

Module 2. Resources and Budgets Management



☰ Resources and Budgets Management

☰ References

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Definitions from The Royal Spanish Academy [RAE]

Budget

1

n. Preliminary cost estimate for a project or for the expenses and revenues of an organisation.

2

n. Amount of money calculated to cover general expenses of daily life, a trip, etc. (RAE, n.d.)

Origen

Budget

1

v. I/Tr. To make a preliminary calculation or budget of expenses and income. (RAE n.d.).

Sports Management

A sports manager is responsible for leading key personnel, such as athletes and coaches, in sports clubs and educational institutions like schools or universities. Their main role is to coordinate and manage the human and material resources necessary for sports practice within the corresponding entity, club, or association.

Budget Phases

In the context of budgeting, a fixed amount for spending is typically considered. It is crucial for sports management not only to clearly establish what should be included but also to break it down into each of its components and explore optimisation methods. The execution of the budget is equally vital; it must be ensured that the established plans are carried out effectively. However, the most critical phase lies in budget control to prevent significant deviations. Finally, performance evaluation is key to assess the success of the work done.

The **phases of the budget** are:

- 1 Preliminary study.
 - 2 Preparation.
 - 3 Execution.
-

4

Control.

5

Evaluation.

The budget represents a concrete projection of reality in financial terms and, in turn, provides a tool to control the future operations of the business. However, in football clubs, implementing this practice proves extremely challenging due to the need for organisation and commitment from the entity. The fact that football is a passionate sport subject to weekly evaluations often makes budget implementation seem impossible.

Development and Explanation of Each Phase

1. Preliminary Study of the Budget —

This stage, preceding the preparation of the budget, involves evaluating key elements and especially gathering information about the team's performance and relevant operations from the previous season. Based on this information, strategies and initiatives aimed at improving results are proposed, aligning with the general and specific objectives set by the Board of Directors or Executive Committee.

At this point, the top priorities should be:

- Developing a working model with the club's financial department to obtain **accurate information from previous seasons** and at least an approximate understanding of the financial amounts the club needs to manage.
- Determining what **legal and regulatory changes** will be imposed during the budgeted season to avoid mistakes regarding concepts that cannot be modified and, at the same time, to make the most of this information.
- Clearly understanding the **sporting objectives** that the Board of Directors or Executive Committee will demand in the short, medium, and long term.
- Deciding whether the available funds and considering the normative and legal changes in effect during the budgeted season will enable the club to meet the set sporting objectives.
- This phase of preparation and prior analysis is crucial for accurately drafting the budget. It is fundamental to remember that the budget, by definition, is an estimate of what is expected to happen. Therefore, the broader the information base before making this estimate, the greater the accuracy.

It is also essential to meet the objectives set by the ownership and, if necessary, work to increase the initially planned budget. With all the information gathered and the preliminary studies adequately conducted, solid arguments will be available to propose increases in allocations to the area.

2. Budget Preparation —

Once the objectives set by the Board of Directors or Executive Committee are clarified, along with the relevant aspects considered essential to achieving

them, the Sports Management team proceeds to direct the preparation of the budget that will guide the management throughout the season. In this process, it is crucial to involve certain key members of the team, such as:

- In the sports area, it is essential to consider the opinion of the person in charge of the coaching staff (head coach) to identify priority aspects in terms of human and material resources.
- It is also key to involve the head of the technical department (head of scouting) from the sports area. This professional will provide information on the current market situation and the real possibilities of meeting the preferences in human resources (players) expressed by the coaching staff. Furthermore, the value of the club's assets in the market will be assessed to determine the feasibility of making sales that will facilitate the execution of the budget.

On the other hand, members of the executive team of the organisation should also be involved to obtain information.

- The **Legal Department Manager** will need to report on the current contracts, including human resources and other types of commercial contracts affecting the budget.
- The **Operations Manager** will be essential for budgeting concepts that are not exclusively related to sports human resources but fall under the sports department's purview, such as travel and sports equipment.
- Finally, the **Financial Manager** of the organisation will be needed to adjust the budget to the entity's cash flows and to present a proposal that the club can subsequently meet without issues.

As we can see, this budgeting phase requires involving **trusted staff members** who will have the responsibility for executing the budget and, on the other hand, **high-level executives** in some of the areas that are necessary for preparing and meeting the budget.

It is important to remember that the Sports Management team is in charge of leading the sports budget. However, the more **involvement from surrounding individuals**, the more commitment to the budget's fulfilment will be achieved, which will bring success closer.

It's good to clarify that involving members in the budget process does not mean that the budget and its details should be known by everyone. It is essential to maintain the **highest level of confidentiality** regarding the player's contracts. Any leak, whether intentional or not, can be misinterpreted by the group, potentially destabilising the team.

It is also very important for the budget to have an annual, seasonal view, as well as **monthly and quarterly breakdowns** of it. The monthly breakdown will allow for subsequent monthly control, while the quarterly version will be used to inform the Board of Directors or Executive Committee about the degree of compliance and any needs arising from unforeseen events or deviations which can occur in a sports entity and are beyond its control (particularly injuries).

3. Execution —

The execution phase of the budget is directly related to implementing the plans.

The Sports Manager should lead the execution and play a crucial role in integrating various areas to achieve the set goals and communicating relevant aspects to each level of the organisation. This is the time to fulfil everything that was planned. If the plan has been defended and justified before the Board of Directors or Executive Committee, it is important to be aware that professional worth will be judged by the degree of compliance achieved.

Therefore, at this stage, one must demonstrate negotiating skills, market knowledge, and creativity to solve complicated situations that will inevitably arise during the execution of each budget item.

Each operation should be approached as unique, despite being part of a general plan. Each negotiation on the various points must be designed to, at least, meet the budgeted amounts. Neglecting any of these points could lead to the inability to fulfil other crucial aspects.

Since the budget is structured periodically, the execution should also be monthly, regardless of any multi-year or annual agreements reached. This will allow for monitoring and controlling the budget, as discussed below.

4. Budget Control —

This phase is undoubtedly the most important part of the budget. As mentioned, several times and indicated by its definition, when preparing the budget, an estimate or prediction is being made about what is expected to occur.

To adhere to the budget and ensure accountability, constant control throughout the season is essential. This control is vital for making necessary adjustments and ensuring proper budget compliance. Using software tools, such as, at least, two columns in Excel to record all items and their monthly degree of compliance facilitates this process.

For effective budget control, it is essential to generate partial reports for each area. The finance team will play a key role by providing accurate information on the actual cost of each item, as well as the status of payments and receipts. Although cash flows may not be a priority for a Sports Management team, understanding their reality is important for necessary adjustments.

During this stage, operational results should be compared with the budgeted amounts to identify any deficiencies that may affect the execution or deviation from the budget, allowing for timely adjustments.

5. Evaluation —

Once the budget period has ended, **an analysis of each budget item should be conducted, and a final report should be issued** revealing the season's results. This report should show the fulfilment of budgeted variables and the actions taken to optimise results.

It is important that the final report includes a comparison with indicators from previous seasons to understand which goals were met and which, on the other hand, require more focus in the future.

At this stage, the errors that prevented budget compliance should be identified, from which alternatives for improvement can be developed. These improvements should help achieve more accurate or successful budgets in the future.

Similarly, this evaluation report should serve as **the starting point for the first phase of the next budget**, which is the preliminary study.

Budget for a Sports Management Department

What items should be included? According to our view, the following items should undoubtedly be included in the budget of a Sports

Management Department.

Despite what it may seem, in our opinion, the budget for a Sports Management Department should consider both expenses and revenue. Typically, it is assumed that the Sports Management Department only needs to budget for players and coaching staff. However, we believe it should go a step further and include the following items:

EXPENSES

REVENUES

1. Players' fixed salaries: The negotiated gross salary plus the cost of social security should be considered.
2. Variable part of players' salaries: Which variables are achievable as outlined in the contracts and also the social security cost of these variables.
3. Fixed and variable salaries of the coaching staff. It includes:
 - a. Head coach.
 - b. Assistant coach and other assistants.
 - c. Goalkeeper coach.
 - d. Fitness coach and assistants.
 - e. Analysts.
4. Medical staff. It includes:
 - a) Physical therapists.
 - b) Physician.
 - c) Psychologist.
 - d) Nutritionist.
5. Administrative team. It includes:
 - a) Delegate.

b) Licensing and federation administrator.

7. Technical Department. It includes:

a) Head of scouting.

b) Scouting team.

8. Formative Football: Players, coaches, medical staff, administrative team, and technical department for U-16, U-17, U-18, U-19, and second team.

9. Purchases of players: Includes fixed amounts and those variables that may be fulfilled during the season. The amount is allocated according to the number of years of the player's contract.

10. Pre-season.

11. Travel expenses.

12. Sports equipment.

13. Collaboration agreements with clubs.

14. Other.

EXPENSES

REVENUES

1. Sales of players: Includes fixed amounts and those variables that may be fulfilled during the season.

2. Friendly matches.

3. Pre-season.

4. Collaboration agreements with clubs.

5. Training rights and solidarity mechanism.

6. Other.

Why are all these items included in the budget of a Sports Management Department? The idea is that **all expenses or revenues directly affecting the team's sports results should fall under the responsibility of the Sports Management.** It is a mistake to have items in the above list that are not part

of the budget and may correspond to other areas. For example, pre-season or friendly matches should be decisions of the Sports Management, not the Marketing or Financial Management. They should decide where, when, and who will be the opponent.

Therefore, these concepts should be included in the Sports Management's budget as objectives—whether to achieve a certain revenue or to determine what can be spent on these concepts.

The reason is clear: **the sports result will depend directly on how all the aspects mentioned before are managed.** Hence, the Sports Management department must first accept and then manage these aspects.

To achieve budget optimisation, the following principles should be considered.

Principles of Budget Execution For a Sports Management Department

1. Football Comes First

This means that, despite operating within business structures and commercial concepts like budgeting, it is essential to remember that a football club is not a conventional company. It cannot be managed like a

club of friends or purely as a capital society.

2. If Football Comes First, Players Must Have a Very Important Role

This principle should be considered from two equally relevant perspectives:

1. The better the players and coaching staff, the more likely the team will achieve its sports objectives. Therefore, it is crucial to optimally manage the available budget. As the

3. *Pacta Sunt Servanda*

This Latin principle means that **one is bound by what has been agreed upon**. Therefore, a basic principle is to fulfil all agreements made regarding aspects covered in the budget. "The principle is deeply embedded in Roman law. The roots of *pacta sunt servanda* extend through the

In football, players or the

sports department often demand many things not

5. Needs Yes, But Whims No

As explained previously, many decisions will need to be made to resolve conflicts with players. A high percentage of these conflicts will have economic implications which will affect the budget.

Therefore, when prioritising players' well-being, a clear

6. Sports Project as the Basis for Negotiation

One aspect that will help us in negotiations and thus help optimise each item in our budget is to present the sports project we offer to each person we need to hire.

Remember that a large portion of our budget is allocated to human resources.

Respect among all members,

teamwork, commitment, honesty, solidarity, generosity

8. Multi-functional Staff Workers

This is another mechanism available to optimise our budget, which is not often used. In football, there are many instances where we need to be present without a specific task to perform, especially during travel times or team camps. Therefore, we can ask some staff members

9. Innovating and Improving Does Not Mean Inventing

To optimise the budget, it is essential to always be willing to innovate and propose new solutions that add value. Innovation, understood as any change in processes, organisation, products, services, or marketing strategies, should be well-received in the Sports

The concept of creativity is

11. Goals, Goals, Goals!

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similar to that of innovation, but they are not exactly the

First and foremost, it is essential that the budget is based on achieving realistic goals. There is a popular phrase that says: "Having ideals but staying grounded in reality"; hence, **it must be realistic and fair.**

If the context is known and

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Why? This is the most important point, and it brings us back to the first principle: "Football comes first." In other words, if we achieve sports results on the field and also manage to do so while adhering to the budget approved at the beginning of the season, we will undoubtedly achieve the best possible management of the resources available.

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