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## **Financial Risk Management Assessment of elite sports clubs in Iceland**

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## Abstract

This thesis explores the financial and organizational challenges facing elite sports clubs in Iceland, focusing on football, basketball, and handball. Domestic clubs often encounter unstable economic conditions due to fierce competition, low match attendance, limited sponsorship, and risky budgeting practices. Clubs frequently rely on optimistic projections rather than realistic financial planning, leading to chronic deficits.

Most Icelandic clubs are multi-sport, member-owned associations rather than private entities. This structure complicates accountability, especially when divisions run into debt. Although some clubs have internal rules to regulate financial decisions, enforcement is inconsistent. The Supreme Court of Iceland ruled that parent clubs are liable for their divisions' debts, a decision that can harm the broader operations of clubs and deter new board members.

Comparing models from Denmark and Sweden, including the use of a mix of clubs and limited liability companies for elite teams, offering increased investment potential, better governance, and community engagement. Responses from the clubs indicate that there is interest in similar models to improve Icelandic clubs, but current laws under the National Olympic and Sports Association of Iceland (NOC) restrict for-profit operations.

Survey results from club and division leaders reveal discrepancies in governance perceptions. While many acknowledge their financial responsibilities, collaboration between parent clubs and divisions is often misaligned. A significant portion of clubs lack clear spending limits, though there is growing interest in professionalizing operations through licensing systems.

Currently, only football has a formal licensing system implemented through UEFA to ensure financial sustainability. Handball and basketball associations are planning to implement similar systems. Interviews with key stakeholders support the positive impact of licensing in maintaining fiscal discipline and highlight the need for tailored systems, especially where external revenue (like UEFA funding) is limited.

The study also explores potential benefits of club mergers to reduce costs, expand fan bases, and enhance competitiveness. However, strong local identities and developmental goals for youth players often hinder support for such mergers.

In conclusion, the report recommends greater financial education for club personnel, stricter budgeting guidelines, implementation of licensing systems across all top sports, and reconsideration of organizational models. Projects aimed at standardizing financial frameworks and increasing oversight are proposed for roll-out from 2025 to 2027, with support from regional associations, municipalities and The National Olympic and Sports Association of Iceland.

## Résumé en français

Cette thèse explore les défis financiers et organisationnels auxquels sont confrontés les clubs sportifs d'élite en Islande, en se concentrant sur le football, le basketball et le handball. Les clubs islandais font souvent face à des conditions économiques instables en raison d'une forte concurrence, d'une faible affluence aux matchs, d'un parrainage limité et de pratiques budgétaires risquées. Ils s'appuient fréquemment sur des prévisions optimistes plutôt que sur une planification financière réaliste, ce qui entraîne des déficits chroniques.

La plupart des clubs islandais sont des associations multisports appartenant à leurs membres, plutôt que des entités privées. Cette structure complique la responsabilité, notamment lorsque les divisions s'endettent. Bien que certains clubs disposent de règles internes pour encadrer les décisions financières, leur application est incohérente. La Cour suprême d'Islande a statué que les clubs parents sont responsables des dettes de leurs divisions. Il s'agit d'une décision qui peut finir par nuire aux opérations globales des clubs et dissuader de nouveaux membres de rejoindre les conseils d'administration.

La thèse compare des modèles danois et suédois, notamment l'utilisation d'un mélange de clubs et de sociétés à responsabilité limitée pour les équipes d'élite, offrant un potentiel d'investissement accru, une meilleure gouvernance et un engagement communautaire renforcé. Elle s'interroge sur la possibilité d'adopter des modèles similaires en Islande, bien que les lois actuelles sous l'égide du Comité Olympique et Sportif National d'Islande (ÍSÍ) limitent les opérations à but lucratif.

Les résultats d'enquêtes menées auprès des dirigeants de clubs et de divisions révèlent des divergences dans les perceptions de la gouvernance. Bien que beaucoup reconnaissent leurs responsabilités financières, la collaboration entre clubs parents et divisions est souvent mal alignée. Une part importante des clubs ne disposent pas de limites de dépenses claires, mais on observe un intérêt croissant pour la professionnalisation des opérations via des systèmes de licences.

Actuellement, seul le football dispose d'un système de licence formel, celui mis en œuvre par l'UEFA, pour garantir la durabilité financière. Les fédérations de handball et de basketball prévoient de mettre en œuvre des systèmes similaires. Des entretiens avec des parties prenantes clés confirment l'impact positif des licences sur la discipline budgétaire et soulignent la nécessité de systèmes adaptés, notamment dans les disciplines où les revenus externes (comme les fonds de l'UEFA) sont limités.

La thèse examine également les avantages potentiels des fusions de clubs pour réduire les coûts, élargir les bases de supporters et renforcer la compétitivité. Toutefois, de fortes identités locales et des objectifs de développement pour les jeunes joueurs freinent souvent le soutien à de telles fusions.

En conclusion, la thèse recommande une meilleure éducation financière pour le personnel des clubs, des lignes directrices budgétaires plus strictes, la mise en œuvre de systèmes de licences dans tous les sports majeurs, et une réévaluation des modèles organisationnels. Des projets visant

à standardiser les cadres financiers et à renforcer la supervision sont proposés pour être déployés entre 2025 et 2027, avec le soutien des associations régionales, des municipalités et du Comité Olympique et Sportif National d'Islande.

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# 1. Introduction

The focus of this research is on the financial problems top club sports in Iceland are facing and to try to come up with some possible solutions to solve them. There is no simple solution but there are possibilities to change the way clubs are working now so that they can become more stable economically and limit taking too much risk in their operation.

With only 30% of football divisions in Iceland making a profit in 2022 and 2023. Basketball divisions in Reykjavik had similar outcome in those years but handball had losses in all divisions in the year 2022 but did significantly better in 2023 when 30% had losses. This is affecting the parent clubs and in Reykjavik 77% of them had losses in 2022 but in 2023 it was down to 22% with one club having to take financial hit due to one or more sport divisions overspending. These facts indicate a need for financial management improvement.

Based on what is happening in other European countries most aligned to Iceland, there are examples to enhance financial stability including merging clubs or taking up different model of organisation/type of ownership.

By looking at annual reports, asking parent clubs and divisions questions and interviewing associations, the objective is to gain a clearer understanding of the situation and be able to provide recommendations to the sports environment in Iceland.

## 2. Related literature and theoretical focus

In Iceland there are three sports, basketball, football and handball, that receive considerable media exposure and the largest amount of sponsorship. Football is by far the largest sport in Iceland, with the men's teams reaching the European Championships finals in 2016 and the World Cup finals in 2018 and the women's teams getting to every finals of Euros since 2009. Handball is the sport that has had most success internationally with the men's team earning silver at the Olympics in Beijing 2008 and regularly reaching the finals of European Championships or World Cup and the women's teams earning spots in four final tournaments of World Championships/European championships since 2011. In Basketball, men have managed to get to the finals of the European Championship, Euro basket in 2015 and 2017 but the women are a bit weaker comparatively although improving.

At the club level there are leagues that have 10-12 teams in the first tier. In these leagues there is fierce competition, not only to win it and become Icelandic Champions but also to get into European competitions in football or to get into play-offs of the Icelandic Championship in basketball and handball. This competition is costing the clubs a lot of money, primarily in player acquisition and coaching, in an environment where you have not so much attendance at matches in a regular season and it is getting more and more difficult to secure sponsors.

Therefore, either the club is lucky and gets into play-offs where it has a greater chance to finish level economically, or it gets into European competitions where it gets a lot of money from UEFA (this only applies to football), or the Club is unlucky and faces the unavoidable consequences of not having enough income and goes into debt.

In Denmark similar situations occur in football where clubs have expectations to gain certain positions in competition but if they don't they may lose money. Typically, those who invest the most, bring in many good players and therefore have a better chance to get a place higher in the league table and thereby an opportunity to take part in European competitions. Many clubs are looking at the same positions at the end of the season, these spots however cannot be shared. "If ten clubs expect a top four placement, and thereby also the opportunity to play European games the following season, then only 40% of the clubs will reach their goals, unless another club surprises everyone and steals one of the four top positions. This intense competition creates a lot of risk in the football industry. To achieve the goals, the clubs must invest in players, academies, and facilities. But the certainty of getting a respectable return on these investments are slim, due to the competition" (Dalsö and Jensen, 2020).

All of these "clubs" in Iceland are divisions or departments of multi-sport clubs so when one division inside a larger organisation loses money, the question of who carries the debt responsibility arises. The most common response is that those on the boards of divisions who created the debt suddenly disappear. According to a ruling by the supreme court in Iceland (50/2201 Icelandic Supreme Court) is that the board of the multi- sport club should be responsible for the debt of its divisions. Having to "clean up" debts from one or more divisions affects other operations of a club including less money for maintenance of facilities, or for new projects or initiatives. Increasing membership fees and/or training fees for children could be an outcome when clubs try to meet the financial gap which might lead to a drop in membership or protests and negative PR. Recruiting new board members for seats vacated at the division board is also difficult due to the negative reputation and additional challenges of recovering from previous board member decisions.

Some clubs have made rules or put in their bylaws some statements to try to prevent the division from taking major financial decisions. Unfortunately, these bylaws are often not enforced or with little or no repercussions. Here is an example of a paragraph in the bylaws of a club:

"Each department shall take care of itself financially. The department's accounts shall, however, be kept and preserved at the office of the club. Each department has income from annual fees, sports competitions and the fundraisers it undertakes in consultation with the main board of the association. The department board of the sports department shall submit a budget for the operating year to the main board. All major financial obligations of the department must be submitted to the main board for approval. The main board has the right at any time to inspect the accounts and finances of the department. To this end, the main board may appoint a special shop steward for such tasks, who may issue instructions for improvements if deemed necessary. Achievement work and its funding shall be separately segregated in the accounts of the sports

department. The sports department is authorized to negotiate with a third party on the operation and supervision of elite activities within the framework permitted by laws and regulations of ÍSí (NOC of Iceland) and special associations. A person or company that is involved in such a task for the sports department shall comply with the law and follow the policy of the club. “(Knattspyrnufélag Reykjavíkur, 2022).

Although some clubs have in their bylaws provisions on how to handle financial obligations on behalf of the club there are unfortunately many examples of that not being followed. Most of the time it happens in the way that the division board agrees a contract with a player without getting it sanctioned by the club board. Sometimes there is not enough information being given from the club to the divisions on what the actual financial situation is for a particular division which can lead to people thinking that the situation is better than it really is.

It is important to recognize that the clubs in Iceland are partly professional and partly volunteer operated. This goes both for the administrative part and the player’s part. So, there is sometimes a situation where you have people working at the club office dealing with volunteers on boards who do not have the background to take professional decisions. But they have the power. Interestingly Iceland has proportionally more people working in the sports industry than any other nation in Europe with 2,57% of people in the labor market (Eurostat, 2024).

According to a report “Characteristics of European sports clubs” (Breuer, Feiler, Llopis-Goig, Elmoose- Österlund, 2017) one third of European sports clubs are privately owned. In Iceland there are not privately owned clubs, but member owned form of an organisation. In the neighbour countries other forms of ownership are very common. Often the structure of such clubs is that on the side of the mother club there is a limited liability company taking care of the elite section of the club, for example in Brøndby in Copenhagen, Denmark in the bylaws of the mother club it states that the clubs's professional department is run as a limited company. The professional department keeps its own accounts and is otherwise subject to the rules and regulations applicable to limited liability companies (Brøndbyernes Idrætsforening, 2024).

An example of another model is Hammarby in Stockholm Sweden where club ownership is a mixture of members and private ownership. In a memorandum written by Margret Hafsteinsdottir, a lawyer working in sports in Reykjavik, Margret discusses the concept of sports private limited company within the Hammarby sports club. Hammarby IF has been among the better football clubs in Sweden through many years but has struggled to be at the very top. In the 1990’s Swedish football underwent changes with increasing professionalism. Clubs began considering separating their professional operations from other activities. Inspired by Germany in 1999 The Swedish Confederation of Sport introduced the so called 51% ownership rule allowing private companies to own up to 49% of the operation of an elite team. In Germany, this is known as the 50+1 rule. The rule essentially states that a sports club that decides to establish a sports private limited company to manage a specific part of its activities must never own less than 51% of such a company. This form secures that the control of the club is with the



“parent club” and that the private owners can’t fully own the club. The members of the club can have influence on its organisation and management.

Hammarby AB places special emphasis on community participation, connections with the club's supporters, and taking firm control of the club's financial management with the aim of strengthening the elite teams, internal club activities, youth teams, and facilities.

According to Hafsteinsdottir (2024), the benefits of establishing sports private limited companies include:

1. **Financial:**
  - **Investment Opportunities:** Easier access for investors to fund player acquisitions, staff, equipment, and facilities.
  - **Increased Revenue:** Selling shares can generate funds for the club's development.
2. **Community Engagement:**
  - **Support for Sports:** Investments can enhance the local sports scene.
  - **Social Responsibility:** Clubs can engage in community projects and charitable activities.
3. **Governance:**
  - **Influence on Management:** Shareholders can participate in decision-making processes.
  - **Transparency and Accountability:** Legal requirements ensure clear governance and reporting.
4. **Marketing and Sponsorship:**
  - **Market Access:** Easier connections with businesses and advertisers.
  - **Visibility and Image:** Investments can improve the club's public image and marketing opportunities.

Considering the above, the question remains, should Icelandic clubs consider a change in ownership or what is necessary to become more professional? What changes would have to be made to the system in order to allow such changes if it is agreed that Icelandic elite sports need to become more professional?

It is important to look at the structure of the sports movement in Iceland. The supreme entity of Sports in the country is the National Olympic and Sports Association of Iceland (NOC of Iceland). To be able to take part in sports competitions in Iceland you have to be a member of the NOC via a district association within the NOC. Can clubs, according to laws of the NOC of Iceland, even change their organization structure? Can they take the men’s football team out of the club and run it separately so that if they go bankrupt, they don’t take the whole multi-sport club down with them? The laws of the NOC of Iceland state that the operation of a sports

club is limited to its interests and the activities that is related to the practice of sports and is not for profit (NOC Iceland, 2023). Traditionally there are no privately owned clubs in Iceland.

Would there have to be a change in the laws of the NOC to take in the possibility to establish professional teams that are accepted to make profit? Even to bring in investors to take the risk themselves? This might be difficult. In European club competitions Icelandic clubs are competing against privately owned clubs. What stops Icelandic clubs from doing the same?

In 2020, David Svansson interviewed club leaders in Iceland and nearly all of them said that their club struggled financially and that the elite part was not sustainable (Svansson, 2020). The situation has not gotten better with a report from The Football Association of Iceland and Deloitte concluding that only six of the 20 clubs that played in the premier Icelandic leagues between 2020-2023 with both men's or women's teams were profitable (Deloitte, KSÍ, 2024).

The general feeling of those who are working in sports in Iceland or following sports in general is that the business model in the elite clubs in Iceland is not working. There are big losses continuing over years as annual reports from clubs is showing. This is actually also happening in other countries as stated in a report from European leagues indicating that half of clubs in European football are operating with deficits (European leagues, 2020). It is obvious that more income is needed or spending needs to decrease. In Iceland there has been talk of more support from municipalities in the context of top sports clubs being positive for the local community, people getting behind the team, positive effect on kids taking part in sports etc.

In an article from Idrættens Analyseinstitut in Denmark (The Danish Institute for Sports Analysis) it pointed out that bringing the risk of running a sports club to the society may have negative effect on the business conduct. Most of the clubs are run under 'soft budget restrictions', which means the clubs are expecting to receive financial support to cover losses and deficits. A normal link between profits and long-term survival is not there. Clubs are hoping that they will be rescued if they get into problems financially. It is important that clubs give serious consideration to how they are going to be run long-term without having to count on support from the municipalities or for that matter some rich men who like to chip in some money for a short term. The sports industry has to take the responsibility and be innovative in finding other ways or developing the product (Idan, Storm, 2013).

It seems that budgeting in Icelandic clubs is rather based on high hopes of success both on the pitch and towards getting a lot of sponsorship then realistic measures. This results in too many cases of negative economic outcome that in many cases keeps building up through time. UEFA has established financial fair play rules that are meant to prevent clubs from having an unhealthy economy (UEFA Club Licensing and Financial Sustainability Regulations, 2024). Clubs must fulfill a minimum criterion to get admission to take part in European competitions and national associations can also apply their own version of these rules in their league system.

The license covers many aspects of running a football club like social aspects, wellbeing of players, personnel, environmental considerations, and infrastructure. It also covers the

financial side of football clubs. Clubs must provide audited financial statements and may not have overdue payables to other clubs, employees, or authorities. Clubs must deliver information on future financial obligations or intentions. They must demonstrate that they are financially stable, are managing their costs responsibly and that their spending is sustainable long-term.

Clubs are monitored by associations annually, but UEFA oversees that the associations are applying regulations effectively and consistently. Sanctions are imposed if clubs do not follow the regulations. These can be fines, transfer bans or exclusion from competitions (UEFA, 2024).

There have been sanctions by UEFA to clubs in Europe but not to Icelandic clubs and not by The Football Association of Iceland (KSI) to Icelandic clubs. In handball or basketball in Iceland there are not systems like this. Rules like this do exist in European context but they do not go as much into depth on financial matters. Although a system like UEFA/KSI must have a positive effect on the finance of football clubs it cannot solve all the problems.

You can also look at the fact that when it comes to how clubs operate, they often look at how other successful clubs have done things, both in Iceland and abroad, and they imitate their operation. This can be a strategy to reduce uncertainty and improve performance by adopting best practices and is referred to as Mimetic Isomorphism. Example of this is the building of stadiums where the largest clubs in Iceland are asking the municipalities for bigger stadiums like clubs in Scandinavia play in (Storm, 2013).

The mechanism of normative Isomorphism involves sport clubs adopting norms and values from their professional field. This often occurs through professional networks, education, and training programs that promote certain standards and practices such as the minimum requirements for stadium size in the license system of football (Storm, 2013).

Coercive Isomorphism can occur when sport clubs are compelled to change due to external pressures, such as regulations, laws, or policies. Have the clubs accepted that the form of organization that the laws of the NOC state are the only way and they keep complying to those instead of looking at ways to change to a possibly more suitable form?

These mechanisms can help sport clubs achieve legitimacy and acceptance within their field, which can be crucial for securing resources and support. However, isomorphism can also lead to a lack of innovation and diversity as clubs become more homogenous (Dimaggio and Powell, 1983).

In other European countries, especially in Norway and Denmark, the merging of clubs has taken place since before the millennium with some financial and competitive success. According to The Danish Institute for Sports Analysis the clubs in Denmark experienced significant growth economically until the financial crisis in 2008 where all clubs struggled. After the crisis they managed to get on a better track again but only a few were making profits until 2014 (Idan,

2015) and in the years until 2018 it seems the situation did not get any better (Dalsö and Jensen, 2020). According to a report from UEFA on the financial landscape of the clubs revenue is increasing and losses are turning to profits (UEFA, 2024).

Looking at the benefits of merging clubs, one of the primary ones is the potential for improved financial stability. By combining resources, clubs can reduce operational costs and achieve economies of scale. Shared expenses for facilities, staff, and administrative functions for example. Mergers can also lead to a stronger financial position, making it easier to attract sponsors and investors. A merger can strengthen a club's competitive edge by pooling resources and expertise. This can lead to better strategic planning, improved coaching, and more effective scouting and recruitment. A stronger, more competitive team can achieve better results on the field, which in turn can attract more fans and sponsors (Storm, 2009).

Increasing fan base by bringing together supporters from both clubs can lead to higher attendance at matches, increased merchandise sales, and greater overall commitment. A larger fan base can also enhance the club's marketability, attracting more lucrative sponsorship deals. Hand in hand with fan base mergers can facilitate strategic growth and market expansion. By merging, clubs can enter new markets and regions, increasing their visibility and influence. This can be particularly beneficial for smaller clubs looking to compete with larger, more established teams. Expanding into new markets can also open up additional revenue streams. This would be a very important aspect in a country like Iceland where inhabitants are not so many.

Combining clubs often means access to better facilities and infrastructure. This can include upgraded training grounds, stadiums, and medical facilities. Improved infrastructure can enhance player development and performance, as well as provide a better experience for fans attending matches (Storm, 2009).

Since the change of the millennium the city of Reykjavik and Reykjavik sports association have had in their strategic planning to build fewer competition facilities and to have clubs share the facilities. Although this would be a very positive economic solution it has not happened. In Iceland facilities are most of the time built by communities so merging clubs can have a positive impact on the community. Also, by combining efforts, clubs can enhance their community outreach programs and social initiatives. This can lead to greater community support and involvement, fostering a sense of unity and pride among local residents.

While merging clubs can also present challenges such as integrating different cultures and managing fan expectations, the potential benefits are significant. Improved financial stability, a larger talent pool, increased fan engagement, better infrastructure, strategic growth, enhanced competitiveness, and positive community impact are all compelling reasons for clubs to consider mergers. By carefully planning and executing a merger, clubs can position themselves for long-term success and sustainability and less risk (Storm, 2013).

## **3. Methodology**

### **3.1 Quantitative surveys**

Two questionnaires were developed in the SurveyMonkey platform, one targeted to people in charge of clubs and another for those overseeing the football, handball, or basketball divisions of clubs competing in top leagues.

Fifteen of the questions were the same for both groups which allows for comparison between responses at the division level and those at the parent club level to see if they are looking at things the same way. The survey for division leaders included additional questions that go more into detail about their particular sport and their daily business.

E-mails were sent to 32 parent club chairs and managers ([SurveyMonkey Survey Summary](#)). Follow-up e-mails were sent 9 days after the initial email and again 15 days later.

Another set of emails with the division survey link were sent to 82 chair people and managers of divisions of football, basketball or handball ([SurveyMonkey Survey Summary](#)). Follow-up emails were sent 9 days after the initial email and again 15 days later.

### **3.2 Qualitative Methodology**

Representatives from three Iceland sport associations, Basketball Association, Football Association and Handball Association were interviewed in person, particularly about licensing systems like what the football association has in place.

### **3.3 Secondary Research**

Annual reports from the years 2020, 2021, 2022, and 2023 for 19 divisions for basketball, football and handball divisions of 9 clubs in Reykjavik were reviewed, specifically focused on profits and losses to determine the number of divisions losing money.

## **4. Research results and discussion**

### **4.1 Annual reports**

To understand the financial position of clubs, income statements for the years 2020 to 2023 from clubs in Reykjavik were examined. Profits and losses from the divisions show that they go very much up and down between years and that football and specially basketball seem to struggle a lot to make profit. When divisions struggle, and it is not only one but more, then that

can hit the parent clubs. That happened early 2024 when one of the largest clubs in the country had three divisions with losses and two of them with very high losses. The club was on the verge of being bankrupt but managed to get through partly as a result of being taken into an “emergency unit” treatment by the municipality and the district association.

Looking at profits and losses, handball clubs seem to be doing well apart from the year 2022 (figure 4.1). This could be explained by difficulties in resetting after the pandemic. Overall handball clubs are not bringing in many players from abroad since the level of the sport in the country is relatively high internationally so recruitment is more often coming from the youth but of course they sometimes need to get players from abroad in positions that they have difficulties in finding players like for example goalkeepers.

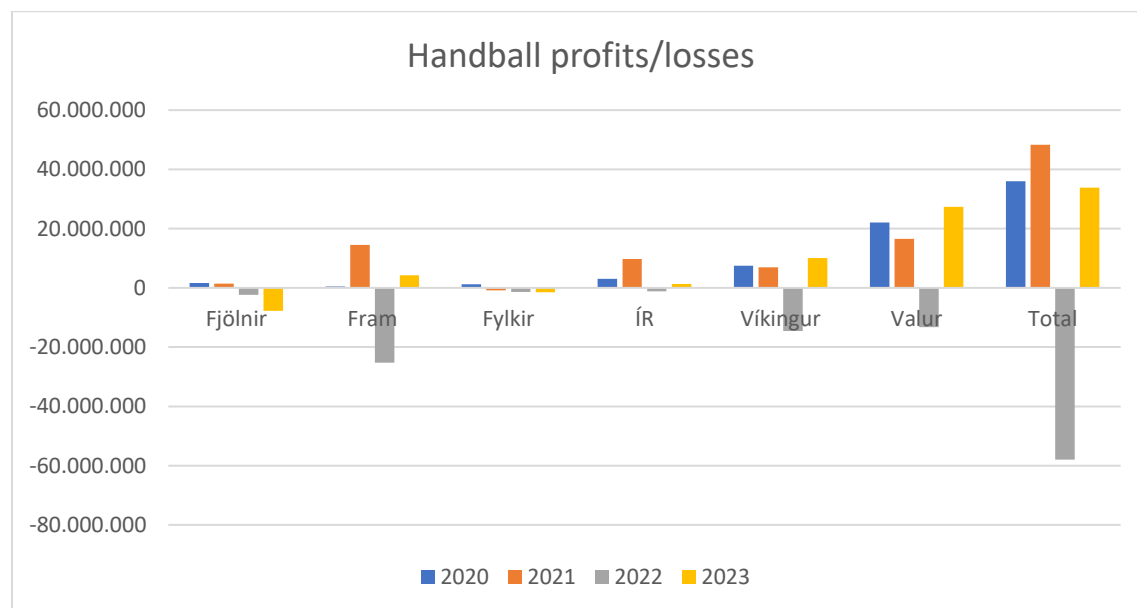


Figure 4.1 Profits and losses for hanball clubs in Reykjavik 2020 to 2023

Taking a look at football (figure 4.2) the situation is a bit different. There is much more flutter in the numbers and opposite from handball, 2021 seems to have been a relatively good year for football clubs in Iceland in spite of covid restrictions limiting fans to attend matches. The government of Iceland was at that time supporting sport clubs economically so that presumably helped. However when looking at the overall situation in the years 2022 and 2023 there are losses. Most of the divisions are only having losses one year but one division has considerable losses both years. Overall football has more players on contracts than handball and there is a much more active market for selling players and as a consequence the “need” to buy players or make contracts with players to fill vacant positions in the teams that young players within the clubs are considered not strong enough to fill. Football clubs also get some payments from UEFA if they get into European competitions. The amounts get higher the higher stage of the competition you get to.

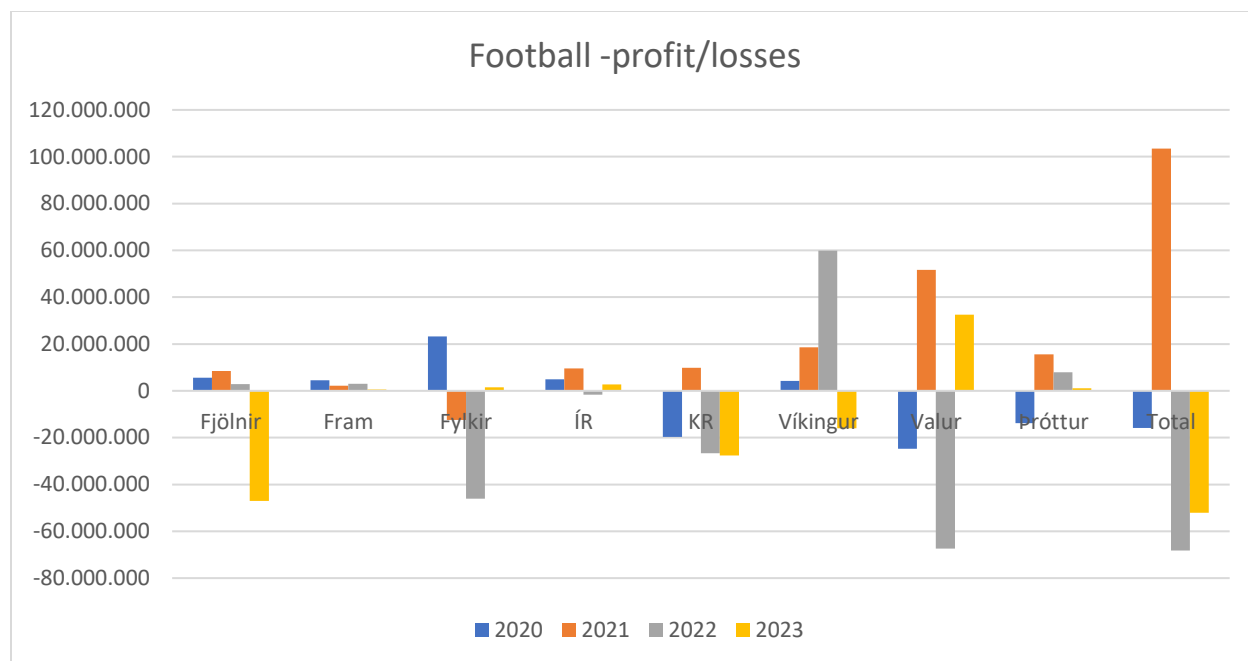


Figure 4.2 Profits and losses for football in Reykjavik 2020 to 2023

The numbers for club basketball divisions are more worrying. For most of the teams there are losses every year. In basketball there has been a large increase in international players, specially from European countries because there are not restrictions on how many European players can play in a match but only one player from outside Europe is allowed. The player market in basketball is very much concentrated on one year contracts and players are almost never sold. This means that it is very rare that clubs get some payments from the club that the player signs with when leaving. In basketball you cannot rely on income from the European Basketball Association (FIBA) like you can in football. The income from getting to the finals of Icelandic championships seems not enough to meet the costs of the season.

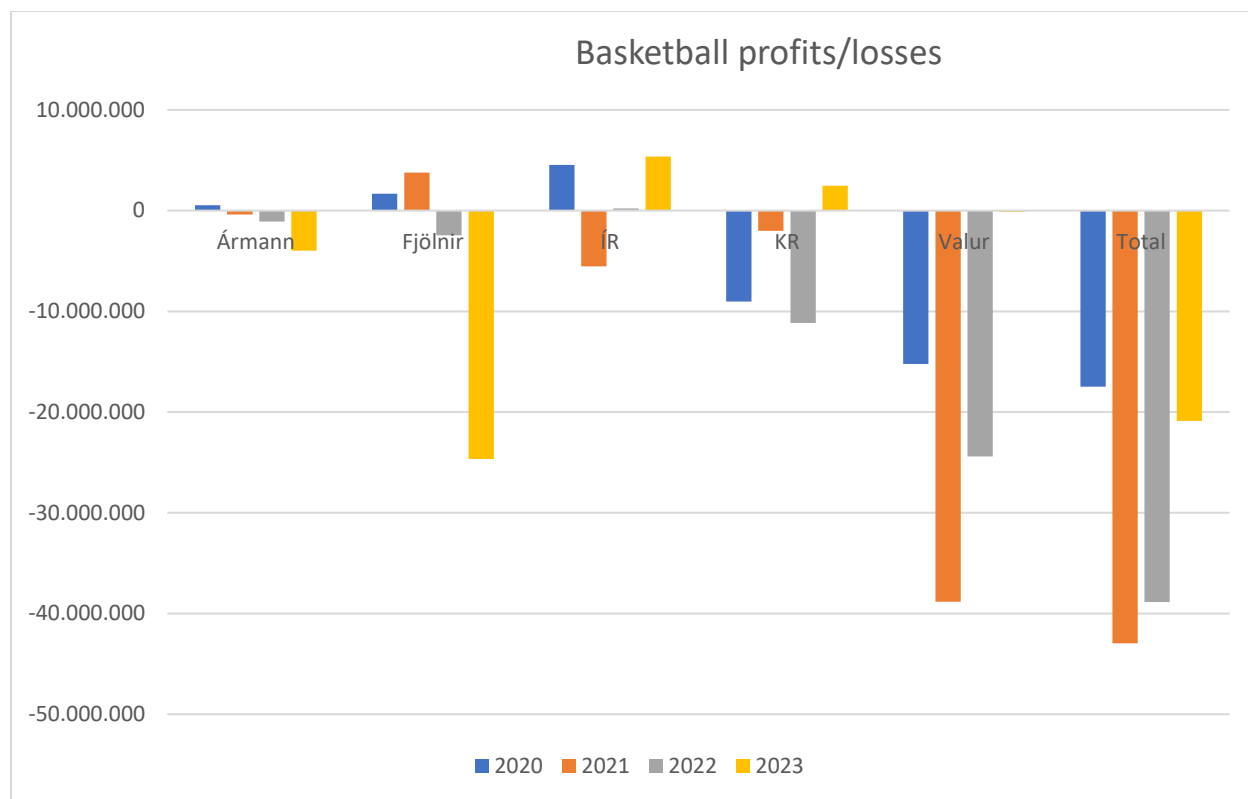


Figure 4.3 Losses for basketball clubs in Reykjavik 2020 to 2023

## 4.2 Questionnaire Results

The total number of responses from the “Parent Club” Board chairs or general managers were 19 out of the 32 surveys distributed for a 59% response rate. Of these responses five were chairs and 14 managers.

For the division survey, 42 responded from the initial 82 surveys distributed for a 51% response rate. Thirty-two were chairs and 10 managers. Of the responses from the divisions about 40% were from football and about 30% from each of handball and basketball. This closely represents the number of teams in the top leagues of these sports in Iceland.

When looking at the years of experience within the field of those who responded a rather large part of it had more than 6 years behind them, 41,6% for the parent club group and 44,3% from the divisions. This shows that there are people working for the clubs for quite some time so there should be some consistency within the leadership over time.

Both groups were asked if they were aware of their responsibility for running the club which relates to a ruling of a court in Iceland. 95% answered that they were aware of that. This high percent could be because a letter from State Tax Authorities was sent to Clubs early this year that reminded them of their responsibilities.



When asked if the Parent Club had guidelines or regulations limiting divisions from taking financial decisions, the majority of clubs (90%) said yes but 21% of divisions said such guidelines did not exist. Unfortunately due to confidentiality, it is not known whether a representative of the Parent Club and division of the club both responded making comparisons between the two groups difficult.

### Are there any restrictions on departmental board decision-making regarding finances in your club?

Answered: 39 Skipped: 4

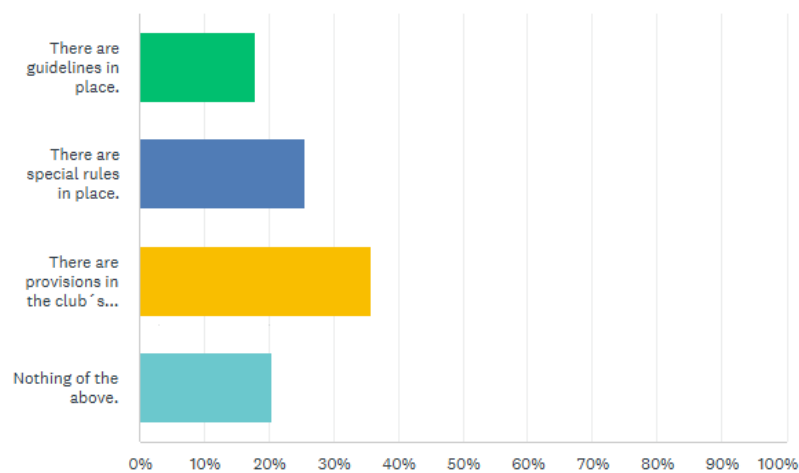


Figure 4.4 Answers from divisions about restrictions on financial decisions.

## Are there any restrictions on divisional board decision-making regarding finances in your club?

Answered: 19 Skipped: 0

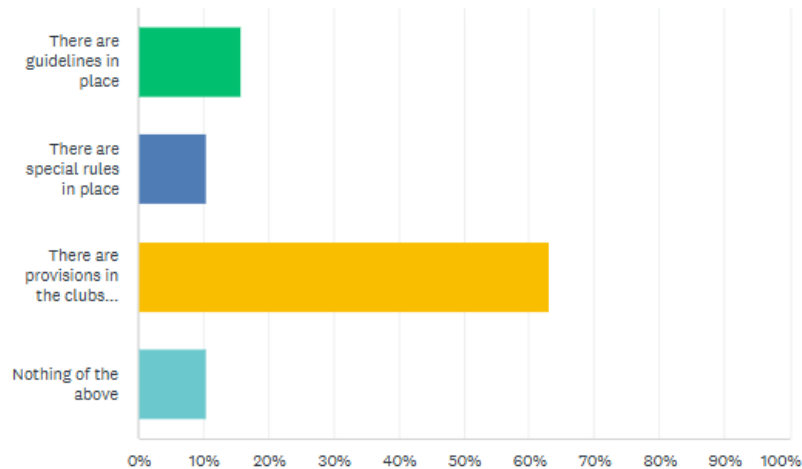


Figure 4.5 Answers from parent clubs about restrictions on financial decisions.

When asked to share opinions if limitations are important, the responses were dominantly positive and had the opinion that they matter. About 40% responded that it was important that the responsibility in the processes were clear and that this could work as a restraint for everyone involved.

Of those 21% from the divisions and 10,5% who said they do not currently have regulations, 32% said they were either preparing for it or considering it. This hints that there is a will to do the financial operations more professionally.

In terms of cooperation between division and parent club when budgets are made, 58% of the parent clubs claimed that there was not cooperation and 75% of the division said there was cooperation. As mentioned before, this difference could be contributed to the Clubs and Divisions not all representing the same organizations or those who answered were not aware.

Are division budgets prepared in collaboration with the club's board of directors/managing director?

Answered: 33 Skipped: 10

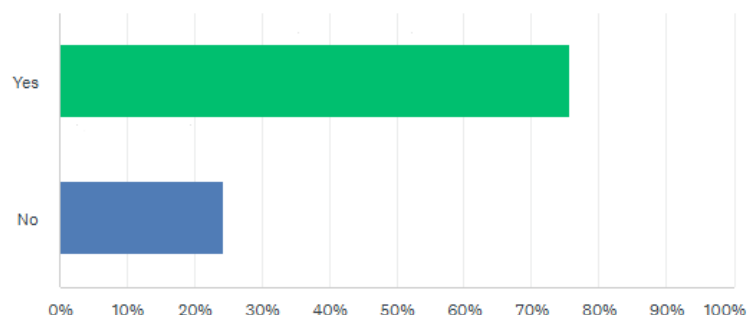


Figure 4.6 Answers from divisions on collaboration on budgeting.

Are division budgets prepared in collaboration with the club 's board or managing director?

Answered: 19 Skipped: 0

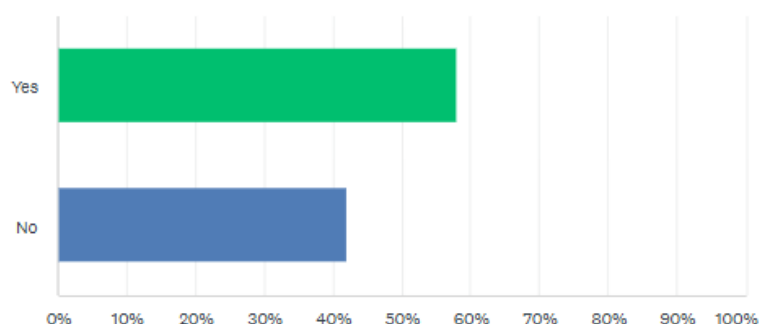


Figure 4.7 Answers from parent clubs on collaboration on budgeting.

When asked about repercussions if budgets are not followed, there were many different answers. In most cases the responders said that a conversation would be taking place between the division and the parent club. A few answered that the parent club would step in with a certain procedure and in some cases stop contributions to the divisions. Some claimed there were no repercussions.

As far as how often the parent club checked status of the running of the divisions, the responses varied but once a month or every two months scored highest with both groups, 47,4% for the parent clubs and 37,5% for the divisions. 63,5% for clubs and 62,5% for divisions say that financial operation of divisions is reviewed 3 times or more over the year. This suggests that in

many clubs there is supervision and/or cooperation between parent club and divisions on how things are running financially.

How many times a year is the financial operation of the division(s) reviewed by the CEO and/or the board of directors?

Answered: 33    Skipped: 10

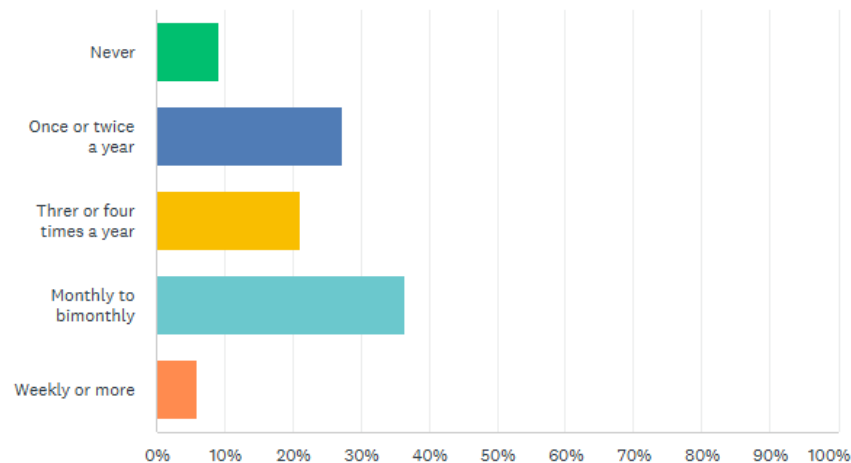


Figure 4.8      Answer from divisions on how many times year financials of a division are reviewed.

How many times a year is the financial operation of the division(s) reviewed by the CEO and/or the board of directors?

Answered: 19    Skipped: 0

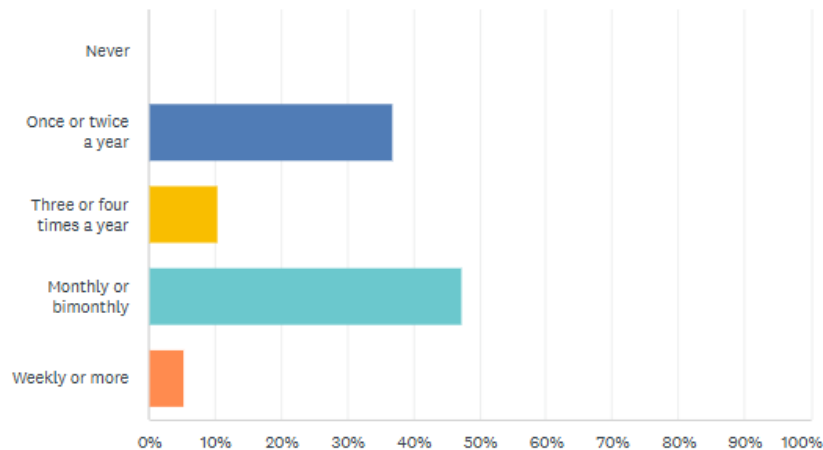
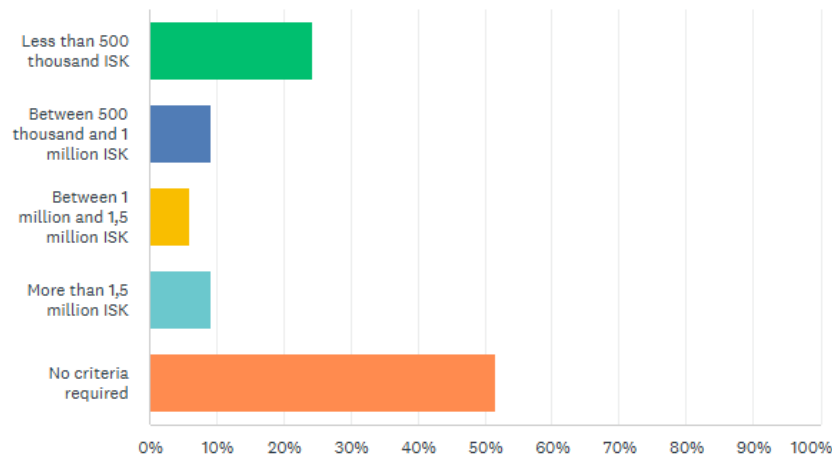


Figure 4.8      Answer from parent clubs on how many times year financials of a division are reviewed.

When asked about if there were any guidelines on the highest amount divisions can spend without seeking approval from the board of the parent club, 57% of the parent clubs and 51,5% of the divisions said there were no expenditure limits. Still there were 21% of the parent clubs and 24,3% of the divisions that said the limit was less than ISK 500.000 (4.000 USD). The gap here is interesting, no limit or a rather low one. The researcher expected that a larger percentage would have higher limits and then gradually fewer would have lower limits. It would need deeper digging to find out why over 20% have so strict rules. Is that because they have some history of divisions overspending?

When it comes to divisions spending decisions, are there any guidelines for how high the amount can be without seeking approval from the board of the parent club?

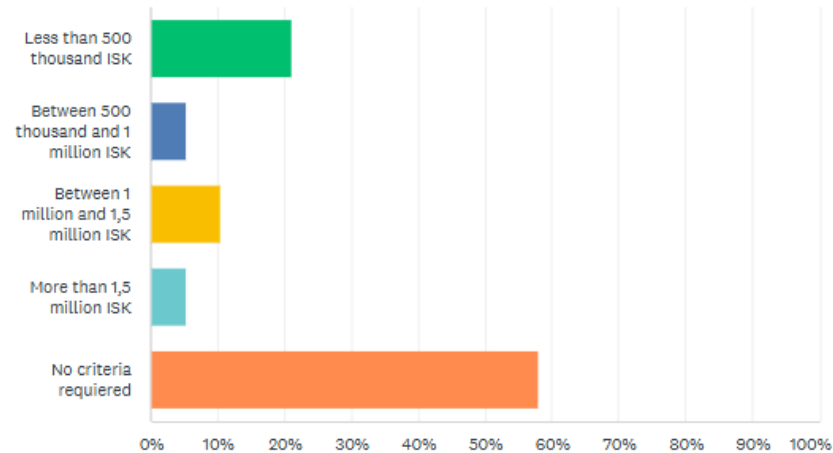
Answered: 33 Skipped: 10



#### 4.9 Divisions answering on limits of spending.

When it comes to divisions spending decisions, are there any guidelines for how high the amount can be without seeking approval from the board of the parent club?

Answered: 19 Skipped: 0



#### 4.10 Parent clubs answering on limits of spending.

In terms of what form of operation is best suited for the teams/clubs, the vast majority, 63% of the clubs and 72,7% of the divisions didn't want any change. 31,5% of the clubs said they would consider a mixture of a liability company and a non-profit club but only 12% of the divisions were of that opinion. 9% of the divisions would consider a private ownership but none of the parent clubs would consider that. It is possible that because divisions are working more closely with private companies as sponsors who play a major role in bringing income for running their teams they have a more open mind to this form. Club chairs and managers may also feel threatened by private ownership as their roles may be eliminated.

Ideas have been put forward for more operational forms for high-performance teams in ball disciplines in Iceland. Which option would you support?

Answered: 33 Skipped: 10

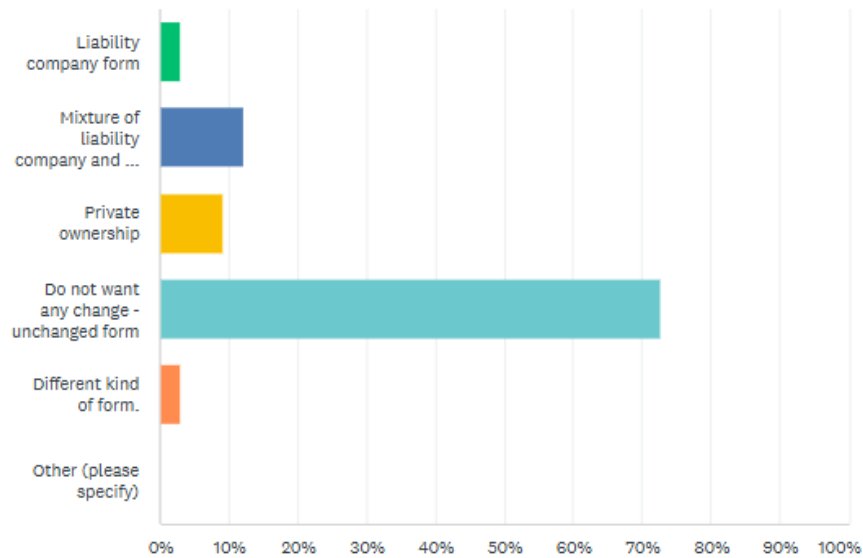


Figure 4.11 Divisions answers on types of operation forms.

Ideas have been put forward for more operational forms for high-performance teams in ball disciplines in Iceland. Which option would you support?

Answered: 19 Skipped: 0

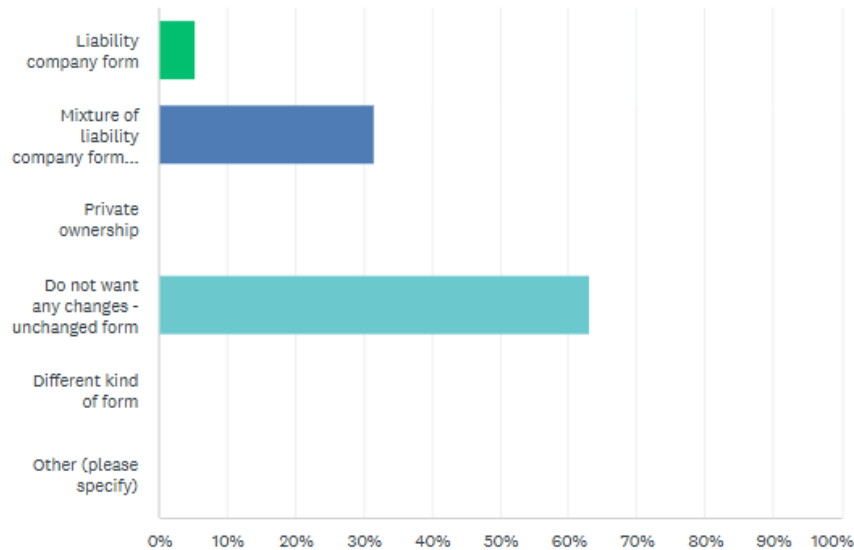


Figure 4.12 Parent club answers on types of operation forms.

The opinion on merging teams with teams of another club was also rather one-sided. 68,4% of the clubs and 72,7% of the divisions said they did not support mergers. 21,5% of the parent clubs said it was possible to merge their handball team with another team and 10,5% said it would be feasible for football. On the other hand, no one thought that merging basketball teams would be a good idea. The divisions were more keen on merging their men's teams (17%) than women's teams (8%) which is interesting since historically it is more common to merge women's teams. Maybe since there are more teams already merged on the women's side there is not as much need for that. Possibly also on the men's side there is a realization that since this has worked for women's teams there might be an opportunity to do the same thing for men.

There were various reasons given to why merger is not an option. Some said that their club was doing well at the moment, so nothing called for a change. There were a few that emphasized that they wanted to have a platform in their club for youth players coming through the ranks and having an elite team would serve as goal for them to keep playing. An elite team would also act as a role model for the younger players. There were also some who mentioned the importance of having a team represent the town or neighborhood. One commented that clubs



should only be merged if they were forced to do it because of a difficult financial situation or because of some regional issues like a merger of municipalities.

The rest of the questions were only put forward to divisions. When asked if funds are secured prior to hiring a new expensive player, 33,3% said they always secured finance before but 62,5% said they secure funds in advance most of the time.

In terms of how worried they would be taking a financial risk of contracting with a player without previously securing funds, over 70% said they would be worried or very much worried about that kind of situation.

When asked about sponsorship, 45,8% of the divisions say it is more difficult to get sponsorship now than a few years back while over 45,8% say it is better or the same.

The opinion towards licensing systems, mainly to act as guidelines for financial operations of divisions, was predominately positive by respondents. In handball where there is no such system in place, 80% said they believed it would have a positive effect and 20% believed it would have no effect. The answers of those in football divisions, where such a system already exists, 76,5% said it was having a good effect and 23,5% said no effect.

In basketball there is no kind of system, but 83,3% thought it would be positive for divisions, 8,3% saying it would have no effect at all, and 8,3% saying it would be bad for divisions.

### 4.3 Interviews

In order to dig a bit deeper into the licensing systems, the researcher interviewed people from the respective Iceland sport associations.

Fannar Helgi Rúnarsson who is responsible for the club licensing system for the Football Association of Iceland claimed that the licensing system has helped clubs to stay on track financially. Since the beginning of the system in Iceland no club has been excluded from competition in the top leagues because of not fulfilling the criteria of the system. However, some divisions within parent clubs have gotten subordinated loans from the parent club, something that is allowed in the system. This does not happen very often and it is up to the licensing authority to evaluate how high that kind of loan can be. Before football clubs could not have a deficit for more than two years in a row but the system has now been changed so that clubs now have to have positive equity or have 10% increase in equity since previous 31<sup>st</sup> of December. An example of a club struggling with this rule was that they had to sell an apartment to get the equity in place. Under UEFA's Financial Sustainability Regulations, the 70% cost rule, known as the squad cost ratio, is a key component designed to promote financial stability among clubs participating in European competitions. The squad cost ratio limits a club's spending on wages of players and coaches, amortization and impairment of transfer fees and fees for agents.

These combined expenses must not exceed 70% of the club's adjusted football-related revenue. This revenue includes operating income and net profits from player transfers. The ratio is calculated annually, with certain elements averaged over three years to smooth out fluctuations.

To facilitate a smooth transition, UEFA introduced the rule gradually from 90% limit in 2023/24 season to 70% limit in 2025/26 season, The FA of Iceland are discussing with the clubs how this could be matched locally so that when Icelandic clubs get into European competition it would be less problematic to match this criteria.

In an interview with the CEO of The Basketball association of Iceland, Hannes Sigurbjörnsson, he said that the Basketball Association of Iceland have been discussing for some time that they would like to implement some system to help clubs in doing better in their daily operation and around matches. As they see it there should be a carrot for the clubs to do better but that the carrot is not given if they don't follow the rules within the system. This has been done in basketball in other countries in Europe but also for clubs taking part in European competitions. In most countries the obligations are around the framework of the matches, but Basketball Iceland want to take the financial side of the daily operation of clubs into more guidance and closer supervision. The goal is to introduce the system this summer and maybe take some of it up next season or not later than next year.

In a 12 teams league 10 teams go into the season believing they will be champions and 12 teams think they will be in the final 8 competition. They make budgets from that starting point and they make contract with players based on the assumption that they will be getting the income from those extra games. In other countries you have a totally different way of thinking where 4 teams are possibly thinking that realistically they may win, 4 teams who are looking at staying in the middle and 4 teams who are aiming for staying in the league.

The handball association of Iceland does not have a licensing system in place but they have started the process of implementing it from next season onwards. Róbert Gíslason CEO of the association compared their situation to football, saying that in football you have money coming in from UEFA to the clubs and if they don't follow the licensing system you can simply stop that money coming to them. There is also another aspect that they have to consider and that is the fact that there are many teams competing to get to the top in the football leagues but in handball they are struggling in withholding the amount of teams so any heavier burdens for the operation of teams is a risk of some of them giving up. In Icelandic handball they do not have a stream of money coming in from abroad that they can stop spreading to clubs if clubs don't follow rules. The solution for handball in Iceland is to use the revenues of TV contracts. If you don't follow the licensing system you stop getting those revenues. Currently handball Iceland is not putting financial restrictions on the clubs but the plan is to take that up in a few years time.

There are less than 20 foreign players in Icelandic handball. Reason being that the level in handball in Iceland is rather high internationally.

## 4.4 Summary

Annual reports show that handball clubs are relatively stable, they rely more on local talent so recruitment costs are reduced compared to the other ball sports. Football is more volatile since there is more turnover in players and contract activity. Basketball is consistently operating with losses since there is more reliance on bringing in players and income is not covering these costs.

There is a licensing system in place for football but basketball and handball have plans for starting that in the near future. Amongst clubs and divisions there is positiveness to that kind of procedures. In football there is a belief that this has helped financially and there is expectation that it will also be the case in the other sports.

The clubs in the top leagues in football, handball and basketball seem to have experienced personnel and volunteers with high awareness and there are some guidelines in place. However, there are some misalignments between parent clubs and divisions and although there seem to be regular reviews on budgets there is some inconsistency in collaboration and enforcement around financial matters. Some clubs have strict controls while others are operating without limits.

There is strong club identity and focus on youth that stands in the way of mergers. There is a kind of resistance to structural efficiency that would possibly be looked at more closely in corporate environment. On that note, there is more preference to a stability when looking at other forms of ownership of teams although divisions are more open to change. Generally, clubs and divisions seem to be cautious when it comes to risk in operation but not all secure funding before commitments. The financial culture in sports clubs in Iceland needs to be more pre-cautious and less risk averse.

## 5. Limitations

When asked about regulations being in place many answered that they were considering taking them up. One might argue that at least some of them have answered like that after taking part in a survey asking about these matters. They may feel obligated in stating that this is something they should do.

Asking about the knowledge of the responsibility the parent club board carries for the spending of divisions there was overwhelming majority who said they knew about that. However, it is the researcher's opinion that the responses may be different if the question was asked late last year because in the beginning of this year the State Tax Authorities wrote a letter to clubs and

divisions in basketball, handball and football where among other things they were reminded of this responsibility.

## 6. Recommendations

Given the findings of this research, it is very important to convey the message that the finances of sports clubs—especially elite teams in the top divisions of football, handball, and basketball—must be based on reality rather than expectations. Budgets should not be based on the absolute best possible outcomes in all aspects of operations, such as securing sponsors without signed agreements or winning championships that would generate expected income but are by no means guaranteed.

It is proposed that education on the operation of sports clubs, with a special focus on elite teams in ball sports, be significantly increased. Courses should be created to suit both volunteers and employees, ensuring that participants receive training appropriate to their roles. These courses are intended for people who work daily or regularly with the finances of sports teams, departments, and clubs. The courses should be concise and aim to provide participants with a foundation to improve the financial framework and organization of departments and clubs. The courses will be developed in collaboration with experts in the field and in cooperation with the regional sports associations ÍBH, UMSK, and ÍBR, along with the Capital Region Regional Centre, which will be responsible for organizing, hosting, promoting, and managing registration for the courses. The project will begin in October 2025. It may later be expanded to other regional centres. The estimated cost of developing the course material is 2 million ISK.

It is also proposed to launch a project in Reykjavik in collaboration with the City of Reykjavik and the Reykjavík Sports Association, where sports clubs will receive assistance in implementing a financial framework and departmental structure, including rules and approval processes for those involved in the club's finances. To initiate this, an employee would be hired to create a basic framework that clubs can use. This person would then work with each club to implement the framework, taking into account the different circumstances and environments of each. Subsequently, random audits of several clubs would be conducted annually to ensure compliance with the procedures. This project will begin in September 2026. The estimated annual cost is 10 million ISK.

The cooperation agreement between the City of Reykjavik and the Reykjavik Sports Association (IBR) includes provisions allowing payments to clubs to be halted if they fail to meet financial reporting requirements. Additionally, the IBR regulations include provisions to stop lottery payments to clubs under such circumstances. Similar provisions exist in the regulations of other regional sports associations. It is proposed that these requirements be further clarified and that similar standards be implemented elsewhere in the country. The National Olympic and Sports Association of Iceland is encouraged to assist regional sports associations in implementing this

and to use regional centres for the project. The project will start in November 2025. The cost is minimal.

The Icelandic Handball Association and the Icelandic Basketball Association should begin implementing licensing systems related to the finances of clubs competing in the top divisions as soon as possible. These systems should include requirements similar to those in football. The project will be carried out in cooperation with regional sports associations, aiming to simplify the submission of documents and align them as much as possible with other reporting requirements to avoid excessive administrative burden. Preparations have begun, and the goal is to implement the system during the 2026–2027 season. The main costs will be related to the work of departments, clubs, national associations, and regional sports associations, with an estimated external consultancy cost of 1.5 million ISK.

It is worth consideration to explore the possibility of changing laws and regulations for sports in Iceland in such a way that it would be possible to open up the part of sports clubs' operations that pertains to the management of competitive teams to different types of ownership than is currently allowed. The primary focus is perhaps on a model similar to what has been implemented in countries like Sweden and Germany, where the sports club must always own at least 51%. Of course, other models could also be considered. To examine this further, it is proposed that an independent party be engaged to assess the pros and cons of such a model and to make recommendations on what changes would be necessary to implement such a system. It is proposed that the National Olympic and Sports Association of Iceland (ÍSÍ) oversee the project and cover the cost, which could be around 3 million ISK.

<b>Action</b>	<b>Responsibility</b>	<b>Budget</b>	<b>Time Frame</b>
Education – Courses on club finances	Regional Associations and Capitol Region Centre	ISK 2.000.000 Regional Associations	Begin October 2025. Ongoing.
Implementation of financial frameworks and processes for clubs plus random audits.	Reykjavik Sports Association and The City of Reykjavik	ISK 10.000.000 annually, The City of Reykjavik	September 2025. Ongoing.
Implementation of provisions for halting payments of funds when financial reports are not delivered.	NOC of Iceland and Regional Centres in cooperation with Regional Associations.	ISK 0	November 2025

Implementation of Licensing systems in Basketball and Handball with emphasis on finance.	Handball Association, Basketball Association, Regional Associations, Clubs	ISK 1.500.000. All responsible parties.	Season starting autumn 2026 the latest.
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