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TITLE

Economic and managerial causes and consequences for the Italian football team failure to qualify for the 2018 Russia World Cup

SUPERVISOR

Prof. Francesca Vicentini

Candidate Jacopo Ferrante

Matr. 197821

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Introduction

The analysis of an event is easier when the occurrence is presented as breaking news. This is what happened with the Italian Football team failure to qualify for the 2018 Russia World Cup. The analysis is made yet easier because of the Italians' attachment to this sport, and to the values and figures it represents, especially on a national level.
Every failure, just like any negative outcome of an event, has its causes and consequences to be looked for deeply inside their essence. And this is what happened with this situation in particular. Words have been said, articles have been written, but the only reality that stands is that the causes of this heart-breaking outcome are deeply embedded with our own National Football System, and this study's aim is to look after them.
My study does not only reflect my will to learn more and gain more knowledge on the subject, but it is also (and above all) a sense of pride which has been shattered, walked on and not taken into account when dealing with such a loss, but which I share with over sixty million people just wanting to follow and achieve a dream.
This is why I will follow and pursue this study, because it is deeply embedded in me; not just as a passionate supporter, but as a proud citizen who believes in his culture, people, and ancestry.
Henceforth the reason why I took on this matter as the principal subject of my thesis is the will of a proud citizen who wants to get to the roots of a problem shared with many others.

We live in a country where football stands alone, just as an island to crash onto to pass by the many problems and difficult situations that this beautiful country drifts on. This enormous matter is regulated daily by the principal organ of control of this sport in Italy, The Federazione Italiana Giuoco Calcio (FIGC), controlled by Roberto Fabbricini (its commissioner). The FIGC has total control over all the levels of professional and amateur football in Italy. Stemming from the Youth Leagues to the infamous Serie A, FIGC's registered members in 2015-2016 amounted to 1,353,866, slightly lower

compared to 2014-2015 (-2.9%). 78.5% are football players, for a total of nearly 1.1 million, slightly down in the last 5 years (-1.3% on average per year), due to the decrease in the number of amateur players (-4.0%) and professionals (-4.4%), which is offset by a slight increase in the number of players involved in the Youth and School Sector (+0.6%). The number of players involved in youth activities was 827,784 (male football players between the ages of 5 and 16 represented 19.8% of the Italian population). In addition to registered players, there were 24,757 coaches (+2.9% average growth over the past 5 years), 33,674 referees (-0.4%) and 233,141 club officials (+5.9%) for a total of over 13,000 clubs and about 71,000 teams. During 2015-2016, 583,340 official matches were held (almost 1,600 a day), of which 65% related to youth championships and 34% related to amateur, while professional matches counted for approximately 1% of the total. To confirm the important integration role played by football, in 2015-2016 the total number of memberships issued abroad was 58,689, of which 96% were to football players (the main countries of origin being Albania, Romania and Morocco).

The magnificence of these numbers reflects the importance that the FIGC's work has in the continuous monitoring of this sport and its activities. But this is also the reason why its work has to have some connections and repercussions on the performance of the National Team, and that is why my study will look into the FIGC's activities to look for possible causes of failure, and analyze the consequences of this terrible result.

I firmly believe that the causes of such failure are strongly connected with the interchange between "first" teams and their corresponding youth teams. The Italian Football system in fact organizes teams and competitions dividing them between professional, amateur and youth Leagues. Each single franchise can own a team in these different leagues, making sure not to incur in conflict of interest which may arise when different senior executives of the same franchise have their stakes in different societies. The main issue I want to analyze regards the highly decreasing trend in the interchange of generations between youth teams and "first" teams of the same franchise. Both in the Youth level and the professional one, the percentage of Italian players is continuously decreasing. And this is scary if compared to the other main Football Systems in Europe, such as the German one. This data makes also no sense, in my opinion. This country has always seen football as its main sport, and even if times have changed a lot recently,

football is still kids' favorite way of spending time together, passionately trying to imitate their idols. But then we may ask our self, where are the new Italian stars? Where is the new golden generation to succeed the last one? The answers are not going to be found in this study, but I will analyze what is really happening in terms of percentages, stats and numbers, regarding the current domestic/foreigners ratio, and the possible reasons why Italian teams prefer to invest in foreigners instead of looking right next to them when searching for talent. I firmly believe that this could in fact be a turning point in determining the real causes of the matter I'm researching on.
On the other side of this research, the consequences (both economical and emotional) and their impact on the Italian Nation as a whole are to be easily defined both on a literary and statistical level. I will in fact derive their impact on the Italian economy both by looking at their immediate effect on the Italian stock exchange, and their long run effect. Sports sentiments have in fact shaped this Nation since the National identification arising from them sprung in the second half of the last century, and they do not intend to cease, even if this time their effects are not only "not" positive, but deeply negative.

I intend to determine and study a subject I really care for, and with the following study I plan to provide the right recommendations to make a change; not only for me, but for every person that was affected in any possible way. Because football is not just a game, and when mixed with an entire country's pride, it can generate a feeling of passion that goes beyond every single bureaucratic contingency or contract that regulates it, reaching the heart of billions of people around the world.

Chapter I

The Youth League: A System to Reform

The Italian Football system is based on the duality between the professional teams, and their "academies", the Youth teams. This duality is based on the continuous interchange of players, whereas the youth teams are used as B teams, where to harvest young talents. Although the system has produced some of the brightest stars on the current football horizon, it can be defined as being corrupted, on many bases. The Youth League should in fact form the future of this country's football team, but instead it is widely mismanaged, misused, and abandoned.

1.1 The Selection Methods and the Relative Age Effect (R.A.E.)

There are two methods of recruitment in professional soccer, namely the transfer and trainee (apprenticeship) systems. The transfer or market system is based on two elements: registration and contract. Every player must be registered with the Football Association and the Football League if he is to be employed by any club. Players may move between clubs when the player's registration is transferred from one club to another, subject to the payment of a fee to the club that holds the player's contract. The hierarchy-based method of recruitment in professional soccer is an employer-led apprenticeship system that began in 1960. Though the Professional Footballers' Association took over the administration of the Youth Training Scheme in 1983, the participating clubs still select and coach the trainees. Under this system clubs sign players on associate schoolboy forms at the age of 15 and provide them with coaching until they win full-time professional contracts at 17.

With regards to the second method, as the case of top clubs such as As Roma and Juventus, many teams have applied some techniques to test the players' abilities and skills, also outside the football pitch. This includes an admission test which is based on knowledge and skills rather than football. The tutors then have to decide if the examined

player has got the skills to thrive not only in the football world, but also outside of it. There are no variables with which we can determine whether this can be an effective selection method, but in a system that has to be reformed from its roots, selecting the players based on their football skills above anything else could be a good starting point. While As Roma is very clear about its selection methods, openly stating their position about it, many other clubs just do it, without posing the right prerogatives, nor their official position about it. The questioning does not regard the way in which these methods are taken honor the way in which they are conceived, it regards the way in which clubs make selections very early in the life of young players; only selecting the kids that "look readiest", or those who have physical or anagraphical advantages. This is where the concept of the Relative Age Effect comes into play. The RAE is a world phenomenon and it exists in many sports, it consists in the fact that children born shortly before the cutoff date for age grouping in youth sport programs suffer from being promoted to higher age groups earlier than their later born peers. Youth teams are selected from individuals born within the same 12-month period. As a result, there are age differences among youth of the same age born shortly after the cut-off date relative to those born almost one year after the cut-off date.

The relative age effect may offer other advantages to those who are born early in the selection year compared with those born later in the year. For example, Vroom (1964) argued that the level of performance achieved by individuals is the product of their capacities and motivation. The intensity of motivation has an impact on the quality of learning and performance because it determines how efficiently the potential capacities are used. A child born at the beginning of the year will, on average, perform better than a peer born at the end of the year. This initial performance advantage is likely to increase intrinsic (observed competence) and extrinsic (appreciation of teachers and parents) motivation to continue involvement in the sport. This increase in motivation, coupled with greater perceived competence, will encourage those born early in the selection year to continue to practice to further improve and refine their skills compared with those born later in the year (Shearer, 1967). To this end, there is some circularity (i.e. a vicious circle) in seasonal birth effects, with those born early in the year having an increasing advantage over those born later in the year (Sharp, 1995).

For example, with a 1 January cut-off date, those born shortly after this date (e.g. 5 January) are chronologically older than those born almost one year after the cut-off date (e.g. 30 December); however, both sub-sets are included in the same chronological age group. Comparisons of birth dates among youth and professional athletes in several sports have revealed skewed birth date distributions favouring individuals born early in the selection year (Musch & Grondin, 2001Musch, J and Grondin, S. 2001).

In sport, asymmetries in the birth-date distributions of adult professional players and youth squads have been reported.

As discussed by Helsen and Van Winckel in their study *"The relative age effect in youth soccer around Europe",* several solutions to the relative age effect have been proposed in the literature. First, a yearly rotation in cut-off date might work (Boucher & Halliwell, 1991), since all players would then experience the advantage of a higher relative age at some point in their soccer career. A second possible solution is to create more age categories with a smaller bandwidth (e.g. one year instead of two). This change would result in a smaller relative age difference and fewer physical differences between players within any specific age category (Barnsley & Thompson, 1988). A third solution would be to change the mentality of youth team coaches (Barnsley & Thompson, 1988; Helsen et al., 2000a,b). Coaches should pay more attention to technical and tactical skills when selecting players as opposed to an over-reliance on physical characteristics such as height. In a similar vein, coaches should be encouraged to change their philosophical approach to instruction. The statement that ‘‘winning isn't everything, but the only thing'' currently represents the strategic thinking of many youth coaches. Coaches should find a better balance between short-term success and a more task- or process-oriented approach to instruction. Clearly, ‘‘winning'' does matter at the elite level in soccer. In this sense, the players must be exposed to such a reality at some stage during their progression to the elite level. This is perhaps especially important when selecting national youth teams. In the professional club teams, player development should hopefully be viewed as a more long-term process spanning a 10-year period and beyond. In any case, it would be big step forward if the philosophy of future coaches in general, and of those who are involved in the professional clubs in particular, may be more guided by the premise that ‘‘there is more to coaching than just winning''. (Helsen, W & Van Winckel, F , 2005)

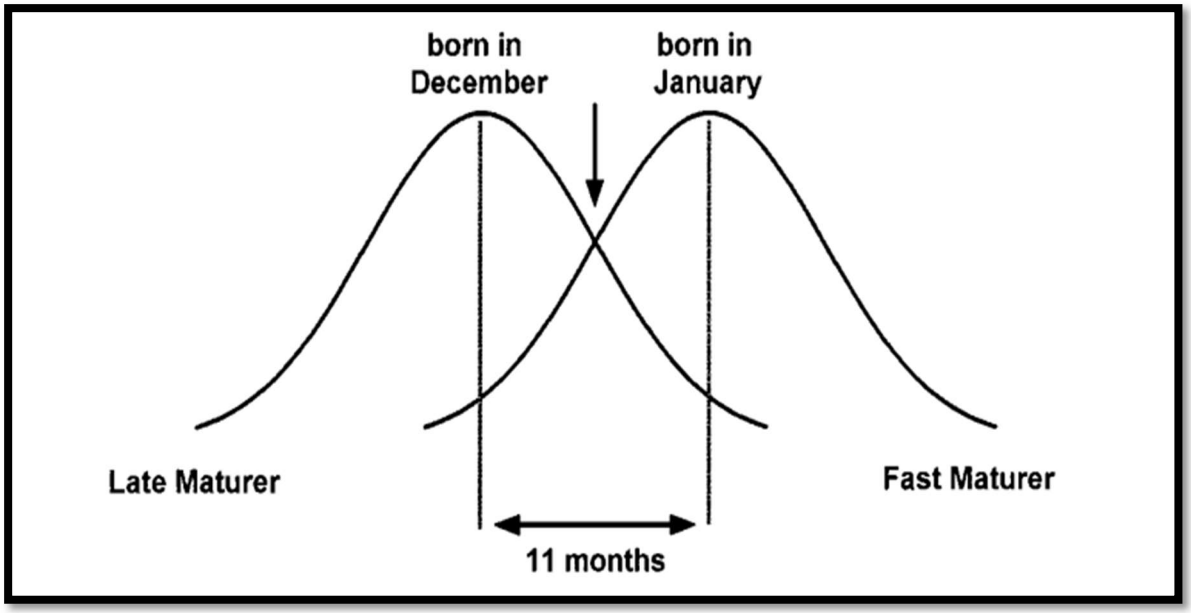

FIG. 1. Illustration of the physical maturity advantage of children born in January over those born in December of the same year. Although the child born in January has an 11-month age advantage over the child born in December, both children are grouped in the same age class in an age-based system with a January 1st cutoff date. Each distribution represents a potential disparity, assumed to be normally distributed, in physical maturity (x-axis) among children of the same chronological age. The figure shows that an early maturer (5.5 months in advance over the mean) born in December and a late maturer (5.5 months behind the mean) born in January may have the same physical age (the crossing point on the distribution, see vertical arrow). The figure also illustrates, however, the potential advantage of a January-born fast maturer and the disadvantage of a late maturer born in December. The additional relative age disadvantage of December-born children may make it impossible for late maturers to compete. This advantage/disadvantage can be magnified at puberty where deviations from the mean are even more important.

Although chronological age differences are certainly related to discrepancies in physiological maturity, size, and strength, careful consideration should also be given to psychological variables. As a function of their age, children differ not only in their physical maturity but also in their psychological maturity. An older kid can in fact express his potential sooner and, in a sense, better. The sensitivity to pressure and stress is also way different for kids of different ages, even if it is a matter of months. This affects the selection process and damages those kids that are faulty of being born at the end of the year.

Even if some changes have been proposed, there's no right application of them, as they would only "shift" the problem. A cut-off date, proposed by the executives during the recent years, would just reduce the problem to a new segment, the ones born right before and right after it. What could be the solution, then? In my opinion, it is to be researched in the selection process. The segmentation of the applicants should be done following different principles, under different variables, other than year of birth. The classification of young talents would be shaped differently, this is for sure, but it would increase the fairness of the process.

The RAE has to be addressed and resolved especially because it is vital for the emergence of new talents to have equal opportunities to shine and demonstrate their skills. As found out in the study developed by Brustio PR, Lupo C and Ungureanu AN, "The birth-date distribution of young soccer players clearly showed a large over-representation of athletes born in the first semester of the year (i.e., Q1 and Q2). This trend is maintained, to a less extent, in senior elite teams of *Serie A*. Therefore, in Italian soccer context, the relatively older individuals have more chances to be selected by elite teams, both in young and senior categories. In fact, this selection bias, known as RAE[1], limits the possibility to potentially select talented athletes born late in the year of consideration."

The burden on acknowledging this bias lies in the hands and minds of the coaches and the selection staff, who could promote the growth of the entire Italian Football System.

1.2 Investments in Youth Teams; the Benefits of a Major Expenditure

The current Youth teams' facilities situation is disastrous. It may not be a matter of players, a matter of talents, it may be a matter of absence of a fictitious womb, where talent can grow. Investments in this field are in fact at an absolute minimum, even though there have been some restrictions and subsided enabled by the Italian government, and the FIGC. In November 2016 in fact, Prime Minister Renzi enacted a reform establishing a 120 Million budget to be invested in the Italian Youth System, dividing it among the three different main competitions in Italy; Serie A, Serie B and

Lega Pro. These funds had the goal to spark initiatives favoring investments in Youth Teams, both in the infrastructure and in the recruitment and selection process. As investigated by *Sole24Ore*, the budget reserved by Serie A teams to invest in Youth Teams was 102.255.560 Euros, during the last season. An average of 5,8 millions per club, which is estimated to encompass every expense on the club Expense Report; Infrastructure costs, infrastructure upgrades, staff salaries and football market investments.

Like any other company, football club competitiveness is based on innovation. In this case, innovation can be understood as the ability to improve standards of on-pitch performance. This type of innovation should help to preserve or increase club competitiveness based on its "own sporting resources" through reliable athletes (Baroncelli, 2004). Within the football industry, professional football clubs have historically focused primarily on the first team and the transfer market has been considered the main strategy in which to improve on pitch performance. This is in part due to the fact that consistent investment in a youth academy does not guarantee sporting success as it is not a reliable way to produce youth players that will succeed in the first team. Moreover, a characteristic that has been the case for a long time and still characterizes market transactions is the level of informality (Baroncelli, 2004); football transfers are carried out through consolidated networks amongst clubs often based on personal relations between sporting directors, chairmen and player agents. Despite the formation of these networks, these pseudo alliances are often interrupted due to the turnover of sporting executives and the frequent changes in club ownership. However, this informal network mode of operation in existence at the majority of football clubs could be improved by making more stable and beneficial inter-relationships in addition to a strategic focus on the development of the youth academy.

By looking at the main clubs in Italy, and analyzing their current situations, we can easily determine what is really missing, and what needs to be changed.

Juventus, the current face of the Nation in terms of professionalism and determination to achieve great results. It spends about 10 million euros each year with an increasing attention that has brought to the club dozens of talents in the last few years, which have accompanied and helped the whole team to thrive, winning six consecutive championships. In Vinovo , the club's own sport center, 406 players from 37 different

nations train every day, following blindly the orders of over 90 managers. On top of this, Juventus controls constantly a system of small recruitment clubs that groups up over five thousands children, who could become the face of the club, someday.

The two clubs in Milan, AC Milan and FC Inter, share an history of star recruitments.

AC Milan is the first Italian club in the rankings by the CIES agency for average minutes played by players who have spent at least three years between the age of 15 and 21 years old, the range in which the agonistic development takes place, standing in the 74th position, with 32% of average minuting for young players, investing 7,6 million in the 2016-2017 season.

Fc Inter instead, established a 5 million budget for that season, only to be invested in on infrastructures and management of the Youth Team. The club has always believed firmly in a constant recruitment strategy, as it has always destined a fair amount of its budget to the Youth System.

In the CIES report of 2017 for the Big-5 league players for most productive clubs (**Fig.2**), **Roma** stands atop of the Italian teams lists, ranking at number 7. Roma is in fact the most highly investing club in Italy, with over 10 million euros invested in the 2016-2017 season. The team has been following blindly a foreign recruitment strategy for years now, which has enhanced the team's performance, as well as its financial statement. This work ethic tradition with Youth teams is reflected by the number of talents that grow in Roma facilities, 206 only during the last season, producing a surplus of over 50 million euros in the Summer Market Window.

What about the so-called medium teams?

The situation with those changes a bit in respect to the more traditionally established top teams. Many of them do not own a sport center, or a proper facility in which to divide the work between the pros, and the youngsters. Clubs like **Napoli**, **Lazio** and **Fiorentina** are still awaiting for the investments made in the last years to be completed (all of them having started renewing or building from scratch their own training facility), while there are clubs like **Sampdoria**, not owning a proper facility, and making their players train in the communal pitches. Among these teams, **Atalanta** stands alone. During the 2016-2017 the club has in fact just inaugurated their brand new facility, weighing over 4.5 millions on the club's not quite infinite budget. Atalanta is the example to follow. The club has been promoting a philosophy in which the

relationship between the club and its “homemade” stars is not based on future potential profits, rather is based on dependency. The talents need the club, the club needs the talents.

Could this be the basis point for the rebirth of the Italian Football System?

It could, but it would need support to grow. The investment made only two years ago, the 120 millions coming from TV shares, cited above, need to assess the biggest problem in this system, and need to help solving it. The whole situation of facilities must be renewed, recreated, and built from scratch, following the model of the other “football realities” in Europe. Even those which are supposed to be regarded as the “secondary” Federations, referring to Belgium, Netherlands, and Scotland, see the Italian Federation as a sort of graveyard of talent, and that is not a surprise. Poorly held structures, never-ending selection processes that end up doing nothing but selecting the most physically structured youth players. We have forgotten how this system was built in the first place. Twenty years ago the percentage of investment in the Youth League was almost twice the current one. Sure, times have changed and money is more of an objective than a means, but teams seem to have lost sight of how talent is shaped, since it is hard to be found nowadays.

Most productive training clubs*

Big-5 league players

		In**	Out	Tot
1.	Real Madrid (ESP)	7	34	41
2.	Barcelona (ESP)	7	30	37
3.	Manchester Utd (ENG)	6	28	34
4.	Lyon (FRA)	12	17	29
5.	Athletic Bilbao (ESP)	17	8	25
.	Real Sociedad (ESP)	16	9	25
7.	Roma (ITA)	3	21	24
8.	Arsenal (ENG)	9	13	22
.	Monaco (FRA)	5	17	22
.	Rennes (FRA)	4	18	22
11.	Nantes (FRA)	10	11	21
.	Bordeaux (FRA)	9	12	21
.	PSG (FRA)	7	14	21
14.	St-Etienne (FRA)	6	14	20
.	River Plate (ARG)	-	20	20
16.	Toulouse (FRA)	10	9	19
.	Montpellier (FRA)	8	11	19
.	Milan (ITA)	7	12	19
.	Valencia (ESP)	5	14	19
20.	Bayern München (GER)	5	13	18
.	Atlético Madrid (ESP)	5	13	18
.	Caen (FRA)	2	16	18
23.	Nancy (FRA)	10	7	17
.	Tottenham (ENG)	5	12	17
25.	Osasuna (ESP)	11	5	16
.	Metz (FRA)	8	8	16
.	Atalanta (ITA)	6	10	16
.	Internazionale (ITA)	4	12	16
.	Leverkusen (GER)	4	12	16
30.	Celta Vigo (ESP)	7	8	15
.	Fiorentina (ITA)	4	11	15
.	1860 München (GER/2)	-	15	15
33.	Las Palmas (ESP)	11	3	14
.	Espanyol (ESP)	6	8	14
.	Stuttgart (GER/2)	-	14	14
.	Lens (FRA/2)	-	14	14
37.	Southampton (ENG)	5	8	13
.	Schalke (GER)	4	9	13
.	Empoli (ITA)	4	9	13
.	Chelsea (ENG)	3	10	13
.	Sevilla (ESP)	3	10	13
.	Freiburg (GER)	3	10	13
.	Feyenoord (NED)	-	13	13
.	Sochaux (FRA/2)	-	13	13
45.	Nice (FRA)	9	3	12
.	Köln (GER)	6	6	12
.	Lille (FRA)	2	10	12
.	Manchester City (ENG)	1	11	12
.	Dinamo Zagreb (CRO)	-	12	12
50.	M'gladbach (GER)	5	6	11
.	Villarreal (ESP)	3	8	11
.	Ajax (NED)	-	11	11
.	Sporting CP (POR)	-	11	11
.	Boca Juniors (ARG)	-	11	11
.	Hamburg (GER)	-	11	11

31 top division European league players***

		In**	Out	Tot
1.	Ajax (NED)	9	63	72
2.	Partizan (SRB)	5	56	61
3.	Dinamo Zagreb (CRO)	13	42	55
4.	Sporting CP (POR)	8	46	54
5.	Barcelona (ESP)	7	46	53
.	Real Madrid (ESP)	7	46	53
7.	Dynamo Kyiv (UKR)	13	39	52
8.	Sparta Praha (CZE)	8	40	48
9.	Dinamo Minsk (BLR)	9	38	47
10.	Hajduk Split (CRO)	10	36	46
11.	Crvena Zvezda (SRB)	3	42	45
12.	Shakhtar Donetsk (UKR)	10	33	43
13.	HJK (FIN)	9	33	42
.	Feyenoord (NED)	7	35	42
.	Manchester Utd (ENG)	6	36	42
16.	Vojvodina (SRB)	8	33	41
.	Porto (POR)	4	37	41
18.	Lyon (FRA)	12	28	40
.	Benfica (POR)	4	36	40
20.	PSV (NED)	8	31	39
.	Slavia Praha (CZE)	7	32	39
22.	MTK Budapest (HUN)	10	27	37
23.	Standard (BEL)	11	25	36
.	BATE Borisov (BLR)	8	28	36
25.	Arsenal (ENG)	9	26	35
.	Levski Sofia (BUL)	7	28	35
.	Lokomotiv Moskva (RUS)	3	32	35
28.	Osijek (CRO)	18	16	34
.	FK Rad (SRB)	7	27	34
30.	Spartak Mosvka (RUS)	9	23	32
31.	AZ (NED)	10	21	31
.	Anderlecht (BEL)	8	23	31
.	Heerenveen (NED)	7	24	31
.	Monaco (FRA)	5	26	31
35.	Bayern München (GER)	5	25	30
36.	Real Sociedad (ESP)	16	13	29
.	Twente (NED)	11	18	29
.	Midtjylland (DEN)	9	20	29
.	Genk (BEL)	8	21	29
.	PSG (FRA)	7	22	29
.	Atlético Madrid (ESP)	5	24	29
42.	Athletic Bilbao (ESP)	17	11	28
.	Nantes (FRA)	10	18	28
.	Brøndby (DEN)	6	22	28
.	Zenit St Petersb. (RUS)	5	23	28
46.	Dnipropetrovsk (UKR)	15	12	27
.	AS Trenčín (SVK)	12	15	27
.	CSKA Moskva (RUS)	6	21	27
.	Rennes (FRA)	4	23	27
.	Manchester City (ENG)	1	26	27
.	River Plate (ARG)	-	27	27

* Date of reference: 01/10/2016

** [In]: in the club / [Out]: in other clubs of the sample

***31 European top division leagues:
AUT, BEL, BLR, BUL, CRO, CYP, CZE, DEN, ENG, ESP, FIN, FRA, GER, GRE, HUN, ISR, ITA, NED, NOR, POL, POR, ROM, RUS, SCO, SRB, SUI, SVK, SVN, SWE, TUR, UKR

Fig.2. Issue number 163 of the CIES Football Observatory Weekly Post presents the annual list of the most productive training clubs.

1.2.2 How do they do it? A Comparison with Europe's other Big 4

As can be clearly evident to the eye of the least careful reader, Italy does not rank well compared to the other football realities, although having nothing to envy them in terms of history or trophies. While the fact that only two Italian teams are in the Top 20 under the "Big 5 criterion" is warning, the fact that there are none in the Top 50 when the list is enlarged to every European competition is shocking. Many big clubs figure in the latter, but some others are just very small realities, who happen to thrive in training their talents. How could this be possible?

The major actors regarding the training of young athletes are national associations, sports clubs and other private structures that play various roles. The different interaction amongst those parties determines the models adopted by training centers. In Europe there are heterogeneous training models for each different sport that are determined by the aims and objectives pursued at professional and amateur levels in line with the financial resources provided by private and public institutions. (Walters & Rossi, Labour Market Migration in European Football, 2009)

Let's begin with the highest ranked Nation, Spain. The Spanish economic situation is not different from the one in which Italy currently navigates, but the Football reality is different. The two biggest clubs, **Real Madrid** and **Barcelona**, are filled with stars, and are not affected by the financial crisis that their country is going through because of the incredible amount of profits they make as a franchise. While small teams cannot financially afford to make big investments, a reality similar to the Italian one. Then, what's the secret? First of all, Spain ranks second in percentage of players that upgrade from the Youth Team to the professional one, with an average of 21.2%. This affects performance and participation, both for the club and the National Team, incentivizing the clubs to make investments to thrive in this sector. On the first step of the podium stands Barcelona, one of the biggest realities of the planet in terms of history, prestige and fan base. The franchise is worth billions, reaching supporters all over the world, but has an incredible 64% of players which are directly produced by the Youth Team, the so-called La Masia. Since its inception in 1902, numerous players have made their way up through the ranks and turned out for Barca's first team or have gone on to

showcase their talents at leading European sides. More than 200 young talents are trained every year, recruited all over the world, to grow and enhance their possibilities to aim big, to never set a limit to their opportunities. A simple example? Lionel Messi, 5 time Balon D'Or winner, produced straight from La Masia. It is not a case that Barcelona is one of the best teams on the planet, an example to be followed, to be imitated. A special mention needs to be done regarding the second and third clubs in this ranking, **Athletic Bilbao** and **Real Sociedad**. Both from the Basques, they are very small realities as compared to Barcelona, both in terms of profits and history, but they strive in recruitment of talents. A special notion must be made on Athletic Bilbao. The club in fact only recruits players from its territories, made by just over 2 million inhabitants, a very limited basin of use. Despite this, the club has achieved great goals in the recent years, qualifying for the Champions League (eliminated during the first stage) during the 2013/2014 season. The talents produced by the Youth team are the consequence of a constant renewal achieved by investments with funds deriving from the market transfers. An example? Ander Herrera, captain of the team, produced by the Youth team and sold for 36 million euros two years ago, money that has already been reinvested in the facilities destined to forge new talents. Bilbao is one of the last realities in modern football to attain over 95% of its players from its own territory, a fact that should affect those clubs who believe that talent cannot be created in the old fashioned way: at home.

The French situation is different, but similar. French teams have the highest average in the Big 5 regarding the interchange of players between the Youth teams and the Professional ones, with 23.6%. Rules and regulations have been helping clubs to upgrade their Youth system, and consequently upgrade their facilities, forging talents. Since 1990 in fact, a regulation compels all professional football clubs to develop a vocational educating and training center for players between the ages of 15 and 19. The player is signed on an apprentice, candidate or trainee contract. The compulsory element is a cause for dissatisfaction among some clubs. Transactions involving players below the age of 18 are not allowed, in line with FIFA rules. Each young player commits himself to remain in education until the end of secondary school, and to sign his first five-year contract with his nursery club. Club-wise, **Lyon** stands atop of the rankings when dealing with percentage of Youth players to play with the professional

team, with an astonishing 53.6%. **AS Monaco** also has invested in a strategy that is most certainly paying off. The club was bought by a billionaire Russian fund in 2011, but did not choose to invest in acclaimed, famous stars. Instead, the strategy was simple; investing in scouts to recruit the best young talents in the European horizon, boosting the Youth teams' facilities and increasing the talents in it. The outcome? The first League trophy in 17 years during the 2016/2017 season, and the creation and growth of one of the most promising talents in the French football reality, Kylian Mbappè, sold last summer for over 180 million Euros to PSG. Success is not a surprise if it has the right starting point.

Germany sits in third place in the ranking among the Big 5, with 16.6% of players who upgraded to professional teams from the Youth ones. The German federation had a turnaround following the 2000 European Championship Tournament, in which they were eliminated by Portugal. The loss sparkled a reaction in the heads and minds of the German executives, which initiated a process of renewal and rebuilding of the whole Youth and recruitment system. The clubs' youth development centers were in fact obliged to have:

- At least one team each for the A-D Youth (U-19 through U-13)
- 3 grass pitches
- An indoor practice opportunity during winter in close proximity
- A coach for each youth division with at least three coaches being full time employees with minimum requirement for coaching licenses

These requirements were the light that guided the way for Germany, gaining talent year after year, only to be crowned World Champions in the 2014 tournament. The best example of this renewal is **SC Freiburg**. The club has currently the highest percentage of players who play in their professional team that have grown in the Youth team, with 35.6%., and have won the Youth cup 4 times in the last 12 years.

England stands on the fourth step of the ranking, with an average of 13.6% Youth league players who have upgraded to the professional teams. The situation in England is different from the other Big 4. The Premier League is in fact the most watched football League on the planet, and it is also estimated to be the richest, on average. Many have been the investors that have laid their eyes on this kind of visibility, and have had their success in investing in English clubs. **Chelsea** is for sure one of the most

promising examples. A club without notable wins prior to the acquisition of Russian tycoon Roman Abramovic, a prestigious club full of talent ever since. The investment made by the new owner was thunderous, but with an eye on the future. Big investments were in fact taken on both on the market and on the Academy, which has had a constantly increasing amount of investments since 2010, stopping at about 10 million last year. These investments paid off, but they were not properly used by the club, as many of its talents were sold prematurely, and now thrive in different teams. The Chelsea situation is shared by many teams in England, whose management has not been impeccable in deciding where to invest their incredible amount of funds on. The best team in terms of percentage of players who have upgraded from the Youth team is **Arsenal**, with 32.3%. It is not a surprise that England currently stands in a very similar situation to the Italian one, with teams struggling to forge homemade talents, because of the enormous amount of money spent on foreign stars, which are “ready to go”, and constitute a much smaller risk for the executives of the clubs.

Percentage of foreign players in Serie A teams, 2013-2018						
TEAMS	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
	16/38	17/45	12/34	20/35	36/85	16/25
	42%	37%	35%	57%	42%	64%
	13/36	20/48	17/45	10/35	13/65	8/34
Juventus	36%	41%	38%	29%	20%	23%
	21/29	30/58	24/39	31/44	39/43	19/24
	72%	51%	61%	70%	90%	79%
	7/37	12/46	8/36	15/43	13/37	10/28
Roma	18%	26%	22%	34%	35%	36%
	17/32	23/32	21/29	19/30	23/51	20/25
	40%	71%	72%	63%	45%	80%
	5/31	5/35	1/34	1/36	4/45	4/33
Napoli	16%	14%	2%	2%	8%	12%
	22/40	20/41	18/46	15/41	24/55	14/30
	55%	48%	39%	37%	43%	46%
	15/44	16/51	8/51	6/37	7/34	7/29
Milan	34%	31%	15%	16%	21%	24%
	33/49	31/50	29/41	29/41	38/72	14/23
	67%	62%	70%	70%	53%	60%
	14/41	29/72	19/37	22/44	19/51	10/33
Inter	34%	40%	51%	50%	37%	30%
	25/42	31/52	27/36	25/37	35/53	23/30
	59%	59%	75%	68%	66%	77%
	10/32	11/36	8/30	12/43	13/30	15/27
Lazio	31%	30%	27%	28%	43%	56%
	23/38	33/51	27/41	26/34	39/55	17/25
	60%	64%	65%	76%	60%	68%
	12/30	6/34	8/36	16/41	19/48	12/30
Fiorentina	40%	17%	22%	39%	40%	40%
	12/42	14/59	16/40	16/34	25/87	13/24
	28%	23%	40%	40%	29%	54%
	5/31	5/32	8/36	8/41	8/52	6/28
Atalanta	16%	15%	22%	20%	15%	21%
	17/35	20/41	21/42	15/33	26/61	13/23
	48%	48%	50%	45%	43%	56%
	10/45	4/41	8/42	12/41	16/60	6/28
Torino	22%	9%	19%	29%	27%	21%
Index: Professional Team	Youth Team	Season Champions	Foreign players percentage			

Fig.3 The percentage of foreign players in Serie A teams, and their respective Youth Leagues counterparts.

1.3 Foreign Players in the Serie A and the Youth Teams; The Feet-Drain Concept and The Minala Case

Recently, the debate surrounding foreign player involvement has re-positioned itself. In addition to the ongoing commentary directed at the Serie A and its member clubs, some contributors, including Blatter, Platini, Taylor and the former Federazione Italiana Giuoco Calcio Commissioner Giorgio Tavecchio, have focused their attentions on the League's elite youth academy system, the Primavera Academy League, arguing that the same processes of feet-drain perceived in the senior game are becoming manifest in the youth ranks also. The „Feet Drain" phenomenon is commonly referred to the trade of players from underdeveloped countries to developed ones within the football industry. Nevertheless, it can also refer to player transfers between clubs from within developed countries although this has drawn less attention. In Italy, the issue whereby young Italian football talents move abroad to sign their first professional contract has been recognized only after the prominent performance of some Italian youth players. Italian clubs, supported by the media, have long accused foreign clubs of poaching young prospects that have been patiently nurtured in their academy systems. Like its senior counterpart, it is argued that foreign imports are being recruited into Serie A academies, though the evidence for such contentions has been notably lacking in academic research, other than the work of Platts and Smith (2009). (Rossi, Ferrari, & Ricci, 2008)
The implications of the above table are simple, the increasing presence of foreign players in our Football System does not seem to stop.
Teams all over the world have always turned to foreign players when "homemade" talent was missing, but is it the case in Italy? **Fig.3** analyses the situation in terms of percentages of foreign players over the last five years.
The strong increase of foreign players" presence in the major European leagues has given rise to many discussions in academia. The internationalization of the labor market for football players" was analyzed by Bale and Maguire (1994) in light of the concept of globalization, defined as the tendency of the world economy to develop in the sense of growing interdependence among nations and integration of functional production systems on a large scale (Dicken, 2003). Whilst other researchers have shown the permanence of geographical (McGovern, 2002; Poli and Ravenel, 2005) and historical

(Taylor, 2007) influences on the international flows of 34 players, football tends to be regarded as an archetypal example to illustrate different aspects of the globalization process, both in the economic (Bourg and Gouget, 2005) and socio-cultural (Hobsbawn, 2000; Giulianotti and Robertson, 2004; 2007) contexts.

How can this affect Italian Football? Why are percentages so high in some cases? Could this be a main reason for the National Team debacle?

One of the answers to these questions is easy. Clubs always look for success, and success can sometimes be achieved only by getting what is best, by getting what is readiest. In the case of Youth teams, the scouts' attention is often captivated by the physically readiest youth players, and when Italian youth cannot fulfill that need, the eye is moved towards different types of sources for talent. This kind of situation happens more and more often. Many are in fact the young players, especially from the African states, who are selected to play in Italian Youth teams because of their physical superiority arising from the different type of lifestyle they experience in their adolescence. These players though, seeking to completely turn around their life by making football their main way to get out of poverty and poor living conditions, try everything to make it happen. This phenomenon is called age-doping. "Age-doping" is a form of cheating that involves falsification of information about the age of a player to gain advantage in the sport. This clearly contradicts the ethics of sport and fair play. Many were in fact the cases, especially in the latest years, where players coming from abroad tried to falsify their documents to show a different age, in order to make it in younger teams by exploiting their older bodies and qualities. Detecting the presence of over-age players in age-related tournaments has been a difficult challenge for many sports organizations. The difficulties may arise from the fact that in many Nations the birth certificates are not held by an office, but are kept by some religious or folkloristic figures, which hold them because of the spiritual faith which is posed in them. This increases the risk of losing or deliberately falsifying them, leading to the misinterpretation of the real age and personal characteristic of the players. Physical appearance can in fact be deceptive, in both senses. It could in fact lead to believe that the player is younger than he is, or that he is actually older than his documents show. This was the case of Joseph Minala, born in Senegal. The player, acquired by Lazio in 2014, got into the eye of the cyclone because of its deceiving appearance, looking older

than he declared, and its controversial statements, not denying the claims made by the public. He was in fact accused of having falsified its documents which stated that he was seventeen, and actually being 42. The case became famous because of the scandal it caused, and because of the massive spread of the news on the media, and social media; it became very soon a social phenomenon. The FIFA opened a file about him, but he was found not guilty, as it was not possible to determine if he was actually lying about his age.

As the Minala case was the only main headlining case in Italy, there have been some examples of document falsification around Europe. The most famous one is the history of Ali Dia. The player, born in Senegal, convinced the Southampton manager that he was the cousin of Balon D'or winner George Weah, and got himself a one-month contract and a debut in the English Premier League, only to be subbed 53 minutes into his game, ending his fraud.

While the falsification of documents can in a way exempt the manager from misinterpretation of a player's quality, the selection made exclusively on physical quality calls for the misconception of the words "objective choice". The gap that has been forming during the recent years between the Italian youngsters and the foreign ones is mainly based on this biased selection towards the youth players which are more physically ready, more structured, and certainly stronger. The Italian football System, and the whole European one in general, is heading into a new definition of football; a new, dangerous, underlying assumption for the so-called "modern football": physique over talent. How could this not be the current situation, if players are selected based on their external appearances instead of their qualities? We may not only be wasting a good generation of talents to integrate in the National team, but we also may be losing that free-minded activity where talent has always been found, street football.

The great impact of foreign players in the big European Leagues can be a consequence of many factors.

As studied by Patrick McGovern, in its article *"Globalization or Internationalization? Foreign Footballers in the English League, 1946–95"* (2002), which tests the English League and the effects of foreign players on its main Football competition, the Premier League. This article follows Hirst and Thompson (1996) in challenging the idea that a disembodied and global free market has supplanted national and international markets.

The argument is developed by examining changes in the hiring practices of English clubs over half a century. Though there is evidence that national boundaries are of diminishing importance, I argue that the market for professional footballers has not, and is unlikely to, experience the kind of qualitative changes associated with the putative free markets of economic globalization. One of the main reasons is that employers prefer to engage in repeated transactions with reliable or known sources as a means of reducing the uncertainty that characterizes labor as a commodity. Consequently, market transactions are influenced by social and cultural ties, by history and by pre-existing differences in the economic power of buyers and sellers. To put it briefly, markets, even increasingly international labor markets, are not free in the sense that they are governed solely by the laws of supply and demand: they are embedded in specific social situations in ways that both shape and support labor market behavior.

As a labor market, professional football is characterized by a number of properties that make it a critical case for testing claims of globalization of the free market kind. First, association football is a truly global sport: more than 200 countries currently participate in international competitions and professional leagues exist on all five continents. Second, professional football is a unique industry in which the contribution of individual units of labor is unusually transparent. Not only can potential employers observe individual performance during games, they can also obtain a wide range of statistics on the strengths and weaknesses of individual players including the number and level of appearances for club and country (under-age teams, national team) in addition to such physical attributes as age, build, weight and height. Third, the status of labor as a commodity is taken to the extreme within the football industry since players may be traded between employers in the same way as machinery or land. Unlike other employees in other industries, footballers do not have the right to resign and take up employment with a different employer since their services are legally owned by the club that holds their registration.

The numbers regarding foreign players in the Serie A are warning, and have been increasing ever since the Bosman ruling, which changed football forever.

Pre-Bosman, clubs were under a "three-plus-two" rule in European competition, meaning they could name no more than three foreign players in their squad for games on the continent, with an additional two who had progressed through the club's

academy. After it and up until recent times, clubs had no limits in signing foreign players, opening up a whole new set of possibilities for clubs to exploit, and, subsequently, an enormous amount of changes in the way football was perceived. Owners started to become business owners, and profits, which were always a goal to fulfill, started to become the only goal to fulfill. Foreign stars started to make appearances in every league, whereas homemade talent was missing, The Serie A did not fall behind, and the percentage of foreign players started to rise. Today, about 57.9% of the Serie A players are born abroad, countering the 35% of just 10 years ago. The situation arises from different causes. The first is purely economic; Italian players cost more than foreign players. This is not just a mere assumption, because the cost of Italian players and their agents has skyrocketed during the last years because of the small supply of good players from the minor Leagues, leaving to the Law of Demand the simple explanation for the increase in their costs. There are in fact a lot of Italian players, especially in the minor Leagues1, but only few of them can be considered to be ready to play in the Serie A, because of their lack of skills stemming from the lack of competitiveness among their own peer players. Not only does this incentivize managers and clubs to invest in foreign players. But it also increases their tendency to doubt of Italian youngsters. The consequences are easy to be drawn; managers do not invest in young Italian players, young Italian players do not see any end in playing and starting very early to train to get to bigger stages, the generational turnover slows up towards a stop, leaving the future National teams' rosters with those who fought against the dark destiny of not being considered good enough to fulfil your dreams.

How is the Italian federation trying to stop this, or modify it in some way?

In order to combat the alarming dependence on foreign imports, the FIGC decreed that from 2016, each club's 25-man squad has to include four homegrown players and four more club-trained players who were born in Italy. The new regulations define 'homegrown' players as those who spent at least three years between the ages of 15 and 21 at an Italian club, whether in a youth sector or first-team squad, or even away on loan so long as an Italian club still holds the player's contract. The 'club-trained' rule refers to a player who spent three of those formative years with the team currently holding their registration. At first, only eight teams could meet the new regulations, leaving the other 12 to work it out in some way, increasing the urgent need to boost

their Youth sector, or to look for young talents to meet up the restrictions. Under 21 players were not part of the 25-man roster, as they can be used without restrictions of any kind. Needless to say, this makes homegrown and club-raised players vitally important for clubs, as they are not just ethically crucial (for the future of Italian Football generations), but also necessary to compel with the laws and regulations of the FIGC. In order to establish if this will help the Italian Federation, we must wait for time to show us the result, but it could be a very helpful starting point to establish and gain back the greatness and success of the past.

1.3.2 Percentages of Foreign Players: How does Italy Compare?

In order to assess whether the "Foreign players situation" can be considered one of the leading causes of the debacle of the National Team, we need to look at the situations in the other European Leagues. Italy sits in third place for most foreign players employed, following the Premier League (ENG) with 66.4%, and the Jupiler League (BEL) with 59.1%. The former has experienced a boom in fame during the 2000s, in which English top teams invested in a lot of foreign stars, leading the PL to become the world's top League in terms of sales and TV ratings. The trend did not stop in the first years of the new millennium, as other English teams went with the flow and started acquiring foreign players to gain success. While the ratings went up, the situation in terms of homemade talent started to look worse and worse. The strategies taken to counter this situation were two: enhance the teams' academies, and enable the Home Grown Player rule. The former is very similar to the regulations enabled by the FIGC in 2015 in Italy, as it states that at present, Premier League clubs are allowed a maximum of 25 players in their first-team squad.

If teams want to take full advantage of that maximum player allowance, eight of them must be homegrown. 'Home Grown' simply means that a player must have been on the books of a club affiliated with the Football Association for at least three years before they turn 21 – it does not mean that they have to be English. Chelsea's Cesc Fabregas,

for example, having come up through Arsenal's academy, is classed as a homegrown player despite being a Spain international. Another important caveat is that teams can use as many under-21 players as they like in addition to their main squad, regardless of nationality. This is set to help England to spur the growth of talents, homebound.

Moreover, as studied by Richard Elliott in his study *"Foreign players in the English Premier Academy League: 'Feet-drain' or 'feet-exchange'?* (2010), the rising number of foreign players in the Premier League has become the source of considerable debate in recent years, perennially within the English media, but also from some of the game's most significant figures including FIFA President Sepp Blatter, UEFA President Michel Platini, and English PFA Chief Executive, Gordon Taylor. Indeed, in the 2007 PFA commissioned report entitled Meltdown: The Nationality of Premier League Players and the Future of English Football, Gordon Taylor concludes that English football is in 'crisis' as a consequence of the numbers of foreign players recruited to ply their trade in the English Premier League. These ongoing commentaries, led by the game's senior figures and sensationalized through the English media, have predominantly centered on the perceived negative effects of foreign player involvement, and surface when, for example, specific incidents such as the England national team's failure to qualify for the 2008 European Championships and underperformance at the 2010 World Cup occur. It is argued that the apparent 'feet-drain' that is occurring in English football exists on two levels. First, the involvement of foreign players in Premier League teams stifles the development of indigenous talent, taking its place or squeezing it out to the margins of the professional game. Second, at the donor level, a 'deskilling' (Maguire et al., 2002: 37) of football talent occurs in those leagues located outside of England, the majority of which are weaker in economic power than the top English Leagues.

In Germany the situation is different. About 50% of the players are foreign, but many of them are naturalized Germans and constitute a big part of the National Team that was crowned World Champion in 2014. The German Football Federation has had a history in establishing regulations and rules to maintain the level of foreign players to a low percentage. Initially, only two non-German players were allowed in each squad in the Bundesliga. This was increased to three in 1992. In the 2006/07 season, the limits

on foreign players were lifted following an agreement between the league association and the DFB.

Then, as now however, each club in the Bundesliga and Bundesliga 2 must have a minimum of twelve licensed German players under contract. The UEFA Local Player Regulation was also introduced to promote the development of young players. Since the 2008/09 season, a minimum of eight players in each club must have been trained locally, and four by a club or association in Germany.

Spain, Holland and France have the lowest percentages of foreign players in their own Leagues but face different situations with regards to their National teams. Spain was crowned World Champion in 2010 and continues to carry on its tradition of victories mainly because of its two top teams, Real Madrid and Barcelona, who continuously thrive in European and World competitions. France is experiencing one of the brightest phases of its history as concerns National Teams, as the generational turnover has yielded a young, talented side which will likely lead France to big successes in the nearest future. Although Except for the French case, in all the leagues the football players‟ labor market has evolved towards increasing internationalization. However, not all clubs hire foreign players in the same way. Important differences exist not only amongst the leagues but also in relation to the level of clubs‟ competitive and economic strength. The percentage of foreign players is much stronger in the top European clubs (the five best ranked clubs for each league) than the clubs in the middle of bottom of the league. (Walters & Rossi, Labour Market Migration in European Football, 2009) Holland instead, although sporting the second least percentage of foreign players among Big Leagues in Europe, is experiencing one of the worst situations in its National Football team history, in a very similar manner to the Italian side.

Different situations, different ways to face them, but similar correlation and connection between problems. The foreign player percentage does not seem to be correlated directly with the National Team performances, but could it have an influence, even small, on it?

Could the generational turnover be affected by the strong will of managers to invest in “readier” and “cheaper” foreign players?

Those are difficult questions to answer, but there’s only one truth that stands alone: Italian talent has, does, and always will exist.

Chapter II

Sport Mega-events:

The Effects on the Participants and the Impact on the Excluded

2.1 Introduction and Definition

First, having a common understanding makes it easier to talk about the same subject when talking about mega-events. Different definitions by different scholars give an all-round description of the subject. Mega-events are described as: "*Major one-time or recurring events of limited duration, which serve to enhance the awareness, appeal and profitability of a tourism destination in the short and/or long terms. Such events rely for their success on uniqueness, status, or timely significance to create interest and attract attention*" (Ritchie, Yangzou, 2015), "*Mega-events ... are short-term events with long-term consequences for the cities that stage them. They are associated with the creation of infrastructure and event facilities often carrying long-term debts and always requiring long-term use-programming. ... [T]hey project a new (or renewed) and perhaps persistent and positive image and identity for the host city through national and international media, particularly TV, coverage*" (Roche, 1994), "Significant national or global competitions that produce extensive levels of participation and *media coverage* and that often require *large public investments* into both *event infrastructure, for example stadiums to hold the events, and general infrastructure, such as roadways, housing, or mass transit systems"* (Mills, B. M., & Rosentraub, M. S.2013). The distinction between an event and a mega-event is totally based on size, and mega-events are much larger than regular events. Their

incredible popularity in fact is given by the incredible amount of emotional and economic effects that it has on the countries that participate in them, because of the different activities and services they provide. As Hinch & Higham (2001Hinch, T. D. and Higham) deduce ‘for many sport tourists a specific sporting event may function as the primary attraction in a destination, but the cluster of other nuclei (features) found in the surrounding area may be needed to finalise the decision to travel’. According to Chalip & McGuirty (Chalip, L. and McGuirty, J. 2004.), the feasibility of attending an event improves if additional non-event attractions are incorporated into the host destination. As a result, today's MSEs are embellished by additional events and attractions, and sport serves as a starting point for broader, tourism-related, activities, adding to the fan's travel experience. Horne & Manzenreiter (Horne, J. and Manzenreiter, W. 2006) give three main reasons for the growth of MSEs: first, modern technologies of mass communication, which make it possible to reach virtually the entire world population; second, ‘the formation of a sport-media-business alliance that transformed professional sport generally in the late 20th century’; and third, the wide promotional benefits mega events offer to host cities, regions or countries. Despite the potential local benefits, MSEs have been largely developed in the interest of global motives rather than for the benefit of local communities (Horne & Manzenreiter). The FIFA World Cup is one of the most evident examples of MSEs. Matos (Matos, P 2006) describes this football tournament together with the Olympic Games as ‘the pinnacles of sport mega events’. To support this view, one could mention the total commercial spending on infrastructure, media and marketing rights, and tourism-related products that are counted in billions of USD (Davis, 2006. *World Cup 2006 Economics Winners and Losers beyond Italy and Zidane*) and the wide audience coverage. Supporters of the benefits of such events usually agree with what Matos describes as the ‘holy trinity of mega events’ benefits': economic growth, infrastructure legacies and image promotion. (Tim Breitbarth & Francisco Conejo, 2008)

2.2 The FIFA World Cup as a Mega-Event

The FIFA Football World cup is the world's largest and most important football event, played every four years. It is a worldwide phenomenon whose birth can be traced back to 1930. The first World Cup held in Uruguay in 1930 was contested by 13 teams and saw a total of 18 games being played. The number of participating teams continued to rise until 1982 when the number stood at 24, with a total of 52 games being played. The tournament was expanded into its current format in France 1998 when 32 teams from 5 confederations qualified for the finals and played a total of 64 games (Statista.com). With a total of 37,823,000 spectators, it is the most attended sport event in history. The event is broadcasted in over 220 countries all over the world, and about three quarters of the world population have the chance to watch it (Infrontsports, 2006). At the core of Fifa World Cup are the stadiums where matches are held, because this is where the excitement of the sport – the 'core product' of the event – expresses (Leiper, N. 1990). Aside from the great investments made to build the stadiums, the host country and the countries that participate benefit from the enormous visibility that these renewed, and, in some cases brand new infrastructures offer. The FIFA in fact asks for some requirements for building and providing the facilities. One of these is capacity. FIFA requires that a venue hosting the opening game and the final must have a net capacity of at least 80,000. For the other group matches, last 16, quarter finals and the match for third place the requirement is at least 40,000, and FIFA requests a net capacity of at least 60,000 for venues hosting the semifinals **(Fig.1)**. Hosting a World Cup in football costs money – a huge amount of money. The total bill for the three World Cups included in this study is nearly $8.5 bn., which only includes stadium investments. The bill would be much higher if minor renovations and the other necessary investments made before a World Cup were also added to the total. In South Africa alone, this figure was $6 bn. Although some private investments were made in some of the stadiums that were built due to the World Cup, particularly in Germany, the majority of the World Cup stadiums included in this study have been publicly funded. (FIFA Offcial Site)

2.3 The effects of participating in a mega-event; the burdens of not participating

With rational behavior of the decision-makers, in the face of zero (or even negative) effects of the mega-event on income and employment mainly for the hosting country, but also regarding the countries that send their team to succeed, decisions can only be accounted for in terms of positive political, social, feel-good, and/or image effects (Baade & Matheson, 2002). Such effects of mega-events, which in economic analyses have long been either ignored or viewed as "intangible" effects at best merely observed as a footnote, have in recent times shifted towards the center of attention (Maennig, Wolfgang, 2008).

The effects can be evaluated on different levels. The economic effects are tangible, but the social ones are to be found in the everyday life of supporters, since football is the sport that has the biggest effect on the emotional side of fans who follow the teams.

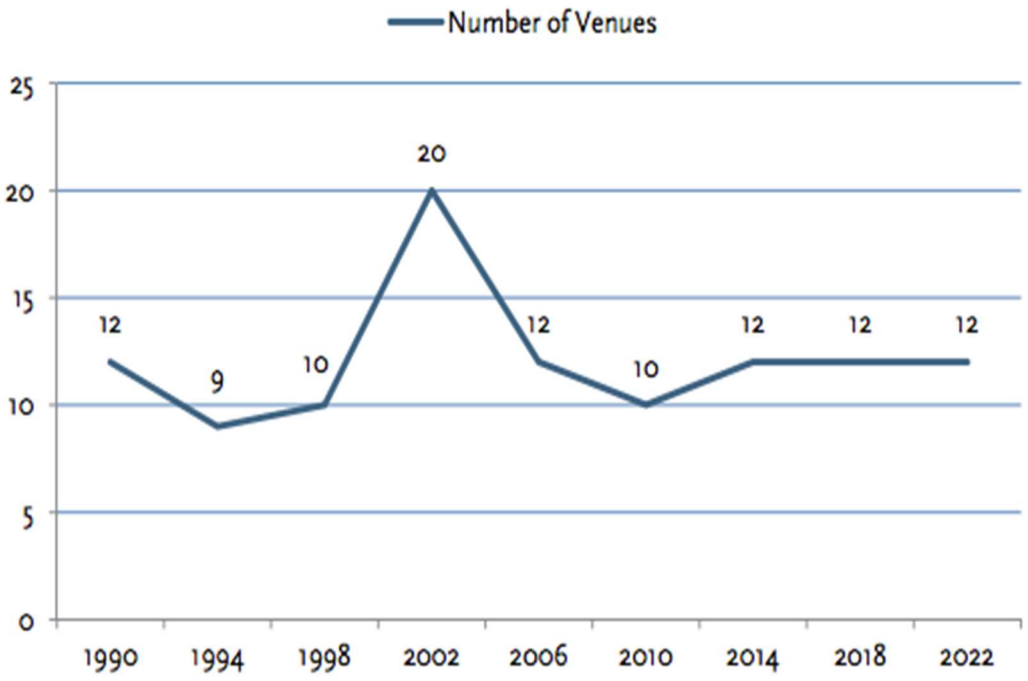

Fig.1. The differences in number of stadiums built and publicly funded throughout the editions of the Cup.

2.3.1 The Social and Emotional Effects at Sport Mega-Events; The Feel-Good Effect; the Case of Germany in 2006

"Anyone who spent any time in Germany during the last World Cup could not have failed to notice the **feel-good factor** around the nation" (Sturgess & Brady, 2006, p. 157). For this feel-good effect, which, as the net result of beneficial effects of personal experience and leisure, leads to enhanced social cohesion and increased civic pride (Heyne, 2006, p. 153). Moreover Heyne, Maennig, & Submuth (2007) estimated a value of around €830 million on the occasion of the 2006 World Cup. "Greater willingness to pay for a sporting event or for other events in Germany has [...] not hitherto been recorded. In this respect [...] the 2006 soccer World Cup was one of the greatest and economically most important events in Germany." (Maennig, 2007).

The successful performance and the demeanor of the German national football team led to an increased **identification** of Germans with their country and team. Accordingly, the World Cup brought Germany a sense of **patriotism** that had not been known for a long time. In comparison to other countries, Germany was known to be relatively poor in the use of national devotional objects; however, the images of the 2006 tournament show around five million German flags flying during the World Cup, in the stadia, on the streets and on people's cars (Deggerich & Linden, 2006).

Not only does this sense of patriotism increase the well-being of people in the country, but it influences the Nation economically, and politically.

This study will include the example of Germany in 2006 to express how the emotional effects influence the nations participating in a sport mega-event.

As studied by Kocher in 2006, immediately after the World Cup almost 70% of the German population declared a positive change in their national awareness (Kocher, 2006); almost 90% of those asked welcomed the distinctive black-red-gold symbolism of the summer of 2006. A year after the tournament, 62% of Germans expressed a lasting increased national pride, which they associate directly with the 2006 World Cup (Ehrlich, 2007; Luttmer, 2006). The reasons for these changes in awareness lay in particular in the cosmopolitan way in which the country had presented itself during the World Cup (Kocher, 2006).

The manifestation of patriotism or the use of national symbols in Germany has in the meantime reverted to the level before the World Cup. In this respect, the willingness to express identity induced by the World Cup may be interpreted in terms of a possibly already existing social development that moved the public awareness in the context of a supposedly apolitical sporting event (Kocher, 2006; Kurbjubweit *et al.*, 2006, pp. 80-81).

The international perception of the image of Germany also changed. While at the start of 2006, in anticipation of a well-organized but soulless World Cup, the international press emphasized the characterizing qualities of the German stereotype, such as reliability and success, the reporting during the tournament was characterized by terms such as party, pride, positivity, peaceful, atmospheric, and friendly (Ifa, 2007; Tiede, 2006). Even the media from countries with a traditionally distanced attitude towards Germany were extraordinarily surprised by the relaxed and sporting Germany and its capacity for enthusiasm (Harding, 2006, p. 10 et seqq.; Hay & Joel, 2007). All in all, Germany succeeded in supplementing its image, which had hitherto been dominated by economic and "hard" attributes, with "soft" factors such as hospitality, the warmth of the people, and cultural values, and thereby achieved a higher international reputation (Anholt Nation Brands Index, 2006; KRÖGER, 2007).

Finally, the interrelations between the strengthened national sense of identity, the change in the international image of Germany, and the feel-good effect of the people were characterized through multidirectional cause-and-effect chains. While the positive national self-appraisal brought to the German people by the World Cup could be interpreted first of all as an indicator of a distinct quality of life – therefore as a manifestation of the feel-good effect – it could also be regarded as an initiator of a change of the German stereotype (Maennig, Wolfgang 2008).

This kind of analysis does not only consider new variables to be considered in my study, but also gives new insights about the influence of these kinds of events on teams participating o failing to participate.

From the sport management point of view, the feel-good effect has to be regarded as one of the major effects that the participation to mega-events can bring, and this is why management teams should not only welcome the idea to boost this side to organize the future experiences at the National level. The positive feel-good effect is an

accomplishment for the participating teams as much as it is a burden for the ones that do not participate. The effect is in fact totally reversed, as in the case of Italy, bringing to the table the regret of not having fulfilled the goals which were set, to which needs to be added the discouragement arising from the failure to fulfill the hopes of supporters all around the nation.

2.3.2 The National Identification Under Collectiveness of Results, the Impact of Mega-Event on a Nation Unity

Nations have been conceptualized as "imagined communities" (Anderson, 1983), a notion that stresses the socially constructed origins of nation-states as well as any sense of belonging to a nation among citizens. However, major sporting events bear the potential to add affectivity to the concept of the nation, so that it becomes more than simply a cognitive, imagined idea, but an "embodied part of a person's identity or even a bodily experience" (Ismer, 2011, p. 548). That is, one not only knows one is a member of a nation but feels a sense of membership and an attachment towards the social construct of the nation, its symbols and material representations. von Scheve, Beyer, Ismer, Kozlowska, and Morawetz (2014), for instance, in their longitudinal study of the 2010 FIFA World Cup's impact on national identification and attitudes toward national symbols, found that emotional entrainment associated with watching World Cup matches predicted changes in national identification and positive attitudes towards national symbols.

To explain how these symbols and figures may affect the Nation as a whole, and its inhabitants, I would like to bring examples from Emile Durkheim's *Elementary forms of religious life* (1912). In most contemporary western societies, nation-wide rituals, as envisioned by Durkheim, are relatively rare. They do exist as commemoration, inauguration, or mourning rituals, but are only in exceptional circumstances characterized by collective effervescence and notable emotional entrainment. Some examples include the mourning of the massacre committed by Anders Breivik in Norway in 2011, the inauguration of US President Barack Obama in 2009, and the Smolensk airliner crash in Poland in 2010.

As proposed by Christian von Scheve in its study *Emotional entrainment, national symbols, and identification: A naturalistic study around the men's football World Cup,* as the sociology of sport has convincingly and repeatedly argued, mega international sports events, and in particular football tournaments, constitute a regularly occurring class of events in contemporary societies that fit many of Durkheim's criteria. They clearly display multiple ritual features. Similar to religious congregations, matches are formally structured, beginning with the teams entering the stadium, and spectators are assembled in close physical proximity, share a common focus of attention, and become mutually entrained with one another's emotions (Bromberger, 2006; Cheska, 1979; Pornschlegel, 2002; Sterchele, 2007). Matches are also clearly embedded in national contexts, as seen, for example, in the prolonged display of national symbols and the singing of the national anthems at the beginning of a match (Ismer, 2011).

Furthermore, as 'social enclave(s) where excitement can be enjoyed' in otherwise affect-controlled societies (Elias and Dunning, 1986: 90), international tournaments reliably generate emotional entrainment, often in crowds and gatherings (Burstyn, 2005; Frey and Eitzen, 1991). In this sense, football arenas are some of the few places in west- ern societies in which emotional entrainment is experienced on a regular basis. Importantly, at international tournaments, these emotions can be projected onto national symbols, which are omnipresent in stadiums and in public places. Following Durkheim (1912/1995), the results of specific matches (i.e., winning vs. losing) should not affect the consequences of emotional entrainment for solidarity and identification. Negative emotions like anger or sadness are frequently found at the center of certain rituals (e.g., during funerals) and contribute to identity formation in much the same way as positive emotions. This aspect of the study proposed by the author can be applied to Italy, and to the supporters of its National team, on an even deeper level. The situation in which a team is not even qualified for the tournament is not studied by Durkheim, who instead pays attention to the active impact of the tournament on the teams that participate in it, but, as it could be easily imagined, it does have a negative effect whose magnitude can be evaluated by looking at the emotional attention that is assessed to the National team performance, and its activities throughout the months that have divided the World Cup playoff, and the start of the competition. The level of this abstract variable is at its lowest peak in history.

2.3.3 The role of the media in mega-events impact

Emotional involvement can occur in a ritualized group context, on the one hand, but can also be induced by emotionalized media reporting. For the second line of reasoning, the literature on media discourses surrounding sporting mega-events is of high relevance. First and foremost, media discourses render the national category salient for a number of reasons: National symbols (flags, anthems, national emblems, etc.) are omnipresent at major international sports competitions and also its media presentations. The media's selection criteria of what is considered relevant and newsworthy are highly nationalistic.

Media presentation is virtually always centered on the own nation's athletes and favors sports and competitions in which national athletes are likely to perform well (Angelini, MacArthur, Reichart Smith, & Billings, 2015; Billings & Angelini, 2007). Thus, simply by following international sport on television, audiences are constantly reminded of their nationality. This is important, because otherwise the emotions experienced in front of the TV while watching an international sports event would likely not spill over to the concept of the nation. (Mutz, Genke, 2017)

Very few studies exist that directly investigate media impact on sports consumers in an experimental setting. In one of the few studies to investigate whether the audio commentary of a sporting event impacts viewer's attitudes, Lee, Lim, Yeo, and Pedersen (2015) found that nationalistic sentiments and their interplay with media framing impacts viewers' attitude towards opposing athletes. After being exposed to a broadcast of a game between their nation of origin's soccer team and a rival team, participants who had watched a version of the broadcast that featured audio commentary partial to their national team were more likely to view the opposing team unfavorably than participants who were exposed to an objective and impartial audio commentary.

Moreover, the study also found that attitudes toward the opposing team—as predicted by the exposure to partial versus impartial commentary— translated to judgements about consumer products from the opposing country. Although Lee et al. (2015) do not treat nationalism and patriotism as dependent variables, one could argue that their study

does hint at an effect of media framing of 6 Communication & Sport sporting events on collective identification. Moreover, Atwell Seate, Ma, Iles, McCloskey, and Parry-Giles (2016) have recently analyzed U.S. nationalism featured in the game promotional advert of the United States versus Ghana soccer match in World Cup 2014. In an experimental account, they were able to demonstrate that the promotional advert led to increased levels of patriotism and militarism in recipients. The media coverage of sport mega-events may sometimes reach the unreachable and define the emotions that the viewers and supporters are looking for. It enhances fame, glory, and victory, but it broadens the negative impact of defeat. This kind of emotional involvement brought by the media on the supporters of the teams participating and not participating to a sports mega-event can be evaluated by the study conducted by Mutz and Gerke. The study in fact demonstrates that a single World Cup match suffices to cause changes in national identification, and that mass media's framing of sports plays a crucial role in the emotions experienced by recipients. Finally, this is the first study that has shown that single sport events also bear the potential to "charge" the national category with emotions and values, thus inculcating affectivity and morality to the concept of the nation.

2.4 The effects of mega-event failures on supporters and fans

Although there is a lack of consensus when defining emotions among researchers (Scherer, 2005; Vallerand & Blanchard, 2000), it is commonly accepted that an emotion is a response to a stimulus event (Deci, 1980; Scherer, 2005), and involves subjective experiences (cognitive component), physiological changes (arousal component) and action tendencies (e.g. body posture or facial expressions). A growing body of literature demonstrates the importance of understanding emotional reactions in service industries (e.g. So¨derlund & Rosengren, 2004; Wong, 2004; Zeelenberg & Pieters, 1999, 2004). However, little has been examined about the emotions experienced by spectators at sporting events and its consequences. The different levels of emotional impact taken on fans all over the world emerging from sport mega-events can be summarized under two main categories of positive and negative effects: Basking in Reflected Glory, and

Cutting Off Reflected failure, which is reflected by emotions shown by Italian fans after the elimination from the World Cup qualifying round.

2.4.1 Basking in Reflected Glory: the positive effect on winning fans

When your team is doing well, you feel great. Research shows that on the day after a team's win, people feel better about themselves. They say "we" won, and by "we," they do not mean themselves, personally. The closer you identify with the team, the more likely you are to BIRG. The concept of BIRGing is rooted in the social identity theory which explains how one's self esteem and evaluation can be enhanced by the identification with another person's success. One of the keys to BIRGing is that the person trying to receive this glory has done nothing tangible to bring the team's success (Hirt et al. 1992). They are truly basking in *reflected* glory not earned. When a person's public image is threatened the tendency to BIRG is even stronger, and BIRGing becomes an important impression management technique to counter any threats to self-esteem (Lee 1985). As proposed by Cialdini and Borden in their study "*Basking in Reflected glory, three football field studies"* a striking aspect of the phenomenon is that subjects sought to proclaim their affiliation with a successful source even when they in no way caused the source's success. This component of the effect suggests a mediator consistent with balance theory. People make known their non-instrumental connections with positive sources because they understand that observers to these connections tend to evaluate connected objects similarly. It appears that the tendency to BIRG is an attempt to secure esteem from those who can perceive the connection. (Cialdini, Borden 1976).

Moreover, after a team wins the loyal fan will tend to wear the team's colors, brandish team logos, and take any opportunity to build a link to the team through their behavior. Kimble and Cooper (1992) concur that fans attain a feeling of vicarious achievement simply through being fans. Additionally, amongst followers of successful teams, perceived group performance is the dominant factor in identification (Fisher and

Wakefield, 1998). In relationship to image management tendencies, self-image is built up through direct associations with winning teams/athletes (Campbell, Aiken 2004). The different levels of commitment that a fan might have towards a team dictate the degree to which he or she can distance him or herself from that team when failure occurs. If a fan is strongly allied, the social identity theory states that it will be hard for them to distance themselves, and therefore, to not threaten their self-esteem, the fans must attribute the loss to external cues of the situation but not the team itself.

2.4.2 Cutting Off Reflected Failure: a synthesis of frustration and unhappiness among losers

If a person is not so closely linked or linked to the point that the failure is reflected in a loss of interest towards the team, they then engage in the phenomena of CORFing, which means cutting off reflected failure, done by distancing themselves as far as possible from the losing team. (Cialdini & Richardson 1980). These fans want to avoid any negative evaluations by others in relation to the team that was unsuccessful. The closer the identification to the team and the degree of commitment by the fan, the greater the risk the fan has of suffering a loss in self-esteem if their team has lost. Dealing with CORFing, the team is unsuccessful and fan associations are correspondingly negative. That is, as an indirect method of image management, fans will tend to dissociate themselves from an unsuccessful team.

After a team loses, fans will be less likely to wear the team's colors, attend events, or outwardly support the team. Cialdini and Richardson (1980) clearly observed this image-management tendency (i.e., making those with whom we are negatively connected look bad - utilizing the phrase "to publicly blast associative failure").

Providing further support for the lasting effect of negative outcomes, Hirt, Zillman, Erickson, and Kennedy (1992) found that in accordance with social identity theory, fans' mood and self-esteem were impacted by the outcome of sporting events, even when an unrelated task was performed following the sport encounter. Wann, Tucker, and Schrader (1996) noted that a lack of team success is the most important reason in ceasing to follow a once-favorite team. Accordingly, CORFing epitomizes fans' struggles to cope at a time when associative defeat and consequent social scorn would

weaken self-image. Your team was trounced and now you want to distance yourself from them and their disgrace as much as possible. It is not "we," who lost, it is "them." The last thing a CORFer wants to wear on the day following the team's loss are hats or shirts with the team's logo (Whitbourne, 2011).

As described by Merrit Posten (1998), fans “CORF” in a variety of different ways. For example, one might change the language they use to describe the game after a defeat or after a win. For example, a Knicks basketball fan might not even know the psychological defenses he or she is using when they say, "We won" when the Knicks won and "They lost" or "the Knicks lost" when the team suffered a defeat. Fans might also distance themselves from the team by not wearing any team affiliated clothing after a loss and not supporting the team until they win again. But as soon as the team is victorious, the individual will waste no time in associating with the team once again (Hirt et al. 1992).

Another way that fans can CORF is by "blasting". Blasting is a form of indirect self enhancement used when self-esteem is threatened. Cialdini and Richardson (1980) found and illustrated these phenomena by how university undergraduates blasted (criticized and degraded) the other universities when they received negative information about their own school. "Therefore, if we wish to look good to observers, one option available to us would be to make those with whom we are negatively connected with look bad: to publicly blast the opposition"(Cialdini et al. 1980).

2.4.3 Relating BIRG and CORF effects to Italy, and the Italian football fans

The distinction between who wins and who loses is to be found under different facts and figures, but the relation between fans and reactions to failure and victory is fundamental in determining the true outcome of an event. The study conducted by Cialdini and Richardson (1980) differentiated between the effects of Basking in Reflected Glory and Cutting Off Reflected Failure. Obviously, the only one to be applied is the latter, since Italian fans have witnessed their team failure to qualify. The effect predicted by Cialdini and Richardson affects fans by endangering their closeness to the team, and the effects on Italian fans follow the prediction made by the scholars.

The disappointment stemming from the failure to qualify has brought fans and media to distance themselves with the team.

“Italy, this is the apocalypse,” was the headline in the country’s leading sports paper, La Gazzetta dello Sport, perhaps an understandable reaction in a nation whose passion for football is such that the same publication concluded that “a love so great must be reserved for other things [than the World Cup]”.

Its editorial read: “We will not be with you and you will not be with us. Italy will not participate at the World Cup. There will be inevitable consequences.” (Guardian UK, 2017)

The report “IL TIFO CALCISTICO DEGLI ITALIANI”, published in 2018, has evaluated that the TV and social media share of the Italian Football team lost almost 18% in interest among its own fans in the night subsequent to the loss. The CORF effect was also reflected in the economic and political side of the country, since the chaos and the ever-ending sense of regret stemmed from the loss provided for a chaotic situation and influence on those unrelated social aspects too. One of the most important social aspects of success in sports is a promotional effect resulting from the attraction of major sporting events for the predominant part of the population that is due to the geographic location and tradition of the sport in the country. Due to this attractiveness, information of sports successes or failures is spreading and being experienced in the places where other type of information is difficult to enforce. The reality is perceived and socially accepted with the effort to use it on a local and national level. It uses the undeniable fact that the peak performance and success cannot be achieved without social and economic support at the local and national level. Sporting achievements and information about them are the undisputed socio-political charge (Staud, O. 2013).

If we focus on the framework of national political events when sporting success spontaneously influenced political events, it is often quoted the case of trying to force "political coup" in Constantinople in 532. The stimuli were the successes and failures of individual stalls in the chariot races. These stables were an expression of the effort to present specific groups with the interest of a club with a link to the power structure of the society (Slepičková, 2010). This event demonstrates, although dated to the sixth century, how significant the influence of actual sporting successes or failures, was when the audience was spontaneously experiencing the socio-political events in each polity.

The significance of the impact of sports success on politics is limited by the overall economic and political situation in individual countries. It may trigger potential changes in the politically unstable situation. Likewise, the political situation in Italy, already very chaotic following the elections of 2016, was influenced negatively, increasing the chaos and decreasing the chance of stability that a different kind of outcome would have brought. Could this only be an aleatory prediction? Sure, but the economic effects of the loss are concrete, as the result affected the Italian stock market greatly. I will leave the result and the study of this effect to the next chapter.

Chapter III

The Economic Consequences on the Italian Stock Exchange

3.1 The economic effects of sport outcomes; literature review

The consequences of Football teams' performances, as well as other sportive events, are known to have an impact on many fields. This study has dealt before about the emotional impact, but its main concern regards the economic side of these effects, more specifically the impact that these events and their outcomes have on the National stock exchange. Many studies have dealt with this kind of subject, and many have tried to understand fully what the size and the nature of this impact may be. There is, in fact, an increasing recognition that sport can have a significant economic impact.

Some authors believe that the football results are a measure of mood. In fact sports results document that fans show a positive or negative reaction in relation to their team performance (see the impact of the mood of Italian team supporters after the great victory against the French football team). In every case sports performance causes a strong impact on the optimism or pessimism of individual investors beyond other variables such as sunlight and temperature or daylight savings. The magnitude of the football effect is compared to other effects without offering more profit for the stockholders of football companies. Some researchers maintain that football results have a strong effect on mood: if you compare heart attacks during the World Championship (in 1998, the year when England lost against Argentina) it is possible to

notice a 25% and greater increase in heart attacks. This happens not only in football, but also in other different sports, so we can say that sporting events have a large impact on human behavior. Therefore, football is an important part of many people's lives. We may observe that most people in the world watch football matches (as an example, the last final between Italy and France in Berlin had more than 1 billion viewers – far more than the Super Bowl, Wimbledon or Royal Ascot) and estimate how widespread football's audience is.

There is empirical evidence to support a strong link between results and club revenues. Szymanski and Kuypers (Szymanski, S and Kuypers, T. 1999. *Winners and Losers: The Business Strategy of Football*, London: Penguin, pp. 186–93) demonstrated that the revenues of English clubs are largely determined by league position, while Bernile and Lyandres (Bernile, G. and Lyandres, E. (2008) Understanding investor sentiment: the case of soccer, Working Paper, University of Miami) found that winning European Champions League or UEFA Cup games has a positive effect on a club's return on assets. Barajas *et al*. (Barajas, A., Fernandez-Jardon, C. and Crolley, L. (2007) Does sports performance influence revenues and economic results in Spanish football? , Working Paper, University of Vigo) show that for Spanish football clubs, success on the pitch has a positive effect on club revenues. In addition, Pinnuck and Potter (Pinnuck, M and Potter, B. 2006. Impact of on-field football success on the off-field financial performance of AFL football clubs. *Accounting and Finance*, 46: 499–517.) discovered that match day receipts, membership receipts, sponsorship and other marketing receipts for the Australian Football League are a positive function of winning games.

The way in which international football results have been shown to affect national stock market indices, even though there is minimal aggregate effect on a country's companies (Ashton *et al*., Ashton, JK, Gerrard, B and Hudson, R. 2003. Economic impact of national sporting success: evidence from the London stock exchange. *Applied Economics Letters*, 10: 783–5. Berument and Yucel found that when Fenerbahce won a game in a European competition, the growth rate of Turkish industrial output increased, while Berument *et al*. (2008) found that a win by Besiktas in European competition led to a rise in the Turkish stock market.

3.2 Economic consequences on Italian stock exchange: the econometric model

As can be evinced by literature, the effects of sport outcomes are multiple, and can be depicted in different fields and on different levels. The outcomes studied in the previous articles revealed effects based on single results, instead this research provides an analysis of the consequences of a long-term study.

Linear models are specific in investigating the relationship between stock market returns and variables related to football game results, following the established literature (Ashton et al., 2003, 2011; Martínez and Román, 2014; Graziano and Vicentini, 2016).

$$\Delta SMR_{i,t} = \alpha_0 + \alpha_1 \Delta EQUITY_{i,t} + \alpha_2 \Delta OILGAS_{i,t} + \alpha_3 \Delta CONSGOODS_{,t} + \alpha_4 LEXCHANGE_{i,t}$$

$$+ \alpha_5 \Delta HEALTH_{i,t} + \alpha_6 \Delta CONSER_{i,t} + \alpha_7 \Delta FIN_{i,t}$$

$$+ \alpha_8 \Delta TEC_{i,t} + \alpha_9 \Delta LIBOR_{i,t}$$

$$+ \alpha_{10} FIFARES_i$$

Where:

- subscript i denotes the cross-section dimension
- subscript t denotes the time dimension
- ΔSMR is the variation rate of daily FTSE MIB return compared to the value of the previous day
- ΔEQUITY is the variation of daily equity index return compared to the previous day
- ΔOILGAS is the variation rate of daily stock return of oil and gas sector index compared to the value of the previous day
- ΔCONSGOODS is the variation rate of daily stock return of consumer goods sector index compared to the value of the previous day

- LEXCHANGE is the logarithmic difference in the exchange rate €/$ included in analysis as a macroeconomic control variable
- ΔHEALTH is the variation rate of daily stock return of healthcare sector index compared to the value of the previous day
- ΔCONSER is the variation rate of daily stock return of consumer services sector index compared to the value of the previous day
- ΔFIN is the variation rate of daily stock return of finance sector index compared to the value of the previous day
- ΔTEC is the variation rate of daily stock return of technology sector index compared to the value of the previous day
- ΔLIBOR is the variation of interbank rate included in analysis as a macroeconomic control variable

- FIFARES is the variable that takes into consideration results of the Italian national football team in the FIFA World Cup competition and qualification round between 2010-2018, envisaging the following scores:
    a) +3 when the Italian national football team wins in the final stage
    b) +2 when the Italian national football team wins in the group stage
    c) +1.5 when the Italian national football team wins in the qualification round
    d) +1 when the Italian national football team records a tie in the group stage or final stage
    e) +0.5 when the Italian football team records a tie in the qualification round
    f) –3 when the Italian national football team loses in the final stage
    g) –2 when the Italian national football team loses in the group stage
    h) -1.5 when the Italian national football team loses in the qualification round
    i) 0 when the Italian national football team does not play.

3.2.1 Data description

My sample includes football match results of the Italian national football team in the FIFA World Cup competition and qualification rounds between 2010–2018. I have focused on the analysis of the Italian national football team as it has played in the group and final stages of the World Cup tournaments, as well as the qualification rounds leading up to it because of the great deal of interest given by the markets to the outcomes of football games. Twenty-eight matches have been taken into consideration, divided into three different editions of the tournament.

These data were taken from the FIFA official website, and a subsequent table (**table 2**) will explain the different kinds of results and data considered in the study.

FTSE MIB daily returns, the daily returns of the seven FTSE industry indexes, as well as the daily exchange rate €/$ and LIBOR series were collected from Bloomberg Datastream. After matching stock returns data with game results, I obtained a final sample amounting to 2191 observations.

The data stems from the above variables can be studied and overlooked in the next page. The Delta sign in front of the variables establishes the difference between two different subsequent days in that particular factor. The variables are in fact considered to be evolving every day since they represent the change in their value from one day to the other in the Italian Stock Exchange Market.

The hypotheses were organized as follows:

H_0: FIFARES = 0
H_1: FIFARES ≠ 0

Table 1 Description of variables

Variable	*Symbol*	*Description*	*Source*
Stock market returns	ΔSMR	Variation rate of daily FTSE MIB return compared to value of the previous day	Datastream
Football game results	FIFARES	FIFARES refers to the results of the Italian national football team in the FIFA World Cup competition	FIFA websites
Oil and gas sector index	ΔOILGAS	Variation rate of daily stock return of the oil and gas sector index compared to value of the previous day	Datastream
Consumer goods sector index	ΔCONSGOOD	Variation rate of daily stock return of the basic resources sector index compared to value of the previous day	Datastream
Consumer services sector index	ΔCONSER	Variation rate of daily stock return of the consumer services sector index compared to value of the previous day	Datastream
Healthcare sector index	ΔHEALTH	Variation rate of daily stock return of the healthcare sector index compared to value of the previous day	Datastream
Technology sector index	ΔTEC	Variation rate of daily stock return of the technology sector index compared to value of the previous day	Datastream
Finance sector index	ΔFIN	Variation rate of daily stock return of the finance sector index compared to value of the previous day	Datastream
€/$ exchange rate	LEXCHANGE	Logarithmic difference in the €/$ exchange rate	Datastream
Interbank rate	ΔLIBOR	Variation of interbank rate	Datastream

NB: This table was derived from the study conducted by E. Graziano and F. Vicentini in 2016

Table 2 Football game results

		Match results			*Number of matches*
FIFA World Cup competition		*Win*	*Draw*	*Loss*	
South Africa 2010	**Qualification round**	**-**	**-**	**-**	**-**
	Group stage	**-**	**2**	**1**	**3**
	Final stage	**-**	**-**	**-**	**-**
Brazil 2014	**Qualification round**	**6**	**4**	**-**	**10**
	Group stage	**1**	**-**	**2**	**3**
	Final stage	**-**	**-**	**-**	**-**
Russia 2018	**Qualification round**	**7**	**3**	**2**	**12**
	Group stage	**-**	**-**	**-**	
	Final stage	**-**	**-**	**-**	
				Total	**28**

Table 2. The table displays the twenty-eight games played by the Italian National team throughout 2010-2018. The dash expresses the absence of results in that particular situation. The games in the three different editions considered were divided between Qualification round, Group stage and Final stage. As can be evinced from the graph, the Italian National Football team did not advance to any Final stages in the last three editions of the World Cup.

3.2.2 Results

Table 3 reports analysis results employing the econometric model, estimated using ordinary least squares (OLS) techniques with robust standard errors. The equation shows an adjusted R-squared equal to 0.9785, therefore the model is highly satisfactory in explaining the variance of the dependent variable. Unfortunately, the variation of Italian stock market returns (ΔSMR) measured as a variation of the FTSE MIB index, does not display a positive relationship with football match results of the Italian national football team in the FIFA World Cup competition (FIFARES). The variable has in fact

a very low t value, resulting in a simple result: we cannot reject the null hypothesis. This result may arise because of the very large number of days in the span (2010-2018) without a game played on them. This decreases the incidence that those games played, with those scores amounted to each of the outcome of the games, have on the FTSEMiB index as a whole.

Table 3. Results of relationship between Italian stock market returns and Italian national football team football game results

Coefficients

	Estimate	Std. Error	t value	Pr(>|t|)	Sig.
Intercept	-2.818e-05	4.987e-05	-0.565	0.5721	
ΔEQUITY	4.931e-03	3.840e-03	1.284	0.1992	
ΔOILGAS	2.516e-01	5.400e-03	46.595	< 2e-16	***
ΔCONSGOODS	1.659e-01	6.504e-03	25.507	< 2e-16	***
LEXCHANGE	1.307e-02	8.722e-03	1.499	0.1341	
ΔHEALTH	3.786e-02	5.457e-03	6.937	5.25e-12	***
ΔCONSER	4.467e-02	5.648e-03	7.909	4.10e-15	***
ΔFIN	4.414e-01	3.970e-03	111.190	< 2e-16	***
ΔTEC	4.150e-02	3.443e-03	12.054	< 2e-16	***
ΔLIBOR	1.551e-02	6.157e-03	2.518	0.0119	*
FIFARES	3.722e-04	3.243e-04	1.148	0.2512	

Table 3. This table shows the relationship between Italian stock market returns and Italian national football team football game results between 2010 and 2018. The sample is made up of 2,191 observations. The symbols *, **, *** represent significance levels of 10%, 5% and 1% respectively.

As stated above, the results provide a non-significant relationship between the results of the Italian National team and the Italian Stock Exchange. Although this relationship

is positive, which provides the conclusion that this study was trying to get to. The outcome of the games played by the National team influence the stock exchange directly and positively, if the team wins, and negatively, if it loses. The low level in the t value statistic *(1.148)* resents of the influence of the great majority of 0 (days in which the National team did not play) in the observations, which tend to offset the effects of the values which are different from it. If taking into consideration a single day or week in which the team has played, the effect on the Stock exchange can be evinced clearly. Considering the time- span between June 14th and June 25th 2010, during which the Italian Football team recorded three games within the 2010 edition of the World Cup in South Africa, the effects are clearly evident.

Table 4. Data referring to the span 06/24/2010-06/25/2010 on impact of Italian Football team results on the Italian Stock Exchange Market

Date	FTSEMiB	ΔFTSEMiB	FIFARES
6/14/2010	19660.27	0.013881633	1
6/15/2010	20188.54	0.026869926	0
6/16/2010	20582.72	0.019524938	0
6/17/2010	20562.63	-0.000976061	0
6/18/2010	20568.91	0.000305408	0
6/21/2010	20752.31	0.008916369	1
6/22/2010	20810.44	0.002801134	0
6/23/2010	20609.03	-0.009678315	0
6/24/2010	20358.92	-0.012135942	-2
6/25/2010	19942.39	-0.020459337	0

Note: The National Team results are considered to take place on the day on which the game was played, while the effective impact has to be recorded on the following day.

The results arising from the focus on this particular tim-span are evident. The impact registered on the FTSEMiB index on the day following the games played is consistent with the theory expressed in this study; football has a positive (or negative) impact on the economic side of a country.

For what regards the other variables included in the study, all variations of indexes of the nine industries taken into consideration demonstrate a positive and statistically significant relationship (at the 10% confidence level or less) with the variation of Italian stock market returns (**ΔSMR**), except for the **ΔEQUITY** and **LEXCHANGE** variables for which the relationship remains positive but not statistically significant. The increase in price in the 'oil and gas' sector; the resilience of technology and financial sectors have a positive impact on investor behaviour and thereby produce positive performance on the stock market. Again in line with expectations is the relation of Italian stock market returns with the €/$ exchange rate and the variation of interbank rate. A growth of €/$ exchange rates produces an increase of stock market returns, underlying a shift of financial flow in the euro zone. This result statistically follows the Traditional Approach, which advocates that there is a positive relationship between stock market and exchange market and the causality runs from exchange rate to stock market. The Approach suggests that a positive relationship between stock prices and exchange rates exists when local currency depreciates and local firms become more competitive which leads to an increase in their exports. This will result in an ultimate increase in stock prices. (Farahn & Muneer, 2015)

3.2.3 Results interpretation and literature review

As suggested in the study by Graziano and Vicentini (2016), differently from institutional investors who can leverage on inside information, individual investor behaviors are influenced by public information and their mood is affected by different events (such as sports results). Consequently, individual investors may have entirely different views regarding positive and negative sports results. This raises challenges for different project players such as tournament promoters, host countries, participating countries and national team sponsors, since they will be indirectly responsible for the

trend of financial markets. Furthermore, the results of this study confirm that football game performance of the Italian national football team during official events have a positive influence on stock market returns because football is a consistent part of the Italian lifestyle. However, the market reaction we observed only seems to reflect part of the overall perceived economic benefits of these sporting mega-events. The increase of trading volumes on stock markets of host nations and participating countries is related to their economic growth, as mentioned in previous studies. This issue underlines that sporting mega-events might play a pivotal role for the definition of some best practices for all stakeholders involved. For instance, national team sponsors and sponsors directly committed to sporting mega-events should not only take the effects of these events on their incomes into consideration, but also the effects that game results have on the stock market. (Lund & Greyser, 2003)

The patterns and impacts on different stock exchange values have been analysed in different studies, which examined the causes of the changing patterns of stocks after football outcomes. A study by Ehrmann and Jansen (2016) of the 2010 World Cup shows that investors' anomalies following football matches and official events exist. It analyzed trading patterns in semiconductor giant STMicroelectronics, which is traded on stock exchanges in Italy and France. Normally, the company's market capitalization will be identical on both exchanges. However, this was not the case during France's 2-1 defeat against South Africa in its final group stage match in 2010. On the French exchange, STMicroelectronics shares dropped following each of South Africa's goals, but no such move occurred in Italy. Similarly, when Italy lost against Slovakia two days later, STMicroelectronics shares fell on the Milan exchange, but not in Paris. The authors of probability of underpricing increases as matches unfold and the elimination of the team becomes more likely, the authors found. (O'Mahony)

As argued by Edmans, García, and Norli (2007), football results are appealing measures of investor mood. In many countries, a large portion of the population intensively follows and passionately discusses football, and a national football team's imminent elimination from the FIFA World Cup can quickly change investor mood and have an almost instantaneous effect on stock prices, which can be, as discovered in this study, evinced on the earliest possible value defined by the stock exchange market. Following the work made by Edmans, Garcia and Norli (2007), a mood variable must satisfy three

criteria. First, the mood variable must be driven in a substantial and unambiguous way, so that the effect is powerful enough to be reflected in asset prices. Second, there must be broad interest among the population to be able to assume that it has a significant affect on investors. Third, there must be a correlated effect across the majority of individuals within a country. They believe results from international football tournaments satisfy these criteria and use this variable in their study, which will also be used in this thesis as well. Sports in overall, but particularly football matches of national teams has the property of national consensus and interest, which makes it very useful to use as a mood variable to test for abnormalities in the stock market. They found significant strong negative market reactions to losses of national football teams, as well as a (less severe) loss effect in other sports. No relationship is found between ex-ante win probabilities and the magnitude of the impact on stock markets. No effect after wins is found either. They attribute the loss effect to the impact of the game outcome on the investor's mood. Economic consequences of a football game of the national team are nil, which makes alterations in national stock indices a consequence of emotional rather than rational behavior. The effect increases with match importance, which they relate to the stage of the tournament (i.e. the further the tournament is staged, the more important matches become). The effect is larger in small stocks, which are predominantly held by local investors, who obviously are more affected by the performance of the concerning national football team.

Bernile and Lyandres (2011) find similar results: relatively large stock price decreases after losses and modest positive post-win returns. They conclude that market reactions are a result of investors' biased ex-ante beliefs. Investors in publicly traded European football clubs are overly optimistic about the win chances of their club, which often results in disappointment. They are unable to form unbiased beliefs about the match outcome of their 12 club, which leads to a systematic difference in magnitude of their reactions after wins and losses. They project this explanation to the case of national football teams. The difference between investors of publicly traded European football clubs and investors in national stock markets is that the former have direct interest in the performance of the club. Poor performance by the club influences its financial well-being. Ticketing, merchandise, and sponsoring could decline, justifying the devaluation of the stock by the investors. Investors in national stock markets are not subject to direct

financial consequences as a results of the team's performance, making a drop in stock prices less explicable. Biased ex-ante beliefs can explain why losses have larger impact on the stock prices (since wins are expected more often than reasonable), but Bernile and Lyandres (2011) solely contribute this to overly optimistic beliefs. They fail to link these beliefs to an impact on investors' mood, while precisely mood are influenced by biased beliefs: wins are expected, so no significant mood impact is present, while losses are unexpected and thus lead to disappointment, which will be projected on the stock market. (Scherbaum, 2013)

The model describes statistically the impact that the current study intended to prove. The effect that this debacle has had on the economy of the Nation may not be evinced completely in the day by day operations, but it has had its share of damage, as can be evidently described by its impact on the Italian Stock Exchange.

Conclusion

The purpose of this study was to analyze the possible causes and consequences of the Italian Football team debacle in the qualification round of the 2018 Russia World Cup. Not only the study succeeded in the intentions that I proposed, but it drove past my expectations bringing me closer to this subject, which was my primary goal. I believe that the distinction between what has to be done as a job and what is done as a kind of pleasure lies in the ability to do such work as a way to spend time proactively to do something that you like. It is not always easy to do so, but I was lucky enough to study something which I enjoyed researching.

As I was saying before, the primary purpose of this study was to discover and further examine the possible causes of such a sport "tragedy". My investigation on the subject began with a simple quest for the cause and ended up with an analytical study that empirically found what I was looking for. Football does have a big impact on our life, and while I never had a way to prove it concretely aside from uttering the emotions that a sport event outcome made me feel, I now have the possibility to show it analytically. While this achievement makes me proud, I cannot say the same for the event I was analyzing. As I mentioned in the introduction, the event that occurred hit me on many different levels. Aside from the obvious anger because of the missed qualification, the fact that Italy will not be playing in the World Cup struck my pride, my sense of national identification and this may have been the main reason why my interest for the examination of this event sparkled.

Regarding my work concretely, I found the existing literature very helpful in defining what the roots and the causes of the problem were. Two papers were in fact enlightening for the "back-spine" of the entire work: "Do national soccer results really impact on the stock market?" by Ashton et Al. and "Football cultural events and stock market returns: the case of FIFA World Cup" by Graziano and Vicentini. They provided many insights about the most determining factors of the problem. More specifically, the study by Ashton et Al. provided many reflections for the first part of my study, the more literary work on the examination of the causes that led to the problem, while the work by

Graziano and Vicentini provided the basis for what created my regression model in the third chapter.

This study followed a very precise scheme. My aim was to start by introducing the theme to the work in general, describing the fundamental literary and concrete data with which the reader could fully understand what was going to go through in the later chapters. The first chapter is, in fact, very specifically designed to direct the reader's attention to the problems that followed the missed qualification of the Italian Football Team participating to the world cup. This first introduction was then followed by a more literary-based review of mega-events, focusing on sport-based mega-events and on the impact that they have on the qualified Nations, as well as analyzing the negative effects they have on those that fail to achieve this objective. The first two chapters, just like the days leading to the (unfortunately) unforgettable day in which Italy was eliminated, lead to the third one, were the economic consequences are described, examined, and empirically studied.

The study had, although, some limitations. The limited number of games played, especially in the final stage of the competitions restricted the effect they had on the econometric model analyzed in the last chapter. Moreover, the recent events occurred in the FIGC prevented me from including a planned research interview in this research. The whole study is affected by my emotional attachment to the subject, which should be considered a flaw. However, this resulted to be of great help and advantage. Not only did I have the opportunity to study something I am actually interested in, but I found myself researching something I am emotionally attached to, which further enhanced my sense of pride, satisfaction and gratification as I was carrying out this study-case.

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