The Curious Case of Financial Capacity and Vulnerability in Sport for Development and Peace

Per G. Svensson, Louisiana State University
Seungmin Kang, Louisiana State University

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A decade ago, Kidd (2008) suggested Sport for Development and Peace (SDP) was “woefully underfunded, completely unregulated, poorly planned and coordinated and largely isolated” (p.376). At that time, the literature was scarce pertaining to the management of the community-based organizations implementing sport for social change programs. Today, however, notable advancements have occurred regarding our understanding of SDP agencies (Schulenkorf, 2017). Welty Peachey (2018) recently identified organizational capacity and capacity-building as one of the main ways in which the sport management community can contribute to the SDP field. Financial capacity remains a considerable challenge for the leaders of many SDP organizations (Svensson, Andersson, & Faulk, 2018). Prior studies have identified critical capacity elements including revenue generation, fiscal responsibility, and expenses (Clutterbuck, 2018; Svensson, Hancock, & Hums, 2017). An agency’s financial capacity in turn influences other capacities such as the ability to hire sufficient paid staff and develop internal infrastructure (Svensson & Hambrick, 2016).

In light of these findings, the purpose of this study was to examine financial capacity and vulnerability of SDP organizations in the United States. Specifically, we were guided by the following questions: (1) what factors predict financial capacity among SDP organizations? and (2) what factors predict financial vulnerability among SDP organizations? For the purpose of this study, financial capacity was defined as the “resources that give an organization the wherewithal to seize opportunities and react to unexpected threats” (Bowman, 2011, p.38). Financial capacity was modeled in two ways based on Chikoto and Neely’s (2014) work by considering financial capacity as (a) percentage growth in total revenues; and (b) percentage growth in total fund balance. Financial vulnerability was also modeled in two ways as a cumulative net loss over a three-year period (Trussel & Greenlee, 2004) and a cumulative net loss of 20% or greater over a three-year period (Trussel, 2002). Based on prior literature, revenue concentration as measured by Carrol and Stater’s (2009) Herfindahl-Hirschman Index and a set of financial ratios regarding net income, net assets, revenues, and expenses were used as independent variables.

A four-year longitudinal dataset was generated from the National Center for Charitable Statistics core files. A sampling frame was established through a review of membership lists of domestic SDP communities (e.g., Laureus Sport for Good League) as well as national chapter-based networks (e.g., Girls on the Run). Multi-year data were identified for over 400 SDP agencies in the United States. Missing NCCS data were supplemented with additional financial figures from a manual review of the Form 990 (annual report) for sample organizations through the ProPublica Nonprofit Explorer and Guidestar databases. Data were analyzed through ordinary least squares and logistic regression analyses. The financial vulnerability models tested had an overall correct classification ranging from 80% - 92%. Interestingly, existing models of nonprofit financial capacity (e.g., Bowman, 2011; Chikoto & Neely, 2014; Chikoto-Schultz & Neely, 2016; Tevel, Katz, & Brock, 2015) were not supported in the context of SDP. The implications of these findings along with suggestions for future research will be presented.