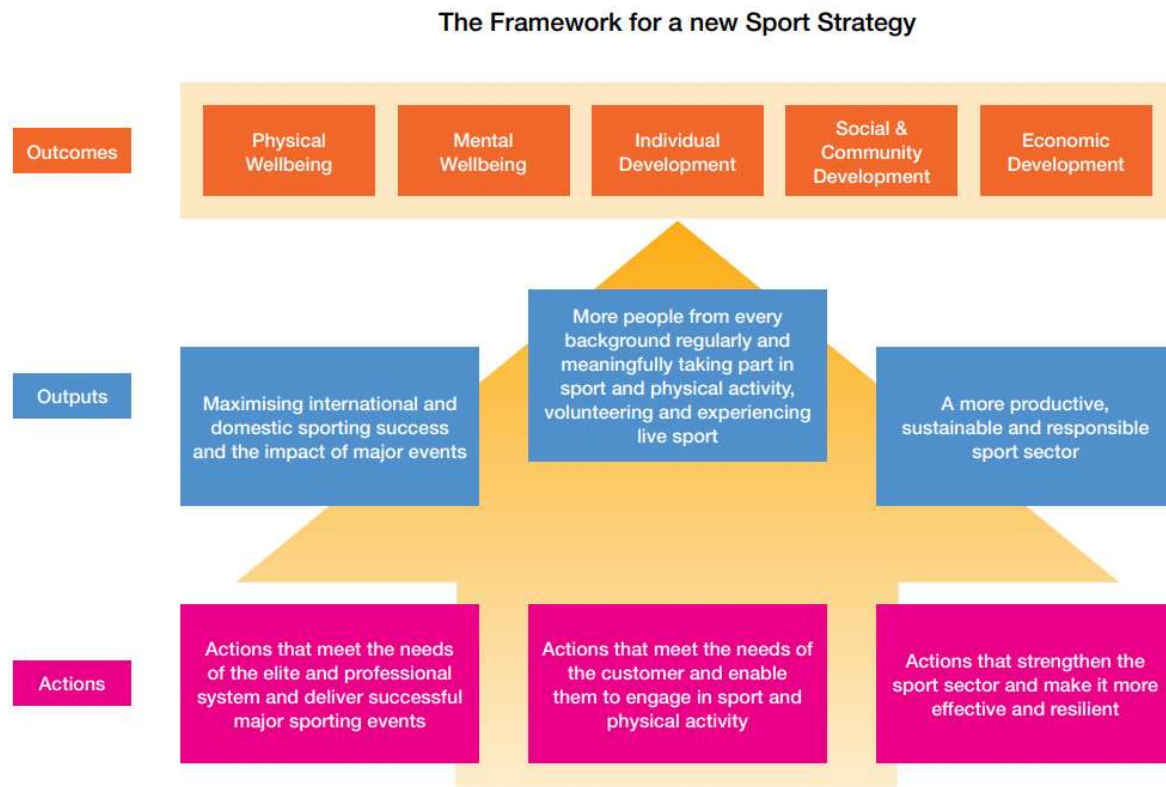


By virtue of having members who had given to political campaigns, the organisation in this study was able to obtain far superior access to influential policymakers. But not all organisations or individuals can be described as campaign contributors, as many Americans cannot afford to contribute to campaigns. The difference between how congressional offices reacted to the meeting requests when they were and were not aware that organisation members had donated thus provides a window into the reception organised groups that contribute to campaigns receive in Washington. (p. 556).

This type of access can be hugely valuable to sporting organisations and investments looking to harness political opportunities in at least two ways. In the first place, access can facilitate a greater awareness of the existence of public investment opportunities and funds; simply being aware of the possibility of such political opportunities is not straightforward, as they are often rather opaque in nature. This is particularly the case with some of the indirect benefits that we discussed in the previous section, which often require detailed knowledge of tax codes and the surrounding bureaucracy to access. As such, knowledge that a political opportunity exists is a potentially valuable political commodity.

Secondly, access to key actors in the governance network provides an opportunity to both shape and better understand the narrative and language used in allocating public funding to sport. This is a crucial prerequisite for developing an effective political alignment strategy because in both competing for open or general public financing or in framing specific funding support or public-private partnerships, it is crucial to 'speak the language' of the governing actors, understanding how to frame the case for a sporting organisation or investment. Of course, the wider strategic political priorities of public governance actors surrounding sport are not usually private. National and local governments often publish sports strategies with relatively clear goals and performance indicators. An example of such a publication can be seen in figure 2 below, which is taken from the UK Government strategy document *Sporting Future: A New Strategy for an Active Nation* (UK Government, 2015).

Figure 2. UK sport strategy framework



Source: UK Government, 2015, <https://bit.ly/3bKdpv6>.

Where political investment and alignment interweave, however, is in a more nuanced understanding of how actors in the governance network interpret and evidence these strategic priorities. The manner in which proposals to access public funding are framed and the ability of those proposals to provide evidence and analysis that meets the norms and standards of state agencies can be the difference between a successful and unsuccessful outcome. Understanding this gives politically astute sports organisations and investments a clear advantage in harnessing established political opportunities.

Finally, the example of public investment in stadiums in the United States represents a particularly pronounced version of a wider dynamic through which sporting organisations and investments can leverage their soft power to harness established political opportunities. As Vass (2022) notes, “the NFL has long kept the number of teams lower than the number of cities that could profitably support a franchise” (para. 24), and franchise relocation is a well-established feature of major American sports. The dynamic of being able to leverage a threat to the identity and prestige of a group of citizens is obviously favourable to American franchise owners, but it is relatively rare globally. What it does make clear, however, is that sports organisations can leverage their soft power in alignment with the financial and security hard power of public bodies to harness established political opportunities for wealth management.

Unit 4.4 Political opportunities in stable political systems. Dynamic substantive political opportunities 1: Sporting mega events

In this section, we will discuss dynamic substantive political opportunities in stable political systems. Our focus here is on opportunities that emerge due to a change in the political/social *status quo*.

The first set of opportunities that we consider under this heading is associated with mega sporting events, which are particularly dynamic in nature, in the sense that being successful in bidding to host a sporting mega event creates a new, fixed constraint in the political calendar that is tightly tied to the soft power of a state. Malfas *et al.* (2004) state the following:

A mega-event can be viewed in two main respects: first, with regard to its internal characteristics—that is, primarily its duration and its scale (i.e. number of participants and spectators, number of individual sessions, and levels of organisational complexity); and second, in respect of its external characteristics, which mainly take account of its media and tourism attractiveness, and its impact on the host city. (p. 5).

Examples of mega sporting events include the FIFA Football World Cup and the Summer Olympic Games. Roberts (2004) places particular emphasis on the ‘discontinuous’ nature of these events – that is, their temporary and idiosyncratic character. What is particularly interesting about such mega events is that, while their dates and venues are fixed well in advance, they are typically characterised by a relatively high degree of uncertainty and reactivity to ‘known unknown’ events and difficulties that create an increasing degree of dynamic substantive political opportunity as the event approaches (Horne, 2007). The most immediately obvious outworking of this dynamic are the remarkable financial opportunities that are available for commercial partners involved in hosting mega sporting events. This is because such events create intense scrutiny on the organising governance actors, a dynamic of ‘too big to fail’ commonly emerges, and massive budget over-runs are par for the course.

Table 2 below, taken from Flyvbjerg *et al.*'s (2021) detailed analysis of budget, overruns at Olympic Games, since it paints a clear picture; all Olympic Games overrun their projected costs, and many do so by enormous amounts. Bear in mind here that the costs for such



events run into the billions (for example, the budget for the 2016 Rio Olympics was over 13 billion US dollars), and you begin to get a sense of the scale of the money involved in dynamic political opportunities of this sort.

Table 2. Olympic Games cost overruns as estimated by Flyvbjerg *et al.* (2021)

Games	Country	Cost overrun %
Summer:		
Montreal 1976	Canada	720
Barcelona 1992	Spain	266
Atlanta 1996	United States	151
Sydney 2000	Australia	90
Athens 2004	Greece	49
Beijing 2008	China	2
London 2012	United Kingdom	76
Rio 2016	Brazil	352
<i>Average, Summer</i>	–	213
<i>Median, Summer</i>	–	120
Winter:		
Grenoble 1968	France	181
Lake Placid 1980	United States	324
Sarajevo 1984	Yugoslavia	118
Calgary 1988	Canada	65
Albertville 1992	France	137
Lillehammer 1994	Norway	277
Nagano 1998	Japan	56
Salt Lake City 2002	United States	24
Torino 2006	Italy	80
Vancouver 2010	Canada	13
Sochi 2014	Russia	289
<i>Average, Winter</i>	–	142
<i>Median, Winter</i>	–	118

Source: Flyvbjerg *et al.*, 2021, <https://bit.ly/3JFi0eB>.

Unit 4.5 Political opportunities in stable political systems: dynamic substantive political opportunities 2. Emerging political issues. New policy priorities and actors



The second type of dynamic substantive political opportunity that we will explore relates to emerging political issues. Here, it is argued that such new issues can potentially represent considerable opportunities in terms of both brand equity and fanbase growth. Let us return to the case of the Black Lives Matter (BLM) movement to explore examples of how to harness such opportunities. While, as we outlined in the previous reading, the BLM movement picked up global momentum following the death of George Floyd in May 2020, it stretched back to at least 2013. One of the early pioneers of the movement from the sporting world was NFL Quarterback Colin Kaepernick, who began the practice of kneeling during the pre-game US national anthem as a form of protest against racial injustice and racialised police violence. Kaepernick's (as cited in Kelner, 2018) explanation of the protest was as follows:

I am not going to stand up to show pride in a flag for a country that oppresses black people and people of colour. To me, this is bigger than football, and it would be selfish on my part to look the other way. There are bodies in the street and people getting paid leave and getting away with murder. (Kelner, 2018, para. 6).

This stance was extremely controversial, drawing the ire of then-President Donald Trump and of both former players and fans of the NFL, who argued that such protests represented a form of disrespect to the American flag. NFL team owners were largely unsupportive of these protests, ruling that players should stand for the anthem, and when Kaepernick became a free agent in 2017, no team offered him a contract, with many analysts speculating that his political activism had caused him to be blackballed (Moore, 2018).

In this context, Nike saw a dynamic, substantive political opportunity in aligning themselves with Kaepernick. Their 'Dream Crazy' ad campaign, launched in September 2018, saw this huge sporting brand aligning itself with Kaepernick (see figure 3 for an image from this campaign). Doing so represented a bold step and a clean break from Michael Jordan's quip that he preferred to avoid controversial political activism because 'Republicans buy sneakers, too' [although, see Jones (2020) for a nuanced discussion on the history of this particular quote]. The campaign was hugely impactful and controversial. Those opposed to its political message promised to boycott Nike and even burn Nike products (the hashtag #JustBurnIt trended briefly on Twitter when the campaign launched).

However, ultimately Nike's embrace of Kaepernick is largely judged as a commercial master stroke and is widely credited with generating a 5 % boost in the company's stock (Guardian Sport, 2019). Wertz (2018) attributes the success of the campaign to a combination of Nike understanding its core support demographic (i.e., Millennial and GenZ consumers, who are more concerned with social activism than previous generations) and making an authentic investment in an emerging political issue. The fact

the core message of the advertising campaign was about making sacrifices for one's beliefs was just the icing on the cake.

Figure 3. Image from Nike's 'Dream Crazy' ad campaign



Source: The Guardian, 2019, <https://bit.ly/3JG9P1E>.

Finally, in this section, we consider the dynamic substantive political opportunities that can arise for sporting organisations and investments when political policies and priorities change. The most pronounced example of this type of opportunity in today's sporting landscape is the relatively recent adoption of investment in sport as a soft power strategy in several oil-rich Middle Eastern states. England (2019) writing in the *Financial Times* lists examples of Qatar, the United Arab Emirates, and Saudi Arabia investing in sporting events and organisations ranging from high-profile boxing matches to buying and developing European Football clubs like Manchester City and Paris Saint-Germain, to unfolding investments in tennis, motor racing, horse racing, athletics, and golf. England (2019) notes that these regimes position their investments into the world of sport as part of a wider economic development strategy, centring on the tourist and leisure industries, but counters this reasoning by stating that "experts say there are other motives at play, from the projection of soft power to what campaigners have described as attempts to 'sports wash' the country's poor human rights record" (para. 20).

Whether soft power projection and image management are the sole reasons for the region's growing investment in sport, they are certainly a welcome associated bonus, and this creates a substantial political opportunity for wealth management in the wider sporting industry. The ruling regimes of these states are both willing and able to pay well beyond the going market rate when investing in sport. This is because these state regimes

exercise control over vast hydrocarbon generated wealth, of which they can easily trade off a small fraction to 'bank' the soft power advantages of sports investments. Furthermore, such investment decisions, which may represent poor value for money and social return for citizens, go largely unchallenged in these regimes because of the weak vertical, horizontal, and diagonal accountability structures that characterise authoritarian regimes.

One of the most intriguing current examples of this dynamic is the new LIV Golf Invitational Series, a new venture fronted by golfing great Greg Norman and financed by the sovereign wealth fund of Saudi Arabia. The LIV series has offered players financial opportunities that other established golf tours (the two largest being the PGA Tour and European Tour) simply cannot compete with. Speros (2022) notes that because LIV events are played over three rounds of golf (rather than four as in the other tours), with a smaller field and no 'cut', and with purses for each tournament that are larger than the 4 'majors', there is a huge disparity in the per hole financial reward that LIV tour golfers accrue compared to those playing tour events. The below analysis undertaken by Speros (2022) of the per hole payout to a LIV event versus the largest and most prestigious events on the other tours shows the scale of the financial incentives on offer.

In fact, Speros's analysis underplays the full scale of the financial opportunities for golf professionals joining the LIV Tour – which also include substantial team prizes, a \$30 million purse for the season's top 3 performers and a double purse of \$50 million for the final event of the Series – the Team Championship at Trump National Doral in Florida. Beyond enhanced prizes for sporting achievement, it has been widely supported that some of the more well-known players have received staggering upfront bonuses simply for joining the tour. Two of these reported joining bonuses (\$125 million for Dustin Johnson and \$200 million for Phil Mickelson). Both bonuses represent more money than Tiger Woods, the predominant player in the modern era, earned in prize money over the span of his entire career.

Table 3. Per hole prize money for LIV tour event versus largest PGA and European tour events

Event	Winner	Prize \$	Holes	Per Hole
LIV Golf - London	Charl Schwartzel	\$4 million	54	\$74,074
Players Championship	Cameron Smith	\$3.6 million	72	\$50,000
Tour Championship	TBD	\$3.24 million	72	\$45,000
FedEx Cup (BMW)	TBD	\$2.7 million	72	\$37,500
Masters	Scottie Scheffler	\$2.7 million	72	\$37,500
FedEx Cup (St. Jude)	TBD	\$2.7 million	72	\$37,500
PGA Championship	Justin Thomas	\$2.7 million	75*	\$36,000
U.S. Open	TBD	\$2.25 million	72	\$31,250
British Open	TBD	\$2.07 million	72	\$28,750
RBC Canadian Open	Rory McIlroy	\$1.56 million	72	\$21,611

Source: Speros, 2022, <https://bit.ly/3P6NTha>.

Seizing this financial opportunity has come with some difficulties for the players who have chosen to join the LIV Tour. They have been subjected to accusations of complicity in 'sports washing' and face bans from PGA and European tour events. Perhaps the most dramatic development in this saga to date was the decision to strip Henrik Stenson of the captaincy of the European Ryder Cup Team in the light of his decision to take part in a LIV tour event. Captaincy of a Ryder Cup Team is considered one of the greatest honours in the game of golf, and there have been hard words from fellow professionals and former captains. How this will play out is anybody's guess, but the ever-growing number of high-profile players now taking part in the LIV series represents a clear and present danger to the profile and viability of the other tours.

All of the examples reviewed in this section of the reading show that dynamic substantive political opportunities feature a higher degree of unpredictability and risk than established political opportunities. This is counterbalanced, however, by enhanced financial opportunity – with sporting organisations and investments which harness dynamic substantive political opportunities effectively able to make enormous financial gains.



Unit 4.6 Strategies for harnessing dynamic substantive political opportunities in stable systems

As it is the case with mitigating dynamic substantive political risk, political intelligence gathering and integration into the communications of a sporting organisation or investment are the key strategic tools needed to effectively harness substantive political opportunities. Organisations with their finger on the political pulse, which actively consider and plan for likely future dynamic substantive political opportunities, will have an advantage over competitors who find themselves reacting to, rather than leading on, such issues.

In circumstances of dynamic substantive political opportunity, speed is of the essence. When it comes to sporting mega-events, such speed can be the result of solid existing relationships with governance actors, and an ability to rapidly ramp up commercial activity in a short space of time. As the deadlines inherent in such events come closer, state actors have less time to undertake fully-fledged tendering processes and will prioritise established partners which can deliver at scale. In such circumstances, it is common for well-placed commercial actors to derive higher profit margins for their activities (Whitson and Horne, 2006).

The same considerations apply for the other types of substantive political opportunities that we consider in this reading – those generated by emerging issues and new priorities and actors. In terms of emerging issues, it is notable that sporting organisations and investments that are relative latecomers in terms of the public narrative surrounding such issues rarely receive much in the way of brand equity or potential to expand their fanbase. Instead, they can be characterised as ‘jumping on the bandwagon’ and their activities are better seen through a lens of political risk mitigation. Those sporting organisations and investments that benefit the most from emerging issues are the ones that are among the first to stake out a position, which marks them out as issue leaders. Doing so involves making what theorists of political strategy describe as a ‘costly signal’ (Posner, 1998). This idea comes from social psychology and behavioural economics, and captures the intuition that we are more likely to trust social and political signals that involve an element of cost or risk to the sender than those which do not.

For example, the ‘Rainbow Laces’ campaign, which sees players wearing rainbow-coloured laces to promote LGBTQ rights in the United Kingdom began in 2014, is arguably a very low-cost signal, due to the relatively wide acceptance of the core message of the campaign in British society. This is not to say that the campaign is not laudable or useful, but it does not contain a sufficient cost to offer a sporting organisation or team the chance to exercise issue leadership.



On the other hand, public sentiment about whether and when transgender women should be permitted to compete in female elite sports is much less fixed and more volatile. The decision in June 2022 by swimming's world governing body, Fina, to bar transgender women from elite female competitions, if they have experienced any part of male puberty was, therefore, a much more costly signal – in the sense that it courted a real risk of trenchant criticism and possible commercial losses. However, because the decision is costly, it allows Fina to assume issue leadership, just as Nike did in its 'Dream Crazy' campaign discussed above. The key to correctly deciding to make a costly signal in a context of substantive dynamic political opportunity involves having a close understanding of how your core support base feels about such an issue (i.e., engaging in political intelligence gathering and analysis) and being able to quickly adopt a clear stance that is publicly communicated.

Similarly, when a state (or group of states) increases its interest in investing in the sports industry, the most lucrative political opportunities are those that accrue to athletes, sporting organisations, and investments that are early movers in partnering with these states. Crucial to the smart power alignment that characterises this type of investment is the initial difficulty in gaining traction and credibility for newcomer states. The extent of the political opportunity that accrues from engaging with such actors, therefore, diminishes over time as their financial presence in each sport becomes increasingly normalised.

All of these strategic considerations centre on the importance of political information and strategic agility to harness dynamic political opportunities for wealth management in sport. Simply put, being politically well-informed and connected, being aware of emerging trends, theorising and planning for likely political trajectories, and, crucially, being prepared to act quickly to establish issue leadership or early partnership are the strategic elements that leave sports organisations and investments best placed to harness such opportunities.

Unit 4.7 Political opportunities in unstable political systems: high risk, but can there be high reputational rewards?

In this section, we will consider the nature of political opportunities that arise in unstable political systems. It is important to bear in mind, when considering political opportunities in these contexts, that most of the literature and thinking on unstable political systems is focused on downside risk – as we discussed in the previous reading, the collapse of a political regime can lead to a radical devaluation in assets in that regime, and in instances of violent regime breakdown this can include security risk and the destruction or seizure of assets. The high-risk nature of unstable political regimes should thus be borne in mind



throughout, and even the best-informed and most strategic investment in such regimes can zero out.

As a general rule, sporting organisations and investments are particularly affected in unstable political systems because of the nature of sports as an aspect of human existence. While sports can be a source of enormous joy and pride and are of huge benefit for the health and welfare of individuals, sport is not a necessary condition of life to be maintained in an unfolding crisis.

From a commercial perspective, investment in unstable political regimes can result in significantly higher potential returns. One of the most straightforward expressions of this relationship between levels of political instability and government bond yields. Huang *et al.* (2015) demonstrate that “global investors in government bonds demand a higher risk premium at times of political uncertainty, which leads to higher government bond yields” (p. 402). The key implication here is that investments in bonds issued by unstable governments can yield higher returns. The same can be said of other investments in unstable political systems – typically, investors with liquid assets that are not denominated in the currency of an unstable political regime can expect enhanced returns. Bremmer (2008) points out that companies can “profit from the opportunities change creates” (para. 1), as assets or industries controlled by the old regime become open to investment and development.

However, the fundamental political opportunities for sporting organisations and investments in unstable contexts lie less in the domain of immediate commercial opportunities, and more in the domain of ethical and sustainable investment. Sports figures and organisations are uniquely well-placed to bring their soft power resources to unstable political systems. This goes back to the ideal of sports as being beyond or outside of politics that we looked at in the first reading for this module. Counter-intuitively, this tradition of separation of sports and politics provides sporting organisations and athletes with a unique capacity to speak across political divides. Consider, for example, the significance of the South African rugby and cricket teams as stabilising forces following the collapse of apartheid. The famous image portrayed in figure 4 of Nelson Mandela celebrating South Africa’s victory in the 1995 Rugby World Cup alongside Springbok captain Francois Pienaar was described by Evans (2010) as “perhaps the most memorable image of reconciliation of the era” (p. 317), and seen as a major stabilising factor as the post-apartheid regime bedded in.



Figure 4. Nelson Mandela and Francois Pienaar celebrate South Africa's World Cup victory



Source: Evans, 2022, <https://bit.ly/3QtBcyF>.

A similar example of the soft power effects of sport in an unstable political regime can be found in Didier Drogba's intervention as the Ivory Coast looked set on a trajectory towards civil war. Guibertau (2020) describes the remarkable events that followed the Ivory Coast's narrow, dramatic qualification to their first World Cup:

With the celebrations unfolding, a TV camera was ushered into the changing room. The players huddled before it, their arms draped across each other's shoulders. Standing in the centre, microphone in hand, was the imposing figure of the Chelsea striker.

'Men and women of Ivory Coast', he began. 'From the north, south, centre, and west, we proved today that all Ivoirians can coexist and play together with a shared aim - to qualify for the World Cup'.

'We promised you that the celebrations would unite the people - today we beg you on our knees'. On cue, the players sank to their knees.

'The one country in Africa with so many riches must not descend into war. Please lay down your weapons and hold elections', Drogba urged. The clip, available on YouTube, is barely a minute long and ends with the players on their feet once more.

'We want to have fun, so stop firing your guns', they sang joyously. Back home, the party had already started. There were reports of a conga line outside the Egyptian embassy as Ivorians showed their appreciation for the draw in Cameroon. Even the rebel capital of Bouake bounced to the beat of victory that night.

For all the revelry, and for all the 'Drogbas' - bottles of beers renamed in the striker's honour - Ivory Coast still woke up the following morning in the same situation, as a deeply divided country.

Yet something was stirring and the following weeks and months were to see a dramatic change. The video clip played relentlessly on television, as if the sheer force of media exposure might be enough to enact change. And change did follow. Both sides moved closer to the negotiating table and a ceasefire was finally signed. (para. 20-27).

As such, the real 'high reward' political opportunities in unstable political systems are to be found in drawing on the intrinsic values of sport to lend unity, stability, and hope in times of great uncertainty.

Unit 4.8 Conclusion

In conclusion, the sheer variety of soft power opportunities that arise in the sport is remarkable. In order to make sense of this diversity of opportunities, it is very useful to understand that systemic and substantive aspects of political systems and governance regimes have significant implications for the nature of political opportunities that a sports organisation or investment can harness. These factors are also useful for understanding the strategic approaches that are best suited to different types of political opportunities.

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