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# **PROFESSIONAL SPORTS AND GAMBLING REGULATION IN FINLAND**

**Examining the institutional factors of gambling affecting  
professional sport clubs in Finland**

Master's Thesis  
in International Business

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My very first thoughts when finishing up with this thesis was: "thank god it's done" ... while right after thinking what might be next.

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# 1 INTRODUCTION

The idea for this study stems from the observation that both the European gambling and sport business environments are rapidly changing and growing. Given, that any development in the business environment creates new threats and opportunities to existing operators it is, therefore, very interesting to write one's master's thesis on the connections of gambling legislation and sport business. As such, the aim the introductory chapter is to provide the reader with the basics outline of the prevailing major trends and relevant actors.

## 1.1 Background to the study

Currently, there are three separate state run monopolies in Finland, Veikkaus Oy, Raha-automaattiyhdistys (RAY)<sup>1</sup> and FinToto. Veikkaus Oy offers games such as lotto, keno and sports betting (see [www.veikkaus.fi](http://www.veikkaus.fi)). RAY is responsible for products such as the national online casino, slot machines and lottery tickets (see [www.ray.fi](http://www.ray.fi)). Lastly, FinToto is responsible for the horse racing and totalisator betting operations (see [www.fintoto.fi](http://www.fintoto.fi)). Under the amended Lotteries act these three state monopolies are also the only three gambling operators in Finland allowed to market their products in mass media, sporting events and on other marketing medium. Under the current administration this monopoly system is also planned to be developed even further by limiting the gambling occurring on sites offered by CGPs (Hallitusohjelma 2012, 62).

Meanwhile, in Europe countries such as Denmark, France, Italy and Germany have shifted their policies away from the state ran monopoly system endorsed by Finland and towards a more liberal license based gambling market (cr. Papaloukas 2010; Sala 2010; Cisneros Örnberg & Tammi 2011; Dense 2011; Hoffman & Spitz 2011; Mullenex & Richard 2011; Henningsen & Taanum 2011). Many of the critics of the Finnish system such as Pusa (2011) and Valavuori (2010) have been taking note on this issue while speaking on behalf of professional sports clubs. According to them the current Finnish legislation is crippling the sport clubs' potential for success by hampering their financial situation. For example, commercial gambling providers (CGP hereafter) such as BWin, NordicBet, Bettson, Ladbrokes etc. have become extremely prominent in the sports sponsorship sector. According to Danson (2010, 194) seven out of 20 Premier League

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<sup>1</sup> Slot Machine Association

football clubs began the season of 2009-10 with a CGP as shirt sponsors<sup>2</sup>. In the 2012-13 season this figure was five (Premier League Shirt Sponsors 1992-93 to 2012-13, 2013). Other discussions around the topic revolve around the legality of the monopoly under EU competition laws by arguing that the current Lotteries act is illegal and against the laws and principles set forth by the European Court of Justice and the European Union (hereafter known as ECJ and EU respectively) (Pollari2011)

On the other hand, defenders of the current system have often brought up the benefits of a national monopoly such as being able to better monitor and handle issues such as problem gambling, fraud and money laundering. Other benefits such as supporting the grass-root level operations and supporting other socially beneficial events and organizations are also used as arguments for a monopoly system. (see European Commission 2011). From a monetary perspective a state ran monopoly is highly lucrative as it generates steady tax revenues while repatriating profits back to governments. For example, in 2012 Veikkaus Oy aims to repatriate EUR 520,4 million to the Finnish state (interview with Veikkaus representative B 2012) (a more detailed discussion about Veikkaus Oy and its revenue streams can be found in appendix 3.)

For this paper the relevant argument is related to the assumed disadvantage into which the current Lotteries act puts the professional sports clubs by limiting their revenue streams, and how, or so the argument goes, the liberalization of the gambling markets could positively affect these clubs. In the following sub-chapters I will go into more detail about the recent developments in the Finnish and European gambling environment and in the sports business in general, and position this study to its respective research gap by combining the gambling and professional sports aspects by explaining how and why the two are closely related. Then the aim and scope of the study is posed and lastly a discussion about the structure will be held.

## **1.2 Development of the gambling industry**

According to Ferguson (2012) the online gambling sector globally has grown 23% on average since 2003. This trend is well illustrated in Figure 1. In Europe this figure was above 50 billion Euros in 2003 (Study of gambling services in the internal market of the European Union 2006, xxxv). A more recent figure estimated by the European Gaming

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<sup>2</sup> In professional football the shirt sponsorship is generally regarded as the most lucrative sponsorship deal due to its high visibility

& Betting Association (EGBA) gave a figure of 82 billion Euros<sup>3</sup> for 2012 (EGBA Factsheet 2012).

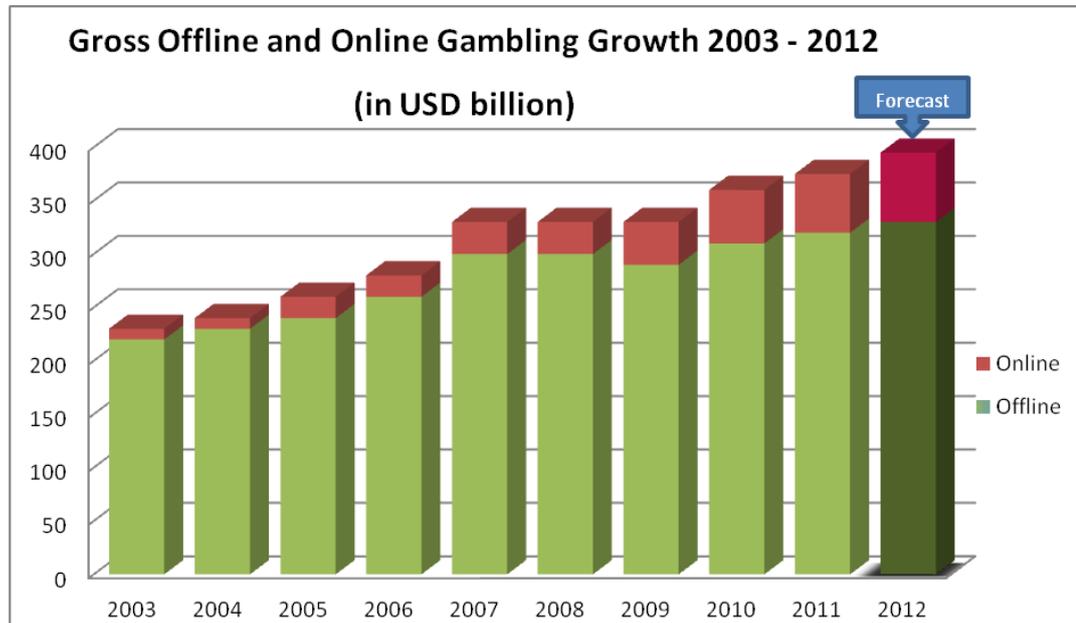


Figure 1 Growth of gambling sector globally (Ferguson 2012)

From the figures it is possible to outline two major trends: firstly the gambling sector has been growing at a steady rate since 2003. Secondly, the portion formed by online gambling has been growing at a steady rate. Respectively, this trend has been similar in Finland, as the combined GGR of the three state monopolies: Veikkaus Oy, RAY and FinToto Oy has grown from 1 210 million EUR in 2002 to 1 610 million EUR in 2011, while the combined GGR (Gross Gaming Revenue) has risen from 1 165 million EUR in 2000 to 1 641 million euros in 2010 (Interview with Veikkaus representative B 2012). It is also noteworthy that Veikkaus Oy and RAY are steadily making profits of over 30 and 60 percent respectively, while FinToto is close to zero profits (Suomen hippos-konsernin vuosikertomus 2009, 45; Veikkaus Oy Annual report 2011, 118; Vastuu- ja Vuosiraportti 2011, 4). It is of little surprise, therefore, that Finns tend to gamble actively. During 2008 on average a Finnish person spent EUR 1615,75 and for every 15-year old EUR 1942,10<sup>4</sup> on gambling (Suomalaisen rahapelaamisen vuosikirja 2009, 32) Traditionally the most popular games have been lotteries, slot machines and scratch cards.

<sup>3</sup> only offline betting

<sup>4</sup> figure includes the money spent on games offered by the three state monopolies combined

Deriving from these facts it is clear that both the growth and profit potential of the Finnish betting market is, for now, significant. It is, therefore, of little surprise that international CGPs are eager to gain entry to new markets (countries) within the European Union such as Finland and that professional sports clubs in Finland would more than welcome this change as it would allow them to approach new potential sponsors.

For example, the growth trend of global sponsorship expenditure has been similar to the trend of gambling. In 2007 the total global sponsorship expenditures were at 37,9 billion USD but the projected figure for 2011 was already at 48,7 billion USD. In North America sports alone received 68% (12,38 billion USD) of the net total sponsorship expenditures. (IEG 2011.)<sup>5</sup> From Europe's perspective, in 2008 gambling and betting industry as a whole was not registered in the top 10 sponsoring industries in Europe (The World Sponsorship Monitor 2008, 9). However, three years later in 2011 it was the 8<sup>th</sup> single largest sponsor with 63 million euros (The World Sponsorship Monitor 2011 in EGBA 2011, 1). Main beneficiaries have been, for example, the well-known football clubs in the Premiership League with CGPs shirt sponsorships.

Unfortunately for many European countries and sports clubs though, the European gambling environment has traditionally been highly regulated, and the majority of the member countries have originally adopted an approach favoring state ran monopolies (Viren 2008, 1). This is especially true with games such as lotto and keno illustrated in the Figure 2 below

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<sup>5</sup> Exact figures can be found at <http://www.sponsorship.com/IEG/files/fc/fcbe683b-d2a8-4f0b-9b35-121a86ab3a2b.pdf>

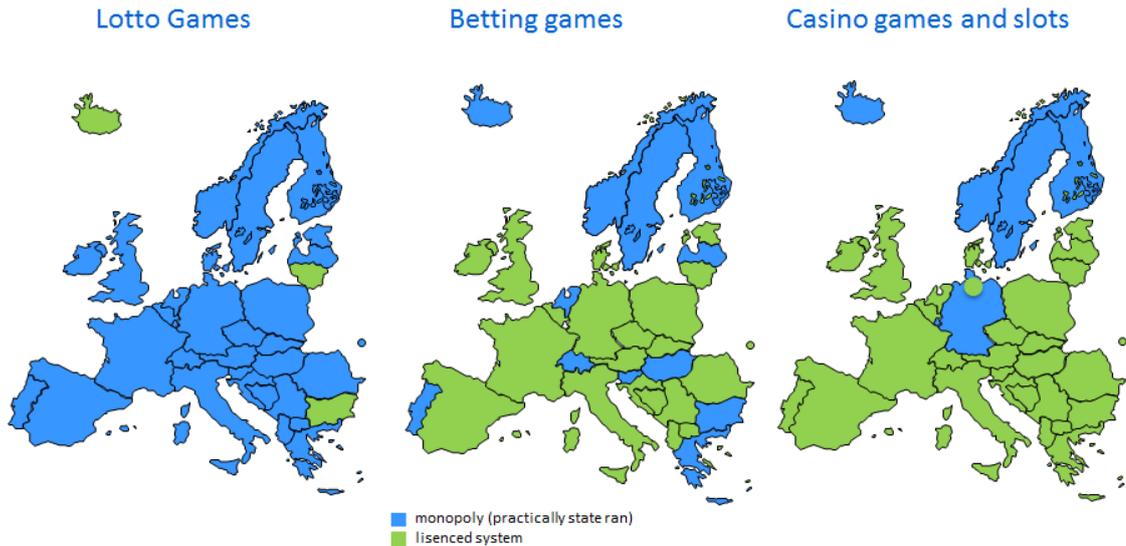


Figure 2 General overlay of the European gambling regulation in late 2011/early 2012  
(Interview with Veikkaus Ltd. representative 2012)

Due to these monopolies CGPs have not been able to penetrate these markets. I.e. the sport industries within these countries have, more often than not, missed out on the potential opportunity of sponsorship revenues from CGPs.

Due to the development of Internet and its borderless nature, however, the efficiency and applicability of the classic state ran gambling monopoly model is under scrutiny. As gambling over the internet has been increasing continuously since at least 2003, the means of upholding and monitoring gambling with a state run monopoly is getting more and more challenging. For example, Italy was forced to amend and dissolve its national gambling monopoly as it was found to be against the rules of the European Union (see e.g. Papaloukas 2010). It is, therefore, of little surprise to say that the rise of the Internet has been one of the major forces perpetuating the change for gambling regulation in Europe. Member states have been forced to adapt their legislation to better fit into the new business environment.<sup>6</sup>(Cisneros 2006; Viren 2008; Cisneros Örnberg & Tammi 2011; European Commission 2011; Pollari 2011).

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<sup>6</sup> A plethora of literature exists on the nature and effect of the Internet this matter, it is therefore of no value to reference all of them. Instead literature addressing the issue of online gambling, state ran monopolies and the Internet were referenced.

### 1.3 Purpose and structure of the study

As discussed in the previous chapters the current environment surrounding the European gambling industry is under reconstruction. Some have even argued that gambling as an activity has gone through a shift from a negative phenomenon to a sport or a leisure activity (Danson 2010, Lamont, Hing & Gainsbury 2011). In addition, there has been some discussion about the current, rather decadent, state of professional sports in Finland. What lends support to this viewpoint is that in November 2008 ministry of Education set forth a working group whose aim was to renovate the current environment surrounding the professional sports in Finland in such a way that it would support and promote a long term success in Finnish professional sports in a variety of disciplines (Nieminen, Hakala, Innanen, Korjus, Laakso, Laitinen, Mattila, Rahkamo, Talermo, Westerlund, Tolonen, Lämsä, Niemi-Nikkola & Heikkinen 2010, 9). As a continuum of this report another working group presented another paper in November 2011 addressing potential solutions to improve the sports success potential of Finnish athletes (Uudistuva huippu-urheilu Suomessa 2010-luvulla 2011). It is evident that the problems and challenges in professional sports in Finland have been acknowledged and an urge to resolve the issue is present.

This paper attempts to contribute to this discussion in a two-fold manner. Firstly it approaches the issue at *macro level by analyzing the changes in the regulative institutional environment*. Essentially this means the analysis of the Finnish and European gambling regulations. Secondly, a notable amount of interest is directed to the *micro & meso level actors in form of sport clubs, - associations, etc.* who are affected either directly or indirectly by the gambling regulation.

The approach differs from the Ministry of Education's reports exactly because of these viewpoints. The official reports have more or less examined the issue from individual athlete's point of view in sports such as track and field, ski jumping, skiing, etc. or by remaining on a more general level by discussing Finnish sport policy in general (see Huippu-urheilun muutosryhmän loppuraportti, 2012). As such this paper will *examine the interaction and institutional environments of both Finnish professional sport clubs and gambling regulation*. This objective can be better achieved by dividing the topic into smaller segments of which to analyze separately. They are as follows:

- 1) to analyze professional sport as business and its institutional environment
- 2) to analyze the institutions of gambling in their current state and their potential future
- 3) to evaluate the potential impact of an institutional change in gambling legislation to the professional sport clubs

These research objectives and their connections in light of the introductory chapter's information are also illustrated in the Figure 3 below:

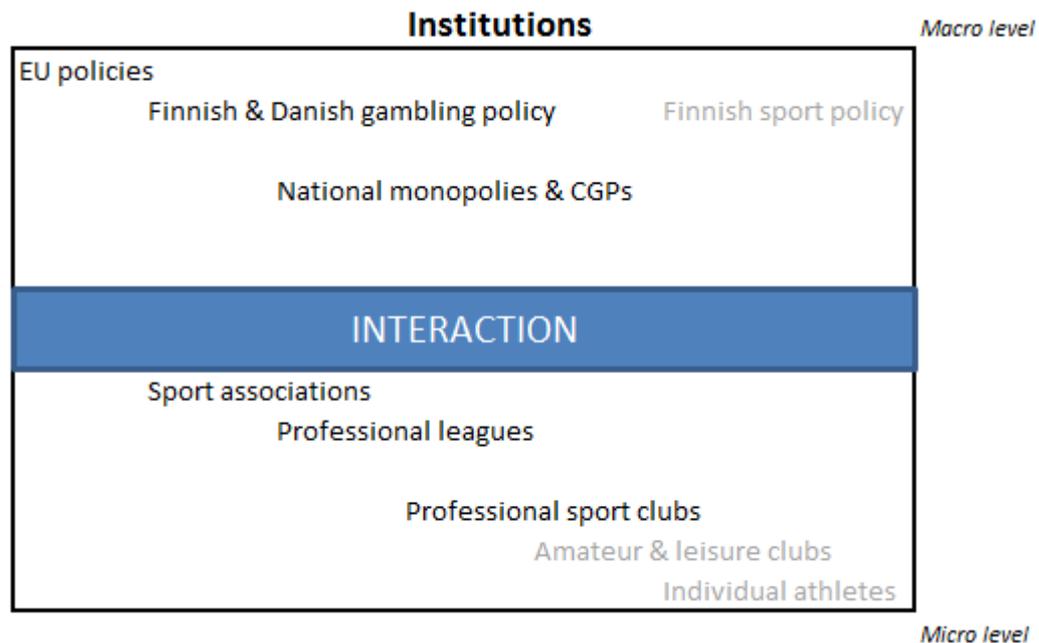


Figure 3 Positioning of the study

In order to understand the potential interactions between gambling regulation and professional sports it is necessary to understand the theory of institutionalism itself and the theoretical business model of professional sport clubs. These will be examined in following chapters 2 and 3 respectively. The institutional analysis of the institutions of gambling and professional sport club's institutional environment will be done in chapters 5 and 6 respectively. After these it is possible to examine the possible interactions, or as Forrest and Simmons (2003) and Danson (2010) put it 'the symbiotic relationship of gambling and sports', and the potential impacts of an institutional change.

A major part of this study is also the examination of the institutional changes and their effects in Denmark. As mentioned this market had liberated its gambling markets with some immediate effects to different actors. Data collection took place in Denmark and the findings are used to evaluate and validate the findings from Finland.

From a theoretical perspective it is noteworthy that some research has been done where sports business and sport organizations have been studied through the lens of institutional theory. However, Gómez, Opazo and Martí (2008) noted that the majority of the studies revolving around sport organizations concentrate on, what they call, 'sport governing bodies' (e.g. Olympic associations, national sport associations, etc.) (80% of the sample publications), 19% studied that *sport delivery entities* (e.g. sport

clubs) and one percent concentrated on the *sport event organizations* (e.g. leagues, circuits & tours). Of the found studies only a handful (see for example, O'Brien & Slack 1999) combined institutional theory with the study of sport delivery organizations. Neither has it been widely utilized in the study of gambling and gambling business. Some studies discuss the same elements which the theory uses but without the actual theoretical framework of institutional theory. (see Heinilä 1989; Phelps & Dickinson 2009; Phelps & Kent 2010; Skille 2010). Thus this study will combine the framework provided by institutional theory to be used in the analysis of interactions between gambling legislation and professional sports.

This study was a part of a larger research project conducted at the Centre for Collaborative Research at Turku School of Economics. The findings of the project have been published in a separate publication (Kuuluvainen, Koponen, Oikarinen, Ranki, Ryömä, Laihinen & Lehtonen 2012), and I was one of the authors of the report. Although many of the decisions were dictated by choices of the research project the research process of this research is reported independently.

## 2 INSTITUTIONAL THEORY

*“Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction...they are, therefore, perfectly analogous to the rules of the game in a competitive team sport. That is, they consist of formal written rules as well as typically unwritten codes of conduct that underlie and supplement formal rules”* (North, 1990, 3-4)

As North put it there are metaphorical connections between the institutional theory and a sporting event. However, in this chapter this connection will be examined further and brought to a concrete level in order to build a framework between the two aspects. This chapter will begin by examining the basics of institutional theory, namely what is institutional theory, how institutions change and how different institutional actors react to institutional pressures. After this the aspects of professional sports and sport clubs are examined in light of the institutional theory. Lastly a framework can be built through which the empirical findings can be examined.

### 2.1 What is institutional theory?

Depending on the author or field of study the word *institution* might have some differences in its specifications. Generally, however, the consensus is that institutions are rules which regulate, enable and guide the behavior of *actors* (see Coase 1937; Meyer & Rowan 1977; DiMaggio & Powell 1983; North 1990; Scott 1995; 2001). More accurately, they refer to rules that influence behaviors which can be created formally or they can evolve over time (North 1990, 3–4). Dacin, Goodstein and Scott (2002, 49) approaches institutions from a sociological perspective and defines them as multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources. Groenewegen, Spithoven and Van den Berg (2010, 24) complete this by describing them as rules and norms which reduce the uncertainty (i.e. risk) between parties partaking in a transaction. Thus, in simpler terms one could understand institutions as a compass which guides behavior. Institutions are not, however, the only guiding factor of behavior, rather:

*“...institutions set bounds on rationality by restricting the opportunities and alternatives we perceive and, thereby, increase the probability of certain types of behavior”* (Barley & Tolbert 1997, 94)

The earlier mentioned actors can be understood as individuals, *organizations*, countries or as any other actor operating as a part of a given *institutional environment*. These organizations can include political- (e.g. the Senate), economic- (e.g. a firm), educational- (e.g. a school) and social bodies (e.g. athletic associations or sports clubs). Essentially, organizations can be defined as groups of individuals bound by one or another common purpose for achieving objectives (North 1990, 5).

The institutional environment refers to e.g. *values* and *norms* the surrounding society has adopted as acceptable and desirable (for example, the concept of fair-play in football). It is this institutional environment or framework that dictates how and what types of organizations (e.g. firms) evolve and come into existence. In turn the organizations affect and influence their respective institutional environments. (North 1990, 5.) What North is describing here is a *feedback-loop* described by Stone Sweet, Sandholtz and Fligstein (2001), whereby the institutional framework and the organizations operating in it are in a constant and continuous coaction. Here the change in one may set forth a dynamic change in the other and vice versa (see Stone Sweet et al 2001; Fligstein & Stone Sweet 2002). For example, the Bosman ruling<sup>7</sup> completely changed how football clubs were able to do business with player transactions, thus completely altering the regulative institutional environment of sports clubs. It is also possible that a completely external factor changes the current institutional environment. An example of this could be a new technology, such as the Internet which forced many of the formal (laws) and informal (behaviors) institutions to adapt to the new technology.

### **2.1.1 Type and role of institutions**

The dynamism of institutions can be better addressed and understood by dividing different types of institutions into sub-categories. This division is, however, dependent on the approach the researcher takes to institutions. Generally speaking such approaches can in the current literature be divided into two categories. Depending on the background of the researcher or the topic under study the institutional approach could be called either *institutional economics/new institutional economics* (NIE) (see North

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<sup>7</sup> Is short, the Bosman ruling occurred in 1995 whereby the ECJ ruled in favor of football players and against the football clubs on the issue of player transactions. Thus, players are now free to switch clubs after their contract has finished without transaction fees paid to the ex-club. Prior to the ruling clubs were able to keep players without paying them salary if an agreement on the transfer fee with the buying club could not be found. (Simmons 1997; Antonioni & Cubbin 2000)

1990; Ménard 2004) or *institutional theory* (see Meyer & Rowan 1977; DiMaggio & Powell 1983; Scott 1995; Scott 2001).

Institutional economics is based largely on the concept of transaction costs introduced by Coase (1937) and is often used in the study of, for example, transition economies (Oliver 1979; Bajari & Tadelis 2001; Gelbuda, Meyer & Delios 2008, 2). In institutional economics both institutions and organizations are seen as a method of reducing the previously mentioned risk of carrying out a business transaction. In other words, an efficiently operating institutional framework and legal organizations are seen as means of reducing the transaction costs actors (individual, organization, country, etc.) must bear while participating in economic activities. (Coase 1937; Meyer 2001, 357; Groenewegen et al. 2010, 24.). This is due to the inherently penetrating nature of transaction costs in any exchange taking place. In this approach the division of institutions was made by North (1990) into *formal* and *informal* (tacit knowledge, unwritten rules of conduct) institutions.

*Formal constraints* are a requirement of a modern day society where informal constraints could not resolve for example, complicated legislative issues etc. (North 1990, 46–47). For example, by creating a legal (formal) framework about sport sponsorship a country is able to control what types of sponsorship deals are allowed made by athletes, clubs, companies, etc. By this a country (or government) is giving the actors a framework, under which they all have common rules to follow, thus, reducing the transaction costs between actors as they are not required to negotiate every detail of every contract in a reoccurring manner, or they can ignore some partners completely if they operate in a field deemed illegal by the legislation. More importantly though, these formal constraints may enforce and complement the efficiency of informal constraints or even completely replace them. Replacing an older more permanent informal constraints with a formal e.g. legislation is possible, though may encounter resistance if they are not mutually supportive. (North 1990, 46–47; North 2000.) In the worst case scenario the new legislation can be contradictory to the prevailing informal constraint (e.g. prohibition of alcohol in the US), hence, the efficiency of the new formal institutions can be undermined.

Formal constraints can manifest themselves in many forms from political to economic rules and contracts between economic agents (e.g. supplier-buyer). The general purpose of these constraints is to facilitate and promote certain exchange processes but not all (North 1990, 47). For example, by lowering the risk of entering a supplier-buyer contract by defining the rights of both parties, a formal constraint promotes this kind of behavior. Vice versa, for instance, by placing taxes on car emissions legislators attempt to reduce exchanges which increase emission levels. It is worth noting that generally the types of exchanges which are desirable (hence,

promoted through economic rules) are often dictated by the current political rules (North 1990, 46–53).

*Informal institutions* and the constraints they posit on actors, on the other hand, are a much larger, and to some extent more vital, part of the institutional framework than formal constraints:

“[i]n our daily interactions, or in business activities, the governing structure is overwhelmingly defined by codes of conduct, norms of behavior, and conventions. Underlying these informal constraints are formal rules, but these are seldom the obvious and immediate source of choice in daily interactions.” (North 1990, 36)

Reason being, that the majority of our daily lives is not governed by written laws and rules but unwritten codes of conduct. We know we should follow these, even though we might not have given them too much thought. An informal institution is socially transmitted information which originates from the cultural background. In other words, the way in which individuals process and interpret information is affected by their cultural heritage. Informal constraints are, therefore, not separate from formal constraints but an extension of them much like formal constraints are an extension of the informal constraints. (North 1990, 36–37, see also Keefer & Shirley 2000; Masahiko 2000, 11–13.) This can be illustrated by considering a continuum where habits and traditions are at one end and written laws at the other.

### 2.1.2 *Gaining legitimacy*

Continuing from institutional economics or NIE to the sociological aspect of *institutional theory* it is possible to note some differences in the two approaches. While in institutional economics the institutions were divided into formal and informal institutions, in institutional theory Scott (2002, 51–70) divides institutions into *normative* (e.g. values. For instance, the idea of Fair-play), *cognitive* (e.g. symbols, words, signs and gestures. For instance, the society’s general attitude towards gambling) and *regulative* (e.g. formal rules and laws i.e. the Lotteries act) institutions. A second difference lies in the basal assumption of organizational survival. While in institutional economics the goal of institutions is to reduce uncertainty or risk, thus decreasing the transaction costs of economic activities, in institutional theory organization’s survival is linked to its ability to gain *legitimacy* within its institutional environment (DiMaggio & Powell 1983; Tolbert & Zucker 1983; Zucker 1987; Scott 1995; Scott 2001). Suchman (1995) defines legitimacy as:

*“a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”* (Suchman 1995, 574)

Legitimacy is required from both the internal and external claimants of the actor (Yiu & Makino 2002, 667). Meaning, that the survival is dependent on how well the organization is able to gain acceptance in both, the eyes of its employees and in the eyes of the organization external environment (competition, customers, policy makers, etc.). Legitimacy can be achieved by, for example, adopting characteristics of other organizations already deemed legitimate (Dacin 1997) or by participating in actions the society deems desirable such as corporate social responsibility (CSR). In other words, organizations which conform to the given rules and regulations are viewed as more legitimate than those which deviate from the “norm” (Deephouse 1996, 1033). For example, from a commercial organizations perspective it might be more effective to outsource its manufacturing into a developing country with a weaker employee protection and lower wages, thus achieving cost efficiency. From a legitimacy perspective, however, CSR dictates that such a move, while not illegal per se, would most likely be frowned upon by the consumers and other internal and external constituents, thus, leading to a decrease in viewed legitimacy. Such a division is presented by Deephouse (1996, 1025) as he argues that legitimacy exists in two forms: *regulatory* and *public endorsement legitimacy*. The former refers to an organization’s or actor’s ability gain legitimacy in the eyes of the state agency regulating it, the latter refers the acceptance the organization or actor achieves in the public eye. What is acceptable and/or acceptable behavior is something actors are able learn through their networks (e.g. trade associations and director linkages) (DiMaggio & Powell 1983; Galaskiewicz & Wasserman 1989).

In short, legitimacy is a requirement for organizational survival. What is legitimate depends largely on the given institutional environment an organization exists in. As many organizations exist in the same institutional environment then this might have some peculiar effects on the organizations themselves in form of *isomorphism*.

### **2.1.3 Isomorphism**

The attempts of organizations to achieve legitimacy have been noted to lead to homogeneity among organizations operating within a given *organizational field* (DiMaggio & Powell 1983). The term organizational field is referring to:

“...those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio & Powell 1983, 148)

In essence, the external constituents from the given organizational field create pressures for the organization to conform to the generally accepted values, norms and modes of operation within a society. For example, a new entry to a market might face strong opposition as long as it is acting as a rogue, thus pressuring it to modify its operation model. This process of change is referred to as *isomorphism* (DiMaggio & Powell 1983, 149), whereby after an organizational field has been established, the organizations operating within it begin to resemble one another more and more as they all shape their operations based on the same external institutional pressures as time goes by. Heugens and Lander (2009, 76-77) were able to provide evidence supporting the claim that the influence of organizational field level factors was indeed a strong source of isomorphic pressures.

Isomorphism itself can be separated into two processes: *competitive isomorphism* (see Hannan & Freeman 1977) and *institutional isomorphism*. Of the two the latter is the more important one for this paper, thus competitive isomorphism will not be examined. Institutional isomorphism is built of three operating mechanisms, processes or forces; *coercive*, *mimetic* and *normative*. The coercive force is argued to stem from “both formal and informal pressures exerted by organizations on other organizations upon which they are dependent” (DiMaggio & Powell 1983, 150). Furthermore, the cultural expectations exerted by the surrounding society affect this organization (actor). Political power and influences are one example. For instance, the existence of the previously mentioned common legal framework for sponsorship deals will affect the sport clubs’ (or generally any organization’s) behavior and structure. Such large scale effects may have their adverse effects though. Important notion about this from the perspective of this paper was made by Pfeffer and Salancik (1978, 188–224 in DiMaggio & Powell 1983). They identified two characteristics of these political environments: one; that *political decision makers often do not experience directly the effects of their decisions* and two; that *these political decisions are often made across the board leaving little room for flexibility*, thus making them less adaptive. (DiMaggio & Powell 1983, 150–151.)

Following the coercive force, the mimetic force of the cognitive institutions is seen to operate as a result of uncertainty<sup>8</sup>. When organizations have, for example, ambiguous goals or the business environment is not well understood mimetic or imitative behavior is likely to happen. Here organizations begin to mimic other organizations within the same organizational field. The aim is to reduce the prevailing uncertainty by copying the actions and structure of an organization which seems to survive. Another goal of imitation might be the attempt to achieve legitimacy by mimicking organizations which are perceived already as legitimate. (DiMaggio & Powell 1983, 151–152.)

The last isomorphic force, normative force, is closely linked with the concept of professionalization. Here, DiMaggio & Powell argue that organizations tend to resemble one another as the actual staff has been trained and educated in the same style in the same universities, thus molding their methods of carrying out, analyzing and thinking about business into a more homogeneous direction. Employees who actually differ from the norm are subjected to “pervasive on-the-job socialization”. The concept of normative pressures is tightly linked with the psychological concept of *conformity* within the individual level (see for example Ridgeway 1978) or *organizational conformity* on organizational level (see Zucker 1987). Both aspects are essentially describing the same phenomenon of attaining legitimacy through public acceptance but on different levels. i.e. individual and organizational. According to the argument, in normative pressures the individual strives for acceptance among his/her peers which leads to the homogenization of staff in general. This in turn eventually leads to the homogenization of the organizations. (DiMaggio & Powell 1983, 152–153.)

In conclusion, institutions, formal and informal or cultural cognitive, regulative and normative, and the following institutional pressures exert pressures on actors to conform to the current institutional paradigm in order to remain legitimate. These pressures and actions tend to shape the actors within the organizational to field to resemble more and more one another both structurally (i.e. similar departments, personnel positions, etc.) and behaviorally through coercive, mimetic or normative processes, i.e., they become isomorphic.

## 2.2 Enforcement of institutions

Institutional framework guides an actor towards legitimate decisions, for example, in a situation where two parties agree to enter into a contract with one another (e.g. buyer-

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<sup>8</sup> note that the word “uncertainty” here should, in this case, not be mixed with the meaning of uncertainty in transaction cost theory in the previously discussed institutional *economics*

seller, etc.). Scott (1995; 2001) argued that there are three types of institutions all operating at a different level of consciousness which guide this process. The *regulative* pillar is the most tacit of the three. It includes regulative processes with the capacity to establish rules and laws, set sanctions for infringements, or reward proper behavior, all in order to manipulate future behavior. Sanctions can manifest themselves as: shunning, shaming or as highly formalized (e.g. imprisonment). Such force, fear and expedience are all essential parts of the regulatory pillar. (Scott 2001, 51–53.) As an example a state has put forth formal regulation dictating the taxation of firms, employees, etc. The state is also able to enforce this regulation through force, i.e. imprisoning or sanctioning through fines etc. an actor who is not complying.

Such enforcement is a necessity for regulative institutions to work. This enforcement is automatic when it is in the mutual interest of both parties to live up to the expectations, i.e. it becomes self-enforcing. Moral rules could be said to be self-enforcing as in a society it is in everyone's best interest in the long run not betray their neighbor. Consider, for example, the prisoner's dilemma. It is in both prisoners' best interest not to betray the other one in the long run when repeated games are played.<sup>9</sup>

However, when the mutual benefit from following the rules is not self-evident and there is potential for opportunistic behavior (e.g. when one party is withholding relevant information from the other) then the institutional framework must be able to oversee the completion of the contract (North 1990, 54–60). Also, when the transaction is carried out only once there exists a high chance of opportunistic behavior by one or both parties assuming asymmetric information is present (i.e. one party is withholding relevant information from the other party or one party is better informed than the other). For example, when an individual signing for an insurance policy s/he is required to inform the company of potential health risks such as mental illness.

The same principle of overseeing could be argued to apply to the *normative* pillar as well. A society frowns upon an individual or an organization which is not willing to abide the given set of societal *norms* and *values* (for instance, physically or mentally abusive individual is generally viewed as an unwanted person in the society). *Values* are notions of what is preferred or desirable in a given context (e.g. the American dream). *Norms* define how these desired things should be attained, i.e. they define the legitimate means which can be used to pursue valued results.

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<sup>9</sup> this line of thinking is tightly linked with the game theoretical approach to the analysis of NIE. An interested reader can see for example Greif 1998; 2004

*“[n]ormative systems define goals or objectives (e.g., winning the game, making a profit) but also designate appropriate ways to pursue them (e.g., rules specifying how the game is to be played, conceptions of fair business practices)” (Scott 2001, 55)*

It is also relevant to note that some members of a society act under a different set of norms than others. This gives rise to *roles* within a society i.e. notions of appropriate goals for specific individuals or specified social positions. These roles can be devised formally or they can evolve informally over time. (Scott 2001, 55) Examples of the former would be the government or a police force and of the latter a historical village elder. The police are an example of an enforcer’s role in a society whose task is to uphold the current formal institutions.

Much like the normative pillar the *cognitive* pillar can evolve and shape over time as well. Scott articulates the cognitive pillar to consist of:

*“the shared conceptions that constitute the nature of social reality and the frames through which meaning is made” (Scott 2001, 57)*

The cognitive pillar is perhaps the most resilient of the three for change as it is deeply rooted to the cultural background. Scott (2011, 57), therefore, argues that term *cognitive-cultural* encompasses and shows that the internal interpretative processes are shaped by the external cultural frameworks. For this paper, however, this dimension of the Scott’s institutional framework is, perhaps, not a major concern as the findings and observations will be concentrated mainly on the regulative and normative aspects, although some aspects will revolve around the cultural background.

To recapitulate, different types of institutions are enforced through different means and by different actors. The formal institutions are generally enforced through law by actors such as the police. Informal institutions (cognitive and normative) are enforced by the members or the society and the society itself. If institutions are not enforced then their existence within the institutional environment can be meaningless to the actors. Strong enforcement, on the other hand, can lead to faster isomorphism for example.

### **2.3 Institutional change**

In this chapter reflections will be made back to the perceptions on institutions. Moreover, what induces a change in institutions, how this change manifests and finally how it affects the organizations.

It was established earlier that organizations and the institutional framework are in a continuous *feedback-loop*. However, the basis of this argument was not explored thoroughly enough in order to effectively use this idea in light of institutional change. This omission will be addressed next.<sup>10</sup>

When discussing institutional change it is important to identify on what level this change is occurring and which aspect of institutions is changing – regulative, normative or cultural-cognitive. Scott (2001, 87, 195) along with a plethora of other institutional theoreticians identify multiple levels where these institutions affect and evolve. Starting from the widest to smallest these levels are as follows: world systems, societal, organizational field, organizational population, organization and organizational subsystems. As the focus of this study was two-fold, i.e. the interaction between professional sport clubs and the gambling regulation the levels related to those vary as well as illustrated in the below figure:

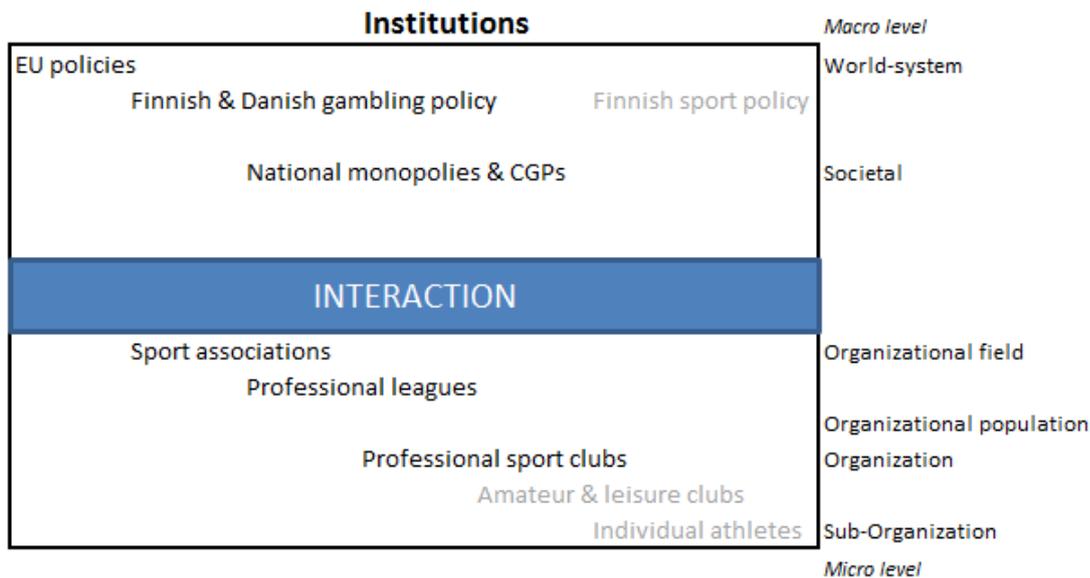


Figure 4 Institutional levels and research focus

The discussion assessing gambling policies in Europe and Finland are situated naturally higher in the hierarchy on *world-system* and *societal levels*, while the discussion on professional sports revolves around the levels of *organizational*

<sup>10</sup> Arguing, that institutions affect and give rise to organizations while the same organizations affect these institutions is slightly paradoxical and an ongoing debate among scholars of this topic. This problem is acknowledged. However, any deeper analysis of it would go far beyond the scope of this paper, thus it is not addressed here. For an overview of the topic see for example Barley & Tolbert (1997).

*population, organizational field* and *organization*. Thus, the narrowest micro level is left outside the scope of this study.

The world systems refer to systems which operate at a somewhat global scale such as the EU. National policies cannot be regarded as world-systems, though, they might be somewhat wider than the societal level. The CGPs and monopoly companies act purely on a societal level. This level refers to the wider social context in which organizational fields are situated in. In this study the word ‘culture’ would best encompass the meaning of societal level. In essence, culture encompasses the cognitive-cultural institutions.

As per the professional sport clubs, the definition of an organizational field according to DiMaggio and Powell (1983) was given already earlier, however, now its definition according to Scott (1994, 207–208) will be examined as well. According to him this field is a specific field of organizations which all partake in a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside of the field. By examining the two definitions *the relevant organizational field* can be understood in this study as *a network of a sport association, sport league and the sport clubs* (including amateur and recreational clubs) from each individual sport. An organizational population, on the other hand, refers to a set of collection of organizations which are alike in some respect and, in particular, are “classes of organizations that are relatively homogeneous in terms of environmental vulnerability” (Hannan & Freeman 1977, 166). Again, in this study if the organizational field is understood as a ‘vertical’ field within a sport *an organizational population can be understood as a ‘horizontal’ field of sport clubs and sport associations across sports alike*. It could be argued that all sport clubs and sport leagues & associations are a part of a wider single organizational field in a smallish country such as Finland. However, in a larger global or even in a larger country this classification would be difficult to argue for, hence, the distinction.

It is important to note that these levels are not independent or secluded from one another but fluid and somewhat borderless in nature. The logical consequence is that change in one reflects in the other. Scott (2001, 195) refers to these as either Top-Down or Bottom-Up processes where the change originates from the top and trickles downwards or from the bottom and moves upwards. In essence this describes the process where the pressure for change originates from either within the system itself (Bottom-Up) or from outside the system (Top-Down).

Why this is depends on whether the phenomenon is interpreted through *structuration* or *agency* perspective. In essence, structuralists (Top-Down) argue that the increased structuration within organizational fields imposes bounds on organizational agency, thus it reduces variation in policies and structures among organizations (Hoffman &

Ventresca 2002<sup>11</sup> [year number corrected by author] in Heugens & Lander 2009, 63). Agency theorists (Bottom-Up), on the other hand, argue that the ongoing field level institutionalization gives rise to endogenous pressures for change. This is due to the increased pressures to conform to ever stricter rules thus making the actors more vulnerable to exogenous shocks. Hence, agency theorists suggest that increased institutionalization is ultimately a source of deviance and change in its own right. (Heugens & Lander 2009, 63.)

To summarize, the reader should take note that both approaches acknowledge the importance of endogenous and exogenous pressures originating from different levels. Endogenous pressures originate from the actors themselves while exogenous ones may originate from, for example, technology, legislations, innovations, etc. The decisions made based on these pressures can be either deliberately aimed to alter the institutional framework or the decisions can be planned to be in accordance with them. Whichever the case is the decisions can and do have some type of an impact to the institutions. How these pressures and decisions affect the strategic decision making and fit into the wider institutional framework will be discussed next.

## 2.4 Reacting to institutional pressures

Contemplating on what has been discussed so far it is evident that institutions are present in our everyday lives, they do matter and that they do change. Though, much of the theoretical discussion so far might seem to be revolving around in circles and certainly to an extent it is. This illustrates how deeply the institutional theory is connected to its social background and vice versa, which is why there is an ongoing debate about the origins of institutions as referred earlier.

It would seem that the theory argues that actors are more or less ‘at the mercy of institutional pressures’. Oliver (1991) argues, however, that this is not entirely so. In her paper she presents five strategies from which an organization may choose when facing institutional pressures which are pushing the organization towards conformity (with the institutional environment): *acquiescence*, *comprise*, *avoidance*, *defiance* and *manipulation*.

*Acquiescence* is achieved through habits, imitation and compliance. The first, habits, refers to the way an organization and the organizational field has developed throughout

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<sup>11</sup> Original reference in Heugens and Lander refers to “Hoffman & Ventresca 2004”, however, no such source was mentioned in the reference list. Hoffman and Ventresca 2002 was, however, found in the list of references in the original work.

the years. These have become “historically repeated, customary, conventional, or taken-for-granted”. Imitation is similar to mimetic isomorphism where either by conscious or unconscious efforts the organization mimes other actors on the field. Lastly, compliance refers to an organization's deliberate obedience to the rules, norms and values set by the organization itself and its institutional environment. (Oliver 1991, 152–153.)

The *comprise*-response, on the other hand, can occur through balancing, pacifying or bargaining. Of the three, the first refers to an organization's ability to accommodate multiple constituent demands in response to institutional pressures and expectations, particularly when these demands conflict. Pacifying occurs when an organization mounts minor levels of resistance to institutional pressures, yet, devotes most of its energies to appeasing or placating the institutional source or sources it has resisted. Lastly, bargaining refers to a more active form of *comprise* than pacifying. It occurs when organizations negotiate and demand something in return for their *comprise* efforts with the institutions. (Oliver 1991, 153–154.)

The third strategic response, *avoidance*, means the attempts an organization makes to avoid necessity for conformity. This is achieved by hiding their nonconformity, isolating themselves from institutional pressures and/or escaping institutional rules. Hiding, or concealment, is achieved through a “facade of acquiescence”. In other words, the organization seemingly follows the rules and enhances this image with false pretenses. Isolation, or buffering, occurs when the organization attempts to reduce the extent to which it is externally inspected, scrutinized or evaluated. Such can be achieved through, for example, decoupling processes (see. Pfeffer & Salancik 1978; Scott 1987). Thirdly, the escape tactic occurs when the organization completely attempts to exit the domain in which the institutional pressures occur or it significantly alters its goals and/or activities to avoid necessity for conformity. (Oliver 1991, 154–156.)

*Defiance* could be described as an active form of resistance to institutional processes which can be achieved through dismissal, challenge and attack. Dismissal refers to the ignoring of institutional rules and values. This is likely to happen when the enforcement of institutional rules is deemed low or when the internal goals conflict strongly with these pressures. The will to ignore is exacerbated if there is little understanding why the specific institutional pressure is in place (e.g. some legislation). It is also possible to challenge the rules, norms or expectations of the institutional environment. Here, the organizations that challenge institutional pressures go on the offensive in defying these pressures. Challenge is more likely to occur when it is possible for organizations to demonstrate why their non-traditional approach is in some ways better than the old. Lastly, attack is distinguished from challenging based on its intensity and aggressiveness of departure from institutional pressures. In such a case the institutional pressures are assaulted, belittled and/or the external constituents who express these pressures are vehemently denounced. Such a strategic approach is more likely when the

institutional pressures are organization-specific or when the rights or autonomy of the organization are in serious jeopardy. (Oliver 1991, 156–157.)

The fifth and last strategic response an organization may choose when facing institutional pressures is *manipulation*. While acquiescence, comprise, avoidance and defiance choices “represent increasing levels of resistance to given institutional demands and expectations”, manipulation is the most active of the five. This is due to the fact that it is actively intended to affect the sources of institutional pressures. Therefore, it can be defined as: *the purposeful and opportunistic attempt to co-opt, influence, or control institutional pressures and evaluations*. *Co-opt* refers to an organizations act where it tries to persuade an institutional constituent to, for example, join the organization. The aim here is to neglect institutional opposition and gain legitimacy. Influence aims to affect the more abstract value and belief systems. This can be achieved through, for example, lobbying activity. Lastly, the control tactics aims to control, for instance, an advocacy group that has recently opposed the organizations operations. Organizations may also extend their control to the ability of external constituents to express their social approval of the institution. (Oliver 1991, 157–159.)

## 2.5 Synthesis

This chapter has described the basics and to an extent some of the intricacies of institutional theory. All of these concepts are drawn together in this concluding chapter and in the figure 5 below:



Figure 5 Feedback loop and key concepts on institutional theory

The picture illustrates visually how according to North (1990) institutions and the institutional framework gives rise to actors and how the institutional pressures originating from this institutional environment exert themselves on these actors (Top-Down). Secondly, figure shows how the strategic response chosen by an actor may result in legitimacy. It is noteworthy that the enforcement of institutions would presumably affect the chosen response. Strong enforcement prevents deviant behavior and vice versa. As a consequence ‘Legitimacy’ could have been drawn in the model prior to ‘strategic response’ to illustrate how an actor knows s/he must reach for legitimacy and then judges which strategic response is the appropriate to take in order to reach that pre-determined legitimacy. The end result would not have changed, however, as legitimacy will ultimately lead to survival. And in the end, this survival enables the actor to potentially affect the prevailing institutions (Bottom-Up).

In conclusion, different types of institutions and the institutional framework can be seen to guide the decisions taken by actors. The relevant actors, institutions and enforcers for this paper have been collected into the following table 1:

Table 1 Overview of the institutional environment

<b>Institutions</b>	<b>Relevant Affected Actor(s)</b>	<b>Enforcer(s)</b>	<b>Enforcement tool(s)</b>
<i>Formal (regulative)</i>			
EU Gambling policy	Finnish policy makers Danish policy makers CGPs National monopolies Beneficiaries	EU laws, ECJ, national courts (see chapter 5)	Legal means Fines
Finnish gambling policy – Lotteries Act	Veikkaus Oy Sport Association CGPs Sport associations Leagues Clubs	Finnish State Police	Legal means Fines Imprisonment
<i>Informal (normative &amp; cultural cognitive)</i>			
“Image” of gambling activity (leisure or sin?)	Policy makers CGPs Clubs	Society Consumers Fans	Frowning Shunning Rebelling Supporting etc. “soft” methods

These institutions operate on a variety of levels from the macro world system levels to the micro sub-organizational levels, and following these institutional rules tends to lead to legitimacy, thus, survival. Change on these levels can occur either through Top-Down or Bottom-Up mechanics as none of these levels are secluded from one another.

### 3 PROFESSIONAL TEAM SPORTS

While the institutional theory as a framework is a powerful tool it must be understood in its current context of professional sport business. While the nature of sports as business is somewhat different from that of a normal profit maximizing firm this also has some effects on the actual institutional environment of a sport club. In the following chapter some of the unique aspects of sport business will be examined whilst at the end those and the model provided by institutional theory will be drawn together into a coherent framework for this study.

#### 3.1 Sports as business

Nowadays sport is present in many aspects of our daily lives. Companies use star athletes as a measure for product, image and brand positioning (Schlossberg 1996; Ferrand & Pages 1999) and sales promotion. Professional sports itself has become a multi-billion euro business. For example, in 2010 the largest football club in Europe was Real Madrid totaling revenues of over 400 million Euros p.a., and the top 20 largest clubs earned a total of over 3.9 billion Euros in 2009/09 (Deloitte 2010, 3-4). According to rough estimates as much as 3.7% of total value added within EU originated from sports with a share of 5.4% of total employment in the same geographical area. Another important point to make is the width at which sports coverage in media has grown. In the United States, for example, roughly 73 percent of the population had access to media (such as, newspapers, radio, TV, Internet), which covers sporting events. (Koning 2009, 230).

Indeed such mass appeal has been noted by companies and other potential stakeholder groups such as the CGPs years ago, which is why over the years sports in general has become such an important marketing medium. As Danson (2010, 195) puts it, it's not the sport club itself that is the most valuable but the global reach the sport itself has:

*“2012 was a stellar season for the English Premier League with huge broadcasting deals centrally negotiated by the Barclays Premier League... Furthermore, as well as being easier to find, this encourages sponsors to pay high fees safe in the knowledge that they can reach a global audience”* (Brand Finance 2012, 9)

For example, the English Premiership League product awareness is being developed and upheld as matches are being televised globally via satellites. The teams themselves

develop their own brand and fan base by carrying out friendly exhibition tours around the world. Nowadays such brand management is common with the largest sports clubs as they have adopted completely new business models (see Lechner & Schmidt 2002; Callejo & Forcadell 2006; Bridgewater 2010a; Bridgewater 2010b; Demil & Lecocq 2010; Gómez et al. 2010).<sup>12</sup> In the European market this is best seen on the football scene in leagues such as Barclays Premiership League (England), Bundesliga (Germany), BBVA Liga (Spain, also known as La Liga) and Serie A TIM (Italy). These four are the four most valuable league brands of 2012 in Europe. The value of each league in millions of USD was 4 170 , 3 038, 1 531 and 1 122 respectively (Brand Finance 2012, 8). For perspective, the Finnish Veikkausliiga was valued only at 6,4 million USD ranking 33<sup>rd</sup> of the listed 53 (Brand Finance Football Brands 2012 2012, 35). The combined brand value of all the European football leagues is topping 17 billion USD (Brand Finance Football Brands 2012 2012, 9).

All the while the major European football clubs and leagues seem to be doing reasonably well such cannot be claimed for professional sports in Finland. For example ice-hockey, another major sport in Finland, has been struggling with its own European wide Champions Hockey League (CHL). Essentially, CHL was planned to be the European level tournament for the best European ice hockey teams. However, due to financial problems the CHL concept was cancelled after the 2008-09 season. Same financial problems seem to be a problem for Finnish ice hockey clubs as well. According to Kauppalehti (2012) the 14 teams of the league have accumulated a total loss of EUR 43 million euros during the seasons of 2003-2010 (Table 2). During this time only three teams, namely HC Ässät, JYP Jyväskylä and Oulun Kärpät had managed to accumulate a positive profit.

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<sup>12</sup> These and other aspects of the evolving business models of sports clubs as well as professional sports in general are analyzed in more detail in chapter 5

Team	Profit	Total							
	2003	2004	2005	2006	2007	2008	2009	2010	(1000s euros)
Blues Hockey Oy	-1660	-1300	-2677	-3114	-3274	-2113	-1790	-1817	-17745
HC TPS Turku Oy	-433	-824	-649	-1527	-1137	-261	706	429	-3696
HC Ässät Pori Oy	-22	-13	515	455	-37	182	22	309	1411
HPK-Edustusjäähkiekko ry	129	-596	483	8	-337	-866	84	-181	-1276
Ilves-Hockey Oy	-3	3	73	20	0	-546	-576	-514	-1543
Jokerit HC Oy	-513	-1797	-1413	-854	-823	-1367	-1259	-1886	-9912
JYP Jyväskylä Oy	-135	-58	96	46	13	-71	1053	104	1048
Kalpa Hockey Oy	-68	62	190	-308	-470	124	508	-70	-32
Lahden Pelicans Oy	-518	-568	103	164	116	52	6	211	-434
Liiga - Salpa Oy	4	-515	120	28	19	-97	-60	-905	-1406
Oulun Kärpät Oy	580	445	751	623	1	89	86	-141	2434
Oy HIFK - Hockey Ab	6	-803	489	189	-767	-542	532	814	-82
Rauman Lukko Oy	-803	-1188	-1122	-1839	-1512	-1331	-923	-1325	-10043
Tamhocky	30	-4	-299	-538	3	-206	-19	-504	-1537
<b>Total</b>	<b>-3406</b>	<b>-7156</b>	<b>-3340</b>	<b>-6647</b>	<b>-8205</b>	<b>-6953</b>	<b>-1630</b>	<b>-5476</b>	<b>-42813</b>

Table 2 Profits of SM-liiga teams - seasons 2003-2010 (Kauppalehti 2012)

This same trend seems to be quite common throughout the Finnish professional sports field regardless of the sport. For example the Finnish Veikkausliiga representing the highest level of football in Finland has been experiencing constant decline in match attendances since 2007 (Porttila 2011).

Mäkinen (2010) suggests that these problems could be partly due to the fragmented nature of the sport and fitness sector of the Finnish society (Mäkinen 2010, 144–145). For example, unlike Norway where all the sport associations, clubs, etc. are gathered under the roof organization NIF (Norges Idrettsforbund og Olympiske og Paralympiske Komité)<sup>13</sup> (Mäkinen 2010, 9) Finland's equivalent of a sport sector is divided into multiple parts with no clear roof-organization. This is illustrated in Figure 3 below.

<sup>13</sup> Norway's Sport Association and Olympic and Paralympic Committee

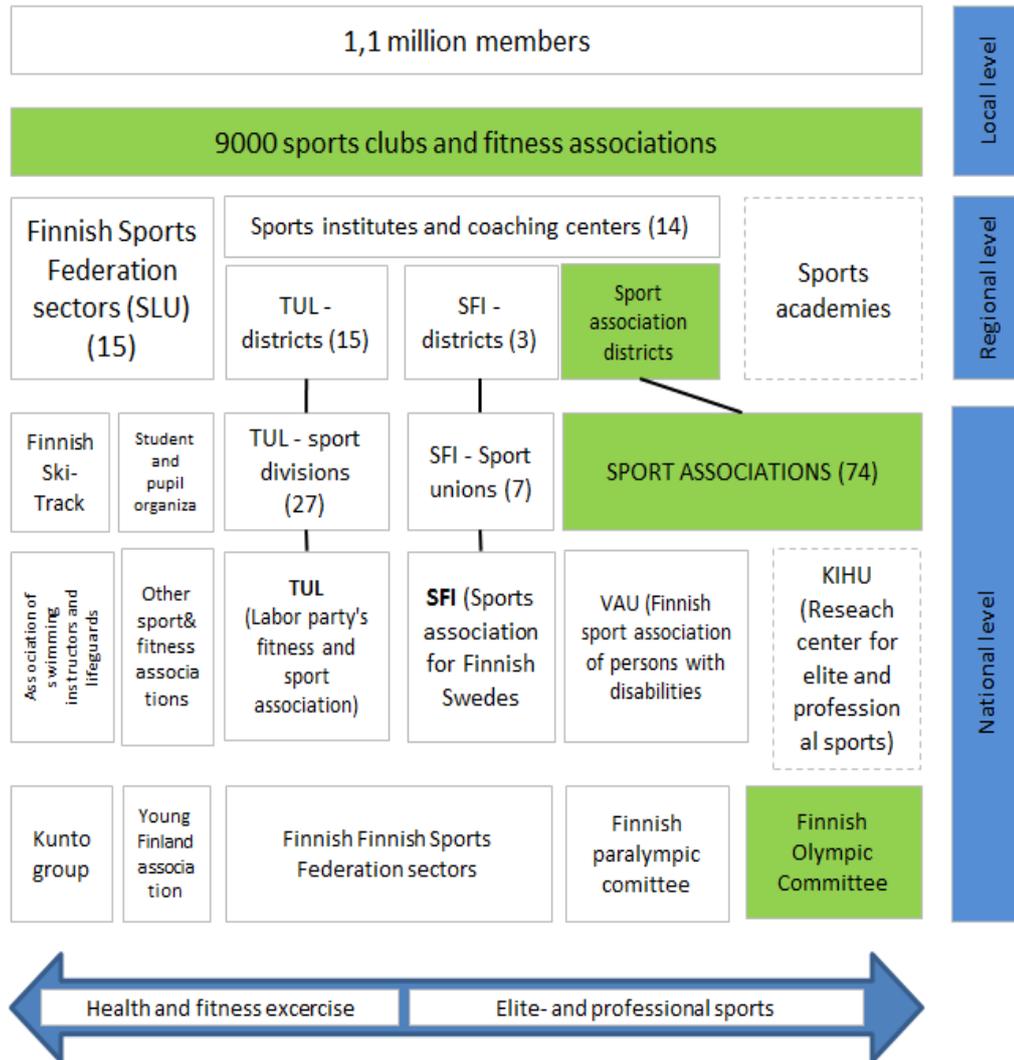


Figure 6 Organization of sports and fitness in Finland (Adopted from Mäkinen 2010, 16)

Due to this fragmentation it is extremely difficult to accurately pinpoint the exact focus areas of this study. However, the main discussion will revolve around and is related to the the boxes highlighted with a green color. The Finnish Olympic Committee receives the least focus along with Sport Association Districts, however, due to their relevance for the sector as a whole they must be included in the study at least partially. Bulk of the discussion revolves around the sport clubs and sport associations and Veikkaus Oy.

### 3.2 Coopetition – the basis for survival

Regardless of the financial differences professional sports still shares some unchanging core characteristics throughout different sports and fields. In cases of sports leagues

such as the Premiership League, National Football League (NFL), National Hockey League (NHL) or any other sporting league it is in partly the league itself, not the individual team, which is seen as the product. But more accurately, at the core of this league as a product is the *uncertainty of the outcomes* of different matches played between different teams in the same league. (Mason 1999; Soebbing & Mason 2009; Gómez et al. 2010; Alavy, Gaskell, Leach & Szymanski 2010.) It would be obvious that without such uncertainty factor much of the excitement and appeal of sporting events would be lost, as the end results would be known beforehand. Naturally, a single team tries to achieve as many wins as possible; however, for the league as a whole the dominance of one is a value-decreasing factor. A real life example of this the comparison league brand values and the surprisingly low value of the Spanish BBVA Liga:

*“...With others [teams] in the BBVA Liga unable to compete financially there is little hope for them to compete on the pitch. This has damaged the BBVA Liga product as a whole making it less marketable to foreign audiences. On the one hand Spain has two great teams [Real Madrid and FC Barcelona] full of massive stars, on the other it is a hugely distorted duopoly where only two clubs have any chance of winning the title.”*  
(Brand Finance 2012, 9)

This necessity for uncertainty of the outcome is, however, in some contradiction with a traditional business viewpoint of firms being profit maximizers. Generally firms tend to aim for steady growth or profits and surprising and unexpected results are avoided, as they tend to compromise the long run stability of the firm. At certain level sports clubs certainly are profit maximizers but as Gómez et al. argue, in essence, these firms are profit creators (2010, 9). If sports clubs in a league would adapt a strategy of rival elimination (i.e. profit maximizing) it would soon find itself in a league without rivals and with no uncertainty whatsoever in the results, thus, it would be part of a product with no mentionable value. Therefore, *it is in its best interest of the clubs in the long run to endorse a league with some degree of uncertainty in the results, as the sports league as a product is built upon the individual clubs and their performance.* This point is widely recognized in individual studies and by sports leagues themselves (Mason 1999; Koning 2009; Soebbing & Mason 2009; Gómez et al. 2010; Interview with sport association employee, 2012). In essence, sport clubs operate in an environment where they are mutually dependent on one another. This *co-opetitive* nature of industries was first introduced by Brandenburger and Nalebuff (1996). Here competitors are better off *with* competition than *without* it.

### 3.3 Defining “success”

Based on the cooperative-thinking how can a sport club achieve success if the goal is not rival elimination, and thus, profit-maximization? The definition of “success” in sport or in any area of business might not be as straightforward as intuition would let one believe. By defining success and studying how it is perceived on the field by the clubs it is possible to indirectly study what institutional factors play a role in the sport clubs environment and decision making. Thus, disregarding other businesses and concentrating on sport clubs leads the discussion to very interesting topics. Bridgewater (2010a, 58–117, 169–170) discusses the topic at length, however, her approach is from a managerial perspective. I.e. her focus concentrates on when is a manager successful, not so much on when is a sport club successful. She does conclude, however briefly, that:

*“[i]t becomes apparent that success, even in football, is complex. Much of success is determined by **context**. Success may not be judged on actual results but on **perceived** success”* (Bridgewater 2010a, 170, emphasis added)

A similar view point is present in Gómez et al. (2010, 28) research where ‘success’ was divided into three potential dimensions, namely: *sport performance, financial performance, performance for stakeholders*. By sport performance the authors are referring to the team’s ability to win matches and titles, thus generating other than financial value for their fans, owners, etc. (although sporting and financial success often go hand in hand). Financial performance is seen as a dimension for the shareholders where the club strives for positive profit margins instead of e.g. the previously mentioned titles. Lastly, the performance for stakeholders refers to an aspect of “social success” where the club attempts to, for example, build a loyal fan base, generate value for its surrounding areas, players, employees etc. By this division it is possible for a club to aim for any or all three of these dimensions, though, as pointed out by the authors, attempting to achieve more than two at the same time maybe extremely difficult. (Gómez et al. 2010, 28–32.)

Callejo and Forcadell (2006, 55) shared this view to some extent when they analyzed the strategy and business model of Real Madrid. They concluded that the strategy revolved around sporting, marketing and social aspects of the club, which in turn, generated sporting and economic success. In their model they see that the success between sporting and financial success is a virtuous circle where succeeding in one is likely to lead to success in the other.

Credence to this view lends Franck's (2010) argument that the competitiveness of a professional European football club is determined by its spending power, i.e., ability to purchase and develop players. Also De Bosscher, Bingham, Shibli, Bottenburg and Knopp (2007; 2009) view that competing in sport competitions are in a "continuous arms race". In their study they compared multiple countries and their success measured in achieved medals. The main variable in determining the success was concluded to be the financial aspect, although, it is the combination of other aspects as well. Regardless that the study by De Bosscher et al. compared countries between one another, a study in Bridgewater (2010a, 116) noted a similar positive correlation between the increase in player budget and sporting success between sport clubs. It should, therefore, be reasonable to argue that *spending power*, indeed, is one of the major determinants of a sport clubs *sporting success* levels. Due to this and the increased professionalism and business mentality within sports it is no wonder that many globally known sport clubs have begun to strategically shift their business models to resemble more and more that of a competitive company. Essentially the clubs aim to diversify their product to achieve stability and independence of pure match day gate takings which has long been the norm (see Grundy 1998; Lechner & Schmidt 2002; Demil & Lecocq 2010; etc.).

Naturally the other two dimensions are significant as well as although achieving one does not imply that the other two, or either, are automatically achieved. Nor does it tell anything about the importance of one dimension when compared to another between sports or clubs. I.e. for one club the importance of stakeholder success could be far more important than the financial success.

To conclude, the discussion about what is "success" and how is it achieved depends largely on which dimension of success the club's strategy is emphasizing. One might emphasize the requirement for positive profit margins while another strives for titles at the expense of financial performance. "Success" is, therefore, highly subjective and content & situation dependent. What *is* determined though is that financial performance does have an effect on the sporting performance of a club and as such has been highlighted to be one of the key issues for a professional sport club. In the following sub-chapter this idea will be refined further by analyzing the institutional environment of the sport club through, for instance, stakeholder analysis and other relevant factors.

### **3.4 Sport club's institutional environment**

The subjectivity of "success" could be argued to be linked with the clubs key stakeholder groups. In essence, which dimension of success is adopted is tightly linked with which stakeholder group one is answering to. For example, if asked from the shareholders of a sports club then the answer would most likely be a positive profit

margin as generally the aim of a firm is to be a profit maximize and generate value to its shareholders. If, however, the same question is asked from fans the answer might be something along the lines of “winning titles” or “participating in fan activity”. If asked from the local authorities the valued measure of success might be to attract tourism, increase the image of the city, etc. Clearly, then, different stakeholder groups define success in different ways. As a consequence, it would be reasonable to assume that different types of sport clubs value different stakeholder groups in a different manner. Hence, different clubs perception of success might also differ.

In order to understand which of the success dimensions are important to a club it is necessary to understand which stakeholder groups affect the sport clubs’ decision making and operations. Gómez et al. (2010, 35) introduced their model with eight key stakeholder groups illustrated in Figure 7. Gómez et al. refer to the word “sport entity” which in this paper should be considered as a synonym to a “sport club”.



Figure 7 The sports entity stakeholder groups (Adapted from Senaux 2008, 4 and Gómez et al. 2010, 35)

Senaux (2008) had come to a similar conclusion slightly earlier, though, a significant difference in his model was that the *League and federations*<sup>14</sup> had been marked as their own stakeholder group. This is a vital addition and certainly a significant stakeholder group for professional sport clubs. From the model in Figure 7 it is evidently clear that a sport entity (i.e. club) is forced to *balance* itself between different stakeholder groups and different dimensions of *perceived* success.

Similarly, Lamont et al. (2011) study found linkages between sport sponsorship and CGPs as sponsors while approaching the issue, again, from a stakeholder perspective. Their main findings are illustrated in the figure below:

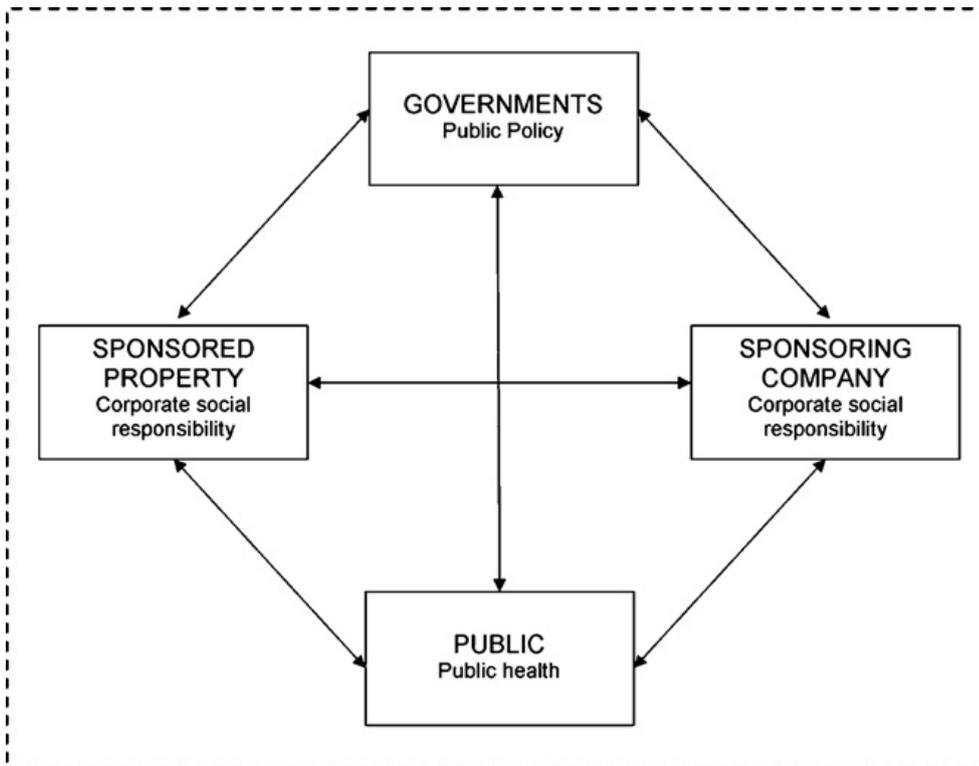


Figure 8 Relationship between key stakeholders in the gambling-sport sponsorship nexus (Lamont et al. 2011, 252)

In essence, the model shows when the government implements its regulatory power upon the other three stakeholder groups it must do so while facing tensions between its role as a advocates of public health, their reliance on tax revenues generated by the gambling industry, the political pressure from sponsored companies, their sponsors and the general public (Harris 2005). As such the government and its regulatory & enforcing

<sup>14</sup> in this paper the word “association” is used as a synonym to what Senaux refers as “federations”

power can be seen as one source of institutional pressures exerted on the sport club. Naturally the sport club is also affected by the regulative and enforcement power of its sport association and other organizations higher up in the hierarchy (e.g. FIFA in football). So in essence, it is not only the formal institutional framework set by the government which affects the sport club but also the institutional framework set by the club's stakeholder groups.

In addition to the exogenous pressures, the normative and cognitive institutions play a role. For example, is gambling a socially accepted phenomenon would affect whether or not it would be reasonable to sign a sponsorship deal with a CGP as it affects the legitimacy of the sport club. Or what is the role of sports in a society in general. The answer to this might affect how a sport club can conduct its business. All of these institutional pressures and, more importantly, the enforcement and sanctioning of these institutional rules affect and guide the strategic response options available for a sport club. This same logic applies to the formal rules implemented by different sport associations and leagues with which clubs must conform.

Based on the literature the findings discussing the exogenous and endogenous sources of institutional pressures, sport club stakeholders, and perceptions of success it is suggested that the figure 6 presented earlier is modified slightly for figure 9.

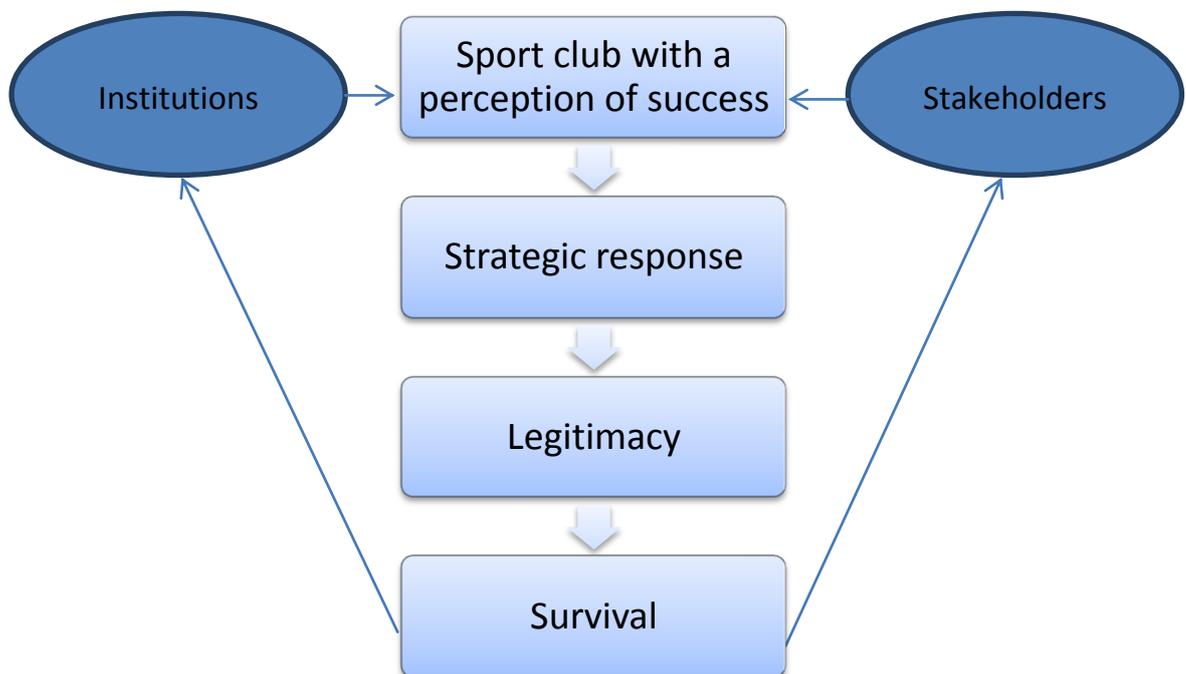


Figure 9 Institutional Environment of a sport club

For clarity the *Actor* is replaced by sport clubs as, in our case, they are the ones under study. The basic premise that sport clubs, like actors, are reaching for legitimacy in the

eyes of its institutional environment is unchanged. As consequence, the idea of legitimacy leading to survival is also unchanged. What has been changed, however, is the eventual possibility of a sport club to alter the stakeholder's view of success<sup>15</sup>, hence, they are added into the model (marked in blue). Although these stakeholders are not a part of the sport club itself they are a part of the organizational field and/or population the sport club operates in. Thus they can be understood as an endogenous source of pressure. These stakeholder also operate as a part of the same wider institutional environment as the sport club does. Due to this these endogenous pressures are not secluded from a change occurring in the wider macro institutional environment. Thus, changes in, e.g. the world level, might have some impact here as well.

As for which dimension of success is adopted should originate either from the business strategy the sport club has chosen, or the stakeholder group. In such a situation one or some stakeholder groups are can strongly affect the operations of the club thus affecting these types of decisions (shareholders might strongly voice their opinion for positive profit margins, players might want sporting success in form of titles, fans might wish for star players play for the team, etc.). As a consequence, both, institutional pressures and stakeholder views, affect what is eventually perceived as legitimate behavior by the club. Thus, the feedback loop of a sport club operates not only with the institutional environment but also to and from the stakeholders of the club.

Based on the theoretical discussion it can be assumed that the sport clubs should be facing pressures in form of institutions which affect their behavior. However, in addition they are most likely balancing themselves between pleasing different stakeholder groups. Which groups these are in the Finnish environment are yet unknown.

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<sup>15</sup> This was illustrated in real life in Real Madrid when Florentino Pérez was elected as the club president. One of his main goals was to turn the club debt free from a debt burden of roughly 270 million euros (Gòmez et al. 2010). Clearly the main objective became to stress the financial results.

## 4 RESEARCH METHODOLOGY

In this chapter I will explain the methodological decisions made prior and during this research project. The aim is to convincingly argue that while some other methodology and/or methods could have been selected, the ones utilized in this paper are well supported and argued for.

The methodological chapter will discuss issues such as the chosen research strategy, why was the qualitative approach chosen, how the data collection process advanced through potential interviewee selections, actual interviews and secondary data mining. Data analysis is also discussed along with the trustworthiness of the paper. In that specific chapter issues such as personal bias, preconception, etc. and their effects to the paper will be evaluated. Lastly, the limitations of the study from a methodological perspective will be analyzed.

### 4.1 Qualitative approach and heuristic inquiry

*"[t]he choice between different research methods should depend upon what you are trying to find out"* (Silverman 2000, 1)

As Silverman in addition to Morgan & Smircich (1980) acknowledge, the research design is highly dependent upon the research question, aim or problem. In addition, the nature of the phenomenon in question has an effect on the proper methodological approach. More precisely:

*"It is thus the research question that 'dictates' the choice of methods and the type of research setting, and not the other way around"* (Eriksson & Kovalainen 2008, 27)

Choosing qualitative research approach for this paper was affected by multiple issues. Firstly, as Zalan and Lewis mention (2004, 512), a qualitative approach to a study is most appropriate when a holistic, dynamic and contextual explanation of the phenomenon in question is required. As such, a qualitative research approach was found suitable.

Secondly, the topicality of the phenomenon in question (i.e. gambling monopolies and its effect to professional sports) guided the decision towards qualitative research. As there was very little research done on the specific issue it became evident that this study would attempt to examine this issue from a very broad perspective paving the way for further more specific research problems. I.e. the aim of this paper is weighed towards

interpreting and understanding the issues at hand, instead of providing direct explanations, managerial suggestions, quantitative analysis or testing of hypothesis (Silverman 2000, 29). Both, gambling and sports business as well as sport sponsorship have been studied extensively. What is meant by ‘very little research’ is the combination of national gambling monopolies effects on professional sports and their connection, or the theoretical approaches taken in the previous chapter.

Thirdly, the study of the phenomenon can be described as heuristic inquiry. In short, it could be described as:

*“...a search for the discovery of meaning and essence in significant human experience. It requires a subjective process of reflecting, exploring, sifting, and elucidating the nature of the phenomenon under investigation. Its ultimate purpose is to cast light on a focused problem, question, or theme.”* (Douglass & Moustakas 1985, 40)

The idea is further elaborated by Patton (2002, 107) as “personal experience with an intense interest in the phenomenon under study” and by Rossman and Rallis (2003, 25) as implying “personal insight and tacit knowing”.

Indeed, my personal interest in the topic is very strong. I have no personal history from gambling other than the occasional euro spent on a slot machine or a black jack table. I am by no means a gambler, therefore. However, I have, throughout my life, been an active participant in sports as an athlete, coach and organizer of events in disciplines such as football, dancing and sport aerobics, of which the latter at a national level for nearly 10 years. It is reasonable to say that I also have personal biases, thus a subjective understanding, of the phenomenon under study. These aspects are more closely discussed in a later chapter concerning with the trustworthiness of the study.

However, it was not only my personal subjectivity affecting the research process but that of the interviewees. Each of them has their own personal understanding and opinion of the phenomena. Thus, qualitative research is essentially subjective in nature in that it relies on the texts and discourses of participants (Jamal & Hollinshead 2001). It is my task as a researcher to interpret these opinions in as an unbiased matter as possible, thus, creating a critical analysis of the whole phenomena.

Lastly, the theoretical framework of institutional theory approaches institutions as manifestations of the interaction between individuals, organizations and society. These institutions can be very context (e.g. culture) specific. I.e. different nationalities/cultures might consider, for example, gambling as a negative phenomenon while another one

sees it as a mere leisure activity. Thus, the nature of the theory itself supports choosing a qualitative approach for this specific case.<sup>16</sup>

According to Eriksson & Kovalainen (2008, 42) argue that in qualitative research it is often less clear about how to use the theory during the early stages of the study. Theory arises in conjunction with the research process as the data collection, analysis and writing of the results progresses. This is due to the “interactive and iterative relationships between theory, method and data, the theory chapters of a qualitative business study”. This was certainly the case during this research project as the theoretical framework was one of the last pieces modified and written down in the paper. This was due to constantly reflecting on the actual research process, interviews, theory and potential findings (Eriksson & Kovalainen 2008, 12). This is in line with Eskola and Suoranta’s (1998,16) suggestion that whilst conducting a qualitative research the research design is constantly evolving. This paper and its research process is in line with the academic writings as it is very difficult to distinguish borders where the process went from e.g. literature review to data analysis as each of the two was in continuous development. Therefore, it is extremely difficult to differentiate between the two basic models of inquiry utilized in this paper; deduction and induction. Perhaps, therefore, a just assessment would be that due to the nature and complexity of the phenomenon and research setting, the inquiry method was based more abduction logic than either deduction or induction.

## **4.2 Data collection and research process**

Due to the somewhat controversial nature of the topic in study, i.e. gambling monopolies, utmost care had to be utilized when selecting the sources of data. In the following chapter I will first give a brief synopsis of the actual research process and the persons interviewed in order to familiarize the reader with their background and role in the study. Following that will be a discussion about the aspects and challenges of the chosen data collection methods and their relevance to this specific study. This will be done by addressing questions such as: how the data collecting process advanced, how contacts were made and why the specific experts were selected for an interview, etc. I’ve illustrated how each data collecting method relates to which research objective in

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<sup>16</sup> In different settings institutional theory has been utilized in highly quantitative manners (see for example Chousa, Khan, Melikyan & Tamazian 2005; Efendic & Pugh 2007; De Clercq, Danis & Dakhli 2010; Li & Ferreira 2011; etc.), thus, this is not to say the theory itself is insufficient for such a method.

figure 10 below:

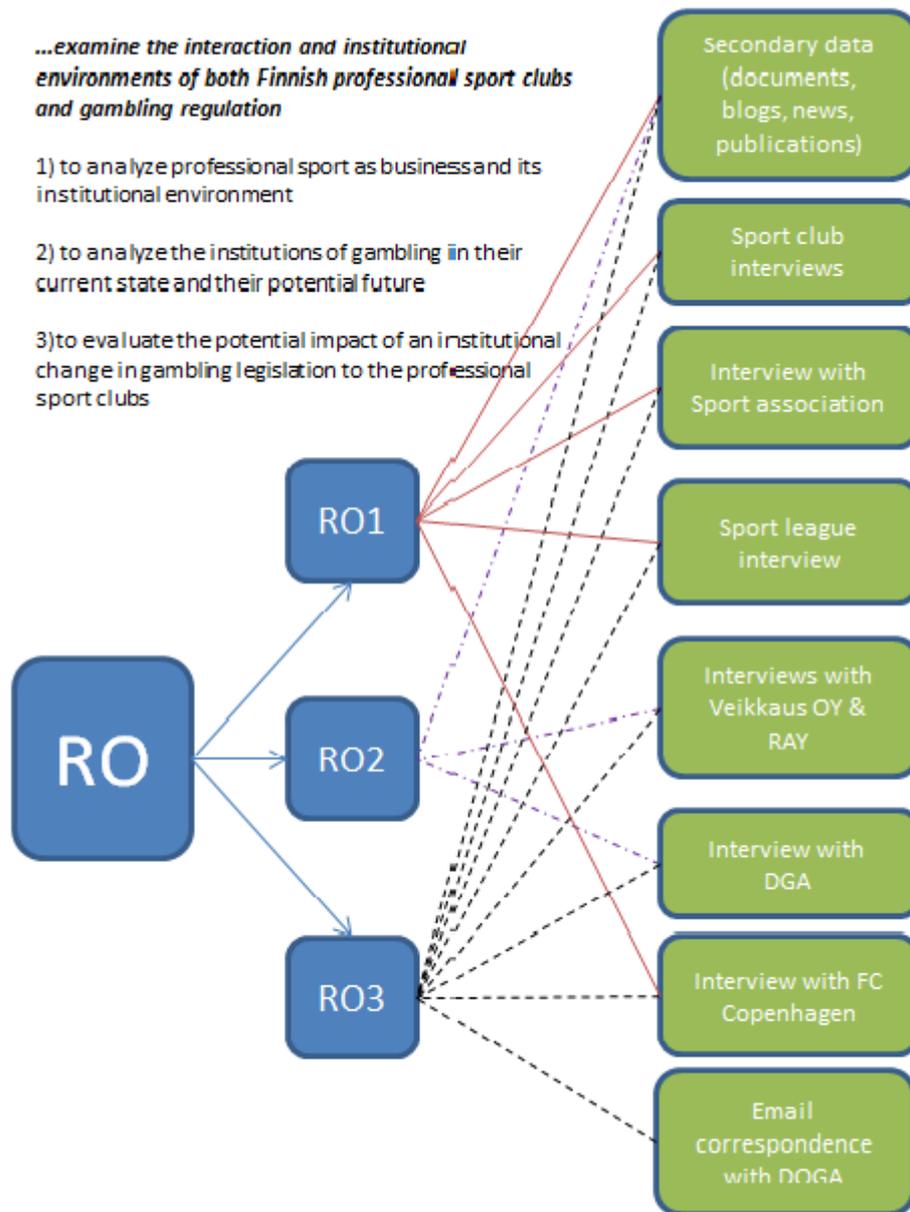


Figure 10 Data collection: methods & sources and research objectives

The above figure shows the main sources of data for each of the sub-objectives. Research objective one was explored through mainly the interviews with sport clubs as well as the sport association. However, the importance of secondary data and prevalent theoretical understanding was vital as well. The second research objective was explored firstly through publications and secondary data after which interviews were conducted with employees of the RAY and Veikkaus Oy. However, the interview with the Danish Gambling Authority (DGA) proved to be very enlightening as well. The third and last research objective dealt with the connections gambling and gambling legislation has

with professional sport clubs. Here all possible sources were used in order to better triangulate the data from multiple potential aspects.

From a research process perspective the data collection and validation was divided into four phases as demonstrated below:



Figure 11 Research process

The first phase formed from desktop research and was carried out through an extensive analysis of available secondary data (see chapter 4.2.3). Based on the secondary data primary interviews were conducted in early 2012. Following this was the validating group meeting with the different CGP representatives. The fourth and final phase took place late 2012 early 2013 when the final interviews were conducted. Their goal was to further increase the validity of the findings from previous interviews. It must be said that the utilization and interest towards secondary data didn't stop at any point as the phenomenon is developing continuously.

#### **4.2.1** *Expert interviews as primary data source*

As the nature of the phenomenon both in Finland and in a Danish environment was somewhat strange to me as a researcher it was deemed necessary to gather primary data from experts on the field. According to Daniels and Cannice (2004, 185–186) an interview study is a study where findings are based on the discussions between the interviewer and interviewee. Furthermore, interviews would provide the researcher with

flexibility to ask further probing questions about unclear matters, thus deepening understanding of the issue. Silverman (2000, 88-91) notes that interviews may be used to present open-ended questions to a relatively small sample. Daniels and Cannice (2004, 186) agree that an interview method is viable when the number of potential interviewees is limited. This is certainly the case with both the Finnish gambling business environment as well as professional sports.

Furthermore, due to the topicality of the issue it was nigh impossible to locate reliable secondary data. Some background information was available through, for example, news headlines, court decisions, blogs, and government websites etc. None alone could, however, satisfy the need for data saturation. Therefore, it was necessary to go to the actual experts.

Prior to the interviews it was necessary to contemplate on some of the issues raised in methodological literature about interviews, interviewing and experts (or elites) as data sources. Elites or elite informants could be defined as:

*“...an informant (usually male) who occupies a senior or middle management positions, has functional responsibility in an area which enjoys high status in accordance with corporate values has considerable industry experience and frequently also long tenure with the company; possesses a broad network of personal relationships; and has considerable international exposure.”* (Welch, Marschan-Piekkari, Penttinen & Tahvanainen 2002, 613)

With such informants some issues may rise between the informant (elite interviewee) and the interviewer (researcher) such as: *seniority gap*, *cultural gap*, and *professional gap*. The seniority gap refers to an asymmetry where the interviewee is older, sometimes even tens of years, than the interviewer, due to which they (interviewees) might experience the situation as pointless or otherwise tedious. Cultural gap refers to problems which might rise from misunderstandings stemming from cultural differences. Lastly, the professional gap refers to the asymmetry which might exist in the know-how and *insider vs. outsider approach* between the elite and the researcher. Here, the elite might perceive the researcher as an outsider with little or no knowledge of the issue at hand, thus reducing their willingness to participate. (Welch et al. 2002 621–624.) The effects of these potential problems to the interviews will be analyzed more closely in the validity and reliability discussion.

The interviews themselves were conducted as semi-structured interviews. By utilizing semi-structured interview forms I was able to guide the interview and, if necessary, get back on track in case the discussion flowed to irrelevant issues. Also, as

some specific questions were regarded as important it was necessary to ensure that these questions were asked (such as “what is success”, “when is success achieved?”).

Interviewees were sent an interview form (see appendices 1 and 2) with questions and topics of discussion some two to three weeks before the actual interview. Prior to this the forms were read through by two different supervisors. Ph.D. Birgitta Sandberg read and gave feedback on the question forms sent to Denmark and the supervisor of my master’s thesis Ph.D. Niina Nummela read and gave feedback on the previously mentioned forms as well as the forms utilized in club representative interviews. Changes were made to the wording of questions to make them as neutral as possible while remaining accurate and on topic. Such procedure is also suggested by Ghauri & Grønhaug (2002, 105).

Although the questions are written down in a detailed manner the actual interview process was very fluid where the discussion progressed naturally from theme to theme. On occasions the form was referred to make sure no important topics of discussion were forgotten.

#### **4.2.2 Interviewees and the selection process**

The interviewee selection process can be justified both through a *purposive sampling* process and through a *theoretical sampling process* (Silverman 2000, 103–106). Both sampling processes will be discussed in this chapter. As Silverman (2000, 104) argues about purposive sampling allows us:

*“...to choose a case because it illustrates some feature of process in which we are interested. However, this does not provide a simple approval to any case we happen to choose. Rather purposive sampling demands that we think critically about the parameters of the population we are interested in and choose our sample case carefully on this basis”*  
(Silverman 2000, 104)

Some of the groups interviewed were rather self-evident from the beginning. It was known that sport clubs, monopoly representatives and sport association(s) should be interviewed. It was also decided that the sport clubs should represent a variety of sports in order to gain a better wider picture. Another approach could’ve been to limit the study to just one sport, however, as this study aims to examine the wider picture it was deemed better to include a variety of sports. The individual persons to be interviewed were not known at the time. In some occasions connections of Ph.D. Kuuluvainen were used while contacting potential sport clubs for interviews. For example, he had first-

hand knowledge about a controversial case between a sport club, the sport association and a potential CGP as a sponsor. It was deemed important to include such an example case to the study.

In the end a total of fifteen interviews were conducted. Of the fifteen seven were sport club representatives. Of these interviewees five were employed currently in a sport club, occupying a position in top management (A,B, C, F and G). Two of the interviewees (club representatives D & E) had multiple years of experiences from a similar position in a professional sports club as the others but had recently moved to vacancies in other business sectors. Further reasoning to choose these managers came from their clubs' diversity in both geographical distributions in Finland as well as participating in a variety of sports. The last two sport club interviews were conducted as validating interviews, one in Finland and one in Denmark.

As a planned, the included clubs represented sports from football, ice hockey, volley ball, floor ball and basketball. In addition to the sport clubs one interview was carried out with a high ranking manager from a sport association bringing in the association level aspect of the issue. This interviewee had multiple years of experience from both managerial positions in sport clubs themselves and now and extensive experience and a position of high responsibility within the sport association as well, as such, he an excellent understanding of the sports business field.

The phone interview was conducted with a high ranking manager with insights to both league and sport association aspects of the issue. He, as well, had working experience from the association level and had since moved to work for the sport league and had been in that position for some years. These and the rest interviewees and interviews can be found in the below Table 3:

Table 3 Interviewee details

<b>Sport clubs</b>				
<b>Gender</b>	<b>Alias</b>	<b>Position</b>	<b>Date</b>	<b>Duration</b>
Male	Sport Club representative A	Manager	5th Jan 2012	1 hour 37 minutes
Male	Sport Club representative B	Manager	13th Jan 2012	1 hour 24 minutes
Male	Sport Club representative C	Manager	16th Jan 2012	1 hour
Male <sup>17</sup>	Sport Club representative D	Manager	26th Jan 2012	1 hour 10 minutes
Male	Sport Club representative E	Manager	30th Jan 2012	1 hour 57 minutes
Male	Sport Club representative F	CEO	22nd Oct 2012	1 hour 10 minutes
<i>Danish club representative</i>	Danish club representative	FC Copenhagen, Manager	28th Sep 2012	53 minutes
<b>Sport association &amp; League</b>				
Male	Sport Association employee	Sport association, high ranking manager	13th Sep 2012	1 hour 30 minutes
Male <sup>18</sup>	Sport league representative A	Manager	14th Jan 2013	45 minutes
<b>CGPs &amp; Monopoly representatives</b>				
Male	RAY employee	High ranking employee	24th Jan 2012	1 hour 17 minutes
Male	CGP employee	Manager of Country operations	13th Feb 2012	55 minutes
Male	Veikkaus Oy employee M	High ranking manager	28th Feb 2012	1 hour 43 minutes
Female	Veikkaus Oy employee F	High ranking manager	28th Feb 2012	1 hour 43 minutes

<sup>17</sup> The recording of this interview was forwarded to me as I was not present in person

<sup>18</sup> This interview was conducted as a phone interview due to convenience reasons

Female	DGA representative F	Head of division	27th Sep 2012	1 hour 17 minutes
Male	DGA representative M	Employee	27th Sep 2012	1 hour 17 minutes
				19 hours 38 minutes

From the CGPs and monopoly companies, one person was interviewed from RAY. Although RAY was left outside this study it is worthwhile to mention and include this interview as it provided highly valuable information regarding the general trend of gambling and other background information. From Veikkaus Oy two persons were interviewed in a group interview session. All of the three interviewees were in high ranking positions in their respective companies and each had multiple years of experience from the gambling markets in Finland and from their employers as companies.

One person was interviewed from an international gambling operator or CGP, thus, bringing in the viewpoint held by these operators. It could be argued that more interviews with different CGPs could've been conducted; however, this was not done due to two reasons. Firstly, the interviewed person worked for a rather large company which would most likely be one of the most prevalent companies in Finland in case the legislation was liberated. He should, therefore, be very capable of discussing and answering the relevant issues. Secondly, the interviewees' views on the matter were validated and very well supported by other CGP representatives from other companies in two group meetings in which I was able to participate. It became evident in these meetings that the viewpoints held by all the CGPs were very homogeneous.

This reasoning was further supported by the findings of the interview conducted in Denmark with DGA representative F and DGA representative M from the Danish Gambling Authority (DGA henceforth), and Danish club representative. DGA representative F is the head of the legal division in DGA and has occupied that position for 10 years, prior to this she has had nearly 20 years of experience with the Danish tax administration occupying different positions. DGA representative M has worked with the tax administration and the DGA for two and half years, before that he was working with the bankruptcy department with the Danish tax ministry. DGA representative F was selected as she was referred to me by the representatives of CGPs. Furthermore, she seemed to be one of the best informed experts in the field while also being willing to participate in the interview. Representative M's participation in the interview was not made aware to me until I was at the locale of the interview in Copenhagen. This did cause some confusion at start, however, as soon as the introductions were made it became clear that all three persons participating in the interview were deeply

enthusiastic and interested about the phenomenon and, thus, the second interviewee did not cause any more challenges.

Continuing from the interviewees DGA representative F and M, neither had prior experience with gambling markets but have used their expertise from other areas while operating in the field. DGA itself is a department directly under the Danish Ministry of Taxation<sup>19</sup>.

Danish club representative, on the other hand, occupies a high ranking managerial position in FC Copenhagen. He has been working with the club since his early twenties so his total work history with Danish football industry extends well beyond 10 years. He is also very much involved with the daily operations as well as the strategic decision making of FC Copenhagen. According to him, he would perhaps be the person who knows the most of the clubs in general and its operations alongside with the sporting director of the club. As such he was selected as an excellent informant on the matter along with FC Copenhagen as it was believed that an interview with a large successful football club would provide excellent insight into how a legislation change has affected their operations. Also, it was known before hands that the Danish Superligae (the highest level football league in Denmark) had signed a sponsorship deal with Betsafe after the new gambling legislation had come to force (Betsafe becomes Danish Super league sponsor 2011). Thus, it was natural to contact a club from the same sport. It is also worth mentioning that clubs outside of Copenhagen would've been unreasonable and impossible to conduct a face to face interview with due to my short stay in Copenhagen. Thus, convenience sampling was also present in the interviewee selection process.

FC Copenhagen itself is the largest and most successful football club in Denmark with several titles and operational budget of several millions of Danish kronor. FC Copenhagen is owned by Parken Sport & Entertainment (Parken Sport & Entertainment 2012 [www.parken.de](http://www.parken.de)), a limited company listed in the Copenhagen stock exchange.

What is noteworthy is that the first contact made with FC Copenhagen was through their media representative. He referred and forwarded my email to Danish club representative ensuring that the correct person inside the organization would be answering my questions. This process of forwarding interview requests was also present while approaching Veikkaus Oy. Here the first person contacted forwarded the email to the correct person, again, ensuring that the most qualified person(s) would be present. While contacting sport clubs the process was somewhat simpler due to smaller organization sizes. In the case of the sport association employee interviewed the process was somewhat similar. The original email sent went to the correct person, however, he

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<sup>19</sup> for more information see <http://www.skat.dk/SKAT.aspx?oId=398&lang=us>

evaluated that another person within the organization would be better suited to discuss the themes and answer the questions in the interview.

In addition to the face to face interviews, short email correspondence was conducted with Morten Ronde, the executive officer of the Danish Online Gambling Association (DOGA). DOGA is an association dealing with the online gambling operators in Denmark. Another email correspondence was done with Paul Broberg from Danmarks Idræts-Forbund (DIF). DIF is the national sport confederation of Denmark much like Suomen Urheiluliitto is in Finland. Mr. Broberg occupies the position of a sport policy director.

In conclusion, the interviewees selected for the study are deemed as credible sources of information. They have first-hand information of the phenomenon with years of experience in their respective fields. As such, there is little reason to doubt the interviewees would affect this study adversely. In total 18 hours and 53 minutes of interview material was collected. Seven interviews with sport clubs (six in Finland one in Denmark), two with national monopolies, one with a sport association, one league, one with a CGP and one with DGA. In two occasions with Club representatives D and F technical issues occurred with the recording. Due to this no audio recording exists and the interview notes were quickly done right after the interview in conjunction with the other interviewer Phd. Kuuluvainen. Of the interviews the interview with sport association employee, and the interviews in Denmark (FC Copenhagen and DGA) as well as the phone interview with a league representative were conducted alone by me.

#### **4.2.3 Secondary data**

To support this study an extensive review of the multiple aspects of gambling legislation in different countries such as Germany, France, United Kingdom, Denmark, Italy and Finland was made. This was made possible by examining journal publications, published news bulletins, following government web pages (for example [www.skatt.de](http://www.skatt.de), etc.). Furthermore, more attention was paid to EU politics concerning gambling and sports in form of white (Urheilun Valkoinen Kirja 2007; Urheilun eurooppalaisen ulottuvuuden kehittäminen 2011) and green papers (On-line gambling in the Internal Market 2011). In addition to the current trend emphasis was put to understanding the historical trends of gambling regulation within Europe. In order to study this it was necessary to familiarize one's self with the relevant historical ECJ decisions such as the Schindler 1992 (C-275/92), Läärä 1999 (C-124/97), Zenatti 1999 (C-67/98), Gambelli 2003 (C-243/01), Placanica 2007 (Joined cases C-338/04, C-359/04 and C-360/04), and finally the Danish taxation case concerning the taxation practices of online and offline gambling (IP/11/1048).

Further secondary data came in form of statistics of, for instance, development of gambling business globally (see figure 1) and in Finland (Veikkaus Oy annual report for 2009 2010; 2011; 2012; Veikkaus Oy Income statement 2011), development of sports business (Deloitte 2010; Kauppalehti 2012), etc.

All of this allowed gathering data from multiple sources and of varied quality. It was essential to be critical about that secondary data and use it only in appropriate places. For example, blog entries were not used when discussing the theory surrounding the issue etc. However, blog entries provide an excellent platform to search for opposing view-points or ‘outside the box thinking’, which may then be examined in more detail through data and theory.

What is also interesting to note, is that two important Finnish publications were made during the period this master’s thesis was under work. First one dealt with the system of how the monopoly’s, mainly Veikkaus Oy, profits are being used currently in the Finnish society (Laillisuustarkastuskertomus Avustukset veikkauksen ja rahaarpajaisten voittovaroista urheilun ja liikuntakasvatukseen, tieteen, taiteen ja nuorisotyön edistämiseen 2012). Secondly, the two year long process leading to a report discussing the strategic changes required to improve the status of Finnish professional sports was published (Huippu-urheilun muutostyöryhmän loppuraportti, 2012).

### **4.3 Data analysis**

*“Your analysis could be focused on putting the pieces from the interviews together and checking across the participants (and perhaps across other sources of information about what is the ‘true’ picture of what happened in this process” (Eriksson & Kovalainen 2008, 79)*

The perspective of data analysis adopted in this paper was extremely close to the positivist approach described by Eriksson and Kovalainen in the above quotation. Instead of concentrating on how something was said and what was meant by that (i.e. a subjectivist approach it was more fruitful to analyze what was actually being said about specific topics. Following Silverman’s (2000, 52) advice I also attempted to add in my own personal ‘twist’ to the analysis in the form of new theoretical framework presented in the chapter 3.4. In order to analyze my data I utilized multiple different methods and sources which will be described in the following sub-chapters.

### **4.3.1 *Research diary and interview transcriptions***

Throughout the writing process I always kept with me one type of a ‘diary’ or another. Firstly, though, I must inform that the word “diary” is somewhat misleading as the word with some burden. What my personal research diaries consisted of were multiple devices such as a laptop, notebooks and an iPhone which were all used to write down, analyze and refine my ideas. By utilizing multiple devices it was possible to keep track of the many ideas which occurred during to research process. These ideas would then be refined and transferred from the specific diary platform to the actual thesis. Each of these had their strengths and weaknesses such the notebook ending up a mishmash of separate ideas, with laptop it was too easy to get sidetrack from the relevant data at hand and an iPhone being somewhat clunky to use effectively.

Regardless, all of these methods allowed me to keep analyzing and refining my ideas throughout the paper and have something physical written down as soon as possible. Albeit none of them were academically correct text they, nevertheless, allowed me to continuously keep moving between empirical findings, analysis, theoretical framework, research questions and the title of the paper.

Naturally, the transcription of the interviews took place on the laptop. Transcribing the interviews is an essential part of data analysis in an interview based data sample. Linked to this is the decision on how the to make the transcription, which essentially is dependent on what platform is going to be used for the analysis and how in-depth the analysis will be. (Eriksson & Kovalainen 2008, 85.) In this paper the platform used for the analysis was simply Microsoft Word while the analysis itself remained on somewhat superficial level. For example, no analysis was made on the meanings of words used etc. This was due to partly resource limitations but also due to the fact that the interviews were conducted in a foreign language to both, the interviewer and interviewee. Despite all parties being fluent in English (the language used in the interviews) it is still possible that an analysis of actual words would result in false positives due to limitations set by the language.

Transcribing the interviews was also suggested by Silverman (2000; 2001) and Eriksson & Kovalainen (2008, 85) in order to be better able to analyze the data through different coding methods. The transcription took place some days after the interviews took place. Prior to that the interviews were listened through and some preliminary data analysis was done before the actual coding. The transcriptions themselves were cleaned and transcribed not word-for-word but so, that the question posed and answer given were formulated into an understandable and coherent form. As such, some reliability issues might be present which will be discussed in the reliability section.

### 4.3.2 Data coding

Albeit the last chapter finishing that the coding of the data began *after* the interviews, the opposite is actually true as well. The interviews were already coded to some extent via deductive logic in the interview forms via content analysis. This coding was done in the form of thematic analysis (see Eriksson & Kovalainen 2008, 219). These themes can be seen in the data coding table 4 below as well as in the Figure 10.

Table 4 Data Coding

Research objective	Sub-objectives	Concepts	Data codes
<i>Examine institutional environments and interaction of Finnish professional sport clubs and the gambling phenomenon</i>	<b>RO1:</b> Analyze the business model and institutional environment of a sport club	<ul style="list-style-type: none"> <li>- Success</li> <li>- Business model</li> <li>- Stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Dimensions of success (Financial, stakeholder, sporting)</li> </ul>
	<b>RO2:</b> Analyze the institutions of gambling	<ul style="list-style-type: none"> <li>- Institutions</li> <li>- Enforcement</li> </ul>	<ul style="list-style-type: none"> <li>- Formal vs. informal inst.</li> <li>- Regulative, normative &amp; cognitive inst.</li> <li>- Strategic response</li> </ul>
	<b>RO3:</b> Evaluate the impact of an institutional change in gambling legislation to the professional sport clubs	<ul style="list-style-type: none"> <li>- Institutional change</li> <li>- Changing business models</li> <li>- Interaction of gambling and sports</li> </ul>	<ul style="list-style-type: none"> <li>- Institutional change</li> <li>- Increased competition</li> </ul>

The themes themselves have evolved over time during the making of this study. Influencing factors here have been the nature of the research process discussed earlier, where the analysis of empirical data, methods and theory are in a continuous interaction. Naturally this affects the rising and deleting of themes in the interviews themselves. As rather extensive research and data collection had already taken place in Finland prior to the interviews in Denmark it could be, therefore, argued that I was rather well informed about issues which I wanted to know more about.

However, as during the interviews some new themes arose from the data. From a methodological perspective it can be, thus, said that some inductive analysis took place as well during the actual content analysis (see Eriksson & Kovalainen 2008, 22–23; Silverman 2000, 60–63). These were for example:

- Lack of knowledge or lack of information flow between sport clubs and associations or leagues
- Clubs experiencing leagues or associations as being “demanding and/or pressuring”
- Disregard to criticism (nearly all interviewed parties in Finland)
- Lack of self-criticism (nearly all interviewed parties in Finland)

These themes and their meanings will be discussed in the results and discussion section more thoroughly.

## **4.4 Validity and reliability**

At the beginning of this study I explained my discussed bias for this study and the effects the other study has had on me. Thus, my interest in the topic and my working history are not without their drawbacks. Having studied economics since the age of 15 I am an avid supporter of the free trade model. Not only this but having read quite extensively about the arguments for and against a national gambling monopolies I had already concluded to some extent that the national gambling monopoly model had its drawbacks. As a researcher, however, I had to be able to put aside those preconceptions and make a conscious effort to approach this issue from as an unbiased view as possible. It was, therefore, of utmost importance to ensure the validity and reliability of this, my master’s thesis and. In this chapter I will go through the methods of how I attempted to ensure the objectivity of my findings. Furthermore, by being aware of these preconceived notions I was able to critically analyze and frame them. In short, I began to understand where my biases were wrong and where they might’ve been correct. Through such reflexivity I was able to refrain myself from unbiased statements and approach the issues at hand analytically and critically. By examining the research questions through, for example, triangulation and deviant cases I was able to build upon my prior knowledge and open new perspectives. These issues will be discussed thoroughly in following chapters

### **4.4.1 Validity**

It must also be acknowledged that multiple approaches to the objectivity and “correctness” of a qualitative study exist. Eriksson & Kovalainen (2008) discuss the terms “reliability and validity” as well as “trustworthiness” developed by Lincoln and

Guba (1985), and “generalizability”. Yin (2003, 34) discusses of construct validity, internal and external validities and reliability, while previously referred Silverman (2000, 175–188) supports the terms “validity and reliability” and further divides validity into *the refutability principle, the constant comparative method, comprehensive data treatment, deviant-case analysis* and *using appropriate tabulations*. Reliability is divided into *reliability in one ethnographic study* and *reliability in a study of tape-recorded interaction*. For this study any of the above could’ve been adopted, however, the decision was made to utilize the last mentioned Silverman’s approach as it provided a good platform of analysis for the rigorousness of this study. Furthermore, while Silverman’s division of validity and reliability is extensive it is, essentially, covering many of the same aspects that Lincoln and Guba, Yin, etc. discuss in their reliability and validity discussions.

Based on Silverman’s suggestion this study’s validity will be analyzed through his criterion. Validity itself refers to “truth”. By discussing the validity, both strong and weak aspects, it is possible to improve it. As such the *refutability principle* refers to the ability of the research to deal with anecdotalism. In other words, the data needs to be examined in a manner that allows room for the *falsification-principle*. Here the made conclusions have to be such that they can be subjects of future research and, if need be, falsified or confirmed. As this study is approaching the issue of gambling and sports clubs from a new direction both from an empirical and theoretical approach then this aspect is crucial. (Silverman 2000, 175–178.) Essentially Silverman is referring to Popper’s (1963) falsification principle whereby scientific theories are measured by their rigorousness of withstanding attempts of disproof, rather than searching for supporting evidence.

The falsification criteria can be addressed with four remaining aspects of validity. The constant comparative method argues that a researcher should always attempt to “find another case through which to test out the provisional hypothesis”. As such, Silverman recommends that data analysis would start from a rather small set of data and the progress to a larger data sample. (Silverman 2000, 179–180.) This was one done by studying the available secondary data. This data was then analyzed in order to get a superficial understanding of the phenomenon in question. This understanding was then deepened through the acquisition of primary data in the form of interviews. The interviews themselves were conducted in two “waves” (see figure 11). First one was carried out during the early 2012 and the latter during the fall of 2012 and early 2013. This approach allowed me as a researcher to gain primary data, analyze it, refine my ideas further, return to literature review for more theory and then return to more interviews. As such, I had already refined and modified my thinking and analysis as well. But more importantly, I had gained a far better understanding of the issue than what I would’ve had if all the interviews been done in one single wave.

The *comprehensive data treatment* refers to the ability of the researcher to go to-and-fro between different data samples and analyze them. The data should be so sufficient that any generalization made should be applicable to “every single gobbet of relevant data you have collected”. This is, perhaps, the most potential source of criticism for this study. The data sample was somewhat small in relation to the potential population (all clubs in top leagues from relevant sports, all leagues, all sport associations, etc.). It should be, however, pointed out that this study was not meant to be a comprehensive study of the Finnish gambling and professional sport markets on its own, but a continuation study to the Kuuluvainen et al report. Furthermore, this study is meant to address the issue for the first time in an explorative, not exhaustive, manner. As such, it is possible that the results could’ve been different with a larger sample size, however, as all the club interviews painted more or less identical picture of the situation this is highly unlikely. Also, the discussed themes kept repeating themselves already from quite early on. This will be discussed in more detail in the data saturation segment in the following chapter.

Another aspect, which should be taken into account when evaluating the comprehensiveness of data treatment, is the aim to include *deviant cases* into the study (Silverman 2000, 180–184). Admittedly, when the parties for interviews were evaluated this was done with the preconceived notions based on the Finnish market. I.e. there is an antithesis between the state regulators (i.e. monopoly) and sport clubs on the matter. As such, it was assumed that the opinions of the two parties would be somewhat opposing to each other. Based on this and the objective of doing an explorative research a decision was made to include as many parties from somewhat ‘opposing’ viewpoints as possible. These viewpoints were widened more through the use of secondary data. For example, the governmental / political perspective was brought in through only secondary data even if these aspects were discussed in some of the interviews.

Essentially in both cases of comprehensive data treatment and deviant case analysis can be seen as *triangulation* efforts of data sources as discussed by Lincoln and Guba (1983)

Further triangulation efforts were made with the interviews conducted in Denmark. The choice was made as the country was brought up in the interview with a CGP representative as well as the interview with Veikkaus Oy employees. It was thought that by studying the background and effects the liberalization of gambling markets had on sport clubs then this might give some insights as to what might happen in Finland if such an event would take place. Furthermore, both parties in Denmark were questioned about potential deviant cases in their national market (i.e. parties who did not held an opposing view to the legislation change than either FC Copenhagen or DGA had) (Appendix 1 questions 4i-4iii, appendix 2 questions 5a-5g). Lastly, the *appropriate use of tabulation* (Silverman 2000, 185) were not present in this study due to the nature and

objective of the study, the small set of data and relatively limited scope of the study, however, it would not seem viable to utilize these tabulations in the analysis of data as it would provide little or no added value to the research itself.

Prior to concluding the validity discussion it is necessary to address the potential risks of interviews as a method of data collection as mentioned in chapter 4.2.1. In other words, address the risks of a *cultural gap*, *seniority gap* etc.

From the conducted interviews the problems relating to the cultural gap would be non-existent as firstly, all the interviewees shared a common Finnish background. Secondly for Denmark, the Danish and Finnish cultures are very close to each other (geography, religion, etc.). On some occasions there was a clear seniority gap present (e.g. with DGA representative F), however, it became clear during the interview that due to the shared interest in the topic a seniority gap would not interfere with the interview process. Naturally, in cases where no or very little seniority gap (measured in some years) this was not a problem (e.g. interviews with DGA representative M, Danish club representative and club representative B). The same interpretation applies to the professional gap. This was most likely achieved through the adaptation of a more insider approach suggested by Welch et al (2002, 624). Here the interviewer attempts to approach the issues from the same perspective as the interviewee(s). Furthermore, it should be noted that extensive background studies to nearly all interviewee employers were made. This was especially true with RAY, Veikkaus Oy, DGA, FC Copenhagen and the sport association interview. Furthermore, in the Danish interviews an extensive study to the Danish gambling legislation was found to be extremely useful and even vital. This ensured that more probing questions could be made while still understanding what was being discussed, though, this applied to all the other interviews as well. It is noteworthy to mention, that these potential hindrances were most likely alleviated by the presence of a senior researcher (Phd. Kuuluvainen). In the interview with the sport association employee the atmosphere seemed slightly cold during the early stages of the interview but as the discussion progressed and I as an interviewer showed my own expertise in the topic, and genuine interest in the interviewee and his position, this atmosphere soon changed into a more cooperative one.

Another potential source of challenge of expert interviews is highlighted by Puusa (2011, 73). Here the notion is that in an interview, the interviewer and interviewee are always affecting one another. This is due to the inherent coactive nature of the interview itself. Furthermore, data gathered through interviews is always situation dependent thus its generalizability should not be overestimated. This is certainly true in the case of this study which is why it was found necessary to conduct multiple interviews from, opposing viewpoints, i.e. the legislation (DGA) and beneficiaries (FC Copenhagen), or the monopoly representatives (RAY and Veikkaus) and the sport clubs. This approach was adopted due to the importance of finding *deviant cases* as suggested by Silverman

(2000, 177). Certainly, more interviews could have been made with, for example, including league representatives etc. This would have aided in the data triangulation as suggested by e.g. Silverman (2000, 49, 177), Eriksson and Kovalainen (2008, 127, 127), Yin (2001, 97–107). However, in light of resources this was not possible.

The third issue of subjectivity was already mentioned in the earlier chapter. Puusa (2011, 77) notes that interviewees are only able to give the interviewers reconstructed understandings of reality and that phenomenon under study – not the actual phenomenon itself. Linked to this is the issue of trust between the interviewer and interviewee. It is important for the researcher to create an atmosphere of trust between the interviewee and interviewer. (Puusa 2011, 78.) This process began already before the actual interview situation through email correspondence. It is also my evaluation that being able to use the already conducted interviews as well as the status of the University of Turku and Centre for Collaborative Research as references aided in the process of building trust. This approach was suggested by Welch et al.:

*“Studies on elite interviewing advise researchers to draw attention to their institutional affiliation, use personal connections where possible, and seek to obtain an influential “sponsor” whose endorsement of the project will ensure the cooperation of the rest of the group.”* (Welch et al 2002, 614)

and:

*“[y]ou get in and get useful data from them if you know people they know and respect”* (Ostrander 1993, 12)

Overall, it can be quite confidently argued that this study is rigorous reliability-wise. Extensive care was taken in the triangulation of interviewees. The made interpretations were partially analyzed by another researcher (researcher triangulation), in this case, PhD Kuuluvainen and no major conflicts of understanding arose. It is possible that here both the researchers are too immersed in the study of the field that they have become somewhat blinded and biased, however, this is unlikely. On occasion, some interpretations were also verified via email to the interviewees and the entire thesis was provided to the interviewees for a pre-reading prior to publishing, thus, enabling them to give feedback on the conclusions drawn. This type of ‘member check’-approach is suggested by Eriksson and Kovalainen (2008, 292).

#### 4.4.2 Reliability

Reliability is, perhaps, another issue for which this study may be criticized. Silverman (2000, 187–188; 2001, 225–231) discusses this aspect in length. He quotes Kirk and Miller (1986) and their three kinds of reliability: *quixotic*, *diachronic* and *synchronic reliability*. The first, quixotic reliability refers to the degree which, in certain circumstances, a single method of observation always yields a similar answer. This may appear reliable but it says nothing about the relevance of such information to the research objective. Nor does it necessarily describe what people *actually* say and do in real life. In this study it could be argued that quixotic reliability is rather high as a great deal of effort was put into the quality of the interview pre-, during and post interview. Secondly, the selected interviewees cover the relevant field extensively thus bringing in a multitude of different perspectives. Lastly, by following the media and other press releases concerning the actions of the interviewees, comparing these to what was said in the interviews it is possible to remain confident that what the interviewees said actually represents what they are doing or intend to do in real life (see for example Hakola 2013).

Diachronic reliability refers to the stability of the observation through time. I.e. the same conclusions from same set of data can be done during different time periods. As this study is by no means a longitudinal study it is difficult to argue much for the Diachronic reliability based on the interviews. It could be inferred that this type of reliability is high, as the interviewees did not report the problems to be new but ones which had been present for a long time. To argue anything beyond this reasoning would be speculation, thus, pointless.

The last, synchronic reliability refers to the similarity of observations during the same time period. This can be done through the triangulation of data and method. (Kirk & Miller 1986 in Silverman 2001, 225–226.) Synchronic reliability was addressed by interviewing the mentioned different parties and attempting to gain their opinions about the same matter from different perspectives. Method-wise, the same process was done through secondary data.

The reliable analysis of the transcription is definitely something which could be improved; however, this again was something for which there were not available resources (money). As the transcriptions were done by me, a non-professional on the issue, some “cutting of the corners” i.e. compromises had to be done. Had the transcriptions been done by a professional(s) they could’ve been analyzed separately for their internal reliability, as suggested by Silverman (2001, 229–230), after which they could’ve been analyzed for the research project.

As was with the validity of this study, reliability can be argued to be high as well. The data collection methods, use of secondary data and careful planning of interview

forms all aided in ensuring a high reliability. At early stages of the study a significant risk existed for low reliability as the data collection began prior to the write up of a cohesive theoretical framework. I.e. the study began from the collection of secondary and primary empirical data while the theoretical section lagged behind. Somewhat luckily, however, this risk was avoided. The described fourth phase in the process of this research aided in alleviating this risk as, at that point, the theoretical framework was in place. Due to this it was possible to do validating interviews ensuring that the used interview forms were reliable.

#### **4.4.3 Personal context, data and theory saturation**

*“...researchers are integrally part of research process, not excluded from it as in logic-deductive analysis. The subjectivities of the researcher and of those who are studied are part of the interpretation and documented in research diaries and protocols” (Eriksson & Kovalainen 2008, 30)*

As a researcher I must acknowledge my own personal biases, preconceived notions and ontological assumptions about the phenomena I am studying. In my study such biases were heavily affected by my prior knowledge and lack thereof of the monopoly system(s) and organizations (Veikkaus OY and RAY) and current state of Finnish professional sports. However, this study did change my perspectives as my understanding of the issue grew deeper. It must be said that remaining unbiased when hearing opinions from two ends of the spectrum is extremely difficult. It was of great aid to be able to approach so many different parties about this issue. Due to this I can confidently claim that the approach, ideas presented and conclusions made are the result of an extensive analysis of data and self-criticism. Perhaps the on major contribution why such a claim can be made is that during this process I have been forced to reject some of my preconceived notions due to the data and knowledge I have discovered.

In light of the scope of this paper the data saturation (see Guest, Bunce & Johnson 2006) point was definitely achieved. Considering that two of the three national monopolies were interviewed for this and the interviewees were selected by the organization it would be unreasonable to question their knowledge as they were able to answer each presented question convincingly. As such it would be unwise to claim that data saturation from that perspective was not achieved. From the Finnish sport clubs' perspective six different clubs were interviewed and in the last interview it was evident that no new perspectives or ideas were rising from the data acquired. What could've been done was an interview with one of the leagues. Approaches were made towards

one league in the form of three emails and one phone call asking for an interview. However, these proved unfruitful most likely due to schedule difficulties and changes within that leagues personnel.

As for theoretical saturation, the saturation point was most definitely achieved. It is possible that publications on institutional theory and sports do exists but were not found, however, the literature review surrounding the theory of the paper has been very extensive and as such, I as a researcher am willing to argue that the saturation point has been achieved on this aspect of the study.

## **5 INSTITUTIONS OF GAMBLING – THE MACRO LEVEL**

As discussed in the introductory chapter the Finnish gambling and betting market has historically been highly regulated and in the control of the three national monopolies. The same applies to many European countries and is especially true with games such as Lotto, Keno and Bingo (see Figure 2). By emphasizing the protection of consumers, prevention of social disadvantages (problem gambling, etc.), funding of charitable projects and prevention of crime member states have been able to protect and justify their national gambling monopolies (Cisnerös Örnberg & Tammi 2011). It has been, therefore, more the rule than exception that strong institutionalized national monopolies control the member states' gambling markets.

However, taking such protectionist means goes against the principles set forth by the European Union when it emphasizes the free movement of services, products and labor. This presents momentous challenge when considering the future and past of national gambling monopolies. Currently, many European countries have or plan to reform and update their gambling legislation, due to pressures partly brought about by the radical development of the Internet, mobile technology and other online gambling possibilities. Furthermore, gambling markets have seen a rise in the number of competitors and competition thus making it challenging to efficiently uphold and monitor gambling and national monopolies. Regardless, some countries have adopted regulation trends opposite to the mainstream by reinforcing their national monopolies (e.g. Finland and Sweden). While others such as Spain, Italy, Denmark and France have abandoned the traditional state ran monopoly model and adopted a more open license market model. (Kuuluvainen et al. 2012, 7.)

As it stands, this chapter aims to explore the different institutions of gambling and the changes occurring in them on macro level. This includes the regulative i.e. formal institutions as well as the informal cognitive and normative institutions of gambling.

### **5.1 Formal institutions of gambling and the European Union**

The borderless nature of the Internet has had its effects on the gambling environment in Europe and the European Union as well as cross-border gambling is now easier than ever. This has caused disputes between member country legislations and the legislation of the European Union. Generally, the laws and regulations of the EU override those of the member state. However, the EU and ECJ have acknowledged the “special nature of gambling markets” earlier (KHO:2005:37 2007). By that the ECJ refers to the variety of opinions and historical backgrounds member states have with regards to gambling and

gambling regulation. This variety of historical and cultural backgrounds is used to justify why the ECJ has effectively outsourced the responsibility of gambling related legislation to the member state as the specific nature of these market makes it impossible to legislate gambling on an EU level (cr. Online-gambling in the internal market 2011, 12)<sup>20</sup>.

The ECJ positioned itself as a moderator ensuring that the CGPs are not subjected to unfair legal treatment but that it is unbiased and fair for all parties. For example, if certain type of marketing is banned from a CGP based on consumer protection clause then the same type of marketing is to be banned from a national gambling monopoly as well (Papaloukas 2010). This aspect was acknowledged by Veikkaus as well in their interview:

INTERVIEW: *“The letter of the law must remain the same for all the participants; those operating in Finland but also for those operating in Finland from abroad. The interpretation of the law must be such that monitoring marketing and product development is possible for all parties. We [Veikkaus employees] will end up in jail just as much as any other operator would if our marketing is not in accordance with the law”*  
(Veikkaus employee M, 2012)

However, ECJ’s role solely as a moderator has been undermined by the fact that the it has had to give rulings (Schindler 1992<sup>21</sup>; Läärä 1999<sup>22</sup>; Zenatti 1999<sup>23</sup>; Gambelli 2003<sup>24</sup>; Placanica<sup>25</sup> 2007, Danish taxation regulations 2010<sup>26</sup>) which have effectively shaped the gambling environment inside EU (see Cisneros 2006; Brown 2007; Littler 2007; Paldam 2008; Papaloukas 2010; Cisneros Örnberg & Tammi 2011; Dense 2011; Sala 2011). The detailed content of each decision is, from the perspective of this paper, not a major concern. What is interesting are the consequences of such an approach. Firstly, from the mixed messages being sent by the ECJ and different approaches taken by member states of EU it is clear that a consensus on the general guidelines regarding gambling legislation within EU are still lacking. Secondly, what is interesting is the

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<sup>20</sup> Papaloukas (2010) gives an excellent overview on what the effects to national courts has been

<sup>21</sup> C-275/ 92

<sup>22</sup> C-124/ 97

<sup>23</sup> C-67/ 98

<sup>24</sup> C-243/01

<sup>25</sup> Joined Cases C-338/ 04, C-359/ 04 and C-360/ 04

<sup>26</sup> Press release IP/ 11/ 1048

implication what these decisions (or lack thereof) by the ECJ have had on the European market. ECJ has become more active in recent times of which there is to show, for example, the decision concerning Greek and the order to dissolve its gambling monopoly (see. EU law precludes OPAP from having an exclusive right to organize and operate games of chance in Greece 2013) is a step in the right direction. But still, the lack of general guidelines enables plenty of room for interpretation and approaches to gambling legislation from the member states. In other words, so far member states have been more or less free to choose formulate their own formal institutions around gambling and determine how the revenues from these arrangements are used. In order to understand the meaning of this in light of Finnish professional sports it is necessary to examine the Finnish gambling system next.

## 5.2 Formal institutions of gambling in Finland

The Finnish gaming system adopts a very traditional national monopoly approach by arguing that a state run monopoly is better equipped in battling the negative side effects of gambling. It is clear that with the current Lotteries Act the state is aiming to direct gamblers towards these specific monopolies as opposed to other CGPs.

In essence, all gambling activities in Finland are directed by the Lotteries Act. The Act is based the principles that the organizing of gaming activities always requires a license from the authorities and that the exploitation of people's compulsion for gaming is forbidden. However, it was viewed more leniently when the gaming activities were used to raise funds for charity or other philanthropic enterprise. (cf. Kortelainen 1988, Pollari 2011). Although the Lotteries Act has been revised over the years, the basic principles and responsibilities of monopoly companies have remained unchanged:

*INTERVIEW: "What we are being watched is how well can we control the negative side-effects [of gambling] and how well can we prevent gambling related criminal activity. How well we can handle all these is reflected strongly on how high our [monopoly system's] acceptance is in the [Finnish] society...for now we have done extremely well, but if the system begins to fail so that our beneficiaries don't experience benefit from us anymore, then that is a very big risk for us and for the societal acceptance. This is, in my opinion, something that can be seen as a cause in the recent changes of, e.g. Denmark's legislation" (Veikkaus employee M, 2012)*

Finland's gaming system is a license system based on exclusivity, within which Veikkaus Oy, Finland's Slot Machine Association (RAY) and Fintoto Oy may operate as legal monopolies (Varvio 2007, 7). A legal monopoly can be described as a dominating market position held by an exclusive right based on law.

The old Lotteries Act was revised, updated and finally put into effect in 1 October 2010. In it amendments were made to age restrictions, marketing of licensed games, distribution of licenses for operators, etc. According to MEC the intentions of the amendments was to better protect minors from the harmful effects of gambling, provide officials with better tools of restricting the marketing of gambling products and better enforce marketing bans:

*“Finland wants to take more effective steps to protect minors from the negative effects of gambling. With the amendments to the Lotteries Act, the minimum age for gaming will be 18... The current minimum age for playing slot machines will be raised from 15 to 18...The marketing of gaming will be restricted. Such marketing may not be targeted at minors, nor may it create an image likely to promote excessive play. A licensed gaming operator is allowed to market gaming and itself if this is done in a responsible manner in order to draw business towards licensed games operated in Finland.” (The amendments to the Lotteries Act will come into force 1.10.2010, 2010)<sup>27</sup>*

Other issues addressed by the amendments were to give officials better tools to counter illegal gambling and other grey market related byproducts of gambling. Former Minister of Interior Anne Holmlund sums up the Finnish government's current stand on gambling regulation:

*“Finland wants to strengthen its national monopoly system, because it is the most effective way to reduce the negative effects of gaming and possible gaming-related crime and to supervise gaming activities” (The amendments to the Lotteries Act will come into force 1.10.2010, 2010)*

This stand reflects strongly on the effects the new amended Lotteries Act had on the marketing of gambling related products in Finland. For example, poker related magazines and programs, sports sponsorships and other visible marketing efforts have

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<sup>27</sup> the complete fact sheet from the Ministry of Education and Culture can be found at <http://www.minedu.fi/OPM/Tiedotteet/2010/09/arpajaislaki.html?lang=en>

disappeared (Kuuluvainen et al. 2012, 11, Interview with CGP representative). During the same period Veikkaus Oy's own marketing efforts have increased from 10,6 million euros in 2008 (Veikkaus Oy annual report 2009, 2010, 68) to 16,6 million Euros in 2011 (Veikkaus Oy Income Statement for 2011, 2012), but reportedly this has not been visible in the revenues of sport clubs.

Problem of the legislation is, however, that it has no jurisdiction over marketing mediums which do not operate from Finland. These include things such as TV and internet broadcasts originating outside of Finland which international CGPs can freely use as a legal loophole in order to advertise in Finland (Interview with GCP representative, 2012). Same issue was brought up in the interview with RAY representative (2012):

INTERVIEW: *“Gambling is a big business in the world... within the first ten minutes of a meeting a question is raised about the legislation and how it can be circumvented...when competition escalates it becomes inevitable that all available methods are used”* (RAY employee 2012)

So although the government officials have taken measures to limit the marketing of CGPs in Finland so far it has not been completely successful. It is also likely to remain so during an Internet dominated era, as upholding a national monopoly in a borderless environment is practically impossible (Sala 2011, Interview with RAY representative, 2012). During that time, however, it is evident that sport clubs and other parties capable of offering reasonable co-operation possibilities for CGPs in Finland in terms of sponsorship deals are losing this potential for extra income. What is vastly important to note, however, is that in 2011 the MEC gave EUR 143,9 million as subsidies to Finnish fitness in general<sup>28</sup>. *99,6% of these EUR 143,9 million came from Veikkaus' profits.* (Veikkaus Oy annual report for 2011 2012, 37). Clearly, then, Veikkaus Oy is an important subsidizer of Finnish fitness.

In light of these facts why is the seemingly beneficial Finnish system under scrutiny? The answer, in light of the findings, can be found on two levels. The macro level of informal institutions i.e. the gambling phenomenon, and on the organizational micro level due to pragmatic reasons. The aspects of macro level factors will be analyzed next whilst the pragmatic reasons will be covered in the chapter following.

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<sup>28</sup> 'Sport' in this paper relates more to the professional aspect of sports than to the more general term 'fitness' which encompasses all sports activities in towns, cities and municipalities.

### 5.3 Gambling phenomenon – the cognitive and normative institutions

From what has been shown so far it is clear that a significant incentive exists for CGPs to invoke a change in the legal framework of EU towards a liberalized license market. In addition, a political pressure exists within member countries and EU to resolve the issue of gambling regulation. (Cisneros Örnberg & Tammi 2011; Kuuluvainen et al. 2012, 52). Thus, it is of little surprise to note the “status quo” of national gambling monopolies being scrutinized in many European countries. What is the institutional change(s) that has resulted this?

Naturally the creation of a single currency and a single internal market for Europe is a major contributor. European Union’s fundamental principles strive for a single market with free movement of labor, products and services. This is, perhaps, ‘the’ point raised by advocates of unified EU wide legislation for gambling, antagonists of national monopolies and national court of laws when addressing this issue the issue of gambling monopolies. (see Cisneros Örnberg 2006; Rebeggiani 2009; Papaloukas 2010; Cisneros Örnberg & Tammi 2011; Ehlermann 2011; O’Connor 2011; On-line gambling in the Internal Market 2011, 21-25.) For this section of the study, however, the deeper underlying reasoning in the ideas and norms affecting the attitude of individuals and society towards gambling are of more specific interest. I.e. what has changed in the normative and cognitive aspects of gambling institutions.

In the past gambling was, and depending on the setting to some extent still is, placed in the same category with smoking, alcohol, drugs and other so called ‘sin goods’ and that they should, therefore, be limited:

*“We stress that neither the demonization and prohibition nor the positive valuing and encouragement of gambling is more moral or humanitarian a process than the other. Indeed, the morally guided and socially conscious anti-gambling discourses of the past were deeply implicated in the development of capitalism and the regulation of the working class. Despite common functions, however, it is informative to contrast the starkly divergent composition of past and present truths of gambling. (Panasitti & Schull 1994, 79)*

Later Della Sala later elaborated on this thought by arguing:

*“Neo-functional and neo-institutional approaches to the building of markets are useful but incomplete in that they do not take into account*

*that actors and organizations have different cognitive and normative maps of the same terrain” (Della Sala 2010, 1025)*

Indeed, it would not be incorrect to argue that gambling would not have its connections with illegal activities or other negative side-effects such as gambling addictions. (see Binde 2005 452; Taskinen 2007; Kristiansen & Jensen 2009; Binde 2011.) However, it would be most perfidious to argue that the nature of gambling itself would be deceitful. Gambling, in essence, is a system where money or other items of value exchanges hands according to conditional rules (Binde 2005, 446). It is also, by necessity, a voluntary process as otherwise it could be classified as theft or robbery:

*“The mainstream gambler, however, neither regards himself as a thief, nor does he feel like a victim of theft. He has voluntarily entered into an agreement with other gamblers or the organizer of the game that, depending on the game’s outcome, he is either to win or lose” (Binde 2005, 452)*

It is this aspect of voluntary participation that should be examined in more detail when, in a modern day society, a consumer is allowed to freely choose how and on what he uses his leisure time and money (Panasitti & Schull 1994, 84). But why do people wish to gamble?

According to rational choice theory an individual makes rational choices that best suite his or her situation. Farrel (2008, 25) emphasizes this point when she discusses individual’s welfare and how it can be increased. Moreover, with current legislation in EU and the member states the legal framework within which licensed CGPs and national gambling monopolies must operate is extremely extensive. Very often at the crux of the legislation is the protection of the consumer (see the Finnish Lotteries Act). In addition to the legal regulations many CGPs operate in global markets, are stock listed enterprises (e.g. Bwin), are responsible for their shareholders and stakeholder groups, and/or must maintain acceptable levels of corporate social responsibility (CSR) in order to remain legitimate. It would be detrimental to such a large corporation to adopt methods which would be deceitful towards to consumer thus decreasing their legitimacy:

*“Although we know that there are plenty of market imperfections [in online gambling], the assumption of rational, independent consumers whose freedom of choice has to be respected is one basic pillar of democratic Western societies. If one has to protect consumers even from stock-listed companies like Bwin, why then not prohibit internet shopping*

*at all, particularly portals such as EBay, with all the uncertified private sellers?” (Rebeggiani 2009, 118)*

It would seem highly illogical that CGPs operating through unethical means would be able to increase their aggregate market size year after year even in times of economic turmoil.

On the other hand, it would be deceptive to not mention the increased levels of problem gambling which have followed the increase in levels of gambling in general. For example, the single biggest gambling market related fraud which was uncovered in the US in 2011 nick named “The Black Friday”. It was uncovered by US officials that three major CGPs were being accused of utilizing fraudulent methods in order to trick banks in to processing payments and circumventing federal laws. (Holloway 2012.)

Due to these factors it is challenging to argue clearly either for or against the net effects increased gambling has on a society (Farrell 2008; Viren 2008, 1–21). What is clear, however, is that the general attitude towards gambling has changed. A fundamental change in the societal norms of what is acceptable behavior has been changed to include gambling. This phenomenon has been reported decades ago (US. Commission 1976, ix; Clotfelter & Cook 1989, according to Binde 2005, 469) and has been noted ever since, also in Finland (Suomalaisen rahapelaamisen vuosikirja 2008, 22) and in the Actions of Veikkaus Oy as they clearly stated in the interview that they wish to widen their customer base (Interview with Veikkaus employee M, 2012).

The more important notion is, nevertheless, the sentiment that gambling gone through a transformation from a morally dubious act to leisure time activity (Binde 2005; Viren 2008, 4; Lamont et al. 2011). According to Lamont et al. (2011, 249–251) this is partly due to sport sponsorship carried out by CGPs. This action has been able to *normalize* the activity of gambling over sports related outcomes. Some credence to this could be found from Danson’s (2010, 196) notion that through this type of sponsorship CGPs are able to reach out and influence the younger demographics. Being affiliated with such a positive image and social status was highly important for the CGP as well

INTERVIEW: *“What is important is that we [CGP] want to sponsor things that are ‘fresh’. Also, the teams we do sponsor have to do good things. They need to have a good reputation, both in sport and in a society... We want people to affiliate that team with our company.” (CGP representative 2012)*

This, again, supports the claim the sponsorship of so-called “sin goods” in marketing mediums which are socially accepted and appreciated would help to normalize the advertised good. The normalization of gambling can, then, be used as one explanation

on why it is so popular today.<sup>29</sup> Through this it might be possible to affect what future and current generations might perceive and accept as a social norm<sup>30</sup>.

In conclusion, it can be argued that the changing attitudes about gambling as a social activity and the increase in the volume of gambling/market presence of CGPs are in a virtuous circle where one feeds the other. As the cognitive and normative i.e. informal institutions around gambling change the formal institutions enforced by different level actors are forced to follow and adapt (crt. figure 4). This is an excellent example of an Bottom-Up institutional change in progress. These changes in turn can have radical impacts on the actors on the macro level within the institutional framework. Decisions taken by actors such as the EU will inevitably trickle downwards and have effects on member nation policies etc. What this potential change could possible solve is the pragmatic micro level problem of the Finnish gambling system which will be discussed next, i.e. the problem of tracking back the use and origin of “Veikkauseuros”.

#### **5.4 “Odorless, tasteless and colorless euros” – Challenges in communicating the origins and usage of Veikkauseuros**

During the interviews one theme arose being dominant to any other. That is, that no one from the club level really knows where the sport associations are using the money received from Veikkaus. In a nutshell, the experienced dilemma is that the sport clubs feel that they are producing the product – the matches – on which Veikkaus offers betting opportunities, yet, the clubs feel that they are not compensated properly for this. It should, therefore, be highlighted that there are two ways in which revenues from Veikkaus are channeled to professional sports: the ‘trickle down’- and MEC channels. These are illustrated in the figure below.

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<sup>29</sup> The point of whether advertising products with demonstrable potential for negative side effects should be allowed is acknowledged. However, it is a question which goes beyond the scope of this paper

<sup>30</sup> This is a field of study which as of now is lacking empirical research. Further discussion must therefore wait for future publications

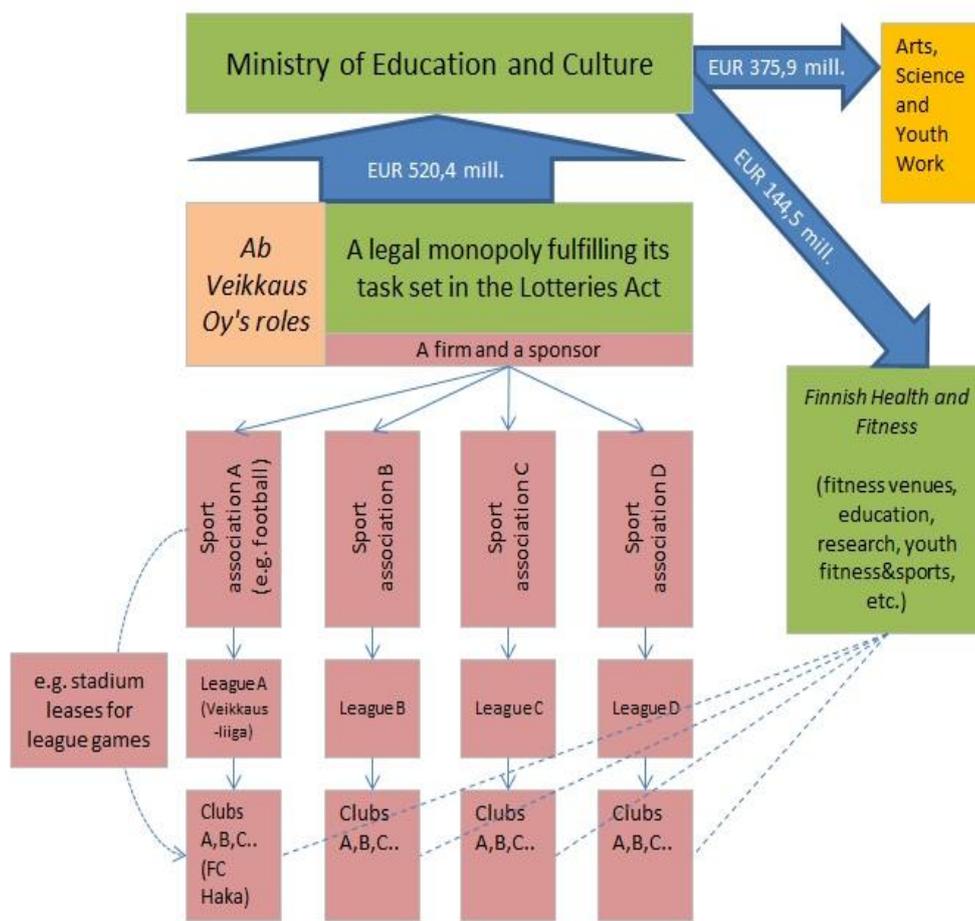


Figure 12 Circulation of Veikkaus Oy profits

Firstly the trickle-down way – here Veikkaus Oy can be seen as a competitive company operating as a firm maximizing the profit for its owners, in this case the state. In this role it must consider between different marketing and communicating channels of which sport sponsorship is one. In this way the sponsorship euros trickle down from the sport associations and/or leagues to the clubs in the illustrated way<sup>31</sup>. For example, the sport associations can rent the stadiums from the clubs for league games with the money originating from Veikkaus. What is noteworthy is that no, or relatively very, few euros go directly to the clubs as compensation for marketing Veikkaus Oy and its products. Instead, these euros are received as indirect benefits. No interviewee from the sport clubs could, however, identify or name clearly any of these benefits. More often than not to feeling was that the support of the league or sport association was non-existent. In

<sup>31</sup> the figure illustrates a general image of the process. It is possible that the process is not exactly like this in different sports due to differences in the organization structures etc.

an interview the interviewee half-humorously said that whenever the league offered “support” it usually just meant more stuff to do for the club.

The only direct link between Veikkaus and the sport club can form through a network-partnership-program (verkkokumppanuus<sup>32</sup>), where the club may put a Veikkaus link banner on its webpage. If fans then choose to place bets through that link then the clubs are entitled to some portion of those bets made. (Interview with Veikkaus employee F, 2012). It was also interesting to note that albeit having exclusivity to every sport, most notably the naming rights to Veikkausliiga, the money received by the clubs from Veikkaus Oy were on the same level as any other sponsor. In other sports it could be deduced that the money the clubs receive from Veikkaus Oy is actually less than it is from their ‘own’ sponsors. The point being raised here is that as it stands Veikkaus Oy is exclusively the only betting company sponsor. Due to no competition and its legal status it is not required to compete for its role as a sponsor unlike every other sponsor from other industries wishing to have exclusivity on a stadium or league. The clubs felt this as unfair treatment (interviews with club representatives A-F 2012).

This was also reported as a crucial problem by a sport league manager. According to him Veikkaus Oy is rather ruthlessly taking advantage of its position. It was reported that Veikkaus Oy as a sponsor was very reluctant to pay similar sums of money for similar sponsorship packages than what other companies were paying. This, according to him, made the message Veikkaus is sending to the league and clubs through its sponsorship policy extremely confusing. However, despite all this the general idea of the interviewee was that the monopoly acts as a positive force behind Finnish fitness and sports world in general. This was based on his knowledge of the second way Veikkauseuros are channeled to Finnish sports. (Interview with sport league representative, 2013.)

This second MEC channel occurs through the governmental channels. This money has essentially become a part of the state budget and is directed to promoting fitness in Finland in general. As such, its origin is very difficult to determine:

*INTERVIEW: “...where we are, to be honest, god damn bad is that when this euro from Veikkaus goes to the MEC and from there, many times, to Young Finland association or some other organization or through the Centre for Economic Development, Transport and the Environment then those [euros] become odorless, tasteless and colorless. It becomes state money. It’s really money what we [Veikkaus Oy] have sent to MEC...The origin is lost on the way so it’s easy to say: ‘but we don’t get*

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<sup>32</sup> <https://www.veikkaus.fi/fi/yritys/verkkokumppanuus?vpage=edunsaajuus>

*anything' ...on this front we are doing good cooperation with MEC [i.e. plans to improve the tracing of the money]" (Veikkaus employee M, 2012. Emphasis added)*

This money does, however, circulate to the professional sport clubs in form of fitness venue funding, youth fitness promotion etc. hence, not as revenue but indirect benefits. Part of this state owned money is also directed towards the roof organizations such as sport associations. This policy of not subsidizing professional sport clubs directly is stated directly in the policies of the Finnish MEC:

*"Performance sport means individual or team sport aiming at the world top on an ethically sustainable basis. The government does not subsidize professional sports." (Performance sports, 2013a)*

As such, it is understandable that neither Veikkaus as a company nor the state as a source of benefits directly subsidizes these professional sport clubs. The state makes a clear distinction between professional profit maximizing sports, which the studied professional clubs present, and the broader perspective of international sports such as national sporting teams, Olympic Games, etc. The representative from the sport association summarized this point well:

*INTERVIEW: "When we are talking about modern professional sport, then this sort of a 'polarization' occurs between some sports which operate clearly under the rules of commercialization and entertainment world and then those which approach the issue from the perspective of national fitness and well-being...certainly our national team and the clubs playing at highest levels represent the first. But, 7-year old boys doing it as a hobby [pauses] not so much. We as the association must distinguish between these two and keep them as separate items." (Sport association representative, 2012)*

In essence, the current system of distributing the money was found extremely beneficial for Finnish sports and fitness in general by the interviewee from the sport association. Moreover, he considered the circulation and usage of Veikkaus funding via both channels very clear and transparent.

*INTERVIEW: "...that, which is most likely present in the current public discussion, is this requirement for transparency and what role the media has here. This arrangement should self-evident. Meaning, that a culture*

*of openness and transparency is healthy and more than welcome, it should be expected, especially from us [the sport association]” (Sport association representative 2012)*

What the interviewee thought might be causing the confusion is the lack of understanding of these two channels and what the role of their respective funds is. Essentially, the interviewee emphasized strongly that the money received through the MEC, i.e. the indirect route, should and is used to develop the sport in general from the grass-root levels to the national team. It is not supposed to be used to fund professional sports which in his words should be able to finance itself. The trickle-down money, on the other hand, is received as sponsorship money. Here the clubs as a single entity market themselves and their product, i.e. the league. How this money is distributed depends on whatever the governing body decides. It was not up to the sport association.

It must be pointed out, however, that no matter how clear the system is in the eyes of the sport association this view was not shared by the sport clubs. On the contrary:

*INTERVIEW: “I’m sure the association has that information [information regarding the usage of money from Veikkaus] but that info certainly doesn’t reach us. I know the association has deals with Veikkaus...” (Sport club representative A)*

And as it stands, this dubiety is not limited only to professional sports but covers the entirety of the usage concerning Veikkauseuros. A very recent report conducted by the Valtiontalouden Tarkastusvirasto concluded that in multiple cases there was no exact information about where and how the subsidies received from MEC were used in different association, projects etc. For example, severe omissions were noted to exist in the internal audits of MEC concerning the usage of these funds. (Laillisuustarkastuskertomus Avustukset veikkauksen ja rahaarpajaisten voittovaroista urheilun ja liikuntakasvatuksen, tieteen, taiteen ja nuorisotyön edistämiseen 2012.)

All of these results are very much in line with Mäkinen (2010). According to him the subsidies received by the sport associations from the state e.g. MEC are mainly used for the running of the associations’ own operations. In his study he concluded that while the Norwegian and Swedish associations distribute a minimum of 60-70% of the subsidies received further down the hierarchy such a figure would be extremely difficult to do due to the large number of different organizations and associations (Mäkinen 2010, 41-43).

In essence, a clear need for better communication between the sport associations, leagues and sport clubs is required if this problem is to be solved. As it stands, the parties seem to acknowledge this problem, yet, no solutions have been suggested, or at least were brought up in the interviews, which would seem odd considering the

willingness for openness and transparency discussed by the sport association. However, it is necessary to mention that some of this ‘dubiety’ is potentially originating from human factors as well. As the representative of the sport league pointed out, the reporting system they currently utilize in their sport concerning the spending of the income of the sport association is extremely open, easy to understand and has actually been awarded for this approach, yet the interviewed club representative(s) from that sport reported to have a lack of knowledge about this topic. The problem of tracking down the origin or, more precisely, gaining direct sponsorship revenues is one of the problems the advocates of a change in the formal institutions of gambling in Finland are hoping to resolve. Whether this will happen will depend largely on how the gambling regulation will develop in the future which will be discussed next.

## **5.5 Future of gambling in Europe and Finland**

Even *if* gambling is considered entirely ‘bad’ it is an inevitable part of culture. It is a phenomenon which we cannot get rid of (US Commission, 1976). Gambling in general has increased among the Finnish population as was mentioned in the introduction and is well illustrated in Figure 10 below.

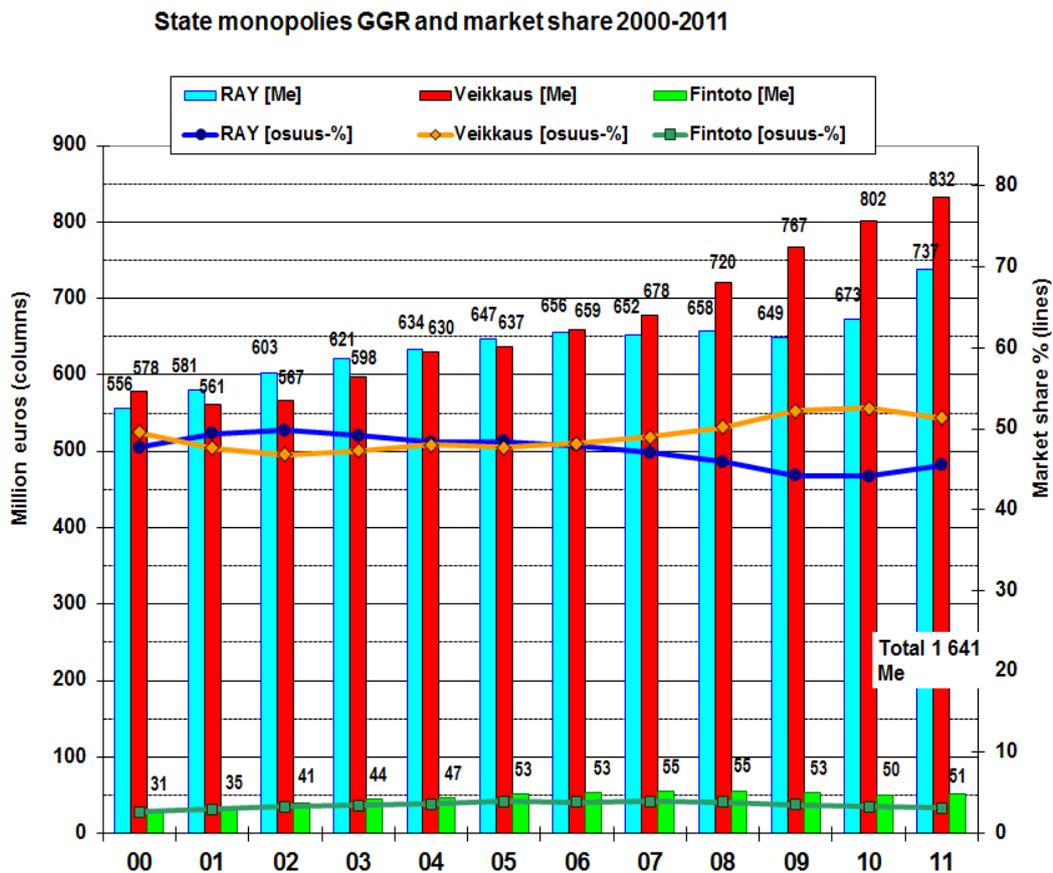


Figure 13 Market development in Finland 2000-2011 (interview with Veikkaus employees M and F, 2012)

The increasing popularity of gambling in Finland is quite evident from the graph. Even the economic turmoil was not able to stop the growth trend<sup>33</sup>. According to the Finnish Ministry of Social Affairs and Health, 93% of all the Finnish people had participated in gambling at some point of their lives while 78 per cent of Finns had participated in some form of gambling in the previous 12 months (Turja et al. 2012, 20). However, what was stressed by Veikkaus and RAY representatives was that the growth in GGR was not to come from problem gamblers playing more but from widening the customer base (Interviews with RAY and representative B of Veikkaus). However, continuously widening the market base is impossible:

*INTERVIEW: "Looking at the last few years' growth in millions of euros, you will see that there has been a marked growth in the Finnish gaming market. One*

<sup>33</sup> during the interviews there were no mentions of changes in the methods of collecting data. It is, thus, unlikely that the growth trend is due to statistical anomalies

*question is when will the market become saturated?... How long can the sector continue to grow in Finland?” (Veikkaus employee M, 2012)*

What makes the phenomena within EU even more interesting is that opposing views of consumer benefits (e.g. higher return rates, more offering, higher competition, etc.) what the liberalization of gambling markets would bring about clash so strongly with the perspective of consumer protection and that gambling is in some sense ‘bad’. According to Della Sala (2010, 1025) markets and other actors have completely different cognitive and normative maps of the same terrain. One promotes free markets and market building while the other strives for consumer protection.

*“Gambling goes to the heart of the dilemma of the single market; that is, how to reconcile promoting competition and encouraging risk after nearly a half century in which European societies have tried to manage or limit both” (Della Sala 2010, 1024)*

However, reflecting back on the interconnectedness of gambling and human societies Panasitti & Schull (1994, 67) pointed out already more than a decade ago, that:

*“Here [in gambling legislation], the market principles of supply and demand override considerations of morality.” (Panasitti & Schull 1994, 67)*

This is certainly what seems to be happening in Europe at the moment. Whether the current trend is good or bad depends completely on the cognitive and normative map the perceiver has of the situation. It became very evident in interviews with representatives of RAY, Veikkaus Oy and a CGP that all parties are expecting the Finnish legal monopoly system to dissolve and adopt some type of license market.

*INTERVIEW: “Sweden is currently pondering between a monopoly and a license market and early signs seem like it would be turning towards a licensed market. If this is the case then talk in Brussels say, that Norway and Finland would follow...” (CGP representative 2012)*

*INTERVIEW: “We are expecting the current system to be dissolved. Will it happen this year or in seven years’ time we don’t know. But it is quite clear from the signs [interviewee points toward Figure 2] that this is the direction we are heading into and we must accept it. We have no reason*

*to duck our heads and try to 'silence' what is happening around us"*  
(Veikkaus employee M 2012)

This is further supported by the reported interest that the football and ice hockey leagues are interested in their own sports betting company in case the Finnish monopoly is dissolved (Hakola 2013). It is very interesting to note how there is a clear difference in the message being said by the experts of the field versus those of the political front. Comparing these expert opinions to those presented by, for example, Anne Holmlund in 2010 (The amendments to the Lotteries Act will come into force 1.10.2010) would suggest that some contradictions exists between the expert view and those posed in official political agendas.

If, however, it is assumed that indeed the current trend continues then the national gambling monopoly in Finland will be dissolved in the future. This is certainly a major change in the institutional framework and should be met with proper preparations from all parties involved. It is possible to speculate what this change might bring about but it is more fruitful to analyze a country where such a change has just occurred, i.e. Denmark. The Danish case will serve as a link between the macro level of European and national political levels and the micro level of sport clubs etc. In the following chapter the Danish case will be analyzed along with some of the effects a liberalization of gambling regulation had brought about to the professional sport clubs. These changes can then be compared to the challenges faced by Finnish sport clubs at the moment and see what potential effects such a change could have in Finland.

## **5.6 Denmark and the dissolving of a national monopoly**

Danish legislators decided to partly dissolve its national monopoly Danske Spiel and adapt a license based market for certain gambling related products (for full details see Poulsen 2010). What lead to this was the difficulty of regulating the marketing of gambling related products was one of the reason why the Danish government decided to push for a more liberal gambling market. Moreover, the formal institutional framework built around the gambling phenomenon was nigh impossible to enforce as firstly, it was outdated and secondly the informal institutional rules were contradictory to that of the formal:

INTERVIEW: *"...when you have the beginning of 2003-2004 I still think it [gambling related advertisement by other than Danske Spiel] was not legal in Denmark. Everybody was not like sure 'was it legal was it illegal'... Some places, they just made some sponsorship and so on and*

*they had to withdraw them when they [politicians] came more focused on the market.” (DGA representative M 2012)*

In addition to this the Danish regulators were able to see the Danish gambling monopoly's income declining due to more and more gambling take place on the unregulated markets. This was exacerbated by a legal decision to make it legal for a Danish person to gamble on unlicensed gambling markets. Such activities were very common over the Internet and the regulators were facing an impossible task of estimating the size of this “grey market”. Thus, there the Danish government was constantly losing money as tax income and profits made by Danske Spiel, but the situation was also unbearable for media, sponsors and beneficiaries due to the unclear regulation:

*INTERVIEW: “The trend...exactly this is why we made the law. The politicians wanted to move forward because the monopoly could see their revenue go down. Meaning, all the money for the good causes was declining. So by making this legal now you have the whole picture better.” (DGA representative F 2012)*

Indeed, the discussion in Denmark about moving towards other than state monopoly ran gambling markets originated from the political forces, more specifically from the Prime Minister. This is very much opposite of the situation in Finland, where the political consensus among the political front is that the national monopoly will be upheld and even enforced with more power (see Hallitusohjelma 2012, 62). As such from the interview with DGA representative F and M a clear theme of political willingness to change the system arose, i.e. there was pressure from within Denmark to alter the current paradigm. What seemed to arise from the interview could be referred to as Danske Spiel's fear of losing legitimacy in the eyes of the society. The employees of Veikkaus Oy emphasized this point as well (see quotation in chapter 4.1). It is interesting to find that both of these aspects are extremely prevalent in Della Sala's theoretical approach to gambling regulation:

*“It is ideas that provide cognitive maps as to what form of regulation is most appropriate (markets, hierarchies, etc.) as well as the normative frame (for example, efficiency) that legitimates how activity and behavior is regulated.” (Della Sala 2011, 1027)*

It would seem that both national monopolies are, and in Danske Spiel's case ‘was’, following this simple logic whereby gambling and its negative side-effects should be

controlled via a national monopoly. As long as the monopoly was able to operate efficiently and thus remain legitimate, no changes occurred in the cognitive map which justified the position for an otherwise odd market structure, i.e. a monopoly. However, in Denmark this efficiency and legitimacy was no longer being achieved. As such, it was necessary to alter the formal regulative institutional framework to better match that of the informal institutional framework.

The adaptation was done through a licensed based model where CGPs would apply for a license from the Danish Gambling Authority (DGA) under which they could market and operate their gambling services legally. In essence, the Danish government freed the gambling markets for competition. However, the liberalization nor the dissolving of the national monopoly was complete. Games such as lotto, keno and scratch cards still remain under the monopoly of Danske Spiel. Products such as online casino games (poker, black jack, etc.), online sports betting, offline (i.e. physical brick & mortar) casinos, and offline sports betting have been liberated along with the right to market these products assuming the marketer has been approved for a license.

So far, what has been learnt from the Danish market seems to be in line with what the institutional theory would suggest to us. It was shown earlier that institutions give rise to certain types of organization and that these organizations (or actors) make strategic choices based the experienced institutional pressures.

Here, the Danish regulators are reacting to the change in the normative and cognitive pillars surrounding gambling as a phenomenon within a society. The current regulative pillar was insufficient and in contradiction with the normative and cognitive pillars. In addition, the enforcement of the regulation (for example around marketing) was weak. As the institutional pillars were in contradiction and the enforcement of the regulative pillar was insufficient then these inevitably lead to *defiant* and *manipulative strategic responses* from the CGPs, sport clubs, as well as those Danish individuals who wished to gamble abroad. Furthermore, during the interview with DGA representatives it became clear that CGPs were aware of the situation and attempted to further use *manipulative tactics* to force a change in the gambling environment. This was done through, for example, lobbying.

Eventually the legislation was changed. Afterwards both of the DGA representatives were convinced that a win-win situation had been reached where all the stakeholders were better off. For example, the Danish government had been able to direct the Danish players on to the legal gambling providers, thus making the consumers (gamblers) better off, state better off in form of tax revenues and the CGPs better off in the form of increased turnovers. Theory-wise it would seem that the previously discussed tactics had shifted to acquiescence and comprise responses from all parties. More specifically, the comprise response was present when DGA was co-operating with the GCPs and

discussing what aspects of the legislation could be tweaked to a more efficient legislation.

As the change in the Danish legislation is exactly what has been asked for by the proponents of more liberal gambling markets in Finland, Denmark provides an excellent basis for a case analysis of the reasoning and, more importantly, the effects a change in the gambling legislation has had on the sports clubs. The change essentially liberated the marketing ban of gambling related products and services transforming the previously difficult-to-interpret situations into clear cut answers. Those operators with a license could freely sign sponsorship deals and market their products to and in the Danish markets. Those without one were banned.

Due to the more efficient institutional environment around gambling, the consequences of this change were imminent on the sponsorship markets. The Danish national football signed a sponsorship deal with Ladbrokes (see Associated Press 2012), and the Danish Superligaen confirmed a sponsorship deal with Betsafe (Kristensen 2011). Previously one of the leagues five main sponsors was Danske Spiel but now when facing competition they were pushed out of this position by a better offer by Betsafe (interview with Danish club representative 2012). For FC Copenhagen the effects have not been very radical, at least as of yet. According to the interviewee the deal they signed with Unibet was a three year deal which was more valuable for the club than the one they had had with Danske Spiel.

However, according to him, the financial impact of the sponsorship was not significant when compared to the budget of FC Copenhagen. His estimation was, that within a couple of years CGPs would've established a place on the market after which they might move towards a more aggressive style of marketing with building brand awareness through sponsorship. As of now, his view was that the firms were aiming more to activate the potential consumers through advertisement on TV and other mass medias. The focus on sport sponsorship has remained as a secondary objective. This view was also supported by both DGA representatives. It also arose in the interview with a CGP employee interview.

It was also thought, that the large fan base of FC Copenhagen was seen as something of value for Unibet.

*INTERVIEW: "...and what they, Unibet, have tried to do is that they want to activate our fans. And of course we have the biggest fan base in Denmark so they see some value in that if they can turn those into customers. And that's what every gambling company wants to do"*  
(Danish club representative)

As for how the conversion of the fan base into customers would go in the long run would remain to be seen. What the club representative did speculate was that it could be done more efficiently if Unibet would attempt to signal out to the fans its involvement and loyalty to FC Copenhagen more efficiently. During the contract negotiation this aspect had risen as Unibet did not wish to characterize itself as *only* FC Copenhagen's supporter as that might expatriate some of the potential customer base to the competition. In a cutthroat competition such effects could have adverse effects on Unibet's financial results. Indeed, such a fear has been shown to be somewhat real by Dalakas & Levin (2005) whereby they showed that fans of team A might and do experience and elicit negative consumer attitudes towards the sponsor of team B.

Regardless, FC Copenhagen managed to sign a sponsorship deal through meticulous fan base analysis. Such analysis of sponsor behavior, their values and operations had become the crux of FC Copenhagen's own operations as the football industry had developed. As Danish club representative put it:

INTERVIEW: *"When I go back and look at how much data we have about our sponsors from the 12 years here, it's nothing we can use. If you'd been sitting in a room about a sponsorship negotiation five years ago all they said would be based on a hunch. No one could say that 'this is the value, this is the value of your sponsorship'"* (Danish sport club representative 2012)

This was also one of the reasons why he thought some clubs have failed to sign a sponsorship deal with any CGPs. According to Mr. Danish club representative, some years ago the general thought among sport clubs was that if and when the new gambling legislation comes, all the clubs would have a CGP as a main sponsor. This has not been the case. For example, FC Midtjylland, the second largest football club in Denmark, has not been able to sign a deal yet despite efforts. The same applies to many other clubs in Superliga. (Interview with Danish club representative 2012.) This sentiment was confirmed with an email correspondence with an employee of DOGA (Danish Online Gambling Association) as well an employee from Danmarks Idræts-Forbund (DIF):

*"...we as the national sports organization in Denmark is [sic] quite concerned about the effects of the very liberal Danish Gambling Law, because we believe that the law is very good for the betting companies, which will be earning money, but negative for Danish sport because apart from a few sponsoring contracts Danish sport will not as the law is written to day come close to benefit from the betting on Danish sports*

*events, which are owned and operated by the different sports federations”* (Email correspondence with DOGA employee, 2012)

They did, however, state earlier that as the legislation change is still very recent and won't be reviewed until 2015 it is impossible to say whether the net effects are, have been or will be positive or negative. Again, this was a view which was widely acknowledged by all the experts approached in Denmark although DGA spoke from a wider perspective encompassing the entire gambling market.

In conclusion, it seems that the Danish government has been somewhat able to successfully amend its regulative institutional environment into such form that it can be more efficiently enforced, it more efficiently reduces the transaction costs forming on the gambling markets, it takes better into account the institutional change occurring around gambling (norms and values) making it into a leisure time activity. Due to this the regulative pillar and normative & cognitive pillars were no longer in contradiction but in mutual support, thus creating a more efficient complete institutional framework. For the sport clubs it has opened new possibilities for sponsorships or partnerships with CGPs, however, so far these possibilities have not been 'that' remarkable.

## 6 INSTITUTIONAL ENVIRONMENT OF THE SPORT CLUB – THE MICRO LEVEL

While the previous chapter concentrated to examine and interpret the findings of this study in light of the wider macro level of gambling, formal institutions in EU and nation levels and their effects, this chapter will move the discussion forward and closer to the last research objective. I.e. the relevance and effects of the current Lotteries act has on professional Finnish sport clubs and their institutional environment and how a change in the formal institutions might affect them.

### 6.1 Gambling regulation and potential for diverse revenue channels

It was interesting to note how the big the contrast between Finnish and larger European sport clubs and their different revenue channels panned out to be. During this study and from the sport clubs interviewed some trends could be identified. Firstly, the smaller the club and/or sport the fewer the revenue channels.

INTERVIEW: “...our sponsors account for maybe about 75% and gate takings something of around 20-25% [of total revenues]. Fan merchandising isn’t a business. If it makes no losses then that is, in itself, an excellent result. Co-operation with the league isn’t anything remarkable. There are some things that the league will pay for, but then again, we do have to pay them [the league] for certain things as well. What are the benefits and value of these benefits [benefits provided by the league], again, is hard to quantify...most likely no club in Finland is doing a profit [in the specific sport the club represents]” (Sport club representative B 2012)

INTERVIEW: “The running of our first team is completely dependent from the euros we get from our sponsors. Of course we have these smaller events and stuff, which we try to organize in order to get even something small” (Sport club representative F)

INTERVIEW: “...I’d say about 15 to 20% comes from gate takings [rest from sponsorships]. Or actually match event revenues. It should be bigger but as the resources are what they are then it’s a bit difficult to increase this...” (Sport club representative A 2012)

INTERVIEW: *“The absolute majority [of revenue] came from sponsorships. During the last years the gate takings started to play ‘some’ part. One thing which was emphasized was the merchandising... That has to profitable... About 65% from sponsorship and the rest 35% from everything else. (Sport club representative E 2012)*

In essence the majority of income (generally roughly 70% among all clubs) is generated through sponsorships and the rest from match day events (i.e. gate takings, catering, etc.). Next to none of the revenue originates from other sources except under irregular circumstances (formidable player transfer fees for example).

If this ratio of 70-30 is compared to the bigger scene in Europe then it is possible to note that in many cases the sources of income is diversified into multiple channels. For example Grundy (1998, 132) identified five sources of revenue for Manchester United in 1995: television (10%), sponsorship (11%), Conference & Catering (15%), Merchandising (34%), and Gate takings (30%). In 2009 Arsenal’s revenues comprised of: gate takings (32,3%), Commercial (11,1%), Boadcasting<sup>34</sup> (23,6%), Retail income (4,5%), and Property rentals (28,5%) (Demil & Lecocq, 2010, 233). Such diversification of revenue streams was also present in the strategy of FC Copenhagen for example through property rentals, sponsorships and a variety of sponsor “packages”, gate takings, etc. (interview with Danish club representative, 2012).

It is noteworthy, that both scholars and the interviewed parties acknowledge the vital importance of diversifying the revenue channels in order to achieve sustainability. However, the challenge here was the limited potential of diversifying the business model and adding in new value propositions to the clubs current business model. Also, of the relevant team sports only football and ice-hockey receive regular TV-broadcasting time (some volleyball and basketball matches are broadcasted; however, this does not occur on a regular basis). However, the monetary values of these deals to the clubs (i.e. revenue from Broadcasting/television rights) were very minor, only some tens of thousands of euros at best. They were, however, significant to the ice-hockey and football sport associations (or relevant organizations which owned the naming rights to be sold for broadcasting) to whom the majority of the revenues went. (discussions & email correspondence with Arto Kuuluvainen 2012-2013).

Perhaps due to this limited TV- and mass media exposure the vast majority of club sponsors were local businesses with sums adding up to some hundreds or sometimes thousands of euros and an advertisement board somewhere on the pitch. As

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<sup>34</sup> analogous to Television

representative E expressed his views, the vast majority of ‘sponsorships’ between businesses and sport clubs are not so much sponsorships as they are *subsidies* from the companies to the clubs. This would seem to indicate, that the co-operation between the clubs and sponsors is not actually a ‘true’ partnership. Only the biggest main sponsors, most notably in the biggest sports football and ice hockey, were approaching what scholars might call ‘strategic partnerships’ where both parties are clearly gaining something and being able to utilize the partnership in their own operations (see Olkkonen, Tikkanen & Alajoutsjärvi, 2000; Cousens, Babiak & Bradish, 2006). This goal for mutually beneficiary commitment was highlighted also in the Veikkaus Oy interviews:

INTERVIEW: “...*sponsorship has two tasks to complete, first is to communicate our own mission. The second is to create a certain corporate image, thus, help consumers to commit. Here professional sport is just one tool among many...sponsorship’s task is to operate as a ‘kicker’ to bring in the consumer interest from which that relationship can move further*” (Veikkaus employee F, 2012)

INTERVIEW: “...*every contract we sign has to justifiable based on our business model. Naturally sponsorship has a wider approach from the business environment perspective by which I mean that we must commit our different beneficiary groups, which is important to us from the perspective of business environment stability, but then there’s also directly committing our customers.*” (Veikkaus employee M, 2012)

A second theme arising was the difficulty of attracting not just local but national sponsorships. This could also be explained partly by the limited media visibility the clubs are receiving in Finland. As such a sponsor would benefit little from sponsoring parties who are not able to expose the sponsors brand to a wider publicity. However, a more peculiar finding arose from the sponsors. Firstly, Veikkaus expressed strong motivation for equality among different clubs and sports. They did not wish to affect the potential outcomes of matches by distributing their money biasedly between clubs. This would contradict the message they wish to send to their beneficiary groups and customers (i.e. being a supporter of fitness in Finland from a wider perspective). This was also the reasoning why approaching the professional sport clubs through the appropriate sport association was seen as a good solution. Here the sport associations could further distribute this funding as they see fit and the only matter of ‘dispute’ would be how much funding each sport association gains (how and what this funding consists of will be discussed in more detail in the following chapter). Furthermore, this

would aid Veikkaus avoid being profiled as a supporter of some sport/clubs but not some other:

INTERVIEW: “...*If someone says that no money goes to the clubs that we are not even supposed to do that unless they can offer us with something we want to buy...If the clubs can come together and offer us a concept which provides us with benefits that we need and want to buy, then we can talk about it. But we do not subsidize a single one [club]...The sport association utilizes its authority. Of course we aim to make them [the contracts] such that they benefit the clubs. When we engage in something then the clubs do receive something. Usually what they want is a sum of money on their bank accounts. We would like that if money does go to the clubs through the sport associations then that money would be used to develop the sport, not in player acquisitions*” (Veikkaus employee F, 2012)

It is interesting to note that nearly an identical fear of being profiled as a supporter of a single team was found from Denmark between FC Copenhagen and Unibet.

INTERVIEW: “...*Always, the biggest case we were discussing with Unibet was that they were afraid of putting up too much loyalty with FC Copenhagen because that might frighten off somebody else. And in that market they can't afford to lose two percent of the customers because it's so tight at the moment...*” (Danish club representative, 2012)

In an interview with sport club representative F this topic arose as well. From his experience gaining sponsorships from companies operating nationally or internationally was a process lasting years. They expressed this exact fear of being profiled as a supporter of city/club X which in turn would make things more difficult in city Y.

Lastly, as some of the larger European clubs are able to generate revenues from the property as rental income this approach is not very viable for many clubs in Finland. One of the interviewed club representatives actually highlighted this as a definite weakness in their strategy as they were currently forced to rent their stadium for league matches thus giving “a significant amount of money as an advantage to their competitors” due to this specific arrangement (interview with sport club representative F 2012). One club on the other hand had been able to nearly fully utilize the capacity of their stadium during the times it was not in league match usage. However, majority of these times the stadium was used either by sponsor as sponsor benefits or by the junior teams of the club for training sessions of matches, thus, providing the club with no extra

income. (interview with sport club representative C 2012) Lastly, the third club had actually invested in the local where they play their home games albeit property was owned by the municipality. The investment was done due to the “slowness of the bureaucracy” and “will to increase the seat capacity”. (sport club representative B 2012.)

With this in mind it is easy to see why all of the clubs were eager to see a change in the current lotteries act allowing them access for new sponsorship deals with CGPs. This viewpoint was shared by the interviewed employee from the CGP. According to him if markets were to be liberalized then the effects would be quite immediate and noticeable, at least to certain segments of the sport world.

*INTERVIEW: “TV is naturally the most effective...but TV is also quite expensive. But I believe this type of a combination [of mass media marketing and sport sponsorship], which is happening in Denmark...in practice I think it would be something like that. Sports and sports betting have always been tightly linked so I believe we would be highly visible in the sport arena as well” (CGP representative, 2012)*

However, it was also admitted that of the product offering in Finland only ice-hockey and football can be of major interest.

*INTERVIEW: “If you think about the interesting products which are profitable to us, then it’s ice hockey and football...you have to remember that it’s always about the price. It might even be smart to sponsor the smaller ones [sports] as well. This way you’d be moving up from the grass-roots... this is where I see that it could be beneficial to affect things and give money to. But, naturally, these are things which have to be considered case by case.” (CGP representative, 2012)*

As such it would seem that the most likely beneficiaries from legislation liberation would be the sports of football and ice hockey, while the possibility exists that other sports and clubs receive some sponsorships as well. This point was also acknowledged by the sport association interviewee as well. He went as far as to say that it could actually be a positive change from that sports perspective. This speculation is supported strongly by the findings from Denmark and the effects the dissolving of the national monopoly has had there so far. In other words, as the DOGA employee reported the smaller sports and clubs had not been able to benefit from the change.

To surmise, the potential for diversifying the revenue streams of sport clubs in Finland seem to be far and few. The ability to generate revenues from, for example,

stadium leases is more the exception than the rule. Incomes from TV-deals are nearly non-existent for the clubs whose sport is broadcasted and non-existent for those clubs with no TV-coverage. As such, clubs are forced to rely mainly on their gate-takings and sponsorship deals be they subsidies or strategic partnerships or something in between. This is why the potential for new sponsors is so highly welcomed by the sport clubs. Yet, the change in the formal institution *would not solve the inherent problem of revenue dependency on two types of streams*; sponsorship and gate-takings. It would most likely alleviate the problem for a few clubs but not remove the problem source. Herein lays the deeper problem riddling the Finnish sport arena. It was interesting that none of the club representatives directly addressed this issue when discussing revenues. Naturally it might be because the question was never directly posed at them, yet, it could be interpreted as a lack of self-criticism.

## **6.2 Perceived success and the stakeholder groups**

In the theoretical discussion some interest was dedicated to understanding the three dimensions of success (sporting, financial, performance for stakeholders) sport entities (i.e. clubs) may attempt to strive for. In the interviews this aspect was approached indirectly, for example, by discussing the aspects surrounding the sport club such as fandom, and financial situations but more importantly, each interviewee were asked directly what success to them means or when is their respective sport club successful (see appendix 2).

Two trends emerged from the answer. Firstly, all the sport clubs representatives identified and talked at length about the importance of the financial situation for the operation of the club. A general consensus was that without adequate financial basis it would be almost impossible to keep operating in the long run, or to consistently achieve adequate sporting performance. This aspect would also seem to be very high, if not the highest, on the priority list of sport clubs regardless of the size of the club or sport represented. The findings here are also in line with the theoretical understanding the financial situation of a sport club has on its competitiveness.

However, adequate financial performance was also considered to be very difficult to achieve. One of the reasons given for the difficulty of achieving this was already discussed above, i.e. the difficulty of diversifying revenue streams. As such many interviewees emphasized the importance of keeping the current sponsors happy, thus, retaining them. However, the interviewees also, especially among the smaller clubs, reported difficulties in attracting paying fans to the stadiums during match days. More precisely, they noted that fans were willing to come to the match but somewhat reluctant to pay for the actual ticket. Responses to this varied from taking the policy of

not awarding any free-tickets to anyone except in rather extreme circumstances, to acknowledging the problem but not being able to do anything as majority of the stadium capacity was taken by, for example, junior players, referee's, sponsors, etc. groups with access to free season tickets provided either by the club or the sport association. Both smaller and larger clubs reported difficulties in attracting especially the paying fans/match goers but were quite perplexed about how to solve the problem. One reason given for this type of behavior was that the average fan does not understand sport business as a business activity.

Regardless of the unwillingness to pay for the tickets the interviewees still emphasized the importance of their fan groups, especially in the nearby community. Clearly the clubs wanted to be identified as the club from city/town/locations X. For this to occur the clubs were eager to activate their local potential fan base. Some clubs had innovated their operations radically and adopted new values where the fan was at the center of focus. For example match reports along with pictures and possible video footage should be available on the club web page within hours of either home or away matches. This would suggest that whilst the financial success is crucial to the sport club's operations the interviewees still identify and relate to the importance of stakeholder performance (especially to fans and local community) for the overall performance of the club.

So far two dimensions of success have been highlighted: the financial and stakeholder success (fan base and sponsors). It was interesting that many of the clubs wished to do well on the sporting dimension as well. In fact in some cases, this was outlined as a prerequisite for good financial success (due to gate takings from the playoff, semi-finals and final matches), however, it was not emphasized as 'the' success defining factor. However, it would seem that stakeholder groups with no clear effect on the dimension of success exist also. These would be the leagues and sport associations and to an extent the national spot & fitness policy makers. In order to understand their role to the legitimacy and survival of a sport club it is necessary to illustrate the relevant institutional environment.

### **6.3 Institutions of fitness, professional sports and gambling in Finland**

As Miller and Friesen (1984, 1) suggested, organizations are actually tightly interdependent on one another so that one cannot be understood without understanding the whole configuration. Furthermore, the changes occurring in this environment must be viewed from a holistic view as while individual elements of structure may change over time it is, in fact, the patterning of these changes which is important (Slack &

Hinnings, 1994, 805). Ergo, all of these aspects of gambling, institutions of fitness and professional sports, sport clubs and gambling monopoly must be evaluated in conjunction in order to understand the entirety of the phenomenon.

In this study professional sport clubs and the gambling phenomenon were approached through institutional theory. In essence, the aims of this chapter is draw together and interpret the findings from the two rather separate institutional environments of gambling and professional sports based on the understanding of institutional theory.

Based on the interviews and secondary data it would seem that the average Finnish match goer is not perceiving the operations of the club as business activity but more as a social event which is why paying for it would seem contradictory to the values held about such social events. Furthermore, sport and fitness in general has been traditionally held as a social activity in Finland and in other Nordic countries (see Heinilä 1989; Mäkinen 2010; Skille 2010). As such majority of sports and fitness should be and is based upon voluntary activities not on financial gains. Such a policy is actually very prominent and directly stated in the Finnish Olympic committees policies. (Liikunnan Kansalaistoiminta 2013.)

As such professional sports seem to be forced into an uncomfortable situation. Professional sport is by nature highly competitive although the basis for survival is cooperation. Furthermore, it can be seen as an economic activity such as any other firm although its choice of preferred success dimension might be other than financial. In Finland, however, the *financial aspect was very prominent*. This would be in a strong contradiction with the generally held institutional norms and values about fitness. Utilizing sport as vehicle of business is not something the match goers seem to understand, especially among the smaller sports and clubs. Here, it would seem that the generally held beliefs of legitimate behavior by fitness and by professional sports are being mixed.

Professional sports operates under its own rules, both formal and informal, as acknowledged by the sport association interviewee. These rules are, however, *not* the same as those of fitness. While the latter is seen as an activity for the nation and the wider public where values such as: fairness, equality, etc. are important, the former is a very specific professional activity aiming at achieving a very specific dimension of success through a rules of the entertainment and commercialized world. It is an economic activity. However, this fundamental difference is lost somewhere and mixed with the institutional goals and values of fitness in general. It is these goals and values that Veikkaus, rightfully so, is fulfilling. It refuses to play the game “under the rules of commercialization and entertainment world” as it is not its main purpose as is defined in the Lotteries Act. This is what is causing disgruntle among professional sport clubs, i.e. the actors who *are* operating under those rules.

It would also be reasonable to argue, that the sport associations and sport leagues are contributing also to this phenomenon. From the interviews it became evident that a wide difference of opinion existed between the clubs and roof organizations about how and what each one should do. Both the interviewees from the sport association and league emphasized that their responsibility and scope are focused on the long run planning and strategy. I.e. the well-being and success of the sport (spanning from the very lowest junior levels to the professional level) in general weighed more than that of each individual sport club. Naturally, both parties acknowledged the importance of professional sports as the most visible part of this strategy. However, they both identified differences in the attitudes between clubs and roof organizations:

INTERVIEW: “...when the clubs are in an acute and imminent need for more money then, understandably, it is difficult to focus on the long term goals or see the bigger picture...” (Sport association representative 2012)

INTERVIEW: “...it’s not the role of the league to provide the clubs with money but to provide them with such a business environment where they can themselves carry out their own business operations...” (Sport league representative 2012)

While the clubs see their financial needs as the most or one of the most important aims and as such are forced to focus on shorter term performance, the governing roof organizations are promoting or attempting to promote the long term well-being of the sport in general. Neither approach is necessarily wrong but it is a clear source of dispute. Now, drawing from Koski (2009, 118) the balance of power between clubs and the governing roof organizations is unfavorable to the clubs. As a consequence the message, or values, of the sport clubs is somewhat *overwritten* by those of the roof organizations.

This problem is further exacerbated by the institutional beliefs held about gambling. As it stands the formal regulation is built around the control of the gambling phenomenon and its negative side-effects through gambling monopoly. A specific task is set in the Lotteries Act for the three separate state monopolies RAY, Veikkaus Oy and FinToto. As Veikkaus Oy has been so good at fulfilling this task, i.e. providing its

beneficiaries with revenues while controlling the gambling related problems<sup>35</sup>, it has been able to keep and reinforce its position as a legitimate actor. As a side-effect of this, its mission and vision have gained wide approval among the wider public strengthening the image that gambling should be controlled via a monopoly and as such Veikkaus' task is to support fitness in general. Ergo, this is what it continues to do, equally, despite of competition within sports, hence causing disputes among the professional sport clubs about the distribution of income. Thus, it would seem that under the current institutional (regulative, normative and cognitive) framework the two parties are stuck in a, depending from the perspective, either vicious or virtuous circle. Here, actions carried out by Veikkaus enhance its position as a legitimate actor, thus, enforcing its position as a mean of governing the gambling markets. This is again reflected in the different stand points Veikkaus takes in sport sponsorship than what sport clubs take, thus, causing disputes among the professional sports clubs all due to institutionally different environments.

Credence to this would lend the finding from Denmark concerning the relationship between Danske Spiel and professional football clubs. It was found that in Denmark prior to the legislation change each sport club was able to negotiate its own individual deals with the monopoly company. As such, competition existed between the clubs forcing them to develop their product further. Mr. Danish club representative assumed that this was one of the reasons why sports clubs were not criticizing the monopoly in the same way that is occurring in Finland. On the contrary, Mr. Danish club representative praised Danske Spiel for always being fair and a trustworthy partner. Hence, it would seem that the two monopoly companies had adopted a different approach to their relationship with professional sports – one operating under the competition driven rules and one driven by rules of fairness and equality.

Thus, based on these, and earlier findings concerning the pressure sport clubs experience from their respective sport associations it would be recommendable to modify to institutional environment model of the sport club presented at the end of the theoretical discussion. In the revised model the financial performance of the sport club is placed at the center *regardless* of key stakeholder groups. This is somewhat in contradiction with the underlying assumption of the original model where it was assumed that the sport club's stakeholder groups would have a stronger influence on the perception of success. Clearly, in light of the findings, the dedication for financial performance drove forward all the interviewed clubs in Finland, and to an extent, FC

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<sup>35</sup> this statement can be and is challenged for example in the Kuuluvainen et al. 2012 paper. It is not, however, the aim of *this* paper venture into this discussion. Interested readers should refer to the aforementioned paper

Copenhagen as well. Thus, it will be argued that the aim for sufficient financial performance is the starting point from where onward the Finnish club may begin to address the other two dimensions of success as clearly none of the clubs disregarded these two dimensions either.

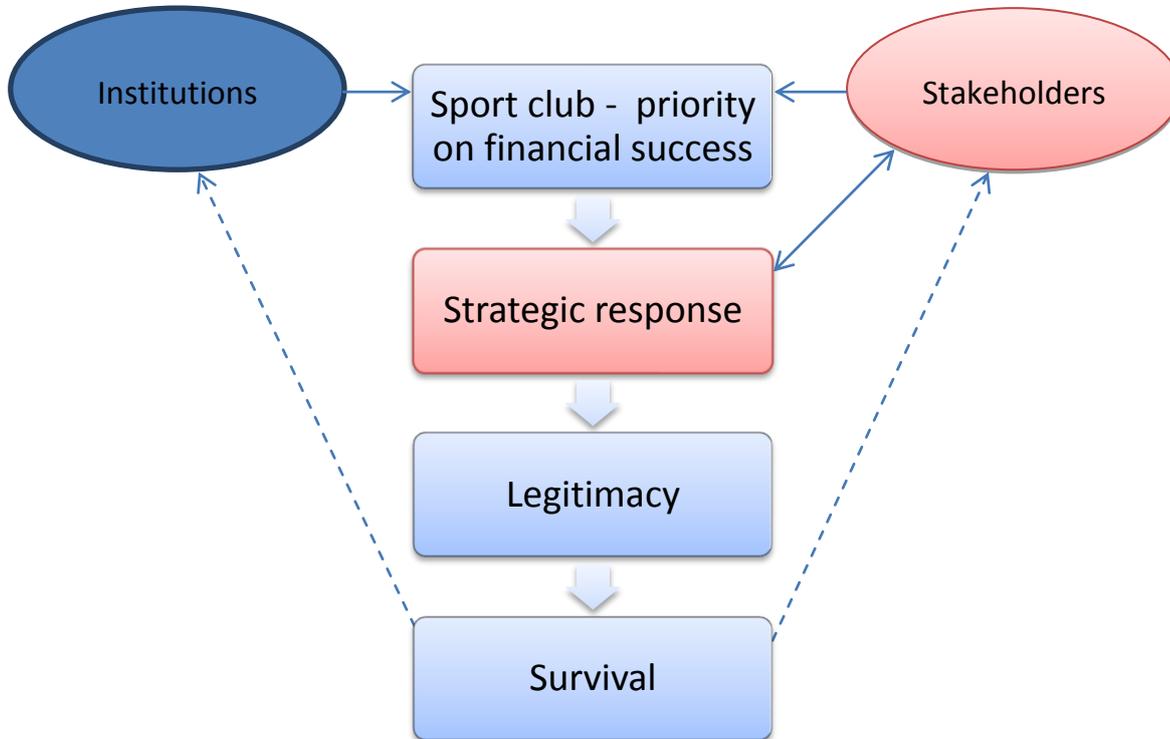


Figure 14 Institutional environment of a Finnish professional sport club

The second addition made to the model is that of accepted (viable) strategic responses available for a sport club after it experiences institutional pressures. By viable this paper refers to strategic response options which were deemed plausible from the sport club's perspective. For example, of the five possible response types identified in the theoretical discussion (acquiescence, comprise, defiance, manipulation and avoidance) only *acquiescence* and *avoidance* tactics seemed to be utilized. Moreover, there seemed to exist a mentality of avoidance among the club managers. The problem was very much acknowledged, yet, they knew or felt that it was nearly impossible to do anything about it as the power imbalance between the clubs and sport association allows the associations to effectively enforce the informal institutional rules (e.g. "don't bite the hand that feeds you"):

INTERVIEW: "...The relationship [between the club and money received from Veikkaus Oy] is sad as you cannot, nor does anyone dare talking about it. I've tried to raise this issue in meetings and such but a sort of

*'silenzio stampa', a perfect silence, takes over...*" (Sport club representative B)

INTERVIEW: "...Once we were approached by one CGP. I asked our [sport] association whether or not this [signing the deal] would be ok or not. Quite quickly it was responded that this was not 'preferable'... I was also a working with a soccer team on the lower divisions and in the beginning of every season, actually they still might get them, we get a newsletter of sort informing us that if we get any offers from any CGPs then we have no business in signing any deals with them" (Sport club representative A 2012)

INTERVIEW: "...When I began my work as the marketing director of the club it became clear quite quickly from a member of the league's board of directors that Veikkaus was not to be approached by an individual club. Veikkaus was one of the main sponsors of the association and that its support would trickle down to us in that way...around 2003-2004<sup>36</sup> myself and others [people from other clubs] began to question this system. That 'is this really ok?'... we all had the feeling that Veikkaus is pushing us stuff to promote, 'do this do that, play this advertisement in your matches' etc. yet it didn't materialize anywhere [in revenues]. Then the CEO of our sport association explained in our meeting for board of directors for the league that 'just shut up boys, this is how it goes'...Many CGPs approached us with offers. What I did was that I sent all of them to the association. I said that 'we don't have any contracts with Veikkaus but you as the association can tell us whether we can do this or not'. Every time I received a 'no' as an answer... they were sponsorship deals with a decent amount of zeros at the end'" (Sport club representative E 2012)

It is evident that the topic is extremely controversial among sport clubs, leagues and sport associations. It is also evident that the sport clubs are being subjected to a great amount of pressure from the organizations above them to keep quiet on the issue. It is also evident that pressure exists on other parties as well such as employees of CGPs and the Finnish monopoly:

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<sup>36</sup> what is noteworthy here is that this is time prior to the amended Lotteries act when, in principle, it would've been legal for CGPs to sponsor sport clubs

INTERVIEW: “*This was all off the record or such, right?* [interviewer explains that the interview will be conducted anonymously and no names of companies or people will be exposed] *good, then I can talk a bit more freely about these things*” (CGP representative 2012)

The interviewed club representatives were mainly afraid of the retaliation or punishment from either the league or association level if comments could be traced back to them; due to this it was of utmost importance for them to remain completely anonymous. Also, when the interview with the RAY employee was conducted it was important for him to remain anonymous. This is in stark contrast with the attitude prevailing in Denmark where all the three interviewees would’ve been willing and comfortable being interviewed with their own name. Moreover, when asked none of the three people interviewed reported of hearing such cases of being afraid to criticize the system.

But to return to Finland, from what has been seen in the media these fears are, to an extent, justified. For example Aleksi Valavuori, the former sport director<sup>37</sup> from Nilan Bisons, was somewhat forced to resign from his position and cut his official ties to the club after publicly criticizing Veikkaus Oy as a sponsor in Finnish basketball and sports arena in general. According to his words he and the club received threats and pressure from the Basketball league requiring them to remain quiet on the matter. (Jaakkonen 2012, MTV3 2012)

As a result of this type of behavior and fear the club representatives chose to abide and ignore the issue and focus on other matters as if their hands were tied and they were forced to an acquiescence response. This type of behavior would also seem rational in light of the amended Lotteries Act (i.e. complete ban on marketing of gambling related products other than those of the monopoly companies), and what was reported happening in cases where other strategic responses were utilized.

Some clubs and club managers had attempted the *defiance* and *manipulation* approaches by either raise their opinions on the matter or by simple signing new sponsorship deals with CGPs. However, these actions very quickly received some type of counter measures from either the sport association or the league. These parties are the institutional actors with authority and ability to enforce the institutional framework and, more importantly, were able to punish those who deviated from the norm. Due to this the sport clubs were and are somewhat forced the conformity. This type of behavior, or its opposite, is also predicted:

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<sup>37</sup> title ”urheilujohtaja” translated by the author

*“When anticipated legitimacy or economic gain is low, organizations will...defy the institutional requirements to which they are advised to conform...” (Oliver 1991, 161)*

In the Finnish case conformity was achieved due to the exact opposite of what Oliver describes. I.e. legitimacy *and* economic losses would've been too harsh if the sport clubs would not have conformed. In Denmark, however, the situation was the opposite and exactly as predicted by Oliver. As the institutional framework unclear and unable to enforce itself the individual actors behaved as they saw fit.

INTERVIEW: *“...the beginning of 2003-2004 I still think it [marketing of gambling products] was not legal in Denmark. Everybody was not like sure ‘was it legal was it illegal’ in the main term. Some places they just made some sponsorship and so on...” (DGA representative M, 2012)*

The *comprise* response was not really present as no clear co-operation existed between the parties. These findings are very much in line with the findings of Slack & Hinnings (1994).

To conclude, the Finnish professional sport club is and has been facing a very challenging institutional environment not only from formal institutions in terms of limiting gambling legislation, but also from clashing institutional values between the worlds of professional sports and national fitness. Furthermore, as the sport clubs in Finland are facing challenges in diversifying their revenue streams it is understandable that the gambling legislation and its liberation can be seen as partial solution to their problems. Indeed, it is possible that the liberation would be a solution, however, it is very likely that this “solution” would be available only to a very selected few clubs and sports. In the conclusions chapter all the findings presented in this paper will be drawn together and discussed in a concluding manner. Prior to that, however, this study revealed some interesting interactions between the different players in Finnish professional sports (clubs, leagues, associations and Veikkaus). As this topic is outside the actual scope of this paper the findings have been collected into a table and are available in appendix 4

## 7 CONCLUSIONS

This study aimed to answer whether or not the changing European gambling market and – regulation is relevant for the Finnish professional sport clubs. The first sub-objective was explored in chapter two discussing the theory of the sport club and business, the second sub-objective was explored in chapter five and the third in the previous chapter six. In this concluding chapter all the findings will be drawn together followed by a discussion of the theoretical, managerial and political implications the findings of this paper might have. Lastly, the potential sources of criticism are acknowledged and addressed. Also, suggestion for future research will be made.

### 7.1 The relevance of gambling legislation to the professional sport clubs

Although the main research problem might seem simple to answer, it proved much challenging than that. In order to understand the relevance of the gambling legislation it was necessary to understand its current effects on the clubs at the moment. In general, the attitude was highly negative. However, this also goes deeper than that. It is not so much the monopoly arrangement itself that seems to be the problem but the uncontested sponsorship market on gambling related products. Moreover, it is the different approaches and policies the sporting world and the gambling regulation take on the matter.

Based on the findings it has to be argued that a dissolving of the gambling monopoly would not have radical implications on the professional sport clubs. This is *not* to say that the impact would not be noticeable, and in some cases positive. It is highly likely, perhaps even certain, that some sports and clubs, namely ice hockey and football, could benefit much from the change. As they are so popular and already professionalized to an extent it is very likely that the sport product in these fields would attract the largest sponsorship deals. However, it is unlikely that each individual club would be able to attract a deal, as happened in Denmark. It is likely, that the leagues SM-liiga and Veikkausliiga would be able to publicly ask for deals for a new main sponsor for the league. These benefits would then trickle down to the clubs. The effects to smaller sports such as volleyball and basketball etc. might be much less visible. Again drawing from the findings in Denmark, it is unlikely that the smaller sports with little media visibility would be able to attract big sponsorship deals. This is not to say that it is impossible, but that these deals might be more the exception than the rule. As such, there exists a clear risk of polarization both between different sports as well as within the sports and their clubs themselves. The saying ‘rich get richer’ is possible to happen.

Secondly, it is possible that such a legislation change could have wider implications to the entire revenue structure of the fitness sector in Finland. However, this goes more into the realm of speculation and beyond the actual findings of this paper. It is a risk worth mentioning though.

## 7.2 Theoretical implications

This paper began from the theoretical assumption that different types of institutions affect and guide the everyday operations of sport clubs and other actors on the sports field. At the end a theoretical framework was suggested for the rest of the paper where the institutional environment, strategic responses, end goal of legitimacy & survival together with the feedback loop were combined with the stakeholder model and dimensions of success from the sport business research.

Gómez et al (2010) identified multiple stakeholder groups for a sport club. However, the findings of this paper would suggest that necessarily not all of the suggested groups were as important. Indeed, as suggested in theory section some stakeholder groups were indeed more important to the clubs than others i.e. sponsors and fans. While Gómez et al. discuss the ability of a sport club to choose its dimension of success through strategy this would not seem to be the case in Finland. The dimension of financial success was prominent; however, its aim was not to provide economic profit but adequate financial performance in order to keep the club operational. The performance to sponsors would seem to be tightly linked with the aspect of adequate economic performance. Only the performance to fans could be properly argued to be a voluntary activity from the clubs based on the available data. Although, this dimension could also stem from the social nature of sport and fitness itself in Finland as well as from the importance the roof organizations put on this group. From this it can be argued that although the same dimensions of success are present in Finland than what are present in larger European sport clubs the reasons for their presence are different. While on the European level their presence stems from voluntary activity in Finland evidence would suggest that they stem from necessity. This is especially present among smaller clubs in smaller sports.

From an institutional perspective it seems that the cognitive (e.g. values) and normative (e.g. unwritten rules) of the relevant stakeholder groups have two ways of affecting a sport club. Firstly, if the relevant stakeholder group is able to yield its authority over the institutional actor (sport club) and is able to effectively enforce these institutions then it is able to directly limit the viable strategic options an actor has available (this will be referred to as *an enforcer-subject* relationship hereafter).

Oliver (1991) argued for five different strategic options of paths an actor could take when faced with institutional pressures: *comprise*, *avoidance*, *defiance* and *manipulation*. However, due to the imbalance of power between the enforcer and subject, the enforcer is able to eliminate the most deviant strategies. The following consequences are two-fold. Firstly, as the deviant strategies have been eliminated the ability of the subject to effectively contribute to the feedback-loop is limited. As such, it is unlikely that any single action would result in a significant institutional change process as all the actions taken by the subject are already, more or less, in line with the current institutional framework. Secondly, this would suggest that in such institutional environments significant institutional isomorphism would exist among the behavior of the subjected institutional actors within the organizational field.

### 7.3 Managerial implications

Based on the findings of this paper there should be some managerial implications in all parties interviewed; clubs, leagues, sport associations and Veikkaus Oy. It would be unreasonable to point fingers at any one direction; instead, it seems that blame is to be found among all.

Firstly, *the sport clubs* – based on the theoretical understanding of the sport club and how its competitiveness is partly dependent upon its financial revenues it is understandable that the current situation is experienced as unfair or unjust. However, it also seems that instead of actively trying to resolve the issue or come up with compromises to be suggested to the enforcers they choose to blame others for this. Based on the unequal balance of power this is understandable, yet, it is not an excuse for wanting to change something without knowing or suggesting how it *should* be changed. It is undeniable that in some cases clubs are losing sponsorship money due to the legislation. However, these same clubs are also benefitting from the current gambling legislation indirectly. Understandably, though, these benefits are immaterial and without a clear reference point it is impossible to say what benefits would be lost in case the legislation was changed.

Now, by reflecting back to how a sport clubs success is strongly linked with its financial performance it is inherently clear that Finnish sport clubs are annoyed by the lack of tangible benefits. However, the clubs must also be aware that any potential new sponsor wants something in return. As such they should take notice of the example set by FC Copenhagen by clearly utilizing and putting a monetary value on their fan base. With this they can strongly bolster their position in the sponsorship negotiations.

*Veikkaus Oy* – although the company is currently operating very well from a business perspective it should be noted that some of the findings of this paper are highly

alarming. For instance, the claim that Veikkaus is misusing its monopoly position in order to gain an unfair bargaining power advantage over the sport representative is something that should not be taken light hearted. It is understandable that if Veikkaus does not conceive some deal worth as much as the opposing party then Veikkaus will not pay as much for it. However, as the company makes equality, fairness and transparency an important issue then this mentality should be carried through the entire organization and its operations. As it stands, the understanding expressed by the interviewees was that there was a lack of general common policy towards sport sponsorship from Veikkaus. It is possible that this is envious talk; however, considering the interviewees' current and post positions in the sport this is unlikely.

*Sport associations* and *leagues* – these enforcers higher up in the hierarchy of the Finnish sport field must acknowledge their position and act accordingly. Both of them have a certain role to play in the formulation of a cooperative sport product. As the interviewees acknowledged, their role is more of a facilitator of fitness than to act as a direct source of revenue for sport clubs. In other words, it is the task of the clubs to manage and run their business professionally while it is the leagues' and associations' task to provide the clubs with such an environment where this business can be conducted. Due to this responsibility they must also acknowledge the previously mentioned potential risk of polarization within the sport. The dominance of one has been shown to deteriorate the value of the league brand in the long run. As such, a possible deregulation and entry of new main sponsors could affect this. Leagues and associations have, therefore, a responsibility to keep their product as healthy as possible

However, any reports about a misuse of power either directly or indirectly when dealing with sport clubs is very alarming. Same applies to the lack of information flow between clubs, leagues and sport associations. All three parties should emphasize the importance of a working flow of information between each level of operation. This seems to be especially true in matters considering the usage of money, and more precisely, Veikkauseuros. Those parties who sign the deals and obligate the clubs to carry out some tasks should make sure that the information about the actual benefits for the clubs is readily available and communicated to them.

## **7.4 Policy implications**

As gambling and the status of the national gambling monopolies is an extremely sensitive topic in Finland it would be highly welcome that the government would somehow acknowledge their interconnectedness. This is especially true now when the discussion about the development of Finnish elite sports has been very active. The HuMu (Huippu-urheilun Muutostyöryhmä) just published their two year product on the

guidelines and strategy the Finnish system should adopt in order to achieve international success in sports. However, what was interesting to note was that while the report talked at length how athletes should be considered as professional just as any other person at a job it did not make any comments on what the role of professional sports clubs in team sports was in this equation. In my view the professionalism of sports, be that individual athletes in, e.g. skiing, or a player on an ice-hockey team are very much connected. As such it is impossible to discuss about the 'development of elite sports and sports as a profession' if the role of the actual professional leagues are not taken into account. This is not to argue, that professional sport clubs should be funded by the state, but, that their role in the professionalization of sports must be acknowledged.

In this sense, it will be interesting to see whether these new policies are put into action. A somewhat welcomed change already occurred as the Minister of Culture and Sports Paavo Arhinmäki radically changed the funding structure of the Finnish fitness front by re-directing a noticeable portion of the government subsidies directly to the grass-root level club operations, thus surpassing the sport associations and federation in between. (see for example *Ilta-Sanomat* 2013).

## **7.5 Trustworthiness and potential limitations of the study**

One of the most challenging issues during the process of this thesis writing was to get access to the relevant secondary data and academic publications. More often than not all the cited articles discussing sports business were found through indirect routes such as links and further links from Google and Google scholar. This was due to the fact that publications such as the *Journal of Sports Management* were not available in the Turku University search engine Nelli. As such, it was extremely challenging to combine the institutionalist approach with the sports business approach. Furthermore, the few publications which were found to be very relevant did discuss the two topics, however, none were found to discuss sport clubs directly but were dealing with sports in general or the previously mentioned sports providing entities. As a consequence, it is possible that some of the findings presented here as original have been made, or that the literature review is lacking in this respect.

From an empirical data point of view it is possible, though unlikely, that some new aspects could've risen with more interviews. It is also possible that more emphasis could've been put into single sports; however, due to the nature of the paper it would be recommendable to do this in follow up studies. Relating to this it is necessary to identify the limitations of the Findings from Denmark. As the sample from Danish clubs was only one and this specific club was the largest and most successful it is evident that the representation is highly biased. This limitation was, however, diminished somewhat by

approaching, for example, DOGA via email as they represented and larger sample size of Danish sports and clubs.

## **7.6 Future research**

As the nature of this study was explorative and to my knowledge first of its kind in Finland it would be recommendable to continue with further studies on this field. In a wider frame work these studies could aim to evaluate the role and effect of the indirect benefits in more detail as well as studying the effects in more detail in each individual sport. This would allow cross referencing between sports to take place and see if, indeed, some sports are benefitting more than others. Also, some studies could aim to examine how efficiently the government subsidies reach the grass-root level operations or whether these funds are spent in the 'structures' of Finnish fitness sector.

From an organizational study perspective it could be viable to make a cross-reference type study first creating a method of evaluating the different dimensions of success and then seeing whether a club can, in the long run, achieve some without emphasis on another. Also, it could be interesting to study how the balance of diversified revenue streams affects the success of a sport club.

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## APPENDICES

### Appendix 1 – Interview form for DGA representative F, Ministry of Taxation - Danish Gambling Authority

#### Previous discussion topics

1. Interviewee's background
  - i. How have you progressed to your current position
  - ii. Employer in a nutshell
  - iii. Current topics in the field of expertise
  - iv. etc.
  
2. Gambling in Denmark
  - i. Market structure and size
  - ii. Most popular game types (lotto? sports betting etc.)
  - iii. Who gambles and where? (youngsters online?)
  - iv. Attitude change over the years? From sinful to a hobby?
  
3. Old monopoly system
  - i. Basic structure? Danske Spiel as a monopoly, slot machines under license etc.
  - ii. Legislation behind it? Were the profits distributed further via some system?
  - iii. What was/is Danske Spiel's role in the society? Potential challenges?
    - o Were there vocal critics? Who and why? (in Finland some of the sports clubs have criticized the system heavily)
  - iv. When/why did the discussion of a new license system begin?
  - v. Reasons for liberating markets? (Gambling of Danes on international sites?)
  - vi. Marketing of gambling/betting/etc. products? Who was allowed to do it and where?
  - vii. etc.
  
4. New license system
  - i. First impressions? *Been able to channel consumers from grey market to new licensed operators?*
  - ii. What have been the greatest challenges? (organizing, public opinion, demands from EU/state/gambling operators/etc.)
  - iii. What has been the public's reaction? Positive/negative?
  - iv. Challenges of the new system?
  - v. Are there preliminary financial figures available? (some calculations showed that the income for the government would increase due to license fees etc. has that been the case?)

- vi. Measures against the negative side effects of gambling (fraud, money laundering, problem gambling etc.)
- vii. etc.

5. Professional sports – Monopoly VS. Licensed markets

- i. How was the co-operation formed between DanskeSpiel and professional sport clubs (e.g. football) before? *Role of Danske Spiel in sports (general)*
- ii. Was there any co-operation between other international gambling firms and clubs/leagues?
- iii. Sport clubs' attitude towards the old/new system?
- iv. Have int. gambling firms shown specific interest towards the major sports only? Has funding for "minority" sports deteriorated?
- v. etc.

Any of the topics can be discussed freely in case some important aspects are omitted.

## Appendix 2 – Interview form for Danish club representative, FC Copenhagen

1. Interviewee and FC Copenhagen
  - a. Background (role in the organization, education, etc.)
  - b. Work experience
  - c. Club history, values and mission?
  - d. FC Copenhagen's organizational structure and size (ownership, staff, full time vs. part time employees, etc.)
  
2. Football in Denmark
  - a. Football is the largest sport, how many players? Does any other sport come even close?
  - b. What is the role of the Danish government in FC Copenhagen or football in general? Are there any connections? How about Danske Spiel prior and after legislation change?
  - c. What type of a relationship does FC Copenhagen have with the national "Football association" i.e. what is the hierarchy like in Denmark?
  - d. National gambling monopoly incomes have often been used for grass-root level operations/support. Opinions on this topic considering Denmark?
  - e. FC Copenhagen's own operations on the grassroots level? Junior academies, coaching, talent programs, community programs etc.?
  
3. Professional sports
  - a. How has the professional sports arena changed over the years (e.g. last 10-20 years?)
  - b. How has professional sports as business changed over the years? In Denmark vs. e.g. Europe
  - c. How would you define "success"? When has FC Copenhagen been successful? (financial, sporting, fan base, FIFA ranking, brand value etc.?)
  
4. Finances and sponsor relations
  - a. How many sponsors/partners numerically?
  - b. What is FC Copenhagen offering in return?

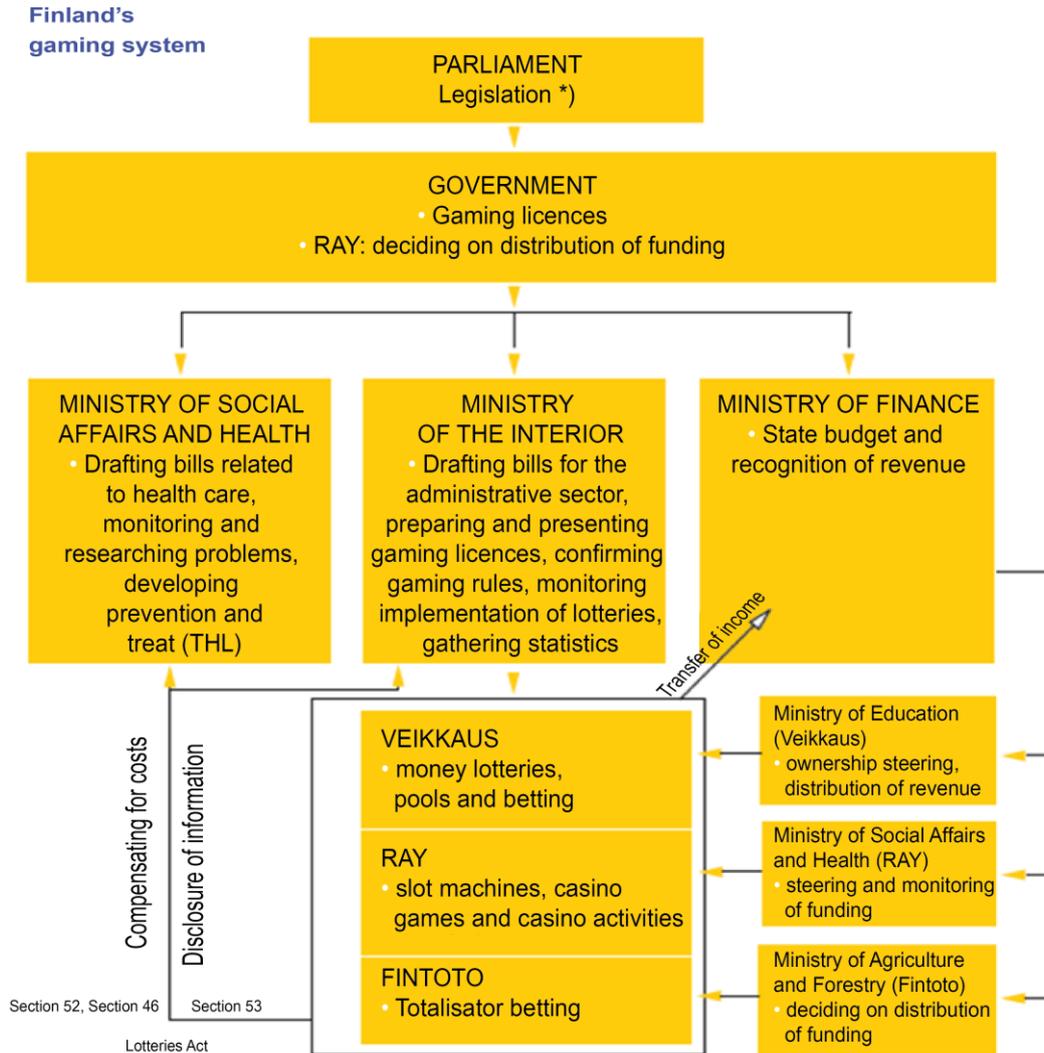
- c. Which channels are utilized in finding them? (Personal networks, sponsor markets, etc...)
  - d. Expense structure (largest expenses, salaries, transfer fees, travel expenses, stadium renovations etc.) No exact figures needed just general discussion on the ratios. Usage of these figures can be agreed upon prior to publication of my thesis)
  - e. Income structure (Gate takings vs Sponsorships vs potential state benefits etc...?)
  - f. Are there differences between sponsors? Some considered as strategic partners while others just as sponsors?
5. Danske Spiel monopoly VS. liberalised markets
- a. General discussion on the situation prior to the legislation change. Were all parties happy with it? Was sponsorship/marketing limited somehow? In short, what was a professional sports club's opinion of the situation? Were there difficulties?
  - b. How active was Danske Spiel as a sponsor in Danish football? How was co-operation arranged? Between DS and the league/clubs/football association? Win-win situation?
  - c. Did international gambling operators approach clubs before the legislation was changed?
  - d. Legislation changed, how did this affect FC Copenhagen and/or football in Denmark in general? Positive/negative? Have there been problems from this? Were different stakeholder groups prepared for it even before it became a "public topic"?
  - a. are the new sponsorship deals for how long period?
  - e. Effects to smaller clubs and/or smaller sports (basketball, volleyball, etc...?)
  - f. Effects to grass-root level operations?
  - g. Was commercial competition for sponsors between clubs affected? Or did the new sponsor market somehow otherwise change the nature of business?
6. Future
- a. Where is football in Denmark heading? And FC Copenhagen? Challenges to be overcome?
  - b. Long run effects of the liberalization of gambling markets? E.g. sponsorship markets in five years?
7. Else?

### Appendix 3 – Gambling monopoly in Finland – Veikkaus Oy

As mentioned the Finnish system is governed by the three separate state monopolies. Of the three Fintoto is of least interest as their role in regards to professional team sports is trifling. RAY's role on the professional sports front is also miniscule as it does not participate actively in relevant sponsorship activities. Due to these reasons both Fintoto and RAY are left outside the scope of this paper. Therefore, this chapter will give a quick overview of Veikkaus and its role and purpose in the Finnish society. The detailed governance of either company is not much of great interest as, for this paper, more interest is found on how the profits are circulated in the society. The current Finnish gambling and betting system is illustrated in Figure 3 below.<sup>38</sup>

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<sup>38</sup> As the scope of this study is limited to team sports it is reasonable to focus mainly on Veikkaus and RAY as Fintoto and totalisator betting has little to do with relevant betting or gambling activities



\*) Based on the Act on the Autonomy of Åland (1144/1991), the Lotteries Act comes under the region's legislative power. The local Lotteries Act (Landskapslag om lotterier 1966:10) regulates gaming. Exclusive rights to run slot machines, casino games and betting activities have been granted to the association Ålands Penningautomatförening (PAF).

Figure 15 The Finnish gaming system (adapted from *Suomalaisen rahapelaamisen vuosikirja 2009*, 14)

Veikkaus Oy is a state owned limited company. Any profits made by the company are returned to the Ministry of Finance. The distribution of this income is determined by the Parliament and implemented according to the Ministry of Education and Culture (MEC) decisions. By 2010 the system had adopted a 38,5% / 25,0% / 17,5% / 9,0% - system of distributing the profits to Arts, Sports, Science and Youth Work respectively. Beneficiaries within each field include museums, opera houses and diverse cultural events (arts), construction of sporting venues, sports clubs, sports research, fitness for children and adolescents, and sports education (sports). In science the major beneficiary

is the Academy of Finland while for youth work the majority of the funds are directed at supporting young people's civic organisations and pastimes (e.g. youth associations). The distribution of the final 10% is determined annually. (Suomalaisen rahapelaamisen vuosikirja 2009, 25–28; Veikkaus2011; Veikkaus Oy annual report 2009, 39).

In 2011 the MEC gave out EUR 515,8 million in subsidies. EUR 143,9 million of these were channelled to fitness<sup>39</sup>. *99,6% of these EUR 143,9 million came from Veikkaus' profits.* (Veikkaus Oy annual report for 2011 2012, 37)

According to the Lotteries Act Veikkaus Oy can organize and offer lotteries and pools and betting games (Arpajaislaki 11 §). Nowadays Veikkaus is offering some 30 different gaming products, which it itself has labelled as either: dreaming (e.g. Lotto), recreational pursuits (e.g. sports betting), excitement (e.g. Keno) and community (e.g. Veikkausbingo) (Veikkaus Oy annual report 2009 2010, 16).

Game-wise Lotto made up the vast majority of Veikkaus' turnover in 2011 accounting for EUR 576,1 million and roughly a third of the company's total turnover (Veikkaus Oy annual report 2011 2012, 18). Sports games and betting on the other hand accounted for EUR 273,8 million of the total turnover (Veikkaus Oy annual report 2011 2012, 100).<sup>40</sup>

Veikkaus has been continuously growing its registered customer base. In 2010 the number exceeded 1,223,000 (Veikkaus Oy annual statement 2011 2012, 14). This might suggest that Veikkaus has been successful in its strategy of widening its customer base instead of deteriorating the situation of problem gamblers.

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<sup>39</sup> 'Sport' in this paper relates more to the professional aspect of sports than to the more general term 'fitness' which encompasses all sports activities in towns, cities and municipalities.

<sup>40</sup> by some rudimentary math we can illustrate that sports in general is a beneficiary of other Veikkaus games such as Lotto and Keno. If we generalize that Veikkaus' profit margin of 2011 (28,7%) is a flat profit margin regardless of game type, then we can calculate that of the EUR 273,8 million turnover accumulated by sports betting only EUR 78,5 million could've been returned to sports in general by the Ministry of Education and culture in form of Veikkaus profits.

Appendix 4 Relationship matrix

	<b>Clubs</b>	<b>League</b>	<b>Association</b>	<b>Veikkaus OY</b>
<b>View of clubs on:</b>	The "front-stage" for Finnish professional sports		Seen as guard dogs not as trustees. Exerting their authority to silence critique	A necessary burden as there are no other options  Not as a serious sponsor or a supporter.  Trying to critique it would cause more harm than it's worth
<b>View of league on:</b>	Can be owners or part owners of the league as a product  Do not understand their role properly  Can be lacking on the know-how of everyday business life  "Coach" for clubs	Task is to promote and ensure a business environment where clubs can carry out their own business operations  Responsible for attracting media attention  Responsible for high level of sports, athletes, coaches, referees, etc.  It's liable to the owners for its actions	Responsible for lower division operations and the national team  Has a wider social task & responsibility  Responsible for building the foundations of the sport	As an unfair and opportunist <i>sponsor</i>  Unwilling to play according to the rules that other firms follow  A benefactor of fitness and sport in general
<b>View of sport association</b> <sup>41</sup>	Sport clubs are responsible for their own operations  Are unable or unwilling to see the bigger picture  Do not have all the facts on the issue  The dire need for more money is acknowledged	Roof organization for the clubs. Creates it's own sport product and responsible for marketing it as it sees fit  Tip of the iceberg but the most visible factor of the sport world	Responsible for the national team and junior level operations	Seen as a sponsor/partner with two roles  Significant role to the youth activities from a financial perspective (government money)  Very limited role as a sponsor for the (professional) national team

<sup>41</sup> the sport associations connections/ responsibility for the national team might differ between different sports. Clear hierarchy was difficult to draw due to limited resources and a wide variety of different association. Thus this generalization might not be applicable to all sports.

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<b>Veikkaus OY's view</b>	Not an important marketing/communication channel	Responsible for coming up with a product Veikkaus wishes to buy	Partners through whom their message is being communicated to the wider public	Company which's task is to generate value and funds to its beneficiaries in a responsible manner.
	Not responsible for the clubs but to the leagues and associations -> no club responsibility	Responsible for distributing the sponsorship funds as it sees fit	Shared interests in providing benefits to the grassroots levels and fitness in general.	Not as a <i>sponsor</i> or <i>benefactor</i> of professional sport but of fitness in general
	Proper and valid channel of conducting sponsorship -> trickle down	Professional sport is a mere fraction of the big picture.		

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