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MASTER'S THESIS

**PRIVATIZATION OF SPORT ORGANIZATIONS IN
(POST)TRANSITION ECONOMIES: THE CASES OF
FOOTBALL CLUBS PARTIZAN AND CRVENA ZVEZDA**

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LIST OF ABBREVIATIONS

EU – European Union

EUR – Euro

FK – Fudbalski klub (Football club, Serbian translation)

HRK – Hrvatska kuna (Croatian kuna, Croatian currency)

ROA – Return on assets

ROE – Return on equity

RSD – Srpski dinar (Serbian dinar, Serbian currency)

SFRY – Socialist Federative Republic of Yugoslavia

SWOT – Strengths, Weaknesses, Opportunities, Threats

UEFA – Union of European Football Associations

UN – United Nations

USD – United States Dollar

INTRODUCTION

The common conception in the literature surrounding sports management and ownership of sports organizations is that “privatization depends on the way how it is implemented in the sports club” (Dugalić & Krsteska, 2013, p. 59). Privatization can be defined “as an act of excluding (or severely reducing) the role of the public entity, such as government, municipality, public-owned company, etc. in the particular club” (Amani, Firouzabadi & Razavi 2018, p. 58). The main driving idea around privatization is enhancing competitive spirit in the sports club through the change of ownership, bringing fresh financial support and having more coherent goals, both in competitive and commercial terms. However, these goals are often overshadowed by the owner’s wishes and private interests and might not work in the other stakeholders’ best interests, such as the interests of club fans. Many connections between government officials and clubs’ management related to the influence of politics in the clubs can be traced from the privatization period. In the broader region of Southeastern Europe, there were numerous cases in the last three decades where politics and authoritative club owners went hand-in-hand to influence sport and sports clubs’ actions and results (Jovanović, Maksimović & Marčetić, 2015, p. 33).

In Serbia, sports (both individual and team ones) are considered to be of significant importance to many ordinary people. Furthermore, this importance is underlined in the Serbian Constitution, adopted in 2006. The Constitution proclaims sports as a social value under the relevant government authorities that regulate the sports system. Throughout the first part of the thesis, the stance of the government towards sports entities is covered, both during the SFRY (Socialist Federative Republic of Yugoslavia) and the Republic of Serbia (modern Serbian state). The political changes in Serbia in the year 2000 created a stable political atmosphere for adopting the EU standards in all aspects of the social, economic, and political functioning of the state, including matters of management and ownership of sports entities (Šuput, 2011, p. 165). For discussion on this matter, The Sports Act is a significant legislative piece of work about ownership of sports entities in the Republic of Serbia. The Act is analyzed thoroughly in this thesis.

Therefore, the purpose of the thesis is to:

- Help club managements transform ownership structure in FK Crvena zvezda and FK Partizan to benefit and improve their competitive performance, strategic decision making, and financial performance.
- Explain shareholders, as well as beneficiaries, how the process of privatization of the two observed Serbian football clubs can be articulated.
- Provide knowledge for scholars and the general public regarding the privatization process of the two observed Serbian football clubs.

- Help myself better understand the privatization process in sports entities.

The main goal of this thesis is to try to explain and clarify how the change of ownership structure through the privatization may help the two observed Serbian football clubs. To understand all related aspects necessary for the process of privatization, first, the development of the sports clubs in the SFRY is explained, as well as the change of the social climate of the entire Serbian society and those clubs faced with the political changes in the early 2000s. The development of public sports entities in the SFRY is described, as well as the brief history of both observed Serbian football clubs.

To try to meet the main goal, several analyses are also performed in this thesis. To get a better understanding of the change in the ownership structure, sports clubs from the developed market economies (Borussia Dortmund and Manchester United) were selected to show the change in the ownership structure in heavily regulated and economically stable economies. To explain difficulties in the change of ownership structure better, examples from the wider Balkan region countries, which underwent transition process (CFR Cluj and Ludogorets Razgrad) are also portrayed. In the end, a successful and an unsuccessful example of the change in the ownership structure from both Serbia and Croatia are presented. In all selected sports entities a short history – an explanation of how the change of ownership structure went and how it affected the overall performance (financial and competitive) is given. The SWOT analysis is a recreation of weaknesses, threats, opportunities, and strengths the two observed Serbian football clubs possess in the sports market. The benchmark analysis presents a picture of how the two observed Serbian clubs performed in terms of financial results and marketing expenses in comparison with one club from each of the top five European football leagues (Spain, England, Germany, France, and Italy). Using Polonsky's matrix shareholder model, a general picture of conditions in football in the European Union and Serbia is presented with an accent on five European countries that possess the most qualitative leagues. Finally, vertical financial analysis of balance sheets and income statements of FK Crvena zvezda and FK Partizan is performed. Financial indicators relevant to an understanding of the clubs' operational performances, such as profitability ratios, return on assets, and return on equity, are analyzed and their importance is explained.

Further goals that the thesis tries to meet are to:

- Present the relationship between government and sports entities in Serbia and ex-Yugoslav states.
- Explain how the political changes in Serbia in the early 2000s influenced new ways of ownership and management of sports entities, as well as political influence on decisions in sport clubs.
- List successful examples of privatization process and change in the ownership structure in sports clubs from the European Union and the Balkans.
- Go in detail about current legislative regulation in Serbia regarding sports entities.

- Elucidate controversies that appeared in public regarding the privatization process of both observed Serbian football clubs.

Research questions that the thesis tries to answer are:

- What are the advantages and disadvantages of public and private ownership?
- What ownership structure is most applicable for the two observed Serbian football clubs?
- What privatization scenario is most effective for both observed Serbian clubs from an angle of clubs' stakeholders and clubs' properties?

The base study is empirical with the analysis and synthesis of materials and scientific papers that were collected. The methods in the thesis are the description, analysis, synthesis, comparison, and compilation. From the theoretical aspect, I outline authors relevant to my area of research and list their thoughts while putting up the story about the history of both observed clubs and the best way of changing their ownership structure. Theoretical aspects are followed by listed analysis in Chapter 4 of the thesis where I try to answer through the method of analysis and synthesis what kind of ownership structure is the most applicable for both observed Serbian clubs. The comparative approach is used to assess the level of similarities of the situations other sports entities experienced before their privatization and for the comparison of different units (clubs) at the same point in time, such as in benchmark or SWOT analysis.

Most of the data used for this thesis are secondary data (collected by other researchers). From the theoretical aspect, academic literature (coming mostly from the Google Scholar) and informal sources (from daily and weekly media) are collected and presented. Public announcements, management statements, and Serbian Sports Act are also presented. The primary source of data comes from interviews. They are presented in the thesis through semi-structured interviews. Semi-structured interviews are an open type of conversation, consisting of closed open-ended questions, often accompanied by follow-up questions. Two individuals directly related to sports nowadays and in socialist Yugoslavia were interviewed via telephone and through email. The original interviews in the first person can be found in the appendix part of the thesis. I decided to interview them as they are the best first-hand experience I could have come across regarding my research topic. The first interviewed person is Mata Neralić, who practiced athletics for many years and competed in many Yugoslav and international competitions in the 1980s. The second person is Dragan Todorović, a successful football player in Dinamo Pančevo in the 1980s and the future coach of the club, both in the first team and in the youth sector. Interviews' qualitative nature might be the most efficient way of conducting the research.

1 HISTORICAL OVERVIEW OF FOOTBALL FROM MANAGERIAL PERSPECTIVE IN THE FORMER YUGOSLAVIA

In discussions about any social activity in the former Yugoslavia, it is noticeable that football as a game always had a unique place for ordinary people. Although other sport disciplines won far more trophies, both individual and team alike, and made their players and coaches far more famous, this chapter carefully analyzes the impact of football on Yugoslav society at the time.

Yugoslav football was a vital part of everyday life and, as said, it was important for many ordinary people. After all, the football league was the first competition to be reinstalled in post-war Yugoslavia. It could be said that the majority of people took football somewhat too personally whether it was a championship game between teams from two republics or a qualification game of national team to be promoted to international competition. Stadiums were full, often for games of minor importance in the league, as the football game on Sunday afternoon was seen as a way of social gathering for people as much as in Belgrade, Zagreb or Sarajevo as in a small provincial town. The last day of the week was reserved for watching domestic league and sports battles throughout the green fields of stadiums all over the country. During the existence of socialist Yugoslavia, football played a prominent role, not only as of the most popular sport but it also had a broader social role among people. Due to the one-party system and the prohibition of pluralism, through football clubs, political views were sometimes mirrored to the football stands. Expressing through chants on stadiums was not such blatant occurrence throughout much of the history of socialist Yugoslavia. It could often be credited to no more than a rivalry between republics. Games between Hajduk and Dinamo on one side and Partizan and Crvena zvezda on another were always slightly more than just a football match. The stadium stand was always a place to make political expressions, as much as the political climate at the time allowed.

After the death of Josip Broz and as the existence of the SFRY was drawing to a close, national and religious identity manifestations in multinational and multi-religious communities were refracted in the stadiums as a form of extreme political opposition to the existing political regime at the time. The difference between these chants and the ones heard earlier from stands was that the new ones were nationalistic and were calling for the secession of republics. These opinions, with the stands as an already developed place for making a public expression, became especially popular among the supporters of the “Big Four of Yugoslav football” (Hajduk, Dinamo, Crvena zvezda, and Partizan). Therefore, football clubs and their fans became more critical political voices in the Yugoslav society, serving as “loudspeakers for emerging political classes in the republics” (Đorđević, 2014, p. 5). At the same time, both of them represented “a form of an awakening of the national and religious identity of the Serbian and Croatian nation” (Đorđević, 2014, p. 5) winded down by communist authorities for decades following the Second World War.

1.1 History of the football game between two World Wars

It is considered that football came to the Balkans around the year 1900. Students from bigger cities, mostly from Belgrade and Zagreb, who studied in European capitals, such as Vienna, Berlin, and Paris, came in contact with this new game and brought it to their hometowns. Interest for this new sport led to the establishment of the first football clubs in the year 1903. In 1911, Hajduk Split, Beogradski Sportski Klub (latter known as OFK Beograd), and Građanski Zagreb were established (Tomić, 2010).

When the First World War began, the development of the sports was slowed albeit after the war development continued at the same pace (Tomić, 2010). On April 14th, 1919, in Zagreb, the Football Association of the Kingdom of Serbs, Croats, and Slovenians was established. At that moment, the Kingdom already had 63 football clubs on its territory. That number grew exponentially and in the year 1922, the association already contained 160 clubs. It led to the constitution of regional associations in Belgrade and Zagreb, motivated by the need for better supervision over the teams. The first match that the national team of the Kingdom of Serbs, Croats, and Slovenians played was against Czechoslovakia. The Czechoslovak side won, with score seven against zero. The first country-level championship in the Kingdom took place in 1923 and the winner was the team Građanski from Zagreb. In 1927, the annual country-level league was established. By 1941, BSK and Građanski Zagreb won all of the titles, seven each (Tomić, 2010). The Kingdom of Yugoslavia and 12 other countries participated in First World Championship in football that took place in Uruguay in 1930. The Yugoslav team finished fourth. However, in the next two world championships, held in 1934 and 1938, the Kingdom of Yugoslavia did not even pass the qualifications required to enter the competition.

1.2 History of the football in socialist Yugoslavia

After the Second World War, the development of Yugoslav football continued. In 1946, the football championship of Yugoslavia was reinstalled and the first champion was the newly founded Belgrade's FK Partizan. The increase in the number of football clubs in Yugoslavia was notable, from 400 in the postwar years to over 2000 in the 1950s (Tomić, 2010). Over time, the importance of working with young people and developing a base of young players became one of the characteristics of Yugoslav football and Yugoslav sports in general. That, naturally, also brought better results. The first major international post-war competition in which the Yugoslav national football team competed was in 1948 at the Olympic Games in London. It also marked the first success in the Yugoslav post-war football as the national team won the second place and a silver medal (Tomić, 2010). Winning the silver Olympic medal gave even more impetus to the development of the national football team in Yugoslavia, which resulted in even more successes. In the next two competitions in Helsinki in 1952 and Melbourne in 1956, the Yugoslav team won a silver medal and, finally, the gold medal in the 1960 Summer Olympics in Rome (Tomić, 2010).

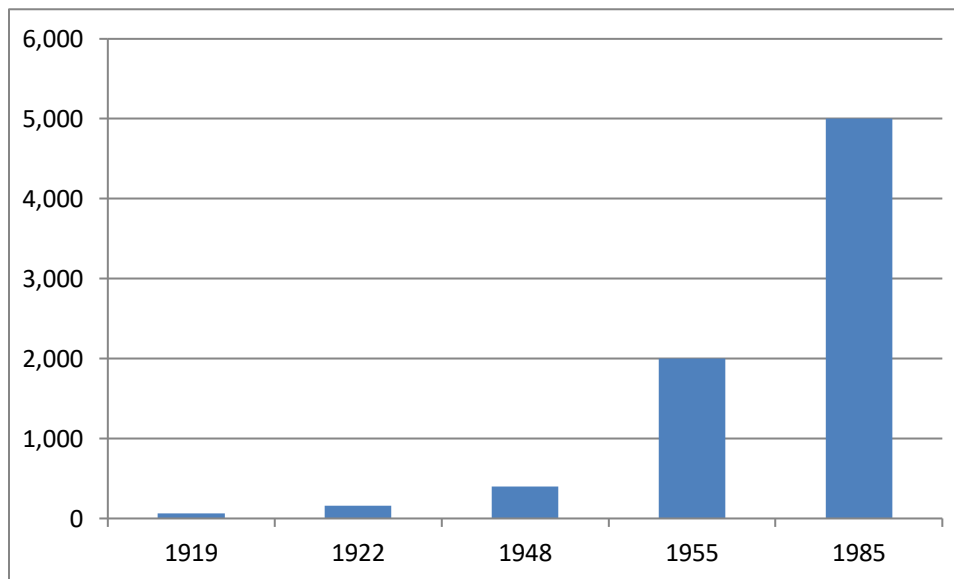
In the first decade after the Second World War, the “Big Four” clubs had mostly similar successes. By 1955, Hajduk Split had three championship titles while Crvena zvezda, Partizan, and Dinamo had two each, with the Yugoslav Cup titles similarly distributed as well (Tomić, 2010). At about the same time, competitions on the European level have been formed. Series of successes in foreign competitions started with the second place of FK Partizan in 1966 in the European Champions Cup where Partizan lost in the finals against Real Madrid. Two years later, the most significant success of Yugoslav football happened as Dinamo Zagreb won a Cup of Fair Cities (forerunner of the UEFA Cup), an improvement from 1963 where it reached the second place (Tomić, 2010). However, until the end of the SFRY, Dinamo did not manage to record any successes in the European competitions. After 14 years, the club won the championship title in 1982, eventually becoming the weakest member of the “Big Four”. During the 1980s, Dinamo Zagreb managed to win only two titles. Those were two Yugoslav cups in 1980 and 1983 editions, respectively (Tomić, 2010).

Over the next few decades, Yugoslav football started to slowly loose on the general quality. The national team failed to qualify for the series of European championships and 1966 FIFA World Cup. In the 1970 Football Cup edition, the national team did not even progress beyond the group stage. In 1976, Yugoslavia hosted the European Championship. Albeit being the host, it has finished last, in the 4th place. Despite the disappointing results of the national team, Yugoslav football during the 1980s remained very popular all across the country. There were more than 5,000 football clubs at the time (Mićović, 2017, p. 361). Many young people were active in numerous sports societies across various sports with football taking the lead (Mićović, 2017, p. 362). Crvena zvezda was especially popular in the late 1970s and throughout the 1980s. It gained a substantial supporter base and was the most popular Yugoslav club at the time. Its support spanned across federal borders. Understanding Crvena zvezda's popularity is crucial for understanding some future developments in the dissolution of the SFRY. The club managed to achieve its “golden period” in the second half of the decade dominating the national scene where it was champion from 1978 to 1981 and won the Cup three times thus winning six out of eight domestic trophies. It won also the Central European Cup in 1988.

At the end of its existence, the peak of successes in Yugoslav club football was reached in the season 1990/1991. Crvena zvezda won the European Champions Cup in May 1991, the most significant club competition in Europe at the time. Albeit being European champion, Crvena zvezda lost the Yugoslav Cup final to Hajduk Split several weeks later. Meanwhile, the Yugoslav national team qualified for the European Championship in Sweden in 1992 as the first in its group. In the end, it did not participate because of the beginning of Yugoslav wars, imposed economic sanctions on Serbia & Montenegro, and disintegration of the country. It had to turn a spot to the second in the group, Denmark, which went on to win the competition.

Figure 1 better pictures numbers listed in the previous paragraphs and was incorporated in the thesis to get a better understanding of sheer growth in numbers of football clubs during the 20th century. It is crucial to notice the sharp increase in numbers during the SFRY, in parallel with the opinion of political elites about the importance of professional sports at the time.

Figure 1: Growth in the number of professional football clubs in Yugoslavia (1919-1985)



Source: Tomić, (2010); Mićović, 2017, (p. 361 – 362).

After the disintegration of the socialist Yugoslavia, things have drastically changed in football. Football matches in the newly emerged countries were not a high priority as they were in the socialist Yugoslavia. The reasons are many, such as war activities and economic hardships that a substantial number of the population was facing. One of the reasons is also the fact that clubs have lost abundant sources of funding from sponsors (state-owned companies and government entities) and, therefore, the ability to source the financing into quality performances on the pitch. More about is discussed in Chapter 1.2.2. Leagues shrank in size. With leagues being smaller, the quality of football decreased (Stanković, 2007). “Big Four” clubs did not have each other as the main rivals to compete but had to play with clubs from different regions of Serbia and Croatia, such as FK Rijeka, FK Osijek, and FK Vojvodina. Therefore, the crowds reduced as people had no interest in watching smaller clubs dueling against each other. On the other side, clubs, unable to pay high wages, started losing top players to international teams. In a drastic move to obtain money, clubs began selling players from youth teams to foreign clubs without those players even debuting for first squads of ex-Yugoslav football clubs.

As politics started to influence the extreme supporters’ groups on the stands in the late 1980s, by the 1990s, it became an almost everyday scene to face rioting and fist-fighting in stadiums between different hooligan groups that supported different political opinions. For example, every football match that Crvena zvezda and Partizan played against each other between 1990

and 2002 had some recorded hooligan activity (Savković, 2011). This problem went on to hurt football and Serbian sports in general in the 2000s as well, eventually being one of the leading causes behind the talks of possible privatization of the two biggest Serbian football clubs (Jovanović, Maksimović & Marčetić, 2015, p. 35).

1.2.1 Political and sociological factors surrounding the football in the SFRY

After the war, the Sports Federation of Yugoslavia was established on September 8th, 1945 in Belgrade (Iveta, 2018, p. 1041). The outcome of the war changed a lot of things. The new state was totalitarian. Drastic ideological change exercised a strong influence on changes in sports (Hrstić & Mustapić, 2015, p. 149). Next to the national team, football clubs were to play a significant role in the spread of political messages during the initial period of the socialist Yugoslavia. One of the first acts of new communist authorities regarding sports was to ban football clubs that were active during the war and form brand new ones following the Soviet totalitarian model of managing sports entities (Hrstić & Mustapić, 2015, p. 149).

Under the state's federal system, the Football Federation consisted of the republic and provincial-level football associations, respectively. Following the principle of the communist countries regarding sports as amateur and professional alike, the promotion of physical culture among citizens was addressed in detail in the legislative structure of sports clubs. Precisely, clubs were controlled by political units on a territorial level, such as district or municipality's level and the associated "Socialist Alliance of Working People" (Iveta, 2018, p. 1047). Practically, management hands were tightened as all power was in the hands of local authorities.

The unity and power of the new state were underlined and emphasized in the role of sports entities. The sports entities were perceived as national projects with a clear political purpose (Hrstić & Mustapić, 2015, p. 149). The idea was to grow an athlete both competitively and ideologically, starting with the youth sector and ending with the sports club's first squad. On a broader scale, mass practicing of sports was encouraged and boosted in socialist Yugoslavia which was in line with general Marxist beliefs on physical health. For example, Physical Education was introduced as a regular subject from primary school to the university.

Football in the SFRY was heavily promoting partisan insurgent activity in the Second World War with a variety of postcards, placates, and monuments placed in club stadiums, management offices, and clubs' training facilities (Kajtezović, 2015, p. 48). After the dissolution of Yugoslavia, managements of the same sports clubs began memorizing members of the supporters' groups that took part in Yugoslav wars portraying them as "heroes that have passed away for a higher cause" (Kajtezović, 2015, p. 49). The club's management and fans raised several memorials for the fans of the clubs who died in combat.

Monuments that represent the communist liberation struggle of World War II and those that represent killed from the ethnic Yugoslav conflict in the 1990s were, rather uncomfortably, put alongside one another. The most notable example is probably Crvena zvezda. Club's management keeps a monument of its founder Slobodan Penezić-Krcun, the famous World-War-II fighter and subsequent influential Yugoslav politician in the office. Meanwhile, a memorial to members of the "Delije" supporter group, who died in Yugoslav wars in the 1990s, stands on the northern stand of the stadium (Kajtezović, 2015, p. 51). These monuments share one commonality in their symbolical representation of two distinct, albeit both very violent periods of Yugoslav history. These extreme fan groups argued that they were not portraying chauvinism, but instead only supporting their respective clubs in the new political climate. As those four clubs were supported by the majority of the Serbian and Croatian populace, radical behaviors among extreme supporters' groups of the "Big Four" produced tensions that affected the entire Yugoslav football scene. Their supporter basis influenced major football clubs in the SFRY making their management increasingly chauvinistic. More about these events is discussed in Chapter 1.3 of the thesis. These new developments which were occurring at the club level football during the late 1980s also impacted the Yugoslav national football team.

As can be seen, football was, alongside other social activities in post-war Yugoslavia, utilized as an instrument to promote socialist ideology and bring common sense among Yugoslavs at the time. It is worth mentioning that unlike the interwar kingdom socialist federation, it did not emphasize the gradual unity of all nations in a large Yugoslav one as the primary goal and respected ethnic characters of the nationalities of adjoining federal republics.

1.2.2 Companies' sponsorships of sports clubs and athletes in socialism

As described in the previous chapters, athletes in Yugoslavia and other socialist countries enjoyed considerable government support in terms of both sponsorship and donations for sports entities. In his book, John Riordan (1999) claims that in communist societies, "sports have had a revolutionary role of being an agent of social change with the state as a pilot" (Riordan, 1999, p. 48). In line with Marxist philosophy, which stressed the interdependence of the mental and physical state of people, communist governments have emphasized the importance of physical culture in human development, treating it as equal with mental culture in all-around development of an individual (Riordan, 1999, p. 49). Riordan further claims that sports in the Soviet Union and communist China were a "perfect tool in the unification of different ethnic, language, and cultural groups in a strong nation-state" (Riordan, 1999, p. 50). As the SFRY has shared many similar differences between regions as the two mentioned countries, it is understandable why Yugoslav authorities turned to sports and the development of youth athletes from early on.

In his paper, Kajtezović (2015) stresses out the importance of substantial financial aid that communist authorities were providing to the sports entities in the SFRY (Kajtezović, 2015, p. 71). Mićović (2017) states that, starting from the 1960s, state-owned companies were paying a fixed sum in funds set up by local councils and federal bodies relevant for sports and the development of youth athletes (Mićović, 2017, p. 362). While interviewing individuals related to the sports in the SFRY, both of them confirmed that they had received the grants during their youth development. Mata Neralić told me there was a fund in which all governmental institutions and government-owned enterprises were required to pay some amount of money depending on their size. Grants were, according to Mata Neralić, relied on the size of the family athlete was coming from and the results athlete was making. Dragan Todorović told me that salaries for the football team were coming from local authorities, namely the sports council and that, between the age of 7 and the age of 19, he was receiving a monthly grant from the local council fund. Neralić told me that athletic club went so far that sportspeople were even provided with employment at the local petrochemical factory, being employed on the part-time contract. Their working hours were significantly altered to be tailed to the needs of preparing for competitions. All these statements further confirm the alignment of the SFRY's sports policy with the general Marxist doctrine on sports and physical health.

The SFRY entered a period of economic recession following the 1973 oil crisis. Milićević (2017) states that between 1975 and 1990, the inflation rate rose from 103% to 1267% (Milićević, 2017). Rajšić (2014) stresses the fact that in the same period, the public debt of the SFRY rose from USD 6 billion to over USD 20 billion (Rajšić, 2014). Milka Planinc, the President of the Federal Executive Council and the effective Prime Minister of the SFRY, stressed in her "Programme of Long-Term Economic Stabilisation" in 1982 the need to curb down any unnecessary and excessive public spending. These financial measures had a considerable influence on government and state-owned enterprises' policies towards the funding of sports entities and athletes. Again, the interviewed athletes confirmed that the Executive Council's measures had an immediate impact. Neralić and Todorović said that these measures endangered the functioning of a system of grants and aids from the local council and state-owned companies. Mata Neralić described how the financial support slowly dwindled: "We were promised that it is only a temporary measure until balances of companies which were taking part in the funding get stabilized because of inflation but they never did," Neralić said. He told me the club was struggling to fund trips to competitions and even to pay utilities for facilities where they were practicing. According to Dragan Todorović, grant funds for young athletes almost collapsed by the end of the 1980s since public companies stopped paying in funds, as enterprises always contributed more than local authorities. A local council curbed its part in the subsidies for paying utilities for facilities. At the same time, many companies also quitted sponsorship deals citing rising inflation and the inability to fund the production as an excuse, according to Todorović.

The dissolution of Yugoslavia hit the sports system pretty hard. More about this topic is discussed in Chapter 1.3 of the thesis. One of the most crucial things to stress now is the UN embargo on trade and movement between SR Yugoslavia (Serbia & Montenegro) and other UN members. The blockade as a consequence prevented all sports entities in Serbia and Montenegro from taking part in European competitions with the national football team also affected by its qualification on the 1992 European Championship. Naturally, the lack of trade and revenue from exports affected major enterprises negatively. Many of those companies were still sponsoring sports clubs and athletes at the time. Todorović stated that football club Dinamo Pančevo lost many talented players in the youth system who went on to play for the clubs which were able to sponsor them and provide them with better opportunities, among them Crvena zvezda and Partizan. The football club also had to sell players to keep some of its cash-flow going. According to Todorović, the situation slightly improved after lifting of the UN embargo in 1996. However, the problem of low cash-flow among football clubs remained.

Besides the communist doctrine about physical health, the high economic growth in socialist Yugoslavia between the mid-1950s and the mid-1970s was benefiting the Yugoslav sports system in general (Kajtezović, 2015, p. 73). In interviews with ex-athletes, both constantly stressed the fact that, unlike today, athletes enjoyed far more benefits and financial protection coming from the side of the state in the time of socialism. A field of sports left little incentive for criminal figures to enter the administrative boards of sports clubs and influence their decisions, albeit the lack of market economy and private entrepreneurship as a concept in socialism could explain why individual investors at the time had little incentive to enter the field of football.

1.3 Dissolution of Yugoslavia and transition period

Interethnic and intra-national disputes re-emerged within the communist Yugoslavia in the late 1980s. Opposite to the idea of the unity of Yugoslav nations through physical activity, sports, in a way, became the way of expressing individual national identities. It became evident on football stands that radical forms of nationalism were expressed (Hrستیć & Mustapić, 2015, p. 151). The tension culminated in the early 1990s. As the most famous example, the notorious clash between football hooligans of Dinamo Zagreb and Crvena zvezda on May 13th, 1990, in Zagreb can be singled out. Less known but also significant was the interruption of the match between Hajduk Split and Partizan in Split in September 1990 when Hajduk fans invaded the pitch and burned the Yugoslav flag. In Croatia, unlike Serbia, political stances entered football stands somewhat later with the political rise of Franjo Tuđman and nationalistic-oriented Croatian Democratic Union in the year 1989. Soon chants started to get nationalistic and chauvinist tone advocating for the independence of Croatia and calling on Serb persecution (Đorđević, 2017, p. 122). Inter-ethnic hate culminated in the already mentioned match between Crvena zvezda and Dinamo Zagreb in May 1990. Clashes of extreme fan groups with federal police and between groups themselves symbolized something new on the football stadiums in

Yugoslavia. It was unthinkable of even insulting, let alone physically attacking the police forces. A significant step in the breakup of the country was made in terms of openly violating the law and physical violence against members of other fans motivated on ethnic lines (Hrستیć & Mustapić, 2015, p. 152).

Regarding the Yugoslav national football team, it is essential to note several games from 1988 through 1990. In November 1988, the national team played a qualification match for the 1990 World Cup against France on the Partizan Stadium in Belgrade. Although stadiums were still relatively full of spectators, the match has been attended by only 7500 people. Interestingly, the match coincided with a major political rally in Belgrade. Therefore, it can be concluded that extreme fan groups had few interests in watching a team they saw less and less as theirs. They were rather supporting their new “patrons” on the political rally (Đorđević, 2017, p. 123). On June 3rd, 1990, a little more than two weeks after the riots on the Dinamo-Crvena zvezda match, a friendly match between Yugoslavia and the Netherlands, as a warm-up before 1990 World Cup, was played on Maksimir (Dinamo Stadium) in Zagreb. As the national anthems were being played, fans were booing Yugoslav anthem. Sarcastic smiles of players on the bench and the face of the national team coach Ivica Osim “said it all for themselves” (Đorđević, 2017, p. 123). Netherlands national team coach noted after the game that he was not aware that “Holland has so many supporters in Yugoslavia” (Đorđević, 2017, p. 123).

The first international match of the Croatian national football team was organized shortly after those incidents. The game was played in Zagreb against the USA on October 17th, 1990, turning into a grand event of nationalistic pride and outcry for Croatian cause in Yugoslavia. The match was followed by the restoration of the Ban Josip Jelačić statue on Zagreb’s main square. The monument was removed in 1947 as the Jelačić’s political views did not match the political views of the new socialist authorities. Therefore, the restoration had a strong political statement and introduced a series of ideological changes in Croatia (Hrستیć & Mustapić, 2015, p. 152).

New, breakaway countries tried to affirm themselves through sports competitions. Croatian and Serbian politicians, particularly the president of Croatia Franjo Tuđman, often emphasized the role of athletes as the most prominent promoters of the new nations. Promoting was just one example of how sports were often politicized. Athletes used sports events to emphasize the situation and to support political pretensions in front of the international community, depicting the view which favored their side through interviews with foreign journalists and talk shows on TVs in countries where they played (Hrستیć & Mustapić, 2015, p. 153). Symbolism became much evident across stands of stadiums translating into conditions of hooligan violence.

During Josip Broz’s rule, football clubs were closely monitored for any possible nationalistic stances, and supporter groups that expressed nationalism were brutally suppressed. However, once Broz died, supporter groups became monitored to a less extent. Re-emerging expressions of ethnic nationalism within fan groups became apparent by the late 1980s. They were fueled

by emerging political elites which supported the rising nationalistic frenzy. Frenzy, in turn, was driven by the dissolution of centralized economy and failure of central planning as a viable economic solution (Kajtezović, 2015, p. 72). Rioting and ethnic nationalist expressions intensified during the late 1980s and 1990s among two major extreme supporter groups: “Delije” supporting Crvena zvezda and the “Bad Blue Boys” supporting Dinamo Zagreb. In about that time, around 1989, Željko Ražnatović Arkan gained a formidable position among “Delije” (Đorđević, 2014, p. 14). He used his position to exploit nationalistic sentiments and later to recruit many of “Delije” in his paramilitary groups which went to become notorious for the number of war crimes including murders of civilians of other nationalities all over former Yugoslavia. How did he reach such a position is somewhat still dubious. Crvena zvezda’s supporters partially supported the initial drive of Slobodan Milošević following his rise to power in 1987 by sending supportive messages from the stands (Đorđević, 2017, p. 5). Ražnatović himself was a criminal who, due to several burglaries in West Germany in the late 1970s and early 1980s, became wanted by the Interpol and had to hide in Belgrade. There, he got recruited by the Yugoslav Secret Service in exchange for protection against extradition. Understandably, he was placed there to raise volunteers for paramilitary activities in preparation for possible conflicts after the dissolution of Yugoslavia. Đorđević (2017) states that “supporter groups were mobilized to take part in the war activities in ex-Yugoslavia” (Đorđević, 2017, p. 6). Whoever or whatever helped the rise of Ražnatović among the “Delije” in 1989, by the mid-1990s political stance among the majority of extreme Crvena zvezda’s fans changed towards support for opposition parties, a situation in which Ražnatović had little say. He soon purchased low-tier FK Obilić and started to run his new business based around transfers of football players.

Nevertheless, describing the role of football hooligans in the dissolution of Yugoslavia is critical for understanding the situation in today’s Serbian football system. As being used as loudspeakers of nationalistic messages of new political elites in federal republics and later as their troops in the Yugoslav conflict, hooligans acquired immense political and social power. Ever since, hooligans in Serbia and ex-Yugoslav countries have been in administrative boards of the clubs, influencing management decisions and openly coming in conflict with chairpersons of clubs as in the case of the leaders of “Bad Blue Boys” and Zdravko Mamić in the 2010s (Kostopolous, 2018).

In the murky situation, sports often served interests unrelated to its principal virtues. People who gain a fortune in various ways in the early 1990s managed to acquire sponsorship deals with many finance-troubled clubs or even to acquire a 100% stake in some of them, often for merely their purposes. Owning or sponsoring a club was not an unknown practice back then. However, it was a new thing in the ex-Yugoslav countries. The legislative framework was not set up and the sports authorities did not predict the possibility of such acts. Different motives made different people purchase a stake or try to secure full ownership of the club. Some, like the famous war criminal Željko Ražnatović Arkan in the case of FK Obilić, did it out of pure

fun and wish for a competition. Many saw it as a way to launder money gained through kidnapping, illegal arms, drugs, and human trafficking or were trying to enter a highly lucrative business of selling players to foreign clubs (Stanković, 2007). When interviewed about the developments in the post-2000 era in football in Serbia, Dragan Todorović confirmed to me that an investor with the shady origin of money acquired a minority stake (49%) in FK Dinamo Pančevo in 2003. Whatever the reasons were, such individuals took advantage of the grey legislative area and unclear legislative framework for club privatization, weakness of central authority of the state, and general impoverishment of both local clubs which were acquired and local authorities that owned them. Misener & Doherty (2013) claim that in non-profit sports organizations, private sponsors have a decision-making influence that decreases club performance, enhances clubs' commercialism by sponsors, and leads to club's financial dependability on the sponsor (Misener & Doherty, 2013 p. 502). Whatever the case was, the 1990s decade saw the first inflow of private money into the regional sports entities.

1.4 Current situation in football in Serbia

Today, there is a form of legislative “anarchy” in the area of football. It paved the way for people with a shady background to acquire influence in the number of football clubs in Serbia. Those people have used the lack of adequate regulations to realize their goals. They often engage in activities that feature a sort of criminal offense, such as corruption of politicians by giving them a part of the stake in the football club or through bribing league officials for better competitive results of their clubs. Serbian investigative journalist Brankica Stanković disclosed the problem of criminal interference in the football system in Serbia in a series of interviews with club officials, football referees, and football league officials. According to Stanković (2007), between 1995 and 2006, eleven presidents of football clubs in Serbia were murdered or committed suicide due to pressure (in a form of blackmailing) from organized criminal groups (Stanković, 2007). Between 1999 and 2006, three presidents of FK Bežanija were assassinated because they were unwilling to share the profits of players' transfers with members of the Surčin crime gang. Earlier, gang members forced players into signing personal contracts with them, in which players promised gang members a transfer fee from another club (Stanković, 2007). Even the President of the Football Association of Serbia & Montenegro Branko Bulatović was assassinated in front of his office in 2004 after vowing to fight the corruption in football. All these facts speak about massive criminal involvement in the Serbian football system since the early 1990s.

Serbian football clubs are mostly formally organized as associations of groups of citizens. In practice, many of them are under the influence of local businessmen who, hand in hand with club officials, pass decisions inside clubs as it suits their interests. Most Serbian football clubs, therefore, do not have a defined ownership and management structure. That is not a circumstance that would encourage any financier to invest money into the club, even though

some competitive success and some valuable transfer occurs from time to time bringing cash into the club's budget.

Due to undefined ownership and governing structures in sports entities, no noteworthy investment in sports can be expected apart from large companies' donations (Isailović, 2009). "No one is willing to invest in something which physically owns or at least controls the cash-flow of the funds invested, a situation not possible in the current state of affairs in most of the administrative boards of Serbian football clubs today" (Isailović, 2009). There is no sense among club officials that the funds are an investment coming from a sponsor. Technically, if an investor appeared with dedicated funds, the club officials would probably treat it as a donation.

The functioning of football clubs in Serbia was based on funding from government-owned enterprises for most of the time. These circumstance made club officials somewhat wobble in the sense of having to struggle to obtain funds, as they always relied on the government in the past. As government funds dedicated to sports slowly started to dwindle and the power of government-owned enterprises began to decrease, the "battle" of clubs to obtain funds began to intensify. It is worth noting that there are many examples, even in Serbian football, of successful cooperation between local authorities, club officials, and local companies acting as sponsors (Jovanović, Maksimović & Marčetić, 2015, p. 36). However, it has come mostly up to their initiative, meanwhile bypassing current regulations (and often coming in conflict with it) for the better good of the clubs involved. To benefit some or at least the majority of football clubs and sports entities in Serbia and to align closely with EU regulative, legislation that tightly regulates all segments of the privatization process is a must.

In 2014, Youth and Sports Minister Vanja Udovičić began discussing the privatization process with clubs and sports federations. He held 30 meetings with various presidents of sports associations all over the country, including representatives of the Serbian Football Federation and presidents of Crvena zvezda and Partizan (Zorić, 2015). The common conclusion was that the privatization of the two clubs is necessary to make the two observed clubs able to compete financially and in terms of results with their rivals in Europe. The Ministry of Sports and Youth announced that the goal is to develop the best model of privatization of Crvena zvezda and Partizan and sports entities in general. They planned and talked to representatives of the countries in the region where similar processes have already happened. Also, models from the European countries that have had the best success in the privatization of sports entities are taken into account. "Sports entities in Serbia should be privatized as soon as possible and privatization must be carried out," was said by Minister Udovičić for news outlet N1 info (Zorić, 2015).

2 OWNERSHIP AND FINANCING OF SPORTS ENTITIES

2.1 Legislation surrounding the ownership and financing of sports entities in Serbia – The Sports Act of the Republic of Serbia

To discuss the possible privatization process and to define privatization in general as a viable form of ownership of the sports club in the Serbian football system, a large number of legislative regulations have to be written and passed by the government. Those regulations have to make clear rules for funding of sports entities, provide fair market competition, and the ability to review cash-flow and sources of funding. On the other hand, regulation should also protect the current owners of sports entities (local authorities and government) and their interests, namely through the usage of club facilities, and regulate any possible misuse of the facilities by private investors.

Serbia is among the last countries in the region to start regulating this area of social activity, much to the fact political circumstances in the 1990s halted progress in legislative work. The backline of the decision derives benefit to the sport entities by adopting the model known as private sports entities (Jovanović, Maksimović & Marčetić, 2015, p. 35).

According to Isailović (2009), any legislation that would be passed by the Serbian government regarding sports entities should compromise the following four points (Isailović, 2009):

- Sports entities should be organized as joint-stock companies.
- The purchase of shares should be transparent and the right of pre-emption should belong to former and present players, supporters, sponsors, creditors, members, and officials of the club.
- The possibility that third-party debts owed to clubs are converted into shares for the clubs to be sold on the stock market with no obligation whatsoever.
- The money from the sale of shares goes to clubs whose shares were sold on the stock market.

In the EU, sports entities generate a turnover of EUR 400 billion annually or 3.7% of the EU's gross national product and employ 5.4% of the general workforce. As one of the largest growing industries worldwide, professional sports account for 3% of global trade. Today's most successful clubs are organized and operate as profitable organizations, based on principles of market supply and demand (Šuput, 2011, p. 164).

The importance of professional sports, including football, is proclaimed in the latest edition of the Serbian Constitution, adopted in 2006. In the Constitution, it is stipulated that sports are of high social value to the country, either under the government's authority or functioning as private entities and are regulated by the government's regulatory bodies. Therefore, pre-requiring steps for the privatization process have already been stipulated by the Serbian

Constitution. Political changes that happened in Serbia in the year 2000 set up conditions for accepting a new set of regulations in all aspects of society, including sports, and adapted to the EU regulating standards. To do so, the privatization of sports entities is a necessary step forward.

The Sports Act of the Republic of Serbia (Sports Act, SG-1 RS No. 10/2016), which came into force in April 2011, raised many controversial questions. Namely, two of the most critical issues are the privatization of sports entities and sports clubs' legal forms of existence. Under Article 31 of the Sports Act, a professional sports entity (or club) may be organized either as an association of citizens or a private body. In Serbia, clubs are predominantly organized as associations of citizens. As an association, the club is defined as a public entity that may acquire assets in article 36 of the Association Act of the Republic of Serbia (Association Act, SG-1 RS. No. 51/2009, 21/2011). Clubs can, therefore, acquire property over stadiums and other facilities, as the legislative form of the associations of citizens allows the sports entity to obtain ownership rights.

The Privatization Act of the Republic of Serbia (Privatization Act, SG-1 RS No. 83/2014, 46/2015, 11/2015, 20/2016) stipulates that the subject of the privatization process may be any government-owned property. Amid the privatization of sports entities, the greatest attention is naturally drawn to the privatization of the two most significant and most successful sports clubs in Serbia, FK Crvena zvezda and FK Partizan. The general belief of academic circles and the majority of the general public is that privatization would be initiated not because of their value as a brand and to improve their finances and competitive results but for the locations of their sports facilities in attractive locations in Belgrade. In those neighborhoods, property prices reached high rates in the past several years. Crvena zvezda and Partizan already own their stadiums and other facilities and, therefore, according to the Privatization Act, ownership of these facilities may not be the subject of privatization since it is not direct governmental property but a property of association of citizens. In this case, the already existing Privatization Act comes in a legal conflict with the Sports Act. That means the Sports Act contains pretensions of the government to carry out "privatization of private property" to benefit current sponsors and majority stakeholders in both clubs. If it comes to this, instead of privatization, a usurpation of club property will occur. Such a seizure would be a direct violation of the constitutional right to privatize private property. In the cases of Crvena zvezda and Partizan, only the property where the sports facilities are built can be the object of privatization. The government owns the ground on which there are facilities. Serbian regulation relevant to the matter states that a sports entity has the right to use the property on which its facilities are without the ownership rights.

The privatization of a part of clubs' properties can be conducted through the conversion of the right of the usage to ownership rights. The current Sports Act does not provide such a solution. Serbian Constitution (the Constitution of Republic of Serbia, SG-1 RS No. 4/2006) guarantees

the freedom of association for citizens and the freedom of joining into civil associations. The members of the sport entities are allowed to establish the sports club as an association. Thus, they have the right to remain its members as long as they wish. This right cannot be denied nor taken away by the government. The inherent legal form of the sports entity will be the starting point (basis) for the change of legal form respecting the right of members to choose their desired legal form freely. Imposing the choice of legal form by the government would be a severe breach of constitutional rights. The members' free will expressed in each sports entity's founding act is of crucial legal importance for the ownership status of sports entities.

The principal goals around the privatization of sports entities in Serbia that have been stipulated in media and the general public are (Topalović, 2019):

- An increase in economic efficiency.
- The inflow of fresh monetary capital.
- Changes in the ownership structure.
- Stability in terms of finances and improved competitive results.

According to the principal goals, it appears that the Sports Act claims to “pursue the privatization of private property”, a paradoxical situation caused by wrong wording of Articles in the Sports Act. As already said, with such interpretation, instead of privatizing the usurpation of the club property, a clear violation of the Constitution's right about the private property will follow.

According to the Sports Act, the privatization of the sports entities is implemented by applying general privatization regulations unless “otherwise proclaimed by this Act” (Sports Act, SG-1 RS No. 11/2011, 10/2016). On the other hand, the Privatization Act contains general regulations and defines privatization as “a change of ownership of the government-owned entity”. The Sports Act, especially Articles 189 and 190, respectively, were criticized by Dejan Šuput, the director of the Sports Law Development Association of Serbia and a member of the legal team of the FK Crvena zvezda (Velimirović, 2012). He emphasized that these articles introduce excessive government interventionism in the day-to-day affairs in the sports system of Serbia, prevent the autonomy of the activities of sports entities as citizens' associations, and favor the treatment of sports as an economic activity. Zoran Ivošević, the President of the Crvena zvezda's Legal Commission and a former judge of the Supreme Court of the Republic of Serbia, criticized the proposal even further. His biggest concern is that the Sports Act will allow for the change of usage of sports facilities, which will allegedly “make Crvena zvezda and Partizan the prey of tycoons looking for a luxurious property to construct malls and buildings” (Ivošević, 2011).

Looking for solutions about the current Sports Act, the Serbian government can use an example of the closest neighbor in the ex-Yugoslav region. In the year 2020, the Republic of Srpska is trying to implement new legislation in the area of sports entities. The new Sports Act

is being written and the current Minister for Sports and Youth Sonja Davidović said the aim is “to protect sports clubs and their property but also to allow people with capital to invest in clubs and contribute to the development of sports”. According to her, the law will define the possibility of establishing a club both as an association of citizens and as a private entity. Davidović said that a wide range of ownership structures of sports entities in the coming period would allow uniting public interest in sports and possibly private interest in organizational forms that potential investors will recognize as the most profitable. She emphasized that the result achieved in such organizational types of sports entities, in addition to primarily private and business success, will contribute to the development of the sport and the satisfaction of the public interest. A new start in the legislative framework surrounding sports entities is what exactly the Serbian sports system needs at the moment. Looking closely at events happening in the Republic of Srpska will hopefully give an insight into how the further legislative acts have to be worded and implemented by the relevant government authorities in the Republic of Serbia.

2.2 Sociological and economic factors surrounding the ownership and financing of sports entities in Serbia

Possible privatization process of FK Crvena zvezda and FK Partizan have sparked considerable debate among both the general public and experts alike ever since the idea was first proposed in the 2000s. The existence of the two biggest Serbian clubs, one of the most recognizable brands of Serbia abroad and the source of pride for many people in the country and region, was at stake. Naturally, conflicting opinions soon started to evolve. The question of whether the privatization is a better solution was not at stake since both government and club officials on the one side and the general public and experts on another very soon concluded that it is the most desirable outcome. However, the way and timing when the privatization should be conducted became a point of conflict. Government and clubs’ management were advocating for a gradual transition of ownership structure and internal model of privatization since there is still no adequate legislative framework or suitable sociological conditions (Šuput, 2011, p. 165). Internal privatization is a model in which club officials would carry out the privatization process internally, i.e. they would become private investors in the club through the pre-public right of purchase of the club’s shares. The general academic public was in favor of the imminent change of ownership structure through the privatization of both football clubs. Both sides acknowledged there is a lack of a proper legislative framework that would guide the process of privatization. Both sides also agreed that the current state of affairs is not sustainable in the long-term.

The series of interviews with governmental officials, club management, and the general academic public regarding the matter of privatization of Crvena zvezda and Partizan were conducted between 2007 and 2015. Those interviews are meant to reflect the sociological side of the issue analyzing statements made by the general public about the possible outcome of

change in the observed clubs' ownership structure. In the subsequent pages, there is a short breakdown of the most essential interviews and statements surrounding the eventual process of privatization to understand the general opinions of parties involved in the process.

In 2009, economic consultant Milan Kovačević claimed that sports entities have to be privatized as soon as possible since clubs "receive a lot of funds through shady schemes between club officials and government bodies, much to the expense of budget taxpayers." "Until the privatization has not been completed, the two clubs will be a scene for organized-crime-influenced transfers of players and a place for taxpayers' money going into private pockets", according to professor on Belgrade Business School, Mahmud Bušatlija (Opačić, 2009).

"The privatization should be carefully considered. The fact that clubs use government-owned properties for their purposes should be taken into account, as managements of both clubs are obliged to discuss and move forward as necessary to determine which real-estate is not owned by the clubs but by the government and which it is," Bušatlija added. He claims that governmental property (real-estate) cannot be subject to privatization. Only the property under direct club ownership can be subject to privatization. "Recognizing privatized club means making a predetermined complete property and determining when the property came into possession, which originally paid for it and whose property is it," Bušatlija added. He furthermore claims the privatization of clubs is a severe issue which the current government cannot address within the existing legislative framework. "If you put the clubs for sale, it means you sell them as sports organizations, not the governmental property they currently use. Not a single investor who is interested in purchasing for the sake of profit-making and competing would be interested. A potential investor would be buying an organization that does not even have a clear status of what it owns and what it does not. Unfortunately, only the investors who have the final goal of demolishing stadiums and constructing luxurious properties and shopping malls would be interested in such a trade," Bušatlija concluded. "Crvena zvezda and Partizan were in an uncomfortable position so far," Kovačević noted. He said that "if politicians were happy to ask club officials on how the privatization should be conducted, then, there would be many shady affairs ongoing in the process of privatization. There would not be enough transparency about how these clubs should conduct the privatization and spend taxpayers' funds" (Opačić, 2009).

It can be concluded that a model of internal privatization cannot be considered when discussing the privatization of these two clubs due to shady connections between the current club management and government officials. At best, it would be a process, namely transparent on the surface where a silent transfer of ownership would happen between government and the current club management. In the aftermath of privatization, albeit the change in the structure has happened, there would not be any in-depth changes in terms of improving financial and competitive aspects. Club officials would become private owners and chairmen and would

simply continue their businesses of selling players under the market value for the sake of covering any tax expenses and could still count on government financial aid through a variety of donations. In another scenario, club management would simply advocate for the abolishment of clubs and initiating the liquidation process of clubs. From there, government and current club management would make an even number of funds remaining, possibly to private pockets. Then, according to Bušatlija, demolishing of stadiums might commence and clearing the property for the construction of individual properties (Opačić, 2009). In any way, both scenarios, especially another, would not benefit Crvena zvezda and Partizan as competitive sports entities.

The general director of the FK Crvena zvezda Zvezdan Terzić claimed that privatization is an urgent priority. According to him, the main idea is to “get off the taxpayer’s hump”. For him, the biggest problem is the current legislative framework: “When the first Sports Act following the dissolution of SFRY was passed in 1996, clubs were left with an opportunity to re-register as associations of groups of citizens or as social enterprises. With the adoption of the Privatization Act in 2004, the legality problem arose in which the associations of groups of citizens could not be privatized. The Sports Act of 2011 did not address this issue” (Velimirović, 2012).

According to Serbian research and investigative outlet Insajder (Rakas, 2016), the situation in the year 2016 with Crvena Zvezda and Partizan was summarized in the following way: “Neither government-owned nor in private hands”. Football clubs Crvena zvezda and Partizan remain legally organized on the level of associations of groups of citizens. At the same time, massive funds go into the clubs through donations and selling of players and go out without adequate chains of controls or proper bookkeeping, which is why even litigation is ongoing or still ongoing. Despite it all, all conditions remain the same. The government persistently aids Crvena zvezda and Partizan through government-owned enterprises presenting it as sponsorship deals leaving the problem unsolved essentially. The Sports Act provided for the issue to be resolved by a separate law. However, that particular law was not enacted. The privatization of clubs, namely those that have the status of associations of citizens, has been discussed as the best solution since 2000. In 2001, it was stated that the plan would start and finish the process of privatization in four years, beginning in 2002 (Rakas, 2016). The same narrative was repeated in 2004 and again in 2009. In 2009, the current Minister of Sports stated that “this chaotic property situation is unsustainable. Public property is everyone’s and nobody’s at the same time. No one has real responsibility and no one will invest money because one does not know exactly where it would end”. Five years later, minister Udovičić stated that “we have come up with two or three applicable privatization models. The amendments to the Sports Act are in the final phase whose result will be the law on privatization”. Paradoxically, almost 15 years after the first discussions, the next step was that clubs have to record what they have at their disposal. Then, they should commence the start of the privatization process. “The termination of direct financing of sports clubs and regulation of

ownership in sports through a change of relevant regulation and completion of privatization in sports” is what the Prime Minister Aleksandar Vučić claimed he will do in his expose when he was re-elected in 2014. In the year 2016, however, he stated: “I have no strength to fight the privatization of clubs. I admit a defeat. I am alone in the fight on this” (Rakas, 2016). The question is what this statement means because the most influential politician in Serbia said it. There has not been any talk about the privatization process in public, among club officials, nor in academic circles after this statement. Whatever the reason is, this is a big step backward in the process of the privatization of sports entities in Serbia in general, not only the FK Crvena zvezda and FK Partizan.

As already discussed, economic factors surrounding both clubs are not beneficial for the two clubs’ fates. Unlike socialist times when both clubs were founded, clubs today cannot rely on massive state funds for their functioning nor functioning of their facilities. Both observed clubs are unable to achieve a long-lasting string of successes, which would improve their financial status. They are swinging between occasional success in UEFA competitions, such as Champions League and Europa League, and selling of players, mostly from the youth system, as lucrative transfers to the more wealthy European clubs. Therefore, both clubs are forced to ask for loans with Serbian commercial banks, subject to high-interest rates because of the unpredictability of their businesses making their operational costs high. Later in the thesis, it would be visible that FK Crvena zvezda managed to break out of the circle of indebtedness by funding itself from its capital acquired through its qualification and successes in the UEFA Champions League.

As said, one of the ways the privatization process in Serbia can be executed is the transformation of government-owned sports entities from citizen associations’ status into joint-stock companies. Potential investors can acquire shares in the newly formed joint-stock companies and compete who would become the owners of most shares. From there, general rules of behaving as an investor in the joint-stock company would apply. Investors would group into associations and decide about club goals and targets on the assemblies. Alternatively, a potential investor might buy the majority of or all the shares and become the only owner in the club. Such a move does not rule out internal privatization as an option and still allows current managements (suspects of shady affairs in current conditions) to purchase stocks of the listed clubs. Still, it also offers the possibility for outside investors to compete with them. In this situation, clubs will break up all ties with the government and will not be able to count on financial aid anymore, as Zvezdan Terzić, the president of FK Crvena zvezda said: to “relief taxpayers’ burden”. Alternatively, there could be an application of a set of standards regarding the Crvena zvezda and Partizan that currently apply to Spanish football clubs Real Madrid and Barcelona, according to which no physical or legal entity can own 100% of shares. Such standards do not allow foreign citizens to have a majority stake in the clubs.

In 2011, Serbian Minister of Youth and Sports Snežana Samardžić-Marković said that only after registering the net assets of Crvena zvezda and Partizan, it will be determined “whether and by what model the two largest Serbian clubs will be privatized” (Minić, 2014). She explained that the “government does not currently have a clear picture of the government property in the clubs. Clubs will have to prove through the documentation that the stadiums belong to them” (Minić, 2014). She stated: “We were forced to include the set of 19 different documents in the current Sports Act because no one had done that job before us. Possession of property must be clarified for the privatization process to go in a controlled manner.” When she was asked who would be in charge of determining the value or which clubs were of national importance, she replied that there were people licensed to make those assessments and determine intangible things, such as a brand. “The law stipulates that government determines the national importance and at lower levels by the provincial and local ones if any. It is important to us, first of all, to protect the governmental property. Still, clubs of national importance could be privatized at some time when the conditions are met,” Samardžić-Marković added. Asked how privatization of Partizan and Crvena zvezda would be initiated since clubs are of national importance undoubtedly, she replied: “They even may not be privatized, given current pre-conditions on the process of privatization. As you see, there are many pre-requirements on how the process has to be led. If any privatization occurs, the process will be led by the Privatization Agency in direct agreement with the government which will make the final decision. Then the agency will determine how the clubs will be privatized since there are different models in the world,” she said.

“The privatization could have been settled much earlier by the Directorate for Property. If the clubs say the stadiums belong to them, I do not want to doubt it. However, it will need to be backed up by the appropriate property documents required by the law of this country. If the clubs can substantiate these claims, they have no reason to be scared for the fate of their stadiums and facilities,” the Minister explained. She further added that the crucial problem is that no one is willing to invest and purchase the clubs because investors see some facilities as government property and others as the property of those clubs. “It is better to resolve the issue and encourage investing in the two clubs. It is important for us to prevent the stadiums from changing their purpose because otherwise, Serbian sports would suffer a huge defeat”, concluded Minister Marković-Samardžić.

The General Secretary of FK Partizan Darko Grubor said the ownership transformation through privatization is the only possible source of fresh monetary capital inflow for Serbian sports entities (Nenadić & Mitić, 2010). “There are no cash inflows. The consequence is a steady decline in the quality of the game and, thus, a decrease of quality of the national team and youth squads whose development is necessary for the future of FK Partizan and the future of the Serbian national team,” Grubor said. “The problem with privatization could be that the government owns the majority of sports facilities in Serbia through local authorities. However, it does not invest in them at all” (Nenadić & Mitić, 2010). Grubor said the solution could be to

allow any future club owners or stockholders to purchase a ground on which stadium is after the successful privatization. However, he also warned of possible problems with the investors. “The profile of the future shareholder must be different from the profile of the average Serbian businessman who emerged during the transition period, especially since there is no high profit in Serbian football today after a long period of drought. The question, however, is how many people in Serbia would fit such a description. That is why these privatizations will probably have to wait for some better times,” he said. Grubor reiterated the earlier position of other club officials that Partizan and Crvena zvezda should be given special status during the privatization of sports entities so that a single individual does not become the exclusive owner of one of the two biggest Serbian clubs. “Therefore, ownership has to be divided between at least two individual or legal entities”, he said.

As already said, both general public and club officials have concluded that both football clubs should be privatized as soon as possible, albeit in which way it was not clear to the majority of them. The main reason cited was the stopping of public funds being leaked into the clubs due to ever-growing corruption issues in the Serbian sports system. Academic public, club management, and government officials agreed that the Serbian government should back off or at least reduce the level of control and funding in both football clubs. However, there are many inconsistencies and flaws. Statements which the Minister Vanja Udovičić made in 2015, most importantly the comment about not knowing the amount of governmental stake in both clubs is a visible indicator of the negligence of the relevant government authorities towards the issue of the privatization of FK Crvena zvezda and FK Partizan and about the fate of taxpayers money. An identical statement was made by the Minister of Youth and Sports Samardžić-Marković four years before that, i.e. little was done in the four years regarding the privatization of those two clubs. The Sports Act in 2011 provided for clubs to submit documents with which they were required, among other things, to furnish proof of the right of the usage and evidence of ownership of the property they were using, namely the football stadiums. Both clubs did nothing to fulfill those requirements as of 2020. That is a sign of clear inertia of club officials and governmental bodies to initiate the privatization process of FK Crvena zvezda and FK Partizan.

2.3 Public ownership

Public ownership is a type of management structure in which a single individual does not own the sports club, but a variety of individual investors (most often club fans) as shareholders. The ownership comes through public limited companies (as in English Premier League), associations of citizens, a government-owned enterprise, or direct ownership of governmental or local authority. There is a distinction between the public-owned clubs and publicly-traded clubs whose assets are in free float on the stock exchange. In terms of ownership structure, this type of ownership is currently functioning in both observed Serbian football clubs.

Several researchers (Walkup, Bouchet & Lemke, 2014) concluded that clubs registered as public limited companies had better firm performance than privately owned clubs. They are less likely to experience financial issues as a result of ownership due to their assets being either diversified (public limited companies) or government-owned as associations of citizens (Walkup, Bouchett & Lemke, 2014, p. 7). Parent (2015) argues that public sports entities owned by a large number of shareholders tend to have good governance practices and adhere to democratic principles of decision making (Parent, 2015, p. 406). Furthermore, public-owned football clubs are far more regulated due to the nature of ownership. Therefore, there is far more scrutiny over the actions taken by the club management (Devine, 2017). On the other hand, many different stakeholders may have conflicting interests on how to manage the club. Theiri, Medabesh, and Ati (2012) argue that when combined as stakeholders, fans, private investors, and local authorities would come in divergency due to the nature of their interests (Theiri, Medabesh & Ati, 2012, p. 132).

2.4 Public-private (mixed) ownership

In a general sense, public-private partnership describes a wide range of agreements in which state (governmental and local authorities) outsource a part of responsibilities to the profit organizations or situations in which business risks are equally shared between public and private sectors. Factors surrounding such types of ownership are various. Governmental bodies (most often local authorities) decide on such moves to reduce costs and gain financial stability. However, this kind of ownership might face grips of an unclear source of ownership. When researching the performance of private, public, and mix-owned airlines, Backx and Carney (2002) concluded that mix-owned airlines are underperforming compared to private-owned airlines. Meanwhile, they were still gripping with problems related to public-owned airlines, such as the lower ratio of operational staff comparing to administrative personnel and the corruption of airline officials (Backx & Carney, 2002, p. 219). According to Hart, public-private ownerships suffer from “incomplete contracts and unclear responsibilities” (Hart, 2003, p. 8).

While most often associated with infrastructure and services, mixed ownership has its application in the sports sector as well with many sports facilities and venues falling into this category, formally owned by the local authorities but used and maintained by private owners or sponsors. Typically, the local authorities would renounce the facilities’ utilities but would still require expenses (in terms of taxes) on the property to be settled (Dugalić & Krsteska, 2013, p. 62). As it has been said already, sports entities in Serbia are registered as associations of groups of citizens and are subject to the relevant legislation on associations of citizens (Šuput, 2011, p. 154). Therefore, sports clubs manage and use the facilities, namely stadiums, they have or have at their disposal to be used. In terms of ownership of their facilities, this partially puts both observed Serbian football clubs in the category of mixed-owned sports entities.

An interesting example of public-private ownership is football clubs from the Saudi Professional League's first-tier competition in Saudi Arabia (Bainbridge & Moroney, 2018). It is worth noting that the Saudi government sees it as a temporary step in the final privatization of the whole football sector. Namely, the privatization was initiated in 2016 in the sense of a broader strategy to diversify and reduce the country's dependency on oil revenues. A part of the stake in football clubs in the Saudi League was offered for sale. A move was partially motivated also by the increasing number of Saudi oil magnates investing in European clubs in a bid to keep the oil revenues inside Saudi Arabia. A commission was formed in November 2016 to observe the process. The first phase of the plan was to privatize five clubs in the league under direct tender conditions. If the tender fails, Jawda Investment (one of the biggest privately-owned investment banks in the country) has obliged to purchase 30% in any of those five clubs. Jawda Investment also has the role of a direct advisor for the club privatizations. To popularize football in Saudi Arabia even more, the government passed several resolutions, such as allowing women to attend football games and signing a new deal with Saudi Telecommunication Agency under which matches can be broadcast in the country for free for ten years (Bainbridge & Moroney, 2018).

2.5 Private ownership

According to the Encyclopedia Britannica (Britannica, no date), privatization means transferring governmental services or assets to the private-owned entity. According to Paul Starr, professor at Princeton University, privatization can be defined as a process of transferring business ownership from the public sector (government) to the private sector (Starr, 1988, p. 7). Starr further describes privatization as the process of gradually withdrawing the state's role from the economy to increase economic efficiency and utilize available resources to stimulate economic development (Starr, 1988, p. 8). In a general sense, privatization refers to the transfer of any duty or function of the governmental tasks, such as earning income or even law enforcement in extreme cases (Kay & Thompson, 1988, p. 18).

According to Olivier, the necessity of privatization process can be explained by the following features, such as unnecessary big public sector, high protectionism of the domestic economy, pressure on the government budget which in turn generates high inflation, unstable and unrealistic currency exchange rate, macroeconomic instability, etc. (Olivier, 2003, p. 8). Paul Starr describes the goals of privatization to enhance productivity and increase efficiency on the level of a country's economy, ultimately leading to sustainable economic growth (Starr, 1988, p. 10). Privatization had especially significant importance in the developed world in the 20th century and, therefore, privatization has great importance in post-transition societies today as well. One of the most important reasons for privatization in sports is enhancing the competitiveness of sports entities (Amani, Firouzabadi & Razavi, 2018, p. 62).

Experience in practice has shown that there is no ideal form of privatization. Every society is specific. Each country has a unique economic structure, the current state of affairs, culture, and tradition. Therefore, the privatization takes place concerning numerous and particular constraints. In Eastern European countries, two methods of privatization can be distinguished: the internal and external privatization (Devine, 2017). As already discussed, in the internal privatization model, most shares are distributed free of charge or at a discount and employees become small shareholders. Their participation in the ownership structure is favored. This model has its advantages, as it is a favorite among workers of profitable societies simplifying the administrative procedure. The government is excluded from the privatization process. Employees support privatization with being motivated to do business as shareholders. The disadvantages of this model are excessive dispersion of ownership (and, therefore, poor management control) and the lack of proper legislative regulation with management playing a pivotal role in the decision-making. Such companies are not attractive to potential investors and the process of enlarging the ownership package is disputed. This form of privatization also has its weaknesses due to underdeveloped regulations and the lack of transparency. According to Radović and Fijat (Radović & Fijat, 2011, p. 386), the government “might not be ready to downsize and employees resist because they fear layoffs and continued status”.

Rohde and Breuer (2018) argue that foreign private investors seek profit maximization when purchasing a football club. Therefore, they are not necessarily interested only in the maximization of sports results (Rohde & Breuer, 2018, p. 567). Generally speaking, potential investors prefer to invest in sectors that guarantee the return of investment money and choose the least risky options. In other words, in an industry where the amount of efficiency is higher, the moving of investments accelerates (Rohde & Breuer, 2018, p. 570).

In countries where the private sector is undeveloped and, therefore, relies on governmental support in the form of subsidies, defined effectiveness of privatization process and the approach in which privatization is implemented is not compatible with its mainstream approach (Jovanović, Marković & Marčetić, 2015, p. 32). Although privatization is a policy that has been successful in many developed countries, therefore, it should be noted that if the conditions and prerequisites for it are not provided, the decision to privatize leaves adverse effects on the performance of a football club (Rohde & Breuer, 2018, p. 567).

The result of privatization is a changed ownership structure that can be either concentrated or dispersed. One of the ways to solve problems with controlling management actions is to encourage the emergence of large stakeholders. They would group and work together to monitor the management. On the other hand, there is the misuse of control. Grouping of large shareholders creates the possibility that the deal of a couple of large stakeholders and the “behind-the-scenes” management would undermine the importance of small stakeholders. Therefore, the protection of small stakeholders is required. In turn, that means limiting the role of the big stakeholders which again leads to an unwanted expansion of management discretion.

3 EXAMPLES OF THE OWNERSHIP STRUCTURE AND PRIVATIZATION PROCESS OF THE SELECTED SPORTS ENTITIES

3.1 Post-transition economies in the Balkans

3.1.1 Ludogorets Razgrad

FC Ludogorie Razgrad was formed in 1945 in the town of Razgrad in Bulgaria following the Bulgarian communist party overtaking rule in the country. Just as in the case of Crvena zvezda and Partizan, FC Ludogorie was based on the Soviet sports doctrine of organizations of physical activity. Therefore, the development of the club went hand-in-hand with the majority of newly football clubs in the socialist bloc at the time being a part of a larger sports organization under the same name governed by local sports council and sponsored by local government-owned companies. The club played in lower tiers of Bulgarian football during the communist rule mostly, except for two seasons in the 1980s.

In 1990, following Bulgaria's transition to a market economy, private-owned company LEX became the sponsor of the club and proposed a name to be changed to LEX. The team was again promoted to the first-tier of Bulgarian football in 1994 only to return to the second-level in the following season. After a series of seasons spent on the lower levels, LEX withdrew sponsorship deal from the club and Ludogorie went bankrupt in 2001. A group of enthusiasts, namely former players and fans, formed a new club in 2006, named Ludogorets. It started competing from the lowest tier of professional football in Bulgaria, the third league (Thacker, 2018).

Bulgarian pharmaceutical magnate Kiril Domuschiev purchased Ludogorets in 2010 which initiated the club "meteoric rise" in the Bulgarian football and on the European scene (Thacker, 2018). Domuschiev made a fortune establishing the privatization fund through which he managed to acquire a stake in the several government-owned companies, most importantly Huvepharma EOOD in 2000, which rose to the level of the biggest manufacturer of medicines in Bulgaria with the production in Italy and the United States too. Over the years, Domuschiev diversified into several branches of business, namely into veterinary medicine, port operations, maritime transport, construction, etc. As soon as he purchased the club, he invested heavily in the club operations, purchasing several foreign players and relying heavily on Bulgarian football association unregulated legislation about the number of international players being able to play for a single club. Club was promoted to the first tier in the first season of Domuschiev presidency and won a treble in the second, 2011/2012 season (League, Cup, and Supercup trophies), a feat unachieved in Bulgarian football up to that date and a rarity in international football as well. In European competitions Ludogorets equally had success reaching Round of 16 in the 2013/2014 Europa League edition after a 0-1 victory over

Lazio in Rome and entering Round of 16 in the 2014/2015 Champions League season winning the first points for the Bulgarian football in the Champions League following a 1-0 victory over Basel in Sofia. To this date, under Kiril Domuschiev's ownership, the club has eight Bulgarian championship titles, two Cups, two Supercups, and has seized a treble on two occasions.

An example of Ludogorets shows how successful privatization can benefit a football club in its most essential aspects: improving competitive results and financial situation. Although the situation of Ludogorets is not best applicable in the case of Crvena zvezda and Partizan (former players and fans led the club with little government incentive in meddling into affairs) it can still show a path how privatization can be conducted. In the lead up to the privatization, the Bulgarian government changed a variety of regulations which enabled potential investors to purchase a 100% stake of football clubs (Thacker, 2018). Furthermore, in the case of Ludogorets, the town of Razgrad completely renounced claims on the property on which Razgrad stadium is situated to boost new management and support the club affairs (Thacker, 2018). Such acts by Razgrad authorities can be a sign of what the Serbian government might do regarding the property of the stadiums in Belgrade. In the essence, stakeholders did not pose an obstacle and the government regulation was already set for the privatization process in an effort for the Bulgarian legislation to align with the EU one in the area of football, unlike in Serbia's current state of affairs.

3.1.2 CFR Cluj

CFR Cluj was formed in 1907. It is one of the oldest football clubs in Romania. It is based in the town of Cluj-Napoca, a historical town equally ethnically diversified between Romanians and Hungarians. However, it enjoyed the support that spanned across ethnic lines (Halmai & Kalb, 2011, p. 82). Club had back-to-back successes, most notably in the socialist Romania. It spent eight years in the top tier between the late 1960s and the mid-1970s, even managing to finish the fifth in 1973/1974 season beating famous Romanian club Rapid Bucuresti. The club was formally owned by Romanian Railways as its main sponsor following the governmental enterprises sponsoring sports entities in communist Romania (Halmai & Kalb, 2011, p. 84). In 2002, local businessmen Árpád Pásztkány and the owner of local trading company ECOMAX acquired a majority stake in the club from Romanian Railways with Railways agreeing to remain minority stake in the club. Pásztkány made a fortune in transitional Romania as a car dealer and diversified his assets by further investing in real estate property. Relying heavily on foreign players, in a matter of just six years, CFR Cluj went from the third tier to win the first place in the Romanian championship. This boom gained considerable interest not only in Romania but also abroad (Halmai & Kalb, 2011, p. 88). In terms of Crvena zvezda and Partizan's future ownership structure discussions in Serbian media in the late 2000s, Cluj was often cited as a successful example (Radaković, 2017, p. 119). CFR Cluj has won the Romanian football league five times and the Romanian Cup 4 times.

The club faced insolvency issues after Árpád Pászkány withdrew from owning a stake in the club leaving Romanian Railways as sole owner and the main sponsor of the CFR Cluj again (Wilson, 2008). The Romanian Football Federation deducted 24 points from the club due to insolvency which saw the club finishing last in the Romanian First League causing many players to leave. In early 2017 Marian Băgăcean, Romanian businessman from Bucharest purchased 62% stake of the club from the Romanian Railways, making him majority owner and the main sponsor of the club just like Pászkány was in 2002. The club got back to the track of success winning the titles of the Romanian championship in seasons 2017/2018 and 2018/2019.

The case of CFR Cluj might be interesting to analyze from several perspectives. Unlike Ludogorets, the club was never 100% in the ownership of an individual, something that Partizan and Crvena zvezda were trying to procure as an amendment to the 2011 Sports Act. Although a single individual did not own 100% of the club, it still faced insolvency after the main sponsor withdrew. The blame partially lies on the side of the governmental entity (Romanian Railways) for not being enough active in the club affairs and not reacting adequately to the withdrawal of the main sponsor. Anyway, relying too much on investors who got their fortune in murky ways is dangerous, as their interest in sports comes mostly from personal affection and might go away with time as in the case of Željko Ražnatović and FK Obilić. It is a problem both clubs' management will have to consider in any possible privatization process. The fact is that such people would be first in the line of potential investors in the case of initiation of the privatization process. Hopefully, a set of acts in any future concrete legislative framework regarding club privatization in Serbia will help to tackle this issue.

3.2 Developed market economies

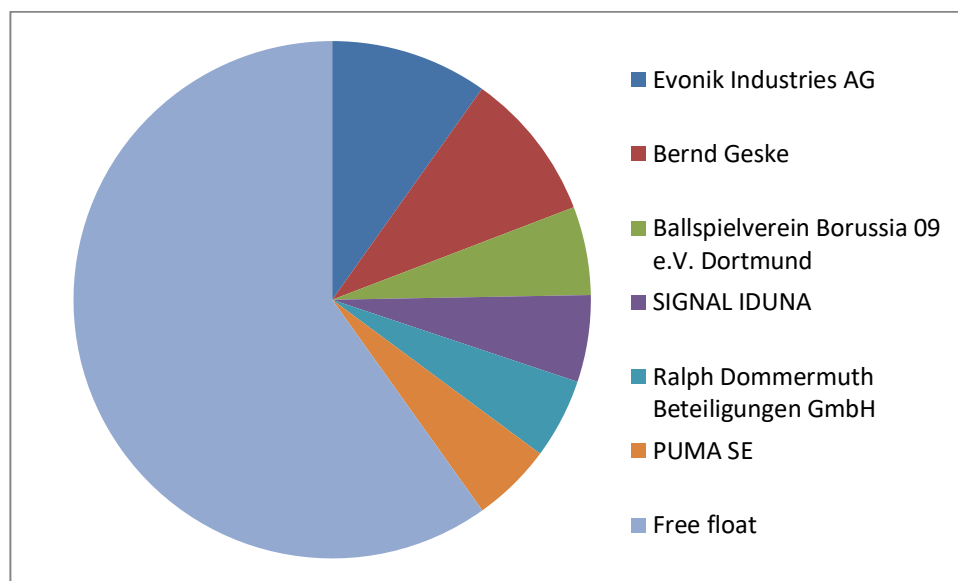
3.2.1 Borussia Dortmund

Borussia Dortmund is the biggest club in Dortmund in the industrial Ruhr region of Germany and one of the most famous clubs in Germany and Europe. In October 2000, Borussia became the first and up to this date the only German football club publicly traded in the German stock market. It is listed in the General Standard of Deutsche Borse AG. The starting price of the single stock was EUR 11. However, it sank to EUR 10.5 on the very first day of trading (Walkup, Boucheet, Remke, 2014, p. 5). As competitive results in the league were not so good, the price of the stock was going down. In 2005, the club was on the verge of bankruptcy and had to sell its stadium to obtain at least some funds to keep the affairs going. Hans-Joachim Watzke took over as the new CEO in 2005 when the club had an outstanding debt of EUR 120 million. The ownership structure of stocks changed over time with 82% of shares nowadays belonging to diverse small shareholders, namely club fans (as of 2018). Watzke managed to repay club debts and repurchase club stadium. The stock price which was less than EUR 1 at

the lowest ebb stabilized around EUR 3. The club generated profits of EUR 300 million in the season 2012/2013 (Walkup, Boucheet & Remke, 2014, p. 6).

The football club is run under the joint-stock company Borussia Dortmund GmbH & Co KG AA. “KG AA” is essentially a company with restricted shares, which is a requirement of German federal legislation to prevent a listed club (so far only Dortmund) being taken over by a single investor. The model works on the principle of a partner with unlimited liability and a partner with limited liability with the investment of the latter partner being divided into stocks. Therefore, the joint-stock company is paired with unlimited liability. It is responsible for club management. It is fully owned by the sports club Borussia Dortmund e.V. Organizational structure was made to show that the sports club has complete control over the squad and management affairs. Technically, an investor can own 100% of the stock but cannot take over the company’s management affairs as the GmbH KG AA still controls it. Figure 2, a chart that depicts the share of various stakeholders, is provided to illustrate the ownership structure better.

Figure 2: Ownership structure of Borussia Dortmund (as of May 2020)



Source: Borussia's Dortmund website (no date).

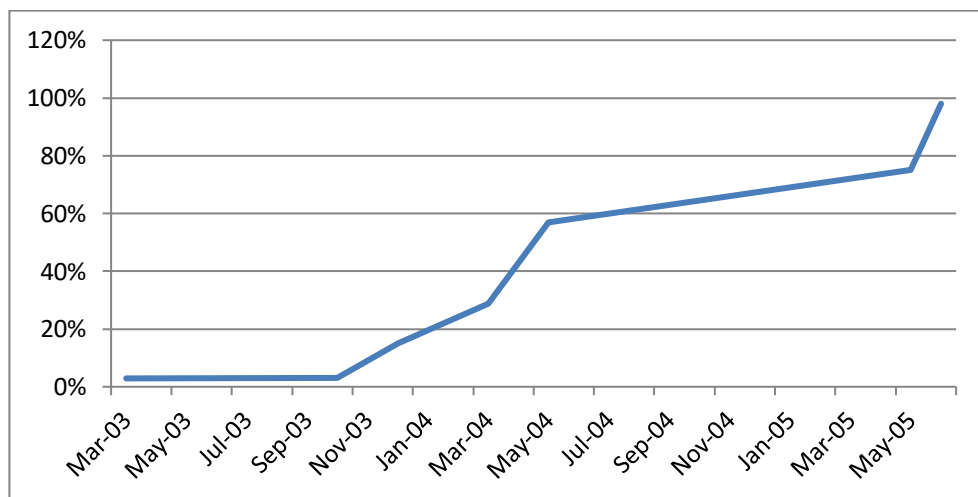
Although not directly connected to the topic of privatization of Crvena zvezda and Partizan, this kind of ownership structure (due to its story) is a prime example of a successful ownership transaction into the hands of corporations and the general public alike. Backed by adequate legislation, supervised by the independent administrative board and with the full support of fans and the local community, Borussia Dortmund undertook a revolutionary step forward. Going public and listing on a stock exchange, facing fluctuations of assets, and resting on competitive results as a prime indicator of stock price trends is very risky. It is not surprising

that the club suffered from financial turmoils due to results reflecting negatively on the stock price. However, the new CEO, under the backing of the local government, managed to salvage the situation and redesign the ownership structure. He switched ownership with various measures from corporations behaving as investors to fans, members of the local community willing to stand with the football club in every situation, profitable and unprofitable. Changes in the ownership structure and new management lead to strings of exceptional competitive results for the club, as Borussia Dortmund won two Bundesliga and two German Cup titles in 2011 and 2012, and they were Champions League's runners-up in the 2012/2013 season.

3.2.2 Manchester United

Manchester United, one of the most famous football clubs in the world, was founded in 1878 in the town of Manchester in the United Kingdom. Club was founded by the railway company "Lancashire and Yorkshire" but separated from the company in 1892 and remained in private hands for 98 years until 1990 when it went public on the London Stock Exchange as one of the first football clubs in the world to do so (Szymanski, 1998, p. 47). Between October 2003 and May 2004, American magnate Malcolm Glazer increased his share in the club from 3% to 57% through acquiring shares from several influential shareowners, launching him well above 30% threshold required to initiate a takeover bid (Andrews, 2004, p. 70). Glazer acquired a fortune through trading with real-estate in Florida. He soon owned a 75% stake in the club, which enabled him to delist the club from the stock exchange and go on to acquire further 23%, eventually owning 98% of the company.. To illustrate the takeover process better, a timeline of acquisition of shares of Manchester United by the Glazer family was illustrated in Figure 3.

Figure 3: Takeover process of Manchester United's stocks by the Glazer family, between March 2003 and June 2005



Adapted from Andrews (2004, p. 70)

Glazer decided that debt incurred for a takeover of the stocks of Manchester United will be split evenly between the Glazer family and Manchester United as a club, namely 275 million pounds on the name of the club (Andrews, 2005, p. 71). As the debt was accumulating, the club was forced to issue bonds in value of 500 million pounds in January 2010 with a maturity of 7 years, managing to repay debts by June of the same year. The measures also included leasing back of the Training Centre and youth academy which club had to sell to reduce the level of debt, a move similar to the one Borussia Dortmund made. Over the years, Glazer's ownership of Manchester United raised controversies from both the football association of England and the local community with Glazer himself being a target of media and fan campaigns against him. These controversies affected the public image of the club negatively.

An example of Manchester United shows how legislation regarding clubs listed on the stock exchange cannot prevent the club from falling under the rule of one individual. The situation of Manchester United would be impossible in Germany due to the legislation preventing a majority investor from meddling openly into club management. Manchester United's example might not be the most fortunate one for the fate of the two biggest Serbian clubs. Still, it shows that with proper financial management and strong leadership any financial difficulty might be overcome.

3.3 Successful and unsuccessful examples of change of ownership structure in sports entities in the former Yugoslavia

3.3.1 Unsuccessful example – Basketball Club Split

Three-time European champions, the Basketball Club (KK) Split, known in the SFRY as “Jugoplastika” (after their sponsor) fell into financial difficulties in the early 2000s and had to seek for alternative sources of funding. In a bid to accelerate the privatization process of the basketball club, the town council of Split decided that club should go public and be traded on the stock exchange. Hence, the KK Split became a joint-stock company in 2012. The majority owner immediately became the town of Split. The town council agreed to pay HRK 1 million (approx. EUR 130.000) to control the majority of the shares while the remaining shareholders were left with 38.750 shares at HRK 250 (approx. EUR 33). Using the model on which FK Hajduk Split was restructured, as well as several other Croatian sports clubs, it was proposed for KK Split to come under the ownership of private investors through the initial public offering.

In figures, the privatization of KK Split at the end of 2012 looked like this (Ivanović, 2012):

- Stock capital of HRK 7.758.750 (approx. EUR 1.030.000).
- Town council of Split paid HRK 1 million and the remaining shares in free float were worth around HRK 6 million.

The second round was initiated in which club members were eligible to participate. However, as there were only 175 of them, hopes were put in the fourth round of shares sale in which all interested parties could buy the shares. The complete procedure was done through Hypo Alpe Adria Bank and the shares could have also been purchased online through the bank's website.

“This is an opportunity for local businessmen to prove how much they love this club,” KK Split's president Ilija Naletilić claimed in one interview for the local press (Ivanović, 2012). He appealed to everyone who had been a part of this club ever, in any way or at least for a moment, to unite together and to buy at least a single share to help the club in the transformation process. In November 2012, Tomislav Mamić, the owner of a chain of grocery stores “Tommy” and local entrepreneur from Split purchased 1000 shares of the KK Split, a move he described as a goal of helping the local powerhouse “remaining in life” and “coming back to paths of the old glory” (Ivanović, 2012). Still, in 2015, club ownership structure was not properly organized with the town council owning the majority of shares in the club. Therefore, it was impossible to come to a unanimous decision on who will own the club in the future. For now, it can be said that the club has not been able to privatize successfully.

3.3.2 Successful example – Basketball Club Hemofarm

The basketball club in the town of Vršac was founded in 1946 under the name KK Jedinstvo. It is one of the oldest teams in the Vojvodina region and the leader of basketball development in this part of Vojvodina and Serbia. It competed under various names in low-tier Vojvodina and Serbia leagues during much of its existence – a decision mainly of the club's sponsor at the time. However, all the significant results which put them at the very top of the basketball level in Serbia were achieved under the name and sponsorship of the pharmaceutical company Hemofarm from Vršac, which took over as a general sponsor of the club in 1992. To date, they have won a single trophy. They were champions of the Adriatic League in the 2004/2005 season. They played ten finals in the domestic championship and competed on the international stage several times.

Under the sponsorship of the Hemofarm, basketball club from Vršac moved from an average Vojvodina-tier league club to one of the leading clubs in the country competing alongside traditional powerhouses KK Crvena zvezda and KK Partizan. In the 1995/1996 season, the team was promoted to the second league. KK Hemofarm qualified into Superleague 1997/1998 season under the leadership of Slobodan Lukić. In the following years, in 1999/2000, as the fourth on the table, they secured their first promotion to European competitions – then called the international Radivoje Korać Cup. As debutants of this competition under the guidance of Željko Lukajić in the 2000/2001 season, they reached the finals. In the same year, they won the 6th place in the domestic championship. The club also organized the final tournament of the first Serbian Cup after the country's independence in 2006, at the opening of the Millennium Center, a brand new venue funded by the company Hemofarm.

3.4 The analysis of ownership structures of the selected sports entities

As observed from the analysis of the ownership structures, it can be concluded that Borussia Dortmund's model is the ideal solution in any long-term discussions about the future ownership models of Crvena zvezda and Partizan. The legislative framework prevents acquiring a dominating role in the club affairs, although it still allows for a single individual or an entity to obtain a 100% stake in the club. There is a strong backing of the local community with fans being principal shareholders and local politicians members of the Administrative Board. The ownership structure was slightly modified. Principal shareholders are now club fans. Unlike companies, they are not driven by purely economic motives. They tend to stick to their equity even in the case of poor competitive results, therefore, not downing the share price and hurting the club finances. Their interests do not lie in acquiring profit through investment only, unlike the general view of owning equity in a corporation. Problems exist if the club is treated as a corporation in a profit-making sense. Any volatile movements in the performance (competitive results) could lead to deterioration of the net worth of the club. Therefore, it might not be an ideal solution from an economic angle. It is not a great option from the management side, as it includes many shareholders who might have conflicting interests. In terms of legal form, it presents a great solution as it prevents one individual or entity from making all the decisions in the sports club. It is important to note the structure of Dortmund's fans. They mostly come from the middle class with stable jobs in companies situated in and around Dortmund in the very industrialized and economically developed Ruhr region of northwestern Germany. Not all football clubs can count on such fan's structure. A majority of the Serbian population still does not understand the basic principles of functioning of corporations nor see long-term benefits of such moves. Still, it is a model, primarily due to the structure of ownership and proper legislative framework, to be steered to in the coming decades.

This model might be the least applicable to both observed Serbian football clubs due to a variety of sociological and political factors discussed in Chapters 1 and 2. Identically, listing a football club on the stock exchange (legislative formalities aside) could lead to the situation in which Manchester United found itself during the 2003-2004 period. A financial problem arose with the outstanding debt accumulated in the late 2000s, which threatened the club's future operations. Malcolm Glazer made the debt in the process of acquiring the club. However, due to the high level of the development of the UK financial market, the club management solved the problem by issuing bonds to collect the money necessary to pay the debt. Again, due to other sources of profit-making mainly through the brand name, Manchester United was able to pay the interest until the club stood firmly on the ground to be able to function again financially. Serbian capital market does not possess the capability or the sufficient depth for Crvena zvezda and Partizan to finance their debts by issuing financial instruments.

There are also two examples from the Balkans, namely CFR Cluj from Romania and Ludogorets Razgrad from Bulgaria. Political and sociological climates in both countries are similar to the one in Serbia. It is natural to believe that those models would be the most applicable to the cases of Crvena zvezda and Partizan. Two examples of ownership were observed in those two cases:

- A 100% stake is owned by a single individual who has the final say in every issue in the club.
- The minority-majority agreement, in which majority private investor gets to have influence (albeit not the last word).

However, the minority side (Romanian Railways) still gets to keep its stake in the club. It is still obliged to provide a certain level of funding and serves as the “lender of last resort”, as it had happened to the Cluj in 2007 after Arpad Paszkany left the club. A government-owned enterprise still owns the club. However, decision-making is in the hands of the investor. In a sense, Cluj’s model of ownership is somewhat implemented by both observed Serbian clubs. However, the majority’s stake is still in the governmental hands and individual private sponsors are not treated as investors but more like donators by the management of both clubs. Naturally, an obvious potential problem is soon visible with the case of the Ludogorets. In the case, the owner of Ludogorets Kiril Domuschiev ever falls into financial trouble or seeks to exit from the football affairs, Ludogorets would remain without its source of funding in a single moment. Therefore, it is no wonder why both observed Serbian clubs have asked that any future regulation surrounding the privatization process should include an article about a single individual not being able to have 100% ownership or influence over the club affairs. If clubs were to be owned entirely by a single individual or entity, it could also lead to possible corruption issues and exercising of authoritarian control over the democratic principles of the decision-making process. It is safe to conclude that in a society like Serbia, it would be possible to see such methods developing in clubs’ managements. Adequate legislation, like the one in Germany, could prevent such acts from taking place. However, there would always be a risk of too much power in the hands of a single entity and too much financial risk with ownership structure not being diversified among different private investors.

Club officials of Partizan and Crvena zvezda should remember the example of KK Split and be careful when considering the steps in the privatization process. Going public on the stock exchange was not a planned but a forced move by the local town council to save the club from bankruptcy. Split’s town council committed itself even more in the club when it purchased the stock. Although it was a move to encourage private investors to buy shares of the basketball club, it backfired and made both the club more reliable on the governmental entity and vice versa: the governmental entity is now even more involved in the club affairs. Since conditions in Serbia generally apply to the ones from Split, the conclusion can be drawn: going public without proper legislative preparation and without a creditor willing to buy some stock in the

case the initial offering fails (like in case of Saudi Football League and Jadwa Investment) is very risky.

Unlike the example of KK Split, in the case of KK Jedinstvo, a sponsor was willing to take over 51% of club stakes and dedicate full funding for the club affairs, namely competitions, practices, development of youth squads, etc. to the club. The Vršac's town council used to provide money for those funds earlier. The club remained nominally registered as an association of citizens and under the formal charge of local authorities. However, local authorities were more than willing to transfer all de facto control on the management of the company Hemofarm. The issue of venue, which will be disclosed as one of the main problems in the cases of privatization of Crvena zvezda and Partizan, was solved by the company agreeing to invest in the construction of a brand new venue after which Hemofarm became the owner of 100% stake in the basketball club. Therefore, Hemofarm bypassed a loophole in the Serbian legislation regarding real-estate by constructing its venue for the club. It is crucial noting that in this case local authorities as the representatives of the government posed absolutely no obstacle to the privatization of the KK Jedinstvo and were fully cooperative in the process of the transfer of ownership as well. The issue of facilities was solved so that an entirely new venue was constructed for the basketball club. It would not be feasible in the case of the two observed Serbian football clubs given that they already possess massive stadiums. The issue is about transferring the property of ownership and the right of usage to the potential investors. Club officials have to be prepared to give up the control of financial affairs to potential investors and be ready to listen to advice regarding clubs' monetary policies. On the other hand, investors have to comply with the regulation fully and make the privatization process utterly transparent to the public. In the end, the government, as set on the example of the authorities in Vršac, has to be cooperative and pose no obstacle to the privatization.

4 PUBLIC FUNDING VS PRIVATIZATION-CASES OF CRVENA ZVEZDA AND PARTIZAN

To choose which way of ownership and funding is more suitable, I decided to use clubs from the top 5 leagues in Europe (England, Spain, France, Italy, and Germany) and compare their situations to the one in Serbia. As explained already in the introduction, I use benchmark analysis and Polonsky's shareholder matrix in the hope to see a direct comparison between conditions in the European countries and Serbia and understand why the privatization is an option for both observed Serbian football clubs. I also performed SWOT analysis to see where the strengths, weaknesses, opportunities, and threats lie in current affairs for both observed Serbian clubs. In the end, I tried to get into financial aspects in both Serbian clubs through vertical financial analysis of balance sheet and income statement.

A comprehensive retrospective of the condition of the European clubs in the Top 5 European football leagues is presented. Both observed Serbian clubs are analyzed through an angle of the people, factors, and influences surrounding them. I opted for Polonsky's stakeholder matrix, as it is one of the simplest yet most direct ways of describing how stakeholders influence an entity. Benchmark analysis was used as a more in-depth analysis of general aspects of the Top 5 clubs and observed Serbian clubs. A club of each of the Top 5 leagues was selected and compared with both Serbian clubs. Several stats relevant to operations of the observed clubs, such as percentage of players' salaries in total expenditures and structure of revenues, are portrayed in the analysis performed to picture ways in which observed clubs obtain their day-to-day funding of operations. I opt to include the ownership structure as a stake for comparison to see how different systems of ownership structures may lead to positive results. SWOT analysis is performed to get a more accurate picture of what threats both observed Serbian clubs face, what their major weaknesses are, what their primary strengths are and where their opportunities lie in the perspective of future development. Finally, vertical financial analysis of the balance sheet and income statement is performed to have an understanding of the current financial positions of both observed Serbian clubs. The data is obtained from the Serbian Agency of Business Registers. Looking into the financial statements might be the best way of telling whether a change of the ownership structure is necessary, as financial reports are quantified stats, therefore being the most accurate indicators. After the vertical analysis of balance sheet and income statement, liquidity indicators, such as general liquidity ratio, quick ratio (also known as an acid test), and cash ratio (better known as the ratio of financial liquidity) were also analyzed. Furthermore, financial ratios, such as debt to equity (D/E ratio) and leverage ratio are analyzed, telling the picture in which both observed clubs are funded whether through the borrowing of funds or their equity capital. In the end, profitability ratios, such as gross profit margin, return on assets (ROA) and return on equity (ROE) are analyzed telling on average how much funds (if any) both observed Serbian clubs earn.

4.1 Benchmark analysis

Benchmark analysis is a process of analyzing business activities in a particular branch of the industry through a summary of the best examples to explain why analyzed cases in the specific branch are so successful. Usually, the most measured concepts are quality and costs. The process includes identifying the best companies in the particular branch, the sector of the industry, or the companies from the most similar branch of industry where the results obtained can be analyzed. Measuring of benchmarking can be made through factors, such as consumption, productivity per unit, time spent to produce a unit of a particular good, defects per number of products produced, metric performances, etc. This type of analysis is usually conducted in a phase where an organization looks to improve its current positions. In Table 1, a comparison has been made of the selected clubs from the top five European football leagues, on the one side, and Crvena zvezda and Partizan on another. The accent was on the clubs'

successes and their current financial state, namely the expenses and how the expenses (such as players' salaries) are reflected in the clubs' budgets.

Table 1: Benchmark analysis of Crvena zvezda, Partizan and selected European clubs

	FC Barcelona	Manchester United	AC Milan	Bayern Munchen	Olympique de Marseille	FK Crvena zvezda	FK Partizan
Number of domestic titles	20	20	18	24	9	25	23
Number of Champions League won	4	3	5	7	1	1	0
Net worth (EUR)	3.5 billion	2.6 billion	836 million	1.81 billion	281 million	64.5 million	52 million
Players market worth (EUR)	593 million	461.5 million	222.9 million	548.2 million	130 million	54.95 million	44.95 million
Structure of revenues	37% business 37% TV rights 26% tickets	42% business 30% TV rights 28% tickets	41% business 49% TV rights 10% tickets	60% business 20% TV rights 20% tickets	28% business 54% TV rights 11% tickets	91% business 1% TV rights 8% tickets	81% business 15% tv rights 4% tickets
Players' salaries percent in total expenditures	51%	50%	61%	44%	73%	89%	92%
Ownership structure	153 458 individual shareholders (100%)	Glazer family (100%)	Elliot Management Corporation (99.9%)	251 315 individual shareholders (75%) 8.33% Adidas 8.33% Audi 8.33% Allianz	Frank McCourt (100%)	Citizen association under Sports Society "Crvena zvezda" (100%)	Citizen association under Sports Society "Partizan" (100%)
Main sponsors	Rakuten	Chevrolet	Emirates	T – mobile	Uber Eats	Gazprom	Telekom Srbija

Source: Boor et al. (2016); Transfermarkt (no date); Agency of Business Registers (2016).

Several clubs, irrelevant to their current results, were selected for the analysis due to their historical achievements and brand images, such as Olympique and AC Milan. Stats, such as “number of titles won” and “net worth of clubs”, were put to understand the comparative picture of the clubs in their respective leagues better. In contrast, stats as “player market worth” and “percentage of player salaries in total” were put to paint the financial situations of the observed clubs better. The structure of revenues stat is there to understand better what club revenues consist of and what the difference between observed Serbian clubs and the selected clubs from the top five European leagues is. The ownership structure, the pivotal topic of the thesis, tells the way in what clubs are governed – by a single private investor or multiple public stakeholders – albeit it is not the most important stat in this benchmark analysis. Last but not least, a comparison of sponsors tells us what clubs are more marketing-oriented, albeit it is evident that larger clubs can attract more wealthy sponsors. Sources for this benchmark analysis come from club websites, Deloitte financial reports, and Transfermarkt stats.

All of the observed clubs, except for Olympique de Marseille (although the club still has second-most titles in France), are powerhouses in their respective leagues. All observed clubs have or have had significant successes in the UEFA international competitions throughout history. All of the clubs, except for the FK Partizan, won at least one European trophy in history. All of the similarities between the observed clubs end there pretty much. Regarding the net worth, we can see that both Crvena zvezda and Partizan lag behind the observed European clubs substantially, albeit there are significant differences between the observed European clubs themselves, such as the case of Olympique de Marseille and FC Barcelona, for example. The differences adequately paint the difference in net worth and competitive strength of football leagues with Spanish and English football league being the most competitive and receiving most money from marketing and TV rights. In terms of structure revenues, it is essential to state that “business revenues” come from revenues from UEFA competitions, players’ transfers, and sponsorship agreements while in the case of the observed European clubs, sources of revenue are somewhat diversified. In the case of Crvena zvezda and Partizan, business revenues are the most dominant source of income. The percentage of expenditures for the players’ salaries means that Serbian clubs in the analysis spend a lot of funds for the salaries of international players. Clubs hope to achieve better results in UEFA competitions, which is a proven source of revenue for both clubs by now.

Looking at the ownership structure, we can see that the observed European clubs swing between being owned by a single private entity to being entities owned by hundreds of thousands of individual stakeholders, most often club fans. Only in the case of Bayern, the ownership structure is diversified between individual stakeholders and private companies, owing much to the specific German regulations related to the ownership of sports clubs, which was already discussed in the case of Borussia Dortmund. As can be seen, the ownership structure is transparent and owners are clearly stated, sometimes even by their names and surnames, as in the case of Olympique and Manchester United. That is not the case in both

Serbian clubs, as there is no clear owner and football clubs are parts of the wider sports societies which are, in turn, formulated as associations of citizens. Presidents and general secretaries of the football clubs are not their owners, albeit in practice they often behave as such.

4.2 SWOT analysis

SWOT analysis is a relatively simple planning technique to help a person or an organization identify its strengths, weaknesses, opportunities, and threats related to its core business or future business plans. It is mostly used in the preliminary stages of the decision-making process and can be used, just like benchmark analysis, as a tool for strategic evaluation of an organization. It is intended to specify the objectives of the business venture or project and identify favorable and unfavorable internal and external factors for achieving goals. While strengths and weaknesses are usually focused on domestic issues in the organization, opportunities and threats commonly focus on external problems facing the organizations. Therefore, the name of the analysis means:

- Strengths – characteristics of an organization that give it an advantage above others.
- Weaknesses – characteristics of an organization that put it in a disadvantage relative to others.
- Opportunities – elements in the organization's environment that organization could exploit to its benefit.
- Threats – elements in the organization's environment that can cause trouble for an organization.

According to the division between external and internal issues addressed by the analysis, we can group the factors affecting the organization similarly. External factors may include macroeconomic climate, technological change, legislation, political circumstances, socio-cultural changes, etc. Internal factors, in a broader sense, include famous 4Ps: price, promotion, product, and place. Alternatively, in the case of a non-profit organization, such as some football clubs, we can add club financing, opinions of club officials, willingness for a change, facilities (physical resources), activities conducted currently, number of personnel (human resources), etc.

In Table 2, an example of SWOT analysis for both Crvena zvezda and Partizan was presented. As the Crvena zvezda and Partizan are pretty much identical in most business, managerial, and organizational aspects, the one combining analysis has been done for both observed clubs. Attributes relevant to only one club have been highlighted in the apprentice after the statement. Statements listed in all four aspects of the SWOT analysis come from both the authors already cited in the thesis and from my observation on the matter.

Table 2: SWOT analysis of Crvena zvezda and Partizan

Strengths	Weaknesses
<ul style="list-style-type: none"> ➤ Low costs of training and developing players in the youth systems (both) ➤ Low average salaries of players (apart from foreigners), largely attributed to low taxes in the sports sector in Serbia and high bargaining power of the clubs towards its youth players (both) ➤ A loyal base of supporters in both clubs who often buy yearly passes, bringing huge funds en masse for the club ➤ Strong brand names due to their successful past, making it attractive for sponsorship from domestic companies in Serbia and ex-Yugoslavia (both) ➤ Currently popular brand in Europe due to successes and appearances in UEFA Champions League (Crvena zvezda) ➤ Strong youth system which can generate further success in the future (Crvena zvezda) 	<ul style="list-style-type: none"> ➤ Inconsistency in competitive results in the European competitions (both) ➤ Relying on the European competitions too much in terms of acquiring funds through entry prizes (Crvena Zvezda) ➤ Relying too much on sales of major players as a source of income (both) ➤ Low average salaries of players pose a threat as players are more inclined to leave the clubs sooner (both) ➤ Inability to market themselves to foreign supporters and sponsors successfully due to weak performances in the European competitions (Partizan) ➤ Inability to attract more famous and established foreign players (both)
Opportunities	Threats
<ul style="list-style-type: none"> ➤ Attractive market segments in the European public that both Crvena zvezda and Partizan can address to, such as youngsters 	<ul style="list-style-type: none"> ➤ Lack of legislative framework (both) ➤ Lack of a proper competition in the Serbian football league (both) ➤ Corruption of club officials (both) ➤ Stakeholders sensibility towards management in sudden changes in performances in the European competitions (Crvena zvezda)

Source: Dugalić & Krsteska (2015, p. 72); Đorđević (2017, p. 4); Rakas (2016); B92 (2020).

4.3 Polonsky's stakeholder matrix model

Based on the stakeholder matrix model of Polonsky (1995) and after Radaković model (2017) about marketing in sports entities, situations in which Serbian football clubs and football clubs in Western Europe are could be discussed through a simple model of comparison (Radaković, 2017, p.110). Twelve factors were taken into consideration. They are the following: the general public, the government, interest groups, media, the scientific community, the owners, the stakeholders, financial institutions, the employees, a legislative framework, competition, and club fans. Michael Polonsky, a professor at the Deakin Business School and Chairman of the Department of Marketing, developed the model about the marketing perspectives for his academic work in the 1990s (Polonsky, 1995). The sources for claims in the stakeholder matrix analysis come from the authors already cited in the thesis and from my observations on the matter. Table 3 lists factors in the top five European leagues and compares them with the factors in Serbian football. The table will be provided on the next two pages.

Table 3: Comparison between Serbian football clubs and the clubs from the Top 5 European leagues based on the Polonsky's stakeholder matrix model

Factors	Clubs from the Top 5 European leagues	Serbian clubs
General public	Football is the most important and the most popular team sport in Europe. Football is followed and supported in every country on the continent.	Generally, football and sports have a large emotional value to the Serbian public due to historical successes. It is the most famous sport in Serbia. There are no exact figures published. Therefore, the value of Serbian clubs cannot be quantified precisely.
Government	Relations of the government towards football and relations in football are regulated through extensive sets of legal regulations, namely in major football leagues in Europe. Governments do not interfere in clubs' affairs and there is a clear line between football, clubs, and the government.	The Republic of Serbia adopted a Sports Act in 2016 and a series of acts that further regulate football issues. Governments, ministries, bodies, and local authorities have very high influence in sports in various ways, namely institutional, legislative, and decision making.
Interest groups	Sponsors have a constructive influence in decision making processes in the clubs. Local authorities see clubs as the best way of promotion and are interested in investing. Local companies see sponsoring clubs as a way of communicating with their potential customers.	Owners of the clubs and sponsors do not exist as a coherent interest group in the football system. Instead, at the assemblies of football clubs, politicians, local businessmen, and a variety of leaders of extreme fan groups appear trying to influence club officials in making decisions that benefit themselves first and not the club itself.
Media	One of the most important sources of club revenues is through broadcast rights, social networks, and media as channels of communication with the club's supporters	Media income is a negligible source of revenue for Serbian clubs. Through the opinions of their journalists, media publish club's affairs, primarily as a source of making an opinion on the club in the general public.
Scientific community	Many scientific works closely related to the topic of football have been published for several decades regarding medical treatments and the physical condition of players, techniques, and tactics of the game, as well as sociological and cultural factors surrounding the football.	Modest in terms of research about the tactics and techniques of the game, physical condition, and sports medicine. Practically non-existent from the sociological, political, cultural, and historical point of research. There is a significant scarcity of papers available on such topics.
Ownership	The dominant model is individual private ownership with some clubs organized as joint-stock companies.	The dominant model is associations of groups of citizens.

The table continues

Table 3: Comparison between Serbian football clubs and clubs from the Top 5 European leagues, based on the Polonsky's stakeholder matrix model (continued)

Suppliers	Through a variety of investments and sponsorship deals, investors support football clubs all over Europe. Massive revenues come from broadcasting rights. There is a close relationship with corporations, local, and statewide companies for acquiring sponsorship deals. Sports equipment producers are a large source of revenue for clubs.	The lack of understanding on how to profit from investment in the clubs. Investors see sponsorship deals as a sort of necessity for club owners and many investors due to close personal relations with clubs' officials which is a willing misuse of the company's resources for club fundings. Large indebtedness towards sponsors and investors.
Financial aspects	As financial institutions, banks are one of the chief investors (an example of Santander in Spain). Some of the clubs are listed on the stock exchange. There are transparent financial transactions and publishing of annual financial reports and balance sheets of clubs, leagues, and associations alike.	High level of indebtedness towards commercial banks. Very loose control of financial institutions of football clubs and associations. Non-transparency in the publishing of financial reports, apart from annual reports which have to be published albeit they consist of a significant number of inconsistencies.
Employees	Footballers are the backbone and the primary sources of revenue of sports clubs. Additionally, clubs employ coaches, administrative staff, and a variety of experts. Salaries are on time and under the contracts signed which are, in turn, following the respective laws in the area.	Footballers are treated in accordance with the Law Act as regular employees. A lot of inconsistency in payments, especially in lower clubs. Footballers have a hard time acquiring their rights through respective courts.
Legislative framework	Regulated football market and football system in general, following the general EU regulative on sports and labor.	Non-existent regulative framework in terms of club privatization. Generally, football loosely regulated through the 2016 Sports Act.
Competition	Competition is strong in both European competitions and domestic leagues in the majority of countries.	Nonexistent. Partizan and Crvena zvezda do not have competitors in terms of results, financial performance, level of investors, and the amount of aid they receive.
Fans	Applicable to expanding and shrinking, based on results, relative to both sexes in the majority of European countries.	Support for the clubs streams mostly from the male population. Club officials mostly turned towards organized extreme supporters groups.

Source: Walkup, Bouchet & Remke (2014, p. 6); Weatherill (2017, p. 357); Crnogorčević & Rajić (2014); Radaković (2017, p. 107); Radaković (2017, p. 110); Cleland (2019, p. 425); Rohde & Breuer (2018, p. 564); Isailović (2009); Hensler, Wilson, Gotz & Hautvast (2007, p. 3).

4.4 The analysis of financial statements of Crvena zvezda and Partizan

The vertical financial analysis is also known as an analysis of the structure of financial reports. The vertical analysis is a method of financial statement analysis in which each line item is listed as a percentage of a base figure within the statement. Thus, line items on an income statement can be stated as a percentage of gross sales while line items on a balance sheet can be stated as a percentage of total assets or liabilities. Vertical analysis of a cash-flow statement shows each cash inflow or outflow as a percentage of the total cash inflows (Grant, 2019). The result is expressed in the form of a coefficient. The financial indicators for both observed clubs over the three calendar years (2016, 2017 and 2018) have been calculated on the following pages, and their results have been depicted, analyzed and discussed.

4.4.1 Vertical analysis of balance sheet of Crvena zvezda and Partizan

Vertical analysis of the balance sheet of Crvena zvezda shows that long-term fixed assets dominate over the total asset structure. The fixed assets had indeed decreased from 96.5% in 2016 to 93.3% in 2018. However, it is negligible. On the other hand, current assets have risen from 3.5% in 2016 to 6.7% in 2018, which can be accredited to the growth of short-term loans denominated in Serbian currency in the share of total liabilities.

Short-term loans dominate the liabilities side of the balance sheet of Crvena zvezda, a clear indicator of the primary source of funding for the football club's operations. Long-term loans, on the other hand, have slightly decreased from 3.2% in 2016 to 3.1% in 2017 before falling sharply in 2018 to only 0.5% of total liabilities. On the other hand, the share of equity rose from 3.5% in 2016 to 6.6% in 2018. It can be explained that prize money won by qualifying into the UEFA Champions League went directly into the equity side of the balance sheet for the year 2018.

Looking at the balance sheet of FK Partizan, a trend of similar movements is noticeable. Long-term fixed assets also dominate the balance sheet's assets side but in lesser numbers than the one of Crvena zvezda. After a slight decrease from 2016 (73.7%) to 2017 (72%), long-term fixed assets rose to 86.8% in 2018. This rise can be attributed to an increase in non-material profits, such as selling licenses and rights for transfer for several football players. Current assets are present in smaller numbers. In 2016, it was 26.4%, witnessing a modest growth in 2017, namely from receivables on sales of football players in 2018, domestically and abroad.

Like Crvena zvezda, short-term liabilities dominate the liability side with short-term loans accounting for 90% of total liabilities rising steadily to 95% in 2018. The reasons for this jump are many. They mostly come for ever-growing need to pay back obligations. Due to not achieving the goal of qualifying into the major European competitions, club management was forced to procure short-term loans from commercial banks to pay back obligations made in Serbia and abroad.

4.4.2 Vertical analysis of income statement of Crvena zvezda and Partizan

In all three observed years, the balance sheet structure of Crvena zvezda was dominated by net income. In 2016, business income accounted for 86% of all revenues before falling to 54% in 2017 and rising steadily in 2018 to 62%. On the other hand, operating income was moving in a proportional share with net income rising sharply from 10.9% to 41% in 2017, a quadruple jump before settling at 38.5% in 2018. The successes in UEFA competitions can best explain this proportional changes between net and operational income. Namely, business income which accounted for 86% in 2016 came mostly from transfers of players while the operating income was coming from the prize money for results on the European stage and in domestic competitions, as well as the revenue from the business activities. As Crvena zvezda secured a spot in 2017/2018 and 2018/2019 Champions League stages, alongside with winning two titles of the Serbian football champions, a trend of decrease of business income is noticeable and explainable by an influx of substantial cash-flow from prizes in comparison to operating one. Operating expenditures were 81% of all expenses in 2016 rising to 89% in 2018. The most significant expenses in the years 2017 and 2018 came from spending the players' salaries, maintenance costs, etc. It is worth noting that FK Crvena zvezda has had a positive net balance in all three years.

Looking at Partizan, the operating income accounted for 76.9% of all income in 2016 rising to 85% in 2017 but conceptually falling to 70.4% in 2018. Other operating revenue trends were even sharper, going from 11.5% in 2016 to 61.7% in 2017 before settling down at 28% in 2018. Highly lucrative transfers of players, such as Đurđević's transfer to Olympiacos for EUR 2.5 million and Brazilian Ricardo's transfer to Jeddah for EUR 4 million in 2017, contributed to this sharp rise. Likewise, a drop to 28% can be explained similarly, a firm indication of how both Serbian football clubs earn the majority of their income. The operating expenditures went from 89% to 92% of the share of entire spendings in the course of two years from 2016 to 2018. The reasons for it are the costs of amortization, namely investments that have to be made for the reconstruction of a football stadium. Expenditures caused by the rise in interest accounted for 6.2% of all expenses in 2017 only. Therefore, unlike Crvena zvezda, Partizan only had a positive net balance in 2017 and has sustained losses in 2016 and 2018.

4.4.3 Liquidity indicators of Crvena zvezda and Partizan

In theory, liquidity refers to the ease with which an asset or security can be converted into steady cash without affecting its market price. Therefore, liquidity is the capability of a particular enterprise to settle short-term expenditures on time, such as interests, loans, salaries, and taxes. It is obtained through a balance between short-term liabilities and fixed assets. Banks and other short-term lenders usually conduct a liquidity assessment, as it is an indication of an enterprise's loan capability. In an ideal situation, the status of liquidity would imply that an enterprise requires constant check-ups on funding sources. As it could be seen

later in the analysis, it is relatively hard for both Serbian football clubs to follow up on that practice.

As said already, liquidity refers to the availability of cash or cash equivalents to meet short-term operating needs. In that sense, there is a general division on three different types of liquidity. Their formulas are provided in Table 4:

- General liquidity ratio or current ratio
- Quick (reduced liquidity) ratio or acid test
- The ratio of financial liquidity or cash ratio

Table 4: Formulas of liquidity indicators

Indicators	General liquidity ratio	Quick ratio/acid test	The ratio of financial liquidity
Formula	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\text{Current assets} - \text{inventories}}{\text{Current liabilities}}$	$\frac{\text{Cash}}{\text{Current assets}}$

Source: Own work.

The rule in **general liquidity ratio** is that current assets have to be larger than short-term (current) liabilities in a ratio of 2:1 so that an enterprise secures a higher chance of fulfilling its obligations. This ratio is dependable on several factors, namely the efficiency of charging receivables and conditions on deferred payments from the suppliers in contrast to what conditions on deferred payments an enterprise is giving for its customers. Table 5, which depicts calculations for the three observed years, is provided with figures in EUR.

Table 5: General liquidity ratio for both clubs over three observed years

General liquidity ratio	FK Crvena zvezda	FK Partizan
2016	$2,861,167 / 571,242 = 5$	$1,542,610 / 450,811 = 3.4$
2017	$5,341,950 / 525,512 = 10.1$	$2,119,987 / 623,992 = 3.4$
2018	$5,948,731 / 596,209 = 10$	$2,781,705 / 266,708 = 10.4$

Source: Own work.

Therefore, it can be concluded that Crvena zvezda is a liquid entity, as the ratio has steadily risen for 3 years. In the year 2016, Crvena zvezda had EUR 5 to cover every EUR 1 of its spending. That figure rose to EUR 10 in the year 2018, which is an indication of positive net income due to a high level of revenues. Meanwhile, regarding the FK Partizan, it could be said

that after an unstable 2016 and the balanced growth of both current assets and current liabilities (which accounted for the same result of ratio in 2017), current assets of FK Partizan sharply rose in 2018, which lead to the improvement of the general liquidity ratio.

The reduced liquidity ratio (quick ratio) is also called the **acid test**. It shows to what extent a company with assets that can be quickly converted into money can cover its short-term liabilities (Levy and Post, 2004, p. 322). This indicator includes only receivables, cash, and cash equivalents in liquid assets while excluding inventories from them because they need a more extended period to be converted into cash. Therefore, it represents a stricter liquidity test than the current liquidity ratio. For the interpretation of this indicator, the turnover ratio of trade receivables and maturities of receivables should be taken into account. If receivables have a high degree of collectability then reduced liquidity lower than average is justified. Table 6 is provided with calculations for the three observed years. Figures used in the analysis are listed in EUR.

Table 6: Quick ratio/acid test for both clubs over three observed years

Quick ratio/acid test	FK Crvena zvezda	FK Partizan
2016	$\frac{(2,861,167 - 44,473)}{571,242} = \mathbf{4.9}$	$\frac{(1,542,610 - 1,543)}{450,811} = \mathbf{3.4}$
2017	$\frac{(5,341,950 - 49,964)}{525,512} = \mathbf{10}$	$\frac{(2,119,987 - 3,292)}{623,992} = \mathbf{3.4}$
2018	$\frac{(5,948,731 - 186,112)}{596,209} = \mathbf{9.7}$	$\frac{(2,781,705 - 1,600)}{266,708} = \mathbf{10.4}$

Source: Own work.

The quick test ratio indicates that the liquidity of FK Crvena zvezda is not endangered, that it is decreasing proportionally over the years, and that a slight increase influences the decline in inventories. The desired indicator is 1:1 but the ratio of 0.5:1 can be accepted. It can be concluded that the highest liquidity was recorded in 2017 and that there are EUR 10 of liquid assets per EUR 1 of short-term liabilities. Regarding the FK Partizan, as inventory is a negligible figure on the income statement of Partizan, the quick ratio is merely a mirror-image of the general liquidity ratio with figures and indicators being identical.

The ratio of financial liquidity, better known as **cash ratio**, shows the company's ability to settle financial liabilities and measures the available financial resources for timely settlement of due short-term obligations. In the context of the financing rules, the analytical interpretation of this ratio comes down to the need for the obtained coefficient to be higher than 1. If this is the case, the company can be considered liquid. If, on the other hand, the indicator is equal to 1, the company's liquidity is not endangered. Such a situation, however, is not sustainable in

the long-term. If the indicator is less than 1, the available cash is not enough to settle short-term liabilities that are due to be paid and the company would be considered illiquid. Table 7, which contains calculations in the three observed years, is provided with figures listed in EUR.

Table 7: Ratio of financial liquidity for both clubs over three observed years

The ratio of financial liquidity (Cash ratio)	FK Crvena zvezda	FK Partizan
2016	$97,900 / 5,861,167 = \mathbf{0.02}$	$364,700 / 1,542,610 = \mathbf{0.2}$
2017	$1,380,000 / 5,341,950 = \mathbf{0.3}$	$5,051,200 / 2,119,987 = \mathbf{2.4}$
2018	$2,974,360 / 5,948,731 = \mathbf{0.5}$	$160,000 / 2,781,705 = \mathbf{0.6}$

Source: Own work.

It can be concluded that the available cash in Crvena zvezda is not enough to settle short-term liabilities although it is growing every year. Based on the obtained results, it can be concluded that the earned cash is best underlined in 2018 with EUR 0.5 of liquidity. Regarding Partizan, there is a sharp rise in cash-inflow in 2017 due to the lucrative sales of several football players. However, the obtained results for 2016 and 2018 paint a different picture. Therefore, a conclusion is that Partizan does not have enough cash to settle the short-term liabilities.

4.4.4 Financial ratios of Crvena zvezda and Partizan

According to Levy and Post (2004), total assets are financed from liabilities or equity (Levy and Post, 2004, p. 320). The structure of liabilities can be composed in different ways to suit the individual needs of the company and its asset structure. In composing liabilities, care should be taken that an entity should borrow only for investment purposes and not to fund current, day-to-day operations.

There are two types of financial ratios with their formulas provided in Table 8:

- D/E (debt to equity ratio)
- Leverage ratio

Table 8: Formulas of financial ratios

Indicator	D/E ratio	Leverage ratio
Formula	$\frac{\text{Total liabilities}}{\text{Shareholder's equity}}$	$\frac{\text{Average total assets}}{\text{Average total equity}}$

Source: Own work.

Debt to equity or better known as **D/E ratio** represents the ratio of borrowed to total sources of financing, which is not the same for all the companies so it is difficult to establish a clearly defined standard (Levy & Post, 2004, p. 321). The debt-to-equity ratio indicates the percentage share of borrowed capital, and the obtained size is largely determined by the risk with which the company operates. It means that companies whose business is exposed to higher risk should have a higher share of equity and vice versa. In that way, the financial risk is reduced. Table 9 shows calculations for the D/E ratio over the three observed years in both clubs with figures in EUR.

Table 9: D/E ratio for both clubs over three observed years

D/E ratio	FK Crvena zvezda	FK Partizan
2016	$\frac{(5,861,167 + 248,023)}{7,772,871} = \mathbf{0.8}$	$\frac{(1,542,610 + 348,757)}{1,713,930} = \mathbf{1.1}$
2017	$\frac{(5,341,950 + 261,076)}{8,255,407} = \mathbf{0.67}$	$\frac{(2,119,987 + 243,806)}{2,229,074} = \mathbf{1}$
2018	$\frac{(5,948,731 + 46,706)}{8,936,453} = \mathbf{0.67}$	$\frac{(2,781,705 + 205,240)}{1,915,067} = \mathbf{1.6}$

Source: Own work.

The results of the D/E ratio in all three observed years in FK Crvena zvezda show a low level of indebtedness, which gives creditors confidence to collect their receivables. The indebtedness indicator indicates that the structure of liabilities is dominated by equity sources about borrowed capital. The results of the D/E ratio in all three observed periods for FK Partizan are showing a relatively high level of indebtedness, which indicates that the structure of liabilities is dominated by borrowed capital. Here, the first significant difference in financial indicators between the observed clubs can be observed.

While in the case of Crvena zvezda business is supported by high levels of equity, in the case of Partizan it is not so. However, the level of total liabilities (short-term + long-term) is smaller in the case of Partizan. To put it simply, Crvena zvezda has much higher equity levels than Partizan in the previous three years, which helps it overcome its higher level of debt.

According to Civelek and Banu Durukan (2011), the **leverage ratio** indicates the financial structure of the company's capital (Civelek & Banu Durukan, 2011, p. 193). The leverage ratio shows the share of the total capital in the company's equity and the capital obtained through the borrowing funds. Excess debt can undoubtedly be very dangerous for the company and also for the potential investors. If a company can generate a higher rate of income than the interest rate, it should repay. Borrowing can be the driving force behind profit growth. The

leverage ratio is an indicator of the status of one's own and borrowed funds. Table 10 lists calculations of the ratio for both clubs in EUR.

Table 10: Leverage ratio for both clubs over three observed years

Leverage ratio	FK Crvena zvezda	FK Partizan
2016	$\frac{(5,861,167 + 248,023)}{605,464} = \mathbf{10.1}$	$\frac{(1,542,610 + 348,757)}{489,774} = \mathbf{3.9}$
2017	$\frac{(5,341,950 + 261,076)}{1,613,477} = \mathbf{3.5}$	$\frac{(2,119,987 + 243,806)}{489,774} = \mathbf{4.8}$
2018	$\frac{(5,948,731 + 46,706)}{1,886,107} = \mathbf{3.2}$	$\frac{(2,781,705 + 205,240)}{489,774} = \mathbf{6.1}$

Source: Own work.

Based on the obtained results, it can be stated that in the Crvena zvezda the leverage ratio for 2016 was extremely high (10.1) while a slight decrease was recorded for 2017 (3.5) and 2018 (3.2). These amounts are within the limits of acceptable indebtedness for the leverage ratio, which implies that this observed football club relies mainly on its own funds in 2017 and 2018. Bearing it was the season in which Crvena zvezda qualified into Champions League. It can be concluded that the club used prize money primarily to fund its operations.

FK Partizan appears to have problems with indebtedness and that indebtedness was growing from 2016 (3.8) to 4.8 in 2017 and 6.1 in 2018. This result implies that Partizan mostly relies on borrowed sources of financing. Because it did not have any major players' transfers in 2016 and 2018 it did not qualify into the major European competitions, it is obvious why there is a difference in ways of funding between the two observed clubs.

4.4.5 Profitability ratios of Crvena zvezda and Partizan

According to two authors Civelek & Banu Durukan (2011), "profitability is the ability of a company to make as much profit as possible with as few resources as possible" (Civelek & Banu Durukan, 2011 p. 194). Profitability ratios are financial metrics that are used to assess a business's ability to create earnings, manage operating costs, balance sheet assets, and shareholders' equity over time using data from a particular point in the timeframe. Operating profit as the difference between operating income and expenses represents the increase that was realized on the engaged business assets that are used to perform activities. Linking the balance sheet and the income statement allows each income to be presented as an increase in assets or a decrease in liabilities. At the same time, expenditures can be interpreted as a decrease in assets and an increase in liabilities. It follows from these relationships that income and expenses and their difference (gain or loss) arise from the engagement of funds and

sources of financing, assets, and liabilities. If the funds and resources are used efficiently, the company makes a profit. Otherwise, the company makes a loss. Profitability indicators are the relative relations of the two positions: a profit in the numerator and a form of company assets in the denominator.

Analyzed profitability ratios are the following ones and their formulas are provided in Table 11:

- Gross profit margin
- Return on assets (ROA)
- Return on equity (ROE)

Table 11: Formulas of profitability ratios

Indicator	Profit margin	Return on Assets (ROA)	Return on Equity (ROE)
Formula	$\frac{\text{Gross profit}}{\text{Net sales}}$	$\frac{\text{Net income}}{\text{Total assets}} \times 100$	$\frac{\text{Net income}}{\text{Shareholder's equity}} \times 100$

Source: Own work.

Gross profit margin is one of the commonly used profitability ratios to gauge the degree to which a company or a business activity makes money. It represents what percentage of sales has turned into profits. For instance, if the company reports that it has achieved a 35% profit margin during the last quarter, it means that it had a net income of USD 0.35 for each USD 1 of sales generated. In stricter terms, gross margin can be applied in this case. Profit margin measures how much a company can mark up the sales above the break-even point. Table 12 lists calculations of profit margin for both clubs over three observed years with figures in EUR.

Table 12: Gross profit margin for both observed clubs over three observed years

Profit margin	FK Crvena zvezda	FK Partizan
2016	2,890,393 / 2,614,620 = 1.1	1,327,830 / 1,721,181 = 0.8
2017	4,260,761 / 3,242,412 = 1.3	2,800,677 / 2,517,874 = 1.1
2018	7,085,021 / 6,674,716 = 1.1	1,326,607 / 2,267,232 = 0.6

Source: Own work.

The gross profit margin for the FK Crvena zvezda is higher than 1, which means that in all three observed periods the club makes a profit while the picture is slightly different with the FK Partizan where the profit is realized only in 2017 while in 2016 and 2018 the club is operating with a recorded loss.

According to Levy and Post (2004), **return on assets (ROA)** shows how much the company uses its resources to achieve business results (Levy and Post, 2004, p. 331). The higher the ROA is, the higher the profitability of the company is. Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. According to Hargrave (2020), ROA gives a manager, an investor or analyst an idea as to how efficient the company's management is at using its assets to generate earnings (Hargrave, 2020). The more assets the company has amassed, the more sales and potentially more profits the company may generate in the long-term. As economies of scale help lower costs and improve margins, returns may grow faster than assets, ultimately increasing return on assets. Table 13 lists calculations in EUR for ROA for both clubs.

Table 13: Return on assets for both clubs over three observed years

Return on Assets (ROA)	FK Crvena zvezda	FK Partizan
2016	$\frac{253,401}{11,722,377} \times 100 = \mathbf{2.2\%}$	$\frac{-163,021}{1,773,131} \times 100 = \mathbf{-9.2\%}$
2017	$\frac{1,012,925}{8,014,139} \times 100 = \mathbf{12.6\%}$	$\frac{258,699}{1,971,502} \times 100 = \mathbf{13.1\%}$
2018	$\frac{272,630}{8,595,930} \times 100 = \mathbf{3.2\%}$	$\frac{-937,159}{2,072,071} \times 100 = \mathbf{-45.2\%}$

Source: Own work.

Based on the obtained results, it can be stated that the FK Crvena zvezda in 2017 has the highest ROA (12.6%), i.e., that for every 100 units of average engaged business assets Crvena zvezda realized 12.6% of net profit. The sudden jump in 2017 of net income, which affected the rise in the percentage of return on assets, is best explainable by increased revenue from successes in the Champions League.

With FK Partizan, the situation is somewhat different. The club realized a net profit only in 2017 of RSD 258,699,000 (approximately EUR 2.2 million) based on that fact ROA can be calculated. The given result tells it that for every 100 units of average engaged business assets 13.1% of a net profit is realized. Figures for years 2016 and 2018 are not noteworthy as Partizan recorded losses in those years. Therefore, calculating ROA for those years does not make any sense in terms of observing results obtained from the analysis. Table 19 shows a comprehensive view of ROA for over three years.

Return on equity, also known as **ROE**, shows how much a company uses its capital to achieve net results. Levy and Post (2004, p. 333) argue that “the higher the ROE is, the more profitable the company is, and the more it employs capital in making a net profit”. This ratio concerns the company's equity holders the most since it measures their ability to earn a return on their equity investments. ROE may increase dramatically without any equity addition when it can merely benefit from a higher performance helped by a more extensive asset base. As the company increases its asset size and generates a better performance with higher margins, equity holders can retain much of the return growth when additional assets are the result of debt usage. Table 14 shows calculations for both clubs over three observed years in EUR.

Table 14: Return on equity for both clubs over three observed years

Return on Equity (ROE)	FK Crvena zvezda	FK Partizan
2016	$\frac{253,401}{478,764} \times 100 = \mathbf{52.9\%}$	$\frac{-163,699}{245,132} \times 100 = \mathbf{-66.8\%}$
2017	$\frac{1,012,925}{1,109,471} \times 100 = \mathbf{91.3\%}$	$\frac{258,699}{245,132} \times 100 = \mathbf{105.5\%}$
2018	$\frac{272,630}{1,749,792} \times 100 = \mathbf{15.6\%}$	$\frac{-937,159}{245,132} \times 100 = \mathbf{-382.3\%}$

Source: Own work.

The obtained rate shows that the FK Crvena zvezda used its own capital most efficiently in 2017, i.e. it generated 91.3% of net profit for each EUR 1 of the used its own capital. Again, as this ratio is directly linked level of net income obtained in one year, it is understandable why in the year 2017 ratio was significantly higher than in the other two observed years. Therefore, figures for ROE and ROA are the mirror images of one another. The obtained results indicate that the FK Partizan used its own capital most efficiently in 2017, i.e. 105% of net profit was realized for every EUR 1 of the average used its own capital. Again, as this ratio is a mirror image of ROA in both observed cases, calculating ROE for the 2016 and 2018 is not noteworthy as Partizan was operating with a loss in those years. Table 21 gives the view of ROE over the three observed years.

As it is evident from this analysis, both observed clubs have annual problems with funding, which is best depicted through significant variations in net income. High dependence on successes in the European competitions and scoring a lucrative sale of football players mean that seasons where one of those factors (or both) is absent marks as loss in the balance sheet automatically. Crvena zvezda's president Zvezdan Terzić admitted the same in an interview for the club television when he spoke about the effects of the COVID-19 on the football system in Serbia. Both clubs heavily rely on short-term external sources of funding, albeit Crvena zvezda managed to fund itself in the previous two years using its own equity with

money earned through qualifying into the UEFA Champions League and scores of excellent results achieved in the group stages of that competition.

On the other hand, Partizan did not achieve any remarkable success on the European stage nor had any noticeable player sales making it operate with the loss in 2016 and 2018. The difference is the year 2017 where due to players' transfers, Partizan managed to secure a net positive income. Therefore, there is a significant difference in ways clubs fund themselves, as Crvena zvezda relied much more on equity than on the borrowed funds, unlike Partizan, which relied much more on the borrowed funds than its own capital. Given these results, conclusions about the liquidity can also be drawn, as it appears that due to more substantial funding through its own capital, Crvena zvezda is more liquid than Partizan. As Crvena zvezda's liquidity rose from 2016 to 2018 due to the prize money from the European competitions, likewise, Partizan dropped in the amount of cash. ROA and ROE paint a similar picture.

Analyzing the results of both observed clubs, it seems that more professional management and better decision-making are viable solutions for income and liquidity problems, especially in the case of FK Partizan. Both are one of the major factors of reforming the ownership structure towards being owned by a private entity. While gathering materials for this analysis, I encountered obstacles related to publishing financial reports of the FK Partizan, as it lacked several figures in every report. Transparency in publishing financial reports is another way to better operational results and one of the advantages of privatized sports entities. Probably due to fact, that FK Crvena zvezda was obliged to deliver financial reports to the UEFA as it was a contender in the Champions League, it was slightly more transparent in its financial reports.

4.5 Discussion on the results obtained from all used analyses

Due to a variety of factors listed, it is unlikely to talk about any possible privatization as a model of managing and organizing Crvena zvezda and Partizan shortly. Namely, there are some fundamental elements of sports management models applicable to most European clubs in Serbia. With tiny resemblance, however, it can be said that they only bear the same name. Therefore, any possible talk of applying privatization models of sports entities from the EU remains in the domain of theoretical discussions for the time being. In the current state of affairs, in Serbian football system and conditions that both Crvena zvezda and Partizan are currently in, such as non-transparency of financial reports, murky ownership structure, unexplainable sources of funding, non-transparency in players' transfers, a strong influence of stakeholders (politicians and leaders of extreme fan groups), unprofessional sport management, etc. make the applicability of any privatization model practically impossible. Financial analysis has shown that principal financial indicators, such as D/E ratio, leverage ratio, return on assets, and return on equity do not have any permanent, long-term trends. Finances are entirely dependent on annual competitive victories in the European competitions

which bring significant prize funds and successful transfer windows when players are sold to foreign clubs for high sums.

There is a strong and straightforward influence of the government through influential politicians. Unlike the European Union where politicians try to cooperate actively with club management in benefiting competitive results and financial performance, in the case of Serbia, the government openly meddles in the affairs of football clubs, as politicians are often members of administrative boards. There is a lack of knowledge among club officials about the functioning of sports management. Doherty (2011) states that sports management theory is necessary for any club official in modern football (Doherty, 2011, p. 6). As already noted, some politicians have been members of administrative boards of Partizan and Crvena zvezda for many years. In the European Union, those people usually invest personal money while Serbian politicians transfer budget funds to club funds under the cover of donations. An interviewed ex-athlete Dragan Todorović confirmed to me that even in the third-tier where FK Dinamo Pančevo is competing, there is a high degree of collusion between local politicians and businessmen that act as sponsors of local football clubs. In terms of employees, footballers are treated accordingly to the Working Act of the Republic of Serbia. However, due to the inability to pay them regular salaries, clubs blackmail players into signing debt-forgiving documents in which they renounce on claiming unpaid wages if a player wishes to be transferred to another club. Not paying salaries also means not paying health and retirement insurance, which clubs as employers are obliged to, based on the Working Act of Serbia, creating a sense of high insecurity for players and unwillingness for their long-term commitment to club. Regarding fans, most often they are the gray eminence behind the officials' decisions with their leaders also sitting in administrative boards and influencing the decision-making process. Just as in the case of politicians, their role goes beyond being simply as supportive and they often have the final word in the decision-making process. Radović and Fijat (2011) argue that privatization with the majority private investor would rule out many of these system flaws (Radović & Fijat, 2011, p. 385).

Public funding, on the other hand, presents a problem itself as it is not a sustainable source of long-term governing and managing both Partizan and Crvena zvezda. Throughout the years, politicians have proven to be one of the largest sources of corruption in the clubs. When donating funds, politicians often want to have a final say in what funds are used instead of following the practice from Western Europe where spending is the result of an agreement between investors and club officials. Politicians do not criticize club officials for not publishing annual financial reports, which is a requirement under The Public Property Act, because most of the money for both clubs comes from the government funds. Stanković (2007) states that politicians from the ruling parties help club officials evade taxes earned on players' transfers (Stanković, 2007).

Radaković (2017) argues that the easiest solution would be to copy any present sports management model and successful privatization from the European football clubs. However, the question is how that model would be applied and successfully realized, given internal and external factors around the two biggest Serbian football clubs (Radaković, 2017, p. 120). Clubs see funds as a source of short-term donations and presents and not as a way of investors investing expecting funds in return. That goes both ways, as investors rarely see long-term benefits of investing in the football clubs. That, combined with low managerial skills among club officials in terms of strategies, financing, and governing, makes any privatization process based on examples from Western Europe highly unlikely.

The most idealistic solution for both observed Serbian football clubs and the overall Serbian football system in the long-term is the ownership structure of Borussia Dortmund. As said in Chapter 3.4, this ownership structure possesses many upsides but also some downsides to the club and its stakeholders. In terms of regulation, it presents a great solution as it prevents a single individual or entity from making all the decisions in the sports club. The legislative framework set up by German sports and regulatory government bodies prevents acquiring a dominating role in the club affairs. From an economic angle, it is also a great solution. Principal shareholders are club fans, who, unlike companies, are not driven by purely economic motives, which mean they stick to their equity even in the case of poor results. It is not a great option from the management side because it includes many shareholders who might have conflicting interests. However, the stakeholder situation in which Borussia Dortmund and the observed Serbian football clubs are right now is entirely different. The backbone of Borussia Dortmund is fans and, therefore, shareholders have stable jobs in the companies situated in and around Dortmund in the very industrialized and economically developed Ruhr region. Unlike Borussia Dortmund, fans of both observed Serbian football clubs have very little understanding of the functioning of a corporation and their ability to benefit the club. Organized supporters' groups are an exception to that. However, they often cooperate with club officials and politicians to acquire their own benefits.

Listing a football club on a stock exchange might seem like an exciting solution for Serbian club officials from a financial angle. It would allow them to raise funds needed to fund everyday operations quickly through issuing shares or bonds. Furthermore, as discussed in Chapter 2.2, it would give them an option to carry out a model of internal privatization. On the other hand, in the case of funding through shares, it would require club officials to comply with stakeholders' interests as they would be effective owners of both Serbian football clubs. Furthermore, such a state of affairs could lead to a situation of Manchester United in the early 2000s. An investor like Malcolm Glazer could acquire a dominant stake in the club through takeover bids. While such a solution might not necessarily be wrong, listing a club publicly leaves opportunity for anybody with enough cash to acquire the majority stake and thus own the club. Offering club shares to the inner circle of stakeholders before public listing or passing legislation that would prevent anybody from acquiring a 100% ownership stake in the club

would solve the problem of a single owner. This option, however, would have to wait for an adequate set of laws.

The problem of a single individual being a single owner is best discussed in the example of Ludogorets in Chapter 3.4. Ludogorets will most certainly experience default if Kiril Domushev ever exits the club affairs unless assisted by a third party. Previously, in the late 1990s and early 2000s, several Serbian football clubs had a 100% stake in sponsorship by a single individual. When working on her series about the organized crime in Serbian football, journalist Brankica Stanković analyzed those individuals and found out that in the “majority of cases”, they acquired wealth “either through war profiteering or through arms smuggling and illegal trafficking of goods and narcotics” (Stanković, 2007). They used clubs as paravanes to launder money earned in unlawful activities through large donations and overpriced transfers of football players. While most of their wealth dwindled in state crackdowns on organized crime after the murder of the Serbian Prime Minister Zoran Đinđić, the problem of organized crime in Serbian football persists.

Through governmental aid and donations from the state budget, therefore, public funding will have to remain the primary source of financing for both Crvena zvezda and Partizan. However, this solution is possible only in the short-term. A proper legislative framework and external climate should be prepared as soon as possible, given abnormal budget spendings on both clubs, level of corruption, non-transparency in financial reports, treatments of players as employees, and to better align with the EU standards in sports affairs. Public ownership with clubs listed on the stock exchange and owned by fans through stock purchasing is currently not an option due to legislation factors and a variety of political factors that are interfering actively.

Given the current political, sociological, and financial climate, the most suitable solution would probably be the model of ownership structure similar to the one of the CFR Cluj, albeit significantly altered. In a bid to speed up the process, the Serbian government could pass a “lex specialis” where the government would denounce claims on the real estate property on which the stadiums and facilities of both observed Serbian clubs are situated. Alternatively, through a minority stake, the government could still own both real estate and stadiums but renounce on full control of the finances and affairs in the club managing in favor of a private investor or a group of private investors. A third option would be an equal split of control and financing between the governmental and private investors. In turn, an individual private investor would have the saying in the club’s affairs and finances. Whatever the solution might be, given the current economic instability in the Serbian economy which would go on in the coming decades, governmental control should still be exercised against the clubs, ideally, through a minority ownership stake in the clubs. However, the government should not neglect its part in the club affairs.

CONCLUSION

Several things present serious hampering points on the long way to the privatization of FK Crvena zvezda and FK Partizan. Those things are inadequate legislation framework, the unwillingness of political circles and club officials alike to initiate the privatization process, little knowledge about basic principles of management among executives in both clubs, and little understanding of the importance of privatization among principal stakeholders, such as current sponsors and organized fan groups.

In a bid to join the European Union by 2030, the Serbian government has stepped up to align the legislation in most areas of social activities. However, the area of sports and especially the area of privatization of sports entities remain an unregulated field with many legal loopholes, something that people with dubious origins of wealth have been exploiting en masse. Extreme supporter groups were found to be a noteworthy stakeholder who can exercise a negative influence on the club officials and daily affairs, as leaders of radical fan groups sit alongside public officials in administrative boards of the clubs. One would say that fans would benefit the most from privatization. In Serbia, however, the leaders of extreme fan groups, leveraging on their influence acquired by the political circumstances in the late 1980s and 1990s, exercise power on club officials in exchange for their part in lucrative sales of players. In return, officials feel secure from any possible opposition from the stands to their governing of club affairs. Politicians, exploiting their power for their benefit, engage in illegal business activities with officials in both clubs, regardless of their supporting preferences. Academic circles and media do not know a definite answer on how to conduct the process of privatization. All of the stakeholders involved in the process (explained in the Polonsky's shareholder matrix) do not have a precise date when the privatization process could commence.

In the year 2020, privatization of both football clubs seems never more distant yet never more required. The general public and a majority of ordinary club fans seem less interested in the affairs of their two clubs as they have been struggling financially and competitively over the two decades. However, the most significant damage is probably done to the clubs. Their brand names are eroding slowly in an ever more competitive environment of modern football, a battle in which both Crvena zvezda and Partizan are unable to compete due to circumstances surrounding them daily. Historical successes have been forgotten and there are not any new significant results.

In a general move of the Serbian state towards aligning with EU standards and regulations, the area of professional sports and football would not be left untouched. Here is where the process of privatization could be addressed more thoroughly. When would that happen, however, it is still unknown.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovene language)

Magistrsko delo se ukvarja s privatizacijo športnih društev v povojnih družbah. V ožjem smislu, naloga obravnava tudi temo potencialne privatizacije Crvene zvezde in Partizana. Srbski nogometni klubi so trenutno pod državno upravo in v nejasnem lastniškem razmerju, ker znotraj kluba ni jasne lastniške strukture. Čeprav so načeloma v državni lasti, ampak se oba srbska nogometna kluba razhajata med interesi klubskih funkcionarjev, voditeljev skrajnih navijaških skupin in vladajočih politikov. Takšna situacija preprečuje resnejšo razpravo o kakršni koli spremembi lastniške strukture.

Magistrsko delo obravnava zgodovino klubskega nogometa v Srbiji in Jugoslaviji skozi 20. stoletje, s poudarkom na povojno socialistični organizacijo športnih zvez s promocijo komunistične ideologije, pa tudi obilno financiranje športnih društev s strani lokalnih vlad in državnih podjetij. Ob tej priložnosti so zaslišane dve osebi, ki sta nekoč sodelovali pri delu športnih klubov v komunizmu in prehodnem obdobju, kot športniki in kot trenerji. To so polstrukturirani intervjuji. Magistrsko delo nato razločuje razpad Jugoslavije z vidika nogometa in dogajanja na tribunah. Delo poskuša razložiti, od kod toliko različnih vplivov v nogometnih klubih (nekateri navijači in politiki).

S teoretičnega vidika delo obravnava različne vrste lastniških struktur v športnih društvih. Nato se razpravlja o uspešnih in neuspešnih primerih iz širše regije (Romunija in Bolgarija), razvitih držav (Nemčija in Združeno kraljestvo) in kot tudi iz nekdane Jugoslavije. Cilj tega dela je prikazati uspešne načine spreminjanja lastniške strukture športnih družb. Primeri iz regije so bili vzeti za razlago, kako lahko zaradi podobnih političnih in socioloških razmer pride do spremembe lastniške strukture, pa tudi kako zaradi političnih pritiskov in nezadostnega razumevanja pomena privatizacije lahko pride do neuspeha (KK Split).

Na koncu je obdelanih več analiz, da bi prišli do najustrežnejšega odgovora na vprašanje, ali je v Crveni zvezdi in Partizanu potrebna sprememba lastniške strukture. Še eno pomembno vprašanje, na katero analize poskušajo odgovoriti, je, ali bi privatizacija pomagala delovanju obeh srbskih klubov. Analize, ki so opravljene, so primerjalna analiza, SWOT analiza, Polonski model deležnikov in vertikalna finančna analiza bilance stanja in izkaza poslovnega izida. Končno je opravljena celovita analiza vseh izvedenih metod, da bi dobili odgovor na zastavljena vprašanja.

Appendix 2: Interviews with Neralić and Todorović in first person

Two individuals directly related to the sports nowadays and in socialist Yugoslavia were interviewed. First one is that of Mata Neralić, who practiced athletics for number of years in the athletic club in my town and competed in many Yugoslav and international competitions in the 1980s.

Q: How did you decide to start practicing athletics?

Neralić: “I started practicing athletics in elementary school in the late 1960s. I joined out of pure curiosity. I wasn’t an excellent dribbler to play football on that level, nor did I have enough height to train basketball. But I could run for kilometers. First, I was practicing it in my village with a local elementary school team at the advice of the PE teacher. I won several prizes on school competitions even in elementary school, including 1st place, on a county-level competition in the final grade of primary school. When I started gymnasium in Pančevo in 1971, I switched to local Athletics Club Dinamo. It was an already developed athletics club known throughout ex-Yugoslavia, with years-long tradition. They welcomed me with joy, based on my previous experiences and included me in their youth section.”

Q: How did practicing athletics and attending school went together?

Neralić: “They were maximally cooperative in the gymnasium. You know, at the time, society, in general, was much more caring towards practicing sports. Teachers were more eager to give you good grades and were understandable towards not being able to be present in lectures. And you know sometimes we simply weren’t able to. Preparations for republics-level and federation-level competitions were sometimes taking up to several weeks. We were only able to attend oral exams and written tests, sometimes with very little time to study before the exam. Of course, you couldn’t complain later when you weren’t the highest-scoring pupil in the school. But, at least we were able to pass onto the next grade. And we were able to continue practicing athletics, something that we loved and enjoyed. We were also enjoying perks of large funding sports organizations were receiving at the time. There was a fund in which all government institutions and state-owned companies in the municipality of Pančevo. Depending on the size of profit they were making, they were required to pay in a certain amount of money. Out of that money, we were receiving grants to cover our monthly expenses. Grants depended on the size of the family you were coming from and the results that you were making. Furthermore, individual companies were helping the club with money. It was a perfect time to be a sportsman, a golden era to put it in that way.”

Q: Practicing athletics went on after high school, right?

Neralić: “Yes. Our squad was promoted to the main athletic team of Dinamo Pančevo straight after graduation in the high school. We were taking part in the Yugoslav championship, competing with the best athletics country had at the time. Soon, based on our results, call up

for the youth national team arrived to compete at the European championship. It was a great honor for us. I was only 19, not even 20 at the time - a big honor. AC Dinamo managed to take care of our employment and housing as well. The club rented several apartments near the football stadium where the athletic track and gym with equipment for practices were located. Each of us had a room for itself. Regarding jobs, Dinamo already had a brokered partnership with the local petrochemical factory, HIP Petrohemija, to employ its sportsmen on part-time contracts. Initially, I was puzzled about how it would function. We had to work, but we also had to train and attend practices even more than we used to in high school. And the job isn't like school. Soon we were informed that our working hours would be significantly different than the rest of the workers. Mainly, we were coming to work in breaks between practices. Furthermore, grants continued to be paid by the companies, of course, in reduced amounts since we were employed now."

Q: How long did it last?

Neralić: "Until I was 29. So for about 11 years, I stopped practicing actively in 1986 to be precise. I sustained several injuries in 1985 and had to go stop practices and even go on sick leave in the factory. Injury negatively affected me, of course. I couldn't also work for money. I was sent to rehabilitate in the spa, at the expense of the club. I spend several weeks recovering. However, when I got back, the results weren't the same again. I was always behind competitors that were even with me, sometimes also finishing last. I soon, to my great disappointment, realized it couldn't go like that anymore. I had to quit practicing athletics. I decided to remain at my job in Petrohemija, and I went on a full-time contract. I never returned to practicing it professionally."

Q: But you didn't abandon athletics completely then, right?

Neralić: "No. I stayed in the athletics for few more years, first as a youth coach in the AC Dinamo Pančevo, and later progressing to deputy coach of the main team. I couldn't leave athletics just like that."

Q: Until when did the "golden era" last?

Neralić: "Until the dissolution of Yugoslavia pretty much. Funding from the state enterprises already got reduced during the oil crisis and pair - non pair regime. We were promised it is only a temporary measure until balances of companies that were participating in the funding get stabilized. They never did. We were managing with few volunteers to get things going until mid -1990s. However, since then, we simply couldn't handle it. We couldn't correctly fund the youth school nor preparations for competitions. And the athletic league got smaller with the breakup of the country. That's the time when I ultimately left athletics and Dinamo. I am looking today on how things are going. Athletic club Dinamo is evicted from its grounds for not paying in bills! Can you imagine? There are no revenues from where to pay those bills, nor is the municipality helping the club. Kids are now practicing in the city's park, running on

a track with the rest of the ordinary people. That's an unacceptable and a far cry from what we used to have in the 1970s and 1980s. Only ones who are doing it right and are thinking about the future of athleticism in this country are people from Crvena zvezda, but they have direct backing of the government behind them. Dinamo has nobody's support anymore."

The other interview was with Dragan Todorović, a successful player in FK Dinamo Pančevo in the 1980s and future coach of the club, both in the first team and in the youth sector.

Q: When did you start practicing football?

Todorović: "Like most of the boys at the time, when I started elementary school. It was a cliché, girls were practicing ballet or folk dances while boys were practicing football. The majority of them abandoned during first few months. Few get to remain in it for 45 years, like me."

Q: That's a long span of time indeed, how come you are in football for such a long time?

Todorović: "I guess sometimes it is down to pure love and dedication. Especially during the hard times. Look at the situation in the Dinamo today or practically any football club in Serbia. We are in a desperate search for sponsors and revenues. Anyway, at the time when I joined, there was everything in abundance. Mata Neralić probably already told you about the funding we received from state enterprises and the municipality. During my entire string at the youth squad, from age of 7 till 19, I was receiving a monthly grant from that fund. Practically, my parents didn't even need to spend on my education or pocket money. After I joined the first team, I went on to receive a full salary. We were one of the rare low-tier clubs in Yugoslavia that was fully professionalized, meaning all of the players were on full-time contracts with the club, receiving the salary."

Q: How did your career progress?

Todorović: "I spent the whole of my playing career, apart from one and a half-season, in Dinamo. That short string I wasn't playing for Dinamo, I was playing for Vaslui in Romania. I've seen ups and downs of the club, on pitch and off-pitch. On the pitch, we were bouncing back and forth between second and third tier, unable to reach to First Yugoslav League, which would have brought us popularity and attention for sure. Off the pitch, the club has started to see reduced funding."

Q: Can you tell me more about the reduced fundings?

Todorović: "When the Yugoslavia collapsed, and Serbia fell into economic recession, our funding disappeared almost completely. The fund we, alongside all other sports societies in the town, were taking money from our youth squad, which shrank substantially during 1988 and 1989. Also, at the time, sponsorships mostly came to an end, simply because companies were too in crisis and didn't have money for marketing purposes. And we needed money to keep the

club going. Of course, we started losing our talents to more affluent and better-established clubs. The same happened to our first team. Many players went on to play for clubs that were able to pay them more. At the time, I stopped playing and decided to start coaching in the youth squad back in 1994. However, bit by bit, we managed to get things going again. Of course, not to return it in the pre-crisis state, but at least to have money to pay heating in the gym during the winter and to purchase some new kits, which have to be replaced every new year. We even managed to renegotiate some old partnerships with sponsoring companies. I have to highlight that it was the first squad in those times that had priority in funding and sponsorships.”

Q: You didn’t stop at training only youth squads, correct?

Todorović: “No. I spent 15 years coaching at Dinamo and further 7 in the office. After three years of developing the youth squad, I moved to the cadet team (the step before the first squad), and then with them, I progressed into the first team, around 2002. Mostly we were trying, as a club, to develop a whole generation of players. Although many players left, several had to be sold to other clubs for the sake of liquidity. We were proud to say we managed to keep the frame of the team intact when many clubs went insolvent and were liquidated.”

Q: Part of the club was acquired by a private investor in 2003. Can you tell us more about those times?

Todorović: “True. The Town council agreed on a public-private partnership. A private investor purchased a 30% stake in the club ownership and brought substantial funds. Later, the share went to 49% of the club ownership. We were playing in the third tier of Serbian football at the time. In the first meeting, he came with ambitious plans. To reach the Superleague (the top level of Serbian football) in 3 years! I wasn’t a supporter of such ideas, and we exchange arguments. Naturally, he demanded my removal. The director of the club (appointed by local sports council) argued and in the end we settled that the new coach would be brought and I would be his deputy. It was more or less a portrait of the state of Serbian sport at the time. After only one season guy decided to quit, as we ended in mid of the table. I was again the chief coach. However, due to financial problems, we had to give our slot in the league to the local rivalry club.”

Q: What is the situation lately in FK Dinamo Pančevo?

Todorović: “We found a new sponsor in 2011 and ever since we stick with his company. We are still owned by the city council, albeit 2/3 of financing burden went to the sponsor. We have procured deals with several new sponsors, namely successors of companies who used to sponsor us in the Yugoslavia time. We even entered the second tier of Serbian football in 2014. We have a source of cash and way of paying salaries for the club. We are standing on our feet and do not depend on the wishes of one man. I am proud to say that.”

