



Strategic Gears
Management Consultancy

**The Journey
of Sports Clubs
Governance in
Saudi Arabia**





Contents

3 Summary

4 Introduction

4 Overview of Sports in Saudi Arabia

6 Saudi Sports Clubs at a Glance

8 Saudi Sports Clubs & Government Support Strategy

10 Saudi Sports Clubs' Governance

10 Governance Overview

11 The Current State of Governance of Saudi Sports Clubs

12 How the Governance of Sports Clubs in Saudi Works

13 How Saudi Sports Clubs are Performing in Governance

15 What the Clubs are Saying about Opportunities

16 Challenges facing Saudi Sports Clubs

21 Conclusion & Recommendations

24 Appendix

Summary



This report examines the journey of Saudi sports clubs in executing the Governance Initiative launched by the Ministry of Sports in 2019, as well as the progress made so far and the challenges and opportunities that still prevail.

We begin with an overview of sports in Saudi Arabia, focusing on the sports clubs in the Kingdom and the government's support strategy prioritising them. We then delve into how the governance of sports clubs in Saudi Arabia works and how clubs in the Kingdom are benefitting, as well as the progress they have made so far since they started to adopt the Governance Initiative in 2019.

Based on desk research and benchmarking and through interviews that we conducted with some Saudi sports clubs and Strategic Gears' long-term engagement with the clubs since 2019, we then highlight the opportunities and challenges and conclude with future recommendations.

The report was drafted by the research and consulting team at Strategic Gears. We wish to express our particular thanks to the following clubs that participated in workshops with us and contributed to the production of this report.





As part of Saudi Vision 2030 launched in 2016, the Kingdom identified sports as a national priority. The sector has been overhauled since then, with three main goals:



Increasing community participation by 40% by 2030.



Improving Saudi elite athletes' performance at international competitions.



Growing and empowering the sports economy.

Saudi Vision 2030 emphasizes the importance of sports as part of a healthy lifestyle, while also admitting that opportunities to participate in sports have traditionally been limited in Saudi Arabia. As part of its efforts to change the status quo, the Kingdom launched a number of initiatives, including sponsoring Saudi fan groups, incorporating women into sports, formulating a sports sector plan, upgrading paralympic activities in the Kingdom, and establishing specialized sports training centres. Leading stakeholders in the ecosystem include the Ministry of Sports (MoS), the Ministry of Education and schools, Mahd Sports Academy, sports clubs, and other local and international partners.

The Kingdom aims to boost the sports sector's contribution to GDP to over SAR 18B by 2030 from SAR 6.5B in 2019. As a percentage of GDP, the estimates from the Ministry of Sports put sports contribution at 0.2% of GDP and a forecast of 0.6% of GDP by 2030¹. The Kingdom also plans to raise the private sector's contribution in the sports sector to 30% from 15% currently. Additional benefits include attracting more FDI across the sports value chain, as well as sports-driven tourism, local job creation, and improving the Kingdom's image and culture abroad.

¹- Ministry of Sports, Saudi Arabia.



As part of growing the sports economy and raising non-oil revenue, significant efforts have also focused on the privatisation of sports clubs in the Kingdom as a long term plan. Interest and efforts to privatise sports clubs in Saudi Arabia began in earnest in April 2016 with the launch of Vision 2030. The government's long-held belief that the privatization of some state-owned assets can and should play a key role in economic and social growth was crystallized in Vision 2030. The formation of new public-private partnerships to build specific sporting facilities and programs and a general cost reduction and increased efficiency are all explicitly promoted in the Vision 2030 plan.

Approved plans by Saudi Arabia's Council of Ministers to privatise football clubs focuses only on clubs playing in the top Saudi Premier League division - the Saudi Professional League "SPL" (also known as the Premier Division and/or the Prince Mohammed bin Salman Professional League). Saudi sports clubs are currently government-owned, including those participating in the SPL. However, in June 2021, the Minister of Sports, HRH Abdulaziz bin Turki Al-Faisal launched the NAFES (meaning 'compete' in Arabic) platform that enables investors to issue licenses for private sports clubs, sports academies, and sports centres². NAFES is considered one of the tracks under the umbrella of Saudi sports clubs' privatisation³.

As part of wider sports clubs' privatisation plans, and to improve the overall level of performance of Saudi sports clubs and ensure they can establish multiple revenue streams and reduce reliance on government funding, the implementation of an effective governance system that contributes to the long-term sustainability of sports clubs has been one important initiative that the Ministry of Sports and the Saudi sports clubs are forging ahead with.

2- Ministry of Sports, Saudi Arabia.

3- Minister of Sports interview with Abdullah Al Mudaifer, Nov 2020.

Introduction

Saudi Sports Clubs at a Glance

There are currently 170 sports clubs in Saudi Arabia that are embracing football and many other games (the number of games within each club varies from one club to another). These clubs are classified into five main divisions according to the Saudi Arabian Football Federation (SAFF) and the number of clubs within each classification differs between the divisions.

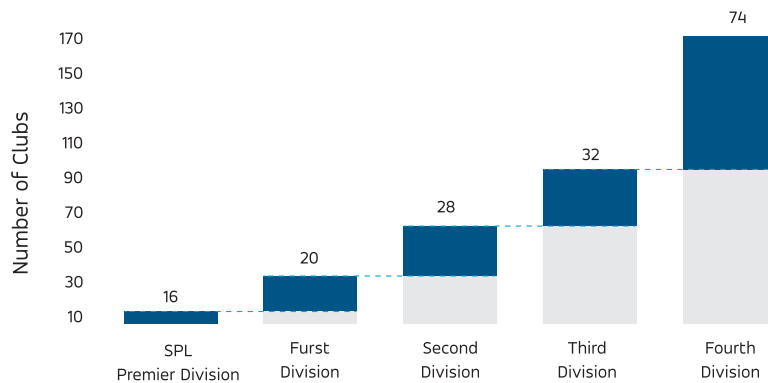
 **170** clubs

 **29** games

 **5** main divisions according to SAFF classification

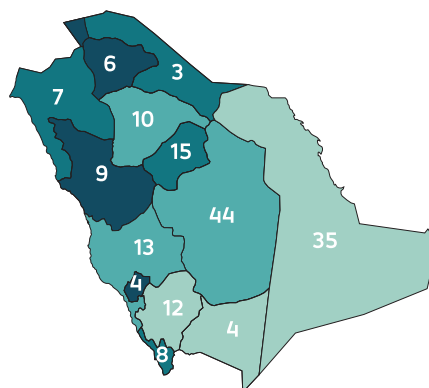
Figure 1 shows the number of Saudi clubs within each division according to SAFF classification for Season 2021-2022.

Figure 1: SAFF Classification for Saudi Clubs (2021-2022)⁴



The distribution of the Saudi clubs across the Kingdom is shown in Figure 2. According to the distribution, around 46% of the clubs are within two main regions: Riyadh and the Eastern Province.

Figure 2: Clubs Distribution across the Kingdom⁵



4- Saudi Arabia Football Federation (SAFF).

5- General Authority For Statistics, Saudi Arabia.

Introduction

Saudi Sports Clubs at a Glance

We compared Saudi sports clubs' social media following to those of worldwide leagues to gain a better idea of their popularity. The benchmark in Figure 3 shows that 92% of the followers in the SPL are concentrated within the top 4 clubs in the league (Al-Hilal, Ittihad, Al-Nassr, and Al-Ahli). In comparison, in the English Premier League (EPL) for instance, 70% of the Twitter followers are concentrated within the top four clubs in the league (Manchester United, Chelsea, Liverpool, and Arsenal). On the other hand, in the US, the top 4 teams in the NBA (Los Angeles Lakers, Golden State Warriors, Miami Heat, Chicago Bulls), have only one-third of NBA clubs' followers, and this shows a fragmented distribution between clubs' social presence.

The popularity of the different sports and leagues within each nation and beyond their geographic boundaries explains the disparity in Twitter following as a percentage of the population. Due to the tremendous popularity of the English Premier League within the UK and worldwide, the +127 million following which is almost double the UK's population includes a large global following. For the US National Basketball Association (NBA) clubs' Twitter followers represent 22% of the US population, which may be attributed to the fact that the NBA is more widely followed within the US mostly. The same applies for the Saudi Premier League (SPL) clubs' Twitter followers which account for more than 60% of Saudi Arabia's population, since both football and the SPL are popular within the Kingdom.

Figure 3: Leagues Twitter Followers Distribution Benchmark (%)⁶

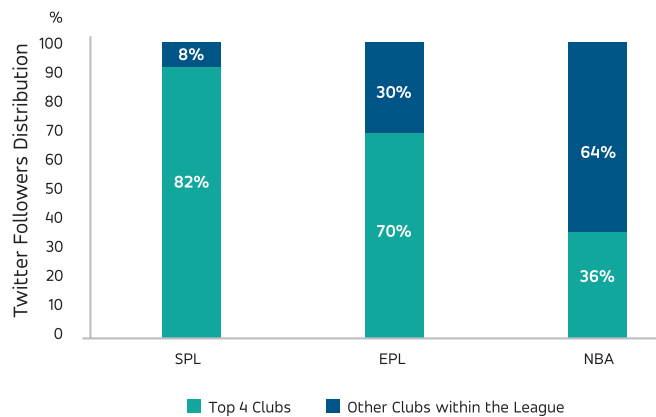
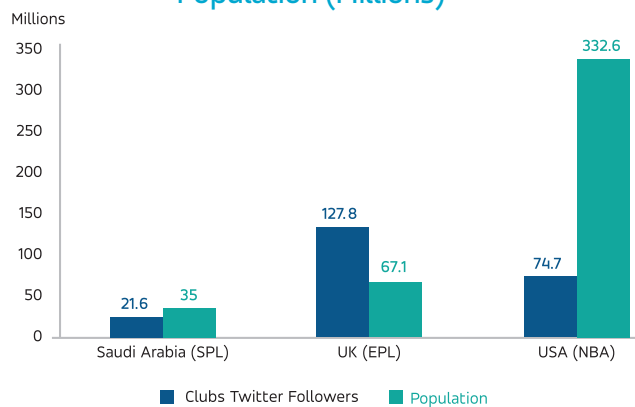


Figure 4: Leagues Twitter Followers & Country Population (Millions)⁷



6- Twitter.

7- Twitter; General Authority for Statistics, Saudi Arabia; ONS; US Census Bureau.

Sports is one of the main overarching objectives of Saudi Arabia Vision 2030's first pillar which focuses on building a vibrant society in which members enjoy a healthy lifestyle and an environment that allows for positive living. As a result, the Ministry of Sports (MoS) is one of the most vocal proponents of this pillar, working on 20 initiatives under the umbrella of the Quality of Life Program (one of 11 Vision Realization Programs to achieve Vision 2030).

Based on the MoS' desire to improve the overall level of performance of Saudi sports clubs, a strategy was launched in 2019 for sports clubs, with the goal of achieving financial and administrative sustainability through the implementation of an effective governance system that contributes to their long-term development and stability.

All the below six initiatives have contributed to many achievements during the past two years, most notably:

- 62% increase in the average governance score from the beginning to the end of the 2020-2021 season.
- 755% increase in the number of clubs that interacted with the "Other Sports" initiative and embrace 10 different games other than football (from 2019-2020 season to 2020-2021 season).
- The number of jobs created in the clubs more than doubled since 2018-19 to 3,097 jobs in 2020-21.

The sports clubs support strategy consists of 6 main initiatives, as follows:



The "Governance" Initiative

This initiative aims to develop the way Saudi clubs operate and apply the highest standards of governance in sports clubs, to ensure their administrative and financial sustainability, by evaluating clubs according to the way the clubs manage their finances and operations, and the extent of their compliance with regulations and laws based on 5 set criteria: strategy and leadership, management and operations, commitment, control and mentoring, financial management and marketing activities and events. Based on the evaluation results and knowing that the maximum score they can achieve is 7, clubs in the SPL can be supported with a maximum of SAR 20M, while those in the first and second divisions can receive SAR 2M and SAR 0.5M respectively (according to the 2021/2022 season policy).



The "Other Sports" Initiative

This initiative is meant to empower the presence of games other than football and it aims to achieve a balance in the clubs' focus on other sports. The clubs are required to register with the relevant federations in eight programs (as a minimum) for targeted age groups and pass the evaluation by each federation at the end of the season. The support allocated to this initiative amounts to SAR 488M and is divided into two main parts: the unified points system (SAR 432M) and the incentive support for targeted age groups (SAR 56M), according to the 2021/2022 season policy.



The “Public Presence” Initiative

This initiative aims to increase the mass fan attendance and participation, as each club in the SPL can receive a maximum of SAR 1M per match for home games where attendance levels exceed 90% of stadium capacity, SAR 750K for more than 75% attendance level, SAR 500K for more than 60%, SAR 250K for more than 50% and SAR 100K for more than 30%.



The “Direct Support” Initiative

This initiative aims to provide direct financial support to sports clubs, by allocating an amount of SAR 50M annually to each club of the SPL, SAR 5M annually to each club in the first division league, and SAR 3M annually to each of the clubs in the second division league.



The “Sports Facilities Development” Initiative

This initiative, in collaboration with the Sports Facilities Agency at the MoS, aims to provide the necessary support to motivate clubs to develop and improve sports facilities and stadiums by allocating a total amount of SAR 160M for comprehensive and partial development as required.



The “Digital Transformation” Initiative

This initiative is based on building a central digital platform for the MoS, and activating the digital transformation of clubs internally through three stages:

- The design phase, during which the quality of the data and the club’s plan will be evaluated to determine the club’s readiness to begin the process of digital transformation.
- The application phase, during which the implementation of the plan and the club’s use of electronic programs is confirmed.
- The results stage, during which the MoS ensures that the club’s internal operations are carried out digitally, and monthly automated reports are issued and submitted to the ministry’s platform.

The “Digital Transformation” Initiative only targets clubs in the SPL, with an estimated budget of SAR 2M allocated to each club that succeeds in certain evaluation criteria related to digital transformation, paid in two instalments following the evaluation process and accompanying field visits.

For the Saudi sports industry overall, digital transformation offers additional opportunities including:

- Improving fan engagement and experience.
- Enhancing clubs’ team performance.
- Capitalizing on available data for decision-making.
- Developing the esports and gaming market.



As part of the Ministry of Sport's Clubs Support Strategy which includes six primary initiatives, one of which is focused on **Governance**. This project aims to improve the overall governance of Saudi clubs.

Corporate governance is a set of rules, policies, and procedures that guide and direct an organisation.

Shareholders, stakeholders, boards of directors, and management are all subject to corporate governance rules and responsibilities.

Furthermore, governance aids in the establishment of strategic goals, the identification of methods for accomplishing these goals, and the monitoring of the organisation's overall performance.

In every country, corporate governance primarily aims to achieve three key objectives:

1. Improving operational efficiency, increasing return on assets, and boosting long-term productivity.
2. Limiting the use of power for personal gain.
3. Promoting corporate responsibility and offering investor protection.

Overall, corporate governance enables entities to improve their profitability, efficiency, and competitiveness, while also making them more appealing to external funding sources.

With these benefits in mind, the governance initiative introduced by MoS represents a great opportunity for Saudi sports clubs to gain various benefits, including⁸:

- **Financial Efficiency:** Corporate governance defines the responsibilities and roles for shareholders and directors and a communication plan to keep the stakeholders informed, to enable better decision-making. This helps to enhance business activities, and in turn, financial efficiency.
- **Greater Investor Interest:** Principles of good governance include efficiency, accountability, fairness, responsibility, and transparency. With these come greater investor interest.
- **Better Access to Debt Finance:** Following good governance practices allows the firm to conduct its business at a lower cost. When investors are prepared to invest, the degree of risk they are willing to accept determines the cost of capital, with the cost of capital rising as the level of risk rises.
- **Improved Reputation:** Generally, well-governed entities have a higher reputation.

⁸- Marinko Skare & Tea Hasic, Journal of Business Economics and Management, 2016.

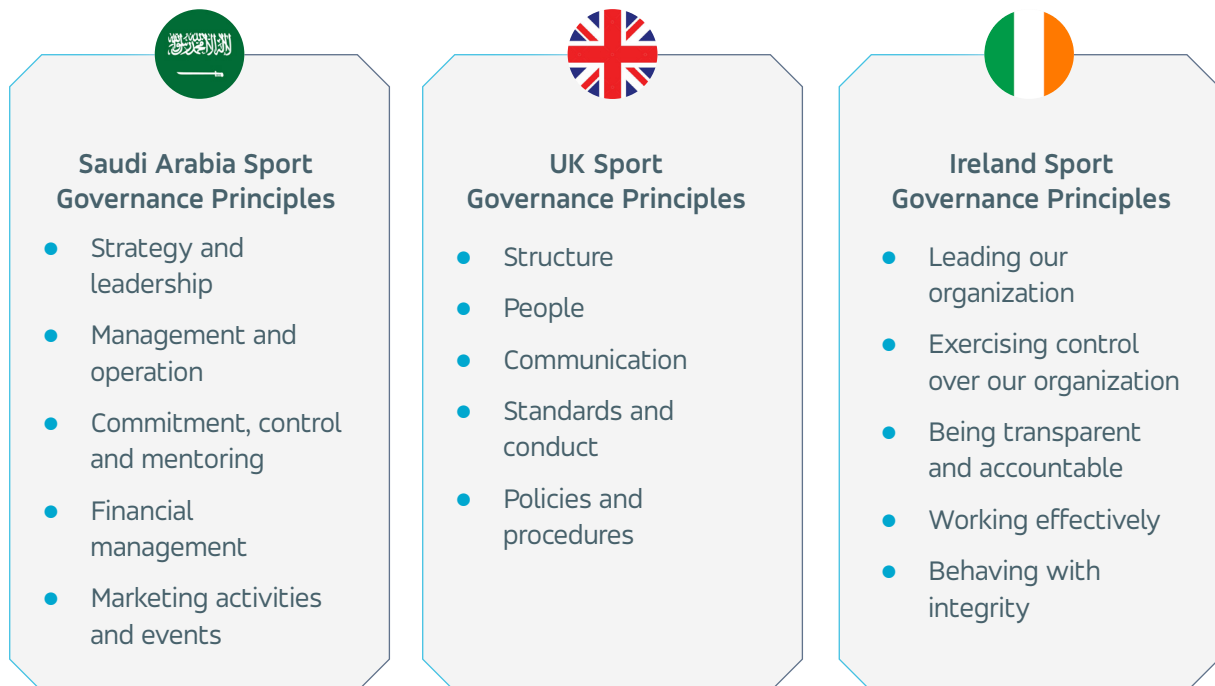
Saudi Sports Clubs' Governance

The Current State of Governance of Saudi Sports Clubs

The Governance Initiative, according to the Ministry of Sports, is a series of rules, regulations, and policies designed at ensuring quality and excellence in Saudi sports club performance. This project also helps to achieve one of the strategy's goals, which is the creation of an effective governance framework that supports the administrative and sporting growth of clubs.

The Saudi club governance effort is adopting a global approach that will elevate the Saudi clubs' operations to a new level. Figure 5 depicts several governance concepts derived from sports governance rules for Ireland, the United Kingdom, and Saudi Arabia. The key concepts appear differently in various nations. However, when it comes to the fundamental criteria that fall under the main principles, there is a lot of overlap among these countries.

Figure 5: Sport Governance Principles Benchmark⁹



9- Sport Ireland, "Governance Code for Sport".

Saudi Sports Clubs' Governance

How are Saudi Sports Clubs Performing in Governance?

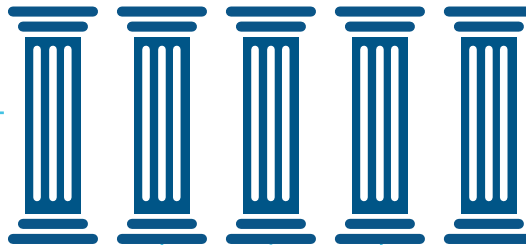


Every quarter, the Clubs Support Strategy Team (part of the MoS) examines the performance of sports clubs based on a set of criteria in order to allocate funding to them as per the Governance Initiative. In the process, sports clubs present their governance documentation to the club's support strategy team for review after a constant process of improvements. The documents differ in the duration of their delivery. Either they are delivered annually, quarterly or monthly.

Governance Initiative Pillars (Sports Season 2021-2022)

Strategy and Leadership:

Creating a strategy for the club and overseeing its implementation.



Marketing Activities and Events:

Putting together a marketing strategy for the club.

Management and Operations:

This includes strategic plans for the club's departments and their achievements.

Commitment, Control, and Mentoring:

Complying with sports and other business rules and regulations.

Financial Management:

Managing the club's financials with fiduciary commitments in the interest of the club.

After the sports clubs submit the documents of their governance initiative activities, the Clubs Support Strategy Team evaluates the documents according to the evaluation criteria set by MoS. The results are then announced on the ministry's official Twitter account on a quarterly basis, and the financial support is awarded based on each club's score in the evaluation process.

Saudi Sports Clubs' Governance

How are Saudi Sports Clubs Performing in Governance?

Since the launch of the initiative, the clubs have performed well throughout each season, even with new criteria additions and higher threshold scores. Figure 6 shows the average score of the top 12 clubs that remained in SPL during the three seasons, never dropping to the First Division League¹⁰ throughout seasons since 2019. The 12 clubs are illustrated in Figure 7.

We explain the journey below:

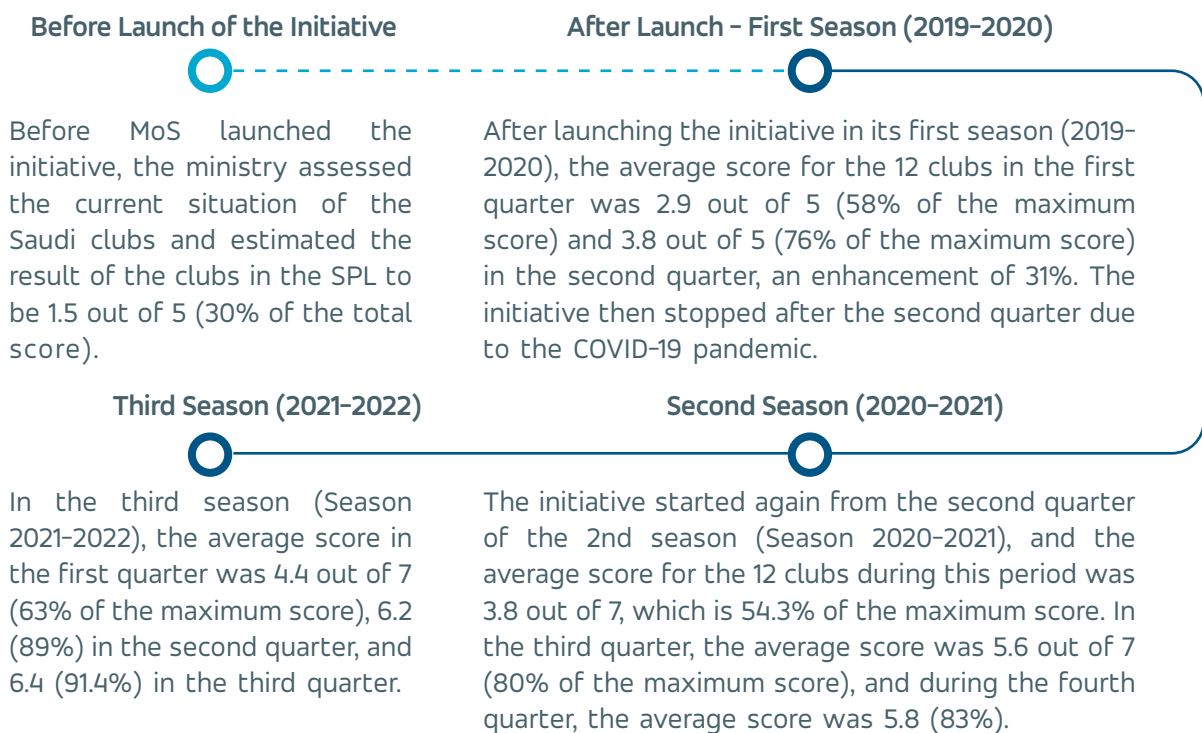
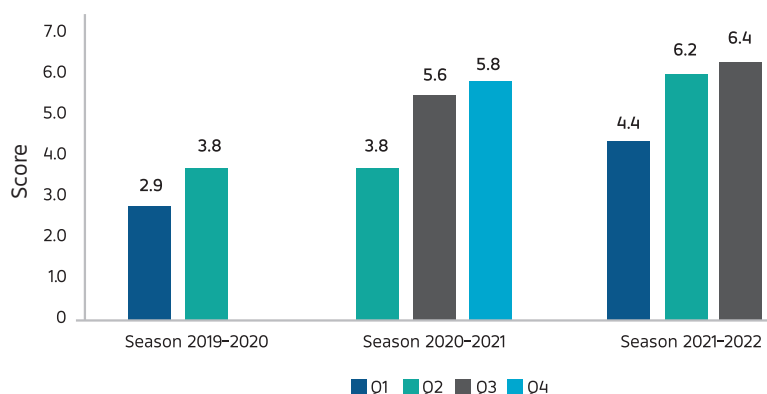


Figure 6: Performance of Pro League Clubs since 2019¹¹



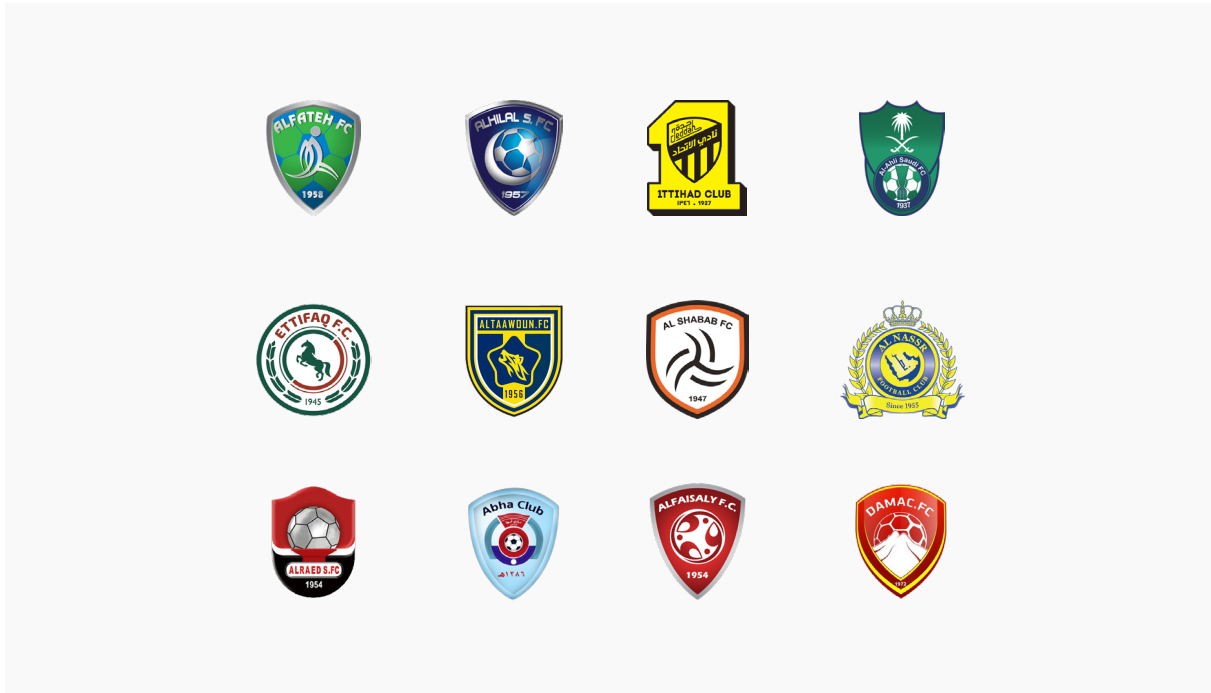
10- At the end of each season, the three clubs that score the least points in the Pro League fall to the first division and they are replaced by the three clubs from the first division that gained the highest points in their division.

11- Saudi Ministry of Sports Twitter Account.

Saudi Sports Clubs' Governance

How are Saudi Sports Clubs Performing in Governance?

Figure 7: The 12 Clubs Retained in the SPL during the Last Three Seasons¹²



Overall, the clubs show improved performance during each season, and there was a small decrease in the average score at the beginning of subsequent seasons due to two main reasons:

- First, some changes were made to the governance standards and criteria at the beginning of the following two seasons.
- The second reason was that the number of deliverables in the first quarter of each season was considered high compared to the other quarters.

A 58% increase in the average governance score from the first quarter of the 2019-2020 season until the third quarter of 2021-2022 indicates good enhancement for the clubs on the financial and administrative stabilization aspects.

Appendix 3 illustrates in more detail the scores of each of the 12 clubs from the start of the initiative until the third quarter of the 2021-2022 season.

¹²- Ministry of Sports, Saudi Arabia; Respective Saudi sports clubs.

Based on **interviews conducted by Strategic Gears with some Saudi sports clubs**, we highlight the opportunities that can be capitalised on further. Interviews with top management across several clubs were conducted by Strategic Gears in November 2021 regarding where the opportunities lay when it comes to improving the initiative further.

We summarise the insights from the interviews and outline them in three main categories as follows¹³:



Awareness Increase and Development

Developing a governance environment within the Saudi clubs is an important aspect in boosting the initiative's outcomes and helps in improving the overall performance of the clubs. The MoS is already conducting workshops that help raise awareness about the governance criteria among clubs' personnel for them to have a thorough understanding of the requirements for each criterion. However, the governance environment within the clubs needs more enhancement due to two main factors: (1) the high turnover rate, which forces clubs to devote additional resources to educate new personnel on the governance requirements; (2) governance standards and evaluation criteria are always changing. As a result, the requirement for ongoing development and training is critical in enabling clubs to achieve the greatest governance outcomes.



Evaluation

Clubs highlighted an interest in receiving feedback early on in the assessment process so that the Club Support Strategy Team can clarify the clubs' contributions before releasing the final evaluation findings. This might help give the clubs the opportunity of improving their scores in the governance initiative.



Flexibility

Insights from the interviews with the sports clubs concluded that a flexible governance model that can be easily customized based on club size, needs, and capabilities is a potential opportunity that could improve the initiative. This is because such a flexible governance model could assist clubs in achieving more ambitious goals like sporting excellence and long-term viability. It could also allow them to get better governance evaluation results. Furthermore, showcasing best practices in meeting governance requirements would aid the beneficiaries in improving their performance and reaching the level of elite clubs in several aspects (including managerial and financial).

¹³- Strategic Gears interviews, November 2021.



Through Strategic Gears' engagement with multiple Saudi sports clubs in the SPL on the Governance Initiative launched by the Ministry of Sport, we identified multiple challenges that face these clubs ranging from strategic to operational and financial aspects. These challenges vary according to the size of the club but below is a summary of the most common challenges that most Saudi clubs face, under three main categories:



Strategy



Operations



Financials



Strategy

- Continuous monitoring and evaluation of the strategies are considered one of the main challenges that face the clubs.
- For the clubs, the Government Initiative is considered a new endeavour, given it began in 2019 and was put on hold after the first two quarters of that season. As a result, the implementation of such an idea may take some time.
- Executing an effective communication strategy remains a challenge for the clubs. A well-implemented communication strategy improves decision-making and keeps all stakeholders informed about critical business operations.



Operations

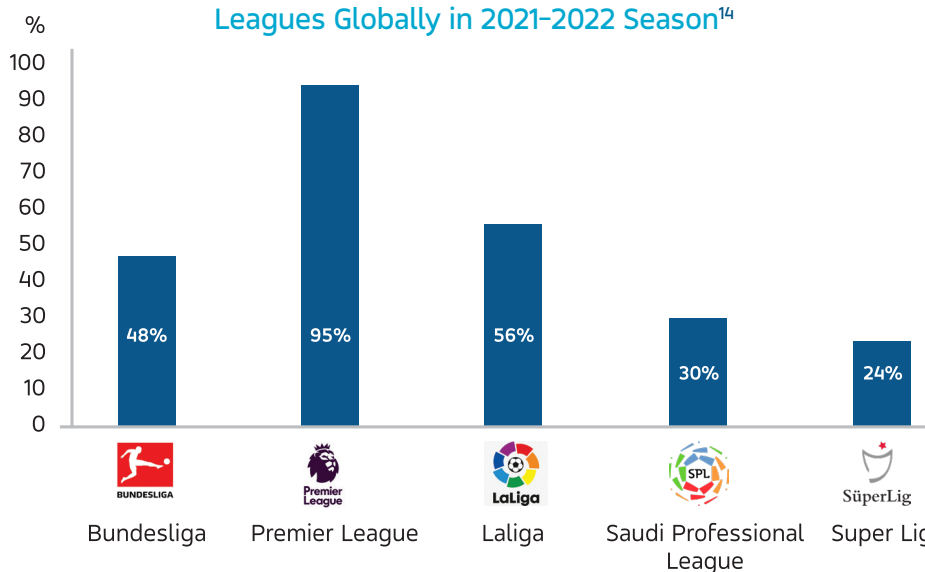
- Crowds and Stadium Capacity

Many matches in the SPL have a small crowd, which has a direct impact on the clubs' revenue from ticket sales. We compared stadium capacity utilization across different leagues globally to see how the SPL stacks up in terms of match attendance. In terms of capacity utilization, the UK Premier League outperforms the other leagues.

The SPL, according to this benchmark, is falling behind other leagues in terms of attendance, but it is still contending with other leagues, such as the SUPER LIG. Low attendance may be linked to the marketing strategies employed by the clubs to promote fan reach and engagement.

As a result, in the 2020-2021 season, the MoS has launched the Public Presence Initiative to boost the number of spectators. Saudi clubs are also attempting to reach their full potential by adhering to the guidelines set out in the Saudi clubs' Governance Initiative section on "Marketing Activities and Events".

Figure 8: Average Stadium Capacity Utilization in Various Leagues Globally in 2021-2022 Season¹⁴



- Employee Turnover Rate

Some clubs are experiencing a high employee turnover rate and a shortage of staff to take on the burden of managing the club's business. However, some of the reasons are shared by all of the clubs, such as when personnel leave for a better job or a greater wage.

¹⁴- Transfermarkt.

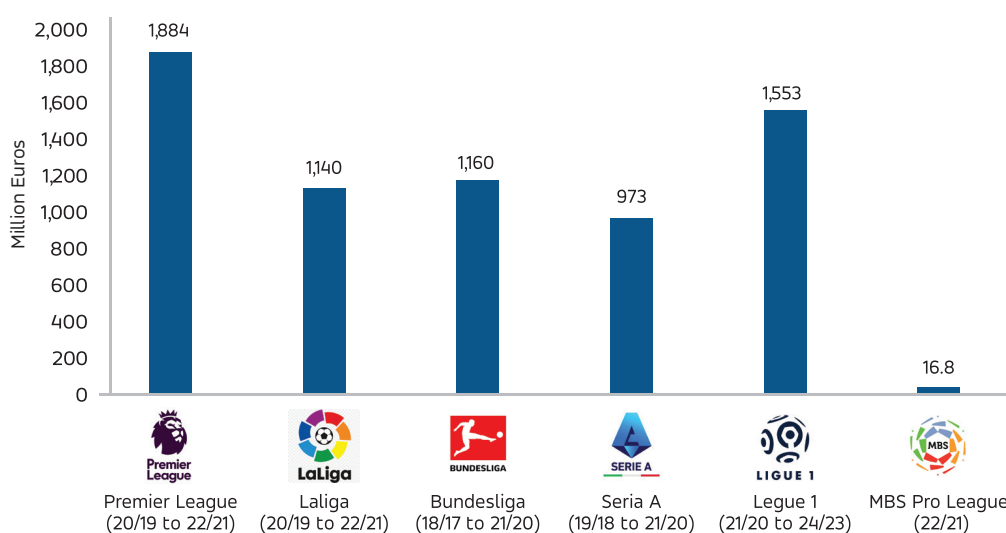


Financials

- Broadcast Revenue

The SPL is suffering from lower broadcasting income compared with other worldwide leagues, according to Strategic Gears benchmarking. The SPL strategy divides the earnings among the Saudi clubs, with the SPL agreeing to sell the broadcasting rights to the SSC for EUR 16.8M per season (SAR 70M). On the other hand, most of the major leagues broadcasting income exceed EUR 1B (SAR ~4B).

Figure 9: Broadcasting Revenue Benchmark (Million Euros/Season)¹⁵



- Profitability of the Clubs

Lack of sustainable profit is considered one of the potential reasons for investors' reluctance to invest in or acquire sports clubs and this is due to the imbalance in revenue and expenses. Only four teams out of sixteen (or 25% of the professional league's clubs) are profitable, according to Table 1.

¹⁵- Football Benchmark; Kooreasury.

For the 2020-2021 season, the average revenue for the clubs was SAR 155M, while the average expenses was SAR 179M, and the average loss was SAR 23M. Such financial gaps may be closed by lowering costs and/or diversifying revenue streams in order to enhance clubs profitability.

Table 1: Financial Report for the Saudi Pro League Clubs in the 2020-2021 Season (Million Riyals)¹⁶

Club	Revenue	Expenses	Net
Al-Hilal	497.00	472.00	25.00
Al-Nassr	407.70	520.70	-113.00
Al-Ittihad	263.00	396.00	-133.00
Al-Ahli	240.60	339.20	-98.60
Al-Shabab	184.00	232.30	-48.20
Al-Fateh	166.90	134.10	32.80
Al-Ettifaq	111.10	111.40	-0.30
Al-Faisaly	110.00	106.10	3.90
Al-Raed	101.50	103.80	-2.30
Al-Taawoun	87.70	96.50	-8.70
Damac	83.70	86.50	-3.00
Al-Batin	61.60	78.70	-17.10
Al-Hazem	44.30	67.40	-23.10
Al-Fayha	39.70	57.40	-17.80
Al-Tai	19.00	19.80	-0.70
Abha	74.87	50.28	24.59
Total	2,492.67	2,872.18	-379.51
Average	155.79	179.51	-23.72

¹⁶- Kooreasury.

- Government Support

Government support is considered the main revenue stream for the clubs, although there are others such as ticket sales, TV broadcast, and sponsorship. Table 2 shows the share of government support from the clubs' income, where the average percentage is 64%, indicating high government support given to the clubs.

Table 2: Government Financial Support for the Sports Clubs 2020-2021 Season (Million Riyals)¹⁷

Support Type	Al-Hilal	Al-Nassr	Al-Ittihad	Al-Ahli	Al-Wehda	Al-Shabab	Al-Ettifaq	Al-Fateh
Unconditional Financing	50	50	50	50	50	50	50	50
Governance	15	10	20	15	15	15	15	20
Attendance & Mass Marketing	28	28	28	28	18	18	18	18
Other Games	20.8	5.7	17.7	16.6	11.2	7.6	5	11.4
Total	113.8	93.7	115.7	109.6	94.2	90.6	88.0	99.4
Average (16 Clubs)	84.4							
Income Percentage	23%	23%	44%	46%	-	49%	79%	60%

Support Type	Al-Raed	Al-Taawoun	Al-Faisaly	Abha	Damac	Al-Qadsiah*	Al-Batin*	Al-Ain*
Unconditional Financing	50	50	50	50	50	38.6	38.6	38.6
Governance	10	10	15	10	15	15	5	0
Attendance & Mass Marketing	18	10	10	10	10	10	10	10
Other Games	2	0.8	2.1	2.4	1	2	1.3	0
Total	80.0	70.8	77.1	72.4	76.0	65.6	54.9	48.6
Average (16 Clubs)	84.4							
Income Percentage	79%	81%	70%	97%	91%	-	89%	-

¹⁷- Saudi Ministry of Sports Twitter Account.

* Playing in the first division during the first quarter of 20/21.

Conclusion & Recommendations



Privatisation remains a priority, and the government is forging ahead with various plans, including helping to drive sports clubs towards better governance. Since the sports Governance Initiative's inception, the Saudi sports clubs have consistently done well throughout each season, despite the addition of new criteria and higher threshold scores. Overall, the clubs' performance in governance has improved with each season.

Both the sports clubs and the Ministry of Sports perceive an opportunity to raise awareness about the governance initiative and its criteria among clubs and their personnel, as well as to develop a strong governance environment overall within the Saudi clubs. In order for clubs to achieve the best governance outcomes, they must invest in continuous development and training. Another possible chance to strengthen the initiative is to develop a flexible governance model that can be readily adapted according to the clubs' size, requirements, and skills, as well as to continue showcasing and learning from other best practices locally and internationally.

However, there remain challenges that still need to be overcome as outlined earlier in our report, including:

1. Continuous monitoring and assessment of the clubs' plans as well as the implementation of an effective communication strategy remain a challenge from a strategic standpoint. Another issue is that the Governance Initiative is viewed as a fresh venture by the clubs, having begun in 2019 and placed on hold after the first two-thirds of that season. As a result, putting such a concept into action may take some time.
2. Operationally, clubs in the SPL face low match attendance compared to other major leagues globally; they also experience a high employee turnover rate needed to manage business and governance activities.
3. Due to the mismatch in revenue and costs, one of the potential reasons for investors' unwillingness to engage in or purchase sports clubs is a lack of sustainable profit. Only around a quarter of the clubs in the professional league are profitable.
4. While there are other revenue streams such as ticket sales, television broadcasting, and sponsorship, income from ticket sales and television broadcasting for instance are low in global terms, and sports clubs remain highly dependent on government financing support.

Conclusion & Recommendations

Some Strategic Gears recommendations for the Saudi sports clubs and others in the ecosystem include:

1

Having a dedicated staff that follows up with club departments to ensure that initiatives that are part of the club strategy are implemented and contribute to the department's strategic goals are met will aid in the execution of the club strategy.

2

Raising awareness of the club's communication strategy and its implementation while taking into account the importance of digital transformation in boosting clubs' management and governance performance.

3

Adopting programs focused on career development, enhancing employee privileges, and boosting remuneration and the work environment to lower the employee turnover rate.

4

Building a work plan that is adhered to by new board of directors and employees to ensure business continuity in the clubs.

5

Enhancing current marketing and branding initiatives and adopting novel methods. The importance of marketing and branding in the development of professional football clubs cannot be overstated. Before COVID, Manchester United Football Club in the UK, for example, raised over 40% of income from commercial activities (sponsorships, retail, merchandising, apparel & product licensing, and mobile & content), 38% from broadcasting (live content distribution through global media rights deals and its own MUTV channel) and the rest from matchdays (seating more than 74,000 fans per game).

6

Further encouraging the establishment of investment arms as part of Saudi sports clubs. A new trend emerging among Saudi sports clubs is the formation of investment companies as subsidiaries of the clubs, which then manage all trade and marketing rights while also making investments into other businesses. Al Hilal, Al Fateh and a few other clubs currently have an active investment firm, whilst others have also received approval to establish one.

Conclusion & Recommendations

Beyond the Governance Initiative, Saudi sports clubs and others in the ecosystem in the Kingdom can further capitalise on new opportunities and trends emerging in the sports sector including:

- **Sports Tourism:** Sports and tourism are inextricably linked and mutually beneficial. Major sporting events, such as the Olympic Games, have grown into popular tourist attractions. The influence on host places ranges from tangible impacts such as increased visitor arrivals, new employment, and new infrastructure (sports and other), to intangible aspects such as the promotion of sports values and improved know-how in administering sports events. To unlock potential in Saudi Arabia, strong coordination between both the private and public sectors is essential to stimulate investment, sponsorships, and new infrastructure possibilities, among others.
- **Investing in Sports outside Saudi Arabia:** Saudi Arabia's Public Investment Fund is investing both domestically and internationally, having already purchased a majority stake in Newcastle United in the UK. Aside from the financial rewards and investment returns, for the Kingdom, investing in sports outside of Saudi Arabia will help disseminate Saudi culture and sports to the rest of the globe and create more opportunities for partnerships, and the exchange of best-practice expertise and technology.
- **Women's Participation in Sports:** Beyond the physical and economic benefits, the sports sector in Saudi Arabia has also achieved great strides in female empowerment. This contributes to the country's image of opening-up. Greater female access to sports in the Kingdom, where women's engagement in sports has been relatively rare, also presents considerable prospects for sports-focused enterprises and other investors across the sports value chain.

7

Appendix 1

Strategic Gears' Journey with the Saudi Sports Clubs



The Saudi sports clubs that Strategic Gears has engaged with, and the corresponding quarters are illustrated below.

Season	2020-2019 Season		2021-2020 Season			Season 2022-2021		
Club Name/Quarter	Q1	Q2	Q2	Q3	Q4	Q1	Q2	Q3
Al-Fateh	●	●	●	●	●	●	●	●
Al-Hilal				●	●	●	●	●
Al-Ittihad	●	●	●	●	●			
Al-Ahli				●	●			
Al-Taawoun						●	●	●
Al-Nassr						●	●	●
Al-Wehda				●				
Al-Tai						●		

Appendix 2

SPL Clubs' Performance in Governance during the Three Seasons (19/20, 20/21, 21/22)

We outline below detailed SPL sports clubs' performance in the Governance Initiative with their individual scoring each quarter across the three seasons since the launch of the initiative.¹⁸

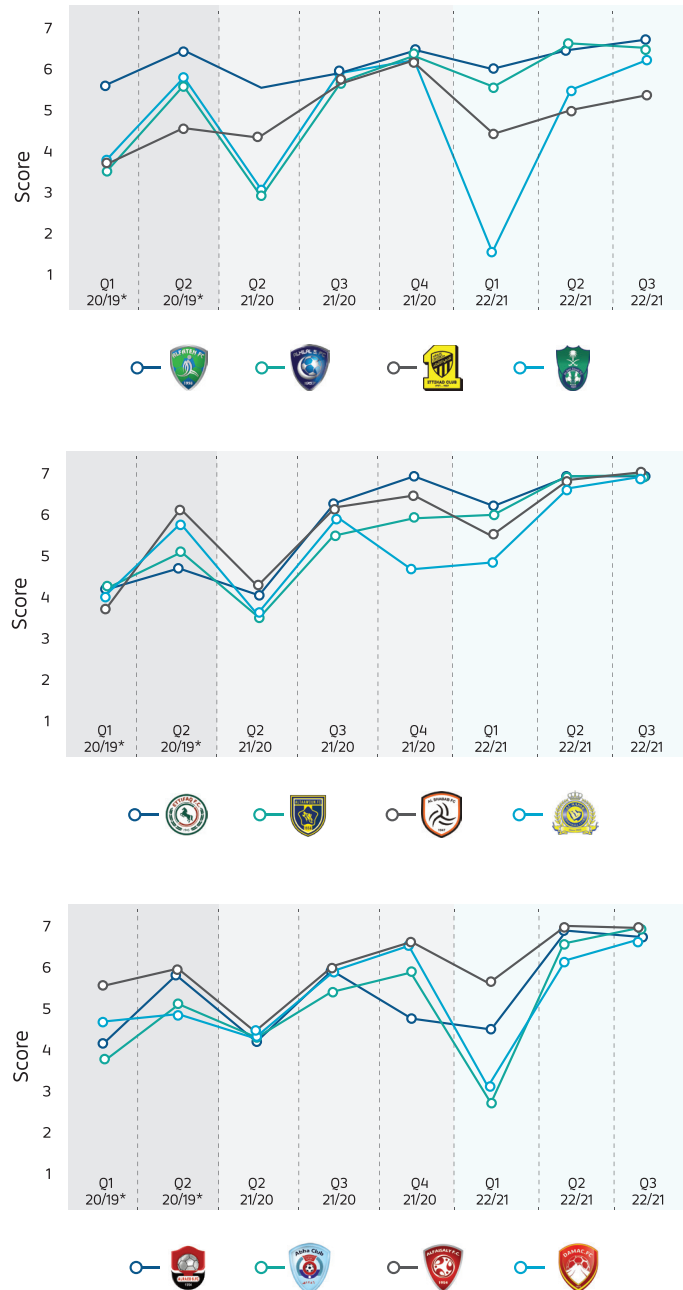
Season	Season 2019-2020		Season 2020-2021			Season 2021-2022		
Club Name/Quarter	Q1	Q2	Q2	Q3	Q4	Q1	Q2	Q3
Maximum Score	5	5	7	7	7	7	7	7
The Minimum Score for Getting the Support	2	3	4	5	6	6	6	6.5
Al-Fateh	4.07	4.64	5.56	5.88	6.44	6.06	6.48	6.74
Al-Hilal	2.66	4.09	3.07	5.68	6.35	5.63	6.52	6.69
Al-Ittihad	2.79	3.28	4.32	5.64	6.19	4.45	5.06	5.43
Al-Ahli	2.77	4.2	3.15	5.94	6.28	1.57	5.55	6.25
Al-Ettifaq	2.75	3.15	3.78	5.9	6.52	5.88	6.6	6.66
Al-Taawoun	2.73	3.43	3.21	5.13	5.58	5.73	6.5	6.62
Al-Shabab	2.42	4.14	3.88	5.86	6.1	5.23	6.47	6.67
Al-Nassr	2.65	3.89	3.29	5.64	4.36	4.53	6.28	6.59
Al-Raed	2.63	3.86	3.66	5.46	4.29	4.03	6.38	6.27
Abha	2.31	3.37	3.98	5.01	5.45	2.27	6.14	6.58
Al-Faisaly	3.63	3.97	3.75	5.63	6.16	5.21	6.51	6.52
Damac	3.06	3.14	3.82	5.48	6.03	2.65	5.73	6.19
Al-Fayha	3.54	4.04	-	-	-	5.01	6.54	6.63
Al-Wehda	3.24	3.39	2.37	5.3	6.19	-	-	-
Al-Adalah	2.43	3.1	-	-	-	-	-	-
Al-Hazem	1.38	3.47	-	-	-	5.01	6.48	6.51
Al-Qadsiah	-	-	4.08	5.6	6.19	-	-	-
Al-Batin	-	-	1.94	4.07	6.01	4.6	6.24	6.38
Al-Ain	-	-	1.71	4.15	2.07	-	-	-
Al-Tai	-	-	-	-	-	5.52	6.02	5.73

¹⁸- Saudi Ministry of Sports Twitter Account.

Appendix 3

12 SPL Clubs' Performance in Governance since 2019/2020

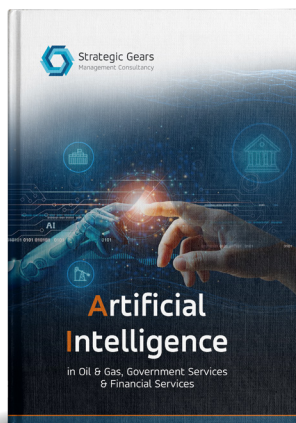
The performance trend of the top 12 clubs that remained in SPL during the three seasons since the launch of the Governance Initiative in 2019 is shown below.¹⁹



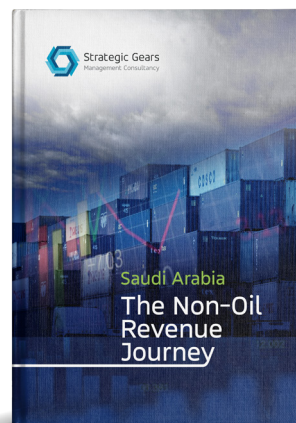
19- Saudi Ministry of Sports Twitter Account.
 * In order to unify the scale, the score was converted to be out of 7 during these quarters (instead of out 5).

Other Publications

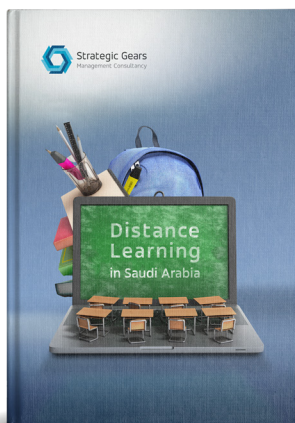
Strategic Gears prides itself in its ability to be a knowledge hub for the Saudi market. We release a range of reports on the current state of the Kingdom's economy as well as hot topics in both the public and private sectors. Below is a sample of our latest publications.



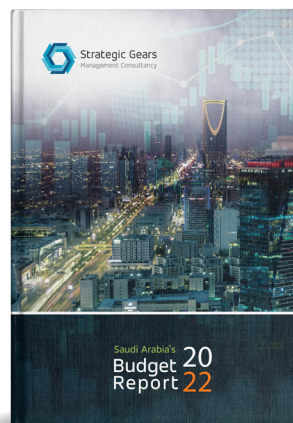
Artificial Intelligence
in Oil & Gas, Government Services & Financial Services



Saudi Arabia
The Non-Oil Revenue Journey



Distance Learning in Saudi Arabia



Saudi Arabia's Budget Report 2022

The Journey of
Sports Clubs Governance
in Saudi Arabia



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