



Own Goal: Lessons for the West Midlands in the Globalisation of Football Finance

Since the founding of the first official football club in 1857, professional football has grown into a national obsession; teams are regarded as social and cultural institutions by their supporters, embodying a locality's passion and identity. Today, the English Premier League is one of the world's wealthiest and most successful sports leagues, with lucrative broadcast and sponsorship deals permitting exponential growth of its top clubs over the past 17 years.

However, as the viability of these vast finances begins to crumble, 'the people's game' has been exposed as an unsustainable, global industry. Larger teams are becoming increasingly disconnected from their localities, as fans become alienated by burgeoning debt and foreign ownership. This is whilst smaller teams struggle to compete, forced to plunge into debt to retain a viable squad and support base. What are the options in addressing these issues? Can control successfully remain with supporters and communities? ... Or has the final whistle already been blown?

The score at half time... Where does football currently stand?

***"Football is a funny old game, or so the saying goes. But as a business, it is also more than a little eccentric"*¹**

Over 100 years ago football clubs first became limited companies, generating the funding to permit owners to construct stadiums and purchase professional players. Under such a system directors and shareholders were restricted from making a profit, acting as voluntary custodians of their club.

However, as the relentless march of globalisation has promoted the profit-oriented, American model of sport², football has increasingly become the highly lucrative and exposed business confronting us today. In the 1980s clubs were first floated on the stock market, making massive personal profits for their owners whilst diverging from the history of the game and breaking from meaningful FA regulation³. Between 2005 and 2006 the total income of the 'Big 5' European football leagues stood at £12.6 billion, of which the English Premier League was the largest single contributor generating £2.8 billion⁴.



¹ Theo Legget, (2010), *Football's financial winners and losers*. Accessed: <http://news.bbc.co.uk/1/hi/business/8506885.stm>, 10/08/10

² Duke. V, (2002), *Local Tradition versus Globalisation: Resistance to the McDonaldisation and Disneyisation of Professional Football in England*, *Football Studies*, Vol 5, No. 1. Accessed: <http://www.la84foundation.org/SportsLibrary/FootballStudies/2002/FS0501d.pdf> 08/06/10

³ Biz/Ed, (2004), *No Way to Run a Business?*, *At Your Leisure* 02/02/04. Accessed: http://www.bized.co.uk/current/leisure/2003_4/020204.htm, 08/06/10

⁴ Bridgewater. S, (2007), *Globalization of the Premier League: A debate worth having*, Warwick Business School, Press Release.

Accessed: http://www2.warwick.ac.uk/newsandevents/pressreleases/research_finds_eager/globalisation_of_football_brands.pdf, 08/06/10



Despite the economic downturn of recent years football revenues have on the whole remained unaffected, with demand for TV contracts and supporter spending continuing to grow⁵. Trends indicate this demand is largely inflexible, in that to an extent ticket prices can be increased and supporters will still attend. This reflects the strength of traditional fan culture, in which people adopt unwavering, life support for their chosen team⁶, as well as the potential of football to provide a successful business model based upon its solid, reliable means of income.

As this demand continues to grow, teams have increasingly expanded into international brands, inclusive of a global fan base as the Internet and international broadcasting have made matches accessible to those beyond national boundaries. This has created a new demographic of fans, who, whilst not attending matches, express great loyalty and will often still contribute to the clubs finances through site subscription and purchasing merchandise. This makes the de-localisation of support significantly more complex, with what was previously a by product of television coverage now accounting for a massive global revenue stream⁷. For example the **Manchester United** Internet homepage now has language options in Arabic, Chinese, Japanese and Korean⁸, reflecting its global ties.

The composition of a club's players and management are now also likely to be inclusive of a wide variety of different nationalities, with the long established migration of football players attracting further interest from an international audience⁹. **Sunderland** scarves now feature both the side's red and white strip and the colours of the Irish flag, in support of their Irish ownership¹⁰, whilst **LA Galaxy** recently received huge interest after signing England's David Beckham. **Charlton** recently formed a three-year partnership with Chinese Team Shandong Luneng after purchasing Zheng Zhi, sparking major interest in the club from Chinese supporters¹¹.

In 1999, **Chelsea** became the first club in the history of the English Premiership to start a game without a single English player on the field¹² and in 2009 half of the Premier league clubs became foreign owned¹³. These factors are characteristic of the theory of '**glocalisation**', which highlights the interdependence of the global and local interactions that now dominate English football, in a sense making teams '**glocal**' transnational corporations¹⁴.

⁵ BBC News, Theo Legget, (2010), *Football's financial winners and losers*, Accessed: <http://news.bbc.co.uk/1/hi/business/8506885.stm>, 08/06/10

⁶ Duke. V, (2002), *Local Tradition Versus Globalisation: Resistance to the McDonaldisation and Disneyisation of Professional Football in England*, *Football Studies*, Vol 5, No. 1. Accessed: <http://www.la84foundation.org/SportsLibrary/FootballStudies/2002/FS0501d.pdf> 08/06/10

⁷ *ibid*

⁸ Manchester United Official Homepage. Accesses: <http://www.manutd.com/default.sps?pageid={78F24B85-702C-4DC8-A5D4-2F67252C28AA}&itype=12977&pagebuildpageid=2716&bg=1> 08/06/10

⁹ Taylor. M, (2006), *Global Players? Football, Migration and Globalization, c. 1930-2000*, *Historical Social Research*, Vol. 31, No.1. Accessed: http://hsr-trans.zhsf.uni-koeln.de/hsrretro/docs/artikel/hsr/hsr2006_697.pdf, 08/06/10

¹⁰ Bridgewater. S, (2007), *Globalization of the Premier League: A debate worth having*, Warwick Business School, Press Release. Accessed: http://www2.warwick.ac.uk/newsandevents/pressreleases/research_finds_eager/globalisation_of_football_brands.pdf, 08/06/10

¹¹ *ibid*

¹² Redefining Global Strategy: Crossing Borders in a World Where Differences Still Matter. Pankaj Ghemawat

¹³ The Telegraph: Football News, Andrew Alderson & Michael Moore, (2009), *How did a Hong Kong barber take over Birmingham City FC?*, Accessed: <http://www.telegraph.co.uk/sport/football/news/6294728/How-did-a-Hong-Kong-barber-take-over-Birmingham-City-FC.html>, 06/08/10

¹⁴ Giulianotti, R. & Robertson, R. (2004), '*The globalization of football: a study in the glocalization of the 'serious life'*', *British journal of sociology*. 55 (4). pp. 545-568. Accessed: <http://dro.dur.ac.uk/2542/>, 08/06/10

Can this play be sustained until the final whistle...?

“Football is the only ‘business’ where you can be a crook, everyone knows you’re a crook, and you can carry on working.”¹⁵

So what is wrong with this global model of football? Despite a huge increase in revenue over the last 18 years, through television and sponsorship deals, the football industry remains financially unstable. Teams continue to purchase unrealistically expensive players, gambling upon promotion to the next league or competing upon the European stage. This means that whilst income grew by 11% across European clubs between 2006 and 2007, there was a loss of at least 7% as wage expenditure increased by 18%¹⁶.

This risky behaviour is encouraged by the limited liability rules applicable to limited companies, wherein owners can borrow increasing amounts of money without being responsible for a club’s debt¹⁷. Owners are also able to borrow money against the club in order to facilitate its purchase, plunging the club into debt, as has happened at Manchester United when purchased by the Glazers. By being operated within such financial structures, clubs are unable to survive through internally generated funds, either relying upon recruiting an outside investor to fund losses, shedding assets by selling players or, ultimately, by entering the process of administration.¹⁸



By the end of the 2006-2007 season, the Premiership owed a *combined debt of £2.5billion*¹⁹. In 2009 this had grown to *£3.5billion*¹, more debt than the rest of the continent's leagues put together²⁰.

The subsequent instability this causes the largest of the English clubs has recently become grossly apparent, with many now made financially viable only by rich and distant billionaires that do not foster any real connection to the football club or its fans. This causes issues of disempowerment amongst supporters; any control previously exerted over the club is removed and inexorable loyalties are seemingly disregarded, resulting in protest and resentment. This is exacerbated in that the revenue stream now accorded to match day attendance accounts for under a third of overall income, further undermining the control exerted by supporters via their financial stake, despite it being representative of the loyal custom that makes a team great²¹.

Supporters are also becoming disillusioned by the rocketing price of match attendance, as fans share in the burden of keeping heavily indebted clubs afloat. Season tickets for the ‘Big 4’ clubs (Manchester United, Arsenal, Chelsea and Liverpool) now start from over £500 with prices soaring

¹⁵ David Conn, (2010), *Swallowed Up By Debt...*, The Observer, 31/01/10

¹⁶ The Guardian: Inside Sport Blog, David Conn, (2010), *Vast wages at the heart of the Premier Leagues £3.5billion debt*. Accessed: <http://www.guardian.co.uk/sport/david-conn-inside-sport-blog/2010/feb/23/premier-league-debt-wages-uefa> 08/06/10

¹⁷ Biz/Ed, (2004), *No Way to Run a Business? At Your Leisure* 02/02/04. Accessed: http://www.bized.co.uk/current/leisure/2003_4/020204.htm, 08/06/10

¹⁸ Hamil. S & Morrow. S, (2009), *The People’s Game and Community Ownership of Football Clubs: A Mutual Solution to a Market Problem*. Accessed: https://dspace.stir.ac.uk/dspace/bitstream/1893/739/1/ownership%20model_SMSH_.pdf, 08/06/10

¹⁹ Ibid

²⁰ The Guardian: Inside Sport Blog, David Conn, (2010), *Vast wages at the heart of the Premier Leagues £3.5billion debt*. Accessed: <http://www.guardian.co.uk/sport/david-conn-inside-sport-blog/2010/feb/23/premier-league-debt-wages-uefa> 08/06/10

²¹ Biz/Ed, (2004), *No Way to Run a Business? At Your Leisure* 02/02/04. Accessed: http://www.bized.co.uk/current/leisure/2003_4/020204.htm, 08/06/10

into the thousands²², sparking stories that people in London find it cheaper to follow Dutch clubs than London ones. The recent recession further affected supporter's financial ability to support Premiership sides²³, with attendances reducing as ticket inflation rose sharply in relation to the cost of living. This was most noticeable in more deprived areas of the country, with attendance rates at Wigan down by 3000 from the 2007-2008 season²⁴.

Former Prime Minister Gordon Brown recently voiced his concerns surrounding these issues, stating: 'The management of clubs must look seriously at their responsibilities to their supporters'²⁵, accompanied by a pledge to transfer 25% ownership to supporters via Supporters' Trusts (discussed in section 3)²⁶. Football is now firmly on the political agenda as a vote winner, with both the conservative and liberal democrat ministers of sport acknowledging that the FA requires a radical overhaul to better represent fans²⁷. Despite this it is generally felt that 'sport should run sport' and not the government²⁸.



Whilst some larger clubs are now experiencing financial difficulties, their success to date means that many lower flight clubs have also been left in financial hardship. It is the most successful clubs that continue to capitalise upon Champions League revenue, are featured in televised matches and are able to afford world-class players, leaving smaller teams out-competed²⁹. The formation of the Premier League sanctioned these inequalities, as broadcasting profits became split between the top 20 teams and excluded the remainder of the other 92 English league sides³⁰.

Promotion to the Premiership is now thought to be worth £90million, causing a desperate flurry of overspending amongst Championship sides, much like top Premiership teams competing for a Champions League position. Parachute payments are presently used to cushion the financial blow of teams being relegated from the Premiership to the Championship, helping to ease financial adversity as revenue streams are drastically cut³¹. However this system serves to further distort competition within the Championship, obliging teams without the benefit of these payments to spend even more if they also wish to compete for promotion.

As the financial gulf between teams continues to expand, smaller, localised teams will increasingly become less competitive, attracting lower revenue and a dwindling support base, eventually

²² Manchester United, Season Ticket Pricelist. Accessed: <http://www.manutd.com/default.sps?pageid={CC11A5C5-A17E-4F63-B7EB-02C3BC75888F}>, 08/06/10

Chelsea FC, Season Ticket Details. Accessed: <http://www.chelseafc.com/page/SeasonTicketsDetail/0.,10268.00.html> 08/06/10

²³ Biz/Ed, (2004), *No Way to Run a Business?*, At Your Leisure 02/02/04. Accessed: http://www.bized.co.uk/current/leisure/2003_4/020204.htm, 08/06/10

²⁴ The Telegraph, Rory Smith (2008), *Premier League fans tighten belts as tickets go unsold*. Accessed: <http://www.telegraph.co.uk/sport/football/leagues/premierleague/3531940/Premier-League-fans-tighten-belts-as-tickets-go-unsold-Football.html> 08/06/10

²⁵ BBC Sport: Football, *Prime Minister Gordon Brown warns football over debts*. Accessed: http://news.bbc.co.uk/sport1/hi/football/eng_prem/8479331.stm, 08/06/10

²⁶ Aston Villa Supporters Trust. Accessed: <http://www.villatruf.org.uk/> 08/06/10

²⁷ ibid

²⁸ The Independent: Football, Martyn Ziegler, (2010), *Government not planning to interfere with football wages*. Accessed: <http://www.independent.co.uk/sport/football/news-and-comment/government-not-planning-to-interfere-with-football-wages-1994428.html>, 09/06/10

²⁹ Michie, J. & Oughton, C., (2004), *Competitive Balance in Football: Trends and Effects*, *The Sports Nexus: The independent voice of sports*. Accessed: <http://www.sportsnexus.co.uk/resources/12028/assets/football/CompetitiveBalance.pdf> 08/06/10

³⁰ The Guardian/ The Observer Archive, (2010), *The resignation of FA boss has exposed weakness in the organisation just when it needs to be most strong*. Accessed: <http://www.guardian.co.uk/uk/2010/mar/28/resignation-of-football-association-chief-executive>, 08/06/20

³¹ The Guardian: Football, League one, *Football League agrees £48m parachute payment deal with Premier League*. Accessed: <http://www.guardian.co.uk/football/2010/may/10/football-league-agree-parachute-payments>, 08/06/10

leading to their bankruptcy³². **Stockport County** are one such example of a club on the brink of extinction, desperately seeking a buyer to take them out of administration so they are able to compete next season³³. Such examples demonstrate that both top flight and lower ranking teams are suffering in the hands of globalized finances, with the gross imbalance of wealth having equally disastrous effects.

Case studies...

The ongoing plight of **Manchester United** embodies the present predicament faced by many top Premiership teams...

<h1>Devils in the red</h1> 	<p>At the start of 2010 the Glazer family had indebted Manchester United with debts of £700million, incurring £45million in annual interest, leading to major and ongoing fan demonstrations. The Manchester United Support Trust (MUST) coordinates this opposition against Malcolm Glazer and his family.</p>	<p>The Football Club United of Manchester was formed in 2005 and plays in the Northern Premier League Premier Division, the 7th tier of league football. The club represents and supports communities in Bury, and is regarded as a home grown team that supporters can afford to watch and feel a part of.</p>
	<p>Ownership of the club is presently being challenged by the Red Knights, a group of wealthy businessmen and financiers led by Goldman Sachs chief economist, who imminently plan to formalise a takeover bid supported by MUST³⁴.</p>	<p>MUST and their advocates now wear green and gold scarves in reference to the original colours worn by Newton Heath, a small, community club established in 1878 that in 1902 became known as Manchester United.</p>

Much as with Manchester United fans forming United of Manchester, Wimbledon fans formed **AFC Wimbledon FC** after owner Pete Winkleman chose to relocate the team to Milton Keynes, renaming them MK Dons. This decision was hugely unpopular amongst the South London support base have no connection to Milton Keynes, with 'Dons' remaining the only reference to Wimbledon FC. AFC Wimbledon have worked their way up through the leagues and are now only two below MK Dons and have huge community support behind them³⁵.

Liverpool FC provides another example of top-flight financial struggle, after being heavily indebted by American owners Tom Hicks and George Gilett. The club is expected to be sold for between \$600-800 million, causing Hicks to comment: **'Liverpool will be the most profitable investment I have ever made'**. Despite this Hicks and Gilett broke promises to fans to build a new stadium and

³² Michie, J. & Oughton, C., (2004), *Competitive Balance in Football: Trends and Effects*, *The Sports Nexus: The independent voice of sports*. Accessed:

<http://www.sportsnexus.co.uk/resources/12028/assets/football/CompetitiveBalance.pdf> 08/06/10

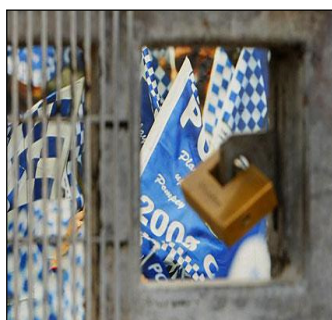
³³ The Guardian: Football, Stockport, Matt Scott, (2010), *Stockport County on the brink of extinction as takeover bid blocked*. Accessed: <http://www.guardian.co.uk/football/2010/apr/08/stockport-county-takeover-bid-blocked>, 08/06/10

³⁴ The Telegraph: Sport, Football, Mark Ogden, (2010), *Manchester United owners unmoved by Red Knights campaign*. Accessed: <http://bit.ly/c8zqgC>, 08/06/10

³⁵ The Guardian: Sport, Sports Blog, John Ashdown, (2010), *AFC's class of '08 looking to match the Wimbledon heroes of '88*. Accessed: <http://www.guardian.co.uk/football/blog/2008/nov/07/fa-cup-afc-wimbledo-first-round> 08/06/88

will leave the club in £500million in debt³⁶, grossly illustrating that the club has been regarded as a mere business investment rather than an investment into a vastly important social and cultural institution. The formation of AFC Liverpool, a team that fans can afford to support, demonstrates the backlash against such disregard, illustrating that all fans want is a club in which they can invest their loyalty³⁷.

The massive financial implosion suffered by **Leeds United** provides poignant example of what such financial mismanagement can lead to. Previously a top 5 Premiership side they were relegated to Division 1 in financial ruin, after over zealous spending in anticipation of a Champions League place forced them to sell all major players, their stadium and training ground before entering administration³⁸. Such a case makes the vulnerability of Manchester United and Liverpool extremely real.



Portsmouth FC is presently facing a similar fate, as they lacked the assets and large support base to sustain debt accumulated by paying damagingly expensive transfer fees and player salaries. Their initial struggle sparked an influx of foreign interest, resulting in five different owners being contracted in one season, one of which was an Arabian businessman who was never seen at the ground. Each new owner promised reform but then transpired to have no funds to invest or any knowledge on how to run a football club. Portsmouth have now spiralled into debts of £138m, entered the administration process, been docked nine points and relegated to the Championship. (Picture ref³⁹).

Portsmouth has also been taken to court by the Inland Revenue. This is due to insolvency rules effecting football clubs being different in comparison to other companies, in that player salaries and debts to other clubs have the first call on outstanding debts. This difference exists because of clubs' role in the historic 'wellbeing of their communities', but given the real state of football economics, this wellbeing relationship is increasingly tenuous.

Faced with the very public administrative disaster of Portsmouth the Premier League have spoken out to defend their position, highlighting that Portsmouth were responsible for their own situation and that they do provide support for such clubs by redistributing international television revenue across all premiership sides, unlike other top European leagues⁴⁰. They are also a major contributor to the **Football Foundation**, the UK's largest sport charity funded by the Premier League, the Football Association and the Government, which directs £40m every year into grassroots sport⁴¹.

Nott's County provide an example of a smaller club from within the Midlands that has also been crippled by global financing. During the 2009/2010 season they were bought by a company called Munto Finance who promised to invest massive amounts of money into the club. However this soon proved to be a mirage, with the impression maintained that Munto were just about to make large investments into the club whilst they were actually stripping the club's present assets. Both

³⁶ The Liverpool Echo: Local news, Gary Stewart, (2010), *Liverpool FC owner Tom Hicks claims he will sell the club for 4 times the price he paid*. Accessed: <http://bit.ly/ahxbQv> 08/06/10

³⁷ The Telegraph: Sport, Football, Ricky George, (2010), *Liverpool fans form a club in their price range*. Accessed: <http://www.telegraph.co.uk/sport/football/2294772/Liverpool-fans-form-a-club-in-their-price-range.html>, 08/06/10

³⁸ Wikipedia: The Free Encyclopaedia, 2001–2004: *Financial implosion*. Accessed: http://en.wikipedia.org/wiki/Leeds_United_A.F.C.#2001.E2.80.932004:_Financial_implosion 08/06/10

³⁹ <http://bit.ly/bxgHNm>

⁴⁰ BBC Sport: Football, (2010), *Portsmouth administrators reveal club debts of £120m*. Accessed: <http://news.bbc.co.uk/sport1/hi/football/teams/p/portsmouth/8634140.stm>, 08/06/10

⁴¹ Football Foundation: About us. Accessed: <http://www.footballfoundation.org.uk/about-us/>, 08/06/10

the fans and management were left angry and deceived after Munto withdrew, leaving the club in massive financial debt⁴².

There are many other examples from all levels of British football that further consolidate the huge financial strain now faced by clubs as they continually strive to retain their competitiveness. The case studies above reflect that as a result of this pressure clubs are losing their affiliation with fans and their localised roots, becoming burdened with debt and redistributing wealth from intensely loyal supporters to already extremely wealthy owners and players that feel little loyalty or duty to the fans. This model has proven to be unsustainable and has distorted what makes the game truly great- the dedication and passion of the supporters.

Turning the game around... can football return to its local roots?

"Owners, managers and players come and go but it's the loyal fans that remain... those in charge of football and its clubs should look at ways of ensuring the voice of the supporter is listened to and has a greater say in the running of their club."⁴³

Despite the lack of profitability of UK clubs (as discussed above) most continue to operate as private limited companies, as they were constituted over 100 years ago. In functioning as such, it is the financial stakeholders that determine the way in which the club is run, failing to represent the social and cultural capital invested in the club by its supporters. Wealth, rather passion or loyalty, qualify ownership.⁴⁴ British takeover law is detrimental to those supporters who *are* stakeholders in their club, even if large in number. The law states that once a buyer has purchased 90% of shares in a company, the remaining 10% are compulsorily relinquished to that same investor. This leaves fans without a legal stake in retaining ownership over their own club⁴⁵ disregarding the small influence they were able to exert.

Supporters' Direct (discussed further below) are a group that encourages the formation of Supporters' Trusts. Trusts are recognised as Industrial and Provident Societies, meaning that they have officially been designated by the Financial Services Authority as a cooperative or of benefit to the local community⁴⁶. In this way fans are able to gain back a larger degree of power and influence over their club, whilst procuring equitable community benefits. Trusts also unite those fans who are stakeholders as one entity, meaning that if this stake is representative of more than 10% they are protected from the takeover law discussed above.



⁴² TwoHundredPercent.net: Clubs in Crisis, *Notts County and Munto Finance: The inquest begins*. Accessed: <http://www.twohundredpercent.net/?p=4516>, 08/06/10

⁴³ Gerry Sucliffe in The Guardian: Football, Owen Gibson, (2010) *Government calls for 'tougher regulation' in football*. Accessed: <http://www.guardian.co.uk/football/2010/feb/16/football-regulation-government>, 09/06/10

⁴⁴ Hamil. S & Morrow. S, (2009), *The People's Game and Community Ownership of Football Clubs: A Mutual Solution to a Market Problem*. Accessed: https://dspace.stir.ac.uk/dspace/bitstream/1893/739/1/ownership%20model_SMSH_.pdf, 08/06/10

⁴⁵ Biz/Ed, (2004), *No Way to Run a Business?*, At Your Leisure 02/02/04. Accessed: http://www.bized.co.uk/current/leisure/2003_4/020204.htm, 08/06/10

⁴⁶ Industrial and Provident Societies: Guidance Note. Accessed: http://www.fsa.gov.uk/pages/Doing/small_firms/MSR/pdf/coop_leaflet.pdf, 08/06/10

This raises the question: if football clubs are untypical of regular business, in that they do not generate profit and are steeped in social and cultural obligations, then would it not be more appropriate to structure them to reflect these circumstances? By embracing a not-for-profit approach, football clubs could become locally owned organisations controlled by their supporters, procuring community benefits, encouraging local talent and ensuring that all followers can afford to support the team they love⁴⁷.

The way in which the **German Bundesliga** is run is reflective of such a model. The Bundesliga is the healthiest domestic league in Europe⁴⁸ and recently overtook the Premier League as the most profitable. The Bundesliga boasts the lowest ticket prices of the 5 major European leagues (at around £13 including match day rail travel) and has surpassed attendance rates of the Premier League for the past five seasons⁴⁹.

Under existing rules no 'outside' investor can own more than 49% of a German club's shares and at least 51%, a controlling vote, must remain with club members. This allows the club to run in a way that most benefits the fans; keeping prices as low as possible. Whilst this causes match day revenue to be much lower than that of the Premier League, the percentage of profit spent on players is also at the lowest in Europe (at 50% compared to 62% in England). Just 7 of the league's 18 teams are presently in debt (compared to 19 of the 20 in the Premier League) due to strict regulatory framework concerning debt levels⁵⁰.



Money is then reinvested into training academies to encourage homegrown talent; Germany are now European champions at under-17, under-19, and under-21 levels. Young talent keeps the league refreshed and interesting, whilst the lack of massive outside investment means that teams are more likely to be equally competitive, making the league less predictable than that in the UK and Ireland⁵¹. **Bayern Munich** recently reached the Champions League final, indicating that a trade-off is not necessarily required between retaining a supporter based, locally invested focus and achieving international success.

One of the richest and best-known clubs in the world, **Barcelona**, has also embraced a community focused model (see below). Barcelona's success may be assisted by its role within the very strong Catalan regional identity, but even so demonstrates that individual clubs in British leagues have the potential to restructure their ownership and return power to their support base without compromising their success.

⁴⁷ Hamil. S & Morrow. S, (2009), *The People's Game and Community Ownership of Football Clubs: A Mutual Solution to a Market Problem*. Accessed: https://dspace.stir.ac.uk/dspace/bitstream/1893/739/1/ownership%20model_SMSH_.pdf, 08/06/10

⁴⁸ The Guardian: Football, Bundesliga, Paul Wilson, (2009), Doing the right thing is German football's forte. Accessed: <http://www.guardian.co.uk/football/blog/2009/nov/22/bundesliga-premier-league-club-ownership>, 08/06/10

⁴⁹ The Telegraph: Sport, Jeremy Wilson, (2008), Bundesliga show Premier League how to take football fans into the 21st century. Accessed: <http://www.telegraph.co.uk/sport/football/european/3473963/Bundesliga-shows-Premier-League-blueprint-for-fans.html>, 08/06/10

⁵⁰ *ibid*

⁵¹ The Guardian/ The Observer: Football, Bundesliga, Jamie Jackson, (2010), *How the Bundesliga put the Premiership to shame*. Accessed: <http://www.guardian.co.uk/football/blog/2010/apr/11/bundesliga-premier-league>, 08/06/10



Barcel-owners

Barcelona FC has a unique ownership structure, run by over **100,000 'socios', or members**, which each buy a share in the club for around \$100. In return members are able to vote every 5 years on the club's president, voice their opinion on the direction of the club and receive a cheap season ticket for all home games at just \$200.

This is possible only because **the club is not run to make a profit** in the way that nearly all other professional sports teams are: '*The idea of the club is to satisfy its socios at the lowest possible cost to them, nothing more*'⁵².

The club does not have a sponsor on its strip, instead sporting the **Unicef logo**. In 2006 Barcelona entered into a five-year partnership with Unicef, during which time it will contribute 0.7% or over 1 million Euros a year to the charity in order to support the UN Millennium Development Goals⁵³.

Whilst this causes revenues to be lower, the club has **no marketing department** to support and the work done by many officers and even the club's president is a **volunteer**, just as you'd do for a local political party. In selling football strips, merchandise, running a restaurant and charging \$10 per person to enter the club's museum, Barca are able to generate substantive funds, working with the financial structuring detailed above to enable them to purchase some of the worlds best players and maintain a 96,000 seat stadium.

Football's coming home...

The capability of British clubs to adopt a different approach to football finance is already reflected in many examples throughout the UK and Ireland. In some cases increased **supporter involvement** and influence this has been exerted through Supporters' Trusts, whereas in others direct **supporter rescue** and takeover has occurred following administrative procedures, permitting clubs to be reborn.

Supporter involvement

In some cases supporter involvement is not a new idea. **Sligo Rovers** has operated as a cooperative since 1928 and now has excellent match attendances and one of the best under-age structures in Ireland⁵⁴. **Bohemian FC** has pioneered a membership-based model since its foundation in 1890, with membership costing 365euros a year to be part of one of Ireland's most successful clubs⁵⁵.

Supporters' Direct has been instrumental in assisting more recent cases of fan uprisings and ownership transition. Supporters Direct are a supporting body set up by the government in 1999 to form and work with **Supporters' Trusts**, assisting them in representing the interests of supporters in the running of their club. Their role is to secure a greater level of accountability within the game and deliver democratic representation within a clubs and its governing structures, leading to the creation of sustainable links with the local community. Supporters' Direct now works with many Supporters' Trusts, from Aston Villa to the Bedford Eagles, encouraging the formation of an

⁵² Steer and Smith's Sports Business Journal, Bruce Schoenfeld, (2000), *FC Barcelona: By the fans, for the fans*. Accessed: <http://www.sportsbusinessjournal.com/article/13159>, 08/06/10

⁵³ The Guardian: The Sport Blog, Paolo Bandini, (2006), Barca take the moral high road. Accessed: <http://www.guardian.co.uk/football/2006/sep/13/barcelona>, 08/06/10

⁵⁴ Sligo Rovers FC: Commercial. Accessed: http://www.sligorovers.com/index.php?option=com_content&task=view&id=16&Itemid=36, 08/06/10

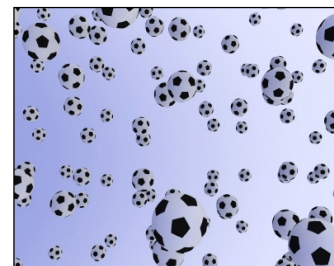
⁵⁵ Bohemian FC: Home page. Accessed: <http://www.bohemians.ie/membership/62-join-the-bohemian-football-club-belong.html>, 08/06/10

influential fan base that aims to work with their club to benefit the community⁵⁶. **The aim is for the Supporters' Trust to eventually become the club's largest shareholder**

Enfield and **Brentford** are both now owned by supporters' trusts after management began to misrepresent the greater interests of each club. In the case of Enfield this was done with support from the Chairman, whereas Brentford Supporters' Trust took their chief executive to court over suspected fraud. In both cases supporters' trusts provided fans with a platform on which to exercise their rights and each Trust is now running things to great effect.

Other clubs have followed suit. **Chesterfield FC** has adopted mutual status through community consortia, whereas **AFC Bournemouth** has a fans' trust which costs £20 to join, giving members a vote on ownership issues. They also request a £250 contribution to a Loan Fund, which is used to buy shares in the club.⁵⁷

The UK is also home to **Ebbsfleet FC**, the world's first ever club owned by supporters via the Internet. In 2007 MyFootballClub.co.uk announced it had reached agreement to buy and control the club, formerly known as Gravesend & Northfleet. Each of its 27,000 members paid £35 to provide a £700,000 takeover pot and all now own an equal share in the club. Members have control over picking squads, approving transfers and have access to match highlights and analysis, permitting them to make such important decisions⁵⁸.



However this new and unique ownership structure has encountered difficulties. Despite Ebbsfleet winning the FA Trophy in their first year under new ownership, in March 2010 it was revealed that only 800 people had renewed their membership, leaving successes short-lived and finances dwindling. Top players continue to leave the club as the system of membership voting places their contracts into limbo for too long, causing them to secure their future elsewhere⁵⁹. This may reflect that whilst the supporters' community are entitled to influence over their club, a strong management system is also required to ensure efficient running, possibly acting as voluntary custodians as in the past.

Supporter rescue

Spokesman Jeff Banks sums up the emotion surrounding the efforts of **Chester City** fans to save their club after being left in financial ruin by director Stephen Vaughn:

"Chester people can easily support Everton or Liverpool, but we support the club as a proud part of being from Chester, and it has always been a big part of my life. It has been appalling to see the club fold under the Vaughn family, who owned it for so short a time, and we want to rebuild a strong community club."⁶⁰

These sentiments reflect the tenacity of supporters in resurrecting their chosen club, demonstrating that traditional loyalties do not die along with finances. The number of teams being saved from

⁵⁶ Biz/Ed, (2004), *No Way to Run a Business?*, At Your Leisure 02/02/04. Accessed: http://www.bized.co.uk/current/leisure/2003_4/020204.htm, 08/06/10

⁵⁷ *ibid*

⁵⁸ BBC Sport: Football, (2008), *Fans website approves Fleet deal*. Accessed: http://news.bbc.co.uk/sport1/hi/football/teams/g/gravesend_and_northfleet/7190175.stm, 08/06/10

⁵⁹ BBC Sport: Football, (2010), *Liam Daish is concerned about Ebbsfleet United's future*. Accessed: <http://news.bbc.co.uk/sport1/low/football/teams/e/ebbsfleet/8660161.stm>, 08/06/10

⁶⁰ The Guardian: The Sport Blog, David Conn, (2010), *Chester City fans rally to build future out of ruins of the past*. Accessed: <http://www.guardian.co.uk/football/david-conn-inside-sport-blog/2010/mar/24/chester-city-david-conn-inside-sport>, 08/06/10

administration by supporters' trusts continues to rise, as vulnerabilities caused by unsustainable financing increasingly cause fans to come to the rescue.

The massive efforts from **Exeter City** Supporters Trust helped bring the team back from the brink of extinction, as the 'Red or Dead' campaign saw fans pledge £500 each to fund creditor repayments. The club's debt was cleared in 2005 and Exeter FC remains under the control of the supporters trust⁶¹. The present administration of **Crystal Palace** has sparked the formation of **CPFC 2010**⁶², a group of wealthy supporters, much like the Red Knights of Manchester United, whose bid seems to be on track to save the club⁶³. **Shamrock Rovers** were saved in 2006 by such a supporters allegiance, known as the 400 club, and have seen great success as a supporter owned club, being promoted in the same year⁶⁴.

In some cases where clubs have escaped rescue they have been replaced by supporter run, grassroots teams, allowing the clubs social and cultural significance to live on. **Cork City FORAS Co-op** replaced Cork City FC, who, despite being one of the most successful clubs in Ireland, entered administration in 2008. The Friends of the Rebel Army Society (FORAS) Ltd is run by supporters for the community and aims to raise enough money to buy back the rights to be called Cork City FC⁶⁵. The same style of rebirth has occurred in **Scarborough**, whose Supporters' Trust formed Scarborough Athletic using the same kit, motto and official logo. **The Runcorn Linnets** were also formed in the wake of the demise of Runcorn FC and are entirely supporter-run.

The West Midlands...

There are many examples from within the West Midlands that reflect the trends discussed within this paper, as well as demonstrating unique cases of good practise and the difficulty of sustaining both a sound financial and support base.

The regions' two major premier ship sides face increasing debts and dubious ownership by foreign millionaires. **Birmingham City's** elusive chairman Carson Yeung is presently in a court battle over the payment of a takeover fee, which could result in his ownership being relinquished and the clubs assets stripped⁶⁶. **Aston Villa** have lost their status as only Premier ship team avoiding debt after their sale by Doug Ellis; under Randy Lerner their wage bill has increased by over 124%, equating to debts of £75million. Despite this being a fraction of the 'big 4' Premier ship clubs⁶⁷ Villa also remain unable to compete amongst these teams, with Lerner's £180million investment meeting with a £43million loss last season.

Despite their typified wage debts, Aston Villa does provide a unique case of good practice in their partnership with the West Midlands-based **Acorns Children's Charity**. They have become the first premier ship side, like Barcelona, to forgo sponsorship in place of sporting the Acorns logo on

⁶¹ Wikipedia: The Free Encyclopaedia, Exeter City FC. Accessed: http://en.wikipedia.org/wiki/Exeter_City_F.C, 08/06/10

⁶² The Telegraph: Football, (2010), *Crystal Palace consortium urges supporters to draw up alternative takeover plan*. Accessed: <http://www.telegraph.co.uk/sport/football/leagues/championship/crystalpalace/7611509/Crystal-Palace-consortium-urges-supporters-to-draw-up-alternative-takeover-plan.html> 08/06/10

⁶³ Football Fan Cast: Real fans, Real opinions, Kieran Lovelock, (2010), *Palace must learn from the past and put stadium before glory*. Accessed: <http://www.footballfancast.com/football-blogs/palace-must-learn-from-the-past-and-put-stadium-before-glory>, 08/06/10

⁶⁴ Wikipedia: The Free Encyclopaedia, History of Shamrock Rovers FC. Accessed: <http://walkthechalk.blogspot.com/2008/10/ps-we-love-you.html>, 08/06/10

⁶⁵ Cork City FC: Your City, Your Club: What is FORAS? Accessed: <http://www.corkcityfc.net/home/index.php/foras/>, 08/06/10

⁶⁶ The Birmingham Post: Midlands Sports, Collin Tattum, (2010), *Birmingham City to pay £2.2m to Seymour Pierce*. Accessed: <http://www.birminghampost.net/midlands-birmingham-sport/west-midlands-sports/birmingham-city-fc/2010/04/22/birmingham-city-to-pay-2-2m-to-seymour-pierce-66331-26295049/>, 08/06/10

⁶⁷ The Guardian: Sport, Football, David Conn, (2010), *Premier League Clubs Boast £3.1bil debt*. Accessed: <http://www.guardian.co.uk/football/2009/jun/03/english-premier-league-debt>, 08/06/10

their shirts for free⁶⁸. Through this partnership Villa has been support local Acorns Hospices by making financial contributions and visiting ill children⁶⁹. The commitment to Acorns demonstrates their awareness of social obligation and willingness to "give something back" to the community, reflecting the emotional ties fostered by their fans⁷⁰. However it was confirmed last month that the deal is to end next season⁷¹, as financial losses in recent years have reduced the viability of continuing the free deal⁷².

West Bromwich Albion show more promise in sustainably managing their finances, however they remain awkwardly yo-yoing between the Premier League and the Championship largely due to the Premiership's use of parachute payments⁷³. By utilising £4.5million in such payments the club's current chairman has ensured that West Bromwich carry little debt, have reduced ticket prices, and do not gamble away newly procured finances when they are promoted⁷⁴, with the past season seeing them promoted back to the Premiership. **Stoke City** has also demonstrated sustainable financial management, being one of a handful of teams to make a profit during the 2008/2009 season and finishing 11th in the Premier League last season.

Walsall FC can be viewed as an exemplary case of sustainable financial management by other football league clubs. Walsall provide a highly commendable track record in paying their way, having very little debt and only purchasing players they can afford within the chairman's carefully planned budget. However this sensible attitude has had a massively negative impact upon support; the club has become viewed as un-ambitious compared to the other West Midlands teams, who lead the way in signing players and fiercely competing for success and promotion.

Whilst West Bromwich benefit from higher premiership finances and parachute payments, Walsall does not have access to such funding, making spending within their means a much more frugal endeavour. As other clubs continue to support the conventional model of spending, Walsall are becoming unable to compete, further reducing their revenue and support base. Such a case enforces the dominance of global financing, dictating that viability is now achieved by spending beyond your means⁷⁵.

Coventry City FC have now resolved to sustainably manage their finances, also rejecting the big spending model by returning to its roots as a community club, after watching rival club Crystal Palace accumulate major debts⁷⁶. The club is presently building a new fan base amongst local schools and businesses and recruiting inexpensive, young players with plenty of potential, avoiding the pressure to spend millions of pounds on players they can't afford. Whether this will cause the same disillusionment felt by Walsall supporters is yet to be seen.

⁶⁸ Aston Villa and Acorns in partnership. Accessed: <http://www.acorns.org.uk/about-us-home/aston-villa-acorns-in-partnership>, 08/06/10

⁶⁹ *ibid*

⁷⁰ The Guardian: Football, Aston Villa, Alan Gardener, (2008), *Aston Villa to promote charity in place of shirt sponsor*. Accessed: <http://www.guardian.co.uk/football/2008/jun/03/astonvilla.premierleague>, 08/06/10

⁷¹ Express and Star, (2010), *Aston Villa's Acorns sponsorship deal to end*. Accessed: <http://www.expressandstar.com/news/2010/04/23/aston-villas-acorns-sponsor-deal-to-end/>, 08/06/10

⁷² Football Shirts Blog, (2010), *Aston Villa to drop Acorn's charity shirt sponsor?* Accessed: http://www.football-shirts.co.uk/fans/aston-villa-to-drop-acorns-charity-shirt-sponsor_6798, 08/06/10

⁷³ The Guardian: Football, The Premier League, (2010), *Premier League considers extending parachute payments to four years*. Accessed: <http://www.guardian.co.uk/football/2010/apr/09/premier-league-parachute-payments-extend>, 08/06/10

⁷⁴ Football Shirts Blog, (2010), *Aston Villa to drop Acorn's charity shirt sponsor?* Accessed: http://www.football-shirts.co.uk/fans/aston-villa-to-drop-acorns-charity-shirt-sponsor_6798, 08/06/10

⁷⁵ Footy Mad Forum, (2010). Accessed: <http://boards.footymad.net/forum.php?tno=537&fid=309&act=1&mid=2123083532>, 08/06/10

⁷⁶ BBC News: Sport, Theo Legget, (2010), *Football's financial winners and losers*. Accessed: <http://news.bbc.co.uk/1/hi/business/8506885.stm>, 08/06/10

Stafford Rangers and **Telford United** provide examples from the West Midlands of the plight of smaller clubs and their survival, both through supporter take over and reformation. **Stafford Rangers** were saved by the loyalty of their fans, after their future was put at risk by a £50,000 stadium bill. The club came up with the idea of selling 250 tickets at £200, which would be repaid in weekly draws. This worked and the club avoided administration, with chairman Jon Downing stating that he was proud of the fans and that a new era lays ahead for Stafford Rangers⁷⁷.

Telford United was not so lucky, with the club forced into liquidation despite the formation of a supporters trust and raising over £50,000 in just a few months. In response **AFC Telford United** were created, owned by the Telford United Supporters Trust, and a new squad was assembled. AFC Telford recently won promotion to the Blue Square North League⁷⁸.

The West Midlands also boasts a well-developed, regional league with 3 different divisions, coming in the top 50 most popular leagues visited online⁷⁹. The league represents 50 teams and sits at the tenth step of the English football league system.⁸⁰

The Final Whistle...

Whilst the Premier League has become a hugely successful, globally relevant business that boasts some of the world's best players and facilities, the sustainability of this success is constantly being undermined as team after team succumb to mounting debt. Cases of both protest and unity amongst supporters ultimately reflect the loyalty of fans to their club, who merely seek the ability to support an affordable, relevant team driven by passion rather than money.

There are many further examples from within and beyond the UK that demonstrate that a return to these values can have significant impacts upon increasing competitiveness and local identity, creating sustainable wealth distribution and effectively involving fans in the running of their club. These positive changes can begin to be actioned through sound management, which ultimately leads to the stakeholder presence of supporters and channels investment into homegrown talent and community improvement.



These not-for-profit methods of management reflect how clubs were originally run; making a return to the true values of the sport within people's lives and removing the risk of relying upon globalised finance. By relocalising financial structures and partnering with local institutions and organisations the game can retain and enhance its 'glocal' appeal, channelling international interest into supporting locally viable and stable clubs that remain grounded in the passion of the sport. Whilst it would be unrealistic and greatly detrimental to propose that football should cut off all global ties, global ambitions need to be grounded in sustainable, local ones in order to be successful. The German Bundesliga demonstrates that this balance is not only possible but can be hugely successful, allowing globally successful and pass subsequent benefits directly to the local supporter community.

Presently, supporter control in the UK is largely dictated through a club entering into crisis, wherein fans are spurred to form Supporters' Trusts to regain control. Adoption of a not-for-profit model would allow all supporters to engage in such control from the offset and gradually return the Premiership to an equitable, competitive league, as teams will rely more upon home-grown talent

⁷⁷ <http://www.staffordrangersfc.co.uk/>

⁷⁸ AFC Telford: History. Accessed: <http://www.telfordutd.co.uk/afctu.aspx?sel=5>. 08/06/10

⁷⁹ The FA Full time league: 100 most visited leagues. Accessed: <http://full-time.thefa.com/TopLeagues.do>, 08/06/10

⁸⁰ Wikipedia: The Free Encyclopaedia, West Midlands (regional) league. Accessed: http://en.wikipedia.org/wiki/West_Midlands_%28Regional%29_League#cite_note-33, 08/06/10

and fan dedication than monetary injection. This would eliminate the dilemma presently faced by Walsall, as competitiveness will no longer be dependent upon excessive expenditure.

The restructure of corporate takeover law and the redirection of finances from marketing and presidential salaries towards effective team organisation would also help towards a sustainable structure. Tighter vigilance by the FA would also be beneficial, enabling owners to be advised upon debts before plummeting into administration.

Since the financial disaster of Portsmouth grossly illuminated these issues there has in fact been a response from the FA and UEFA. New Financial Fair play rules have recently been proposed and will be phased in between 2012 and 2015. These new regulations could potentially provide a sustainable new business model for the sport, permitting owners to spend only within their clubs means and only gift money instead of loaning it. The hope is to create a healthier environment in which clubs can pursue long-term sustainability whilst remaining competitive⁸¹.

Measures have also recently been introduced that require new owners to face a more rigorous screening regime before purchasing a club and be able to demonstrate their funds. UEFA have also begun to regulate the finances of individual clubs, meaning that transparency has to remain transfers will be restricted⁸².

Another significant rule change has been proposed that aims to limit Premier League to sides at a maximum of 25 players, 8 of which should be 'locally produced'⁸³. Previously the UEFA have tried to introduce a 6+5 rule, in which 6 starting players on each squad must be home grown, however was deemed illegal by the European Union because it restricts movement of labour⁸⁴. The definition of homegrown has also been disputed: as long as a player has been registered with an FA club for three seasons prior to their 21st birthday they can be of any age or nationality. This means that presently many Premier League squads fall into this category despite younger British players not being fed effectively from training academies to Premiership sides⁸⁵.



The rule will be brought in next season and will hope to increase investment into home grown British talent. The Football League already enforces a similar rule that specifies that 4 home-grown players must be included in the 16-man starting squad.

Whilst these new regulations promise change they are greatly overdue and only begin to pave the way for greater supporter involvement rather than directly encouraging it. However the impact they may have upon the mind set of owners and skewed financial structures could potentially provide a platform allowing English football to be returned to its fans.

⁸¹ BBC Sport: Football, (2010), *Top clubs given extra time on financial fair play rules*. Accessed: <http://news.bbc.co.uk/sport1/hi/football/8546561.stm>, 08/06/10

⁸² BBC Sport: Dan Roans blog, (2010), *Will Premier League learn its lesson?* Accessed: http://www.bbc.co.uk/blogs/danroan/2010/05/will_premier_league_learn_its.html, 08/06/10

⁸³ Football Fancast, Real people, real opinions, Suminder Sandhu, (2010), *Does Rafa want the 'British' in these signings or the 'talent'?* Accessed: <http://www.footballfancast.com/football-blogs/does-rafa-want-the-%E2%80%98british%E2%80%99-in-these-signings-or-the-%E2%80%98talent%E2%80%99>, 08/06/10

⁸⁴ Forbes: Sports Money, Paul Maidment, (2010), *Soccer tackles youth underemployment*. Accessed: <http://blogs.forbes.com/sportsmoney/2010/04/soccer-tackles-youth-underemployment/>, 08/06/10

⁸⁵ Bleacher Report, (2010), *What the new Home-grown quota means for Arsenal next season*. Accessed: <http://bleacherreport.com/articles/384323-what-the-new-home-grown-quota-means-for-arsenal-next-season>, 08/06/10

In Summary...

- The financial instability and injustice of English football has recently come under the media spotlight.
- Regulations being introduced by UEFA over the next few seasons are too little too late for many teams currently struggling but are a massive step towards encouraging sustainable practice into the future.
- Despite this British takeover law remains a major flaw, permitting owners to accumulate debt and encouraging the conventional financial model.
- By relocating financial institutions, player procurement and support networks, clubs are better able to serve supporters and local communities as global revenue can be invested into creating a 'glocally' relevant club.
- The German Bundesliga and the individual success of Barcelona demonstrate that such measures have a holistically beneficial approach.
- Whilst there are some excellent examples in the UK and Ireland of management taking a more sustainable approach and supporter involvement and takeover, Supporters Trusts need to play a greater role within the running of all clubs.
- Supporters in the UK should continue to press for supporter-ownership models for their own clubs where possible, by considering their own roles as investors in what they value. Supporters Direct should receive increased support from the government and continue to spread the cooperative message across a variety of sports leagues.

The economic model that presently dominates football, and the social and wellbeing impacts of this, provides a paradigm comparable to many other sectors of the UK and wider economy.

Economic activity often operates best when ownership and investment interests are closely related to those with a stake in the activity of the company, whether as employees or customers, and when a diversity of enterprises operates in healthy competition. Economic policy worldwide, but particularly within the UK, has for decades been weighted in the opposite direction, so that smaller enterprises, such as small clubs, cannot thrive in the resulting oligopoly, and the buying and selling of the asset has been seen as an objective in its own right. As a result, the balance of wealth and power is increasingly held by owners, leaving customers, other local stakeholders or both, disenfranchised, usually with severe financial implications.

Perhaps "Economics is coming home" doesn't have quite the same ring to it, but in football, as in manufacturing, shopping, banking and farming, we need actions at levels from grassroots to international policy, to reconnect them to the communities in which they operate.

Anna Watson, LWM

Own Goal is part of Extending Localisation, a programme of research by Localise West Midlands examining good practice in economic localisation with lessons for the West Midlands region.

