

Financial Risk Analysis in the Operation of Sports Events from a Commercial Perspective

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Abstract: With the acceleration of globalization, the sports industry has shown vigorous development momentum under the precise efforts of recent policies, gradually entering a new golden period of development. Various international sports events have flourished, becoming an important force in promoting the development of the global sports industry. Organizers of commercialized international sports events, as independent economic entities responsible for their own profits and losses, bear the important mission of promoting the development of the sports industry and enhancing international influence. They face risks and challenges from political, economic, cultural, and other aspects, while also being vigilant against the potential threats of financial risks. To meet these challenges, organizers must continually improve their financial management capabilities, strengthen risk assessment and prevention, to ensure the smooth progress of the event and the maximization of economic benefits. Only in this way can commercialized international sports events stand undefeated in the fierce market competition and contribute to the continuous and healthy development of the sports industry.

Keywords: Commercial perspective, Sports events, Financial risk.

1. Risks Involved in Sports Events

In daily operations, enterprises face a diversity of risks originating from internal management and external environments. To manage these risks effectively, a comprehensive understanding and identification of these risks are essential. Any neglect or misjudgment of risks can lead to the failure of risk management, threatening the stable operation and long-term development of enterprises[1-2]. For commercialized international sports events, risk identification is a complex and crucial task that requires event organizers to

deeply analyze the economic background, natural and social environments of sports events, and examine the event's organizational management system and capital operation process to identify potential adverse factors and risk points as shown in Figure 1. Considering the objectivity and inevitability of these risks, it is also necessary to enhance the risk awareness of the event organizers. Moreover, commercialized international sports events must strictly adhere to the rules and requirements of international organizations to ensure that all commercial operations comply with regulations, thereby avoiding potential financial risks.

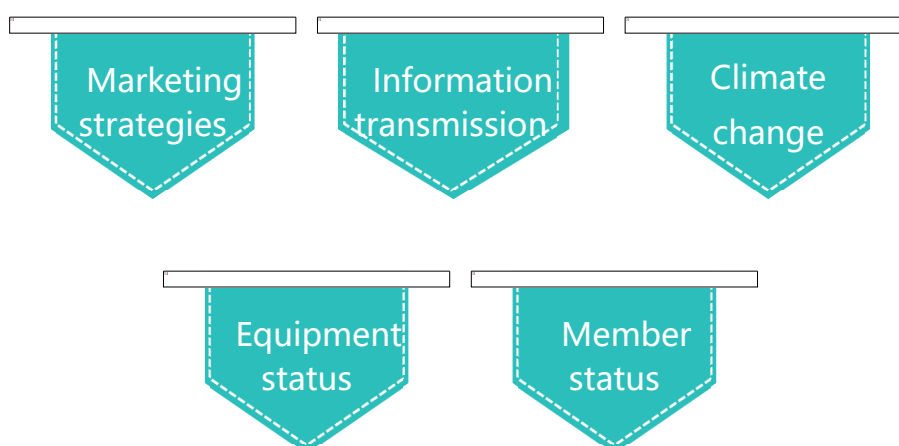


Figure 1. Risk content involved in sports events

2. Financial Risk Analysis in Sports Events from a Commercial Perspective

2.1. Financing Risk

Financing risk is a significant issue for sports events, mainly due to the uncertainty of funding sources and the irrationality of financing structures. Sports events, being

temporary and high investment, often rely on various channels for funding, such as sponsorship, ticket sales, advertising, etc. These sources of funding are subject to the influence of market, economic environment, policy, and other factors, presenting a great deal of uncertainty. If event organizers fail to assess these risks reasonably, it could lead to a shortage of funds, thus affecting the normal progress of the event[3]. Additionally, the irrationality of financing structures is also a significant source of financing risk.

Organizers need to determine the scale of financing based on the competition scale, budget, and expected revenue, and choose appropriate financing methods. If the financing structure is too simplistic or overly complex, it could lead to an increase in financing costs or difficulty in raising funds, thereby increasing financing risk. Therefore, organizers need to develop scientific financing strategies, reasonably assess financing risks, ensure stable funding supply, and provide strong support for the smooth progress of the event.

2.2. Investment Risk

Investment risk is a core issue in sports events, involving key areas such as infrastructure construction, venue construction, and event promotion. For investors, if the scale of investment is too large, they may face liquidity issues, and if the event's revenue does not meet expectations, funds may not be recovered in time, causing economic losses. More complexly, the return on investment in sports events is often linked to various factors, such as the brand recognition of the event, the influence of participating teams, and the level of audience participation[4]. If the market prospects of the event are unclear or face intense competition, the return on investment may be significantly reduced, making it difficult for investors to achieve expected returns. Therefore, before investing in sports events, investors need to conduct in-depth market research to understand the event's historical performance, potential market demand, and competitive environment. At the same time, they need to develop reasonable investment strategies to ensure that the scale of investment matches their risk tolerance, avoiding unnecessary economic losses due to investment mistakes.

2.3. Funds Recovery Risk

Funds recovery risk is an essential aspect of sports events, directly related to the organizers' cash flow and profitability. In the process of preparing and hosting sports events, organizers usually need to invest a significant amount of funds in infrastructure construction, venue construction, personnel salaries, market promotion, etc. The costs of these investments need to be recovered during and after the event through income from ticket sales, sponsorship fees, advertising fees, etc. However, funds recovery is not an easy task. Ticket sales may be affected by various factors, such as the excitement level of the competition, the attractiveness of opponents, weather conditions, etc. If sales are poor, organizers will face the risk of not being able to recover funds in time. Additionally, advertising income may also decrease due to adjustments in advertisers' market strategies or insufficient attention to the event. To reduce the risk of funds recovery, organizers need to conduct sufficient market research during the preparation phase to understand market demand and potential risks. Besides, developing reasonable marketing strategies to enhance the event's visibility and attractiveness, increasing ticket sales and sponsorship income, is crucial.

2.4. Exchange Rate Risk

For internationally held sports events, exchange rate risk is a potential but highly destructive financial risk. Since the income and expenses of sports events often involve multiple currencies, organizers may face the risk of decreased income or increased costs when exchange rates fluctuate. For example, if the main income source of the event is sponsorship fees or ticket sales priced in foreign currency, and

the exchange rate suddenly falls, then the local currency income received by the organizers will decrease, directly affecting their profitability. Conversely, if the event's costs, such as salaries paid to foreign players or coaches, venue rents, etc., are priced in foreign currency, then when the exchange rate rises, organizers need to pay more local currency to cover these costs, also negatively impacting their profitability. To reduce exchange rate risk, event organizers can use currency hedging tools, set exchange rate clauses in contracts, or adjust the currency structure of income and expenses, etc. Lastly, close attention should be given to global economic conditions and exchange market dynamics to make timely adjustments and responses.

3. Optimization Measures for Financial Risk Management in Sports Events from an Internal Control Perspective

3.1. Building a Comprehensive Financial Internal Control System

Internal control, as an important part of enterprise management, is crucial for ensuring the stable operation of enterprises and preventing financial risks, as shown in Table 1. By strengthening internal control, enterprises can more sensitively identify various financial risks, improve risk identification and prevention levels, and ensure the compliance and efficiency of enterprise economic activities[5]. In commercialized international sports events, strict control over the approval authority for the use of event funds is particularly important. To ensure the compliance and rationality of fund use, a strict approval process needs to be set up, following the principles of mutual restraint, authorization control, cost-effectiveness, and overall structure. At the same time, using information technology to improve approval efficiency is key to ensuring timely and accurate fund use. By establishing an electronic approval system, online approval, process tracking, and data analysis can greatly improve approval efficiency. Additionally, all fund use projects' approval and use should have clear bases and regulations to ensure the compliance and rationality of fund use. Finally, all business requests and settlement details as attachments to financial vouchers help ensure rigorous, reasonable, and orderly cost expenditures. These attachments can provide detailed information on fund use and proof, offering strong support for the financial management of enterprises.

3.2. Improving Financial Budget Management

Financial budget management, as the cornerstone of corporate financial internal control, is crucial for ensuring the effective use of funds and avoiding financial risks. In commercialized international sports events, financial budget management cannot be overlooked, as it involves various aspects of the event. To strengthen budget control and analysis throughout the event, establishing a specialized comprehensive budget management organization is the first step. This organization should be directly led by the company's management to ensure that budget goals align with the overall strategic goals of the enterprise, with active participation from all business departments in budget preparation. During the budgeting process, it's vital to closely integrate the event's planning information and arrange

budgets scientifically and reasonably based on the principle of living within means. The finance department plays a key role in this process, working with all departments to strictly review, adjust, and control the comprehensive budget. This includes regularly tracking and analyzing budget execution to promptly identify and resolve issues, ensuring that the budget

aligns with actual expenditures. By achieving comprehensive and full-process control of budget management, the enterprise gains greater economic benefits and a stable operating environment.

Table 1. Construction of a Financial Internal Control System for Commercialized International Sports Events

No.	Internal Control Segments	Control Measures
1	Financial Risk Identification	Conduct regular financial risk assessments to identify potential vulnerabilities and implement timely interventions.
		Establish a risk identification mechanism that clearly defines risk points, ensuring that potential risks are recognized early.
		Strengthen risk awareness training to enhance employees' ability to identify and understand the implications of various risks.
2	Funds Usage Approval	Implement a strict approval process for the use of funds to ensure that expenditures are necessary and justified.
		Follow principles of checks and balances and authorized control to prevent misuse of funds and ensure responsible financial management.
		Utilize information technology to increase the efficiency of the approval process, making it quicker and more transparent.
3	Cost-Benefit Analysis	Conduct cost-benefit evaluations for projects involving the use of funds to ensure that expenditures are justified and aligned with organizational goals.
		Set reasonable cost budgets and benefit expectations for resource allocation to guide financial planning and investment decisions.
		Regularly perform cost-benefit analyses to optimize resource allocation, ensuring that resources are used efficiently and effectively.
4	Financial Document Management	Ensure that all business requests and settlement details are attached as appendices to financial documents to provide a clear and auditable trail of financial transactions.
		Establish a comprehensive financial document management system to maintain the integrity and accessibility of financial records.
		Regularly review and archive financial documents to ensure compliance with legal and regulatory requirements and to facilitate future audits and reviews.

3.3. Enhancing the Quality of Financial Personnel

The convenience of the internet indeed provides an efficient way for financial management, making data processing, information transmission, and decision support faster and more accurate. However, the global, open, and shared characteristics of the internet also bring new challenges to financial management. These characteristics fundamentally change the traditional, relatively confidential financial management environment, thereby increasing the financial risks of enterprises. Facing such changes, internet financial management demands higher quality from financial personnel. Financial personnel need not only solid professional knowledge, such as accounting, auditing, taxation, etc., but also a strong legal awareness and good professional ethics. In the internet environment, any financial operation can attract global attention and supervision, and any violation can lead to severe consequences. Additionally, financial personnel must possess advanced conceptual thinking and the ability to innovate with the times, continuously updating their knowledge and skills to adapt to the changing internet environment and technological development. While ensuring the financial security of the enterprise, they must fully utilize the convenience of the internet to create greater value for the enterprise.

4. Conclusion

In conclusion, commercialized international sports events face financial risks from multiple aspects during their operation. These risks are not only varied but also have certain concealment and variability, posing great challenges to the stable operation of enterprises. Therefore, timely identification, accurate assessment, and effective control of various risks are key to enhancing the enterprise's ability to respond to risks and ensuring the economic benefits of the event. To minimize the occurrence of risks and reduce economic losses, it's necessary for organizers to establish a comprehensive financial internal control system, ensuring that risks can be identified and addressed promptly at their onset. Additionally, improving the level of financial budget management is also crucial. Through scientific and reasonable budget preparation and execution, enterprises can more accurately control costs, optimize resource allocation, and provide strong support for the smooth progress of the event. By implementing a variety of measures, organizers of commercialized international sports events can more effectively respond to financial risks, ensuring the smooth progress and maximization of economic benefits of the event, and laying a solid foundation for the long-term development of the enterprise.

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