

# **THE ROLE AND SIGNIFICANCE OF MANAGEMENT FOR THE FUNCTIONING OF THE SPORTS ORGANIZATION**

**Goran Krstić<sup>1</sup>, Pero Krstić<sup>1</sup>, Ljubomir Jokić<sup>1</sup>**

<sup>1</sup>Faculty of management and economy, Kragujevac, R. Serbia

[pkrsticbg@yahoo.com](mailto:pkrsticbg@yahoo.com)

## **Abstract**

Management has an important role in directing cash flows in order to achieve the overall (social and economic), but above all the financial goals of the sports organizations. Defining these goals often depends on the model and concept of business management. However, financial goals most often cover the areas of: providing the necessary financial resources, ensuring the liquidity of the sports organization and maximizing the business result.

**Keywords:** financial management, organization, sports organization.

## **INTRODUCTION**

Management, as a significant practical and theoretical discipline, deals with the issue of cash flows within the sports organization, more precisely the circular movement of funds in the field of production, distribution, exchange and consumption. It also studies financial relations between economic entities of an economic system, as well as relations within the organization (between certain organizational parts and segments), collection, storage, distribution and use of funds and financing current and development needs and activities of the organization (Ristic, Bogavac, 2011).

Therefore, it is important to comprehensively point out that financial management is a continuous operational activity which determines the scope of necessary funds, their most favorable source, rational use and constant direction, monitoring and control of movement (turnover) of these funds, in order to achieve defined financial goals.

Due to the development of certain financial functions and the performance of financial activities such as financial records, analysis, financial planning, management and control, there is an evolution of corporate finance and the emergence of management finance.

## MANAGEMENT AS A PART OF MODERN BUSINESS

Management, first of all, dealt with the issues of founding new companies, merging existing ones and issuing securities. His research area also included financial markets where securities were traded.

In the 1940s and 1950s, the traditional approach to finance was still prevalent when financial management did not deal with decision-making. However, further on, it is increasingly turning to funding planning activities and funding sources. Also, economic methods and models for selecting decisions related to financial investments are being developed. In that way, a managerial approach to finance and their transition from traditional to modern was created. The outcome of this development period was the need to develop models for assessing the value of companies and their application in decision-making. Then comes the period of application of statistical and econometric models, as well as the theory of portfolio and business risk (Ivaniš, 2008).

Further development of financial management was reflected in the introduction of new financial stock exchange instruments and the growth of issuance of fixed-income securities and asset securities. Due to the emergence of the need for external sources of financing, financial management is turning to the study of liquidity problems and sources of financing long-term investments. The importance of securities for financial management, within investment investments, continues to grow, and the analysis of cash flows, their budgeting and planning, in order to maintain a healthy financial structure of the sports organization, has also become important. In the eighties of the last century, financial technology was used in financial management when making business decisions (Rakić et al., 2021).

The development of technology, ie computer networks, leads to more efficient financial management in the sports organization. Those decisions referred to the release of securities into circulation, dividend policy, investment in property, procurement, etc. During this period, financial management especially acquires an important role in financial management and becomes more oriented towards the money and capital market. The growth of financial management into a modern discipline continued even more in the 1990s, when it gained a strategic role within the organization. The period in which financial markets become integrated and when global competitiveness occurs creates the need to develop business finance in this direction (Prdić, 2018).

During this dynamic development, some of the processes that stood out were: financial decision making, cash flow management, purchase, sale, merger and separation of companies through stock exchange flows, investment, applicability of business finance to international flows of venture capital (with emphasis on exchange rates, investment risk and international banking). This evolutionary path of financial management

towards modern economic discipline has led to its transformation from a descriptive discipline into a reliable and normative theory(Ivanova i Ristić, 2020), from an area that was mainly concerned with raising capital to one that manages its allocation and cash flows, from an area oriented to external analysis of the sports organization. which is focused on the analysis for the needs of financial decision-making within the sports organization(Prdić, 2021).

## **INVESTMENT DECISIONS**

The investment decision-making process refers to making decisions related to the tangible and intangible of an organization. The basis of every investment decision is the recognition of investment opportunities and their analysis. A significant role of financial management is precisely in choosing the investment project that gives the best results and in deciding how much money will be invested in a given project. In the past, the term investment meant only investment in tangible assets (infrastructure, facilities, production facilities, etc.), while today it is much broader because it includes investments in intangible assets (research and development, patents, licenses, etc.).

Such investments often fail if the decisions made, related to them, are wrong. In order to avoid such situations, financial management should perform a detailed analysis of each investment alternative and make a decision on the most favorable option based on it. Therefore, it is important that the tools of investment analysis are mastered and that they are applied consistently. A very important segment in investment decision making is time. Each investment leaves behind effects over a longer period of time in the future(Cvjatković et al., 2021). Therefore, important information for the financial manager is the length of time necessary to return the invested funds, taking into account the time value of money. He needs to find a way to allocate the value of future uncertain inflows of funds, which represent the result of current investments. In this way, he contributes to his sports organization in choosing the investment that will bring the greatest value. The financial manager certainly does not make the investment decision alone(Paspalj & Brzaković, 2021). He belongs to the group of engineers and managers of other functions in the sports organization.

The final decision on a given investment is made by the top management (sports organization management). Decisions that are daily in the competence of financial management, which he makes independently, are not of great importance, ie. these are simpler decisions (eg purchase of computer equipment) (Žiravac, 2011) The most common questions related to long-term investments are:

- o In which direction should the business of the organization be oriented?
- o What are the necessary types of property, equipment and plant?
- o Should the organization modernize or dispose of obsolete assets?
- o Is it necessary to introduce a more efficient distribution

system? Investment decisions not only indicate the realization of income and a positive financial result, but also savings (Milojević et al., 2021).

When making such decisions, it is important to respect the most important principles of financial management. The organization should invest in projects that will bring a rate of return higher than the minimum acceptable rate of return on investment. Therefore, the importance of the role of the financial manager is to define the rate of return that takes into account the risk that the project carries (Suknović, 2018).

## **FINANCIAL DECISIONS**

The decisive role of financial management is important when it comes to obtaining the necessary funds, both for investment and for other business segments. It involves deciding on the form and manner of financing a particular business venture. In the case of necessary investment funds, they can be obtained from the owners' funds, who in return receive their share in the sports organization's profit, or that amount is paid to them from a series of fixed repayments, with a certain fee for the use of their funds. In that case, such investors are called investors in ownership shares.

There is another case in which the investor becomes the creditor of the sports organization, and in the future those funds are returned to him, whether it is a loan or an issue of securities-bonds. In that way, the investor contributes to the financing of the sports organization through debts. These two ways of long-term financing are called the decision on the capital structure. When it comes to both long-term and short-term financing, a decision is made on the financial structure. The financial management is in charge of deciding whether to provide additional funds by issuing bonds or borrowing from a bank, for what period of time the loan was made, what are the clauses on securing the loan relationship (in case of early repayment of borrowed funds, extension of maturity, etc.), in which currency the borrowing will be, what is the guarantee for debt repayment, etc (Avakumović et al., 2021).

The Sports organization finances its investments in physical assets by issuing financial assets to investors. A share is a financial asset whose value is a claim on the sports organization's physical assets and the profit that those assets generate. A bank loan is also a financial asset, it gives the bank the right to claim its money plus interest. Bonds are financial assets that a sports organization issues (issues) to provide investment funds and that obliges the sports organization to return the principal, increased by interest, to the bondholder (Tasić i dr., 2021). In addition to long-term investment and financial decisions, financial management should make decisions in the short term. Its role is to provide enough cash to the sports organization at the time of payment of due obligations, but also to efficiently use the possible surplus funds. It is also a part of many other daily activities, such as

assessing and monitoring the creditworthiness of customers, taking care of debt collection, deciding on the amount of investment in inventories (raw materials and finished products), foreign exchange operations, proper risk management. This role of financial management suggests that it must be in constant contact with investors - shareholders, banks and other financial institutions, and, consequently, financial markets.

## **THE IMPORTANCE OF FINANCIAL MANAGEMENT**

Financial management, characterized as one of the key human activities in a modern organization, is a very important segment of its successful functioning. Accordingly, it is often defined as the process of creating financial conditions to achieve financial goals.

The goal of every manager is the same, and that is to make a profit, so he must know the five famous functions of financial management: 1) financial planning 2) financial organization 3) selection of financial staff 4) financial management 5) financial control. Financial communications are of great importance for all phases of management. because they integrate all managerial functions. Knowledge in the field of financial management is necessary to achieve the productivity of the organization. Therefore, the dilemma justifiably arises as to whether financial management is a science or an art. In theory and practice, financial management is an art, but also organized knowledge (science)(Tešić i dr., 2021).

In the science of financial management, knowledge and art are mutually complementary, which is why the task of a financial manager is to provide financing for investments in the organization and to turn those investments, through their function, into profit. The process of financial management is based on the criterion of profitability in the financial management of the organization. In modern finance, the importance of financial management is reflected in three basic questions to which it provides answers: 1. What funds does the sports organization have at its disposal and how does it provide them? 2. What is the level of sports organization funds and what is their structure? 3. How are these funds formed?

An important task of financial management is to harmonize the financial operations of the sports organization (investment and current liquidity, ie inflow and allocation of cash and financial transactions) and the capital market (valuation of the sports organization in the capital market). Therefore, it is of great importance in financial management to connect profits, risks and time in the field of: financing companies in different phases of the life cycle, optimal capital structure of companies, sports organization valuation, dividends and stock and return prices, cash flows and liquidity and financial planning and capital budgeting. No less important is the knowledge of financial instruments for financing companies such as: capital investment (permanent grants), subsidies, loans,

development funds, venture capital, leasing, joint ventures and shares. With their help, financial management manages resources. Finally, it is important to mention the 3 most important roles of financial management, which have already been discussed, but which also reflect its importance (interpersonal, informational and decision-making role).

## Conclusion

The most important role of financial management is exactly what it has in making decisions. Financial decisions are about how companies, governments and individuals raise and use funds. In order to make the right financial decisions, three general, appropriate, concepts must be known. In other unaltered circumstances (1) a higher value is preferable to a lower one; (2) the sooner money is obtained, the more it is worth; and (3) less risky assets are more valuable (desirable) than risky assets. Decision-making companies with these concepts in mind are able to provide consumers with better products at lower prices, to pay higher salaries to employees and, in addition, to provide a higher return to investors who have given their funds to start and operate a business.

Therefore, meaningful financial management, generally speaking, contributes to the well-being of both individuals and the general population. The decisive role of management is important for determining the development strategy of the sports organization. In that sense, four decisive roles stand out: entrepreneurial, conciliatory, allocating and negotiating. The entrepreneurial role is the most important because the decisions are related to improving the sports organization's business and adapting business policy to changes in the external environment. This role emphasizes the manager's ability to drive change. The conciliatory role allows the manager to require significant time to respond to various pressures from a dynamic and changing environment. This role refers to specific situations of life and work in the sports organization and outside it, which is difficult to predict and plan in advance. The allocating role requires efficient resource allocation, rational capital planning and effective investment in development.

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