

# SPECIFICS OF RISK MANAGEMENT PROCESS IN SPORT ORGANIZATIONS

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## ABSTRACT

Sport organizations, like economic sectors, are currently particularly affected by the COVID-19 pandemic. The ban on the organization of mass events of a sporting nature and subsequently also the operation of physical education and sports facilities significantly affected the activities of sport organizations or, to be precise, paralyzed their activities in almost all countries. One of the tools for improving the readiness to manage negative events affecting the existence of sport organizations is the creation of a job position of a risk manager and the implementation of the risk management process in the management of sport organizations. The aim of the article is to evaluate the current state of sport organizations during the COVID-19 pandemic in Slovakia and abroad, to highlight the importance of including the position of a risk manager in sport organizations and to present the various stages of the risk management implementation process in sport organizations.

## KEY WORDS

sport organization, risk, risk manager, pandemic, risk treatment

## CLASSIFICATION

JEL: Z2, Z23, Z28, Z29

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## **INTRODUCTION**

Sport has now become a special social phenomenon fulfilling several tasks. Sport as a means of personality development plays an educational, training and social role. Sports activities performed in an appropriate way strengthen health, sport increases national awareness and patriotism, it is a cultivated means of spending free time and the commercial role of sport is not negligible. Sport is of particular importance in developing a healthy lifestyle among children and young people [1]. Based on the important role of sports in the life of society, it is necessary to pay attention to this area from the managerial side. In general, management can be understood as the process of leading a group of people, an organization, or even oneself, in order to achieve a predetermined goal. Management ensures order in an organization. With good management, managers eliminate the possibility of chaos, which can cause problems in achieving goals.

The management of sport can be defined as the application of managerial principles, methods, techniques and procedures in a sport environment [2]. The sport environment is created by various types of sport organizations and activities that need to be managed and organized, coordinated by the activities of other persons who would not achieve the same or better results, by their individual actions than by a joint action. Changes in the internal and external environment are sources of risks and opportunities for sport organizations. The unstable and uncertain environment of a sport organization is influenced by the complexity of economic relations, political and international influences, human behaviour, scientific and technical progress, the pandemic situation, etc. Recent events confirm that risks need to be given increased attention, as ignoring them, underestimating them or incorrectly assessing and managing them can lead to a threat to the operation or even to a dissolution of a sport organization. The need to create a position of a risk manager in a sport organization comes to the fore.

The aim of the article is to assess the current state of sport organizations during the Covid-19 pandemic in Slovakia and abroad and to propose the inclusion of the position of a risk manager in the management of sport organizations. The article also describes the basic steps of the risk management process for application in sport organizations.

## **CURRENT STATE OF SPORT ORGANIZATIONS DURING THE PANDEMIC IN SLOVAKIA**

The term sport refers to a variety of activities, so it is not possible to uniquely define it. The current legal order of the Slovak Republic (hereinafter referred to as the SR) does not provide a legal definition of sport. Sport is a social activity that is regulated to some extent by law. Even in the field of sport, such social relations that are regulated by legal norms are established, changed or terminated. In most cases, sport is an organized activity that is governed by certain rules, which are not legal rules, are not enforceable by the state, but represent the defining aspect of a sports game or competition [3].

The central body of state administration for sports in the Slovak Republic is the Ministry of Education, Science, Research and Sports of the Slovak Republic (hereinafter referred to as the MEScRS of the SR). The relevant department is the State Care for Sport Section. The role of the Ministry is mainly legislative activity, financing and coordination of entities operating in sports. The Ministry also issues accreditations to educational institutions in the field of sport and ensures activities and fulfilment of obligations related to the membership of the Slovak Republic in the EU and international organizations in the field of sport.

Over the last decade, the Slovak Republic has experienced significant changes in the organization of the sport environment, the management of sport organizations and the system of financing sport. The adoption of the Act on Sport (No. 440/2015 Coll.) contributed to it. The Act [4]:

- clearly defines the roles of individual entities in the field of sports;
- determines rules to ensure a more transparent distribution of public funds to those active in the field of sport;
- establishes a system to control the efficient use of public funds.

Sport organizations are defined as legal entities whose object or purpose of activity is the sporting activity. It is mandatory for all sport organizations to be registered in the register of legal entities in sport and, insofar as they are recipients of public funds, they are obliged to create the conditions for the independent exercise of internal control [5].

Sport organizations operating in Slovakia can be divided into three main categories:

- the Slovak Olympic Committee, the Slovak Paralympic Committee and other sport organizations that are members of international sport organizations with worldwide scope belong to the group of national sport organizations,
- national sports associations recognised by the Ministry of Education,
- sports clubs.

According to the Act on Sport (No. 440/2015 Coll.), it is "the public interest in sport to support and develop youth sport, to ensure the preparation and participation of the Slovak Republic's sports representation in major competitions, to protect the integrity of sport and to promote a healthy way of life for the population" [4]. The Act No. 335/2017 amending the Act No. 440/2015 Coll. on Sport was adopted with effect from December, 30, 2017. Through this Act, the activities of athletes and sports professionals were defined, which was also reflected in the classification of income earned for tax purposes [6].

The Act No. 416/2001 Coll. on the transfer of certain competences from state administration bodies to municipalities and higher territorial units transferred public sports from the competence of the MEScRS of the SR to local government bodies [7].

The following legal entities are under the jurisdiction of the State Care for Sport Section [8]:

- The National Sport Centre of Slovakia (hereinafter referred to as the NSC) as an allowance organization with legal subjectivity under the jurisdiction of the MEScRS of the SR. The role of the NSC is to provide all-round care for selected sport representatives of the Slovak Republic and selected sports talented athletes, administration of the sport information system, provision of sports competitions for pupils and students outside school hours and provision of educational activities in sport. In the field of education, the priority is to raise the knowledge level of the target group, which is athletes, coaches, referees, sports officials, doctors and members of support teams.
- The Slovak Anti-Doping Agency, which focuses on the implementation of tasks in the field of combating doping in sport in the Slovak Republic.
- The Ministry of the Interior of the Slovak Republic and the Ministry of Defence of the Slovak Republic are the founders of the training centres for selected athletes, where they provide above-standard conditions for the preparation of the best athletes in individual sports. These are the Centre of State Sports Representation of the Ministry of Interior of the SR and the Military Sport Centre Banská Bystrica (The Ministry of Defence of the SR).

Non-governmental sport organizations in the SR consist of [8]:

- Sports federations – they are the representatives of sport sectors and natural monopoly organizations, as they are the only ones representing sport sectors towards the international

sports federation. Sports federations are the partners of the state administration in the field of sport representation of the SR and development of sport sectors.

- Non-governmental sport organizations with a special mission – these are the Slovak Olympic Committee, the Slovak Paralympic Committee and the Slovak University Sports Association. They are responsible for the representation of Slovakia at the Olympic Games, Paralympic Games and World Universiade and Academic World Championships. Like the sports federations, they are natural monopoly organizations as they are the only ones in Slovakia that are members of international organizations – the International Olympic Committee, the International Paralympic Committee and the International University Sport Federation. They are partners of the state administration in the field of representation of Slovakia at official international Olympic, Paralympic and university events.
- Other non-governmental sport organizations with a nationwide scope – these are professional and umbrella organizations with a nationwide scope. These organizations primarily serve their own members and are formed and dissolved according to their needs.

In 2019-2021, research was conducted in the SR focused on Slovak NGOs in the sport sector, which yielded the following results [9]:

- out of the total number of NGOs that were included in the research, 200 organizations identified sport as their primary area of activity. Of these, 45 % of organizations operate at the local level (district), 22 % at the regional level, 18 % at the national level, 4 % at the European level and 2 % at the global level,
- 43 % of the organizations operating in the sphere of sport are registered members of a Slovak association/platform/interest association,
- regarding the activities of individual organizations operating in the field of sport, the most frequent (67 %) organizations surveyed organise various (social, cultural, sporting) events, and these events are performed by unpaid staff. Among the least developed activities was publishing (1 %),
- among the most significant obstacles in achieving the goals of the organization, they ranked the lack of finances, material and technical support, time (in addition to the main occupational activity), staff and volunteers as well as administrative and legislative burdens,
- the leaders of the organization and the board of directors are mainly involved in deciding the direction of the organization and its objectives. Regarding the presence of management elements with paid staff, in the field of sport, organizations most frequently use the element "clearly defined rights and responsibilities of the organization's staff" (17,9 %). However, only 11,3 % have job descriptions and staff profiles defined for each position, and only 10,4 % of organizations implement health and safety protection for workers in the performance of their activities,
- all elements of management are used significantly less in the sport sector compared to other sectors.

Sport organizations in the SR, like in other countries, are currently particularly visibly affected by the SARS-CoV-2 pandemic. One of the first measures, at the beginning of the pandemic, to prevent the spread of the COVID-19 communicable disease was an explicit ban on sporting events in Slovakia. At the beginning of the first wave of the pandemic, in March 2020, the Central Crisis Staff of the Slovak Republic issued an immediate ban on all sporting events. On the initiative of the Slovak Olympic and Sports Committee (hereinafter referred to as SOSK), a crisis headquarters for sport was established, which represents a platform for the transmission of real and relevant information and opinions between the sport movement on the one hand and the Public Health Authority of the Slovak Republic (hereinafter referred to as PHA of the SR) or The MEScRS of the SR on the other hand [10]. Only in the first week after the announcement

of the ban on sporting events in Slovakia, 44 matches of the highest competitions of the most important collective sports were not held, while major events in individual sports were cancelled or postponed [11].

The broadly formulated ban on sporting events did not only affect sporting events, but also extended to training. Athletes of collective sports could not engage in sports training in the form of joint training (in numbers of more than three persons), but only in the form of individual training. Existing sports infrastructure could only be used for the purpose of individual training [11]. Clubs tried to retain their members mainly by online training or recommendations for outdoor exercise. An exception for training in sports facilities was, for example, granted to the holders of the decree of the candidate for the start at the Olympic and Paralympic Games in Tokyo, which was approved by the Public Health Authority of the SR back in January 2021. As of May 3, 2021, the Public Health Authority of the SR amended the decree on spectators in the stands: Vaccinated persons and those who had overcome the coronavirus did not have to undergo a control antigen test before the event. Despite allowing spectators, the decree was criticized mainly by football fans, as unlike hockey fans, football fans as well as others fans had to pay for the tests. Eventually, however, spectators appeared in the stands in small numbers not only for hockey or football, but also for handball and basketball [12].

In Slovakia there are over 100 recognised sports and over 200 different sport sectors, dozens of unrecognised sports and hundreds of different physical activities. It is extremely complicated to regulate such a huge and diverse group of activities with measures. In addition, for many sports, the individual sports or disciplines may be completely different in terms of risk, e.g. swimming, long-distance swimming, synchronised swimming, water polo, diving. Therefore, the philosophy was to categorise sports according to risk, and for each category to propose a set of measures that eliminate risk and allow the sport to be performed in a safe manner. Each of these 7 categories contains 10 parameters that define it in more detail. In practice, this means that low-risk sports such as tennis, table tennis, athletics, etc. will not have to take major measures to be able to practice their sport at the earliest release stage. High-risk sports will have to take measures to change the organization, content and forms of their training activities, e.g. non-contact exercises, only practice of individual game activities, no sparring, etc. [13]. Apart from the possible effects of the ban on joint training on the performance of athletes in collective sports, equally significant, and sometimes even existential, are the economic effects associated with the ban and the subsequent cancellation of sporting events and training. These equally affect the athletes themselves, as well as sport organizations, coaches, sports professionals, other employees in sport and people working in the sector in general.

Athletes and sport organizations may face existential problems as a result of the ban on sporting events. In addition to the loss of profit – the loss of revenue associated with public sporting events (ticket sales, merchandising, and other related goods and services), there is also direct damage in relation to the costs already incurred in preparing for the cancelled events. There is also a negative impact from the loss of sponsorship, funding from transfers or membership income. In particular, the last shortfall in finances has affected clubs that are dedicated to children and youth, as training sessions and matches are not held as a result of the ban [11].

Recent events have highlighted the vulnerability of global sport as well as its sustainability for the future. The COVID-19 pandemic has been added to long-standing climate change and other social and economic challenges that have further amplified the urgency of the issue of sustainable development. Sport and physical activity should have an unquestionable place in the framework of sustainable development in Slovakia. This is further emphasised by the recent call by 118 UN member governments to all countries of the world to include sport and physical activity in their recovery plans after the COVID-19 pandemic [14].

## **THE CURRENT STATE OF SPORT ORGANIZATIONS DURING THE PANDEMIC ABROAD**

The outbreak of the Covid-19 communicable disease in 2019 has created an international public health emergency. Covid-19 has had a major impact on elite sport. The impact of the coronavirus crisis varies depending on the area being analysed in the sporting world. In professional sport, talking of large stadiums, television rights, sponsorships, there has currently been a significant impact of the pandemic. Elite sports teams and organizations have seen an immediate financial impact due to the loss of spectators in stadiums. The Rugby Football Union (hereinafter referred to as RFU) has calculated that they would lose nearly 60 million dollars due to spectator non-attendance at events such as the Nations Cup or Six Nations [15].

Even though it is not very safe to open sports stadiums nowadays, some clubs are in such a bad shape economically that another league shutdown would lead to their definite collapse. Many foreign institutions have been working on strategies to bring as many spectators as possible into the stands again. Although solutions have been found to resume competitions and allow the slow return of fans to stadiums, both federations and clubs will need time to recover from the serious losses suffered during the 2019/2020 season [16].

The global value of the sports industry is estimated at 756 billion US dollars. Facing COVID-19 millions of jobs are therefore at risk globally, not only of sports professionals, but also jobs of those working in the related industries such as retail and sporting services associated with leagues and events, which include, but are not limited to, tourism, infrastructure, transport, catering and media broadcasting [17].

According to the New York Times (2020: The Year in Sports When Everybody Lost), the global economic impact of the Covid-19 pandemic in sport is huge. It described losses of 13 billion US dollars in American sports leagues, another 28.6 billion US dollars as losses of sport organizations, and nearly 1.5 million sports employees have lost their jobs. Other continents are similarly in a bad condition, where, for example, some of Europe's largest football clubs have estimated a loss of more than 1 billion euros [18].

Similar terrible results have been experienced by all sectors of sport when major events and competitions have been cancelled, postponed or shortened, including Wimbledon and the Olympic Games, which have polarized the people of Tokyo. The reason was the vaccination rate in Japan, which was relatively low at the time and raised concerns about the possible spread of Covid-19 [17].

Across Europe, sports football clubs have been hit the hardest. In major league countries such as Italy, the football sector has lost about 50 % of its total turnover. As the blocking measures taken during the first wave of the pandemic suspended most football competitions, the 2019/2020 season and the order had to be adjusted. The main scenarios adopted by the national federations were either to end the season and announce the winner based on current results (Belgium, France, Scotland), to postpone the season (Spain, Germany, England, Italy) or to stop it altogether without awarding the winner (The Netherlands). As the first wave ended, the general focus shifted to ensuring a smooth start to the 2020/2021 season. Similar approaches were applied in other team sports where competitions had to be interrupted, such as basketball, handball or ice hockey [15].

A sport organization is a living ecosystem consisting of governing bodies, owners / investors, athletes, sponsors, suppliers and fans. The current pillars of the Covid-19 pandemic impact on sport organizations abroad are as follows [19]:

- calendar of competitions – postponement and cancellation of matches, while there are problems related not only to financial loss for the organization but also problems with planning competition matches,
- operating models – the disruption has forced organizations to move to different business models that need to adapt to the current situation,
- business relations – loss of important sponsors and partners due to the financial consequences of a sudden shutdown,
- non-participation of fans – the loss of funds due to the non-participation of spectators in the stands has especially been important for large sport organizations,
- television rights – the most significant impact of the Covid-19 pandemic for sport organizations; the funds that come to clubs from broadcasting rights constitute a significant part of the financial budget in most clubs,
- investments – Many investors, due to exposure and liquidity problems due to league suspension, diversify their investment portfolios in other areas. Various investment acquisitions of organizations have also been suspended, such as construction of stadiums or training centres,
- sponsorship – by keeping matches behind closed doors, sponsors have reduced their investment in traditional forms of advertising. Media partnerships have also adapted to these turbulent times.

Covid-19 has had a significant negative impact on the entire sport industry in Australia. Among the most serious negatives were the loss of income of sports clubs from sponsorship, admission and broadcasting rights, which led to the massive dismissal of employees, not only athletes in sports clubs. Sport Australia has developed the Return to Sport Toolkit, which contains a set of resources to help sport organizations prepare for the resumption of training, competitions and programs in a safe, responsible and low-risk manner. This toolkit contains four elements of a safe return to sport [18]:

- plan – implementation of plans, processes and systems to meet government and health requirements and provide safe sport environments,
- prepare – ensuring safe facility and participant practices, such as hygiene procedures, attendance registers at training and limiting shared equipment as much as possible,
- respond – organizations must be prepared to deal with the outbreak of other Covid-19 waves and must recognize that circumstances in the field of sport can change quickly,
- recover – consideration of protocols to optimize the good health of the public and participants into the future.

While the hygiene protocols and guidelines governing training and competitions have made it possible to restore professional sport, national measures preventing or restricting gatherings of persons prevent the sports industry from fully recovering. The 2020/2021 season began for the most part on time and lasted during the pandemic. At the same time, traditional revenue streams such as ticketing and merchandising have fallen sharply [19].

According to the WHO, the main goal is to deal with the very specific and exceptional circumstances related to the COVID-19 pandemic. The European Commission has adopted a specialized instrument – Temporary Framework for State Aid Measures to Support the Economy in the Current Covid-19 Outbreak. The purpose of this legal instrument is to enable Member States to intervene in the economy in an unprecedented way in order to help companies facing liquidity shortages. Member States can assist companies in need, inter alia, through state guarantees, subsidized loans and recapitalization. Sport organizations may also benefit from national support in accordance with the provisions of the Temporary Framework [16].

This Temporary Framework refers to two different provisions of the Treaty on the Functioning of the European Union, namely Article 107(2)(b) and Article 107(3)(b). These provisions allow certain types of state aid in emergency situations and are based on two completely different approaches:

1. Article 107(2)(b) is compensatory in nature and requires a case-by-case assessment to establish a causal link with the actual damage to be compensated. It deals with damages related to COVID-19. It usually covers compensation for sport organizations that have had to cancel events as a direct result of measures imposed as a result of COVID-19. In order to assist Member States and facilitate the approval of pandemic compensation schemes, the European Commission has published a template setting out the information and general procedure. It follows that sports clubs could claim compensation for the loss they have suffered as a result of blocking or suspending, but not for the losses associated with a general drop in attendance due to social distancing measures [16].

Several Member States have announced a concept to compensate for pandemic losses for sport organizations. The Czech Republic announced a compensation scheme aimed at sports facility operators, sports organizers and sport organizations who had to pay rent for the use of sports facilities, all of whom faced an almost complete loss of income. In France, sports clubs and organizers can receive compensation for losses resulting from the absence of ticket, food and beverage sales caused by hygiene restrictions. Norway has adopted a similar scheme to compensate for the cancellation or postponement of sporting and volunteering events by compensating for the loss of ticket revenue caused by the event, the lost participation fees and the additional costs caused by the cancellation or postponement of the event [20].

2. Article 107(2)(b) enables the implementation of broader support instruments to help organizations or the whole sector overcome difficulties, such as covering operating costs. It is the more widely used legal basis for state aid in relation to Covid-19 disease. Under this provision, the aid will be built as a support tool to overcome difficulties in covering operating costs or making the necessary investments. An example of such a measure is a state guarantee scheme which gives companies facing liquidity shortages access to credit including direct grants, state loan guarantees, subsidized interest rates, wage subsidies, tax deferrals and even support for uncovered fixed costs [16].

Since the beginning of the pandemic, most aid measures have been taken under Article 107(3)(b). In this category, we can distinguish two types of support schemes relevant to the field of sport [16]:

1. schemes relating specifically to sport organizations,
2. schemes applicable to all sectors of the economy (from which the sport sector may also benefit).

As sport is one of the hardest hit sectors, several schemes have focused on allowing clubs not to go bankrupt during the pandemic. Member States have taken measures to ensure that businesses operating in the sport sector will continue to operate and face liquidity shortages. In the Czech Republic, professional sports clubs could claim support from the state in the form of direct grants. Slovakia has taken similar measures for professional clubs across a wide range of sports, including football, basketball, handball and also one of the most popular sports in the country, ice hockey [20].

While some Member States have focused specifically on professional sport, support has also been provided to companies that are generally active in the sport sector. In July 2020, Italy, a country in which the sport sector generates 1.8 % of national GDP and employs more than one million people, announced aid in the form of loan guarantees and subsidized interest rates.



Similar examples can be found in other Member States, such as Croatia or the Czech Republic, which have provided support to the sport sector as a whole [20].

## **PROPOSAL FOR INCLUSION OF A RISK MANAGER IN SPORT ORGANIZATIONS**

Sport organizations also pursue their mission and objectives in a particular environment from which they draw resources and to which they transfer the results of their activities. The environment is a condition for the existence of any organization, which currently receives the attribute as unstable, uncertain, turbulent and with constantly changing conditions. This uncertainty and dynamism of various environmental factors affects the long-term goals, objectives, strategies, decision-making processes that influence the management process of sport organizations [21].

In sport organizations, it is possible to assess the internal factors as well as external environmental factors that affect their success or overall existence [22, 23]:

1. External factors:

- factors from the macro environment may not have a direct impact on the operations and activities in a sport organization, but they do have an impact on the decision making of club managers. These are mainly factors from the economic, social, technological, legislative and political environments, etc., which influence sport organizations,
- in Slovakia, the influence of legislation on the functioning of a sport organization is very significant, especially from the perspective of financing (the aforementioned amended Act on Sport No. 335/2017 Coll.),
- factors from the sport industry environment have a direct impact on sport organizations or the achievement of their objectives, e.g. the influence of competitors, club members, suppliers, legal agencies, athletes' groups, etc.

2. Internal factors from the internal environment are considered to be important from the perspective of sport organizations. They include:

- club documents – e.g. policies, processes, regulations, sport club guidelines,
- resources – e.g. human, financial, physical, information, etc,
- culture and tradition – they include leadership style, communication, values, symbols, parental involvement, etc. These factors have a strong influence on the functioning of sport organizations also from the perspective of the external environment.

Given the goals of sport organizations, sport organizations need to select a relevant strategy and set priorities within the stakeholder management, so there can often be a leak of profit and success. In the management of sport organizations in Slovakia, there is an intersection of American and European culture. They differ to a large extent in their understanding of the mission or in the primary objectives set. These objectives are divided in terms of either profit (commercial purposes) or attaining of sporting achievements (performance sport) or profit and achievements (commercial purposes and performance sport) [23].

The goals of sport organizations are pursued in an environment that, in addition to providing many opportunities for success and profitability, is also a source of threats, risks, uncertainty, and ambiguity. The manifestations of uncertainty increase the risks to which the organization is exposed. Risk is most often considered to be the uncertainty of the impact of environmental factors on the functioning of the organization, on the achievement of its objectives. It is a risk that implies the possibility of a negative or positive deviation. The size of the possible threat is not only determined by the existence or size of the threat but also by the vulnerability of the

organization, its weaknesses and the extent of possible damage [21]. Hence, the most serious risks to sport organizations include:

- lack of profit security of the sports club,
- insufficient assurance of sporting success.

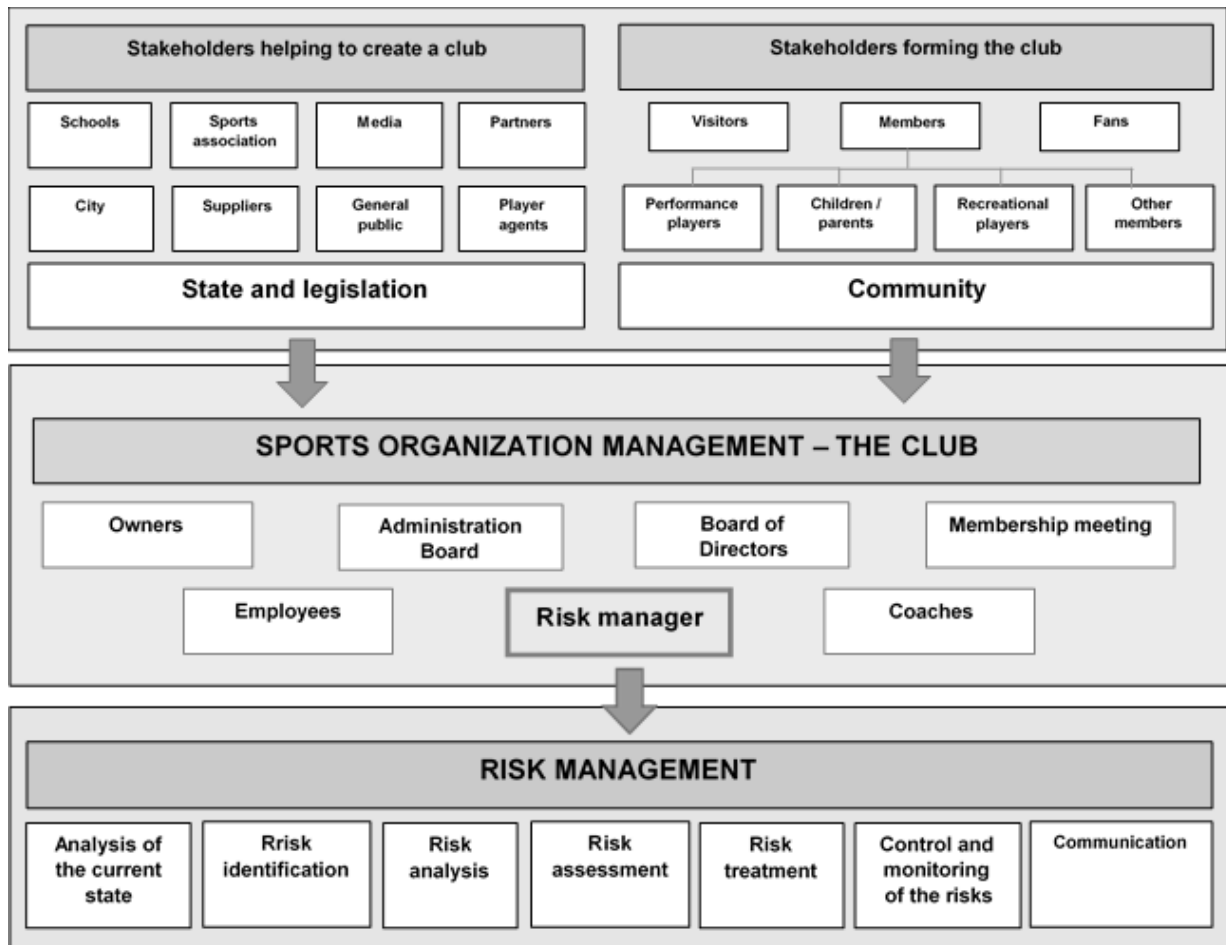
These risks are based on a determination of the likelihood of injury, damage or loss. For a sport organization, the characterization may be extended to the possibility of injury to members or participants, damage to the organization's property or the property of others for which they may be liable, or other losses to the organization, management, volunteers, members, or other stakeholders. Ultimately, the effect of risk is a financial effect: injury, damage, or loss. These costs are often due to the fact that the risk has resulted in some form of legal action or litigation [24, 25].

If sport organizations want to meet their objectives and face the external as well as internal factors of their environment, they should pay attention to prevention and create space for risk management, performed by a risk manager, see Figure 1. Prevention should be part of the management of sport organizations, approaches that focus on analysing failure, financial losses and other negative events and prevent their recurrence. Risks should therefore be assessed continuously, holistically, proactively and systematically. The previous experience of sport organization managers and the need to respect the following principles play an important role in the implementation of the risk management process [26]:

- applying a broader view of risk (positive and negative side),
- establishing the responsibility of the sport organization management (persons) for the risk management process and the creation of control mechanisms,
- ensuring that risk management is fully integrated into the structure of the organization.

Effective management of a sport organization (club) and their stakeholders is key to securing financial resources, success, building community (tribe) and strengthening peer connections. The strength of these bonds also depends on the stated goals of the sport organization. The primary role in enforcing risk management should be sufficient support from the sport organization's leadership (owners, board of directors, board of trustees). The next step is to develop a risk management strategy as part of the development of the long-term goals of the organization. The strategy should address the allocation of resources, tools and risk management tasks. It is the basis for risk decision-making and greatly influences the status and expected development of the financial side of the organization. Depending on the specific situation, the financial strength and the amount of estimated potential losses, management should define an adequate risk management policy that supports the selected strategy with a positive impact on the achievement of the set objectives. It should also review and discuss, at least on a one-year basis, the risk management documents (directives) and guidelines, assessing the overall risk position and the evolution of the most serious risks in the sport organization.

The responsible risk manager should periodically update data, indicators, identify risks, monitor their development, issue early warnings (according to the established tolerance limit). He / she should suggest measures to reduce them, prepare periodic risk report (especially monitor deviations from the past) for the management of the sport organization. He / she should struggle to improve the procedures, methods used in risk management, e.g. risk assessment in line with the risk management strategy. The list of powers and responsibilities for risk management will depend on how risk management is implemented in the sport organization's conditions.



**Figure 1.** Involvement of the risk manager in the management of a sport organization with stakeholder influence in the sport environment (adjusted according to [23]).

The risk management process in a sport organization should be based on the systematic application of policies and procedures during risk assessment and mitigation, communication with affected parties and monitoring of changes in the environment. Risk management should aim to reduce the likelihood of harm (injury) or financial loss by taking steps to assess (identify, analyse and evaluate) and reduce risks as well as monitoring, reporting and communicating them effectively. The stages of the risk management process in sport organizations should be cyclical in nature and logically sequenced and tailored to the nature of the sport organization's activities.

The implementation of risk management in the conditions of a sport organization requires a detailed analysis of the current state of the organization. Through analyses of the external environment (political, economic, socio-technical, cultural, competitive, etc.) and the internal environment (organizational structure, objectives, strategies, employees, culture, resources used, etc.), managers should obtain the necessary evidence to identify risks. It is important to set up an internal risk management framework in terms of defining the roles and responsibilities of individuals and departments within the sport organization. On the basis of the identified facts, risk assessment criteria should be proposed and the structure of the risk management system of the sport organization should be defined [26]. The search and description of risks and opportunities, based on the processed analyses and internal documents, which is conducted periodically and on a continuous basis, is part of the risk identification stage. Thorough identification is a prerequisite for successful risk management because the unknown cannot be managed. Therefore, this stage of the risk management process is very important and challenging for sport organizations, not only in terms of time but also in terms of availability

of information. Important areas that a risk manager should focus on when identifying risks of a sport organization are e.g. environmental safety, stakeholder safety, safety of the organization's operations (business activity) etc., in order to prevent injuries, conflicts, losses and overall financial and legal implications. The specific risks involved in the overall risk assessment process will vary depending on the sport discipline, the nature of the sport organization and its structure [27].

Risk analysis is an important part of risk assessment. It is used to assess the nature of the risk and determine its level. Its purpose is to determine the likelihood of risks occurring and the size of their negative consequences. Risk analysis procedures and tools vary according to the area and activities under consideration, as well as the laws, norms, standards and approaches to risk management of sport organizations. The analysis can take place in two phases. In the first phase, a preliminary analysis is conducted in order to exclude similar or very low impact risks from the list of identified risks. The excluded risks shall also be recorded to demonstrate the completeness of the risk analysis. It also provides a basis for subsequent decision-making on the selection of a method for the actual risk analysis of the sport organization. In the second phase, a detailed risk analysis is conducted using the risk analysis methods (qualitative, semi-quantitative and quantitative). If a combination of the above methods were used, this would be the most appropriate, but at the same time more time-consuming and costly. Several authors have reported the following basic methods of quantification of individual risks [27, 28]:

- quantification in the form of probability (P) and consequence (N), which is the simplest case of a discrete probability distribution;
- quantification in the form of a probability distribution, where a triangular probability distribution is preferred.

Risk analysis can only be effectively implemented if existing controls are implemented effectively. To do this, documentation of the controls and risk management process needs to be developed so that the documented processes can be verified in order to improve the effectiveness of risk management. This is followed by a process of identifying the most significant risks and comparing the results of the risk analysis with the risk assessment criteria. The purpose of the risk assessment is to determine whether the risk to the sport organization is acceptable or whether mitigating measures need to be put in place. For this stage, it is very important that realistic acceptability (tolerance) limits are established at the stage of assessing the context and significance of the activity under consideration. The assessment can be greatly influenced by the subjective approach of the risk manager or assessor, therefore the use of collective methods for decision making is preferred. The risk assessment procedure is as follows [29]:

1. determination of the tolerance level (reasonableness of cost, delay, etc.),
2. assigning a probability of occurrence and consequences to each risk (cost, loss, profit reduction, time loss, quality reduction). This step is based on the risk analysis phase,
3. prioritization of the risk based on the tolerance level, potential cost of the risk and the probability of the risk occurring (becoming a reality). If the cost of the risk exceeds the tolerance level and the risk is highly likely to occur – the risk will have a high solution priority).

The boundaries among small risks with low solution priority, medium risks and large risks with high solution priority will be determined by the sport organization based on experience and the level of risk acceptability. Both enterprise risk management and project risk management apply the Pareto Principle (80:20), which states that the 20 % of most significant risks will result in 80 % of the losses or costs. These risks have the highest priority for elimination.

The most common form of risk assessment is the Risk matrix or Opportunity matrix (see Figure 2). The basis is an expert risk assessment by staff (external consultants, experts) who have the

necessary knowledge and experience in the areas where the individual risk factors fall. A risk is more significant the more likely it is to occur and the greater the intensity of the impact (consequences) of that risk.

		Impacts					Impacts						
		<i>Intensity of negative impacts</i>					<i>Intensity of positive impacts</i>						
Likelihood of risk occurrence		1	2	3	4	5	5	4	3	2	1	Likelihood of opportunity occurrence	
		VS	S	M	H	VH	VH	V	S	M	VH		
5	VH	5	10	15	20	25	25	20	15	10	5	VH	5
4	H	4	8	12	16	20	20	16	12	8	4	H	4
3	M	3	6	9	12	15	15	12	9	6	3	M	3
2	S	2	4	6	8	10	10	8	6	4	2	S	2
1	VS	1	2	3	4	5	5	4	3	2	1	VS	1

VH (5) – very high, H (4) - high, M (3) – middle, S (2) – small VS (1) – very small.

**Figure 2.** Matrix of risk assessment (threats) and opportunities.

The risk level under this method is given by the product of a probability rating and a consequence (impact) rating. This method is based on the dependencies established in the previous steps of the risk analysis. The risk level is then a specific output on the basis of which risk treatment measures are implemented with a certain priority. The risk distribution intervals from acceptable to critical can be determined by the sport organization on the basis of experience and capabilities (personnel, financial, material), when implementing risk reduction measures. Opportunities can be evaluated in a similar way to risks (threats). If they reach the level of 15 – 25, they should be an incentive for the elaboration of a project to exploit the opportunity in terms of the company's development strategy.

The attitude (relation) of the manager (management, organization) towards risk has a great influence on the setting of boundaries in determining the level of risk. This attitude is influenced by their personality characteristics and past experience. It is also influenced by the management system of the sport organization, e.g. the willingness to take risks is encouraged by a good incentive system, tolerance of minor setbacks and a focus on longer-term results, etc. Managers of sport organizations can feature:

- risk taking, in this case, on the contrary, they look for risky activities and projects that have the ambition to achieve very good results but are associated with a high risk of negative consequences or losses for the company;
- risk neutrality, where risk aversion and risk taking are in balance with each other;

- risk aversion: Managers with significant risk aversion usually cannot be successful in business. Reluctance to make difficult business decisions and a preference for low-risk decisions is often associated with a failure to seize opportunities, avoiding necessary technical, technological, product, organizational and other innovations, which can have a negative impact on the economic efficiency of a sport organization.

On the basis of the processed documents, the management proceeds to the proposals for risk treatment. It is clear that the existence of risk must be taken into account, both in business and in the management of any other more complex entities with non-deterministic or less predictable behaviour. Some risks can be transferred; some can be held. In certain situations, risk can be avoided, while other risks can be reduced. The different options for dealing with risk are not necessarily mutually exclusive or may not always be appropriate. In the case of sport organizations, there are several approaches to managing (reducing) the risks of a sport organization. If the risk is small and inherent to the sport activity and the sport manager is therefore willing to accept the consequences, it is possible to retain (tolerate) the risk. Risk mitigation is appropriate if the risk is significant enough that measures are taken to reduce the likelihood of occurrence or the consequences if they do occur, through careful planning and organization, preparation of staff and volunteers, control and monitoring of the facility and equipment, etc. If the risk is significant enough that the sport organization does not want to take it on, it transfers it to other sub-entities through contracts, e.g. insurance or waivers of rights. A risk that appears potentially very significant should be avoided. Control and monitoring of the risks are aimed at verifying the effectiveness of the measures put in place, as well as examining the effect of changes in the environment on the set prioritised risks. Feedback should be conducted periodically by risk managers in order to ensure that resources are not wasted on ineffective practices. Risk management communication is important to ensure that those responsible for establishing and implementing the sport organization's risk management processes understand the rationale behind decisions and the reasons for taking specific actions. These activities also affect all stakeholders, as their perception of risk can bring new perspectives on risk management to the sport organization. Last but not least, residual risks and their evolution need to be the focus of the risk manager's attention [27].

The introduction of risk management in a sport organization brings several benefits such as more efficient management of the organization, sporting events and processes, higher revenues, higher attendance at sporting events, higher safety for athletes, visitors, sponsors and employees, etc. The intent is that the risk manager in a sport organization should be able to communicate effectively within and outside teams in the context of risk management and build positive relationships, high team performance and the ability to assess the financial implications.

## **CONCLUSION**

Underestimation of risk often stems from a lack of theoretical knowledge and practical experience of the sport organization management. Too much focus on only one type of risk to the detriment of others, e.g. financial risks, often means that risks from other areas can cause major problems for the organization. Weaknesses are also evident in the ability to describe, articulate or define risks. There is no uniform approach to risk management in a sport organization. A risk manager in a sport organization must have knowledge of risk management issues, should have experience of the sport in question, basic legal knowledge and good judgement. Importantly, the risk management process is cyclical and although all stages of the process are the same, the assessment and management of risk takes place in different circumstances. A prerequisite for effective risk management is to identify all types of risk, to analyse and assess them using adequate methods and mitigate them using appropriate and

affordable practices and strategies that are appropriate to the needs, circumstances and available resources of the respective sport organization.

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