

**A CRITICAL ANALYSIS OF GOVERNANCE STRUCTURES WITHIN
SUPPORTER OWNED FOOTBALL CLUBS**

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**This thesis is submitted in partial fulfilment of the requirements for the degree of
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Declaration

I hereby declare that this thesis entitled 'A Critical Analysis of Governance Structures within Supporter Owned Football Clubs' represents the results of my own work except where specified in the thesis.

Sara Ward

Abstract

The aim of this study was to critically analyse governance structures within supporter owned football clubs. Mutuality is a longstanding successful model of ownership within European professional football. There was little understanding of mutuality as a form of ownership in British football until it emerged during the past decade, albeit confined to lower leagues. This research utilised a multiple case study methodology to critically analyse the key issues relating to governance structures within supporter owned football clubs. Due to financial mismanagement under private ownership, there has been a recent rise of Supporters' Trusts taking ownership of their football clubs in the U.K. The key objectives of this research were to identify what mutual business models exist in the organisation of football and examine which governance structures are the most appropriate for mutual football clubs to operate effectively.

The study focused on five football clubs adopting varying mutual business models with differing fortunes. The sample encompassed clubs who had matured with the model, clubs who had adopted it out of financial necessity and newly formed clubs which had evolved using the mutual model. This research represented what Weber referred to as 'ideal types' by purposively selecting case studies by type, which brought to the surface issues and tensions that improved our understanding of mutual organisations in a specific temporal context (Weber, 1949). The main findings reveal that supporter ownership allowed a greater sense of 'buy in' and inclusion of a wider cross-section of stakeholders. However, evidence shows limitations to mutuality in identifying alternative revenue streams, overly bureaucratic decision-making, and ability to developing capabilities to compete. It is the first major study to identify detailed governance processes of supporter owned football clubs and more significantly, has provided an original qualitative critique in the academic field.

This thesis makes a number of significant contributions to knowledge. The research has been conducted in a way that allowed an emergent approach to epistemology. It has afforded the researcher the opportunity to produce knowledge that is both practically useful and academically rigorous, and it represents an important contribution to the nonprofit governance literature as well as providing a deeper understanding of sports governance themes in a football context.

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CHAPTER ONE – SCOPING THE RESEARCH

‘Football is a Sport which has become so commercial it may be thought by some to have rather lost its way’

(Justice Leonard’s verdict at Harry Redknapp’s trial, Conn, 2012)

1.0 Research Background and Rationale

Over the course of the last 40 years, the increase in broadcasting revenue has been a key factor in explaining the widespread commercialisation of sport. BskyB and ESPN’s current deal, which expires in 2013, pays £1.782 billion for televised rights to Premier League and Championship football (Deloitte, 2013). From the start of the 2013-2014 season a new three year deal has been negotiated with BskyB and BT Sport totalling £3.018 billion for the Premier League’s domestic TV rights (Guardian, 2013 [online]). In November 2013, BT Sport won the rights to televise Champions League and Europa League football paying £897 million for the privilege (Forbes, 2013[online]). The subsequent effect has been to strengthen the level of player power, increase global participation and the economic power of sport and increase the professionalism of sport organisations (Syzmanski & Zimbalist, 2005; Katwala, 2000; Ferkins et al., 2005). Football is the number one sport in England, with football clubs argued to play a vital role in sustaining the fabric of civil society (Kennedy & Kennedy, 2007; Conn, 1997, 2005).

However, events over the past two decades are indicative of the increasing influence of commercialisation and modernisation of business practices within the industry. These events include the move to all-seated stadiums (following the Taylor report 1989), development of the Premier League in 1992, listing of clubs on the stock exchange, rise in broadcasting and commercial revenues and the increasing trend for foreign ownership. In recent years, investments from outside the United Kingdom in Premier League clubs have included Russian billionaire Roman Abramovich at Chelsea in 2003, American Malcolm Glazer taking control at Manchester United in 2005 and Sheikh Mansour from Abu Dhabi

buying Manchester City in 2008 from former Thailand prime minister Thaksin Shinawatra (Hamil et al., 2010; Williams & Hopkins, 2011).

This has initiated considerable interest in the business of professional football particularly since the formation of the Premier League. Consequently, academic interest in the business of football is growing producing a body of theoretical (Baldwin, 1997; Malcolm, 2000), empirical (Hamil, et al., 1999, 2000, 2001), and review literature (Banks, 2002; Morrow, 1999) addressing the subject. At the same time there have been serious financial problems at many football clubs in England (Emery & Weed, 2006; Lago, et al., 2006) leading to increased concerns surrounding the corporate governance and financial management of football clubs (Farquhar, et al., 2005).

In 2012-2013, clubs in the Premier League made total revenues of £2.480 million (up 5% from the previous season) and then for 2013-2014 there is a significant projected uplift of £600 million (up 24% to £3.080 million), largely driven by the first season of the new broadcast deals (Deloitte, 2013). Despite these impressive revenue totals only eight Premier League clubs made a net profit with the majority relying on funding from wealthy benefactors (Deloitte, 2013). Premier League clubs' net losses (after player trading and finance costs) for 2011/12 were £245m (2010/11: £375m). This improvement was largely due to lower losses at Manchester City and Chelsea (Deloitte, 2013). Aggregate operating losses for Championship clubs improved to £158 million (2010-2011: £189 million) in excess of £6.6 million per club in 2011/2012 with only five Championship clubs making a net profit (Deloitte, 2013). Furthermore, there have been 58 cases of clubs out of the 92 competing in all levels of the English Football Leagues entering into administration since 1986, with 17 cases in 2002 and 2003 alone following the collapse of ITV digital (Emery & Weed, 2006).

Lago et al., (2006) state that the financial problems in the football industry do not reflect a crisis in income, with the Premier League experiencing rapid rises in revenue and the

Football League also experiencing revenue increases, albeit on a lesser scale. Instead, Brown (2008) argues that financial problems reflect poor governance procedures. Indeed, because of poor financial performance, standards of corporate governance have come under scrutiny in the annual 'State of the Game' surveys from the Football Governance Research Centre (FGRC) at Birkbeck University (FGRC, 2001-2006).

The surveys charted corporate governance practices at clubs in the Premier League, Football League and the Football Conference using the Combined Code (Financial Reporting Council, 2003) as the benchmark, and detailed the extent to which football clubs have put in place best practice structures and controls relating to key areas of governance including the role of the Board of Directors, remuneration, accountability and audit, shareholder relations and risk management. While the survey results showed that there are areas where the majority of clubs comply with best practice guidelines as laid out in the Combined Code (Financial Reporting Council, 2003), they also drew attention to areas where football clubs could improve governance practices such as Board induction, Board training, Director appraisals and performance evaluation.

Football clubs are ostensibly uncomplicated organisations: they exist to facilitate participation in, and the spectating of, organised football. Nevertheless, beyond this generic statement there is a complex and contested debate about the objectives and purpose of these clubs. In the U.K., most football clubs are constituted as private limited companies with private shareholders (Morrow & Hamil, 2003). However, they rarely make a profit, their owners seeming more intent on 'utility' maximisation and despite a huge increase in revenues over the last 17 years the football industry remains financially unstable (Deloitte 2009). In fact, clubs are effectively regarded as social and cultural institutions by their supporters, their key community or stakeholder. This raises the question: *'if football clubs were effectively nonprofit institutions, then would it be more appropriate to structure them*

as such, as explicitly not for-profit community beneficial mutually owned organisations controlled by their supporters?’ (Morrow & Hamil, 2003:11).

Mutuality within professional football has operated successfully in Germany for many years with the UK witnessing the emergence of this structure over the past decade. This research examined mutuality in professional football clubs in order to establish whether mutuality could be a feasible business model. English football has been professionalised for almost 130 years, and from the outbreak of professionalisation there was a swift change of legal format among clubs, switching from being member-owned organisations to private limited companies, owned by shareholders and operated by a Board of Directors. However, during the past ten years, due to financial mismanagement under private ownership, there has been many supporter owned clubs who have taken ownership of their football clubs (refer to Appendix 1). Unfortunately, a large majority of them failing to sustain this model and ceding ownership to private businesspersons. Exeter City FC, FC United of Manchester and AFC Wimbledon have become the unintentional advocates of supporter owned football clubs and are examples of a mutual company operating with sustainable governance policies. However, these clubs in England are in the minority with most clubs who have been supporter owned, including Stockport County FC, Brentford FC and Notts. County not succeeding in their respective ventures.

German football began in much the same way as English football, with clubs operating as member-owned organisations. Unlike English clubs, there was no swift move to operating professionally, that is, with waged players. German clubs are by law required to be set up as membership clubs providing the leagues with a level playing field. It would appear that this tight regulation is improving the profitability of German clubs and as such, Deloitte (2011, 2012, 2013) have documented that the ‘Bundesliga’ is the most profitable league within the ‘Top 5’ European leagues over the past few years. Their strict domestic club licensing regime is part of a German approach that constrains clubs’ costs. The average

wage costs for a Bundesliga club was €53m, compared with €102m (£83m) in the Premier League in which the wages/revenue ratio remained at 70% (Deloitte, 2013). Furthermore, the law within the Bundesliga states that the fans must have the controlling share of 51% (50+1 rule) of their football club. However, Franck and Dietl (2007) state despite the Bundesliga's profitability there is still evidence of corporate governance failings, which as a result, are affecting the financial health of German Football Clubs.

Since pressure for financial regulation has been weak in England, Italy, Spain but also many minor European leagues in the last years, UEFA is increasingly involved in limiting indebtedness, at least for the clubs involved in UEFA contests (Hamil, et al., 2010; Kennedy & Kennedy, 2012). Aware of the impact of large clubs' overspending on the UEFA cups results, UEFA worked on a mechanism (through the licensing system) to restore financial equality and also to avoid a bankruptcy wave in European football. Michel Platini, the UEFA chairman, described the need to staunch overspending as '*a question of survival for our sport*' and added: '*the clubs will comply or they will not play*' (Drut & Raballand, 2012:76). Can it be successful in the current context? Only time will tell.

The 'financial fair play', as it is called, will prohibit the participation in European competitions for indebted clubs in the future. The rules were designed to move clubs towards breaking even from the season 2011 to 2012. Yet, clubs' will be allowed to post a €5 m maximum loss over three years, what is called an 'acceptable deviation'. For the seasons 2013 to 2014 and 2014 to 2015, this 'acceptable deviation' could reach €45 m if shareholders cover the losses (Deloitte, 2013). This amount will then be reduced to €30 m over three years. It is obvious that many European clubs, including big English and Spanish clubs, do not comply for the time being. However, this reform is credible only to the extent that some clubs would be excluded from the contest. One of the first victims of the UEFA licensing system was the modest Spanish club Real Mallorca, excluded from the

2010/2011 edition of the Europa League because of a debt accounting for €85 m (Drut & Raballand, 2012). Is it really reasonable to assume that UEFA could exclude major clubs like Chelsea, Manchester United and the Real Madrid from the Champions League during several years? If not, the financial fair-play rules would remain symbolic but not truly effective.

Over recent seasons, we have seen many clubs reporting consistent and, in many cases, worsening financial losses. The on-going financial crisis and subsequent recessions have created difficult market conditions for clubs in Europe. These persistent economic problems have had a crucial impact on football clubs' revenue streams, especially in sponsorship, corporate hospitality and gate receipts (FGRC, 2006). This impact has left football clubs' with liquidity shortfalls in their finances, which has led to delayed payments to other clubs, employees and social/tax authorities. Rangers Football Club went into administration in February 2012 because of delayed payments, especially to the tax authorities, to which they were reported to owe £75 million (Morrow, 2012). Morrow (2012:15) states *'even by the often bizarre financial and business behaviour of football clubs, the story of Rangers and its collapse into administration, and subsequent liquidation stands out'*.

Portsmouth Football Club was the first example of a Premiership football club entering into administration in February 2010 shortly after the researcher embarked on this study. In January 2012, Portsmouth entered into administration for the second time in two years, with estimated debts in excess of £100m. The Portsmouth Supporters' Trust (PST) galvanised support, taking on loans from the local council and a local businessman and asking fans to buy in to Portsmouth Community Football Club (PCFC), a community benefit society (Draper, 2013). Fans now own just under 60% of the club and are prohibited from selling shares or gaining a dividend (Guardian, 2013 [online]). This research sought to examine the notion that unless there is significant change to the way

football is regulated in the UK it will always be a huge task for supporter owned clubs to succeed (Football Task Force, 1999b; Holt, 2003).

Alongside this unprecedented UEFA legislation, in January 2011 a UK Parliamentary Inquiry was launched focusing on corporate governance of English football clubs. Within the coalition agreement was '*an undertaking to encourage the reform of football governance rules to support the mutual ownership of football clubs by supporters*' (HM Government, 2010). As a result, of this pledge and intense pressure from the football industry, the coalition Government sanctioned an inquiry to ascertain and identify the key issues affecting English football clubs. The inquiry looked at several areas, which included, how to enhance supporter involvement in football clubs', consider whether current regulatory processes are adequate and if Government intervention is required.

Interestingly, when this research began in the summer of 2009 the topic of Supporters' Trusts was viewed upon in a negative manner. After witnessing the rise in Trusts being formed over the past ten years coupled with consistent failure to manage the clubs effectively where the Trust had taken control led many sports commentators and academics to believe there was little future for mutuality in football. However, the recent European success of German teams during the 2012/2013 has seen Supporter Trust ownership become more topical again with the growth of interest of this model working in English clubs in the higher leagues. A prime example of the fans desire for change was the highly publicised rise of Manchester United Supporters Trust (MUST) in the 2011-2012 season. This unprecedented growth and unique method of protesting (wearing green and gold striped scarves) during live and televised games resulted in global attention. Fans joined the Supporters' Trust to voice their concerns about the amount of debt, which has been leveraged against the football club by the Glazers who took control in 2005. The organisation has grown from 30,000 in January 2010 to more than 189,262 by April 2013 as a result (MUST, 2013 [online]). However, as Brown (2008) states we are still to

understand and demonstrate how a Supporters' Trust can work in a company the size of Manchester United. As such, empirical research was conducted in a similar sized club in Germany adopting the mutual model to see if the findings could provide these much needed answers for 'higher league' English football clubs (Morrow, 2003). By embarking on this research during this on-going and dynamic period of industry attention and regulation can only contribute further to this important debate.

1.1 Aims & Objectives

The aim of this study was to critically analyse governance structures within supporter owned football clubs. The principal theme therefore was to identify what form of mutuality existed in the organisation of football and evaluate if this business model improved the long term sustainability of a football club. This involved the researcher focusing on five football clubs adopting varying mutual business models with differing fortunes providing an original qualitative critique within the academic field. The study has encompassed clubs who have matured with the model (refer to Chapter 5), clubs who have adopted it out of financial necessity (refer to Chapter 6) and newly formed clubs evolving using the mutual model (refer to Chapter 7). The findings presented in Chapters 5, 6 and 7 have provided an in-depth understanding of particular issues relating to nonprofit ownership structures and governance in a footballing context. A secondary theme of this thesis was to critically examine which governance structures were deemed by the researcher as the most effective for a mutual football club to successfully operate within. The production of a new governance framework enabled the researcher to map the terrain of this research by illustrating the main themes identified during the data analysis stage (refer to Chapter 4).

This study is broken down into the following objectives:-

1. To identify what mutual business models exist in the organisation of football clubs.
2. To consider the role of mutuality in a football club's long term sustainability.

3. To critically examine which governance structures are the most appropriate for mutual football clubs to operate effectively.
4. To develop a governance framework for supporter owned football clubs.

1.2 Overview of the Thesis

Chapter 1 provides a contextual basis for the findings presented in the study. It examines a number of factors that have irrevocably changed the business of football and accentuate the current debates surrounding governance and ownership of football clubs in the modern game. It concludes by identifying the objectives of the study and the structure of the thesis.

Chapter 2 reviews the existing literature on the mutual business model and provides an in depth theoretical background for this thesis. The second section describes the literature pertaining to English football and mutuality, the role of Supporters' Trusts, sustainability and a detailed overview of the critique of Supporters' Trusts. Finally, this Chapter concludes with a thorough examination of the structure of German football and highlights the prominent ownership structures adopted by German Football clubs.

Chapter 3 provides a brief review of the literature on governance in the corporate world and conducts a more in depth discussion of governance in nonprofit organisations. Normative and empirical studies are reviewed with emphasis on various aspects of governance including Board composition, Board behaviours and the role of the Board versus the role of management.

Chapter 4 gives a detailed account of why the particular research approach and techniques were chosen, highlights the ontological and epistemological standpoint of the researcher and considers any ethical issues that arose. In addition, this chapter describes the research methods, the respondent sample, the research instrument and the data collected.

Chapters 5, 6 and 7 presents qualitative findings of five supporter owned football clubs visited for study. Each case study has been presented the same way to ensure consistency of reporting the data. The first section is entitled 'Reaction in Action' and presents the main elements of the macro and micro influences affecting the five Supporters' Trusts. The second section focuses on governance and accountability issues within each club. Each case study details, in full the structure and composition of the Board(s) created internally and focuses on the core elements required for successful internal cohesion within a supporter owned football club. Moreover, issues such as operations, effective strategic planning, and the ability to source alternative revenue streams are evaluated within each club to identify the key elements required for a mutually owned football club to operate effectively.

Chapter 8 summarises what has been learnt from the case studies and identifies the main elements required for a supporter owned football club to succeed. These themes and subsequent conclusions help form the researcher's governance framework presented in Chapter 9.

Chapter 9 draws conclusions from the entire project against the research objectives set for this thesis with the literature reviews from Chapters 2 and 3. The chapter then concludes with a reflexive piece discussing the researcher's personal journey, limitations to the study, recommended future research and the main contributions for theory and practice.

CHAPTER TWO – MUTUAL OWNERSHIP STRUCTURE

2.0 Introduction

This chapter is the first of two literature reviews included in this thesis that focuses on different types of ownership structures of modern day businesses. The purpose of this chapter is to ascertain the most prevalent ownership structures in both the football industry and in the wider business context. The particular focus for this chapter was a review of literature pertaining to the mutual business model in order to further understand the benefits and limitations of operating within this legal form of business. Furthermore, a critical analysis has been provided to identify which organisational form can provide long-term sustainability for modern day football clubs. In line with the projects research objectives a systematic review of German ownership structure literature has also been discussed, again within the country's footballing pyramid and wider business environment. The overarching theoretical focus of this chapter is about social and economic structure of football clubs with particular reference to – who participates, with what purpose, power and consequences?

2.1 Organisational Theory

Organisation theory itself is derived from some of the great 'fathers' of sociology, writing in the 19th and early 20th centuries (Crotty, 1998). These are commonly thought to be Marx, Weber and Durkheim. Apart from Weber's (1979) analysis of bureaucracy, these theorists did not concern themselves specifically with organisations but with society in general. Their analyses were about the future of industrial societies and capitalist societies in particular (Crowther & Green, 2004). They considered, for example, what the social and occupational structures of societies would look like as they became more industrialised; the congruence in values and social norms in technologically changing societies between those running factories and office and their employees; and whether

there would be a convergence or divergence in power, wealth, status and ideology among the general population (Clegg & Dunkerley, 1980; Wittgenstein, 1967).

Later theorists in the 1960s and 1970s also concerned themselves with these questions, either from an optimistic view according to certain interpretations of Durkheim's theories, or from a more pessimistic view arising from Marx and Weber's ideas (Clutterbuck & Crainer, 1988). Some theorists like Kerr et al., (1973) saw a convergence of wealth, skill and status among the populace in industrial societies and then eventually in third world countries. Blauner (1964) saw industrial manual work as having passed through its harshest stages in the industrialised world and thought it would in future be more pleasant, skilled and rewarding. On the other hand, Braverman (1998), taking his ideas from Marx, predicted a worsening of conditions not only for manual workers but by office workers as well. He argued that white-collar work would become 'proletarianised', involving further de-skilling, with decisions made increasingly by management at the expense of the workforce.

Transposed to organisations, Weber's work (1970) on bureaucracy encouraged the development of theories of structure and hierarchy, as for example, in the classical management school. Clear lines of command were seen as desirable for efficient management, as were clear procedures and regulations, including rules for recruitment regarding the various positions in large organisations and their job descriptions. On the other hand, Weber's reservations about bureaucracy also encouraged a critique of such systems in terms of controlling elements and restrictions on creativity. Additional criticisms of bureaucracy, linked to these, were concerned with inflexibility and slowness (Weber, 1970).

Interpretations of Durkheim encouraged in organisation theory an interest in people's feelings of social harmony and its opposite – 'anomie', to use Durkheim's language (Clegg & Dunkerley, 1980). Human relations theories have emphasised the importance of

emotional and social well-being among employees and their commitment to the organisation and the importance for managers to ensure this (Alvesson & Deetz, 1996). Motivation theories have been linked to these ideas and have taken concepts of social well-being further to encompass intrinsic interest and challenge in the work and increased responsibility for employees (Clutterbuck & Crainer, 1990).

From Marx (1961) came criticisms of organisation theories based on managerialist values: the idea that managers should be in control of the information and decision-making, and that managers' aims and strategies were necessary for the good of all employees, and indeed for the good of the organisation as a whole (Meredith, 1992). Marx's theories, which were never about organisation *per se* but about capitalist society based on his analysis of 19th century Britain, emphasised the exploitative nature of relations between the dominant and subordinate classes in capitalist societies (Marx, 1961). Organisation theorists taking up these ideas have made their focus the exploitative nature of managerial practices in organisations (Braverman, 1998).

Today, market-based economies comprise a rich diversity of business organisations, ranging from the very simple enterprise owned and operated by one person, to the huge multinational corporation with production and distribution facilities spread across the globe. Whatever the nature of these organisations or the scale of operation, their existence is invariably subject to legal definition and this will have consequences for the functioning of the organisation (Worthington & Britton, 1994). Business organisations can be classified in a variety of ways, including:

- Size (e.g. small, medium, large);
- Type of industry (e.g. primary, secondary, tertiary);
- Sector (e.g. private sector, public sector), and
- Legal status (e.g. sole trader, partnership, Industrial Provident Society, etc.)

In the discussion below, capitalist and cooperative business organisations are examined with the consequences of variations in legal status.

2.2 Investor-Owned Business Model

Mills (2001) states that ‘Investor-Owned’ business models can be seen to monopolise the leading industrialised nations’ economies. Mills (2001) feels that this can be attributed to the fact that modern UK company law has made setting up a limited company easily accessible and the most attractive ownership model from the proprietor’s viewpoint. The investor-owned business model has proved to be a hugely successful medium of business ownership in modern times. There are approximately 1.5 million limited companies currently registered with Companies House in England, which confirms Mills (2001) statement (Companies House [online], 2012).

Over the past two decades, we have seen the formation of several large and powerful companies because of mergers and acquisitions. As in the case of News Corporation and the recent Leveson Inquiry (2012) the size of some of the biggest corporations in the world now challenge Governments for the amount of power they wield. Furthermore, these large corporations have recently come under scrutiny to justify the large sums of money awarded to shareholders, return on profits to investors and the huge salaries and bonuses paid to senior executives (i.e. the Banking Industry). When limited companies fail, clauses within English Company Law provide protection for proprietors. However, following the banking crisis in 2010, subsequent events were so catastrophic that several leading Banks had to be bailed out by the Government (public purse). Banks such as the Royal Bank of Scotland (RBS) and Lloyds are now effectively state owned.

Throughout, the 1980’s and 1990’s, during Margaret Thatcher’s Government, the UK witnessed the privatisation of a number of state owned companies. These privatisations significantly increased the total number of investor-owned companies within the UK. This pursuit of privatisation during the 1980s and 1990s resulted in many unknown companies

coming under wider scrutiny and broader ownership. Mills (2001) argues that this pursuit of privatising state owned organisations has created businesses who put share price before corporate social responsibility i.e. safety (British Petroleum). He also claims that these businesses focus too strongly on paying out dividends to shareholders and high rewards to executives before quality of service. These large payments have been viewed upon as undeserved by dissatisfied paying customers who are receiving poor quality of service (i.e. RBS, Lloyds Bank). Recent events in the global economy seem to confirm the points raised by Mills (2001) especially with the collapse of several Banks and leading airline companies.

2.3 Types of Nonprofit Organisations

Cooperatives, mutual, and self-help groups share some, if not most, of the defining features of a nonprofit organisation, and fall into a ‘grey area’ between nonprofit sector and the for-profit sector. In some countries, they are considered legally to be non-profits’, in others, not. However, they are often included in the concept of social economy (Anheier, 2005). Among these are:

2.3.1 Cooperatives or Cooperative Societies

Are organisations formed freely by individuals to pursue the economic interests of their members. The basic principles of cooperatives include:

- Democratic control, i.e. one-person, one-vote
- Shared identity, i.e. members are both owners and ‘clients’
- Orientation to provide services to members ‘at cost’

While the system of national accounts treats cooperatives as part of the corporate sector, and while economic theory views cooperatives as businesses among independent producers or purchasers interested in reaching a more profitable market position, the term cooperative can also carry a slightly different connotation, in particular low income groups and in developing countries more generally. Here, some cooperatives may operate as ‘grassroots

organisations', whose primary aim is not so much the generation and distribution of actual profit for members as the struggle for members' subsistence and the improvement of basic services in the community to which the members belong.

2.3.2 Mutual Societies

Like cooperatives, mutual societies are organised by individuals seeking to improve their economic situation through collective activity. Mutual societies differ from cooperatives in that they are mechanisms for sharing risk, either personal or property, through periodic contributions to a common fund. Examples are retirement, sickness, burials funds or savings and loan associations. Ideally, mutual societies also hold to the patron-owner principle, whereby depositors formally control their operations.

2.3.3 Self-help groups

Are similar to both cooperatives and mutual societies in that individual's join to accomplish goals of mutual support that would otherwise be unattainable. They differ from both, however, in that they are not principally engaged in commercial activities. Many self-help groups are informal and some develop into more formal organisations over time.

2.3.4 Definitions commonly used for Supporter Ownership

Because social scientists, practitioners and policymakers have different purposes when defining nonprofit organisations and because they are likely to have different objectives in mind, the complex terminology in the field came as no surprise to the researcher. The most common of terms found in the academic field of this study were supporter ownership, mutuality, cooperatives, nonprofit or not-for-profit organisations and Industrial Provident Societies. Academic literature utilise the terms mutuality and nonprofit, whereas industry practitioners and key respondents interviewed for this research described their football clubs as supporter owned, cooperatives or Industrial Provident Societies. It is important to note that the researcher acknowledges that all of the above terms fall under the umbrella of

a nonprofit ownership structure and the purpose of this study is to research into how each of the football clubs visited have structured themselves accordingly. The terms mutuality and nonprofit have been favoured by the researcher throughout this thesis.

2.4 Critique of the Mutual Business Model

In recent times, businesses often state their commitment to stakeholders, which could be due to the considerable amount of evidence highlighting the benefits to businesses with increased stakeholder involvement. Post et al., (1999:48) state that *'some association between conventional indicators of corporate performance and the presence or absence of stakeholder-oriented policies and practices has been extensively explored in the academic literature.'* Puyvelde et al., (2011) argues that mutual businesses that make stakeholder groups their owners can form and manage their business strategy directly towards fulfilling stakeholder interests. Furthermore, mutually owned businesses geared towards upholding the core cooperative values as the heart of their strategy routinely state their objectives to be for the benefit of the wider community.

Reid and Turbide (2011) state that one of the main advantages to increased stakeholder involvement is that they encourage longer term strategies in order to improve performance. Wheeler and Sillanpaa (1997) suggest that there is evidence proving that businesses, which concentrate on fulfilling the long-term interests of their key stakeholders, are more likely to succeed compared with businesses focused on fulfilling short-term shareholder interests. Hutton (2007:45) has argued that *'since the 1970s there has been a sharp rise in the atrophy of regulation, and short-termism in business strategy'*. Hutton (1995) argues that this rise has resulted in the production of a corporate governance regime that strongly favours shareholder value, short-termism and a preference to hostile take-overs.

Puyvelde et al., (2011) claim that one of the main advantages of a mutually owned business is the primary focus on becoming community beneficial. This commitment to the community ensures all decisions taken by the Board are in the best interests of this key

external stakeholder. Anheier et al., (2003b) states that democracy is one of the main benefits of mutuality due to the equitable process of becoming a member and the lack of emphasis on voting rights and financial input. Another advantage quoted in the extant literature stemming from a democratic ownership structure is that of promoting citizenship (Fama & Jensen, 1983, Miller, 2002, Tschirhart, 2006). Becoming a member within a democratic owned business provides the ability to receive information and influence decision making by applying the one member one-vote system and attending and speaking at meetings. Perilleux et al., (2011) argues that the key difference between a mutually owned company and an investor owned one is the pursuit of long term planning over short termism.

Fama and Jensen (1983) claims that this difference can be contributed to the investor owned companies focus on achieving tangible and quick results to satisfy the business's share-price, dividends, profitability and the pursuit of senior executives to receive their bonuses. These are experiences not encountered by Board Members involved in making decisions within a nonprofit organisation. Instead, nonprofit board members are able to and must, in accordance to their constitution, make decisions that are based on serving the organisation's community (Brown & Guo, 2009; Brown et al., 2011). These decisions manifest themselves in ensuring that current members' interests are fully met and, more importantly, are sustainable in order for the business to continue to serve future generations (Reid & Turbide, 2011).

However, there are disadvantages to nonprofit organisations with the most relevant one being the lack of any residual claimants. This lack of residual claimants' effects the levels of incentives management are able to offer employees in order to minimize production costs. As a result, it can lead to nonprofit organisations becoming less efficient than their for-profit competitors (Barbetta et al., 2001). Steinberg (2010) concludes that the presence of multiple principals (owners) with different objectives hinders the potential to

resolve questions of nonprofit accountability. Previous nonprofit literature has focused on internal management (agency) problems of nonprofit organisations stressing the importance of employees who are intrinsically motivated to perform an activity (Hill & Jones, 1992; Miller, 2002; Ben-Ner, et al., 2010; Leete, 2000).

Nonprofit organisations can encounter problems with people management due to the individual lacking the right expertise or skillset, high turnover of volunteers within the business or employees not being able to complete every task due to being overworked. Leete (2000) states that uncompetitive wages offered by nonprofit organisations can also hinder employee turnover and engagement. Another disadvantage of a nonprofit organisation is the ability to foster active participation of Board Directors to their main roles and responsibilities (Brown, et al., 2011). Active participation by Directors within nonprofit organisations can at times be diluted if the individual has other business interests outside of the organisation i.e., a full time job or their own business. In addition, some Directors who have recently retired need to balance between work and private life especially as the roles are unpaid. Finally, Pèrilleux et al., (2011) from their research into the ability of different structured organisations to source finance into the business conclude that cooperative firms are the least successful. These findings are mainly attributed to the fact that private investors are reluctant to invest in a cooperative due to the lack of voting rights their investment brings. Over recent years, there has been much debate amongst academics on the primacy of efficiency or inefficiency of nonprofit organisations but findings to date have been all but unambiguous (Hansmann, 1996a, 1996b; Marmor et al., 1987; Sloan et al., 2000). The next section focuses on ownership issues within the football industry in England.

2.5 Ownership Issues in English Football

Football clubs competing in the English Premier League and Nationwide Championship League are predominantly structured as companies limited by shares (Hassan & Hamil,

2010). During the early stages of the formation of the Premier League in 1992, over thirty football clubs floated on the UK stock exchange. However, events since the formation of the League have seen many of these football clubs being delisted from the FTSE. A major factor in footballs failure on the stock exchange was the business standards of football clubs (Kelly et al., 2012). The financial transparency required by stock exchange regulation was at odds with the *'fast moving and shadowy transfer market'* (Rabinovitch, 2007). This coupled with the sometimes unpredictable behaviour of clubs directors and poor governance standards (Matusiewicz, 2000) meant that football clubs found it hard to meet the standards required for a stock exchange listing.

Currently, 26 of the 92 professional clubs have become PLCs (or holding PLCs) and have floated on various exchange markets. 16 of these are in the Premiership and ten are from the Football League (Deloitte, 2013). In August 2012, Manchester United's owners sold 10% of the club's shares to American investors on the New York stock exchange (Grierson, 2012). This unprecedented step could signal a new trend of football clubs pursuing full or partial flotation of their business to foreign markets. Interestingly, Wilson et al's (2013) study found that the stock market model of football ownership returned better financial health relative to privately owned (domestic and foreign) clubs. However, Wilson et al. (2013) concluded that clubs owned privately by foreign investors or on the stock market performed better in the league in comparison with domestically owned clubs. They claim that the stock market model was more likely to comply with Financial Fair Play regulations.

The context of managerial decision making among the 62 professional football clubs that are not PLCs is very different from their PLC rivals, as they tend to have much lower attendances and broadcast revenue (Vrooman, 1995; Cairns, et al., 1986). However, the key difference is that the prime objective of PLCs is to satisfy the demands of

shareholders, which generally means maximising profit (Sloane, 1971; Mitchell, et al., 1997).

Morrow (2003) emphasised the serious conflict between the role of football clubs as profit-seeking businesses and football clubs as social institutions. Clubs are effectively regarded as social and cultural institutions by their supporters their key community or stakeholder (Morrow, 2003). Arnaut (2006:67) found that *'the mutual model offers the most effective protection against ownership of the club by an unscrupulous individual and it is also a more democratic model'*. Adams & Armitage (2002) believes the strongest argument for mutuality in football is that it removes the danger that supporters will be exploited to make profits for shareholders. This danger arises because a club's product is unique, whereas the product of a building society or life office is normally not.

A mutual constitution may therefore make it easier for clubs to attract and retain supporters. The fact that supporters could be genuine members of their club may also enhance the experience of being a supporter. The evidence from financial mutuals' is that mutuality is not associated with inefficiency and there is no obvious reason to expect mutual football clubs to be less efficient than proprietary football clubs. On the negative side, football is a risky business financially and mutuals' are usually found to be risk averse in the financial sector. Members would face a high probability of being called upon for more funds, perhaps on going. They would need to have access to available capital if a mutual club is to survive hard times (Adams & Armitage, 2012).

However, despite the obvious advantages to supporter ownership of football clubs many academics have expressed concerns with this type of ownership structure working in the football industry. Wilkesmann and Blutner's (2000:21) study of German football argues that *'it has become evident that the crucial factor for the successful development of a football club (based on collective decision-making processes) into an efficiently organised company, is the way in which the dilemma of representing a broad range of interests and*

the efficient achievement of objectives is solved.' They state that ideally decision-making structures should be democratic, although there can be problems with this 'bottom up' approach. Firstly, the constant and on-going labour intensive need to recruit new members to obtain membership fees and manage existing and constantly changing membership details. Secondly, operating a democratic decision-making strategy can prove difficult to integrate the interests of every member in achieving collective goals. Martin (2007) argues that the main limitation of mutuality within English football clubs is the ability for supporter owned football clubs to attract outside investment. In addition, Martin (2007) recognises the huge task mutually owned football clubs have to manage in ensuring a high level of active participation existing among members and attracting new members by gaining a wider acceptance of the value of the football club's ethos. Kennedy and Kennedy (2007) argue that the main area of concern is whether mutual ownership can benefit and ensure the long-term sustainability of football clubs and the football industry more generally (Kennedy & Kennedy, 2007).

Hirschmann (1970) analysed how over time when organisations become less efficient, customers have two options either exit (leave or choose an alternative product) or voice their dissatisfaction (try and change the organisation). In football, the fan's emotional attachment and inelastic demand to their football club means that even when the team are under performing they do not often exit or leave, at least not permanently. Under normal market conditions were dissatisfied consumers often leave a failing organisation, which in turn can result in the company 'going out of business' does not often apply to the football industry (Conn, 1997). Instead, due to the importance of the clubs community standing and perceived 'public good' fans will do all they can to ensure the club does not go out of business. This unique emotional attachment is arguably conducive to mutual ownership as fans interests are protected and their loyalty can be guaranteed even in the context of an under-performing club (Brown, 2008).

2.6 Supporters' Trusts

One of the recommendations of the third Football Task Force Report, '*Investing in the Community*' (1999a), was that more encouragement should be given to supporter involvement in football clubs, pointing to the successes of Supporters' Trusts at Northampton Town and Bournemouth. Following the Task Force's recommendations, in 2000 the Government provided £250,000 per year for an initial three-year period to support the creation of Supporters Direct, an independent national organisation set up to promote supporter involvement at football clubs through the development of Supporters' Trusts. A Supporters' Trust is an independent, nonprofit democratic organisation that seeks to influence the governance of their football club. Supporters' Trusts can have different reasons for their formation. Some Trusts wish to gain Supporter Representation on the Club Board, other Trusts wish to take control and become the majority shareholder whilst others simply want to develop stronger links between the club and the community.

Since the inception of Supporters Direct in 2000, there have been over 140 Trusts formed across England, Wales and Scotland. There are 8 clubs in the Premier League, 52 in the Football League and 25 Football Conference that have an active supporters Trust (refer to Appendix 1). Martin (2007) states that there is evidence to show a negative relationship between league status and the number of Supporters' Trusts, with a higher likelihood that a club in League Two will have a Trust compared to a club in the Premier League. The key reason for this could be that Supporters' Trusts are more likely to have an influence at a smaller club in the Football League where they are able to obtain a more significant shareholding. However, we are witnessing a rise of Supporter Trusts bidding against business consortiums for fan buyouts of Premier League teams i.e. Share Liverpool FC (Liverpool FC) and the 'Red Knights' (Manchester United). A Supporters' Trust is heavily involved in talks about the future of Rangers FC which is currently in administration to achieve at least Board representation once a new owner is in place (as at July 2012). Portsmouth FC a former Premier League side has suffered two administrations over the

last two years and in January 2013 Portsmouth's Supporters' Trust successfully gained a 60% majority shareholding of the club (Draper, 2013; Pompey Trust, 2013 [online]).

Over recent years, there has been a significant increase of Supporters' Trusts successfully gaining a seat on the Club Board to protect the interests of the fans within English Football League clubs some of which compete in the Premier League, for example, Swansea FC and Arsenal FC. Conn (1997:22) stated that '*It would be major progress on so many levels if it were a routine part of the English football landscape that every club has a supporter elected on its Board.*' In other instances, the Club Board of several English Football Clubs have granted permission for fans to purchase shares or take full or partial ownership of the club (Emery and Weed, 2006). In addition to clubs owned by a Supporters' Trust in the professional tiers, there has also been a rise of clubs being started up by supporters using a Trust as the holding company. The most famous of these are AFC Wimbledon, formed by fans after Wimbledon FC moved to Milton Keynes (Potter, 2012), and FC United of Manchester, formed by fans of Manchester United unhappy with the takeover of the club by the Glazer family in 2005. There are also several clubs formed by fans after the original club was liquidated for financial mismanagement, notably AFC Telford, Chester City FC and Scarborough Athletic in the sub-professional tiers. Williams and Hopkins (2011) state that more recently Supporters' Trusts are aiming for more realistic options by trying to gain a golden share of the club's stadium to prevent it from being sold without their consent.

2.7 Critique of the Supporters' Trust Movement

While Supporters Direct has been praised for its role in facilitating supporter involvement at many football clubs, Kennedy and Kennedy (2007) argue that Supporters Direct represented an integral part of the old Labour Government's social policy that aimed to preserve and extend the co-modification of social relations. In the context of New Labour and the 'Third Way' philosophy, whereby free-market enterprise is coupled with regulation

to address issues such as social inclusion and community involvement, it is argued that there are limits to the extent that Supporters Direct can be seen as a challenge to the increasing commercialisation and co-modification of the football industry (Kennedy & Kennedy, 2007). With the second strategic objective of Supporters Direct being to promote the Community Interest Company (CIC) for Supporter Trusts and for football clubs, Kennedy and Kennedy (2007) argue that this legal model of ownership sits in between the traditional mutual model and a private limited company.

While community values are crucial to the CIC model, it also provides an opportunity for individuals to invest, which could lead to potential problems over decision-making to meet the objectives of the community and the investors. The CIC model arguably reflects the 'Third Way' approach. It can be argued that Supporters Direct is limited in its ability to promote supporter mutuality at football clubs. However, in reality, it is the only real pragmatic way for supporters to form an organisation to increase their influence and representation within their club.

Martin (2007) argues that although Supporters' Trusts promote the mutual model of ownership, in reality, the fact that many Trusts concentrate on increasing share ownership helps to maintain the shareholder 'property rights' model and at best reflects a move towards active shareholders. Many Trusts are willing to be used for commercial purposes by club hierarchies through financial contributions, fundraising and by bidding for community-related grants not available to a privately owned club. This fact questions the extent to which a Supporters' Trust can actually redress the balance of power at football clubs, therefore undermining the legitimacy of the Trust movement (Kennedy & Kennedy, 2007).

Finally, there have also been questions raised concerning the extent to which the Supporters' Trusts movement is representative of wider supporter views and interests. For instance, while there are over 140 Supporters' Trusts with over 360,000 members of

Trusts, this is a small minority compared to the total number of football supporters (Supporters Direct, 2013). Martin (2007) illustrates this point by showing how Supporters' Trust membership compares to an average percentage of the home attendance at clubs in the Premier League (4%), Championship (5%), League One (13%) and League Two (17%). The fact remains that the only notable successes for mutuality within professional football has been from football clubs competing in the lower levels of the English Football Leagues i.e. League One and below (Walters, 2011). This evidence leaves sceptics yet to be convinced this type of ownership structure could be viable for a football club competing in the Premier League or Championship. For instance, Brown (2008:354) states that the Supporters' Trust model has '*totally failed to demonstrate how it can work in a company of the size of Manchester United, where major corporate finance is needed to create a meaningful stake*'. Likewise, Martin (2007:651) argues that '*the complete conversion to a fully mutual structure of all but the smallest (and therefore cheapest) clubs is unlikely to be feasible*'.

English Supporter owned football clubs favourably look upon the 'German Model' as the method of operation they wish to emulate. The following sections of this chapter will now focus on the mutual business model that exists within German football.

2.8 Ownership Structure of German Football

The German football association, Deutscher Fußball-Bund (DFB), represents an estimated 26,000 football clubs which have roughly 6.5 million members amongst them (Bundesliga Report, 2012:5). The 36 professional football clubs of the Bundesliga 1 and Bundesliga 2 (equivalent to the English Premier League and the Nationwide Championship) have a combined membership of almost 600,000 and this number continues to increase (Bundesliga Report, 2012).

Prior to 1998, all German football clubs were structured as registered members' associations (eingetragener Verein (e.V.)). Members' associations are nonprofit

organisations owned by their members and managed by representatives elected by these members. Any revenue generated by a members' association has to, by law, be reinvested back into the club. Members' associations are deeply rooted in German society and are considered socially valuable. However, since 1998 many professional football clubs have incorporated their professional football sections into external limited companies, which are separate from their parent clubs (Wilkesmann & Blutner, 2002). This strategy has aimed to help provide them with new opportunities for coping with the economic challenges in professional football, and the increased competitiveness seen in the European football market (Dietl & Franck, 2000). However, one obligation a club must fulfil to this structural change is that the members' association must hold the majority of the corporation's votes (50% plus one vote). Lammert et al., (2009) claim this obligation protects the interests of the club members' as it avoids any external control being held over professional football, thereby preserving its integrity.

The annual football finance published by Deloitte each year places the Bundesliga as the most profitable of the 'top five' European Football Leagues (Deloitte, 2012). Table 2.1 illustrates that the clubs within the Bundesliga generated higher operating profits in the 2010/11 season than the Premier League. The operating profits of the Bundesliga were €138 million compared with €101 million received in the Premier League. The Italian and Spanish Leagues suffered record operating losses during the 2010/2011 season (Hamil, et al., 2010; Kennedy & Kennedy, 2012). Average attendance during the 2010/11 season at all Bundesliga live matches was 42,700 compared to that of 35,000 who attended Premier League matches. However, football clubs within the Bundesliga recorded the highest wages growth percentage of all the 'top four' European Leagues of 11%

Table 2.1 – Bundesliga vs Premier League

	Bundesliga	Premier League
Average match attendance (season 2010-2011)	42,700	35,000
Match day Incomes (€) (season 2010-2011)	338,000	700,000
Average admission price (€) (season 2010-2011)	20.79	51.00
Broadcasting income (€) (season 2010-2011)	476,000	1,176,000
Commercial Revenue (€) (season 2010-2011)	634,000	565,000

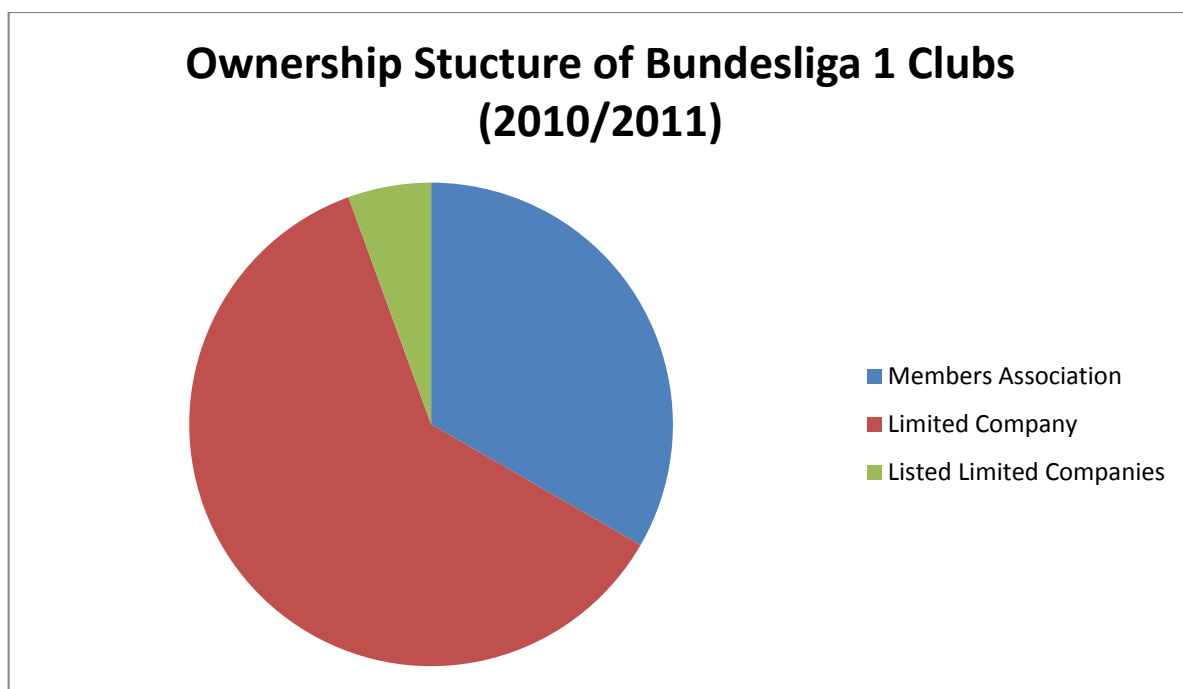
(Source: Franck, 2010:112)

with Serie A coming second with an 8% increase year on year. This rise could be due to German football clubs pursuing a more competitive advantage on the pitch especially in the Champions League or Europa League. Finally, Deloitte (2012) state that the Bundesliga still records the lowest wages to revenue ratio of 54% a figure, which will please the DFL and satisfy imminent ‘Financial Fairplay’ rules in the 2013/2014 season. This figure is in stark contrast to that of Italian clubs who recorded an astonishing 77% of their revenue to being paid in wages.

2.8.1 Structural Changes of German Football Clubs

Since 1998, professional clubs have had the opportunity to move or incorporate their professional football section into an external limited company that is separate from the parent club (Wilkesmann & Blutner, 2000). The League Association decided that such a structural change was inevitable due to the increasing commercialisation of football in Europe. Indeed, Franck and Muller (1998) argue that this change has actually helped clubs to incorporate their professional football unit into an external limited company to help provide opportunities to cope with the economic challenges in professional football and be

Figure 2.1 – Ownership Structure of Bundesliga 1 Clubs (2010/2011)



(Source: Bundesliga Report, 2011:32)

able to compete in European competitions. In the 2006/07 season, six clubs within the Bundesliga remained members' associations (see Figure 2.1). The other twelve clubs changed their legal structure by moving their football license department into a limited company, an example of which is BVB Dortmund GmbH & Co (Conn, 2012). KGaA is the only one listed on the stock market (Hagemann, 2010). At the same time, there were only six limited companies and twelve members associations in the second division (see Figure 2.2). FC Bayern München AG and Borussia Dortmund GmbH & Co. KGaA are the only companies in the Bundesliga with external investors. All the other clubs have no additional shareholders and are fully owned by the members associations. All football clubs in the 3rd League and Regionalliga (fourth division) also have the choice between the structure of members associations and limited companies (from season 2008/09 onwards).

Figure 2.2 – Ownership Structure of Bundesliga 2 clubs (2010/2011 season)



(Source: Bundesliga Report, 2011:32)

There are different structures of limited companies football clubs have adopted, which the Swiss Institute of Comparative Law ([online], 2012) has outlined in detail:

- ***Aktiengesellschaft (AG) – Joint Stock Companies or Companies limited by shares:***

Some clubs keep the structure of an association, but ‘combine’ it with the legal form of a company by shares. FC Bayern Munchen e.V. remains an association (*eingetragener Verein e.V.*) and keeps this structure, headed by a President, two Vice Presidents and an Advisory Board. However, the association has been implanted into the legal structure of a joint stock company as its principal stockholder (90%). Adidas AG holds the remaining 10% of the shares in conformity with the ‘50+1’ rule of the DFB and *Ligaverband-Statutes*. The internal structure of the company follows in principle the rules of the AktG. However, the club decided against floating its shares on the market as the club’s financial situation was considered positive under the current situation.

- *Gesellschaft mit beschränkter Haftung (GmbH) – Private Limited Liability Company:*

The Private Limited Company is liable within the limits of the company's assets, but not the assets of its operator. Its structure allows corporate governance and a limitation of the club's liability. One example of a football club structured as a private limited company is the Bayer 04 Leverkusen Fußball GmbH and its several affiliated limited companies.

- *GmbH & Co KG aA & GmbH & Co KG – combination of a limited company with a Kommanditgesellschaft (KG) (limited partnership) or a Kommanditgesellschaft auf Aktien (aA) (stock company).*

The most common legal form of football clubs is the relatively new legal form of a private partnership limited by shares with a limited liability company as general partner (GmbH & Co KG) most often combined with elements of joint stock companies (GmbH & Co KG aA). The structure of this hybrid company form contains elements of a limited partnership and of a stock corporation. The KG structure implies unlimited liability of at least one of the associates. However, it is permitted that this general partner is a limited liability company (GmbH). The KG aA differs from the AG regarding the quality of its associates. The general partner (generally one) is subject to unlimited liability while there are partners liable up to a fixed amount (generally several). The latter invest a certain amount and seek profits, but are neither liable beyond the capital stock the partner(s) provided nor authorised to take any company decisions. The bylaws must provide for details regarding who might be the shareholder. Until 1997, the unlimited liability of the general partner made this legal form unpopular (Dietl & Franck, 2007a).

Since the German Supreme court allowed the general partner to be a Private Limited Company, important changes occurred in practice. The GmbH & Co KG aA proves to be one of the most popular corporate structures for German professional football. Shareholders are usually the club (the association) and its main sponsor. However, the

shares of most of these clubs are not traded on the market, as the commercial conditions of the clubs do not favour that option. To date, the only example of such company form listed on the stock exchange is the Borussia Dortmund GmbH & Co KG aA (Hagemann, 2010). A pursuit to the stock market among bigger clubs has not yet taken place. In the case of Borussia Dortmund, the GmbH is completely owned by the nonprofit registered association Borussia Dortmund e.V., which manages and controls the whole business. Shareholders are not permitted to intervene in substantive management decisions or personnel decisions (Franks & Mayer, 2000). However, Michalik (2002) argues that this structure can be considered as a governance vacuum, which seems to be confirmed by continuously falling share prices.

2.8.2 Critique of the Legal Form of Members' Associations

The ownership structure and the related governance style imposed by the German reliance on members' associations has been criticised in the past by several academics (Czarnitzki & Stadtmann, 2002; Dietl & Franck, 2007b; Franck, 1999, 2000; Littkemann et al., 2003; Weiler, 2007). These academics have recently gained more support from within the professional game and even from the Tax Ministry due to the increased importance of participation in international competitions (especially the Champions League) and the poor financial performance of professional football clubs in the former East Germany and the lower leagues in general. Wieler (2007) argues that even though clubs are organised as sporting clubs they are by law fully functioning companies, even if they do not have the structure of such companies.

According to German Law, members' associations have to be dedicated to sporting issues without being profit orientated. Where football is concerned, members' associations must have a common purpose, which translates to members having no imposed responsibilities and simultaneously no rights concerning the financial resources generated by the club. Capital has to be reinvested in order to maximize sporting success. Franck (2010) claims

that based on this definition it has been argued that members' associations could even lose their legal status were they become too commercial, as the restrictive nonprofit condition could be violated by an increased focus on the clubs' operational side.

In November 2007, the Tax Ministry went even further by suggesting to the Treasury that tax benefits held by members' associations should be reduced, as the original idealistic aspect of members' associations has ceased to exist (Dilger, 2009). According to the Treasury, football clubs could potentially lose their nonprofit status of members' associations. However, the Bundesliga, like the other big four professional football leagues in Europe, is a powerful institution and it remains to be seen if the authorities are ready for such a confrontational approach. So far, there are no concrete changes to the legal form of football clubs especially with the imminent Financial Fairplay rules being enforced in the 2013/2014 season.

In addition, Weinemann (2004) states that while many fan groups oppose the structural change of converting members' associations into limited companies, other fan groups support it. Additionally, as recommended by the DFL, the majority of literature also supports such a structural change (Franck, 2010; Wagner, 1999; Pilz et al., 2006). Wilkesmann and Blutner (2000) argue that the ownership structure of members' associations is partly responsible for the poor financial situation of professional football clubs and/or their lack of international competitiveness. Lammert et al., (2009) believes that the main argument rests on the changing reality of professional football; where sporting success was once the main driver of all the internal activity in clubs, the focus has since shifted towards financial success, which has led to the popular comparison with medium sized companies.

Hence, the criticism of the classical members' association model is not unsurprising, as even though economic aims vary from club to club it is often the financial aims that dominate over sporting objectives (Frick & Prinz, 2006). Moreover, Dietl and Franck

(2000) state that the financial and economic aims are at least a strict additional element, or may even be absolutely necessary, to sporting success. Cromme (2005) highlights that another problem might be the level of incentives available to Executives and Chairmen, as they have no individual rights of asset acquisition. Dietl and Franck (2007a; 2007b) highlight the problem of ‘dysfunctional incentives’, where elected representatives derive personal gain from the fame and publicity associated with sporting success, rather than from operating in a financially responsible manner. Similarly, Brandes et al., (2008) claim that there are no negative consequences for erroneous business decisions made by the management Board, which often consists of voluntary members.

Wikesmann and Blutner (2000) argue that an often-described correlation between members’ associations and poor financial performance is one disadvantage commonly used against the structure of members’ associations in contemporary professional football. Lammert et al., (2009) questioned this assumption and provided some evidence that exists to show that ownership structure does not necessarily influence financial performance. Some members’ associations are financially healthy and competitive, whilst some clubs with a different ownership structure have accumulated huge losses and do not compete well. DeRuyter and Wetzels (2000) argue that the quality of the Board members and other governance issues seem to be more important when it comes to the assessment of performance and competitiveness.

However, Ziebs (2004) states that even if there was an agreement on a non-correlative relationship between financial performance and ownership structure, while continuing to promote the company structure as the more competitive model, further research still has to examine the impact such a change would have on supporters and their involvement in the running of their club. Interestingly, the Bundesliga is viewed by their European counterparts as the most profitable and well-governed league in Europe. However, as

Table 2.2 indicates there have been numerous football clubs in Germany who have encountered financial problems and in some cases have gone into liquidation as a result.

Despite these figures not being as high as the number of football clubs who have entered administration in England it is still significant and contradicts the overall favourable perception of German football. Samuel (2012) claims that the reason the wider audience are unaware of these events is the fact that local councils have in most instances bailed the football club out to save the future of the organisation and remain in the community. The DFL's support for transferring the professional football department of football clubs into limited companies has weakened the status of pure members' associations. However, the DFL is still standing behind the clubs that remain members' associations and it is highly unlikely this will change within the next few years.

2.9 Conclusion

Regardless of the ownership structure adopted, the pressure to pursue success on the field of play builds in a propensity to gamble on player expenditure at any football club. However, what underpins the Trust model is the belief that football supporters have a primary concern to preserve their club and to ensure the club is beneficial for the community. Therefore, academics and commentators in favour of supporter ownership believe that mutually owned football clubs are more likely to be more diligent guardians of their club's future than benevolent private owners are. As a result, Supporters' Trusts offer an opportunity for organised collective action and ownership, which is increasingly rare in an economy where the imposition of market mechanisms on every area of economic and social activity is becoming more pronounced.

Mutuality within football in England has to date been confined to the lower levels of competition. In most cases, supporter ownership has deemed to be the only option available to keep a financially troubled football club in existence. Evidence of this

Table 2.2 – Insolvencies or Financial Irregularities in German Football since 2008

Club	Division	Outcome	Year
SV Darmstadt 98	Former Bundesliga now Liga 3	Insolvency	2008
1FC Gladbeck	Former 2 nd Division now Regional League	No licence	2008
SpVGG Erkenschwick	Former Bundesliga now Regional League	Insolvency	2008
Yesilyurt Berlin	Oberliga	Insolvent and liquidated	2008
FSV Bayreuth	Regional League	Insolvency	2008
Sachsen Leipzig	Former East German Champions now regional League	Insolvency	2009
Altona 93	Regionalliga Nord	No Licence	2009
Kickers Emden	Then Liga 3 now Regional League	No Licence	2009
FSV Oggersheim	Regionalliga West	No Licence	2009
Viktoria Aschaffenburg	Regional League	No Licence	2009
TSV Grossbardorf	Regionalliga Sud	No Licence	2009
Tennis Borussia Berlin	Former Bundesliga now Regional League	Insolvency	2010
Hansa Rostock II	Oberliga	Voluntarily Relegated	2010
Rot-Weiss Essen	Former Bundesliga Champions now Regionalliga West	No Licence	2010
Bonner SC	Regional League	Insolvency	2010
SV Waldhof Mannheim	Former Bundesliga now regionalliga West	No Licence	2010
SSV Reutlingen 05	Former Bundesliga now Oberliga	Insolvency	2010
TSV Eintracht Bamberg	Regionalliga Sud	Insolvency and liquidated	2010
VfL Germania Leer	Regional League	Insolvency	2010
Viktoria Aschaffenburg	Not stated	Insolvency	2010
Preussen Hameln	Regional League	No licence, club later folded	2010
TuS Koblenz	Former Bundesliga now Liga 3	No licence	2011
Sachsen Leipzig	Not stated	Insolvency Club later folded	2011
RW Ahlen	Former Bundesliga Now Regional League	Insolvency	2011
SSV Ulm 1846	Former Bundesliga now Regional League	Insolvency	2011
SpVgg Weiden	Regionaligga Sud	Insolvency	2011
SpVgg Erkenschwick	Not stated	No licence	2011
1FC Kleve	Regionalliga West	Insolvency	2011
Turkiyemsoor Berlin	Oberliga	Insolvency	2012
SC Borea Dresden	Oberliga	Voluntarily relegated mid-season for financial reasons	2012
VfL Kirchheim	Oberliga	Voluntarily relegated mid-season for financial reasons	2012
Eintracht Nordhorn	Regional League	Insolvency	2012
Kickers Emden	Not stated	Insolvency	2012

(Source: Samuel, 2012)

ownership structure working within the English Leagues has resulted in many sceptics questioning how such a model could succeed in the higher levels of football (Martin, 2077; Kennedy & Kennedy, 2007). Advocates of supporter ownership quickly respond with examples from the German football league and call for the introduction of tighter regulation and governance practices geared towards favouring nonprofit organisations within the football industry (Michie, 1999; Hamil et al., 1999, 2000, 2001, 2004, 2010). It can be concluded from the literature that mutuality within football especially in England will always struggle to succeed competing in such an uneven playing field. However, there is common agreement that a well organised Supporters Trust has many benefits in being involved in a football club.

In theory, the ownership of a football club by its supporters has obvious attractions. Through the principle of ‘one member, one vote’, members would have an equal say in important decisions, and could propose resolutions at general meetings of the club (Adams & Armitage, 2002). The involvement of supporters would therefore be reflected in and reinforced through a mutual constitution, with no conflict of interest between owners and supporters. In practice the questions still remains ‘Would the mutualisation of a football club improve its economic prospects?’ Given that only a very few clubs are currently flourishing in financial terms, with the majority operating on the edge of financial viability, this would seem to be an issue worth considering in more detail.

Chapter 3 presents the preliminary literature review on the issues of corporate governance focusing on the nonprofit sector. Several models of nonprofit governance relevant to this study are discussed. In addition, corporate governance practices within Germany and the football industry will be described, with a final section detailing the ‘50+1’ rule and licensing system the DFL currently have in place.

CHAPTER THREE - COMPARING NONPROFIT AND PROFIT GOVERNANCE STRUCTURES

3.0 Introduction

The objective of this chapter is to review academic literature on nonprofit governance that reveals different approaches and models employed by governance theorists to understand how these mutually structured organisations are governed. This theory will then be utilised by the researcher to identify governance structures evident within mutually owned football clubs (refer to objective 1). Theory discussed in this Chapter will inform the researcher as to what is classified as 'best practice' governance within nonprofit organisations in order to conceptualise a new governance framework for supporter owned football clubs (refer to objective 4).

The chapter is divided into five sections. The first section identifies the key differences between Corporate governance and nonprofit governance. The second section provides a detailed analysis of the six main models of nonprofit governance as mentioned in the wider academic literature. This section is then followed with a brief discussion on Sport Governance with particular reference to Ferkins et al., (2005) thematic schema of Sport Governance. The final two sections outlines and evaluates the governance issues, which exist in the English and German football industries.

3.1 Corporate Governance

Corporate governance developed as a subject within business, media and academic literature during the 1980s and 1990s, with concern over systems of governance engaging both the public and political sphere (Prabhaker, 1999). Blair (1995) outlined five factors that have been responsible for the development of corporate governance. These included the increased competitiveness of companies in Japan and Germany; the rise in hostile takeovers, leveraged buyouts and corporate restructurings; large increases in compensation packages for corporate executives; the continual process of downsizing to reduce operating

costs; and the breakdown of the Soviet Union and socialist economies in Eastern Europe (Blair, 1995).

The financial crises of Enron, WorldCom and Parmalat occurring at the beginning of the 21st century have stimulated the debates on coherent governance of companies. Recent debates relating to corporate governance have focused on the implementation of governance mechanisms designed to counter problems in corporate behaviour such as fraud, the abuse of managerial power and social responsibility (Letza et al., 2004). However, at a theoretical level, the requirement for organisations to be run in an accountable, transparent and responsible manner raises issues in corporate governance such as *‘What is the purpose of the corporation? In whose interests is the corporation run?’* *Who should control the corporation? How should they control the corporation?’* (Letza et al., 2004: 242).

3.2 A Comparison of Corporate Governance to Nonprofit Governance

Within the academic literature pertaining to nonprofit governance, the primary focus tends to be on the operation of the Board of Directors. McFarlan (1999) sought to differentiate the main characteristics between a Corporate Board and a nonprofit Board, these are summarised in Table 3.1. In order to highlight the main differences between a Corporate Board and a nonprofit Board, Drucker (1989) interviewed Executives who had gained experience of working on both types of Boards. His findings highlighted that one of the key differences between the two types of Boards was the focus on the planning process. Typically, the Board of Directors within a corporate organisation would set the strategic plan in conjunction with the company’s financial objectives. However, a nonprofit Board would set the organisation’s objectives around the fulfilment of their mission.

Table 3.1 - Differences between Corporates and Nonprofits

Aspect	Corporate	Nonprofit
Mission	Shareholder value through market capitalisation	Effective delivery of services to key constituents
Measure	Financial Performance	Financial and non-financial Measures
Leadership	CEO	CEO/Non Executive Chair
Board Composition	8-14 members, limited executive and nominations committee	Larger Boards catering for multiple constituencies. Active executive committee, with focus on qualitative aspect of mission
Board Members	Predictable profile -senior business professionals	Diverse profile, diverse roles, anti-social hours, high turnover, voluntary, often contribute financially.

(Source: McFarlan, 1999)

Furthermore, Drucker (1989) identified that nonprofit organisations tended to opt for a more highly functioning Board. There were several reasons stated for why nonprofits opt for a highly functioning Board:

- The appointment of a Chief Executive Officer (CEO) who is accountable to the Board
- An annual review process to monitor the achievement of pre-set targets
- A nonprofit Board do not have the same authoritative decision making responsibilities as a Corporate Board has.

Drucker (1989) argues that because nonprofit Directors are unpaid volunteers they are more likely to deliver increased personal commitment to the organisation than their Corporate counterparts. Jansen and Kilpatrick (2004) added to the debate by identifying the wide range of stakeholders nonprofit Boards have to deal with. The ability of nonprofit Boards in meeting their stakeholders' differing objectives is crucial to the overall performance of a nonprofit organisation. There appears to be little ambiguity, within the extant literature, as to the role of the Board within a for-profit business. Top Executives

and Board members work within tightly defined responsibilities with the agreement that they will be compensated for their time and personal liability to the business (Weitzner & Peridis, 2011; Branston et al., 2006).

3.3 Models of Nonprofit Governance

The multidisciplinary nature of corporate governance has led to the development of a range of theories that attempt to understand better how nonprofit organisations are managed and controlled. This section discusses six theories that try to make sense of issues linked with nonprofit governance. These include the traditional model of governance, policy governance model, executive centred governance model, stakeholder model, stewardship theory and the agency theory approach.

3.3.1 Traditional Model of Governance

One of the significant contributor's within the nonprofit governance literature is Houle (1997) who has produced comprehensive guidelines for the implementation of 'good governance' practices within nonprofit organisations. He has written extensively for the need of clear boundaries on role responsibility between the nonprofit Board and general management. Houle (1997) calls for the distinction that a nonprofit Board is there to oversee governance and set policies for effective operational management.

Houle's (1997) provides thorough guidance to practitioners on the composition of nonprofit Boards with a strong emphasis on appointing both outside expertise and diversity. Promoting diversity amongst Board members can be achieved through a mix of demographic backgrounds as well as functional expertise, highlighting that expertise was '*often required in personnel policy, financial management, investment, public relations, fundraising, legal matters, and political contacts*' (Houle, 1997:35). He states that diversity can be the most beneficial element to a successful and effective nonprofit Board. However, Houle (1997) reiterates that a diverse nonprofit Board must have a shared belief and commitment to the core values and beliefs of the organisation to succeed.

Hoye (2002) criticised Houle's (1997) model on his view that the nonprofit board should have sole responsibility for the organisations strategic direction. However, further criticism favouring Hoye's viewpoint has been limited due to the successful implementation of Houle's (1997) model by a large number of nonprofit Boards (Heimovics & Herman, 1990; Middleton, 1987). Furthermore, Fletcher (1999) argued that Houle (1997) had acknowledged that Board members and general management within a nonprofit should and would collaborate with one another.

3.3.2 Policy Governance Model

Carver (1997) suggests that nonprofit Boards should be referred to as a 'special kind of management' due to the high level of volunteerism amongst Board members. He also suggests that the key difference of a nonprofit Board is that of role definition with the Board being principally responsible for overseeing that the main functions within the organisation are managed effectively. Their role is not one of actually undertaking these tasks but ensuring that the right people are employed to run the business on a day-to-day basis. Despite these clear distinctions Carver (1997:16) states that '*management is management even when it is governance*' illustrating that the Board and general management of a nonprofit organisation are all instrumental to its long-term success. Several features unique to Carver's (1997) policy governance model are:

- Accountability is the primary responsibility of the Board.
- Board members must embrace the diverse and inclusive principal embedded in the organisations mission.
- Individual Board members have different areas of responsibility but operate collectively.
- Individuals within the Board will have more authority over their particular area of expertise and will tend to need approval from a Board majority.

- Due to the part-time and voluntary nature of nonprofit Board members, they tend to be physically removed and operate remotely from the main management structure of the organisation.

The overriding expectations of Carver's (1997) policy governance model is for the nonprofit Board to share in the organisation's strong vision and values and to ensure the members are both proactive and strategic in their approach to achieve these values. A further expectation from the model is for the Board to focus on achieving business outcomes and build robust external stakeholder relationships into the business. To meet these expectations Carver (1997) suggests that Board members need clear clarification on their roles and main disciplines in order to promote a culture of diversity and unity within the organisation. Furthermore, he emphasises the importance of voluntary Board members practising prudent time management by prioritising the importance of tasks and determining required inputs to achieve these tasks as efficiently as possible.

Finally, Carver (1997) argues that Board's primary focus should be on policy rather than structure. These policies should address the following issues:

- Achievement of the organisations strategic goals.
- Limitations are put in place on staff and management to achieve these goals.
- Clarifications on power sharing are stated between the Board and management.
- The inclusion of external stakeholder interests within the organisation's strategic direction.

The two models discussed so far have both agreed that the overall authority falls to the nonprofit Board in order to achieve organisational outcomes. The key difference being that Carver (1997) recognises that general management would have sufficient influence on the Board with regards decision making, whereas, Houle (1997) feels the Board alone makes the key decisions but would negotiate with general management how these decisions would be achieved.

3.3.3 Executive Centred Governance Model

Hoye (2002) believes that an Executive (CEO) is employed to undertake a central leadership role on the Board. The CEO would be responsible for effectively delegating tasks to individual Board members to achieve agreed strategic outcomes of the business. Hoye (2002) refers to his theory as a 'Reality Model' and feels his model best reflects 'real' governance practices, which are embedded within nonprofit organisations via working relationships between management and Boards.

Hoye's (2002) model reaffirms Herman and Heimovics's (1990b) research, which also highlighted that the appointment of a CEO was paramount in the effective leadership of a nonprofit organisation. Furthermore, Herman and Heimovic (1990b) state the CEO needs to exercise 'Board-Centred Leadership' within the Boardroom and there is an overall acceptance from the Board members of the CEO's overall authority. However, they do state that they are not advocating the CEO holds a dominate position within the Board. Herman and Heimovic (1990b) recognise how a Board can collectively contribute to the organisations strategy. Their empirical study concludes by stating that the CEO of a nonprofit must recognise and instigate their central role and responsibility in order for the Board to function effectively.

Another model of nonprofit governance which is Executive centred was presented by Block (1998) who also sees this Executive as the focal point for both strategic and operational issues. He argues that the CEO is crucial for the overall performance of the Board and the organisation. Block (1998) recommends that the CEO should ascertain the personal experience and attributes of each Board member in order to utilise their skills appropriately. However, Fletcher (1999) argues that in reality Block's (1998) reliance on the CEO as the driving force for organisational performance is not practical due to the time constraints of this individual. Fletcher (1999) also criticises Block's (1998) presumption that Board effectiveness emanates itself from one Executive Director.

3.3.4 Stakeholder Models

Another approach to nonprofit governance was the concept of inclusivity with external stakeholders to the organisation (Brown, 2002). This inclusive approach originated from Stakeholder Theory and indicated that nonprofit Boards should make a concerted effort to work towards the best interests of their key external stakeholders. Brown (2002) states that a lack of inclusivity can result in the Board misinterpreting the needs of their constituents and can result in the implementation of irrelevant organisational policies. Instead, nonprofit Boards should view an inclusive approach within their organisation as critical for successfully engaging their constituents. However, several academics have recognised that due to the wide range of stakeholders who engage with a nonprofit organisation, the Board have a difficult task in identifying common ground within a complex and diverse range of interests (Freeman, 1984; Herman and Renz, 1998). Brown (2002) states that a nonprofit Board needs to implement systems in order to manage and evaluate their external stakeholders' requirements and provide the ability to encourage a continuous communication flow. Brown (2002) argues that if these policies and procedures are effective then a nonprofit organisation will benefit from an inclusive Board.

Taylor et al., (1996) have a different view on how a nonprofit Board can promote inclusivity, which also moves away from Houle's (1997) traditional model of governance. They suggest that Boards members and the CEO should make a conscious effort to meet their key external stakeholders in person and form a working relationship in order to understand their issues. In addition, to this open accessibility approach there needs to be a shared partnership between general management and the nonprofit Board on important issues, policy making and implementation within the organisation. Taylor et al., (1996) also suggest that an alternative to recruiting outside expertise on the Board, which can lead to unwieldy numbers, is to consult with appropriate experts as and when an issue arises. Finally, the authors recommend that the nonprofit Board should focus purely on strategic priorities and assemble functional committees with multi-disciplinary members to oversee

the management of the business. These functional committees or operational units will have overall responsibility on operational decisions allowing the Board to focus on the strategic issues of the business.

3.3.5 Stewardship Theory

Herzlinger (1994) provides a prescriptive approach to stewardship theory within nonprofit organisations and produces a detailed analysis of what the role of the Board should be. Herzlinger (1994) recognises the fact that in reality nonprofits do suffer from the lack of relevant corporate governance regulation, which can influence the strategic and operational side of a nonprofit business. She highlights that nonprofit Board members could splinter into two camps as a result of working under these difficult and challenging market conditions. One problem is the feeling amongst some Board members that they feel that they do not possess the appropriate technical or professional expertise to manage their duties and responsibilities effectively. Alternatively, the other problem area is that some Board members who hold a more distant and advisory role, can feel impelled to become more involved which in some cases can be perceived as interfering.

Both of these resulting problem areas occurring within the Board would be detrimental to the overall organisational performance. Thus, Herzlinger (1994) proposes that nonprofit Boards should address three key areas, which need to be implemented and measured to ensure the Board do not adopt a dichotomous approach. Firstly, nonprofit Board Members need to ensure that there is a consistent strategy set between organisational outcomes and financial resources available. Secondly, the Board produces a Business Plan which promotes a balanced approach towards the achievement of short term and long term goals and vice versa. Thirdly, the pursuits of these organisational goals are achieved by the sustainable application of available finances and resources in order to safeguard the future of the business. According to Axelrod (1994) the performance indicators highlighted by Herzlinger's (1994) study reaffirms the 'stewardship' role of a nonprofit Board.

3.3.6 Owner Accountability - An Agency Theory Approach

A prominent issue highlighted in the literature is that of deciphering what the purpose of the nonprofit organisation is and to whom the Board is primarily accountable. With the emergence of an ever-increasing number of commercialised nonprofit organisations strongly geared towards marketing, fundraising and cost containment has portrayed the perception that the main purpose is to be financially responsible. Moreover, this misconception can be elevated further following recruitment of professional business management onto the Board or General management team. For this reason, Carver (1997) states the importance of setting a clear identity, purpose and ownership structure from the formation of a nonprofit.

Carver (2003:4) determined that *'a governing Board exists so that the governed organisation will be owner-accountable'* and that *nonprofit Boards are a social construct formed for 'absent owners or present owners who exercise group authority'*. Carver (2003) identified several principles that define the term 'ownership-accountability,' these were as follows:

Ownership Identity – The identification of ownership needs to be clarified or stated clearly for internal and external stakeholders to understand. Early identification is deemed important to diminish the possibility of staff or Board members acting as 'counterfeit owners' of the organisation. Carver (2003) recognises that this identification might be difficult especially if the nonprofit organisation has been formed as a 'membership association' (i.e. a Sports Club). Despite Carver (2003) recognising the difficult task of identification reiterates the importance of defining who the owners are but offers little guidance as to how to achieve this.

Ownership linkage – However tenuous there needs to be some linkage between the nonprofit Board and the organisation's Owners. This connection could be achieved either

through direct contact between the Board and the owners or via a ‘gentleman’s agreement’ between the two parties as to what their main duties and responsibilities are.

Linkage content – An open line of communication needs to be formed between the Board, management, staff and ownership, which is both informative and if called, for free of accountability among the different parties.

Synthesis - The nonprofit Board must be able to manage and take into consideration a multitude of views and interests from its members (owners) when making strategic decisions and common organisational goals.

Agent latitude – An agreement needs to be made to identify the scope of governance capabilities the nonprofit Board possess and will action on behalf of the owners. In practice, nonprofit Board members need to be better informed than the organisation’s owners and be able to apply this knowledge where appropriate.

Effecting/Correcting – A system needs to be initiated by the nonprofit Board in order to translate the organisational values and mission into successful performance.

Whilst Carver’s (2003) concept of ‘ownership-accountability’ is applicable and relevant to nonprofit governance there is a lack of facilitation for practitioners to operationalise this concept. Taking into consideration the complexities of ownership identification within nonprofit organisations, organisational identity has been highlighted in the academic literature as a useful alternative. Young (2001:265) definition of organisational identity is *‘what is central, distinctive, and enduring about an organisation.....when discussion of goals and values becomes heated, when there is deep and enduring disagreement or confusion, someone will ask an identity question: ‘Who are we?’ ‘What kind of business are we in?’ or ‘What do we want to be?’* Therefore, it can be argued that organisational identity is one of the fundamental theoretical frameworks underpinning nonprofit

governance and once again highlights how important it is for nonprofit Board members to understand and clarify the primary existence and accountability of the business.

The main themes identified within each of the six nonprofit governance models discussed are illustrated in Table 3.2. Table 3.2 also states the expertise required of Board Members to successfully implement the differing models within a nonprofit organisation and what their main roles would be.

Table 3.2 - Models of Nonprofit Governance

Theory	Characteristics	Board Members	Board Role
Traditional Model of Governance	The owners of an enterprise (the principal) and those that manage it (the agent) have different interests.	Owner Representatives	Compliance/Conformance: Safeguard owners interests Oversee management Check compliance
Policy Governance Model	Accountability is the primary responsibility of the Board.	Elected Board Members Professional Experience	Overseeing the functions within the Business are being managed effectively. Strategic in their approach.
Executive Centred Governance Model	The appointment of an Executive (CEO) to undertake a central leadership role.	CEO Elected Board Members	Resource Dependency Theory 'All hands on deck' approach to task allocation
Stakeholder Model	Organisations responsible to a range of groups in society not just 'owners'.	Stakeholder representatives: elected or appointed stakeholder groups.	Balancing stakeholder needs: Make policy/strategy Control Management
Stewardship Model	Owners and Executives seen as partners.	Experts	Improve Performance: Add value to top decisions Strategy Partner Support Management
Agency Theory Approach	Tendency for Managers to act in own interests rather than in the interests of the principal owner.	Elected Board Members CEO	Monitor/Oversight Performance Based Compensation

The chapter will now focus on corporate governance issues surrounding sport organisations and football clubs in England and Germany.

3.4 Sport Governance

Ferkins and Shilbury (2012) state that one of the main influences affecting modern day sports organisations are the issues surrounding corporate governance. These issues have come to fruition in recent times due to the transition of sports organisations from an amateur/volunteer structure to a more professionally managed entity catering for the needs of a more sophisticated sport marketplace. Hassan and Hamil (2010) argue that until recently key stakeholders involved in the management of professional sport clubs have possessed a relatively straightforward understanding of corporate governance. Essentially, this has meant that *‘professional sports clubs have remained under the ownership of private companies or mutual associations and that these entities appropriately reward athletes of varying abilities for their role in delivering a sporting product’* (Hassan & Hamil, 2010:344). As a result, professional sports organisations have adopted governance systems, which deviate from normal business practices.

Hassan and Hamil (2010) claim that sports clubs do not seek to ‘profit maximise’ with a majority of sports organisations reluctant to classify themselves as part of the ‘entertainment business’. However, the authors argue that sports clubs do provide a level of entertainment through the participation in various sporting competitions. Hassan and Hamil (2010) highlight that the key objective of most clubs still remains the achievement of ‘on-field success’ irrespective of the level of competition. This pursuit of ‘on-field success’ has seen many sports clubs adopting a business approach which has encouraged them to ‘live beyond their means.’ However, in the past this risky business strategy involved reasonably low financial stakes that did not affect the overall equilibrium within the sports industry and meant that the game followed a predictable course.

In recent times, the changes in sport management (e.g., the shift from a committee or council of representatives to a modern Board of Directors, the introduction of paid Executives, player payments, increased income and expenditure, media scrutiny and a wider range of stakeholders) have presented major strategic issues to those responsible for governing sport organisations. Governance for many involved in the sport sector has been an invisible process something that occurs as a matter of course. It is not until an organisation encounters difficulty that the spotlight is focused on this aspect of sport management. While the status and legitimacy of the group charged with governing the organisation remains the professionalisation of many sport organisations and has signalled significant change for the work of the Board in governing the organisation. As a result there has been a plethora of academic research published on the role of a nonprofit Board responsible for a sports organisation (Hoye & Doherty, 2011; Michie, 2000) governance implications working within this industry (Farquhar et al., 2005; Cuskelly et al., 1998; Inglis, 1997) and how to achieve organisational effectiveness through sustainable governance practices (McDonald & Sherry, 2010; Ferkins & Shilbury, 2012; Hoye, 2011). Taking into consideration the main purpose of this study the researcher identified that the work of Ferkins et al., (2005) was the most relevant to this research's findings and formed a crucial part of the development of a new framework (see Chapter 9).

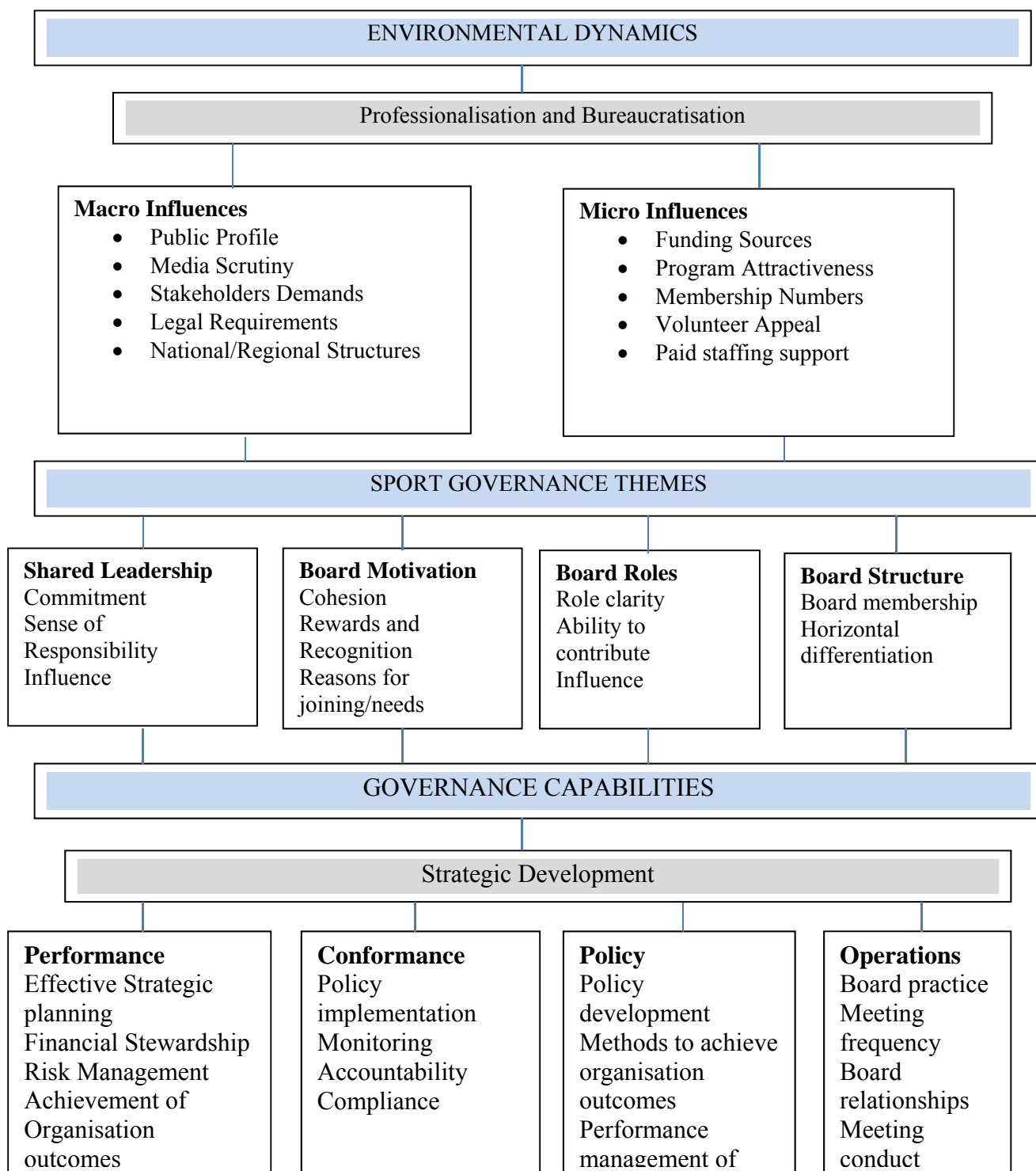
Figure 3.1 (see page 51) presents the thematic schema of sport governance from Ferkins et al., (2005). The author's framework present three main elements of sport governance: environmental dynamics, sport governance factors and ultimate governance capabilities. Ferkins et al., (2005) feel that it is appropriate that sport governance be placed in the context of environmental factors (environmental dynamics) including macro influences external to the organisation and the micro influences internally related and specific to sport (i.e. volunteer appeal, membership numbers and funding sources). In signifying their importance, professionalisation and bureaucratisation appear as the connecting influences across macro and micro factors. The second tier of the schema presents the sport

governance factors that act as antecedents in building capability and centre largely on shared leadership, Board motivation, Board roles and structure. The interaction of environmental circumstances and sport governance factors lead to potentially effective governance outcomes. Governance capabilities have been identified as performance, conformance, policy and operations and are connected by the umbrella notion of strategic development. Ferkins et al., (2005) attempted to create a framework, which brought together current literature in the sport governance field. In doing so they have produced a meaningful structure to provide an understanding of the interactions surrounding sport governance and the mechanisms by which sport governance might be improved. This framework sensitised the researcher to sport governance issues providing theoretical awareness during the data analysis stage of this study which led to the production of a new framework for supporter owned football clubs (refer to research objective 4, Chapter 9, page 217).

Sport governance literature, especially in the last few years, addresses issues of practice. In particular, it provides a deeper understanding of the relationship between volunteer Board members and the paid Executive in terms of shared leadership and perceived influence (Barbetta et al., 2001; Block 1998; Middleton, 1997). There is consensus in the literature about the increasing centrality of the paid Executive in governance decision-making but some argue as to whether this is a positive or negative influence on organisational effectiveness (Carver, 2003; Cuskelly et al., 1998; Heimovics & Herman, 1990). The motivation to serve on a Board and the needs of Board members sheds some light on the characteristics of people involved in such critical roles as do questions of Board structure and roles. There are also connections that can be made between findings from the sport governance literature and the question of Board strategic capability (Weitzner & Peridis, 2011; Wajeeh & Muneeza, 2012). The research on shared leadership indicates diminishing responsibility for strategic development by the Board (Branston et

Figure 3.1 – Thematic Schema of Sport Governance

Source – Ferkins, et al., (2005)



al., 2006; Vidovich & Currie, 2012; Stone & Ostrower, 2007). The research on Board motivation suggests that in order for Board members to be active strategically their needs must be met in some way (Li & Srinivasan, 2011; Pergola & Joseph, 2011). From Shilbury's (2001) work on role definition, there is evidence to suggest that the strategic role of the Board is blurred between the Board and the Chief Executive. While sport governance research has not directly considered the structure variable, other research on Board structure confirms the importance of the partnership between structure and strategy (Pettigrew & McNulty, 1995). The next section focuses on corporate governance issues within the football industry, with particular reference to English and German clubs.

3.5 Corporate Governance Issues within the English Football Industry

For a century, rule 34, of the Football Association (F.A.) had prevented Directors of clubs receiving a full time salary. No one could derive a major income from owning football club shares (Jones & Wicks, 1999). Dividends were restricted to 5% of nominal share face value and a football club was protected from having its assets stripped if wound up. This rule prevented clubs from being run from a profit maximisation perspective and existed to ensure that the sports related requirements of clubs remained paramount (McMaster, 1997; Syzmanski & Hall, 2003). However, from the mid-1980's onwards some clubs contrived to bypass Rule 34 by establishing holding companies that were they floated on the stock exchange. Dividend payments could then be as high as Directors saw fit (Fama & Jensen, 1983). This 'side stepping' of League regulations has both led to an increased emphasis on the profit motive and has made such clubs vulnerable to asset-stripping.

3.5.1 Fit and Proper Tests, Owners and Assets

The wellspring for the Fit and Proper Persons Test being introduced was increasing concern about the conduct of Directors at clubs. Premier League rules D2.3-D2.11 and Appendix 4 of the Football League rules contain what is popularly referred to as the 'Fit and Proper Persons Test' and contain further prohibitions on specific classes of prospective

club owners and Directors (Supporters Direct, 2011). The rules of the two Leagues are broadly similar and aim to prevent people who do not have the necessary integrity from holding key positions in football clubs (All Party Parliamentary Inquiry, 2004).

Martin (2004) highlights that a major problem of the test is that previous convictions or cautions that are deemed to be incompatible with involvement in club ownership or directorship are not taken into consideration. However, whilst they prevent those with certain relevant criminal convictions from becoming owners, they do little to prevent those with unethical goals. Brown (2008) argues, this is because of the absence of a more subjective, proactive regulation it leaves little by deterrent and the tests do little to probe the intentions of prospective owners, nor their abilities or the realism of their plans. Furthermore, by couching the behaviour predominantly in terms of morality or criminality, it fails to address a much larger danger to clubs where owners undertake legal behaviour to asset-strip them, either as part of a pre-defined plan, or more often, as an exit strategy after a ruinous experience brought on by the financial instability.

3.5.2 Financial Administration

Until recently, a common response of clubs to their financial problems had been to enter administration. Over the last 29 years there has been 57 instances of clubs entering insolvency proceedings, with four clubs doing so twice (Schleifer & Vishny, 1997). Furthermore, 25 of these clubs have entered administration since 2000 (Deloitte, 2004). This equates to nearly two thirds of all football league teams. However, not one of these clubs has been wound up or ceased trading. Chester City FC were the only football club to be officially liquidated in March 2010. Clubs have either entered administration either involuntarily (i.e. creditors have forced the courts to issue an order) or voluntarily (i.e. administration has been seen by the club as part of a recovery strategy). That some clubs voluntarily chose administration angered some who believed that clubs used this as an easy way to 'wipe the slate clean' of creditors after mismanagement (McMaster, 1997).

According to Lord Mawhinney, ex-Football League Chairman (2003), this was leading to *'unhappiness among league clubs who are working hard to pay what they owe. Many clubs feel that others are gaining a competitive advantage shedding tax bills, etc. and emerging free to spend money'* (Emery & Weed, 2006). Mawhinney went on to state that this was a dubious practice that was doing irreparable harm to the good name of football, as the public already has a perception that football and football clubs are poorly run. Consequently, the Football League introduced sporting sanctions to deter clubs from entering administration that took effect from the beginning of the 2004/2005 season (Szymanski, 2001). Firstly, any Football League club falling into administration is deducted 10 league points. Secondly, clubs are unable to enter two successive seasons in administration and the maximum length of any club's administration is 18 months. In December 2004, League One club Wrexham FC became the first club to suffer a 10-point penalty when they entered administration.

Notwithstanding the new League sanctions against entering administration, doing so has provided the means for many clubs to survive (Fama & Jensen, 1983). Administration enables clubs to establish sustainable financial business plans, often after having forced existing owners and directors to leave, which many may not have done otherwise. Often administration has forced clubs to adopt better business planning and to become more prudent and in some cases has allowed fans more influence within clubs through Supporters' Trusts (Schleifer & Vishny, 1997). Administration is a legally legitimate form of recovery method by clubs. It remains to be seen whether League sanctions against such methods will ultimately lead to the collapse of more clubs as they struggle to avoid administration. The following sections will focus on prevalent governance issues within German football.

3.6 Corporate Governance Issues within the German Football Industry

Different systems of governance exist in Germany according to the different ownership structures of professional football clubs. For listed companies corporate governance systems are designed to protect shareholder and stakeholder interests by ensuring adequate levels of transparency, accountability, competence and corporate responsibility (Franck & Dietl, 2007). Moreover, corporate governance principles in Germany include legal regulations and arrangements regarding the distribution of high-level decision-making rights in a company (Schwarz, 2008). Corporate governance is fundamentally about the distribution of decision and control rights, governing and monitoring management, influencing business policy, and the formal organisational structure. The main elements of the governance structure of German football clubs are the members' meeting, the electoral committee, and the supervisory and management Boards (Frick & Prinz, 2006).

Lago et al., (2006) highlight that despite the peculiar governance structure of German football, which helps prevent integrity problems resulting from multiple club ownership or from ownership by 'undesired' persons or entities, the structure does come at a price. Lago et al., (2006) argues that in the 'vacuum of power' generated within large member associations, residual rights of control are by law allocated to representatives who do not hold residual claims. Due to the fact these representatives outsource substantial parts of the risk associated with investment decisions they are particularly ill suited for managing the business or professional football, that has been transformed into a 'gamble on success' by ever increasing revenue differentials between winners and losers (Franck & Dietl, 2007). Furthermore, Brase and Reichart (2005) claim that the low accounting standards for members clubs, combined with 'soft' law enforcement can result in elected club representatives able to become less unaccountable for their business practices. This could lead to mismanagement becoming unnoticed until it is has become too late to deal with.

3.6.1 Governance Regulation

The licence requirements for German clubs include several governance criteria that applicants have to meet. These include the requirement that limited companies have to be majority controlled by the parent club (members' association). There are also specific criteria that address the competence of the business management team, ranging from financial education to experience in accounting and media matters (Bundesliga Report, 2012). In addition, members' associations must ensure in their statutes that the members elect the Chief Executive of the Board and all of the management Board's members. Licensing regulations outlines guidelines regarding the responsibilities, voting rights and general management of the different elements of the club's governance structure, e.g. for the member's meeting and the management and supervisory Board. In this context, the members' meeting is defined as the highest institution of the club. Most clubs have a Supervisory Board overseeing the Management Board as recommended by the licensing regulations. The Deutsche Fußball Liga (DFL) has reported a growing level of professionalism within the clubs, as experience in business administration and amounts spent on personnel are increasing (Bundesliga Report, 2011).

Even though compliance with the German Codex would be a step forward for professional football clubs, there remains plenty of scope for individual interpretation in terms of information flow and control (v.Werder, 2002). Breuer (2007) highlights that this interpretation can affect the level of co-operation between members and result in different management Board structure's among clubs. The examples given here show that by itself the implementation of a particular governance system alone cannot bring positive effects unless the controlling body also takes action. DuPlessis (2004) argues that the co-operation between the supervisory and management Boards and the need for them to consist of qualified members is fundamental to the club's sporting and financial success. Hence, the framework set by the DFL and the German Codex has been useful in improving the governance of football clubs. As recommended in the OECD Principles of Corporate

Governance, stakeholders, like sponsors, creditors and supporters, should also have the opportunity to influence governance and performance actively through the supervisory Board (Franks & Mayer, 2000). Overall, the Deutscher Fußball Bund (DFB) and DFL are now following a more active approach regarding the governance of football clubs (Conn, 2012; Schmidt, 2003).

3.6.2 The '50+1' rule

The '50+1' rule has a large impact on ownership rules, governance structures and financial regulations within German football. One requirement a club must fulfil to be granted the DFL license is that the club ownership structure must be in accordance with the DFB statutes (Grass, 2005). Grass (2005) states that the fundamental difference between the basic regimes governing other European stock companies to football clubs is the strict rule on majority shareholdings imposed by the DFB. He highlights that the co-existing members' associations/parent football clubs have to retain the majority shareholding of the newly separated limited companies, which means the majority of votes (50% plus one vote) have to be held by the parent company (members' association). Usually the limited companies are the licensees of the DFB. This regulation reflects three objectives:

1. To safeguard the influence of the parent club on the affiliated company in order to avoid additional influences from creditors, lenders (mostly banks), minority shareholders or a takeover.
2. Intends to prevent a distortion of sporting competition. The two exceptions to this regulation involve enterprises that have sponsored a football club for more than twenty years prior to the 1st January 1999 or who only own shares of the subsidiary company directly or together with the parent company.
3. Bayer 04 Leverkusen GmbH is therefore a 100% subsidiary of the Bayer group as is VFL Wolfsburg GmbH of Volkswagen.

The '50+1' rule has always been questioned, but extra pressure has recently been added after a minority of club officials, backed by potential outside investors, started pressing for an easing of the system in favour of a more attractive and competitive marketplace for potential outside investors (Wagner, 1999; Kupfer, 2007; Chaker, 2004). Franck and Dietl (2007) suggests that the '50+1' rule is the primary reason why external investors are simply not interested in the Bundesliga as they would only have negligible influence in the decision making process of the club. Franck and Dietl (2007) also suggests that the '50+1' rule puts German clubs at a competitive disadvantage in the European marketplace in both financial and sporting terms. However, Dietl and Franck (2000) highlight that clubs who have incorporated their professional football department are still not required to follow governance regulations of typical corporations, which can lead to a 'governance vacuum'.

3.6.3 Critique of '50+1' Rule

The current debate about the '50+1' rule is obviously a delicate issue for the German football authorities (Frick & Prinz, 2006; Holt, 2003; Koester & Juergens, 2008). The newly elected League President, Reinhard Rauball, is sceptical about change and points out that any repeal of the rule would be final, leaving the Bundesliga open to risks like shareholders losing their interest and transferring their shares to third parties without anybody knowing (Bundesliga Report, 2006). He is also concerned about the effect this would have on the League as a whole and as well as criticising the English system has suggested that these issues would have to be discussed carefully with consultants and the parties pushing for change. Hence, in March 2008 a meeting where the '50+1' rule was critically discussed took place between representatives from all the 36 professional football clubs and the DFL (Kicker.de, 2008; Goal.com, 2009; Sport1.de, 2009 [online]). In 2008 the majority of the 36 professional clubs were in favour of the '50+1' rule and any future changes will have to be supported by a two-thirds majority. Brase and Reichart (2005) state that there is additional pressure on the ownership structure of members' associations and the '50+1' rule arising from Russian investors, who have expressed interest in football

clubs in the former East Germany owing to their poor financial and sporting position. There are currently no former East German clubs in the Bundesliga 1 and the former East German clubs present in the Bundesliga 2 are in relegation places, while those in the Regionalliga are struggling to gain promotion (Deloitte, 2012).

3.7 Conclusion

There has been a significant emphasis on the organisational theories underpinning much of the thinking on nonprofit governance. Agency theory was the predominant construct in much of the literature on for profit governance and there is debate as to its relevance in the nonprofit arena. However, due to its emphasis on mission and monitoring, particularly where professional management is employed, its relevance was demonstrated through its discussion in the Miller-Milleson (2003) and Brown (2005) models. Stewardship theory presented an alternative view of management actions and the resultant necessary focus for governance. Institutional and Resource Dependency theory underpinned studies on critical Board tasks while Stakeholder theory broadened the governance sphere of accountability.

This chapter examined literature on nonprofit governance and sport governance, which has demonstrated that sport governance research has begun to address critical environmental issues such as challenges to decision making, the demands of multiple stakeholders, the changing environment and Board leadership. A consideration of the mature bodies of knowledge in the corporate and nonprofit governance literature as well as selected aspects of organisation theory highlights relevant theoretical influences for football contexts. These influences focus on concerns around ownership and control of corporations and probe issues such as manager dominance and control of the shareholder interests. National sport organisations too are grappling with the growing dominance of management involvement in governance, signalling a potential retreat by volunteer Board members who have traditionally been elected to protect the interests of membership. Naturally, an incoming CEO of a national governing body will be interested in the commercial basis of

the sport and will look to opportunities to generate revenue to sustain and develop existing and new programs. The CEO inexperienced with the sport environment might not be able to balance commercial interests against the interests of the membership at large, which includes the way in which strategic decisions are made. If, as the literature suggests, volunteer Board members are ceding control to paid professionals, this potentially leaves the interests of the membership-at-large, unattended. The nonprofit literature has also helped identify the additional complexity faced by nonprofit Boards in achieving organisational outcomes.

Interestingly, the literature review of the German model highlighted that prior to 1998, all German football clubs were structured as member associations, which was a structure all the clubs had adopted from formation. However, through growing pressure amongst the football clubs that this structure was limiting their ability to successfully compete on the pitch and against their European counterparts' legislation was revised. Since these revisions, German football has seen the introduction of the '50+1' rule which still protects the ethos of football clubs remaining under the ownership of supporters but has enhanced the ability of the football club to attract outside investors. German football clubs have not seen the rise of foreign owners wanting to be involved in the Bundesliga due to the '50+1' rule not allowing them to become the majority shareholder. As with all regulations several clubs, have found loopholes in the system or have received special dispensations to pursue alternative financial arrangement. In reality, most German clubs have decided to separate their football business away from the member association in order to make investment more attractive. To conclude, Ferkins et al's. (2005) thematic schema of Sport Governance, presented on page 51, helped to inform this study by sensitising the researcher to the complexities sport organisations need to consider in order to enhance their governance capabilities. The next chapter (Chapter 4) presents the methodological approach the researcher undertook for this thesis.

CHAPTER FOUR – METHODOLOGY

4.0 Introduction

This chapter gives a detailed account of why this particular research approach and techniques were chosen, highlights the ontological and epistemological standpoint of the researcher and considers any ethical issues that arose. In order to achieve this, the first vital component is to define what exactly a methodology is. For the purpose of this thesis, methodology is defined as a *‘term which refers to the overall approach to the research process, from the theoretical underpinning to the collection and analysis of data’* (Hussey & Hussey, 1997:54). There is common agreement amongst social scientists that methodology is the study of method (Crotty, 1998; Blaikie, 2010). It is important for all researchers to study method to find their own way in doing research (Saunders et al., 2000). The purpose of method is to address the research questions and achieve the research objectives set by the researcher (Denzin & Lincoln, 2003). Method assumes a systematic approach to the study of the subject. The reliance on method is a product of the enlightenment and the success it brought to science (Saunders et al., 2000).

It is important to distinguish between the methods or techniques of researching a particular question and the principles underlying why such methods are used and how they are interpreted (Crotty, 1998; Blaikie, 2010). It is this latter area that will be addressed initially, leading on to which methods have been chosen, so the methodology will encompass the researcher’s philosophical viewpoint right through to the analysis of the data collected.

4.1 Quantitative & Qualitative Research

From the start of this research project, a choice needed to be made on whether to utilise a qualitative (inductive) or quantitative (deductive) method for this study. Table 4.1

Table 4.1 - Differences between Deductive and Inductive Approaches to Research

Deduction emphasises	Induction Emphasises
<ul style="list-style-type: none">• Scientific principles• Moving from theory to data• The need to explain causal relationships between variables• The collection of quantitative data• The application of controls to ensure validity of data• The operationalization of concepts to ensure clarity of definition• A highly structured approach• Researcher independence of what is being researched• The necessity to select samples of sufficient size in order to generalise conclusions	<ul style="list-style-type: none">• Gaining an understanding of the meanings humans attach to event• A close understanding of the research context• The collection of qualitative data• A more flexible structure to permit changes of research emphasis as the research progresses• A realisation that the researcher is part of the research process• Less concern with the need to generalise

(Saunders et al., 2000:91)

illustrates the major differences a researcher needs to take into account when choosing a deductive, inductive or mixed-method approach to their research. Creswell (1994) suggests a number of practical criteria. Perhaps the most important of these is the nature of the research topic. A topic of which there is a wealth of literature from which you can define a theoretical framework and a hypothesis lends itself more readily to the deductive approach. With research into a topic that is new and exciting much debate, and on which there is little existing literature, it may be more appropriate to generate data and analyse and reflect on what theoretical themes the data are suggesting. It is the latter, which is most appropriate to this research as the topic of football governance, and moreover ‘Supporter Ownership’ is relatively new in this specific context and not comprehensively understood. Yin (2003) argues that this is a legitimate reason for doing case study research

to understand the ‘why’ questions, for example fans motives and reasons for taking over their football club.

Strauss & Corbin (1990:19) state that qualitative methods can ‘*give the intricate details of phenomena that are difficult to convey with quantitative methods*’. Consequently, the researcher decided to base this study around a qualitative research design that was consistent with the research’s objectives (Blaikie, 2009, Creswell, 2009; Flick, 2009). Furthermore, the decision made to adopt a qualitative research design was based on the notion this method could better capture the diversity that exists in sport and help gather new data differently to create new governance designs (Carver, 1997).

Ferkins et al., (2005) state that future research in the area of nonprofit governance in sport should seek to understand governance designs in response to changing environmental conditions and examination of the strategic activity by the Board. Ferkins et al., (2005) also recommend that qualitative research methods should be utilised by researchers seeking to probe such issues within nonprofit sport organisations. As a consequence, the researcher’s chosen inductive method was seen as a different approach to existing quantitative studies to qualitatively understand the nature of governance within professional football. Applying the qualitative method to this study would produce findings for the researcher to identify webs of relationships and underlying beliefs and values more efficiently (Miles & Huberman, 1994; Saunders et al., 2003).

The literature review (see Chapters 2 & 3) found both methods were prevalent in the wider corporate governance literature (Houle, 1997; Herman & Heimovics, 1990b; Holland & Jackson, 1998; Carver, 1997; Bradshaw, Murray & Wolpin, 1992; Herman & Renz, 1998). However, there have been very few qualitative studies of governance strategies of nonprofit football clubs (Brown, 2008; Emery & Weed, 2006; Chadwick et al., 2008). Most studies conducted to date have been either longitudinal, quantitative studies or conceptual papers on key topics within the research field (Football Governance Research

Centre, 2001-2006; Emery & Weed, 2006; Kennedy & Kennedy, 2007; Farquhar et al., 2005; Adams & Armitage, 2002).

The main focus of this research was to understand mutual ownership within football clubs, critically evaluate their governance practices and evaluate the organisational management implications for clubs' operating as a mutual. The research objectives in this study arose from a deeper understanding of the mutual business model in the wider business context and within the football industry. The research objectives are as follows:-

1. To identify what mutual business models exist in the organisation of football clubs.
2. To consider the role of mutuality in a football club's long term sustainability.
3. To critically examine which governance structures are the most appropriate for mutual football clubs to operate effectively.
4. To develop a governance framework for supporter owned football clubs.

In addition, an appreciation of the wider governance literature and subsequent identification of poor governance practices within football clubs, helped shape this study's final research objectives.

4.2 Ontological Considerations

Burrell and Morgan state that '*all theories of organisation are based upon a philosophy of science and a theory of society*' (1979:1). As such, researchers draw upon a '*frame of reference which reflects a whole series of assumptions about the nature of the social world and the way in which it might be investigated*' (Burrell and Morgan, 1979:10). This emphasises that philosophical assumptions underpin research methodology and have implications on the choice of research method. Although philosophical assumptions are often not made explicit within a piece of research, they provide the foundation supporting the use of particular research methods and as such, are fundamental to understanding the context in which research is carried out. Easterby-Smith et al., (2008) outline a number of reasons why an understanding of philosophical issues is useful when conducting research.

Firstly, the researcher can recognise the strengths and limitations of particular research designs. Secondly, they can adapt their research design to meet the constraints of a particular circumstance. This thorough understanding of the main philosophical issues helps researchers' to clarify their research design, decide on what evidence is needed, how this evidence will be gathered and finally, once collected, deciding on how to interpret the findings (Easterby-Smith et al., 2008).

The production and development of knowledge in social science is dependent upon philosophical assumptions that act as a frame of reference guiding the research process. There are three main philosophical approaches in social science - positivism, interpretivism, and realism (Saunders et al., 2003). This research project assumes that knowledge is socially constructed and that it is not objective or value-free. In contrast to the positivist perspective, which holds that social reality is independent of subjective human thought and that research should be characterised by objective and value-free analysis, the approach taken in this research project is oriented more towards the social constructionist, interpretivist framework. The interpretivist approach considers social reality to be complex and dependent upon subjective interpretations.

All organisation forms are socially constructed by people (Berger & Luckman, 1967). These forms are sometimes structured for the benefit of the dominant class whose interest they serve (Marx, 1961; Foucault, 1967). This previous point about 'dominant class' and 'power' maybe the reason why some researchers think agency is secondary to structure in social settings. Nevertheless, individuals do have agency and free will as recognised in philosophical discussion (Grayling, 1982). Unlike physical structures in the world, social structures are built, maintained and revised by people. Considering organisations as legal entities people draw up rules (laws) that provide for the constitution and governance of organisations. In doing so they are socially constructing organisations. To understand organisations we need to know what brought them into existence (their purpose) and how

they have changed to adapt to the needs of the environment in which they exist and the people they serve. Accepting the argument that organisations are socially constructed it appears wholly appropriate that to understand organisations and governance it is necessary to adopt this stance (Gergen, 1985; Searle, 1983).

In essence, the social constructionist perspective allows researchers to view the theory concept of organisational effectiveness as socially created (Hoye, 2002). In contrast to a 'realist conception', which holds that there is objective effectiveness, the former holds that effectiveness is subject to the judgement of different stakeholders of an organisation. This has proven a useful paradigm by which to view both Board effectiveness and organisational effectiveness; and has led scholars who have adopted this paradigm to '*seek empirical backing from a range of stakeholders on those factors that define good governance*' (Ferkins et al., 2005:197) thus generating a rich data set (Papadimitriou & Taylor, 1999).

4.3 Epistemological Considerations

The epistemological assumptions underpinning the interpretivist approach are appropriate in the context of this research project for several reasons. Firstly, football clubs can be considered both a business and a social institution (Morrow, 2003). In this sense, football clubs are complex organisations with multiple stakeholder relationships. Secondly, it can be argued that only an interpretivist approach can draw out complex stakeholder issues relating to the supporter owned business model of a football club and will inevitably vary/differ between different clubs. Thirdly, this research is an exploration of a social phenomenon, which cannot measure objectivity because the actual existence of this social phenomenon cannot be made without reference to people's impressions or ideas. Fourthly, the research objectives warrant a more inductive approach, which will work from the more general to the more specific due to the realities of the research being observed and explained in a multiplicity of ways. Finally, this research was not to gather facts and

measure how often patterns occur, but to appreciate the different constructions and meanings that people place upon their experiences (Denzin & Lincoln, 2003; Marks & Yardley, 2004). Consequently, the aim of the research was to examine if externalities influenced the club's differing adaptation of organisational form and governance.

In addition, it has been argued that sport management research needs to broaden the approaches, theories and methods to move beyond the dominant positivist focus on efficient organisational structures and consider the effects of managerial and policy decision-making on a range of groups (Edwards and Skinner, 2009). Historically, sport management research has been predominantly positivistic, with researchers adopting quantitative methodologies (Amis and Silk, 2005). However, more recently there have been calls by an ever increasing number of scholars (Chalip, 2006; Pitts, 2001; Slack, 1996, 1998) who acknowledge the need for future researchers to '*consider and embrace alternative worldviews and eclectic methodological approaches to examine questions about the social world*' (Skinner & Edwards, 2005:411). Furthermore, there have been concerns about the lack of domain diversity within sport management research, to date, and that the range of topics explored have been too limited (Pitts, 2001; Slack, 1998). Despite these calls to embrace new paradigms, academics still believe that to maintain an aura of academic respectability, there remains considerable institutional pressure on sport management researchers to work within a quantitative framework approach (Rudd and Johnson, 2010; Edwards & Skinner, 2009). As a consequence, Skinner & Edwards (2005:414) argue that the majority of sport management research conducted to date '*seems to have adopted a somewhat naive and unreflecting empiricism*'.

4.4 Research Design

The preliminary literature review has confirmed Martin's (2007) statement 'for perhaps very understandable reasons, those who are involved in, and committed to the Trust movement have produced much of what has been written on Supporters' Trusts. Little if

anything, which takes a more critical stance, has been produced.’ Birkbeck University’s ‘The State of the Game’ surveys (2001-2006) produced extensive quantitative research with longitudinal data spanning over six years. The majority of literature, from other scholars and academic institutions, has been based on theoretical concepts rarely supported by extensive qualitative and empirical research.

This research project provides a substantial qualitative insight into mutually based structures within a small number of football club case studies based in England and Germany. The findings identify common aspects of the ownership, control and governance structures in these clubs and provide ‘rich data’ evidence on the mutual business model in football clubs. The research analysis does not seek to prescribe a common approach or a single appropriate model of football club ownership and governance. Instead, focusing on clubs with distinct legal, financial and institutional frameworks, the researcher endeavoured to identify common themes that emerge concerning the ownership and governance of these clubs and illustrate examples of good football club governance.

4.5 Case Studies

The case study approach can be characterised as the presentation and analysis of detailed information about a single or multiple subjects, in relation to an event, culture or individual life (Miles & Huberman, 1994; Edwards & Skinner, 2009). Through this analysis, the researcher is able to obtain an in-depth understanding of the characteristics of cases in order to generate new insights (Yin, 2003). In management research, the case could be an individual organisation, a group of organisations or even a particular industry.

Stake (1995:72) outlines three types of case study:-

1. A case study can be intrinsic and used solely to better understand that particular case.

2. A case study can be instrumental whereby a single case is used to provide insight into an issue or to refine theory.
3. An instrumental study can be extended to several cases to constitute a collective case study.

The purpose of the case study can also be threefold. While Yin (2003) argues that a case study approach (in addition to experiments or histories) is well suited to deal with ‘how’ or ‘why’ questions that require an explanatory approach and deal with time rather than frequencies or incidence, the case study method can also be used for descriptive purposes or to explore a phenomenon in more detail.

Like Stake (1995), Yin (2003) also distinguishes between single-case designs and multiple case designs. Yin (2003) states that a single case-design is appropriate when the case is a:-

- Critical case to test existing theory.
- Rare or unique case.
- Representative or typical case.
- Revelatory case or a case that was previously inaccessible.
- Studied over a period of time.

(Yin, 2003:45)

Yin (2003) suggests that multiple case studies are often considered to yield more impressive data than single cases and the overall study is therefore regarded as being more robust. Indeed, Yin (1981) would identify ‘typical’ cases and look for statistically significant trends and then use the results to generalise. Yin (1981) leans towards the positive in his explanations and justifications for case approach. Moreover, given that the context’s differ between cases, similar conclusions from multiple case study research ensure that the results are more generalisable than from a single case. As such, it can be argued that to apply a more robust strategy to your research a multiple case design needs to be utilised (Yin, 2003).

The work of Yin (1981, 2003) is indicative of the recent trend towards researchers structuring qualitative research in such a way that facilitates generalised conclusions (Sekaran, 2000). In contrast to the work of Yin (1981, 2003), many researchers reject generalisability as the objective of case study research and see it as irrelevant to their aims or low in their priorities (Sekaran, 2000, Perry, 1998). For instance, the work of Stake (1995), an ethnographer, explicitly rejects the idea that a case study can be used to generalise, instead claiming that the purpose of a case study was to learn more from a particular case and to provide a deeper, holistic understanding of a particular phenomenon, such as an individual culture in anthropological studies. The next two sections will explain the researcher's rationale for the case study approach and provide justifications for the choices made.

4.6 Rationale for the Case Study Approach

The case study approach enabled the researcher to have a greater understanding of the chosen football clubs. This greater understanding included new meanings, confirming the researcher's existing understanding and/or explained the reasons for the problem within supporter ownership of football clubs, illustrated why some clubs were more successful than others and provided further generalisation and applicability (Yin, 2003; Eisenhardt & Graebner, 2007). The case study method allowed the researcher to gain fresh insights into understanding the phenomenon surrounding 'Supporter Ownership' and highlighted new relationships between variables, which added to existing theory.

Within the academic field, there is a variety of definitions to explain the characteristics of a case study. Yin (1994) uses such terms as exploratory, descriptive and explanatory. Whereas, Merriam (1988) describes case studies as descriptive, interpretive and evaluative. Stake (1995) describes case study categories as intrinsic, instrumental and collective.

Although the variations in case study design and application are complex and sometimes blend into each other, Table 4.2 summarises some of the main distinctions in the use of application of case method according to each of the three basic ontologies.

Table 4.2 - Key Features of Case Method Informed by Different Ontologies

	<i>Realist (Yin)</i>	<i>Relativist (Eisenhardt)</i>	<i>Constructionist (Stake)</i>
<i>Design</i>	Prior	Flexible	Emergent
<i>Sample</i>	Upto 30	4-10	1 or more
<i>Analysis</i>	Across	Both	Within case
<i>Theory</i>	Testing	Generation	Action

(Source: Easterby-Smith et al., 2008:99)

According to Skinner and Edwards (2005:418) the similarities of the terms may be grouped as such:

- Intrinsic and Descriptive
- Instrumental
- Interpretive and Explanatory
- Exploratory and Evaluative

This research has taken the interpretive and explanatory route as the research objectives set were more about interpreting and theorising about the supporter ownership phenomenon. This research has looked at the ‘why’ questions and, unlike a descriptive case study, has aimed to contain a greater level of analysis and conceptualisation in the final findings.

4.7 The Research Sample

Five football clubs have been selected supporting Yin’s (2003) belief that a multiple case study design is a more robust strategy. The multiple case study design allowed the researcher to generate new hypotheses through the comparison of individual cases and provided the opportunity to develop and refine new formulations (Yin, 2003; Miles & Huberman, 1994; Patton, 1990; Perry, 1998). By choosing to research into a range of

similar and contrasting cases, the results benefited in terms of strengthening the precision, validity and stability of the findings (Miles & Huberman, 1994; Edwards & Skinner, 2009; Mason, 2002; Denzin & Lincoln, 2003). The case study method allowed the researcher to extensively examine ‘real life’ events with regard to organisational and managerial processes (Stake, 1995). According to Edwards and Skinner (2009) purposive sampling has definite applicability to the sport management research context. Purposive ‘samples’ are often referred to as ‘judgement samples’ because researchers select participants subjectively (Gratton & Jones, 2004).

4.7.1 Justification of Case Study Selection

The researcher made a concentrated effort to interview supporter owned football clubs with differing majority shareholding backgrounds and fortunes (on and off the pitch) to provide a thorough critique to the academic field. Three main ‘types’ were identified during case study selection which were deemed conducive to the four research objectives set for this project.

Table 4.3 highlights how the researcher came to identify the three main ‘types’ of clubs for study. Additional criteria for each case study chosen is stated in Table 4.4. Type 1 would

Table 4.3 - Three Main ‘Types’ Identified for Case Study Research

Types	Type 1	Type 2	Type 3
Main types	German Bundesliga	English Football League (professional)	English Football League (semi-professional/amateur)
Model	Mutual (purest form)	Hybrid/Mutual	Aspirational mutual/Industrial Provident Society
Case study	Hamburger SV	Brentford FC/ Exeter City FC	Chester FC/FC United of Manchester

focus on the ‘German model’ with specific reference to a club who operates as an eingetragener Verein or e.V (see Chapter 2). These registered members' associations were the only way which clubs were allowed to structure themselves prior to reforms made in 1998 (which, as a response to the increasing commercialisation of European football, allowed the professional football divisions of clubs to be run as external limited companies). They are nonprofit organisations, owned by their members and managed under a strict principle of transparency by democratically elected representatives. All revenues generated must be reinvested in the club. This structure is also relevant for this research as the English clubs chosen, in types 2 and 3, have all endeavoured to emulate this form of supporter ownership. Three clubs were identified - Hamburger SV (HSV), VfB Stuttgart, Schalke 04. Following contact to all three stated clubs from the researcher to visit, HSV were the only club to respond.

HSV compete in Bundesliga 1, a League equivalent to the English Premier League. The main purpose of researching a 100% German supporter owned football club was to gain qualitative evidence on whether their structures gave them a competitive advantage over their English counterparts. From the outset of this research many English supporter owned football clubs regarded HSV as the ‘Holy Grail’ of supporter ownership. Commentators also claimed that replicating the ownership model, which currently exists in Germany, could help enable supporter owned football clubs in England to compete in the higher levels of League competition. This case study would act as an ‘exemplar’ case and the findings would be critically analysed against the four English case studies chosen. Similarities and differences would be drawn upon to identify common themes and identify shortfalls to form recommendations (see Chapter 8).

The second ‘type’ would focus on two English supporter owned football clubs who have instigated change from private to supporter ownership. This ‘type’ also represents the majority of other supporter owned football clubs in England whose Trusts were formed to

protect the clubs future and continue trading. Case study two focuses on Brentford FC who were initially 100% owned by Bees United (the clubs Supporters' Trust) when they bought the football club from private ownership in 2006. However, in early 2011 Bees United have reduced their majority share to 51%. In effect, this can be classified as a hybrid model similar to the mutual business model prominent in the German football leagues (discussed in Chapter 2). The third case study documents Exeter City FC who are legally owned by the Trust with a 63% majority share with the remaining 37% with unidentified shareholders. The Club Board wish to reduce their majority share to 51%, a strategy replicated by Brentford FC and the majority of German clubs (see Chapter 6). The third 'type' looks at 'Newly Formed' supporter owned football clubs with no inherited financial or cultural legacy issues experienced by the football clubs in group two. Chester FC was chosen for the example of a 'Phoenix' club (rising from the ashes of Chester City FC) and FC United of Manchester for a 'Greenfield' example (politically formed new club). Both of these examples are 100% owned by their members (see Chapter 7). Research into a 'Phoenix' and 'Greenfield' football club could demonstrate if mutuality would have a better chance to succeed without being laden with dangerous levels of inherited debt (Wilkesmann & Blutner, 2000; Szymanski & Zimbalist, 2005).

Table 4.4 describes in further detail reasons for each case study selected for this research. All five case studies display descriptive and explanatory characteristics, and although there is an element of intrinsic value in each case, all five are intended in part to add instrumental value to the PhD's final discussion and findings (Stake, 1995). While it is difficult to generalise from each of the five cases and assume that supporter ownership is applicable at all football clubs, the main objective is that the diversity of the clubs chosen will provide a robust examination of this phenomenon.

Table 4.4 – Criteria for Case Study Selection

Group	Football Club	Reason for Selection
1	Hamburger SV	<ul style="list-style-type: none"> • Adopts mutuality in its truest form in the German Football League. • Competes and operates in the highest level of German Football (Bundesliga 1). • Set up as a mutual in accordance to regulation imposed by the German governing body. • The club has been a mutual since formation in 1886.
2	Brentford Football Club	<ul style="list-style-type: none"> • The Trust instigated change of ownership due to threat of administration. • After 6 years of Supporter ownership the Trust have reduced their majority share to a 51%. • Findings would highlight why mutuality was not seen as the way forward.
2	Exeter Football Club	<ul style="list-style-type: none"> • Historically, the longest supporter owned football club in the English Football League. • The only 100% supporter owned club competing in the highest level of the English Football League - League 2.
3	Chester Football	<ul style="list-style-type: none"> • One of very few examples of a pure ‘Phoenix Club’ in England. • Debt-free from inception. • Mutual ownership from the start.
3	FC United of Manchester	<ul style="list-style-type: none"> • ‘Greenfield’ club set up from political motivations. • Debt-free from the start. • Incorporated under the Industrial Provident Society constitution.

4.8 Data Collection Methods

Two methods of data collection were employed for this research. The first involved conducting semi-structured interviews with key personnel within each football club and the second involved secondary data analysis. The semi-structured interview questionnaire (refer to Appendix 2) aimed to probe into key areas of governance abstracted from Birkbeck’s ‘State of the Game’ surveys (2001-2006); finance, ownership, governance, expectations, structure and planning. Furthermore, questions were also conceptualised from the literature review, in particular, appropriate nonprofit sport governance models. The first series of questions set to understand the micro and macro influences which impacted the ownership structure of the football club (Section 1 - Ownership). These sets

of questions helped illustrate in further detail the circumstances leading up to supporter ownership of the football club and identify the main reasons why a change of ownership was deemed necessary.

The literature review also highlighted that a substantial amount of research, which had been conducted in the nonprofit and sport governance field, had explored the role played by Board's in the direction and running of the club. This area formed the basis for the next series of questions (Ferkins et al., 2005; Miller-Milleson 2003; Hoye & Doherty, 2011). Questions were specifically included to understand how the football clubs' structured their Boards, implementation of their strategic plan and the instigation of good corporate governance practices within the organisation (Section 2 - Structure, Planning and Finance).

The final set of questions focused on asking the respondent to reflect on the Board's performance to date and highlight anything they felt that they could have done better or indeed any areas where it went well. Several questions also focused on conformance, accountability and if they felt, the clubs' fans expectation on and off the pitch had been met.

4.8.1 Semi Structured Interviews

There are three types of interviews in social science research, structured, semi-structured and unstructured. The structured interview involves a prescribed set of questions that enable statistical analysis to be undertaken and is often associated with survey research (Frey & Oishi, 1995). Telephone marketing is an example of this type of interview (May, 2001). This type of interview produces objective data and as such, suffers from the same limitation as survey research in that it can be criticised for failing to take into account the complexity of a social context. Indeed, Alvesson (2003) challenges the idea that the interview is a valid, objective source of knowledge production, critiquing the mainstream neopositivist use of interviews as a tool for gathering data for failing to take into account the complexity and the social context in which the interview is conducted. He argues

instead that the researcher needs to take a reflexive pragmatic approach that involves *'conscious and consistent efforts to view the subject matter from different angles and avoid or strongly a priori privilege a single, favoured angle and vocabulary'* (Alvesson, 2003: 25).

In contrast to the structured interview, semi-structured and unstructured interviews can be used to take into account the social context. These types of interviews are favoured widely by sport management researchers (Edwards & Skinner, 2009). Semi-structured interviews are able to gain a deeper insight into the relationships between variables and can prove to be beneficial for explanatory research. In a semi-structured interview, certain themes and questions may be discussed although the actual direction of the interview is dependent on the flow of the conversation. An unstructured interview is used more in exploratory research and due to the fact, there are no pre-determined questions, it allows the interviewee the freedom to talk at length about a particular issue. Gaining a greater understanding of the research sample is one of the major advantages of conducting semi-structured or unstructured interviews. Easterby-Smith, et al., (2008:143) highlights *'meanings interviewees attach to issues and situations in contexts that are not structured in advance by the researcher's assumptions'*.

When conducting semi-structured or unstructured interviews, the interviewer can guide and specify the area of discussion during the interview process and focus on the interviewee's subjective experiences (Douglas, 2003; Cresswell, 2007). This will enable the respondents to provide an in-depth description to a situation that is meaningful to them (Birks & Mills, 2011). Semi-structured or unstructured interviews can provide the interviewer with the freedom to probe and ask follow up questions (Corbin & Strauss 2008). The interviewer can then manage and collate relevant information sought for the research objectives. However, this freedom to probe can leave the researcher vulnerable to the interpretations and subjective insights of the respondent. Finally, another disadvantage

within a semi-structured interview relates to sample bias and interviewee bias that may exist due to the perceptions about the interviewer, which then influences the nature of their responses.

4.8.2 Entering the Field

The key respondents from each chosen football club were selected for interview by applying a purposive sampling technique (Sekaran, 2000). This technique enabled the researcher to select interviewees purely on the basis that they would be able to provide information relevant to the research. The researcher approached specific people who were integral to the Supporters' Trust movement at the club, heavily involved in the process of gaining supporter representation on the Board or majority share of the football club and/or current Board members on either the Club or Trust Board to obtain unbiased views of operating as a mutual. These included:

1. Chief Executive/Secretary/Club staff (Representative from the Club Board)
2. Chair of Trust/Trust staff (Representative from the Trust Board)
3. Fan Association Representative/Fans
4. Local authority representative/External Stakeholders (i.e. local businesses)

The fieldwork took twelve months to complete and was conducted from May 2010 to May 2011 (refer to Appendix 2). Initially, telephone contact was made at each club in order to ascertain the name and email address of the Club Board Directors and the Trust Board Directors. An email was then sent briefly explaining the nature of the research and asking if they would be available for an interview. Once the contact responded with agreement to be interviewed an appointment was made, usually at the football club. However, some of the interviews conducted were held in informal surroundings. Length of the interviews varied from one to two hours depending on how much time the respondent could provide.

A preliminary set of interview questions was prepared (refer to Appendix 3), although in most instances the researcher influenced the direction of the interview in order to open up

new areas for questioning. The interviews were tape-recorded and subsequently, transcribed shortly after the interview had been undertaken, to draw out important issues. The semi-structured interview transcripts were then cross-referenced with analysis of secondary documents.

4.8.3 Secondary Documentary Analysis

Yin (1994) listed six sources of evidence for data collection in the case study protocol; documentation, archival records, interviews, direct observation, participant observation, and physical artefacts. On a micro level, document analysis was undertaken to review governance information of the five football clubs' visited for interview. These documents varied from annual reports, Board Meeting minutes, company policy documents, brochures and leaflets. Data was then collated from these different documents sourced, to analyse the football clubs' performance, corporate governance strategies and overall management of the organisation. The Researcher also became a member of all five Supporters' Trusts' and secondary data received was analysed. Newspaper reports on issues of compliance and governance focusing on the six football clubs chosen for this research were used as a secondary source. Finally, the football clubs' website and fan blogs were also studied.

On a macro level, two main areas of research were benchmarked and analysed against this research's findings. These two pieces of extensive secondary data research are detailed below.

4.8.4 Other Secondary Sources

- **Birkbeck's 'State of the Game' Surveys 2001-2006**

Because of poor financial performance, standards of corporate governance came under scrutiny in the annual 'State of the Game' surveys from the Football Governance Research Centre at Birkbeck, University of London (Football Governance Research Centre, 2001-2006). The surveys chart corporate governance practices at clubs in the Premier League, Football League and the Football Conference using the Combined Code (Financial

Reporting Council, 2003) as the benchmark, and detail the extent to which football clubs have put in place best practice structures and controls relating to key areas of governance including the role of the Board of Directors, remuneration, accountability and audit, shareholder relations, and risk management. While the survey results have shown that there are areas where the majority of clubs comply with best practice guidelines as laid out in the Combined Code (Financial Reporting Council, 2003), they also draw attention to areas where football clubs could improve governance practices such as Board induction, Board training, Directors appraisals and performance evaluation.

- **Parliamentary Inquiry 2011**

This Inquiry resulted from continuing concerns from Academics, Sport Journalists and commentators, that there are insufficient controls and governance within football to prevent financial mismanagement. Financial mismanagement of English football clubs can be attributed to failings in sustainable corporate governance practices within the industry, which many feel is jeopardising the future of the game. These concerns follow recent high profile Football Clubs entering into administration, namely Rangers Football Club and Portsmouth Football Club coupled with the fact over 50% of Football League clubs have gone into administration (some on more than one occasion) since the Premier League was founded in 1992. Furthermore, there is growing pressure on the Football Association (FA) to defend claims that they are unable to effectively govern the football industry, with the majority feeling they are not ‘fit for purpose’. Finally, the inquiry’s remit also included examining whether the ‘over-commercialisation’ of the game with its associated financial risk-taking is undermining football's ability to deliver wider community benefits.

The committee were also aware of the coalition Government's commitment to ‘*encourage the reform of football governance rules to support the co-operative ownership of football clubs by supporters*’ (HM Government, 2010:14). Indeed, the Government indicated to the Committee that their final report needed to include recommendations on what reforms

should be implemented and in what form. The main topic areas to be investigated further by the Committee are detailed below. Invitations for written evidence from relevant parties on these questions resulted in 459 submissions:

- ‘Should football clubs in the UK be treated differently from other commercial organisations?’
- Are football governance rules in England and Wales, and the governing bodies, which set and apply them, fit for purpose?
- Is there too much debt in the professional game?
- What are the pros and cons of the Supporter Trust share-holding model?
- Is Government intervention justified and, if so, what form should it take?
- Are there lessons to be learnt from football governance models across the UK and abroad, and from governance models in other sports? (House of Commons, 2011:6)

The Committee commenced the inquiry into English football governance in December 2010 and published the final report in July 2011.

4.9 Different Approaches to Data Analysis

There is a wide debate within the social sciences literature, which discusses the many different approaches to qualitative data analysis (Bryman & Bell, 1994; Coffey & Atkinson, 1996; Dey, 1993; Mason, 2002; Miles & Huberman, 1994; Silverman, 2004). Mason (2002) who labels them ‘literal’, ‘interpretative’, and ‘reflexive’, has outlined three possible approaches.

1. Literal – is an analysis on the exact use of particular language or grammatical structure.
2. Interpretative – makes sense of research participants’ accounts to attempt to interpret their meaning.

3. Reflexive - focuses attention on the researcher and his or hers contribution to the data creation and analysis process.

The 'interpretative' approach has been adopted for the purpose of the analysis of this research's findings. In addition, the thematic analysis approach was utilised to interpret and demonstrate the main themes from the numerous transcripts collected in the field. Thematic analysis is described in more detail below.

4.9.1 Thematic Analysis

Thematic analysis can offer the researcher an opportunity to decode qualitative data into qualitative information (Marks & Yardley, 2004). This is possible through the identification, analysis and reporting of themes within the data (Braun & Clarke, 2006). Meaning is interpreted, constructed and reconstructed carrying out the process of thematic analysis. In the process, researchers are able to decipher, organise and better understand the data they collect. Boyatzis (1998) suggests that if thematic analysis is carried out in a systematic manner it will assist researchers as it *'increases their accuracy or sensitivity in understanding and interpreting observations about people, events, situations and organisations'* (Boyatzis, 1998:5). There are two main discussions within the literature pertaining to thematic analysis with regards to its processes which focuses on the number of steps or stages that it should take and whether the analysis will be inductive (experience, bottom up) or deductive (theoretical, top down). Closer examination of this literature offers different guidelines and number of steps to take (Attride-Stirling, 2001; Braun & Clarke, 2006; Fereday, 2006; Aronson, 1994; Marks & Yardley, 2004; Thomas & Harden, 2008; Boyatzis, 1998). However, there are clear similarities within the stages or steps stated by the above academics, which the researcher has noted and adapted to analyse the data collected for this study. Table 4.5 illustrates these stages and how they may be synthesised. It seems that the number of stages highlighted in the literature at times depends on which one of the two primary approaches to thematic analysis will be undertaken i.e. deductive (Attride-Stirling, 2001; Braun & Clarke, 2006; Fereday, 2006) or inductive (Thomas & Harden, 2008; Firth & Gleeson, 2004). The inductive method,

which is at times similar to grounded theory by Glaser and Strauss (1967), negates the need to fit raw data into a pre-set coding frame (Braun & Clarke, 2006). As a result, these themes identified by adopting an inductive approach may have fewer similarities with the initial questions asked by the interviewer. Consequently, these themes are not necessarily driven by the researcher's pre-conceived ideas and theoretical interest in the topic.

Table 4.5 – Steps of Thematic Analysis

Steps	Action	Task
1	Gather and organise secondary data	<ul style="list-style-type: none"> Identify main issues of the phenomena by conducting a literature review. If conducting a deductive approach to thematic analysis this needs to be done at the beginning to form first stage codes. If conducting an inductive approach to thematic analysis it is not necessary at the first stage.
2	Gather and organise Primary data	<ul style="list-style-type: none"> Utilising relevant qualitative methods e.g. interviews, focus groups collect data. Once the raw data has been collected begin transcribing. Ensure the transcripts are read several times to familiarise yourself with the data. It will be beneficial at this stage to create memos of your ideas to start building up your own code manual.
3	Code the data	<ul style="list-style-type: none"> Subconsciously, you may have already started to code the data. Code interesting features of the data in a manner that is systematic throughout all of the data set Once you have completed initial coding go back and refine the codes as you may find that certain coded groups maybe joined together or split even more.
4	Identify initial themes	<ul style="list-style-type: none"> Start to create a thematic map which can collate codes into potential themes and sub-themes Begin to gather all data relevant to each suitable identified theme
5	Refinement of themes	<ul style="list-style-type: none"> Refine the themes and see how they may be related to each other. Join themes or even do away with themes that you identified in step 3 of the thematic analysis process.
6	Justification of final Themes	<ul style="list-style-type: none"> Highlight and discuss the specifics of each theme begin to define and name the final theme titles. Systematically go through each stage and write up the process by justifying and explaining how themes were created. This can be supplemented by using selections of vivid and compelling extract examples Relate these selected extracts to the research question and literature

Adapted from; Braun & Clarke, 2006; Fereday, 2006; Attride-Stirling, 2001; Thomas & Harden, 2008; Marks & Yardley, 2004; Boyatzis, 1998; Crabtree & Miller, 1999

Alternatively, the deductive (theoretical, top down) analysis would be structured around that of the researchers a priori theoretical and analytic interest within the subject area. This research has adopted an inductive approach as the themes identified are strongly linked to the data themselves (Patton, 1990). The data has been collected specifically for this research through interviews and secondary data analysis (Frith & Gleeson, 2004). As such, the themes identified, in some instances, bear little relationship to the specific questions asked of the participants.

The identification of the themes has also not been driven by the researcher's theoretical interest in the area of study (Thomas & Harden, 2008). Therefore, the researcher has applied the inductive approach by coding the data without trying to fit it into a pre-existing coding frame, or the researcher's analytic preconceptions. To conclude, Braun and Clarke (2006) state that this form of thematic analysis, which has been applied to this study, is 'data-driven'.

4.10 Use of NVIVO Software

The use of software in qualitative research has been subject to debate over the course of the last twenty years. Critics argue that at the core of qualitative research is interpretation and the use of computers may result in the software pushing researchers in a particular direction and could result in the researcher being distanced from the data, or encourage quantitative analysis of qualitative data (Barry 1998; Seidel 1991). In essence the danger is that the software is allowed to take over the analytical process rather than the researcher being responsible for extracting the key codes and concepts (Dey, 1993; Mason, 2002).

Alternatively, those in favour of using computer assisted data analysis argue that it helps to facilitate an accurate and transparent process whilst at the same time providing a quick and simple way of analysing who said what, and provides a reliable method of reviewing the data. It can also be invaluable in establishing an audit trail, which shows how ideas have

developed and emerged, and to check that they are not subject to the kinds of bias talked about in the reflexivity section (Morrison & Moir, 1998).

For the purpose of this research manual methods were applied to start the process of analysing the data and then NVIVO software was used to finalise the main themes from the data collected. The researcher endeavoured to follow the guidelines laid down by Blismas and Dainty (2003) and Welsh (2002) in using computer aided qualitative data systems. The main points of these guidelines are

- The researcher is still central to the analytical process particularly in developing theories.
- Develop a good understanding of how the software operates.
- Remember the computer is only there to aid the process.
- When asking the software to complete automatic operations, always check the outcomes.
- Computers can help with mechanical functions but only humans can undertake the conceptual ones.

The researcher found that switching from a paper-based system to NVIVO provided more time to search for patterns of meaning within and across documents. In addition, NVIVO enabled these results to be saved and re-saved which provided a safe and secure outlet to analyse the data at the researcher's freewill.

4.11 Data Analysis

The interview transcripts were typed and categorised electronically by club and the verbatim responses were uploaded onto the NVIVO software package. With the use of open coding the interview transcripts were disaggregated sentence by sentence into meaningful concepts (Strauss & Corbin, 1990). Initially, free nodes were created to represent these meaningful concepts, with the number of free nodes increasing with the number of interviews undertaken and the number of clubs completed (refer to Appendix 4).

The researcher then reviewed all 243 free nodes to identify the main themes in order to create tree nodes (Patton, 2002; Ritchie & Lewis, 2003). Each free node was then allocated to each tree node, or in some cases allocated in more than one tree node, to finalise the data analysis process (refer to Appendix 5). An example of the coding process from the interview transcripts is shown in Appendix 6 and a full breakdown of this described method of working can be seen in Appendix 7.

4.12 Ethics

Because of the nature of some of the issues involved within the research, ethical considerations have to be made. Gratton and Jones (2004:110) break the issue of ethics down into four areas.

1. Informed consent – individuals have the right to be told about what they are participating in and possible consequences that might arise from the research.
2. Deception – there must be no deliberate deceptive practices engaged in by the researcher.
3. Privacy and confidentiality – individuals have the right to be protected from harm and embarrassment. When confidentiality is guaranteed everything must be done to ensure this.
4. Accuracy - the researcher should ensure that the data is representative of individuals' views and opinions so as not to misrepresent them.

Stake (1995) states that case study research could reveal or encounter issues that maybe harmful to the chosen participants. Due to the intense nature of involvement and participatory observation case study research demands there was a high risk this research could expose or embarrass the participants (Yin, 2003). Therefore, the researcher ensured that participants were kept informed with all the stages of reporting (interview transcripts, initial interpretations, published journal articles, final public dissertation) and gained permission were necessary.

All interviewees confirmed they were comfortable with being taped during the interview. The researcher at the end of the interview asked each interviewee if they would like their name to be anonymised in the final thesis and any subsequent published work. All interviewees stated that they had no objection to their names being published in the final thesis or subsequent published work.

4.13 Quality of the Research Design

For many years, there has been a debate on the usefulness of the concepts of validity and reliability in qualitative research (Kelle & Laurie, 1995). Some researchers prefer to use terms such as confirmability, credibility or dependability of the data, arguing that validity and reliability are unsuitable in qualitative research (Lincoln & Guba, 1985; Miles & Huberman, 1994; Seale, 1999). Nevertheless, there is agreement that qualitative research and data analysis must be conducted in a thorough and transparent manner. However, in most published qualitative research, it is hard to find thorough and transparent detail on how researchers have analysed their data. Seale (1999) argues that this lack of detail on research practices has led to the research tradition receiving allegations of unqualified and superficial analysis. Kirk and Miller (1986:21) suggest that validity in qualitative research *'is a question of whether the researcher sees what he or she thinks he or she sees so that there is evidence in the data for the way in which it has been interpreted'*. Richards and Richards (1991) claim that the use of NVIVO or similar data analysis software is thought by some to add rigour to qualitative research.

According to Yin (2003) four tests are commonly used to establish the quality of empirical social research. The criteria associated with each of these are represented in Table 4.6 (Yin, 2003:34). The researcher has endeavoured to adhere to each of the four steps outlined by Yin (2003) throughout the research design process. As a result, the researcher has found the findings to be more convincing and accurate and have shown that consistent levels of validity and generalisation have been achieved (Shipman, 1997).

Table 4.6 – Criteria for Ensuring Quality Research Design

Test	Case Study Tactic	Research Phase
Construct Validity	Use of multiple sources of evidence	Data Collection
	Establish a chain of evidence	Data Collection
	Key informant reviewing draft case study report	Data Collection
Internal Validity	Pattern matching	Data Analysis
	Explanation building	Data Analysis
	Addressing rival explanations	Data Analysis
	Arguments based on logical models	Data Analysis
External Validity	Use of theory	Research Design
	Use of replication theory	Research Design
Reliability	Use of case study protocol	Research Design *
	Develop a case study database	Data collection

(* Yin (2003) reflects this issue as occurring in the data collection phase)

Furthermore, Edwards and Skinner (2009:48) argue *‘the use of multiple sources of data has particular value as it increases the construct validity of the research undertaken’*.

This research has utilised multiple sources of evidence through the application of the case study method.

The following three chapters present the results and findings of the study. Chapter Five presents findings from Hamburger SV (HSV) and the data acts as an ‘exemplar case’ to the four subsequent English football clubs case studies. Chapter Six is entitled ‘Private to Supporter Ownership’, which examines in detail the experiences of two Supporters’ Trusts in England who have instigated change management within their football club. Brentford FC and Exeter City FC case study analysis is presented in detail in this chapter. The final findings chapter, Chapter 7 documents the remaining two case studies, which are entitled ‘Newly Formed’ Supporter Owned Football Clubs. The clubs chosen were Chester FC (an example of a ‘Phoenix’ club) and FC United of Manchester (FCUM, an example of a

‘Greenfield’ club). This chapter documents two football clubs who have set up a new football club as a mutual since formation, have no inherited legacies and no start up debt.

Chapter 8 analyses all five case studies discussed in Chapters 5,6 and 7 and draws out the main lessons learnt from the clubs visited. Hamburger SV’s findings will be cross-referenced to the four English clubs to highlight differences and similarities.

CHAPTER FIVE – CASE STUDY 1 – HAMBURGER SV (HSV)

5.0 Introduction

This Chapter provides a detailed insight into Hamburger SV's (HSV) ownership and governance structures. As previously stated in Chapter 4, HSV has been recognised by English supporter owned football clubs as the purest form of mutuality in football with 'Trusts' in the UK attempting to emulate what has been achieved in Hamburg. HSV will act as an 'exemplar' case study to be cross-examined within the four English clubs visited for this research (see Chapter 8). Findings from all five supporter owned football clubs will be critically analysed to form the researcher's governance model for mutual football clubs to follow (see Chapter 9). This Chapter has been structured into two parts, which became apparent during the data analysis stage. Part 1 is 'Reaction into Action' and documents the macro and micro influences on the formation of the Supporters' Trust. Part 2 is 'Governance and Accountability' and details how the Supporters' Trust became an integral part of the football club and examines the governance structures implemented into the business. This structure will remain the same for the two other findings Chapters (Chapters 6 & 7) to ensure consistency when reporting the results. Main themes (highlighted by the tree nodes identified using NVIVO) prominent from the primary and secondary research undertaken are used to draw out the key areas for consideration.

PART 1 - REACTION INTO ACTION

5.1 MACRO INFLUENCES

5.1.1 People Power

HSV was formed in 1887 and upon the foundation of Germany's first professional league in 1963, were one of sixteen clubs invited to participate in the first season, and have competed in the top flight ever since. The club's golden age took place between 1976-1987, during which time they won three Bundesliga titles and reached two European Cup

finals, winning one in 1983.

However, by the late 1980's the club had stagnated, and the low point came in 1991/1992 season, finishing in 11th place. As Andreas Birnmeyer, Managing Director of the HSV Supporters' Club, noted the fans wanted more say in the running of the club *'it was a reaction of fans who wanted to be involved in club activities, rather than just following the club and watching matches. They wanted to participate in running the club and having their say. They wanted some sort of democratic aspect to their involvement. Fans wanted to make their thoughts known by being active members to stop the culture of the club as 'we decide what you do and you have to take it or leave it.'* (Interview, 9th June 2011). This was the main reason why the Supporters' Trust formed for fans to become active members within the club.

5.1.2 Rally Support

Once the Supporters' Trust was formed they needed to focus on successfully rallying support from disenchanted fans. This task required thought and a quick and targeted approach recognising 'people power' formed through emotional reactions to a chain of events or a specific incident. HSV's Supporters' Club highlighted the need to rally support immediately, during and after the events/incident had happened to be able to channel people's feelings into the ethos of what the Trust aims to do. Jens Wegner, ex-Supervisory Board Director, recalls that *'we did a campaign with posters and flyers we put flyers on car windscreens in the car park on match days and we put a membership flyer on every chair here in the stadium. We had various stands here to inform fans about membership again on match days. We used active fans on the posters so that it did not look too artificial'* (Interview, 9th June 2011). The Supporters' Club were found to have employed various marketing methods that included flyers, posters, holding meetings, using match days to inform fans and targeting influential businesspersons or local businesses. Their proactive and strategic approach to rallying support proved to be successful.

5.1.3 Dealing with the Media

As one would expect the Supporters' Trust received intense media scrutiny and coverage in their pursuit for increased fan involvement in HSV. They also commented on the huge and time-consuming task managing the media can be and the different mediums external stakeholders wish to use to gain information about the Supporters' Trust and the work they are doing. The ability to cope with this media coverage through the different forms available nowadays was something personnel in the Trust had to learn to deal with effectively. Andreas Birnmeyer highlights that the media *'follow us very closely, they read the internet pages they get the newsletters they get the magazines in which we publish information. Sometimes they call us if they have come up with something that they have heard which might be affecting the Supporters Club. We inform them that we need information published in your newspaper can you please do that and they usually do this for us. We have links with the radio and we are being invited to TV chat shows'* (Interview, 9th June 2011). HSV attract frequent invites for media coverage due to the club being a global brand, their alternative business model to their European counterparts and having one of the largest membership subscriptions to other supporter owned football clubs in Germany. However, they still do approach the media for their own benefit and ensure press releases and such like are channelled to the relevant sources able to give the Supporters' Trust the most coverage.

5.1.4 Governing Body Legalities

The ultimate governing body in German football is the Deutscher Fußball-Bund (DFB), formed in 1900 as a registered members' association (e.V.). The top two divisions (Bundesliga and Bundesliga 2) are controlled by the Bundesliga, and all 36 teams are members of the Ligaverband e.V., or League Association. This is an independent member of the DFB but is also a registered members' association. It is therefore governed by the same statutes and regulations. As previously stated in Chapters 2 and 3, the DFL acknowledged the growing importance of economics in football and in 1998 allowed the

clubs to spin off parts of the business and to turn them into separate corporations. The '50 + 1' rule stipulates that the capital companies, which run professional clubs, can sell up to and including 49% of their shares, but that a 50% plus one share majority must always be owned by the parent club, i.e. the members' association. This ensures that private interests (such as those of creditors, banks, or potential takeovers) are always subordinate to those of the members, i.e. the supporters. It also ensures that supporters are able to have a voice at every level of administration, and cannot be marginalised simply for asking inconvenient questions. At the 2011 Soccerex conference, Christian Seifert, CEO of the Bundesliga explained that *'50+1 means that 51% of the vote of a club needs to stay in the hands of the original club which is 100 years old, 60 years, 40 years whatever and an owner coming from another country or outside the club is only allowed 49%'* (Taped Forum, 28th March 2011). Jens Wegner felt the change to the law *'was a response to the over commercialisation of European football and that German football clubs had not won anything for ages and felt they could not be competitive under this structure anymore and wanted some flexibility to attract private investment'* (Interview, 9th June 2011).

In addition to ownership regulation, all German clubs competing in the Bundesliga 1 and Bundesliga 2 are required to apply for a seasonal license through the licensing system. Each club applies for a licence first to the DFL, then the League Association, by submitting audited economic data for scrutiny. If a club is refused a licence and all avenues of appeal are exhausted, then the club is prohibited from competing in the forthcoming season. For a club to be awarded a licence they must demonstrate a) that they are solvent and b) possess positive liquidity. These two requirements are assessed using a wide range of data, relating to incoming payments, outgoings and financial projections for the forthcoming season. The resulting liquidity forecast centres around three conditions, without which a licence cannot be awarded:

1. That all payment obligations can be met at all times.
2. That regular match operation can be guaranteed at all times.

3. There are plans in place to counter any financial problems that may arise.

There are three possible outcomes from the licence application process, which range from a full award, to an award with certain conditions, to a refusal. As previously mentioned, clubs are free to utilise a regulated appeals process. In addition to the pre-season application, clubs are also required to submit accounts during the season, to ensure that positive liquidity is maintained throughout the campaign. Any discrepancies can result in sanctions such as fines, deductions of points or a transfer embargo. As well as drawing up contingency plans for financial trouble, clubs also have to hand over a security deposit to the DFL, which will be used to pay its members of staff. All of the regulations relating to ownership and licensing are recognition that football clubs must act as responsible entities, and that reckless spending cannot be a substitute for a long-term business strategy geared towards stability, not merely short-term success.

5.2 MICRO INFLUENCES

5.2.1 Professionalisation

The Supporters' Trust began establishing their presence by forming their own department within the football club. This department would be self-financed by membership subscriptions, run by several paid, full time members of staff and supported by hundreds of volunteers. Andreas Birnmeyer stated that the new department needed to produce a coherent business plan conducive with the other departments already present within the football club. He stated that *'the club already had a slightly different sporting department so we said why don't we set up a fan department. This means we can get our membership fees, the Board will be responsible for this income stream and they can use it or re-invest into the culture of the club for example or organise away trips'* (Interview, 9th June 2011).

5.2.2 One Member One Vote

The club utilise and adhere to the 'one member, one vote' philosophy and do not have any shareholders within the business. However, it is important to note that this 'one member,

one vote' does not mean that if one member has invested a €1000 then this member has a 1000 votes. Each member irrespective of the amount invested through membership subscriptions all have an equal say/vote in the football club. This democratic structure has been implemented throughout the business and the Boards' responsible for the overall management of HSV are highly organised. As such, the club have not seen the need to separate the football business like other supporter owned football clubs in Germany, for example, FC Bayern Munich.

5.2.3 Membership Numbers

Membership numbers and attracting as many fans as possible to subscribe was of paramount importance for the Supporters' Trust at HSV. Once the Trust had rallied support and brought together fans towards one common goal they then had to convert this into membership and subscriptions. Increased membership subscriptions raised much needed revenue for the Trust to operate as a self-financed fan department. The Supporters'

Table 5.1 - Membership Numbers - HSV

Average Home Attendance (2012-2013 season)	Membership Numbers (as at April 2011)	Cost of Membership per annum
55,240	75,000	€48
		Approx. £40.00

Club are very proud of their membership numbers and have managed to exceed average home attendance as Table 5.1 illustrates. HSV's Supporters' Department have proactively and consistently focused on increasing and maintaining their membership since their formation. They openly market for new members on an annual basis and focus on existing membership and renewals. Andreas Birnmeyer highlights that *'during the first part we really actively promoted membership. In the first 5 years we always had 15,000 new members and then from then on we always had 10,000 new members every season. I*

would say when we started the marketing campaign in the first few years we doubled our membership' (Interview, 9th June 2011).

Andreas Birnmeyer recognises how valuable an asset this alternative revenue stream is to their overall strategic direction and how useful this database can be for relaying their philosophy and message. HSV have been able to negotiate with the Club Board to offer reduced season tickets and away ticket prices for members as well as providing members first allocation of the season tickets once they are released. Members also enjoy reductions on merchandising, free transportation to away games, free access to the Museum and they receive fanzines and quarterly newsletters. These additional incentives have been a contributing factor to the large numbers who have subscribed and has enabled the Supporters' Trust to maximise the opportunity to charge €48 per year for these benefits.

5.2.4 Raising funds

The Trust have raised enough funds through membership subscriptions alone to enable them to be self-sufficient and be in profit each year. 50% of the revenue is held to finance their department within the football club. The remaining revenue is then divided out to finance the other departments within the football club for which the department are also responsible. €5,000 is attributed to the Sporting Department (which looks after all non-football members who utilise the many sports clubs around Hamburg), €5,000 goes to the Kids Club and an undisclosed amount goes to running and paying staff to operate the Museum. Total revenue received through annual membership subscriptions is €3.55 million.

5.2.5 Community Beneficial

The fan department involves the club in social issues involving the city of Hamburg alongside the community programmes they run. Andreas Birnmeyer recognises that their community responsibilities are core to the club's philosophy. The football club has a great historical standing within the city if not arguably the country and as such Andreas states

that *'we work closely with the department who are responsible for any type of social aspect regarding the city of Hamburg the society within Hamburg looking after poor people looking after people with certain needs you know we support that as well. So we have some sort of social relationship with the city of Hamburg'* (Interview, 9th June 2011). However, it is important to note that the running of community programmes does not fall under the remit of the fans department but within another department in the football club. The fans department do support when possible programmes run by the club and in some cases help fund specific projects.

5.2.6 Honesty & Transparency

Honesty and transparency applied in practice proved a crucial element to the success of the Supporters' Club at HSV. Engaging external stakeholders, in particular fans and members was a daily activity within the Department. The large task of communicating, informing and educating external stakeholders of the ethos of the club and subsequent strategies were highlighted by the key informants interviewed at HSV. As such, they have 15 full time staff who focuses on these areas and section tasks between them. The researcher became a member of HSV and they proved to be effective in communicating to fans through several modes of media. The department emails members on a weekly basis, issue newsletters on their website and via email on a monthly basis and post news and information on their Facebook pages daily. HSV have to file their accounts and inform their members of the financial health of their club according to German Law and their nonprofit status. Failure to do this could lead to sanctions or indeed prison terms. Jens Wegner states that *'clubs in Germany have to publish how much money they have made on an annual basis making clubs transparent on their financial dealings. In every AGM the club has to tell the members about the financial health of the club and if they don't this could create problems in the future they could go to prison'* (Interview, 9th June 2011)

PART 2 - GOVERNANCE AND ACCOUNTABILITY

5.3 SHARED LEADERSHIP

5.3.1 Promote Inclusivity within the Club

Promoting inclusivity within HSV was identified as a key component of successful 'Supporter Ownership' that needed shared belief and strategy from the Board of Directors. However, promoting inclusivity and operating in an honest and transparent way was often a contentious issue within the Boardroom. The Supervisory Board regularly encountered problems with the Club Board agreeing on the importance of promoting inclusivity. HSV stated that members needed to recognise and understand that they cannot possibly know every detail of how the club is run. In addition, they felt that promoting inclusivity was one of the key roles the Supporters Board should engage in. The Club Board within HSV meet once a month with the Supervisory Board to inform them of the operational issues affecting the club. The Supervisory Board can then decide if they wish to publicise these matters to their members. This Board have successfully met their members' wishes to retain standing terraces on the North and South end of the ground when it was being rebuilt in 2005. Their members' also stated they wanted uniformity in the ground's seat colours which incorporated HSV's club name and badge similar to English football club's stadia.

5.3.2 Understand the Mutual Ethos

The Supporters Trust became a department within the structure of the football club and has never sought to take over the club or run the football clubs' affairs. Jens Wegner feels the Trust has two main purposes within the football club *'one is we are a service providing organisation we organise all the away trips we organise all the administration of the different fan clubs we pay the fan officers and so on. The other purpose is that we are a political organisation because fans have influence we are more than just supporters'* (Interview, 9th June 2011). HSV Supporters Trust was founded with four initial aims:

1. To raise the influence wielded by fans

2. To participate in club activities
3. To mould club policy for the good of its members and supporters
4. To maintain comradeship amongst HSV supporters

(HSV Members Handbook, 2011:2)

From the formation to the present day these core aims have always been used as reference points in the development of the HSV Supporters Trust philosophy, which is as follows:-

1. **We want success, but not at any price:** Sport must be more important than profit. We earn money in order to play football, we don't play football in order to earn money. Tickets must be affordable for everybody.
2. **We want to be in control of our own destiny.** 100% member owned. No billionaires. No companies. No separation of the professional team from the rest of the club.
3. **We want and support a strong membership.** Members' rights must always be guaranteed. Democratic structures. Active members.
4. **We are proud to be a multi-sport club, not just a football club.**
5. **We stand behind tradition, fan culture and fan activities.**

(HSV, Written Evidence, 2011:465)

HSV have successfully embedded their beliefs and mutual structure within their business strategy and planning. Jens Wegner explains that *'here in Hamburg the members own the club 100% but we do not want to get involved in every decision...you mention fan ownership in England and everyone thinks it is fans meeting in a pub on a Friday evening to discuss the team line up the next day. That is not it you have to find the best professional people to run the club.'* (Interview, 9th June 2011). It is important to note that mutuality existed at this football club from when the club formed in 1885 and due to German Law have to operate and work within strict nonprofit policies and procedures. As such, there is a full understanding from all the Boards in operation within HSV as to the mutual ethos the club should portray.

The Trust were passionate about having democratic decision making within all aspects of the operational management of HSV. They felt this was one of the main reasons for ‘Supporter Ownership’ and without this process the clubs future would be threatened. Jens Wegner feels that *‘if fans are involved, if members are involved in the football club then the risk or the possibility that the club will have a lot of debts is a lot lower because fans care a lot more about this. Fans don’t take the money out of the club and then not go again, they have an interest that the club is always there’* (Interview, 9th June 2011). Interestingly, they felt that this was one of the core reasons why English football clubs are experiencing financial problems, which will be discussed further in Chapter 8.

5.4 BOARD COMPETENCY

5.4.1 Nomination/Election

HSV have a Supervisory Board (Trust Board) and a Board of Directors (Club Board) with 12 Directors elected on the Trust Board and 9 Directors on the Club Board. Table 5.2 illustrates the length of service for elected Directors and the maximum years’ service they are allowed to remain on the Board. HSV elected Directors can serve for a maximum of four years but can have their position terminated within this time if they are not deemed

Table 5.2 - Length of Service for Elected Directors at HSV

Term in Office	Year Elections Held	Maximum Years’ Service
4 years	2 years	8 years

to be fulfilling their role properly. The Football Club have also instigated a policy within their election process that every two years 50% of the Directors are re-elected to prevent a scenario where the whole Board is re-elected with new Board members. Andreas Birnmeyer explains that *‘these people are only elected for four years and every two years we elect 50% of them again. It used to be one election every four years but we decided against this because it could be possible that all eight could be elected in the AGM and*

four coming from the Supporters' organisations (Amateur Sports and The Seniors) who are delegates on the Supervisory Board. So we could have a situation where all twelve are new and would not know how things are done' (Interview, 9th June 2011).

HSV have several smaller Boards who are responsible for different operational activities of the Football Club. Figures 5.1, 5.2, 5.3 and 5.4 illustrates the complex structure in place at HSV concerning the different Boards in place and how they interconnect with each other. These illustrations describe in detail how the Supervisory Board, Board of Directors and the Supporters Department function highlighting their key roles and decision-making accountability.

The General Meeting of Members

The meeting of members is the highest decision making body within the club. To be allowed to vote, you must have been a HSV member for at least six months and of the age of 18 or older. Members younger than 18 are represented by delegates. The General Meeting of Members elects eight of the 12 members of the Supervisory Board, and so are the Directors for Club Members' issues at the Board of Directors, the members of the 'Honorary Board' and the club's auditors.

The Honorary Board

These are seven club members who are older than 35 and who have been members for a minimum of 10 years. They are elected directly by the Meeting of Members. In an 'Elder Statesman' style, members of the Honorary Board act as go-betweens during the club's several different Boards/Departments. The Board oversees the behaviour of club members and holds the chair at some of the club's elections.

Figure 5.1 - The HSV Structure

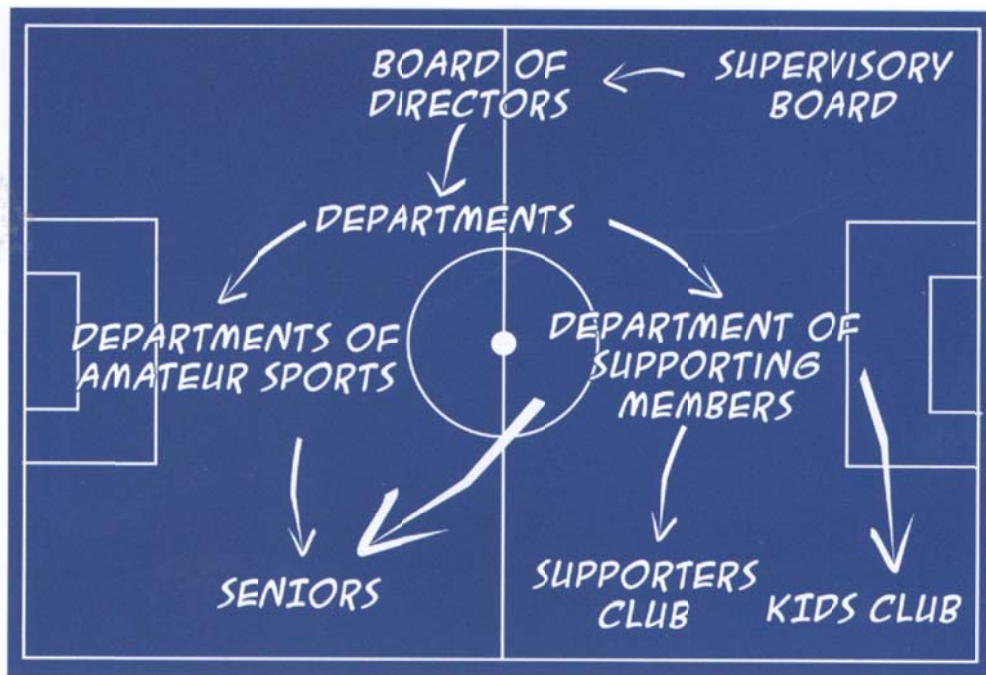


Figure 5.2 - Supervisory Board

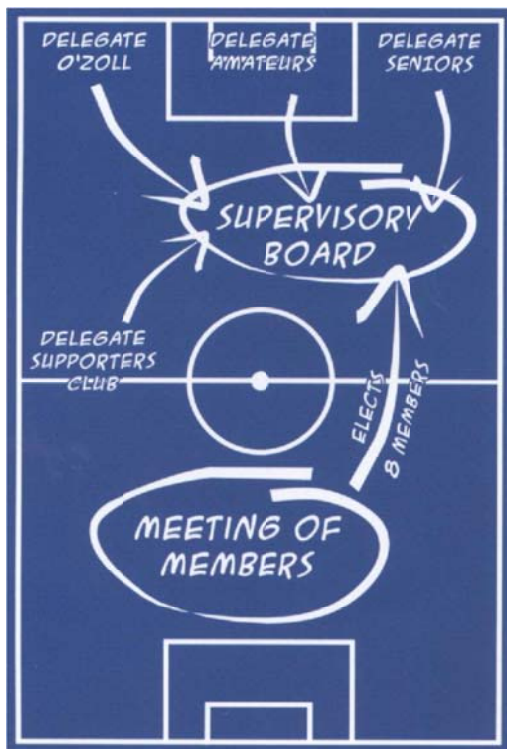


Figure 5.3 - Board of Directors

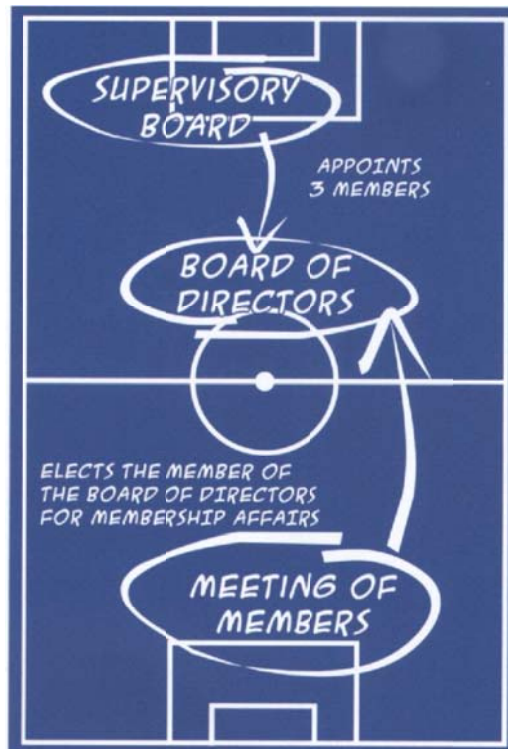
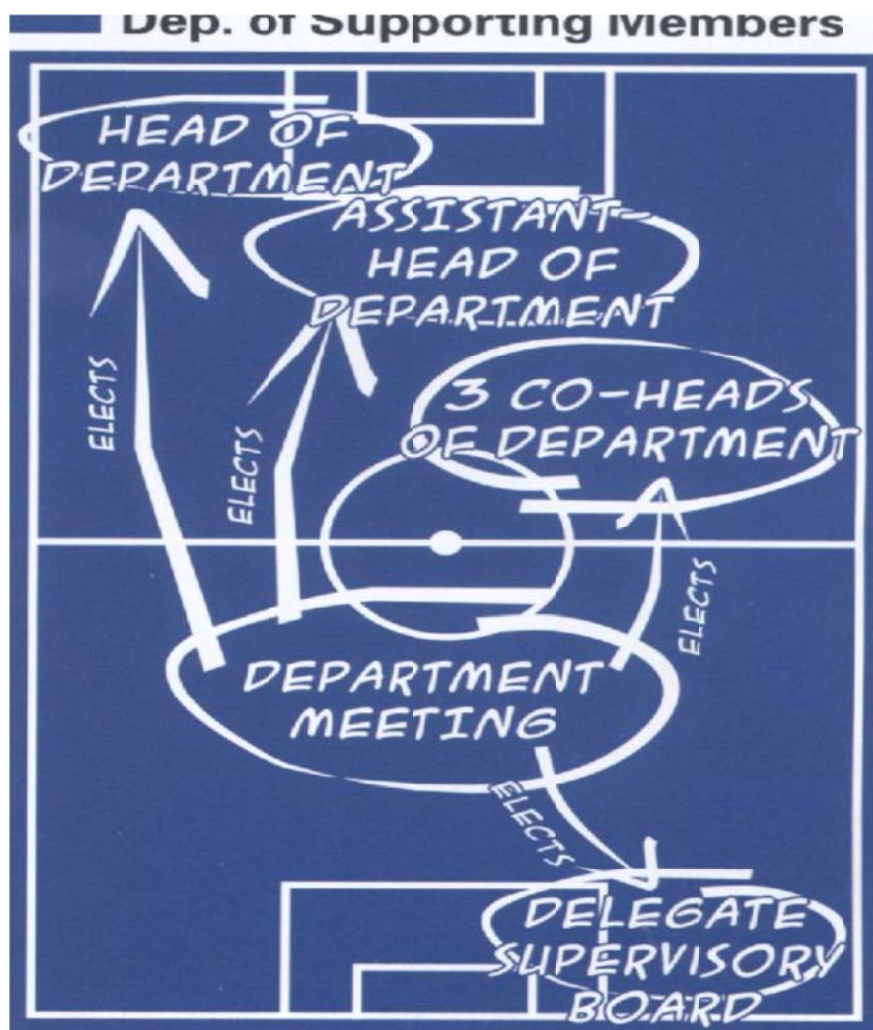


Figure 5.4 - Department of Supporting Members



The Board of Seniors

The Board of Seniors leads the 'Community of Seniors'. Every HSV member who is older than 35 and a member for five years or longer automatically becomes part of this community. They are mainly concerned with maintaining tradition and unity within the club. The Community of Seniors elects one delegate for the Supervisory Board.

Department of Supporting Members

The Department of Supporting Members is a Board of five, which leads the Supporting Club and is elected at the department's annual meeting. The Supporters Club elects one delegate for the Supervisory Board.

The Auditors

The Meeting of Members elects the Auditors for a period of three years. Bi-annually, they check the club's accounting and report directly to the members.

The Amateurs Board

The Amateurs Board is elected in the course of the annual meeting of all the HSV amateur sports departments. They are responsible for all non-professional sports within the club. The amateur departments elect one delegate for the Supervisory Board. Members of the Supporters Club are not allowed to vote at the amateurs' meetings.

5.4.2 Board Cohesion

HSV commented on the continuous friction between the two Boards, which at times created increased internal politics and has influenced decision making within the club on forming a consensus. The main reason for this friction is the Club Board feeling that the Trust Board is restraining them, with the democratic structure making the daily operational side of the business very bureaucratic and time consuming. HSV state that the Trust Board must have professional and credible Directors to ensure successful business relationships are formed with the Club Board. Despite this the football club have had these Board structures in place for many years and as such seem to accept frictions are normal everyday occurrences and find ways to work round them.

5.4.3 Effective Strategic Planning

The Supervisory Board and Board of Directors meet every quarter unless an Extraordinary General Meeting (EGM) is called. Before the start of every season the two main Boards will discuss and agree proposed strategy for the forthcoming season and what budget the Club Board are responsible for. The Board of Directors can make their own decisions and set their own strategy on what this budget will be spent on. However, the Board of Directors have a maximum of €500,000 they are allowed to spend without the approval of

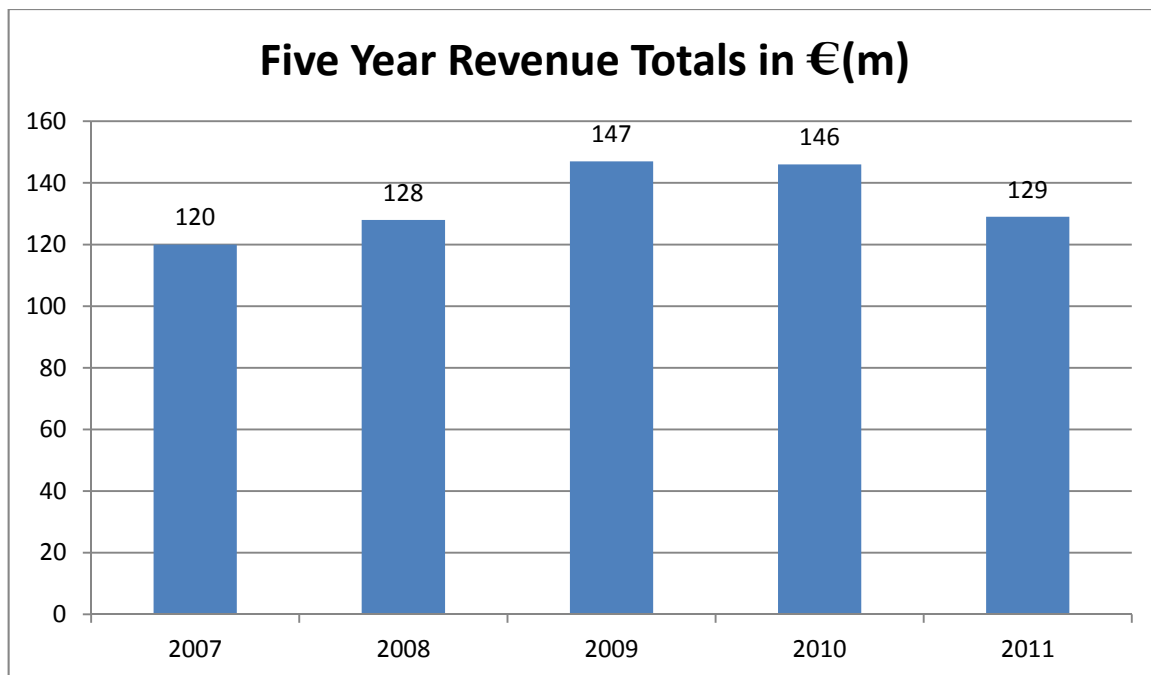
the Supervisory Board. Anything over this amount does need to be discussed with the Supervisory Board and an agreement formed before this transaction can go through. The Board of Directors needs to present and justify a case for this spend to the Supervisory Board.

The Supervisory Board may call an EGM if they are unhappy or concerned about the strategic effectiveness of the Board of Directors. Furthermore, if the Board of Directors wishes to change any of the statutes or working policies within the football business they need to seek approval from the Honorary Board as well as the Supervisory Board. Four years ago the Board of Directors wanted to challenge and ultimately change the structure within the football club to gain more private investment to spend on players. The Supervisory Board were against this proposal and on the request of the Board of Directors opened this out to the members to utilise their 'one member, one vote'. The members overwhelmingly voted against the proposal with the majority happy to remain with the current structure even if this affected the football team's on-pitch performances. However, tensions have arisen again during the latter months of 2013 with the Club Board stating that they wish to reduce the 100% supporter ownership model to a hybrid business model (51% majority share) (Shave, 2013). There is a feeling, encouraged by certain wealthy, influential supporters and sponsors, that the recent lack of on-pitch success would be addressed by allowing private 'investment' into the club.

5.4.4 Source Alternative Revenue Streams

Figure 5.5 illustrates that in the 2010/11 season Hamburger SV's experienced a decline in revenue of €17.4m (12%) to €128.8m (£116.3m). Their league position of 8th meant that the club would not compete in European competitions resulting in a drop in TV and gate receipt income for the following season. Commercial revenue represented the most important revenue stream to the football business with 47% of its total coming from this source. Commercial revenue declined the least of the three streams, by €2.9 m (5%) to

Figure 5.5 - HSV's Five Year Revenue Totals in €(m)



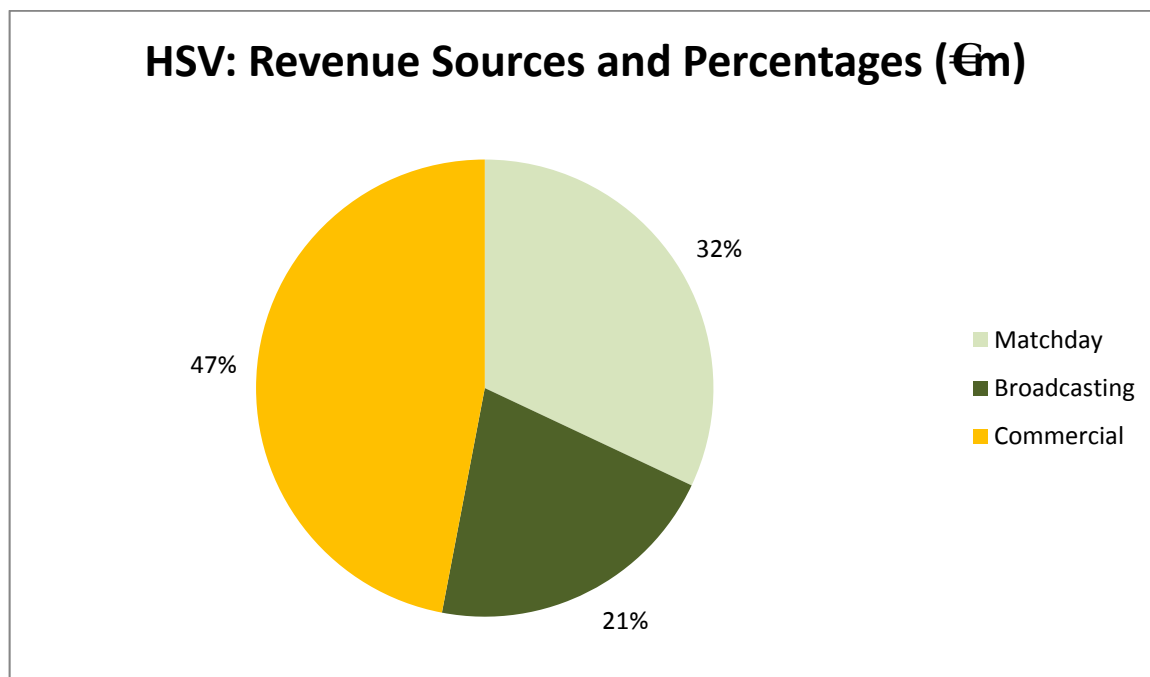
Source: HSV, Annual Accounts, 2007-2011

€60.3m (£54.4m) in 2010/2011. HSV's commercial revenues are supported by an extended deal with shirt sponsor Emirates, running until 2014/15 and the six year stadium naming rights deal with Imtech, worth a reported €4.2m (£3.8m) per season through to the 2015/16 season (Deloitte, 2011). In addition to the lucrative commercial revenue the club have secured a deal with Kohne Logistics, a local business worth €15 million to receive further private investment. Jens Wegner describes the deal they have with Kohne Logistics: *'the only investor we have is from Kohne Logistics because the club needed money last season and they found him and he gave us €15 million...but for this €15 million he gets the transfer rights of 30% of five players. So that means if we sell a player for €20 million then he will get €7 million back so that is his return on his investment'* (Interview, 9th June 2011).

Figure 5.6 highlights that match day revenue decreased by €7.5m (15%) to €41.8m (£37.7m) as the club's absence from European competition, compared with its semi-final appearance in the Europa League in 2009/10, meant HSV played nine fewer home matches than in the prior season (17 compared to 26). Average attendances at 54,445 remained in

excess of 95% capacity, yet average match day revenue per home match actually increased from €1.9 m to €2.5m. This was largely due to cheaper ticket pricing for the club's Europa League matches in the previous season. HSV's commercial operations underpin the club's alternative revenue strategy and have remained fairly resilient to the club's on-pitch difficulties.

Figure 5.6 - HSV's Revenue Sources and Percentages (€m)



Source: HSV, Annual Accounts, 2007-2011

5.5 BOARD ROLES

5.5.1 Role Definition & Clarity

The club have excellent procedures in place to ensure the smooth running of the football club and have extensive role definition, clarity and rules, which apply to each section of the business. Andreas Birnmeyer explains that *'the Supervisory Board and the Board of Directors are the engine of the club and the General Meeting of the Members is the highest Board in the club this is the only Board which can change the clubs statutes. You need 75% of the vote to change the statutes from the Directors on the Supervisory Board, nobody else change statutes within the club'* (Interview, 9th June 2011). This structure benefits the members twofold, one is that the Supporters Department ensures that the

members/fans receive several benefits for their membership and secondly their philosophy is protected by the Supervisory Board who protects the club from financial mismanagement. HSV also have an additional Board, which acts as an intermediary between the Supervisory Board (Trust Board) and the Board of Directors (Club Board).

5.5.2 Audit Function

The core philosophy of the Supporters' Trusts is for the sustainable corporate governance of their football club. The sheer number of members at HSV totalling nearly 75,000, has unintentionally acted as an audit function within the club. The political power this number represents has unintentionally influenced how the Club Board operate. In practice protecting the sustainable future of the club is always something the Trust Board are doing as Andreas Birnmeyer states *'at the moment we have a lot of power in the club and hopefully this will result in a calmer future for the club....not so much fighting nowadays as in the past...the business side is like we should sell everything we have and the other side is ok we haven't won anything for 25 years we can wait another 5 years don't forget the club is more important than success'* (Interview, 9th June 2011). The Club Board know that if they make mistakes they have to be accountable to 75,000 members. There is also the need to recognise the fine balance between pursuing success on the pitch against ensuring the club is a financially sound and sustainable business for future generations of fans.

5.5.3 Ability to Source and Attract Outside Expertise

As stated previously, the underlying reason why Supporters' Trusts' come into fruition is triggered by a reaction of a particular event or concerns of current ownership. The Supporters' Trusts' endeavour to rally support and harness fans concerns and anger to form a common purpose. Mostly this purpose will be to gain control of the club or at the very least achieve greater fan representation on the Board. Once these goals have been accomplished the Supporters' Trusts' are faced with the task of becoming more

professional to cope with the challenges of running a business effectively. Through the nomination and election process, Supporters' Trusts are provided with the opportunity to identify, source and invite suitable personnel to run for a seat on the Board.

HSV stated that they conducted background research on potential candidates who wanted to be considered for nomination onto the Board. This research would entail investigating the candidates' personal and professional background and check if indeed they are a 'diehard' fan as they have claimed. The clubs interviewed stated that they received approaches by a large number of retired candidates, who wanted to sit on several Boards during their retirement. Despite careful consideration and background checks conducted on the candidates during the election process mistakes have been made. Recruitment is not a definitive skill and not all selections are successful or indeed the right fit for the football club. In some cases the successful candidate has struggled to adapt to the complexities of running a football business with their professional experience unsuited to the tasks they faced.

5.6 BOARD STRUCTURE

5.6.1 Paid Board Members

The Supervisory Board are all unpaid and rely on volunteers but the Board of Directors are all paid a salary. Jens Wegner highlights that there is one exception to this rule, which relates to the Director of Membership Affairs, *'Ollie is one of the Directors of the club he is the only Director who is not appointed by the Supervisory Board he is elected by the members because he is the Director for Membership Affairs here. So he is the only person in the club who is elected, who is not a volunteer and gets paid for this job and is always informed on what we are doing'* (Interview, 9th June 2011).

5.6.2 Volunteer Board Members

Directors on the Trust Board interviewed were unpaid volunteers. A large majority of the Directors who have volunteered to work on the Trust Board were retired, unemployed,

self-employed or freelancing. As Jens Wegner describes *'one had been unemployed, one had been a student, I am a freelancer, Oliver who is now a Director (he was a Lawyer but he was self-employed) and the other one was also a freelancer. So for example, we could work for a normal job in the night time and work for the Supporters Club during the day'* (Interview, 9th June 2011). The main limitation to voluntary Board members was not being able to dedicate enough time to the job due to commitments from their paid work or activities away from the club. These extra-curricular activities also made meeting up on a regular basis difficult due to time constraints. Some of the Directors freely admitted to being overwhelmed by the amount of work required to run the Trust Board. Jens Wegner unfortunately had to make a decision due to the demands from his own business and that of the football club. He states that *'I did it for 8 years but at the moment you are elected for three years so I have been elected and re-elected three times. I could have gone on for one more year because I had one more year still elected but I said I can't go on like this anymore it is too much work I have to do here for this department and I can't do it all on voluntarily basis anymore. Because I have designed the whole merchandise collection I have set up all the meetings with our producers and I do all the advertising for this and I have travelled all over Europe attending all different meetings with all different clubs'* (Interview, 9th June 2011).

The main benefits highlighted were the diverse range of skills the club have received from the volunteers who have worked for the club. Furthermore, the club had successfully recruited 'new blood' onto their Board (primarily due to the club's nomination/election process) who had been able to meet the evolving challenges as the business grew. HSV state that the main advantage of having an independent voluntary Supervisory Board is that they are far more direct in their approach than they would be if they were paid full time members of staff. Andreas Birnmeyer explains that this is beneficial *'because they are independent the moment you are paid you have to take care on what you say in public you have to pay attention to what you are doing and you have to pay attention to the way you*

act. You are far more responsible for what happens when you are being paid you can be made responsible far easier rather than when you do it on a voluntary basis. On a voluntary basis if it comes to the worst you are not being elected again that's it' (Interview, 9th June 2011).

5.6 Conclusion

This chapter has highlighted how HSV organise themselves internally with several Boards and two main Boards who oversee the operational and strategic direction of the football club. The Honorary Board and Senior Board ensure the smooth running of the club both by acting as an intermediary between the two main Boards and also as an additional audit function. The Supporters' Trust had created their own department within the football club. This department was self-funded through its large membership and subsequent subscriptions and were able to provide money to finance other departments within the club. This enabled the Club Board to focus their budget on the players and the stadium.

When the researcher visited the football club she was impressed with the overall management structure of the business and the clarity of role definition of each

Table 5.3 - Overall Commercial Money Ranking Top 10 European Football Clubs

Rank	Club	Revenue €m	% of Overall Revenue	Overall Money League Ranking
1	Bayern Munich	172.9	52%	4
2	Real Madrid	150.8	34%	1
3	FC Barcelona	122.2	31%	2
4	Manchester United	99.4	28%	3
5	Schalke 04	79.0	57%	16
6	Liverpool	75.8	34%	8
7	Chelsea	68.8	27%	6
8	AC Milan	63.4	27%	7
9	HSV	63.2	43%	13
10	Borussia Dortmund	60.7	N/A	Outside Top 20

Source: Deloitte's Football Money League Report, 2011:16

department's responsibilities. In particular the football club has shown evidence that they are able to compete at the highest levels without receiving investment from wealthy benefactors. As Table 5.3 illustrates the Club Board are one of the most successful in Europe at attracting commercial revenue to the club. Table 5.4 documents that on the pitch HSV have successfully achieved a top to mid table finish in the Bundesliga 1 for several years. The club's recent highlight was qualification for the Europa League in 2009-2010 in which they reached the semi-finals of the competition.

Table 5.4 – League Position of HSV 2006-2013

2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
7	4	5	7	8	15	7

Chapter 6 will now focus on the experiences and fortunes of two English supporter owned football clubs, namely, Brentford FC and Exeter City FC. This chapter is entitled 'From Private to Supporter Ownership' and documents in depth how the Supporters' Trusts at the two clubs managed to become majority shareholder of the club and evaluates their overall effectiveness of changing the ownership and governance structures from private control.

CHAPTER 6 – FROM PRIVATE TO SUPPORTER OWNERSHIP

6.0 Introduction

This chapter focuses on two English football clubs who changed from private to supporter ownership due to financial problems. More importantly, these two supporter owned football clubs are the only clubs to have competed in League One as a mutual. In the modern game, there has been no evidence of a supporter owned football club competing in the Championship or the Premier League. The first case study concentrates on Brentford Football Club (FC) and provides an insight from January 2006 when the Supporters' Trust, Bees United, acquired a 60% majority shareholding of the football club. The second case study documents the events leading up to the Supporters' Trust acquiring a 64% majority shareholding of Exeter City Football Club (FC) in 2003. Exeter City FC are the longest serving supporter owned football club in the English game and have operated as a mutual for 10 years. Both Trusts aimed to increase the level of influence and representation supporters had in the governance of their clubs, improve the long-term financial sustainability of the business and wanted to strengthen the relationship between the football club and the community.

CASE STUDY 2 - BRENTFORD FC

PART 1 - REACTION INTO ACTION

6.1 MACRO INFLUENCES

6.1.1 People Power

Brentford FC have experienced financial trouble and have experienced turbulent ownership and management issues over the past decade. The Supporters' Trust was set up primarily to save the club from administration and raise enough finance to take control of their club. As Donald Kerr, Bees United's Chairman, recollects the Trust was set up out of panic *'the*

owner at the time had come in and had spent a lot of money on players, which a lot of us thought was his money, but we found out it wasn't his money it was the clubs money he had borrowed against the club. He had put the club heavily in debt and he had put in a planning application for Griffin Park (Brentford FC's home ground) which scared the living daylights out of us' (Interview, 27th January 2011). Ron Noades who had previously owned Crystal Palace had bought Brentford FC in 1998. His management and ownership of the club was turbulent and was never popular with the fans. Relationships deteriorated further when Ron Noades appointed himself as first team coach in 1998 resulting in him holding on and off pitch responsibilities. Brentford fans became particularly resentful to Ron Noades especially on match days when he was sat in the dugout. Ill-feelings among the fans were heightened when rumours began to circulate about plans to sell the Griffin Park stadium (Brentford FC's home ground) for housing and replace it with a ground share at a non-league stadium (Woking or Kingstonian). These proposed areas were well outside the club's traditional community and catchment area.

6.1.2 Rally Support

Once Bees United (Brentford FC's Supporters' Trust) began to seriously think about becoming the majority shareholder of the club and buyout Ron Noades they needed to formulate a plan to rally support from the fans. Due to the high levels of animosity from fans towards the private owner the Trust's task was to channel these emotions into membership subscriptions and fans wanting to donate towards the cause. Donald Kerr stated that the Trust *'went for membership and we went out on the pitch every Saturday and said can you please join. We were contacting people like Greg Dyke (ex-Director General of the BBC) who we knew was a Brentford supporter and had money. Local businesses all of that stuff.'* (Interview, 27th January 2011). Due to the large sums of money the Trust needed to raise they also focused on targeting the more affluent fan base at the club to obtain larger donations.

6.1.3 Dealing with the Media

Brentford FC recruited Donald Kerr to become the Chairman of the Supporters' Trust called Bees United primarily due to his public relations experience. This outside expertise coupled with targeting high profile and wealthy Brentford fans proved beneficial for the clubs media attention (one of whom was Greg Dyke, ex-Director General of the BBC). Donald Kerr stated that the media pull of Greg Dyke proved to be very successful in attracting attention to the Supporters' Trusts campaign. Donald Kerr utilised his previous experience and noted that he *'had business contacts in one of the biggest PR companies who were able to lend me a friend to help our marketing campaign. We got a huge splash in all the news media about what we were doing, Greg Dyke was on the front page of The Times and the front page of the Sun we were on Sky Sports News'* (Interview, 27th January 2011). The Trust regularly spoke at local radio stations, maximised all areas of social media available and ensured they kept constant contact with the local press.

6.1.4 Stakeholders' Financial Demands

Brentford FC had accumulated debts of £6.5 million, which had to be raised by Bees United to buy the club from Ron Noades. Ron Noades agreed his tenure at the club could not continue and let the Trust run the club on his behalf and gave them two years to raise the amount of money required to take full control. Bees United launched a marketing campaign to raise awareness and more importantly generate funds into the Trust. Because of this high profile marketing campaign local businesses who were owed money were made aware of the financial crisis of the club and placed financial demands on the Trust to pay back monies owed. Brian Burgess, ex-Club Deputy Chairman, remembers this being a particularly difficult time for the club as *'anyone who had supplied the club and had invoices outstanding immediately got onto the club I mean Monday morning the phone was ringing off its hook with suppliers saying I want paying now. If you are running out of money I want paying now so it put everybody under pressure'* (Interview, 27th January 2011).

The enormity of raising the large sum of money required for the takeover coupled with the day-to-day running of the club made an almost impossible task even harder. Compromises inevitably were made and Matthew Benham a wealthy benefactor offered to fund the shortfall for Bees United to take over the club. Donald Kerr noted that the *'the debt was phenomenal we owed £2 million to Barclays all sorts of debts it was massive, Ron Noades had borrowed to the point where it looked impossible for us to take over the club. Matthew Benham lent Bees United the money to enable them to secure the debt from the banks'* (Interview, 27th January 2011). Despite this benefactor asking for little in return in reality it resulted in Bees United transferring the debt owed from Ron Noades to Matthew Benham, which will be discussed in further in this Chapter.

6.1.5 Governing Body Legalities

Currently there are two sets of 'Fit and Proper Persons' regulations in the English game, a unified 'Owners and Directors' Test' for the Football League and the Premier League which is applicable for all professional football in England; and a second 'Fit and Proper Persons Test' which is operated by the FA for all non-league football. Since the amalgamation of the Football League and Premier League Tests in 2010, the Fit and Proper Persons Regime is broadly consistent across the game. There are few differences between the Owners and Directors Test and the FA's Fit and Proper Persons Test. Prospective owners are disqualified for a number of reasons including having influence in another club, having been convicted of offences such as corruption or perverting the course of justice, having been subject to a bankruptcy order, having been a Director at either two or more football clubs that have entered into insolvency events or one football club that has been in two separate insolvency events. However, it could be strengthened further as alluded to by Greg Dyke to the Guardian in October 2010: *'football is the only 'business' where you can be a crook, everyone knows you're a crook, and you can carry on working'*. Brentford FC highlighted that there were minimal governance policies applicable to

Supporter Owned Football Clubs enforced by the relevant Governing Bodies in the English Football League. Brian Burgess stated that the club did not receive any tax exemptions or funding benefits for operating sustainable governance policies within their business: *in League One you can spend what you like or money you don't have and when you are competing against the likes of Leeds, Charlton, Southampton you know they are all spending like mad. League Two has pretty much put their house in order but League One and the Championship haven't* (Interview, 27th January 2011). Brentford FC who have played in the Conference, League Two and League One acknowledge that there is a policy in place for clubs competing in the Conference and League Two but not in the higher leagues. This policy is enforced by the Football League and relates to the amount of money spent on players' wages in relation to the club's turnover. The current policy enforce that football clubs adhere to a 60% ratio of wages to turnover. However, once promoted to League One this policy is not enforceable, which in effect allows clubs to spend what they like. Surprisingly, Brentford FC did not choose to self-enforce this 60% ratio to their playing budget once they competed in League One. A choice, which seems to go against the very ethos of what the Trust stood for, for example, funding unsustainable playing budgets for short-term gains on the football field.

6.2 MICRO INFLUENCES

6.2.1 Professionalisation

Once the Trust were able to formalise the takeover of the football club they needed to quickly assess their professional capability. Due to the seemingly quick turnaround from galvanising public opinion to actually becoming majority shareholder, several key personnel on the original steering committee were left with a choice to make. As Donald Kerr recollects *'I don't think there are many people who want to run the football club. Joining the Trust for most people was a means of stopping the club going out of business not a means of taking over the club. So finding ourselves as majority owners was not what*

we wanted it was kind of a consequence it was a natural consequence of avoiding what was going on' (Interview, 27th January 2011). The majority of the original steering committee were in the main passionate football fans who stood up for their concerns to be heard but did not possess the relevant business experience to run the football club. Donald Kerr commended the ability of these fans to make supporter ownership a reality within the football club, however stated that there were *'too many for a start and secondly they were much more interested if Turner was playing right back or centre forward you know they weren't really interested in the business side of things or possibly able'* (Interview, 27th January 2011). Moreover, the Trust needed to quickly form a Board that could portray a professional and experienced impression internally and externally. The appointment of Greg Dyke did much to help as Brian Burgess stated *'Greg Dyke was very good in signalling from the start that things were going to be run more professionally. He held a certain amount of gravitas in the Board Room'* (Interview, 27th January 2011)

6.2.2 One member, One Vote

Becoming a member of Bees United entitled each individual to one vote within the club. In the majority of cases, the amount each member donated did not equate to increased numbers of votes. The Trust successfully negotiated with certain individuals to give the club donations totalling £200,000 each. These donations were awarded with a larger shareholding in the club and in some instances a seat on the Club Board. The 'one member, one vote' was exercised usually during nomination and election of Directors to the Trust Board, AGM's or EGM's or any other important club business requiring a majority vote decision.

6.2.3 Membership Numbers

Table 6.1 indicates that Bees United have been able to attract 2,500 members to the Trust who pay membership subscriptions annually. This figure equates to just under half of the average home attendance received by the club in the 2011-2012 season. One could ask the

question as to why only half of the average home crowd have subscribed to the Trust.

Table 6.1 - Membership Numbers – Brentford FC

Average Home Attendance (2011-2012 season)	Membership Numbers (as at April 2011)	Cost of Membership per annum
5,686	2,500	£15.00

Source: www.beesunited.com

Could it be due to a lack of ‘buy in’ by the fans or do they feel that their money spent on match days is their equivalent to membership subscriptions? Bees United feel their membership numbers can be explained by the latter with the majority of fans supporting what the Trust stands for but feel money spent on match tickets and refreshments is enough. Furthermore, it could be surmised that the Trust were not active enough in attracting new members and increasing their subscriptions with their intent being from the start to target a small number of more affluent fans for larger donations.

6.2.4 Raising funds

Bees United had two years to raise £6.5 million to buy out the private owner from Brentford Football Club. Brian Burgess recollects that *‘the day we exercised the option on a Friday we had a home game the following day. When I went on the pitch before the game and made an announcement to the crowd to say Bees United have exercised the option to take over the club. There was a big intake of breath! Which means we have to raise £6.5 million’* (Interview, 27th January 2011). Bees United set out to target wealthy fans and once in dialogue with these people they tried to persuade and coerce them into making a donation. Legal experts needed to be recruited to ensure that the funds promised by these wealthy businesspeople were legally binding and protected. They actively recruited for members and tried to encourage subscriptions to be paid monthly to improve cash flow and appease the Bank. The Trust also tried to negotiate with existing creditors to either write off or reduce the amount of debt the club needed to pay back. The club and the

Trust also formed excellent relationships with the London Borough of Hounslow, which provided an interest-bearing loan of £0.5 million to help facilitate the Trust remaining the majority shareholder at the club.

6.2.5 Community Beneficial

Brentford FC’s Community Sports Trust has been so successful that they have formed a separate company away from the football club for financial protection. Turnover equates to £1.2 million per annum and they employ 95 staff to run a diverse range of programmes across the borough. Since the Trust took over the football club in 2006, Bees United have helped the Community Sports Club win a number of awards as shown in Table 6.2. The Trust oversees 178 projects across four key areas: health, social inclusion, education and sports participation. Areas covered are Hounslow, Ealing, Richmond and Spelthorne. Donald Kerr acknowledges that *‘the work we do in the community is massive. We have just won the community mark which is the business in the community kind of quality standard for companies so we are up there with Glaxo, John Laing...we are the first football league club to be awarded this...and it was because of this community work the*

Table 6.2 - Brentford FC Community Sports Trust Awards

Year	Award
2009	Football League Community Club of the Year League 2
2008	Pro-Active West London Best Partnership Award
2007	GlaxoSmithKline 2007 Local Health Award
2007	Football League Best Club Sponsorship Award
2006	Football League Community Club of the Year

Source: Community Sports Trust, Impact Report 2007-09

council gave us a loan at commercial rates which enabled us to take over the club’ (Interview, 27th January 2011). The football club’s turnover is between £2.5 and £3 million per annum, which illustrates the outstanding success of the Community Sports

Trust. The Trust has also been instrumental in the formation of the Learning Zone at Griffin Park. Learning Zone, in partnership with the local council, provides an out-of-hours study support centre that concentrates on raising attainment for young people in Hounslow between the ages of 8-19 years. This learning zone is located in the Players' lounge and is converted into an ICT and learning suite during the week. Brian Burgess stated that *'the specific objectives of Supporters' Trusts is to ensure that where a Trust is involved at Board/Shareholder level, community work is seen as a 'must do' rather than a 'nice to do'*. This belief was certainly evident within the club.

6.2.6 Honesty & Transparency

Brentford FC have been able to foster a democratic approach, which encourages an ethic of open sharing of information whilst still maintaining confidentiality. A 'golden share' has been acquired by the Trust to ensure that it will not be possible for any future owners of the club to sell the stadium without the agreement of the Trust members that the sale is reasonable. At the very least this will enable an open debate about the merits of any proposal to sell the club's major asset. An issue, which was a prominent reason why the Trust came to fruition in the first instance. With the football club experiencing a distinct lack of honest and transparent dealings from numerous private owners who came and went, the Trust were adamant this would change under their ownership.

PART 2 – GOVERNANCE AND ACCOUNTABILITY

6.3 SHARED LEADERSHIP

6.3.1 Promote Inclusivity within the Club

Evidence was found from the football club wanting to gain primary research from their external stakeholders. One of the largest projects the Trust found themselves involved in was to find a suitable new home for the football club. Griffin Park lacks modern facilities for spectators and for non-football revenue generation. The stadium is in a residential area,

hemmed in by housing on all sides and as such is not a suitable site for developing a modern stadium with sufficient capacity. Due to the sensitivity surrounding any proposed stadium move the Trust initiated extensive primary research on their new stadium development proposals to solicit public opinion. Donald Kerr notes *'because we are supporter owned I did a survey at the point where we looked like we going to submit a planning application for Lionel road (new stadium development site). The Trust wrote a questionnaire about what fans would want from Griffin Park and what they would want from a new ground. We also asked what their ideal stadium would be and what other stadiums in the country were good or poor. We got 4500 replies'* (Interview, 27th January 2011). This section supports the honest and transparent nature of operation previously discussed. The Trust have endeavoured to ensure that all external stakeholders feel that they are being included in what is going on within the football club and that all information, where permitted, can be made public.

6.3.2 Understand the Mutual Ethos

Bees United were found to embrace and fully understand the constitution of what being a supporter owned football club entailed. They felt that the biggest strength of being supporter owned is the long-term interest in the sustainability and success of the club. They also point out that the constitution can provide a less short termism approach to the business, more responsible stewardship and are more transparent and accountable to their key stakeholders. The financial and corporate structure, details of debts and full annual accounts for the football club are all published and open to debate. Public information clearly states who owns the club, how it is funded and what major deals are done. Furthermore, the Trust believes that the constitution also helps the club build stronger relationships with their external stakeholders due to their proactive focus on community ethos and increasing the club's social value.

Bees United are in the firm opinion that the trust model provides strategic continuity and

are able to tap into a broader resource pool of a wide range of skills and experience among their membership base. The club operate a democratic structure with the Club Board running the day-to-day operations informing the Trust Board as and when key decisions needed to be made. All the respondents interviewed were adamant that democracy would be a key feature within the business. Members of the Trust Board were elected by the clubs' members and have been entrusted by these fans to ensure that the Club Board operate in a sustainable and transparent way.

It became apparent that it was of paramount importance all personnel involved in the Trust and Club Board understood and embraced the 'mutual ethos'. However, gaining this full understanding throughout all personnel involved on both Boards and within the club was something the Trust felt they did not achieve. Due to inheriting Directors who were used to working under private ownership and trying to change the mentality and overall culture of the club proved to be a difficult task. Coupled with other pressing issues the Trust had to deal with the ethos of mutuality seemed to become diluted in certain areas of the club. Donald Kerr demonstrates that *'there are two types of clubs there is the legacy clubs like ourselves, Stockport County FC and Exeter City FC, where you do inevitably inherit a legacy both in terms of the financial liabilities and debts and the culture of the place and the people you can't get rid of because you can't afford to do so. Then there is the 'Phoenix/Greenfield' clubs: AFC Wimbledon, FCUM, AFC Telford, where by definition they start off without the legacy and everyone who is there and on the Boards' are there because they buy into the vision. They have got a much better place to start from'* (Interview, 27th January 2011). A crucial point, which will be evaluated in Chapter 7 where the experiences of two 'Newly Formed' supporter owned football clubs will be documented.

6.4 BOARD COMPETENCY

6.4.1 Nomination/Election

Brentford FC have an elected Trust Board Director on the Club Board to oversee the operational side of the club and ensure that sustainable financial decisions are being made. Table 6.3 states the length of service an elected Director can serve on the Board at

Table 6.3 - Length of Service for Elected Directors at Brentford FC

Term in Office	Year Elections Held	Maximum Years' Service
3 years	Annually	12 years

Brentford. The Club Board had Investor Directors were not elected due to providing substantial investment to secure the goal of becoming supporter owned. The Boards were formed by Brian Burgess who points out that *'the way I set up the deal was that we as the majority shareholder would have a right to appoint a Chairman as a Bees United nominee and appoint three other Directors and there would be other Investor Directors of which there were four to start with because that was how many put money in'* (Interview, 27th January 2011). The Club Board had Greg Dyke and Brian Burgess as the Chairman and Deputy Chairman of both Boards. The Trust Board of the football club were also able to have a substantial say in which Director was to represent the Trust on the Club Board.

6.4.2 Board Cohesion

Brentford FC commented on the fact that the Trust Board underestimated the dynamics of operating with two Boards. Their understanding was that the Trust Board were responsible for overseeing the long term sustainable governance practices within the club and the Club Board were responsible for the running of the club on a daily basis. However, Brentford FC experienced a lack of cohesion on this distinction between the two Boards, which at times caused conflict between the two parties. Brentford FC state that they have recognised these internal problems and have developed a strategy to enable the two Boards

to work together more effectively. On reflection, Brian Burgess feels this can be equated to the lack of experience working in a football club stating that *'of course people who are not experienced in business whom most of them aren't don't understand the difference of being a shareholder and being a company and being a member of a Trust Board which looks after the strategy and governance and being an executive team that has to run the day to day operations'* (Interview, 27th January 2011).

Directors who joined the two Boards of Brentford FC did so for several different reasons. As previously mentioned, Investor Directors were found to be prominent within the Club Board. The club recalls that one Investor Director approached them as he wanted to eventually own a football club and in return for his £250,000 he wanted a seat on the Club Board to gain experience of running a club. The disadvantage to this arrangement is that their aims are more of a personal nature and not primarily for working towards a sustainable mutual business model for the club. A point reiterated at the 2011 Parliamentary Football Inquiry when Brian Burgess stated that *'Dave Boyle from Supporters Direct has submitted written evidence to the Parliamentary Inquiry that football Club Boards are unlike any other company Board as normally the criteria of appointing people to a Board is their skills or expertise which they can contribute. Here it's have you got a spare few hundred thousand pounds which you don't expect to see again'* (Interview, 27th January 2011). A high percentage of Directors on both the Trust and Club Boards were people who had been approached by the Supporters' Trust because of their knowledge, experience or particular expertise. On the Trust Board a large majority of the Directors were found to be retired businesspersons who still wanted some involvement in a business.

Brentford FC experienced problems with inherited Directors on the Board, which affected the operational side of the business. During the first year of becoming a majority shareholder decisions had to be made on Directors' responsibilities and tasks were

restructured in order to deal with the day-to-day running of the football club. These decisions were not as robust as they would have liked because they could not terminate these Directors' contracts without having to pay them back large sums of money, which they did not have. Donald Kerr reflects that in hindsight this was one of the main disadvantages of inherited Directors, *'if you said to Brian Burgess now what was his big mistake as a Bees United Chairman and as a group of people who had taken over the club it was not having the financial muscle to say to the old Board members get out. We were pretty hamstrung because they were Directors in here we could not get rid of because they were putting money on the table'* (Interview, 27th January 2011). These internal politics only added to other challenges within the business, which needed to be overcome.

6.4.3 Effective Strategic Planning

Strategic planning was mainly undertaken by the Club Board with the Trust Board being informed during joint Board meetings and their approval given for implementation. This clear definition of responsibilities did successfully work between the two Boards at the club. Bees United raised proposed new strategies to the Board meetings for the Club Board to consider. When Bees United took control of the club, the Trust's strategy and business plan were focused on responsible financial management and developing a new stadium at a nearby site in Brentford to achieve long-term sustainability. The Club Board's main strategic focus was to boost the playing budget, achieve success on the pitch and to obtain as much commercial revenue as possible to offset inherited debt.

6.4.4 Source Alternative Revenue Streams

Bees United were faced with the challenging task of sourcing alternative revenue streams from the start of their ownership. The stadium did not have any corporate hospitality, players' lounge or bar to generate revenue during the week and on match days. The club have managed to utilise one large room in the stadium to become a learning zone (funded by the local council) during the week for disengaged schoolchildren to learn. This room

has been cleverly designed so it can then be converted to a bar with a capacity for fifty people on a match day, which brings in added income. Furthermore, there is another room used as a learning and educational suite which again is converted to house the press on match days.

It was decided early on that Griffin Park was financially unsustainable for the club's future and that a new stadium must be their priority. Brian Burgess became the Project Manager for this task and resigned from the Trust and Club Board to concentrate on the stadium development plans. The idea in theory was to sell Griffin Park, build a new stadium on a disused site on Lionel Road, and form a social enterprise network within the stadium. Brentford FC formed agreements with Barratts Property Developers and the local council. Barratts were to buy the Griffin Park stadium from Brentford FC and build and sell houses on this site. The local council were in agreement to sell the leisure centre, which was located close to Lionel Road due to the facility being dated and beyond repair. Barratts would buy this site from the local council to build houses and with the profits from both sites they would build a £25 million stadium for Brentford FC and the local council to use. The stadium plans included a hotel in one corner, which would be utilised for corporate hospitality on match days for the football club. The local council planned to move the leisure centre and local G.P's surgery to one side of the stadium. Finally, the club planned to lease a large area on the other side of the stadium for social entrepreneurs to hot desk and office share. The proposed new location was near the existing ground, which would appease fans who were reticent about change and would have provided the club with a 20,000-seater stadium for free.

Unfortunately, the stadium development plans fell victim to the global financial markets crisis in 2008-2009. Barratts withdrew their offer, as they feared that due to the dramatic slump in the property market they would not make enough profit to build the new stadium for free. Brentford FC and the local council did not have the funds available to offer

Barratts enough to meet the resulting shortfall on profits in order to continue with the stadium build. This chain of events could be argued contributed to the demise of the dream of supporter ownership of Brentford FC due to the importance this stadium development was to the independent financial health of the club. The Trust and Club Board were experiencing annual losses, which were being covered by the single benefactor Matthew Benham, and the amount borrowed from Matthew had increased so significantly that he later asked for a larger stake of the business to protect his investment. The Trust continued to pursue this development and retained the lease, planning permission and golden share for both Griffin Park and Lionel Road. On the 6th December 2013, three years on from relinquishing majority control of the club, Hounslow Council finally granted Bees United planning permission for a 20,000-seater stadium and residential units on land at Lionel Road (BBC, 2013). These external macro influences on Brentford FC's strategic plan were unprecedented and could not have been foreseen. However, it can be fair to say that the Boards were over reliant on this stadium development succeeding and did not instigate or operate any parallel contingency plans on the current ground in case the Lionel Road project was not achieved.

6.5 BOARD ROLES

6.5.1 Role Definition & Clarity

Within Brentford FC there is a clear distinction of the roles to be conducted by the two Boards. The Club Board are responsible for the day-to-day running of the football club whilst the Trust Board act as an intermediary between the club and the fans (the Trustees). As stated by Donald Kerr *'we are not involved in the running of the club.....the Trust Board are really there, I suppose, as the financial owners but not as the runners. We don't run anything we are the security for the financial health of the club. Our aim is the same as any other Trust it is for the long term sustainable health of the football club and to make the club closer to the community'* (Interview, 27th January 2011). The Trust Board are also

responsible for raising membership and are involved in all decisions made by either Board to ensure and promote democracy within the club. Bees United were found to be proactive in reviewing their internal structure and understood the importance of role definition and clarity within the Trust. The main responsibilities identified within the Trust were membership administration, Trust administration, club affairs, working on the relationship between the Trust and the Club Board and community work.

6.5.2 Audit Function

The football industry as a whole tends to adopt 'risky' business practices with a majority of privately owned football clubs spending their way to success. Fans want to see success on the pitch with their owner's spending money on the best players available. Supporters' Trusts' members are fans but usually have joined the Trust because of deep concerns about how these risky business practices have affected the future health of their club. Brentford FC have seen the rise of their Supporters' Trust gaining majority shareholding because of the imminent risk of going bankrupt due to rising levels of unsustainable debt. Consequently, these members needed to temper their expectations on the pitch with consolidating matters off the pitch. The Trust agreed that the financial health of the club was more important than winning trophies.

6.5.3 Ability to Source and Attract Outside Expertise

The added pressure Supporters' Trusts have is that the Board positions are classed as voluntary and therefore unpaid due to their financial situation. In a normal recruitment exercise with no financial restraints, a job description would be drawn up with a person specification and salary to match. Bees United had an ideal candidate specification in mind but had to dilute their expectations to who was available and prepared to work voluntarily before assessing their business skills. Despite these constraints Brentford FC have attracted relevant and experienced candidates to help move the club forward. If it was not for the efforts of the Trust in rallying support at the initial stages the club would

not have been associated with Greg Dyke and Matthew Benham who have both proved to be crucial in facilitating the change in ownership, direction and subsequent focus of the club.

6.5.4 Evolve & Change Key Personnel

Brentford FC were restricted in their capacity to change Directors due to the financial agreements in place if they were to be removed from the club. Bees United have reflected that if they did have their time again as majority shareholder this would have been an area where they would have taken a tougher stance. Brentford FC inherited Directors who either were against the philosophy of supporter ownership or did not have the correct skills to run a football club. Furthermore, the club had also inherited large sums of debt and needed to focus primarily on seeking lucrative and alternative revenue streams to move the football club forward. Some of these inherited Directors were neither able nor willing to step down to allow more suitable personnel to deal with these ever-changing issues in the Boardroom.

Brentford FC also attracted a further Director on the Club Board halfway through the Trust's ownership who acted as a representative for Matthew Benham. The representative's appointment was a result of the Trust's increasing reliance on Matthew Benham's money on an annual basis. Matthew not only helped fund the final stages of the takeover of the club by Bees United but also helped with the deficit in the club's accounts each year. This continuing and increasing funding by Matthew led him to instigate this appointment on the Club Board to ensure he was fully aware of what the Board was doing. Brian Burgess stated that the football clubs reliance on Matthew was due to the fact that *'in practice we were still losing half a million a year so we took another half a million pound loan from Matthew Benham. By then Matthew had settled in and had a representative on the Board, who has now changed, but by that time he had his own Chief Executive from his own business who sat on the football Club Board'* (Interview, 27th January 2011). This

additional Director was not chosen or elected by the Trust or their members and did not hold any operational or strategic role within the club. The Trust had no objection to this appointment but did not receive any benefit from this Director in developing effective strategic planning within the football club.

6.6 BOARD STRUCTURE

6.6.1 Board Size

Due to the complicated historical ownership structure of Brentford FC the Supporters' Trust were faced with the onerous task of ascertaining and organising the internal ownership structure of the club. In essence, when the club became Supporter Owned they appointed 12 Directors on the Trust Board and 8 Directors on the Club Board. Figure 6.1 provides a diagrammatic form of the different trading subsidiaries within the club with shareholding stakes of each. The main subsidiaries are as follows:

Brentford FC Limited ('BFC')

Created in 1998 this company is the main trading subsidiary. It holds the beneficial ownership of Griffin Park and the Football League's membership share. Table 6.4 indicates the principal ordinary shareholders (200,000 issued) as at 31st January 2012.

The Supporters Trust Bees United has the controlling interest in the following companies:

Brentford Holdings Limited

Created in 1997 as a vehicle for a consortium consisting of David Webb, John Herting and Tony Swaisland to purchase the controlling interest in the then 'Brentford Football & Sports Club PLC' (Brentford FC) from previous owner Martin Lange. Bees United holds

Figure 6.1 - Ownership Structure of Brentford FC

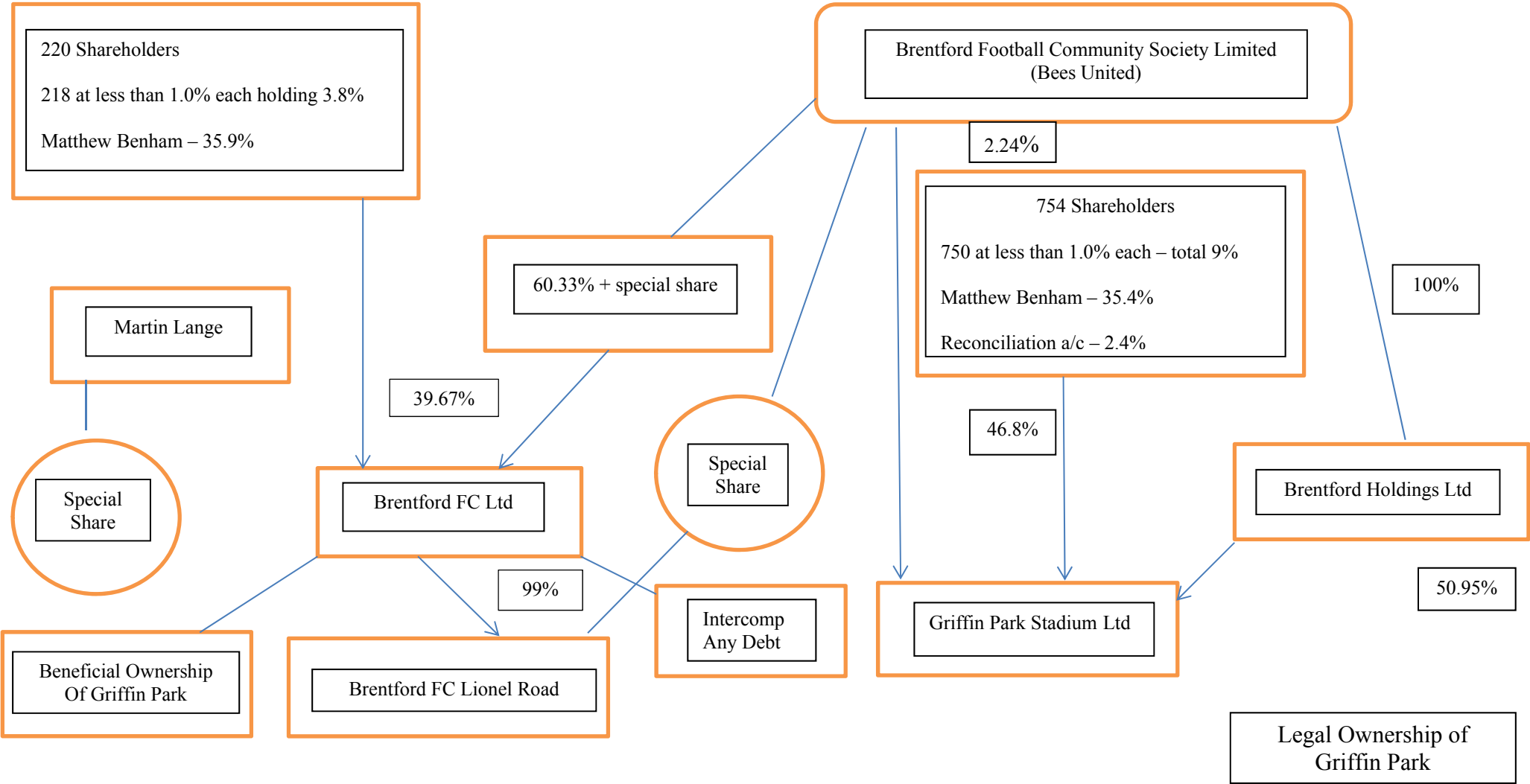


Table 6.4 - Brentford FC Ltd – Principal Ordinary Shareholders

Name of Trading Subsidiary	Shares Issued	% Shareholding
Bees United	120,662	60.3%
Matthew Benham	71,800	35.9%
Brentford Supporters Association	1,040	0.5%
Dan Tana	1,010	0.5%
Ron Blindell	550	0.3%
Others (215 shareholders)	4,938	2.5%
TOTAL		100%

Source: Brentford FC, Annual Accounts, 2011-2012

all 54,000 ordinary shares, i.e. it is a 100% subsidiary of Bees United. The company does not currently trade and its only major asset is a shareholding in Griffin Park Stadium Ltd.

Griffin Park Stadium Limited

The original limited company of Brentford FC, created in 1901 and originally titled Brentford Football & Sports Club Limited. Made a PLC in 1982, its name was changed to Griffin Park Stadium Limited in February 1999, at the same time reverting back to a private limited company. Currently it is not trading and its key asset is an inter-company loan in favour of Brentford FC. It owns the legal title to Griffin Park (the beneficial title and the significant value is owned by BFC).

Brentford FC (Lionel Road) Limited

On 28 June 2007, Brentford FC Limited created a subsidiary company called Brentford FC (Lionel Road) Limited. This company was formed to pursue the development of a new stadium for BFC. As at 31st March 2010 the company has two shareholders. Brentford FC Limited with 99 shares (99% shareholding) and Brentford Football Community Society Ltd (Bees United) with 1 'golden' share, giving certain veto rights over the actions of.

Brentford FC (Lionel Road) Limited. This golden share, which represents 1% of the issued share capital, gives Bees United the right to a veto over any issue or transfer of shares, the disposal of assets over a material level, the use of land for any purpose other than that of a sports stadium, the charging of assets, the implementation of any liquidation proceedings and the payment of any dividends. In addition Bees United have the right to appoint a minimum of one Directors to the Board of Brentford FC (Lionel Road) Limited.

6.6.2 Paid Board Members

Several members of the Club Board were paid but some including Greg Dyke who remained unpaid through the period of supporter ownership.

6.6.3 Volunteer Board Members

All members of the Trust Board were unpaid volunteers.

6.7 Success?

The Trust Board at Brentford FC had a difficult and challenging task when gaining majority shareholding of the club from Ron Noades. The amount of debt involved and their ability to raise enough finance to pay this debt off within a short time period was challenging. The Trust's strategy to target wealthy businesspersons to either donate large sums of money or gain a sit on the Board had both benefits and limitations to Bees United's control of the club. As previously stated the need for money was paramount over the need to attract suitable Directors with the right skills and who shared the Trust's philosophy. The main contributory factor to the end of Bees United majority shareholding was the business relationship the Trust formed with Matthew Benham. It could be claimed that Bees United was a Trust 'masquerading as a supporter owned football club' as the continual need for Matthew's money was not conducive to operating as a mutual. Initially, Matthew Benham did not want any return on the money given to the Trust, claiming that he would have given this money to a charity or worthy cause. However, the Trust and Club Board's failure to source any substantial revenue streams from Griffin Park and the

collapse of the Lionel Road development only made the football club became more reliant on his money.

In March 2010, as a consequence of this over reliance, Matthew Benham required a larger stake in the club for more control and return on his investment. Brian Burgess described the new arrangement in more detail, *'Matthew Benham has got loans owed to him by the club of about £4-5 million, he has got up to £5 million worth of preference shares and with an option at the end of the five years, which is now three and half years away, an option to convert all of his debt and his preference shares into buying Bees United equity, but not from Bees United it would just be wiping out the debt in the club for exchange for Bees United shareholding'* (Interview, 27th January 2011). In effect, this new deal means that Brentford FC are now operating under a hybrid structure similar to the German structure with the club still being supporter owned with 51% majority shareholding. This new arrangement ensures Matthew Benham has a greater say in the club, incentivises his continued funding and stabilises the club until a new stadium can be developed.

The Trust have ensured that they have kept control of the 'golden share' on Griffin Park, which can prevent future owners selling the ground without their wishes. The Club and Trust Board's performances were very good considering the tough circumstances they were working under. Their Community Sports Trust development was excellent and well worthy of the numerous awards they have received. The Lionel Road project was strategically robust and if the financial crisis had not occurred this development would have gone ahead as planned. The Trust have achieved a more sustainable future for the football club.

Table 6.5 demonstrates that on the pitch Brentford FC have experienced differing fortunes over the last seven years. With promotion from League 2 and the introduction of the Supporter Owned ethos into the club since 2006 Brentford FC now remain a solid League One football club consistently finishing in the top ten during the last four seasons.

However, the need for a new stadium and increased revenue to boost the playing budget is a prerequisite to succeed to the higher leagues. They are still have the lowest playing budget in League One.

Table 6.5 - League Position of Brentford FC 2006-2013

2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
24	14	1	9	11	9	3
(relegated to League 2)	(League 2)	(Automatic promotion to League 1)	(League One)	(League 1)	(League 1)	(lost in the playoff final)

The next section is Case Study 3, which focuses on Exeter City Football Club (FC).

CASE STUDY 3 - EXETER CITY FC

PART 1 - REACTION INTO ACTION

6.8 MACRO INFLUENCES

6.8.1 People Power

Exeter City FC went into financial administration in 1995 and ever since have remained financially unstable due to a range of financial and ownership problems. During the 2002/2003 season it soon became apparent that the new Directors, John Russell and Mike Lewis were not running the club efficiently and the on field sporting performance was suffering as a consequence. The fans had set up a Trust in 2000 with the main purpose of gaining fan representation on the Club Board in an attempt to resolve the clubs financial problems. However, this aim soon changed to full control of the football club following allegations of fraudulent business practices and another credible threat of administration on the then current owners. Exeter City FC were relegated to the Nationwide Conference on the last game of the 2002/2003 season. Off the field, the two Directors and wife of one of the Directors were arrested and charged with fraudulent trading. Ivor Doble, the owner of the club at the time along with several other key personnel of the club changed the locks of the building and endeavoured to oust the Directors out of the club.

6.8.2 Rally Support

Exeter City FC initiated a comprehensive marketing campaign to rally support during the formation of the Trust and for a short period after they took control of the club. The majority of fans did not need much convincing that supporter ownership was the way forward following two administrations in the last ten years. Dr. David Treharne, ex-Chairman of the Trust Board, recalls that *'what was going on the field and what was going on behind the scenes actually persuaded people that something was desperately wrong and that maybe just maybe at the end of the season we might not have a football*

club to actually represent' (Interview, 16th February 2010). A small group of Trustees spent time leaflet dropping and communicating with the fans and the local community to educate them on what they were trying to achieve. With fans witnessing the demise of the club and with a real feeling that their club could cease to exist, membership rose to 750 members by the end of the season.

6.8.3 Dealing with the Media

Members of the original steering committee involved in setting up the Trust set about utilising their contacts to maximise their exposure to the media. Dr. David Treharne describes the importance of one particular person, *'he was a member of the Trust since the start and was an absolute expert in getting in people's faces. He worked for the Express and Echo which is the local paper so it was quite useful in terms of spreading ones word'* (Interview, 16th February 2010). The Trust utilised all forms of media available to them to gather momentum and public support for what they wanted to achieve. However, it was found that more traditional forms of media, for example, local and national newspapers, leaflets, posters and match day programmes were used more than modern techniques such as Facebook and Twitter by the Trust. It is only after the recent change to the Trust in 2011 that the use of social media sites have been used on a regular basis to communicate with their members.

6.8.4 Stakeholders' Financial Demands

Exeter City FC were faced with a large amount of inherited debt and the Trust decided to enter into a Company Voluntary Agreement (CVA) soon after they bought the club. Dr. David Treharne describes the full extent of the debt problems the Trust were faced with *'we had players we couldn't afford to pay...we didn't have kit deal we did not have anything. We spent the period May to July 2003 simply fire fighting and dealing with people who turned up as creditors...by September we entered into the CVA but again that wasn't as easy as it might seem. The Inland Revenue claimed that in fact the creditors*

meeting we held hadn't been conducted properly and they were due the full sum of what they were owed' (Interview, 16th February 2010). In the event of a football club entering administration the Football League enforce a football rule that 'football creditors' – i.e. managers, players and other clubs are to be paid first above other creditors – i.e. St Johns' Ambulance, local businesses, kit suppliers etc. In Exeter's case the 'other' creditors were owed the sum of £3,196,616, which meant they had to accept a fraction of what they were owed or risk getting nothing. Exeter FC also owed £233,000 to the Inland Revenue who in turn challenged the validity of the CVA because it did not get the preferred status of football creditors (Exeter City FC, Annual Accounts, 2002-2003). Julian Tagg, Vice Chairman and Sporting Director, recalls that the club could offer no more than 7.2p in the pound and the club needed agreement from 75% of the creditors for the CVA to be legal. The CVA was approved by 88% of the creditors who agreed to the payment terms offered.

6.8.5 Governing Body Legalities

The club expressed concern that there are insufficient checks and penalties enforced on financial mismanagement in football. They feel that this failure of governance from the Football Association (F.A.) appears to be jeopardising the sustainability of the game, both at the micro-level of individual clubs and at the macro-level of the pyramid league structure and the national game more generally. The fact that the majority of Supporters' Trusts' get reactively involved in saving their football club when the finances are in a very precarious position does not bode well for this type of business model to work. The club found that there were no legal or financial benefits for forming as a nonprofit, community beneficial business nor any tax relief benefits were received. As a consequence they felt that supporter owned football clubs were competing in an 'uneven playing field' in the English game. Concerns were also raised as to whether the sport's governing body in England, the F.A. is fit for purpose. Exeter City FC believe that the commercialisation of the game, and associated financial risk-taking, is undermining football's ability to deliver wider community benefits. The club also stated that similar governance frameworks that

are in operation in Germany need to be replicated in the English football league system for supporter ownership to have fair chance of success.

6.9 MICRO INFLUENCES

6.9.1 Professionalisation

Exeter City FC recognised the need to restructure and reorganise the internal operations of the club from back room to the Boardroom. By employing this the football club was run more professionally internally and portrayed a favourable image to external stakeholders that the Supporters' Trust were capable in moving the club forward. Despite serious financial problems surrounding the club the atmosphere was transformed by the Trust ownership. Over the years since the Trust took over they have benefitted from an enormous amount of voluntary work, which has been done at the ground by the fans in return for nothing but the satisfaction of a cup of tea. Frances Farley, who is now the Education & Community Director on the Club Board, volunteered to weed the pitch for free spurred on by the effect the near closure of the club had on her family who were all avid Exeter fans. The Board, none of whom were being paid or claiming expenses, did their best to stem the flow of cash out of the club. Most of the main Board members were working for Exeter City FC part time whilst working full time elsewhere or running their own business.

6.9.2 One Member, One Vote

Exeter City FC were found to utilise the 'one member, one vote' principle only on major business decisions through an AGM or EGM and Directors Nominations. Each member received an entitlement of one vote per membership subscription. This one vote entitlement did not increase if the member donated more than the required membership fee.

6.9.3 Membership Numbers

The Trust have successfully attracted members, which equate to over 50% of their average home attendances. The Trust have freely admitted to becoming complacent with

membership especially over recent years. The Trust had a very basic system in place to track when annual subscriptions were due for renewal and had not been active in attracting new membership. Trust membership reduced to 2,000 members during the 2009-2010 season from 3000. However, following on from a recent marketing campaign in the 2011-2012 season and reorganisation of their internal systems they have restored their membership back up to 3,200 (refer to Table 6.6). By virtue of this revenue stream the Trust lends the club £75,000 annually which now totals £1.2 million since their

Table 6.6 - Membership Numbers – Exeter City FC

Average Home Attendance (2012-2013 season)	Membership Numbers (as at June 2011)	Cost of Membership per annum
4,160	3,200	£12.00

inception in 2003 (Exeter City FC, Annual Accounts, 2011-2012). This appears as a ‘soft’ loan on the balance sheet to be paid in full if a private owner takes over. This clever piece of accounting is another tool from the Trust Board to make the balance sheet unattractive to prospective private investors wanting to take over the club.

6.9.4 Raising funds

The Trust Board ran the ‘Red or Dead’ scheme (Exeter’s home strip is red and white) in which 350 fans pledged up to £500 each to help the club pay its debts raising £139,940. Initially, this money was raised to assist the club in the event of any cash flow emergencies. However, due to a fortuitous FA Cup draw with Manchester United FC this money was not needed. In December 2004 Exeter were drawn with Manchester United FC to play an away FA Cup game at Old Trafford. In an extraordinary twist of fate no one imagined that Exeter would draw 0-0 earning the club a well-deserved and financially rewarding return home match at St James Park. These two matches alone earned the club £1,153,170 which undoubtedly helped the financial situation but contrary to press reports

did not clear the clubs debt entirely as Julian Tagg confirms *'the Manchester United game certainly accelerated the financial recovery of the club by 3 years but did not get us out of debt completely'* (Interview, 16th February 2010). The money raised by the Trust has been spent on various projects around the Club, notably refurbishing the training ground, tarmacking the car park and purchasing match analysis software. Dr David Treharne states they still have £10,000 left at the clubs disposal.

6.9.5 Community Beneficial

The club recognises that being a community beneficial club was the core reason the Supporters' Trust wanted to be more actively involved in the operational side of the business. Exeter City FC stated that engaging with external stakeholders can result in a profitable alternative revenue streams and benefits the club through volunteering and providing a sense of purpose for people wanting to be involved in the club's ethos. Julian Tagg explains that *'fans clean and paint the club, not because we cannot afford to pay them but that is what it is all about. We are part of the community, we are like a church to them'* (Interview, 27th April 2011). However, Exeter City FC do not have a separate community sports trust but are actively involved in several community projects. This could be an avenue the Trust could explore and try and emulate the success of Brentford FC in this area.

6.9.6 Honesty & Transparency

When Exeter's Supporters' Trust became the majority shareholder, they published in each home programme a breakdown of the club's profit and loss accounts for fans to read. However, as the club began to be promoted to the higher leagues and secured more sponsorship and commercial deals they had to withdraw this due to commercially sensitive data. This need for openness can be problematic as Julian Tagg notes *'it is so direct here. So raw. Because I put my £5 a week in – we think we own it. The reality is you do but you can't possibly know everything that is going on to run the business properly'* (Interview,

27th April 2011). Julian Tagg commented on the amount of media scrutiny they receive on a daily basis and the pressure this can cause on the club. Julian Tagg states that *'you could have a business in the city, ten times the size of us which has a lot less scrutiny than we do. It takes two pages in the local paper everyday about what we are doing, football in the community and other things we are doing outside - not just football'* (Interview, 16th February 2010). The need to appear honest and transparent in the club's business activities needs careful management and sufficient resources allocated to meet this daily demand.

PART 2 – GOVERNANCE AND ACCOUNTABILITY

6.10 SHARED LEADERSHIP

6.10.1 Understand the Mutual Ethos

All respondents interviewed at Exeter City FC had a comprehensive understanding of the nonprofit constitution and were passionate about this ethos being embedded throughout the club. The mission statement of Exeter City FC is:

- To build and sustain a successful, professional, community football club
- To strengthen the bonds between the Club and the community which it serves
- To be a club that is trusted and recognised as major contributor to the community in which it operates.
- To benefit present and future members of the community served by the Club by promoting, encouraging and furthering the game of football as a recreational facility, sporting activity and focus for community involvement.

Source: www.exetercityfc.co.uk

The club were found to be implementing sustainable governance policies in accordance to the constitution. Sustainability was stated by the club as being of paramount importance and before the success of the football team on the pitch. Julian Tagg feels that *'when a local Football team, takes the name of its own town, then no-one should abuse it. It's more about providing a Centre of Excellence for kids in the community, for people to watch a*

game on Saturday; it is not just about Football. It is about being commensurate with the city you are in for the next ten to fifteen years' time. It is not something to play around with in the Board Room' (Interview, 27th April 2011). Most importantly, these beliefs and views were shared by Directors on both Boards despite their regular disagreements on operational issues.

6.10.2 Promote Inclusivity within the Club

The Club Board were in the process of conducting primary research and subsequent planning permission to redevelop two sides of their existing stadium (as of April, 2011). It could be argued that most football clubs who are privately owned would only consult with their external stakeholders once the plans had been agreed and would not be altered even if proved unpopular. The club recognise that the very nature of supporter ownership encourages an inclusive feel within the business. Local businesses appreciate the work done by the club and offer their services and products free of charge in most instances. This is testament to the club in repairing relations with local businesses after years of mismanagement and unpaid debts. Interestingly, the researcher noted on her two visits to the football club from external stakeholders she talked to that the general feeling is the club has become less open since they have competed in the higher leagues.

6.11 BOARD COMPETENCY

6.11.1 Nomination/Election

Exeter City FC have two elected Trust Board Directors on the Club Board to ensure that sustainable financial decisions are made for the benefit of the Football Club. Table 6.7 illustrates the length of service an elected Director can serve on the Trust Board. The club's Experience is that due to the Trust Board roles being unpaid and time consuming

Table 6.7 - Length of Service for Elected Directors at Exeter City FC

Term in Office	Year Elections Held	Maximum Years' Service
6 years	3 years	12 years

there have been minimal Board changes due to a lack of candidates putting themselves up for nomination. As Dr. David Treharne states *'when the Trust took over everybody who was involved except one guy had full time jobs so you are doing a day job and trying to run a Trust around that which is quite difficult'* (Interview, 16th February 2010). However, there have been suggestions from the Club Board that they should consider paying a Chief Executive a full time wage to take the workload off the other Directors on the Trust Board. A view championed by Julian Tagg due to the fact that *'the same people are re-elected all the time. Nobody wants to do it, it is bloody hard work. If I was the Trust, I would appoint a Chief Executive; pay him £10–15,000 a year to take the work load off them'* (Interview, 27th April 2011).

6.11.2 Board Cohesion

There has been an admittance that there are tensions between the two Boards and since embarking on the research four years ago, the researcher has seen relationships deteriorate as a result during her two visits to the club. The Club Board are getting ever more frustrated with the Trust Board wanting to be more involved in all of the club's issues instead of focusing on the key tasks of sustainability, membership and community work. However, the researcher found the Club Board demonstrated little respect for the Trust Board despite sharing their philosophy of the football club remaining supporter owned.

6.11.3 Effective Strategic Planning

One of the main aims of the Club Board at Exeter City FC was to reduce the large wage bill and inflated players' contracts the club could no longer afford to honour. The club set out to meet the Football League recommendation that football league clubs should pay no more than 60% of their turnover to players' wages. The club endeavoured to continue this

60% ratio even when they have been promoted to League One. One of the first problems the Club Board needed to tackle was the playing budget as Julian Tagg explains *'anybody who wanted to come off the wage bill did. There was a transfer embargo, so you couldn't bring people in, you just had to get on with what you had and make sure you had enough people to put on the pitch.* (Interview, 27th April 2011). Julian Tagg also recollects that some players *'were on contracts commensurate with League One or Two, and we were skint. Even today, nobody is on the money Sean Devine was on then. It was a phenomenal contract. Phenomenal. Way beyond anything today'* (Interview, 27th April 2011). The club's long-term plan was to invest heavily in their youth training scheme to source and grow young talent to field a first team for Exeter. This strategy had many benefits including keeping the transfer and players' costs low and boosting their community commitment under the cooperative ethos of the club. Fans appreciated the investment to the local town and felt proud their team fielded home-grown talent. The plan has worked successfully to date and the club has generated transfer fees by selling on these players.

6.11.4 Source Alternative Revenue Streams

The club have increased the hospitality suites on offer from two to eight, opened the clubs bar seven days a week for external rental, obtained a grant to improve and increase the capacity in the ground and initiated numerous fund raising events. Community work is managed by the Club Board along with sourcing sponsorship and commercial deals to the club. One of the major initiatives for the club was the agreement reached for their new Exeter based sponsor Flybe in 2004. Flybe's Managing Director Simon Lilley, saw a very positive side to the arrangement *'we wanted to associate ourselves with something at the heart of the community, something that creates passion and there is no better platform than a football club, especially when it is one in the city. It didn't matter to us whether they were in the Championship or the conference, although I suppose it didn't do us any harm to look like the good guys – the knights in shining armour when the club was in trouble'* (Spencer, 2009:52). The company has been flexible when the club had cash flow

problems and have offered heavily discounted flights on occasions where it was more cost effective to fly the players to an away game. It has also helped the clubs credibility to have a national brand on their shirt. It can be concluded that Flybe, who also saw comparisons with the clubs financial plight to their own financial history, would not have signed an agreement with the previous private owners. This agreement was based on the community ethos the Trust had introduced to the club from the start of their ownership.

6.12 BOARD ROLES

6.12.1 Role Definition & Clarity

There is a clear differentiation between what the two Boards are responsible for within the club. The Club Board overlook the strategic and operational focus of the club with the Trust Board responsible for overlooking membership issues and ensuring the long-term future of the club is protected. They meet regularly to discuss and gain a majority vote on proposed strategy but at times this has been unsuccessful and overly bureaucratic. The Club Board have appointed staff to deal with the day-to-day running of the club who are all paid full or part time wages. The Trust have also provided voluntary staff in the office to help out where required.

6.12.2 Audit Function

The Trust Board recognise that one of their main responsibilities is to provide a solid audit function to protect the club and the interests of their members. In reality, this has proved to cause problems and tensions within the Board meetings. The Club Board feel that they are held accountable for every decision made, which at times makes the process very slow and laborious. Furthermore, the Club Board have stated that they feel due to the lack of business expertise on the Trust Board they do not fully appreciate or understand what is being proposed. On occasions, the Trust Board Directors have blocked these strategies as they feel this could put the football club back into financial difficulties. The Club Board have been frequently frustrated as they also do not want to return the club into debt either.

However, they do recognise the urgent need to initiate new commercial strategies for the club's successful future.

6.12.3 Ability to Source Outside Expertise

Overall, the club have been successful in identifying and attracting outside expertise especially on the Club Board. Table 6.8 highlights the different areas of expertise each Director has brought to the club. Professionally qualified skills such as accountancy and legal affairs have been sourced to serve the club's needs. In addition, there has been a recent emphasis in recruiting candidates with a strong commercial acumen. These appointments are to ease the workload from the CEO and bring 'fresh ideas' to the Board room on how to source much needed alternative revenue. The Trust Board have been able to recruit an experienced web designer to bolster their internet presence with the members. Furthermore, ten years into their tenure a new Chief Executive and Chairman have been appointed on the Trust Board with differing to backgrounds to refocus the main areas of responsibility.

Table 6.8 - Exeter City FC's Club Board Members

Job Title	Director's Name	Board Responsibility
Chairman	Edward Chorlton	Administrative
Vice Chair & CEO	Julian Tagg	Commercial
Company Secretary	Roger Conway	Trust Board Representative
Trust Chairman	Andy Cole	Trust Board Representative
Education/Community Director	Frances Farley	Education/Community
Commercial Director	Paul Morrish	Entrepreneur
Contracts Director	James Forsyth	Lawyer
Financial Director	Steve Williams	Accountant

6.12.4 Evolve & Change Key Personnel

The club has adapted to changing circumstances and steps have been taken to reorganise the Board since the Trust took ownership in 2003. Initially during the 'fire fighting' stage of the club's ownership it was deemed necessary to recruit as many people as possible to

assist with the financial and operational management of the CVA. Inevitably there have been tensions within the club and dismissals have been made. The Club Board have not been afraid to make these tough decisions to protect the club's future. Geoffrey Styles was appointed Company Secretary in 2003 but was soon dismissed due to running his own business in Germany, which proved impractical for attending regular meetings at short notice. In 2007, the Board decided Ian Huxham was not the most appropriate man to lead the club to the next stage and dismissed him. Ian Huxham, who was the Managing Director at the time of the Manchester United games, took the club to an industrial tribunal, claiming breach of contract and unfair dismissal. Huxham also claimed £100,000 compensation but, in February 2007, the panel found in Exeter City FC's favour and dismissed his claim. Denise Watts who is a representative at Colgate became Chairman of the Trust Board in 2006 reflecting an ever-evolving structure at St. James Park. She replaced Dr. David Treharne, who freely admitted to being weighed down by the cares of the office.

The Trust Board and Club Board have differing views on their ability and experience to date of evolving and changing their Directors. The CEO of the club feels that the Trust Board have been slow to evolve or change since they formation in 2003 a view which is not shared by the Trust. The Club Board feel the lack of new Directors on the Trust Board has contributed to holding the football club back at times. Julian Tagg states that *'it is the same group of people and this is seven years on. We could have much more ability around our Board Room table. The Trust would have you running ragged with your hands tied behind your back. People have to evolve and continually ask - What is your plan over a period of time?'* (Interview, 27th April 2011). This research has highlighted that the Trust Board have indeed been slow in evolving and have only gone through a large restructuring in 2011 due to most of the existing Directors having serving their maximum time on the Board.

The Trust Board after 9 years in operation decided to embark on a major overhaul to improve its strategic capabilities. Following the adoption of the Trust Strategic Plan in 2011 the Supporters' Trust Board of Society has established three key working groups, through which most of the day-to-day operational work is conducted. These groups comprise of the Trust Ownership and Working Group, the Trust Finance & Governance Group and the Exeter City Community Working Group. The Board of Society meeting held in February 2012, understood the work of each group and following further discussion agreed further appointments to the Trust's various committees. Following lengthy discussions, the Trust Board of Society agreed to defer on the decision to co-opt a supporters group representative until after the next meeting, where it is hoped a suitable Supporters Group representative will be identified. Dr. David Treharne feels that *'there is a lot of continuous hard work to be done though. I think it is important to realise that this business is about regeneration. The Trust Board has brought in new blood and the Club Board has as well. I think there well may be a couple of changes coming up but it will be evolutionary rather than revolutionary'* (Interview, 16th February 2010).

6.13 BOARD STRUCTURE

6.13.1 Board Size

The size of the two Boards are 13 Directors on the Trust Board and 8 Directors on the Club Board. Two of the elected Trust Directors sit on the Club Board.

6.13.2 Paid Board Members

During the initial stages of the Trust gaining control at Exeter City FC they could not pay any Directors on either Board due to entering into a CVA. The Directors of the Club Board did not receive a salary or claim expenses in the early stages of ownership to control the club's cash flow. Most of the main Board members were working for Exeter City FC part time whilst working full time elsewhere or running their own business. Once the

football club came out of the CVA nearly twelve months later and cash flow had improved, they were in a position to pay the Club Board Directors' a salary.

6.13.3 Volunteer Board Members

All 13 Directors on the Trust Board are unpaid volunteers.

6.14 Success?

As Table 6.9 highlights Exeter City FC have struggled to compete financially against privately owned clubs in League One and as a result were relegated to League Two at the end of last season (2011-2012) St. James Park needs major building works to improve the seating capacity and away end. The pitch is in a poor condition and needs to be re-laid. Whilst competing in League One the stadium capacity in the away end came under pressure when 900 Leeds fans came to watch a game. One fan/Trustee described the

Table 6.9 - League Position of Exeter City FC 2006-2013

2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
5	4	2	19	8	23	10
(Conference)	(won playoffs and promoted to League 2)	(promoted to League 1)	(League 1)	(League 1)	(relegated to League 2)	(League 2)

current financial situation facing the club as '*we have squeezed all we can, we are now down to the pips*'. Despite on-going fund raising events, which are still being well supported, this money alone is not enough to compete in the higher leagues, which has forced the Club Board to rethink their future strategy.

The Club Board appointed an interim Chief Executive in 2010 to improve the internal structure of the club in order to attract private investment namely in the form of property.

However, this appointment only lasted six months with the candidate leaving due to personal reasons. The club wish to raise £30 million for stadium redevelopment. Exeter will still be supporter owned with the majority share of 51% selling the remaining share to a new private investor. This new strategy has been instigated by the Club Board and is not shared by the Trust Board who aims to increase their controlling share to 75% enabling them to asset lock the club from any future demutualisation. Julian Tagg feels that *'we have done as much as we can do with what we have got out there. The Championship is the next step, that is where we would like to go. That's like saying you want to drive a Mini in the Grand Prix. You are not going to win anything with a Mini – we would need a new ground, replace 8 boxes with 18, we could fill them. So without putting the club into debt, which is where we have come from and without losing the ethos to have a structure to allow someone to invest in it'* (Interview, 27th April 2011).

Due to the disagreement of this proposed ownership restructure relations between the Trust and Club Board have continued to deteriorate from when the researcher first visited the club in 2010 to her second visit in 2011. The Trust Board have called an EGM following their recent relegation to League Two with the intention of getting the Club Board to justify their strategic thinking for the club and what they intend to do to get the club back into League One. Relations have always been overly bureaucratic and tense at times but in the past the two Boards have been able to agree on decisions for the benefit of the football club. However, more recently these relationships seem to have become increasingly strained. Coupled with the recent relegation serious restructuring and strategic planning is required immediately to stabilise the football club and prevent further decline. Moreover, as indicated by BDO's Annual Review of Football Club Financial Director's (2013) Exeter City FC will find life in League Two tough. BDO (2013) highlighted that 76 % of clubs in League Two do not expect to make a profit even after player trading has been taken into account. The figure rises to 82% when transfer income and amortisation are excluded (Richardson, 2013).

CHAPTER 7 – ‘NEWLY FORMED’ SUPPORTER OWNED FOOTBALL CLUBS

7.0 Introduction

This chapter focuses on two football clubs who have formed as new businesses within the English footballing pyramid. These types of newly formed clubs are commonly known in the industry as either ‘Phoenix’ football clubs (the analogy being that these newly formed clubs have risen from the ashes of the old club) or ‘Greenfield’ football clubs (a brand new club with no historical standing in the community). As stated in the methodology chapter these different forms of supporter owned football clubs have been selected to study for several reasons. The most important being that they have started as a mutual and have not inherited financial liabilities or old personnel from the previous club. Furthermore, the core philosophy of supporter ownership has been embedded in the football club since formation and have not had to instigate a change of ownership focus. The two clubs chosen for this study were Chester Football Club (FC), an example of a ‘Phoenix’ club, and FC United of Manchester (FCUM) which is an example of a ‘Greenfield’ club.

The Chapter will begin with case study 4, Chester FC, and documents events leading up to the collapse of the old club after 125 years of competition, how the Supporters’ Trust began the process of forming a new football club and provides a detailed insight of life operating as a newly formed supporter owned club. Case study 5, FCUM, will conclude the chapter highlighting similar issues experienced by Chester FC and help understand the political motives underpinning the unique reasons this football club came into existence.

CASE STUDY 4 - CHESTER FC

PART 1 - REACTION INTO ACTION

7.1 MACRO INFLUENCES

7.1.1 People Power

Following 20 years of financial mismanagement Chester City FC became the first club in the English Football League to go into liquidation in March 2010. Fans of Chester City FC had been actively protesting for several years prior to the club going into liquidation. Emotions were high, gate receipts were down and regular fan protests outside the stadium were the norm. In August 2009, following the unprecedented event of being refused to play the first game of the season by the F.A. over unpaid taxes, Chester fans held an emergency meeting and the result was the merging of the existing Independent Supporters Association (ISA) and the other Supporters' Trust in existence to form a new organisation which became known as City Fans United (CFU).

The new Chairman of CFU, Chris Pilsbury stated that *'the Supporters' Trust was only set up shortly before the collapse of the football club. It only came in being in October 2009. It was called City Fans United because there were two groups of Chester City supporters. Because of course then the club was called Chester City Football Club. Basically, it was an accident of history that there were two set of supporters groups and the decision was made to merge as the club was likely to collapse'* (Interview, 3rd May 2011). HMRC filed a winding up petition against Chester City FC, which resulted in a crisis meeting of the other Conference football clubs to discuss the future of the club within the League. Chester City FC were unrepresented in this meeting and the vote was unanimous to expel the club on the 26th February 2010. 125 years of football history in Chester came to an ignominious end in a 30-second hearing at the High Court in London.

7.1.2 Rally Support

Chester FC where fortunate because a large majority of fans bought into the concept of what the Trust wanted to do very quickly. This ‘buy in’ was probably due to the fact that the football club went into liquidation shortly after the formation of the Trust. The Trust started to set up the new club immediately after the ‘winding up’ order was put into effect resulting in fans having little time to prevaricate about the situation. As a result, the Trust did not need to be too active in their marketing but still needed to win over local businesses. However, the Trust recognised the need to quickly galvanise local fans emotions and enthusiasm for what they wanted to do. Chris Pilsbury explained that the Supporters’ Trust *‘organised a couple in fact three meetings in the end. Two in the Guild Hall in Chester and the second, which was so full the fire people were going absolutely mad but as there was a M.P. there and the CEO of the Council we were ok. The place was licensed for 300 people and we had more than 500 in there they couldn’t even get through the door it was just amazing’* (Interview, 3rd May 2011).

A lot of groundwork was done by CFU going out and personally meeting fans and local businesses to ascertain their concerns. This proactive approach also demonstrated the Trust’s commitment to rebuilding relations and assure them they were here for the long term. As Chris Pilsbury recollects we *‘spent two weeks everyday seeing people and everybody gave us a listening and everyone was nice, but they sort of shook their heads basically saying how can a group of supporters turn round what has been a failure for the last 25 years?’*

7.1.3 Dealing with the Media

Media interest was particularly high during the early stage of formation due to Chester City FC being the first club in English football history to be liquidated. In addition, the catalogue of financial mishaps and poor management leading to the ‘winding up’ order also generated a great deal of media interest. CFU had to quickly organise themselves

internally to communicate their intentions effectively externally. Fortunately, for the CFU the local press were very supportive and as a result received positive coverage. The Trust also experienced competition from several other consortiums who either wanted to reform Chester City FC to compete in the Welsh Premier League or a current team competing in the same Welsh league taking residency of the Deva Stadium. CFU were active on social media sites including their own website to continuously inform fans and the media on their progress. Local and National TV were regularly visiting the club for interviews which CFU freely obliged to. The fan's rallies at Guild Hall were also filmed for local news channels. Press releases were sent to well-known internet football forums to spread the word.

Once the Trust successfully formed the club they still maintained a solid media presence. There is a weekly newsletter that is sent to the members via email, the club have a weekly programme on local radio, weekly podcasts of the live matches are screened on the club's internet channel called 'Blues Live' (Chester FC's home colours are blue and white). The club also have a separate newsletter that is available to purchase by fans which discusses more team news and footballing topics. The CFU and the football club have separate websites, which are updated daily by a group of volunteers.

7.1.4 Stakeholders' Financial Demands

Chester FC experienced a great deal of animosity from external stakeholders over unpaid debts owed when Chester City FC went into liquidation. Despite the new club starting debt free with no legal obligations to pay these external stakeholders financial demands, they inherited the poor financial management legacy the previous club had left behind. Chris Pilsbury states that the club quickly realised that *'there was a lot of money owed to everybody according the last set of accounts I saw from the old club. The owner had claimed to have put in £700,000 in a matter of a few months but it didn't appear that any bills were being paid. There had been no rates paid, no rent paid, electricity had been*

paid otherwise that would have been cut off but no staff wages had been paid' (Interview, 3rd May 2011). In the earlier half of the year when Chester City FC were trading the police had refused to provide cover for a home game over unpaid bills, which resulted in the stadium's safety certificate being revoked. Stewards had walked out over unpaid wages and players had refused to board the team coach until they were paid with the coach company also refusing to depart the stadium unless paid in advance.

CFU acknowledged the difficult task they had to re-engage these external stakeholders into the new football club. Furthermore, they needed to take into consideration that none of these stakeholders would have been paid a penny of the debt they were owed, effectively being wiped out due to the liquidation of Chester City FC.

7.1.5 Governing Body Influences

As expected CFU do not hold the Football Association (F.A.) in high regard due to the long history of shambolic ownerships and un-tackled financial mismanagement at the club. Chris Pilsbury feels that the F.A.'s 'Fit and Proper Person' test is not fit for purpose due to the several reasons. The club's financial plight begins in 1990 with the loss of the club's old Sealand Road ground to developers following financial issues, which caused the club to sell up and play in exile at Macclesfield's Moss Rose ground for two years. The club returned to Chester to the newly built Deva Stadium in 1992, a smaller but functional stadium at the bottom end of the Sealand Industrial Estate. Property developer Mark Guterman was installed as Chairman in 1994 and his tenure saw the club face several winding up orders and threats of players strikes for non-payment of wages. After a long and protracted series of crises, the club finally went into administration in October 1998 with Begbies Traynor appointed as administrators by the courts. In July 1999, the club was eventually purchased and bought out of administration by an American, Terry Smith, son of a wealthy North Carolina motor dealership owner and a former American football player. CFU recollect his tenure being both 'naïve and eccentric'. He got off to a poor

start with the fans by immediately appointing himself as Manager and using American football coaching techniques to coach a bewildered English 'soccer' team. Eventually, Terry saw the error of his ways and appointed Ian Atkins as Manager, but it was too late and despite a heroic effort by the Manager and the players, backed by a 'great escape' campaign by the Independent Supporters Association (ISA), the club were eventually relegated from the Football League for the first time since their appointment 69 years earlier, on goal difference, on the final day of the season.

The club finished 8th in the Conference and saw yet another Manager sacked a move which proved to be highly unpopular with the fans. The following season gates fell to around 600, some 2000 down on average during the relegation season. The club finished the season in the bottom half of the table after avoiding another relegation. The owner, Terry Smith, was eventually forced to admit defeat and sold the club to boxing promoter Stephen Vaughan in October 2001. Immediately, following the appointment of the new owner, Chester's fans forums were besieged by supporters of Barrow Town FC in Cumbria, Vaughan's previous club, warning them that his tenure there had seen attempted asset stripping of their ground and an investigation into suspected money laundering. Despite these warnings performances on the pitch improved dramatically leading to promotion in the 2003-04 season. However, this success did not continue for long when Vaughan was found to be meddling in first team affairs under a string of short-lived managerial appointments. Furthermore, internally the club became a family affair with two of Vaughan's sons and several friends on the playing staff and the Boardroom. The deterioration of the club accelerated in November 2007 when fans were asked to pay respects to a 'major benefactor' who turned out to be a Liverpool gangster gunned down in a gangland shooting. The club soldiered on for another 18 months before being relegated back to the Conference at the end of the season and put into administration in May 2009, with Vaughan claiming the debt to himself and his companies of £4 million, much of it secured through debentures.

A creditors meeting followed in June, which saw the club, pass into the ownership of a new company, owned by Vaughan, through a CVA, which allowed no competition on favourable terms to any rival bidder due to the presence of the debentures. HMRC contested the CVA through the courts during the course of the close season and successfully challenged the level of debt claimed by Vaughan-associated creditors, causing the courts to annul the CVA. Chester then became caught in a three-way power struggle involving the F.A., Football League and the Football Conference. Without the CVA, Chester should have been prohibited from taking part in the Conference competition, but the Conference came under intense pressure from the Football League to accept Chester; relegated clubs being accepted in the Conference being part of the contract for the 'two up' 'two down' promotion and relegation places between the two Leagues. With the two promotion places under threat, the Conference eventually relented with clubs voting to break their own rules and admit Chester into the League several weeks into the season. The F.A. subsequently transferred the F.A. membership to Vaughan's new company, but also fined the Conference for breaking their own rules.

Vaughan's desperate attempts to retain ownership succeeded, but temporarily. He was disqualified as a Director in November 2009 for an alleged VAT fraud elsewhere. Despite the events at Barrow FC and the dubious CVA of the summer before, it was only this event which caused him to finally fail the F.A.'s 'Fit and Proper Persons' test. Ownership of the club was subsequently and quietly transferred to his sons.

7.2 MACRO INFLUENCES

7.2.1 Professionalisation

A great deal of emphasis on pre-planning was recognised as a must for the Trust to be considered a serious contender to run the proposed new football club. The need for the Trust to convince external stakeholders that they were a professional consortium committed to the long term future of the new club was of paramount importance. Several

key personnel were identified including accountants and lawyers to assist in applying for stadium leases, writing up a coherent and convincing business plan and compose the football clubs constitution. Chris Pilsbury recollects that the club *'had initial talks with the landlords of the ground which was Cheshire West and Chester Council and we started to work with those people. We had talked to the FA, we had talked to the Council about the ground, we had a business plan, we had got approximately £50-60,000 in the bank to help us along so that when the club was finally expelled and liquidated we then had everything in place when the club was formerly liquidated'* (Interview, 3rd May 2011).

Due to the club being located in an affluent county the club received several offers of help by experienced and qualified fans. A solicitor offered his services to overlook all the leases and contracts the new club were required to sign. The Trust were overwhelmed by offers of help and how many hours volunteers dedicated to help the cause. Within the first three months CFU had successfully formulated a business plan with the help from Supporters Direct and three other fan owned clubs. They had also secured the lease to the Deva Stadium from the local council on the 6th May 2010. Chester FC was formally launched on the 20th May 2010 in front of another packed Guildhall. Fans were able to witness the unveiling of the new crest, listen to support from several former players and be informed of the appointment of the club's new Manager, Neil Young.

The CFU also had to give a presentation in front of the F.A. to convince them that they were capable of forming and managing a football club. Their efforts were rewarded and is a great testament to the sheer amount of work and effort they put in such a short space of time. Chester City FC was liquidated in March 2010, six months on newly formed Chester FC played their first competitive game in September 2010.

7.2.2 One Member, One Vote

Chester FC were found to utilise the 'one member, one vote' principle only on major business decisions through an AGM or EGM and for Directors' elections onto the Board.

Each member received an entitlement of one vote per membership subscription. This one vote entitlement did not increase if the member donated more than the required membership fee.

7.2.3 Membership Numbers

Membership of CFU rose sharply during the first half of the year when the ‘Phoenix’ club was formed. The club were very proactive in targeting membership and raising much needed cash into the new club. Chester FC played their first competitive game against Warrington Town on the 24th August 2010, drawing 1-1. The first home game of the season on the 8th September 2010, saw 2,734 supporters turn up to witness a 6-0 victory against Trafford, an attendance some 6 times larger than the 460 who had witnessed the previous fixture at the stadium under private ownership in February 2010, three divisions higher. As Table 7.1 illustrates CFU have successfully attracted membership numbers higher than their average home attendance. It is important to note that the newly formed

Table 7.1 - Membership Numbers – Chester FC

Average Home Attendance (2012-2013 season)	Membership Numbers (as at March 2011)	Cost of Membership per annum
2,611	2,800	£12.00

football club are playing in much lower leagues historically. As such it was feared this might deter fans from coming to watch the games. However, Chester FC have been promoted three years on the run and are gradually climbing back up the Leagues which should see a positive impact in their home attendance. If the club can sustain and continually attract higher membership than home attendances it will provide the club with a solid revenue stream and indicate they can still generate support from their fans.

7.2.4 Raising Funds

CFU focused all their efforts on fund raising in order to pay for the qualified expertise they needed to formulate legal contracts and a business plan for approval. They indulged in several fund raising events including sponsored walks, car boot sales and sports related activities. Chris Pilsbury noted the success of an auction *'at a fundraising ball we held and a Chester Supporter paid about £500 to be a Manager for the day at a friendly match'*. Membership subscriptions as well as any additional fan and local business donations were aggressively targeted. Within a couple of months CFU had raised £60,000, which bode well when Chester City FC inevitably ceased trading. By the time the club was wound up CFU had been in talks with the council about the stadium, talks with other supporter owned football clubs to formulate a business plan and had a large sum of money in the bank. This enabled them to be in a position to formally apply for a league place with the F.A. for the next competitive season.

7.2.5 Community Beneficial

Chester FC decided to focus on the business side of the football club first before concentrating on community projects. The club do recognise and appreciate that community led programmes will be an area they will need to initiate sooner rather than later. Chris Pilsbury explained that the club are *'looking to build a sports ground. We are looking for some land now were we can put a 3G pitch, hockey pitches, netball pitches all floodlit so they can be used all year round'* (Interview, 3rd May 2011). However, in the clubs short tenure they have worked with local schools coaching in over 40 schools working with 3000 children. The club has also given away over 2000 match day tickets to children, which is a clever PR approach to get people interested in the club again. They have earmarked one side of the stadium as a potential area for community projects to be housed within the stadium. Unfortunately, these plans will need to be put on hold as the previous owner was not granted planning permission for this side of the stadium and building regulations regard the buildings unsafe for use. Focusing on other areas of the

business to improve cash flow will eventually fund the improvements needed to utilise these buildings again.

7.2.6 Honesty & Transparency

CFU are passionate in instigating a honest and transparent approach throughout the football club. This is a particularly sensitive issue considering the lack of transparency with previous owners and the problems this caused the previous club. In order to gain the respect and credibility of their key stakeholders this area has to be conducted correctly. Financial accounts and records are made public on the club's website. CFU endeavour to publicise all dealings the club are involved in as much as they can without damaging confidentiality.

PART 2 - GOVERNANCE AND ACCOUNTABILITY

7.3 SHARED LEADERSHIP

7.3.1 Promote Inclusivity within the Club

A large part of the business plan set by the Board was to utilise volunteers. This was a concern for Board members due to the possible difficulty of sourcing and motivating them. However, the club have had a largely positive experience, which the Board feel is a direct result of the club's ethos. The very nature of being 'supporter owned' has instilled a sense of pride and belonging among the membership of Chester FC. The club enjoy a volunteer database that provides the business with hundreds of hours per month for free. Volunteers are called upon to maintain the stadium, clean the stands and dressing rooms, man the front office all day, five days a week. The Board feel that this level of supporter involvement gives people a real feeling of ownership, which is extremely important for the long term future of the business.

7.3.2 Understand the Mutual Ethos

Chester FC from the outset formed the business as a nonprofit football club with all profits generated being ploughed back into the business. This strategic mission statement has been communicated well to external stakeholders in particular their fans and members. However, with regards to the finer detail of what form of nonprofit business they have taken is not clear compared with FC United of Manchester who have set themselves up as a Community Beneficial Industrial Provident Society (IPS). Chester FC have engaged their fans from the beginning of their ownership and are adamant that a private owner will never be allowed to take full control of the football club in the future. The 'Phoenix' club is founded upon the Club's motto '*Our City, Our Community, Our Club*'. The elected Board have made it very clear that they want a football club that everyone can be involved in.

7.4 BOARD COMPETENCY

7.4.1 Nomination/Election

Chester FC conducted elections for 9 Directors to be democratically elected by the members to sit on the Board. In addition, they also co-opted three additional people onto the Board who they felt added more expertise or gravitas to the Board (ex-player, commercial acumen and finance). The election of the CEO from MBNA (the American Bank) who are one of the largest employers in Chester was a shrewd and extremely beneficial appointment. Chris Pilsbury explained that all appointments to the Board were democratically decided: '*people were nominated for election on the Board. We had an extraordinary meeting, people came along and voted for the people who had been nominated, and then they were elected to the Board. There is nine elected and we have actually co-opted three more onto the Board*' (Interview, 3rd May 2011). Table 7.2 details the length of service for elected Directors' on the Club Board at Chester FC. Chester FC did not inherit Directors or personnel from the old Club and have been able to form their

own Club Board from the beginning. In addition, people with either a historic involvement with the two Supporters' Trusts or who were involved in the initial steering committee to

Table 7.2 - Length of Service for Elected Directors at Chester FC

Term in Office	Year Elections Held	Maximum Years' Service
3 years	Annually	12 years

form the new club did not put themselves up for nomination. As Chris Pilsbury noted this was another strength to the Club Board as they were able to nominate and elect 'new blood' into Chester FC. He stated that *'CFU stepped aside and that was terribly important and the most sensible thing they could do. Therefore, nobody was carrying any baggage. A former Director of the club went on to Bournemouth FC, a chap called Paul Baker, he is still here as a season ticket holder but he again stepped back so no baggage from the old club at all'* (Interview, 3rd May 2011).

7.4.2 Board Cohesion

Chester FC are still in their formative period of operating with one Board with 9 Board members. The odd number of Directors enables someone to have the deciding vote if the Board are unable to agree on certain issues. The club chose to operate with one Board after meeting and noting other supporter owned club's experiences operating with two Boards. Chris Pilsbury said the current arrangement is working well *'the nice thing about the Board is the fact that the 9 of us have got absolute faith in one and another it is quite amazing. I mean we have the most appalling arguments in the Board meetings but I have never had to put anything to the vote we have always come to a consensus'* (Interview, 3rd May 2011). Following Chester's promotion to the Conference in May 2013, the club will be competing for the first time as a supporter owned football club in a professional league. It will be interesting to note if the club revisit the need for two Boards. Furthermore, the question as to whether the Club Board can also continue to be involved in both strategic and operational activities may well need to be re-assessed.

7.4.3 Effective Strategic Planning

From the start of their ownership the Trust have focused their strategies on maximising revenue from the stadium. Members of CFU have managed to negotiate deals from local businesses to become more involved with the club, mostly on a goodwill or free of charge basis. A local company called Exacta have been given naming rights of the stadium in return for paying the club's rates bills. The majority of alcohol sold on match days in the bars is provided free of charge and in some instances the club are able to keep the profit on sales to reinvest into the club. The council pay for the grounds staff and maintenance equipment needed for the upkeep of the pitch. All this commercial planning is for preparation for when the football club are back competing in the professional football Leagues, namely the Conference or higher. As Chris Pilsbury explains *'the biggest problem is when we become full time because we have got this small football league gate income but we have only got a part time football team...when we go full time we are going to have a full time management team and full time players and that is when it is going to become very costly'*. The Board's aim from the outset has been to maximise alternative revenue from their stadium. It appears that the Board have been successful in their pursuit to 'sweat the assets' of the club and have been fortunate to have received an enormous amount of goodwill which has seen annual turnover boosted to approximately £750,000-£850,000. The club are very much in their 'honeymoon' period, however, more long-term sustainable revenue streams will need to be sought to compensate for the inevitable reduction of such gestures as and when the club become more professional.

7.4.4 Source Alternative Revenue Streams

The Board have been operating for two years and are in the early stages of their medium to long-term plans for the club. The Deva Stadium is leased from the local council and has proved to be adequate for their home fans and needs to date. The Board have primarily focused on increasing revenue from their club bar and players' lounge, which was in a poor state and was not used to their full potential during previous ownership. Their strategy in

this area was to source local beer at a cheap price if not for free in return to offering free/reduced priced advertising for these businesses. They have also utilised volunteers to work behind the bar and serve food on match days to keep costs down. The club have also managed to form a partnership and subsequent financial deal with a local printer to extend the players' lounge into the main car park. Oswestry Printers have agreed to pay for the proposed extension, which is to cost £90,000 in return for this extension to be renamed with their company name and logo.

7.5 BOARD ROLES

7.5.1 Role Definition & Clarity

The Club Board are responsible for all strategic and operational issues of the club.

7.5.2 Audit Function

There is no Trust Board in place to provide an audit function on the Club Board's decisions and business activities. However, Director's on the Club Board are conscious of the fact that due to the poor financial history of the previous club they are fully aware of their responsibilities. The core philosophy of CFU is to ensure the financial sustainability of the football club for future generations of fans to enjoy.

7.5.3 Ability to Source Outside Expertise

The club have proved to be very active in this area and have been successful in attracting the right personnel for the right job. Chris Pilsbury was a former Teacher at the local private Girl's Grammar School and is well known in the area. He has been able to approach parents who work in influential positions to help him in CFU's venture. The club have also benefitted from a wealth of expertise from their fan base. Solicitors, Accountants, Legal experts have all approached the club freely to offer their expertise. CFU have acknowledged that despite the passionate nature of their Board members they do not possess all the required skills to run the football club effectively. The Board have not been reluctant to admit when they need to source outside expertise and have successfully

done so. Approaching MBNA and managing to form a beneficial partnership in terms of both receiving shirt sponsorship money, raising the club's credibility and having the CEO on the club's Board has been a defining agreement for the club.

7.5.4 Evolve & Change key personnel

Chester FC have shown little evidence to date of evolving and changing their key personnel due to the short time they have been in business. Chester FC will be entering their fourth competitive season in 2012-2013 in a new league following three successive promotions. It would be interesting to monitor and review if the Club Board currently in operation will be sufficient when the football club's business and overall turnover increases. In addition, will the current Directors have the right expertise and skills to deal with the changes? Only time will tell.

7.6 BOARD STRUCTURE

7.6.1 Volunteer Board Members

The 9 Directors on the Club Board are unpaid volunteers. The club do pay full time wages to the playing staff and part time wages to the footballers who are on semi-professional contracts.

7.7 Success?

The Board of Chester FC have to date been successful in achieving their aims when the new football club was formed in May 2010. The operation of one Board appears to be working at present but as stated may have to be revised or changed the bigger the football club becomes. They have gained credibility with their honest and transparent approach and have convinced many sceptics that their business model and mutual ethos would not work. The key to their early success is attracting MBNA (the American credit card company) as one of their main club sponsors and a company representative to sit on the Board. Steve Ashton has been able to bring a wealth of business acumen and contacts to the Board and has done a great deal to raise the business's profile. Their financial strategy

has been focused on maximising the current stadium’s assets with further plans to extend the players’ lounge next season.

On the pitch they have been able to form a football team by offering paid semi-professional contracts and ‘pay as you play’ agreements. The success of the team has been phenomenal with three consecutive promotions (refer to Table 7.3). This football club is well managed and is a shining example of a successful ‘Phoenix Club’ competing in the lower leagues of English football.

Table 7.3 - League Position of Chester FC 2010-2013

2009-2010	2010-2011	2011-2012	2012-2013
N/A (club liquidated)	1 (promoted to the Northern Premier League)	1 (promoted to the Blue Square Conference - North)	1 (promoted to the Blue Square Conference Premier)

CASE STUDY 5 - FC UNITED OF MANCHESTER

PART 1 - REACTION INTO ACTION

7.8 MACRO INFLUENCES

7.8.1 People Power

FC United of Manchester (FCUM) are a supporter owned football club formed in the wake of the hostile takeover of Manchester United FC by the Glazer family in 2005. There had been attempts by several supporters' groups to try and block the proposed takeover of Manchester United by the Glazers in 2005. The same supporters' groups had already been instrumental in successfully blocking the takeover from the Murdoch's BSkyB Corporation in 2004. They organised a well-coordinated campaign of demonstrations and lobbied key figures at the club, the F.A. and Ministers in Government. It was a campaign based on the belief that the 2005 takeover would ultimately damage not only Manchester United FC but also have a detrimental effect on the wider game of football. The campaign was unsuccessful despite widespread support and the Glazer family took full ownership of Manchester United FC in May 2005.

These disenfranchised supporters met shortly after this takeover decision was announced in the local Methodist Hall to discuss what the next step would be. As Andy Walsh explains *'the first rally was held to see if the formation of FCUM was an idea people were interested in....it was a council of war really, to then decide what can we do. There was great confusion over everything else people were saying we will do this, do that, some were saying every time we go to Old Trafford I am going to pay my £30 and then I am going to take £30 out by smashing a sink basin or do something....that kind of guerrilla warfare'* (Interview, 12th January 2011). The outcome of this first rally was the idea of a new club, which would campaign, on the positive agenda and wider demand that fans and local communities should be central to every football club. This was seen not only as an

extension of the campaign to remove the Glazers but also as a mechanism to demonstrate the benefits of supporter ownership.

7.8.2 Rally Support

When FCUM started to evolve the steering committee were sincere in the belief that supporter ownership would be fundamental to their plans. The model for the new club had to firstly protect the business from the threat of private ownership and had to empower supporters. They sought assistance from Supporters Direct and the model of an Industrial Provident Society (IPS) was adopted as the basis on how the club would be structured with a ‘one member, one vote’ ethos running at the core of the model. During the tumultuous summer of 2005, donations flooded in fuelled by a common sense of purpose and energised by the opportunity to create something of their own, in which they would all have an equal say irrespective of financial means. Andy Walsh recollects that *‘at that point all we had was a pledge from about a thousand people in the first couple of weeks but by the end of the first month we had over three thousand people who had sent us money.’* (Interview, 12th January 2011). Whether supporters donated five pounds or five hundred pounds, each was awarded one equal share, which could neither be sold nor transferred, but guaranteed founder member status, the ability to vote on fundamental issues and the opportunity to elect the club’s first Board. At the first General Meeting in August 2005 the IPS was adopted, members voted on the name of the club, the badge the players would wear, whether to accept a shirt sponsor, debated and adopted the club’s constitution and elected the Board.

7.8.3 Dealing with the Media

FCUM were found to be prevalent users of the English national press on both TV and newspapers. This presence could be due to the unique philosophy of the club and the fact they are a breakaway club from one of the world’s most famous football clubs in Manchester United FC. In addition, the General Manager has a great deal of experience

dealing with the media from his involvement in fighting against the Murdoch campaign and recognises the important role the media plays in the successful future of the club. The political nature of the formation of FCUM attracted a great deal of media exposure, which the club were eager to feed.

7.8.4 Stakeholder Financial Demands

Due to FCUM being a 'Greenfield' football club they did not experience problems of inherited debt or personnel. The club started life debt free based on the fundamental philosophy of supporter ownership with all personnel recruited to the business advocating this model.

7.8.5 Governing Body Legalities

Whilst the Glazer takeover proved to be the catalyst for the formation of the FCUM it is also beyond doubt that amongst supporters there had been a growing disillusionment with top-flight football over the preceding decade. There was a growing sense that the Premier League for all its self-proclaimed success was leaving its core supporters behind in its voracious pursuit of expansion. Indeed the same accusation had been levelled to Manchester United FC. The irony that this increasing disillusionment and disenfranchisement occurred during a period of Manchester United FC's most successful period on the pitch was not lost on any of the campaigners at the time. Furthermore, Andy Walsh explains that *'ever changing kick off times, the whims of television companies becoming more important than the interests of the match going fan. Commercialisation demonstrating an insatiable thirst for expansion. Rocketing ticket prices that appeared to serve one purpose, to increase the bank balances of players fans idolised and agents who they mistrusted. All of these issues had a cumulative effect on the morale of the supporters'* (Interview, 12th January 2011).

Whilst FCUM do not specifically blame the governing bodies for the detrimental effect the rise of commercialisation has had on English football, they feel more could be done to

stem the flow. Their frustrations focused on the lack of a voice within the game, an erosion of supporter influence and an absence of any form of democratic input. National Bodies such as Supporters Direct and the Football Supporters Federation campaigned vociferously on behalf of supporters but progress has been slow. They feel that the Football Task Force recommendations have been in the large part ignored by the governing bodies. Fans forums were set up at Premier League clubs in an attempt to allow supporters their say. In addition, carefully selected or in some cases democratically elected supporter representatives had the opportunity to sit on the Club Board to make their points. However, FCUM feel this *'exercise masked a reality, forum members had no legitimate authority, no tangible influence and thus, paradoxically, the disenfranchisement swelled rather than diminished'* (Interview, 12th January 2011).

7.9 MICRO INFLUENCES

7.9.1 Professionalisation

The unique origins of FCUM put even greater pressure on the Supporters' Trust to be seen as a professional and credible organisation. The Trust were not trying to save their club, nor rise from the ashes of Manchester United FC. FCUM was created from strong feelings of disillusioned Manchester United fans. The motives of the original steering committee were highly political and as such they needed to create a valid purpose for this club to exist. External stakeholders needed convincing and media scrutiny was intense. Despite these adverse conditions imposed on the Trust from the start they have been sincere on their purpose, created a solid and business like constitution to build on and have organised the club effectively to appease doubters.

7.9.2 One Member One Vote

FCUM have utilised members' right to vote for every decision the club wishes to make even letting members choose the kit badge, kit colours and name of the football club. The 'one member, one vote' system has been recognised as a key part for ensuring good

governance and ensuring sustainable financial health of the club. Andy Walsh explains that *'everybody who donated whether they 50p or five grand was declared a member with voting rights because they had all shown commitment as you can't judge that £5,000 is worth more than 50p from another person. I think the smallest donation was a fiver'* (Interview, 12th January 2011). This is a responsibility members take seriously and was never more evident in the summer of 2009 when the Board proposed a radical approach to the selling of that year's season tickets. Members had voted in previous years on how much prices should be set at but in an unprecedented move the Board proposed that supporters be allowed to pay whatever they could afford, to set their own value on watching their team. In the midst of a recession, the club itself not immune from the financial pressures that faced the country, it was considered a brave move, bordering on foolhardy by some. The Board never doubted for a moment that the supporters would exploit the offer. The result was that the average price paid by supporters actually increased on previous years. Some supporters able to bear the cost paid more than they had the season before. Effectively subsidising those only able to pay a reduced amount. Andy Walsh said that *'no-one begrudged anyone else's circumstances and everyone made a collective effort for their club, an unprecedented response to a unique scheme'* (Interview, 12th January 2011).

7.9.3 Membership Numbers

As Table 7.4 illustrates FCUM have been able to attract higher membership numbers than their average home attendances this season. The club are well organised in managing the large number of membership subscriptions received annually into the club. They have staff dedicated to this area and monitor renewals, payments and attracting new members.

Table 7.4 - Membership Numbers – FCUM

Average Home Attendance (2012-2013 season)	Membership Numbers (as at June 2011)	Cost of Membership per annum
2,089	3,300	£12.00

7.9.4 Raising funds

FCUM have been overwhelmed with generous donations from members or people who wish to remain anonymous but want to contribute to what the club has set out to achieve. Andy Walsh recollects that the Trust were able *'to raise £180,000 by just saying we are a group of football fans who are pissed off with these people who have taken over our football club we want to do something about it and if you want to do something about it send us some money'* (Interview, 12th January 2011). This is further evidence on how well the club have conducted themselves in terms of credibility and setting out a professional business plan. However, these large donations were not enough to fund the club's ongoing pursuit to build their own stadium. The Club Board have been working to secure a ground since its formation in 2005. Raising the necessary finance to build a ground has been a major obstacle especially for a relatively new organisation. As a Community Benefit Society they have limited means of raising finance capital. Due to fortunate circumstances the club were included in the Cooperatives UK Community Shares pilot project. Andy Walsh states that *'the Community Shares initiative provided an ideal template for our kind of club, in that we do not have to sacrifice our cherished 'one-member, one vote' structure to raise the funds we need to develop the ground; nor do we have to become over reliant on commercial borrowing'*. This scheme will be documented in section 7.11.4 Sourcing Alternative Finance.

7.9.5 Community Beneficial

FCUM have embedded their community programmes at the core of their constitutional obligations. They have a department solely responsible for managing their community

work and during the 2010-2011 season turnover was £85,000 (FCUM, Annual Accounts, 2011-2012). Rather than viewing it as an ‘add on’ or a forced obligation, the club’s approach to its community responsibilities is at the very core of the club’s constitution. Andy Walsh explains that the constitution states that the club have ‘*a declared intention to be accessible to all, discriminating against none, with the structure of the club allowing for such an approach*’ (Interview, 12th January 2011). The community coaching team consists of players, management and supporters. The projects the club become involved in are driven by the community groups they work in. This ‘bottom up’ approach has been welcomed by local politicians and community organisations alike. Whilst the club recognise that it is a constant challenge to respond, it allows the club’s coaches to gain satisfaction that they are meeting genuine need and winning new recruits to the club’s cause along the way.

7.9.6 Honesty & Transparency

Biannual meetings take place where members submit resolutions to be debated on and voted on. New Board members can stand for election and full transparent reports are provided by the Board. However, FCUM members are acutely aware that democracy doesn’t begin and end at the ability to elect a Board. They know that being a member (indeed co-owner) of their football club carries its own responsibility. A responsibility to ensure the Board is carrying out its duties in line with the club’s constitution, to engage in debate and to help shape the strategy and direction of the club. The researcher became a member of FCUM and it was evident they were effective in communicating to fans through several modes of media. The club email members on a weekly basis, issue newsletters on their website, via email on a monthly basis and post news and information on their Facebook pages daily.

PART 2 - GOVERNANCE AND ACCOUNTABILITY

7.10 SHARED LEADERSHIP

7.10.1 Promote Inclusivity within the Club

FCUM have proactively promoted inclusivity within the running of the football club. The Board have been consistent with this inclusive approach eight years into the business. From letting the fans choose the name of the club, kit colours and badge through to deciding on season tickets prices, it appears that the Board feel there is little information they cannot share with their members. More recently the club have initiated extensive primary research on their new stadium development proposals to solicit public opinion.

7.10.2 Understand the Mutual Ethos

The club insist that all Directors who wish to be nominated/elected onto the Board must read, understand and agree with the constitution. Andy Walsh was adamant that anyone who wanted to *'stand in for the Board needed to realise it was their personal responsibility to understand the IPS constitution that the steering committee had put before them. If they then later claimed that they did not understand it, well you have to take some personal responsibility in all of this'* (Interview, 12th January 2011). FCUM were awarded the 2009 Promotion of Co-operative Values and Principles award. This Co-operative Excellence award identified the club as having made a significant attempt to further enhance the co-operative business model through the promotion of co-operative values and principles. Andy Walsh is passionate about the core purpose of the club being *'we obviously have to operate for the benefits of our members because they run the football club. They as members have a democratic control of the club. However, there is an additional requirement on us as a football club we must be a benefit to our community it is defined in our constitutional rules'* (Interview, 12th January 2011).

Seven core principles of how the club operates are set out below, which were agreed by the membership and protected by all elected Board members (Brady, 2006:42):

1. The Board will be democratically elected by its members.
2. Decisions taken by the membership will be decided on a one member, one vote basis.
3. The club will develop strong links with the local community and strive to be accessible to all, discriminating against none.
4. The club will endeavour to make admission prices as affordable as possible, to as wide a constituency as possible.
5. The club will encourage young, local participation – playing and supporting – whenever possible.
6. The Board will strive wherever possible to avoid outright commercialism.
7. The club will remain a nonprofit organisation.

This belief in democracy, mutualism and ‘nonprofit’ was a counterpoint to the dominant, corporate, consumer-driven football culture. Yet the manifesto also emphasized issues of accessibility, inclusion (particularly of young people), participation (including volunteering), ownership and responsibility (see Appendix 8).

7.11 BOARD COMPETENCY

7.11.1 Nomination/Election

FCUM decided to elect Directors for one overall Board, which would oversee the Football Club. The Board are responsible for making key strategic decisions but do not manage the day-to-day running of the club. The original Steering Committee who were primarily responsible for rallying support and developing the idea into reality all stepped down to promote an equal and fair election for nominations. Andy Walsh recalls that *‘all the original Steering Committee stood down and we called for nominations for the Board. Some of the Steering Committee stood but others were not interested so there were six who stood down from the initial Steering Committee. We called for other nominations and you had to be nominated by I think it was five other people’* (Interview, 12th January 2011). In

some cases, the members of the original Steering Committees felt that they did not have the correct levels of expertise or indeed able to provide enough time to the Board.

Table 7.5 - Length of Service for Elected Directors at FCUM

Term in Office	Year Elections Held	Maximum Years' Service
2 years	Annually	No maximum set

7.11.2 Board Cohesion

FCUM have one Board with 11 members who meet regularly and discuss current and future strategy for the club. These decisions will either be made from a majority vote within the Board or agreed through an AGM or EGM within their members. Once this strategic direction has been agreed it is then passed to the general management to implement.

7.11.3 Effective Strategic Planning

FCUM have been competing on a semi-professional level since 2007. They have never owned their own ground and have a rental agreement with Bury FC to play their home fixtures at Gigg Lane. The club has not had the luxury of being able to increase or source alternative revenue streams from their own ground forcing them to rely heavily on fan donations, membership subscriptions, season ticket money, merchandising and grants from the local council or sport governing bodies. They have to pay £5,000 rent per game which accounts for a significant part of their annual turnover. The Board with the support from their members have pursued the strategy of building a new ground which was originally to be built at Newton Heath. Newton Heath was the founding place of Manchester United FC when the club was first formed and held both a political and personal importance to the FCUM fans. After initially gaining planning permission for their proposals Manchester City Council rejected their plan to build a new stadium in Newton Heath in May 2010. Since then the Board have identified a new area in Moston, North Manchester which will cost £4.5 million to build.

7.11.4 Source Alternative Revenue Streams

The Board have decided to initiate a community share scheme to raise £1.5 million, which they see is a way of raising capital while protecting their democratic ownership structure.

Community Shares

The club have named this community share scheme 'Punk Finance' as an alternative revenue stream for alternative thinking organisations who do not wish to borrow money from the Bank or receive private investment for a share of their profits. Community shares are issued for a community purpose. The concept has been developed through a joint initiative of the Development Trusts Association and Co-Operatives UK with support from the Department for Communities and Local Government and the Cabinet Office.

What's the Offer?

- The Community Shares FCUM are issuing are Capital Funding Shares issued by the Board as permitted by their constitution.
- The value of the shares is £1.
- The shares can be bought and held by members of FCUM who are 16 years of age or over, or who are a corporate body or firm.
- Shares are not transferable and cannot be sold and have no voting rights attached to them.
- The minimum purchase of shares is £200 and the maximum is £20,000.
- The offer was open from the 21/9/11 to the 28/2/12.

What do you get?

- People will be making an investment into a scheme that seeks to make a real social difference in football and in the Moston area.
- Shareholders can withdraw their shares but there is a moratorium for three years on any withdrawals and after that all withdrawals are subject to conditions, with a limit of 10% in any one year.

- FCUM hope that from the third anniversary of the club taking occupancy of the completed stadium, they will be able to pay shareholders interest not exceeding 2% per annum above clearing bank base rate.
- The first obligation is to the sustainability of the club and the delivery of community beneficial schemes.
- The Club hope that the scheme will qualify for the HMRC Enterprise Investment Scheme. This will mean that investors can offset a percentage of what they invest against any tax liability.

Table 7.6 shows that the club has successfully raised £1.7 million in community shares in February 2012 (BBC, 2012 [online]) and after receiving grants from local businesses and a grant from the local council look well on their way to achieving their plan of their own ground.

Table 7.6 - FCUM Current Funding Total

FUNDING	CURRENT
Community Shares	£1,710,000
Development Fund	£240,000
Grant	£750,000
Grant	£150,000
Grant	£500,000
Manchester City Council Grant	£550,000
Grant	£300,000
MCC Loan	£500,000
TOTAL	<u>£4,661,000</u>

This club has shown throughout the research that they are passionate about their business model working in football and hope that their approach and the new initiatives they launch, such as the community shares scheme, can act as a blueprint for other mutuals' to adopt in the future. The club have in the interim focused on growing their merchandising revenue and community programmes, which brings revenues of £90,000 and £85,000 per annum

respectively (FCUM, Annual Accounts 2010-2011). Some could argue that the Board have focused too much on a new stadium, which could have had a negative impact on the club if they were not successful in achieving this. Following the setback on the proposed Newton Heath site, many a commentator wrote that the club had done all it can and would not be able to continue renting a ground from another club. The share scheme and plans for the new site have been managed well and appears achievable.

7.12 BOARD ROLES

7.12.1 Role Definition & Clarity

FCUM were found to have clear role definition and clarity within the club with each section allocated operational responsibilities. Day-to-day decisions are taken by the Board for which they are fully accountable. Footballing decisions are taken by the coaching staff and major strategic decisions are taken by the membership. Operationally, the back room staff have work sectioned accordingly and have appropriate numbers of staff working in each. Due to the high workload the club were experiencing, and when budgets allowed, they started to recruit paid permanent staff. These additional appointments were needed to work alongside the mass array of volunteers who also work in an administrative capacity.

7.12.2 Audit Function

FCUM have added an asset lock clause to act as an enhanced security for their community purpose. Taking into consideration the circumstances surrounding the formation of this new football club this asset lock is a very public sign that the club will not be easily targeted by speculators or short term private investors.

7.12.3 Ability to Source and Attract Outside Expertise

In most cases, the steering committee and initial key organisers began the process of sourcing outside expertise through their extensive contacts. Numerous candidates who were interested in joining the cause approached them, which eased selection. Andy Walsh explains that *'it was like well who do we need? We need someone with business expertise,*

we need someone who has marketing expertise, so we just pulled people in. It wasn't like we have a steering committee of fifteen and that's it, it was just people pulling each other in' (Interview, 12th January 2011). The club recognise that due to the changing nature of the business there are certain areas of expertise they need to source externally. To date they have been able to recruit relevant candidates with relative ease. An example would be the stadium project where they needed help from architects, builders, procurement and even help dealing with the council for planning permission.

7.12.4 Evolve & Change Personnel

FCUM have been operating since 2005 with the only change to their current structure being the appointments of key personnel to manage and run the day-to-day operation of the club. Andy Walsh highlights this change of operational management *'around Christmas time in 2005 the Board decided the temporary appointment of a General Manager and Club Secretary needed to be made permanent. The initial burst of activity was not slowing down it was growing. We needed full time staff in fact we needed part time staff as well. We advertised and interviewed for post of General Manager and Club Secretary'* (Interview, 12th January 2011). This followed a decision from the Club Board that they were not able to service the growing levels of activity within the football club on a voluntary basis. These Directors have not changed to date and have been re-elected twice during the nomination stages.

7.13 BOARD STRUCTURE

7.13.1 Volunteer Board Members

There are no paid Board members at the club but they have started to pay full time members of staff once the business started to grow organically. As Andy Walsh noted *'the main Board were meeting two or three times a week which soon became quite burdensome. The Board then decided that we needed to actually make the strides forward and to establish some stability we needed some people working on it full time and it could no*

longer just be run on a voluntary basis' (Interview, 12th January 2011). The amount of volunteers working at the club was remarkable and a real testament to the how the business have engaged with their external stakeholders. FCUM utilise volunteers to help man the office and administrative duties, coach on community programmes, look after the merchandising side of the business and help on match days. FCUM have at least 300 volunteers on a match day and state they could not honour their matches without this support.

7.14 Success?

The Board of FCUM were found to be very passionate and politically motivated people both in terms of the main philosophy of the club and the reasons for its formation. They must be commended for the professional approach they have applied to the creation of the football clubs constitution and the 'one member, one vote' rule. Operationally the football club has evolved, changed or appointed more staff as and when required since forming in 2005. The day-to-day dynamics of the business are well managed with alternative revenue streams increasing year on year. The launch of their 'Community Share' scheme has been a huge success and could act as a blueprint for other supporter owned football clubs to replicate. The accomplishment of building their own stadium must be achieved for the club to move to the next stage. Failure to do this will only hinder their ability to compete in higher leagues and generate increased revenue.

Following on from two early promotions when the football team was formed they appear to have stagnated in the current League they are in. They have lost in a playoff final for promotion in both the 2010-2011 and 2012-2013 seasons and narrowly missed the playoffs in the 2011-2012 season by one point. With this in mind the need for their own stadium and resulting revenue can only boost the playing budget and quality of players they have now.

Table 7.7 - League Position of FCUM 2006-2013

2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
1	6	13	4	5	6	3
(Promoted to Northern Premier League, Division One North)	(Northern Premier League, Division One North))	(Northern Premier League, Division One North)	(Northern Premier League, Division One North - lost in the playoff semi-final)	(Northern Premier League, Division One North)	(Northern Premier League, Division One North)	(Northern Premier League, Division One North - lost in the playoff final)

CHAPTER EIGHT – LEARNING FROM THE CASE STUDIES

8.0 Introduction

The previous three chapters were devoted to presenting the differing models of supporter ownership, control and governance structures across one German club and four English clubs. The researcher focused particularly on the macro and micro influences on how the Supporters' Trust at each club evolved and how they structured themselves to manage those issues identified. In this chapter, themes and differences emerging from the case studies are identified and analysed. Drawing on the academic literature in these areas, the chapter aims to document the extent to which these findings can inform our understanding of supporter ownership and governance structures among other football clubs in England. To what degree are there examples of best practice that may have relevance beyond a particular supporter owned football club? This chapter will first analyse the main benefits of supporter ownership before providing a thorough evaluation on the key elements required for a mutually owned football club to succeed.

8.1. Benefits of Supporter Ownership

The research findings have confirmed the studies in recent years which identify the advantages and relevance of supporter ownership in football (e.g. Adams and Armitage, 2002; Brown, 2008; Emery and Weed, 2006; Hamil et al., 2004; Morrow and Hamil; 2003, Michie; 2000, Senaux, 2008). The main advantages found are examined below:-

8.1.1 Promotion of Democracy

The extent to which the promotion of democracy has benefitted the long-term success of the five clubs studied varied from club to club. Evidence showed that all the clubs visited were adhering to collective decision making processes, albeit at times, being slow and overly bureaucratic. That said, this research also highlighted some discrepancy amongst clubs who stated that one of their core objectives as operating democratically. The researcher felt that the word 'democratic decision-making' became blurred, at times within

some of the football clubs, with the term 'inclusivity'. For example, Chester FC initially set out to encourage democratic voting via their members on issues such as choosing the club badge, kit and home colours. As the club has become a more established business most decisions are made by the main Board and then publicised to their members. Chester FC on occasions apply the 'one member, one vote' policy on key decisions of the club, i.e. stadium improvements and on issues the main Board feel they are unable to agree on or are too important to decide upon without membership approval.

Exeter City FC, Brentford FC and HSV adhere to democratic decision making across their two Boards. All of the clubs interviewed held an Annual General Meeting (AGM) and if necessary an Extraordinary General Meeting (EGM). Members of these clubs were not found to be involved in key decisions relating to the football club. Instead, they were informed and educated about the important strategic and operational decisions made by the club through various media outputs. Each club reiterated the importance of being seen to be 'inclusive' and honest and transparent in their approach with their key external stakeholders. Research findings indicated that promoting democratic principles and inclusivity were not clearly distinct from each other, a point highlighted in Brown and Guo's study (2009). It was apparent that there was differing approaches to this area within the five football clubs interviewed, which correlated with the overall future success of the club remaining supporter owned. Promoting democratic principles should be implemented internally and externally throughout two or more Boards, utilising the 'one member, one vote' policy and by annual election of Board Members. Promoting inclusivity can be achieved by the application of an open and 'two-way' communication line between the club's Board and general management to their key constituents. In addition, an honest and transparent approach to all the club's business dealings needs to be instigated to achieve their members trust and faith.

8.1.2 Keeping the Club linked to the Community

Clubs who were seen to be community beneficial have certainly benefitted by keeping the club closely linked with the community and to date have received enormous support from local fans and businesses. In England, Brentford FC highlighted the financial benefit of running a successful Community Trust with a £1.2 million annual turnover and receiving high profile sponsors. In Germany, HSV receives lucrative membership subscriptions from their other sports clubs away from football. Chester FC have not pursued this link to the community but are intending to launch several community beneficial initiatives in the next few years.

One of the main philosophies stated by the key informants interviewed for this research was that supporter owned clubs are and should be community beneficial. Focusing on clubs with differing fortunes has helped identify that this area of the business is of strategic importance for the overall success of the club. Fans increasing concerns about the over commercialisation in the football industry having a negative impact on the community and the rise of Supporters' Trusts claiming to endeavour to correct this area only highlights the need to achieve this outcome quickly and successfully. Otherwise, members and local businesses can quickly become despondent with the Board and with the club's overall mutual ethos.

8.1.3 Creating Stability and Confidence

Hamil et al., (2004) state that fans concerns have also been centred on the increase of foreign ownership, leveraged buyouts which result in increased debt for their club and the rise of financial mismanagement and malpractice. Supporters' Trusts have been formed to gain representation on the Club Board or in some cases gain majority share of the club in order for it to be managed properly. Certainly, evidence collected from the researchers visits to the five football clubs has shown that supporter ownership does create a sense of stability and confidence among internal and external stakeholders that the club is in 'safe

hands'. However, this research did not interview fans or local businesses so an overall assumption that this is felt by the majority of external stakeholders cannot be concluded (refer to section 9.6).

Further evidence of how a successfully run supporter owned football club can create the sense of stability and confidence was obtained from HSV. As discussed in Chapters 3 and 5, German football clubs have called repeatedly, over the past fifteen years, for changes in the current governance systems in operation in the German Leagues (Dietl & Franck, 2000). In 1998, this pressure to pursue a more competitive edge to their European counterparts led to the Deutsche Fußball Bund (DFB) relaxing the membership association law and introducing the '50+1' rule. Despite HSV fans witnessing several of their club's competitors restructuring to attract private investment and become more competitive on the pitch, the majority voted against their club following suit and a similar path. Instead, they wanted to continue with their current structure as a 100% supporter owned football club signalling laudably that they were more interested in the club being managed properly than pursuing sporting excellence on the pitch at any cost.

8.1.4 Empowering fans and creating mutual empathy

Walters (2007) states that supporters are key stakeholders in the football industry and the nature of their relationship with the football club is more than a conventional business-customer relationship. BDO's Annual Review of Football Club Finance Directors (2013) highlighted that nearly two thirds (64%) of respondents agree that the level of public interest leads them to manage the club with a higher level of corporate governance than they would for a similar sized business outside the football sector. Supporter owned football clubs need to recognise that their key external stakeholder are their fans who can provide valuable voluntary support, money into the club via gate receipts, merchandising, fund raising events and trustee membership subscriptions. Thus, this key stakeholder needs to be embedded in the short, medium and long-term strategies of all mutually

structured football clubs. The ability of a football club to maintain a dialogue with supporters is crucial.

The researcher certainly witnessed among the clubs how the empowerment of fans helped achieve their cooperative vision and ethos. The English clubs were all seen to be 'reaping the benefits' of fans who believed wholeheartedly on what the Trust had set out to accomplish. During the researcher's visits, the sheer number of motivated and committed volunteers working on the Board or in the back office was outstanding. In addition, these clubs were also benefitting from fans willing to volunteer to maintain the stadium and pitch and even work voluntarily on match days. Key personnel claimed in their interviews that this mutual empathy had been created by the club's inclusive approach, a point highlighted by Pergola and Joseph (2011). Mutual empathy also resulted from continuous education to their members on what the Trust were wanting to achieve and why they believe being supporter owned is the most viable option (Perilleux et al., 2011). With supporter owned football clubs in England (with the exception of Phoenix/Greenfield clubs) working under such rigid financial constraints and inherited debt makes the need for an enthusiastically and committed volunteer culture even more necessary for survival (Emery & Weed, 2006).

Fans and members of HSV have been brought up with the supporter owned structure throughout the time of their support. The Supporters' Department have to focus on maintaining this mutual empathy among their fan base to ensure that the majority are still in favour of the current structure despite the changing external environment. Interestingly, the core of the most politically motivated Trust members at HSV feel that the ever-growing number of members has resulted in the dilution of the Trust's main philosophical stance. They feel that the fans are joining as members to the Supporters' Department to receive the match day benefits rather than contribute to the political cause of the Trust. However, this large membership number does have a financial advantage and creates a feeling within the club of political power (Vidovich & Currie, 2012; Wajeih & Muneza, 2012). This

research has highlighted the need to manage this level of political power in order to reach a healthy balance both internally and externally to the club. It could be argued that this is happening within Exeter City FC's membership who are the oldest supporter owned football club in the English Football League.

8.1.5 Allowed the Club to Exist

Brentford FC and Exeter City FC would not have survived unless the Trust had intervened to save the club. The examples of financial malpractice detailed in Chapters 6 and 7 have been truly appalling and leads many to question how such practices can go unnoticed. Inevitably, the fact remains that Supporters' Trusts in England are seen as the 'last resort' to save the club when all other avenues have been exhausted (Kennedy & Kennedy, 2007; Martin, 2007). The amount of debt Brentford FC and Exeter City FC inherited at the start of their ownership would have been a challenge for any business in any industry sector. Coupled with the volatile business nature of football, which hinges on success on the pitch with financial reward, these Supporters' Trusts need to be commended for taking on such a challenging task. However, as a consequence of the clubs' being mismanaged for many years and threatening the existence of the football club, these Supporters' Trusts were readily able to harness local support and gain credibility for their cause.

8.1.6 Improved External Stakeholder Relations

Chester FC were one of the most successful examples of benefitting from local businesses engaging with the club. This willingness can be attributed to the Board's concerted effort to re-engage with these local businesses within the community, who had been neglected and abused for so many years under the club's private owners (Miller, 2002; Tschirhart, 2006). The Board did need to raise their credibility and make an effort to form working relationships with these businesses. The sterling efforts taken by the club to get to this point has been instrumental to the outstanding success of the 'Phoenix' club since its formation in March 2010. The other English clubs have also received enormous support

and partnerships from local businesses. Again, the important aspect to note is that the Boards' of these football clubs have recognised the importance of creating business links with local firms and have sought to work hard in forming good relations between the two parties. Brentford FC and Exeter City FC needed to understand that many local businesses were reluctant to re-engage with the club after several years of unpaid invoices from previous owners. Within the clubs interviewed there were many references to external stakeholders wanting to engage with the club due to the transformation of ownership and their ethos. The rebuilding of trust is important but cannot be achieved overnight.

HSV have also sought to create and build good working relationships with local businesses but for different reasons. Unlike their English counterparts, the club has never been in serious financial trouble and have not burdened local businesses with debt. However, the Supporters' Department felt that before their involvement in the early 1990's the Club Board was ineffective in encouraging local businesses to be involved in the club's strategic direction. The Supporters' Department have been able to raise their credibility and gain the respect from HSV's external stakeholders due to the way they have gone about promoting their business since becoming part of the club in 1998.

8.2 Limitations to Football Clubs Adopting Mutuality

This research also highlighted the principal disadvantages, which were primarily in relation to decision-making, sustainability and finance.

8.2.1 Ineffectual Due Diligence During the Takeover Period

Ineffectual due diligence was evident at Exeter City FC and Brentford FC. These clubs were both faced with large amounts of inherited debt of £4.5 million and £6.5 million respectively. Again key personnel at both clubs admitted that they met with unexpected debts and evidence of financial malpractice once they became the majority shareholder. The Trust at Brentford FC set about targeting wealthy businesspersons to raise the amount of money required to buy out the private owner. Bees United have to be commended for

almost achieving their goal within two years. In the end this goal was found to be unachievable for them and resulted in the introduction of Matthew Benham and his contributions filling the gaps on a yearly basis. It could be argued that the introduction of Matthew Benham resulted in Bees United masquerading as a supporter owned football club and led to the inevitable shift in shareholding at the club. The Trust at Exeter City FC came to the immediate and most sensible decision to enter the club into a CVA to ease the financial pressure of paying back the club's creditors. This decision coupled with the fortuitous FA Cup draw with Manchester United can be viewed upon as the two major factors for the club becoming financial stable as a mutual.

8.2.2 Ability to Fulfil an Inclusive Approach

Both in England and Germany, Trust Board members have recognised the huge task involved in continuing to recruit members, raise membership fees and the resources required to maintain and service the large memberships involved (Freeman, 1984; Herman & Renz, 1998). All the clubs have commented on their fans constant need to know every business decision the club are involved in. Within the lower leagues, the English supporter owned football clubs interviewed stated that these requests could total up to sixty emails a day, whilst HSV could have anything up to 500 emails a day. The ability to cope with this demand and the systems put in place to cope differed from club to club

In Exeter's case they have decided to use their match programmes to publish a full breakdown of revenue received from the previous match. However, this strategy has now been discontinued due to the complex accounting information the football club deal with in League One. The football clubs who were found to have the most sophisticated internal systems to communicate with their large membership and fan base were FCUM and HSV. Interestingly, FCUM went out to visit HSV whilst they were in the first stages of forming the club and the business plan. Both football clubs have a dedicated administration officer who is solely responsible for the daily requests from their members. The difference is that

it is a volunteer at FCUM and a paid member of staff at HSV. Both of these clubs also showed evidence of proactive use of social media and regularly posted updates on their website, Facebook page and via email. The findings from this research highlighted that the more able the club was to deal with the whole area of communication the higher the number of members they had subscribed (Brown, 2002).

8.2.3 Bureaucracy Affecting Progress

This disadvantage supports the points raised by Wilkesmann and Blutner (2000) with all of the clubs finding it difficult in reality to manage structured internal decision-making processes that can integrate the different interests of all their members. These difficulties resulted in slow decision-making processes and in some instances the catalyst for internal politics. Brentford FC and Exeter City FC all experienced problems with their two Boards in terms of role clarification and definition. This lack of clarity caused members from each Board dealing with tasks outside their remit. This also led to some Board members feeling that they were interfering, which in turn caused tensions in the Board room. Exeter City FC's two Boards stated in their interviews that they acknowledge the internal systems in place within the club were overly bureaucratic but they had found ways to work around these problems. However, during my second visit to the club when the football club were struggling to gain private investment and were experiencing poor results on the pitch this amicable method of working appeared to have broken down. Since this second visit in April 2012, the football club were relegated in the 2011-2012 season to League 2 and the Trust Board have called an Extraordinary General Meeting (EGM) to be held in July 2012, due to a lack of confidence with the Club Board.

8.2.4 Voluntary Workforce Unable to Cope with the Workload

A common problem identified within all of the clubs was the inability of some voluntary Board members to cope with the amount of work required of them (Brown et al., 2011). The Trust Board members were unpaid voluntary workers including the Supervisory Board

at HSV. There were a small proportion of Trust members within the English football clubs who were recently retired businesspersons or were unemployed and did not have time constraints (Drucker, 1989). However, a large proportion of Board members within the five football clubs visited were in full time employment or were self-employed businesspersons. Consequently, most of the Trust Board members were working full time during the day in their paid role and then dealing with football club matters during their lunchtime, after work or at weekends. The key personnel interviewed stated that arranging meetings was a problem due to these time constraints on their workforce. Furthermore, several interviewees stated that in some cases the quality of work was not of an acceptable standard with some of their Board members simply unable to cope with the constant demands on their time (Hoye, 1997). Exeter City FC's Club Board have stated that they have been continuously frustrated with the lack of progress their Trust Board has made citing this voluntary culture as an issue (Branston et al., 2006; Weitzner & Peridis, 2011). The other problem this high workload caused was that good volunteers would be forced to leave due to the demands it was having on their lifestyles. Continuity and stability of a motivated and retained Trust Board often suffered as a result (Herman et al., 1993).

8.2.5 Raising Finance Through Alternative Revenue Streams

Exeter City FC and Brentford FC all stated that the need to identify and source alternative revenue streams was one of the major disadvantages of operating as a mutual football club (Pèrillux et al., 2011; Adams & Armitage, 2002). This need for alternative revenue was only heightened further when these two clubs competed in League One. Exeter City FC and Brentford FC both experienced problems with the potential to maximise profit from their out-dated and restrictive stadiums. Exeter City FC are wanting to pursue redevelopment of the ground for property investment whereas Brentford FC pursued a new stadium development and relocation. Unfortunately, due to the global financial crisis and the subsequent housing market slump both of these ventures have been unsuccessful to

date. The lack of success in achieving their goals for the stadium has left the clubs operating under even more financial pressure.

In contrast, Chester FC have received several lucrative deals to extend, renovate and improve the potential for increased revenue from the stadium. Local businesses have engaged with the football club after being impressed by the club's internal structure and business practices. FCUM have pioneered the 'Punk Finance' scheme by issuing community shares to invest in their new stadium in Moston, North Manchester. The Board hope that their community share scheme can act as a blueprint for other supporter owned football clubs to follow. However, despite the fantastic achievement of raising nearly £1.75 million from the scheme it needs to be noted that these shareholders are investing in bricks and mortar. For other clubs to follow suit they would need to initiate a similar project to attract the amount of shares sold. This then does not answer the larger question most supporter owned football clubs in England need answering, 'How can we source revenue to our club without relying on a single benefactor?'

HSV do not experience these sort of revenue problems and are unable to comprehend why English clubs cannot attract enough commercial revenue. HSV are in Europe, one of the top ten most successful football clubs in commercial revenue generation. However, there are a few key points to note here, firstly, sponsors and commercial businesses are keen to do business with HSV due to the large number of members these businesses can access. In addition, the Club Board initiate deals with wealthy benefactors to invest in players and in turn offer these investors a certain percentage back on players sold. These agreements to benefit the playing budget are not well received by the Supervisory Board with members feeling that this type of deal goes against their philosophy of how a 100% supporter owned football club should be run. Furthermore, HSV compete in the Bundesliga 1 (similar to the Premier League in England) and receive global media interest. The potential for sponsors of the club to tap into a global market is also an attractive proposition to them.

8.2.6 Tensions Between ‘Fan’ Ambitions and ‘Trust’ Principles

The nature of sport and in particular football is that the results on the pitch will always be the paramount concern for all involved at the club (Reid & Turbide, 2011). The philosophy of a Supporters’ Trust is to try and achieve this aspiration on the pitch without jeopardising the financial future of the club. These two viewpoints coupled with a rise of what could only be described as an ‘arms race’ by the majority of football clubs to gain this success will always result in tensions (McDonald & Sherry, 2010). What has become apparent from the findings is the ability of the more successful supporter owned football clubs to rally support for their viewpoint and educate fans to share and understand their ethos (Puyvelde et al., 2011).

One question, which has come to the fore, is the lack of membership engagement from the fans in the English clubs. With their club being supporter owned and the ethos generated of ‘we own our football club’ why do the average attendance figures not reflect the number of Trustees? This question supports several academics in the literature review stating that Supporters’ Trusts members only represent a small minority of football supporters in the UK (Martin, 2007; Kennedy & Kennedy, 2007; Arnaut, 2006; Nash, 2000). In Exeter City FC and Brentford FC’s case, the Trust were not active enough in the on-going recruitment of new Trustees and had become complacent with the 3000 Trustees already registered. Bees United focused more on the revenue received from their Community Sports Trust rather than maximising membership subscription revenue. Interestingly, the two ‘Newly Formed’ football clubs matched if not exceeded their average home attendance to the number of members registered. HSV exceeded their average home attendances to their membership by over 20,000. Interestingly, there seems to be a correlation between supporter owned clubs who have operated as a mutual from the outset with membership figures exceeding average home attendances.

Deloitte (2004) claim that the growth of the Supporters' Trusts movement has resulted in a greater prevalence and acceptance of financial reality in the lower reaches of UK football in recent years (refer to Appendix 1). As a response to financial insolvency, in England, this approach appears to have been successful at Exeter City FC and Chester FC. However, these clubs are in the minority with several other clubs having now demutualised and ceded ownership back to private owners. Stockport County FC, Northampton Town FC, Chesterfield FC and Notts. County FC are all recent examples.

8.2.7 Regular Problems with Cash flow

Financial analysis of football clubs suggests that as income from broadcasting and sponsorship decline, stadium revenues become more significant. The 'Annual Review of Football Finance' (2010) maintains that *'clubs face a challenge between maximising short term income from season and match day tickets, with getting their community through the turnstiles to ensure their long term health and fulfil their customer charters and corporate social responsibilities'* (Deloitte, 2010:48)

This research has concluded that the English clubs faced an on-going need for access to funds for a variety of reasons ranging from broken ice machines, reconditioning of the pitch, cash flow problems due to bad weather and postponed games, insurance for two players who had their teeth knocked out. The list went on and was forever changing. Adams and Armitage (2002) correctly recognised that mutual football clubs would need to identify sources of capital if they were to survive hard times. Symanski and Kuypers (1999) identified eight main revenue streams available to football clubs, of which gate receipts, transfers and television revenue were the core three, with merchandising, sponsorship, hospitality/catering, grants/flotation/financing and supporters clubs comprising the remaining five. Deloitte (2003), Banks (2002) and Freedman and Kupfer (2002) have each discussed the increasing importance of alternative revenue streams in the

lower leagues, especially after the loss of income from television deals. Exeter City FC have been particularly active in this area.

Exeter have demonstrated their understanding of the importance of alternative revenue streams and since 2003 have increased all eight areas with relative success. Exeter's financial planning makes no allowance for any income derived from TV rights. In line with recommendations for the lower leagues by Glendinning (2003b) and Deloitte and Touche (2003), the club planned for no TV income due to its unpredictability as an income stream. Consequently, any additional money that may be received is treated as a 'windfall payment', which in their case was the unexpected TV and gate receipt money received by playing Manchester United in the FA Cup 3rd round.

The most important factor in Exeter's on and off field success has been the focus on the youth training scheme. They have invested in this scheme from the start of their ownership as a strategy to field their first team working within a restricted budget. This strategy has worked and they have received sporting success on the field, which has benefitted the financial situation off it. Money received from play-off finals, promotions, increased league money, gate receipts (which have increased with the clubs' success) and transfer fees from their 'home grown' talent have contributed to the club becoming debt free after seven years of Trust ownership. However, the football business is very volatile and during the researchers second visit to the club the CEO was concerned about the fall in gate receipt revenue (Hamil & Walters, 2010). Due to lacklustre performances on the pitch both home and away the football club were seen by fans to be in 'no man's land' i.e. neither in contention for promotion, play off places or relegation. This decline in gate receipts has the potential to have a detrimental impact on cash flow to a club the size of Exeter City FC.

Brentford FC and Chester FC were all found to have limited options with their current stadiums to maximise commercial revenue. Brentford FC did not have any corporate

hospitality facilities at Griffin Park and before the Trust took over there was no dedicated area for a players lounge or bar for match days. Chester FC showed evidence of pursuing the eight revenue streams with relative success. The Board had improved the club bar, re-opened the players' lounge and actively marketed cheap season tickets and match ticket prices to increase home attendances. All four English clubs applied for grants and tried to identify other areas where they could raise much needed finance into their clubs. In particular, FCUM needed to opt for this alternative finance due to the fact they did not have their own stadium to maximise commercial revenue.

8.2.8 Unable to Compete Against Privately Owned Football Clubs

Findings of this research have not been able to overturn the assumption that a supporter owned football club cannot compete in the highest level of competition (Ferkins & Shilbury, 2012). Instead, it can be argued that in England the mutual model appears to work well in the lower tiers up to League Two in the English football leagues. In Germany, where HSV compete in a more even playing field, results, performances and overall league position has been mid table for many seasons. The researcher cannot conclude that these league performances satisfy fans' expectations, however, off the pitch the club is a very well managed and is a financially sustainable football club. As any football fan would state that the enjoyment and keenness of following your own team is the want to achieve the best results with the best players. However, over the last decade or so the notion of being a fan has shifted to both concerns on and off the pitch (Hamil & Hassan, 2010). Certainly, the key personnel interviewed for this research, who were all avid fans of the clubs they worked for, have stated that they would prefer the football club be in existence a 100 years from now over the short-term glory of success on the pitch.

Exeter City FC were enjoying a swift climb up the leagues with several promotions and play offs to achieve their highest League position in League One in 2009. However, it could be argued that the club's inability to attract additional investment into the club has

affected the playing budget and made the club uncompetitive against privately owned football clubs in the same League. Brentford FC also experienced the same issue of trying to compete against teams who enjoyed playing budgets four times the size of their own. A limited playing budget, lack of commercial revenue from the stadium and repaying large amounts of debt resulted in the Trust ceding ownership back to a single benefactor. Chester FC are enjoying back-to-back promotions through the lower level of competitive non-league football, whilst FCUM seem to have stagnated within their current League position. Unless FCUM are successful in developing their own ground and the consequent revenue generation provided, it is hard to see how they can progress any further up the Leagues. The other major issue FCUM have is the fact that they have no historical support.

One of the main reasons for researching HSV was to try and identify how supporter ownership can compete in the higher leagues of English football. The findings have highlighted that there are several differences between HSV and the four English clubs. Firstly, German football is regulated by the '50+1' rule which creates an even playing field amongst all the clubs competing, despite several loopholes and a minority of football clubs offsetting certain areas of the business for tax relief and private investment. Secondly, all German football clubs have been set up as 'Supporter Owned' football clubs since the formation of the Bundesliga, which as a result, has prevented the financial malpractice witnessed within the football industry in England. Thirdly, HSV since their formation back in the late 1800's, have not inherited debt or culture legacies from previous ownership and fans have accepted this structure. The overall agenda of the football club is to try and achieve success on the pitch but not to the detriment of the business. Finally, fans and the Supervisory Board favour sustainable governance practices over winning trophies something, which is hard to comprehend in England and would certainly be difficult to introduce.

8.3 Supporter Ownership – The Key to Success

Holt (2007) states that clubs that have been owned and/or run by the fans through Supporters' Trusts have generally shown themselves to be more prudent and have developed better business practices. In the cases of Exeter City FC, Brentford FC and Chester FC's becoming supporter owned went a considerable way to appease local creditors (e.g. caterers, breweries, publishers, launderettes) thus allowing future business partnerships to be developed. The mutual model helped develop a community base for the club and provided governance benefits, particularly by not allowing the club to be run by a single 'benefactor' (FGRC, 2002). However, Board members within these three clubs have freely admitted to making mistakes in their business strategies and underestimating the steep learning curve they have had to undertake. By recruiting outside expertise and continuously assessing and evolving their key personnel they have been able to tackle the clubs forever-changing problems and issues (Houle, 1997).

The levels of understanding of the mutual ethos influenced the football clubs' Board competencies. The lack of understanding found in some of the football clubs was due to inherited personnel who showed no desire to embrace the ethos and were very sceptical of the business model working. This research has highlighted the original steering committees involved before the Trust took full control recognised that Directors who volunteered for nomination needed to demonstrate their desire and passion for what the Supporters' Trusts believed in. FCUM, Chester FC and HSV have been fortunate in achieving this goal due to the lack of inherited legacies. Unfortunately, for Brentford FC, in addition to inheriting large amounts of debt they inherited previous Directors on the Club Board who were used to working under private ownership and were sceptical of the new model. The football clubs who were able to overcome these problems and achieve a common goal within the Boards' were found to be more successful than the clubs who failed to implement.

The Combined Code (2003) stresses that company Boards must avoid being too large and unwieldy, and hence ineffective in decision-making (FGRC, 2005). The Higgs Review (2003) revealed that for the smaller listed companies outside the FTSE 350 the average size of the Board was six. This research found that the football clubs operating with two Boards had on average between five and seven Board members on the Club Board but exceeded the recommended number on the Trust Board (Exeter City FC, Brentford FC, and HSV). Chester FC and FCUM had opted for between eleven and thirteen Directors on their main Board. These findings found evidence that on the Club Board side of the football business were consistent with smaller listed companies and in line with the recommendations made by Higgs (2003) meeting twelve times a year at least. However, the large number of members on the Trust Board proved to be unwieldy at times and difficult to achieve coherence among the Trust Directors. These large numbers were attributed to the fact that the positions were voluntary and the required expertise was diverse to meet the demands of the club.

What has become clear to the researcher is that to become a successfully managed mutual football club the need to clarify clear roles and responsibilities is of paramount importance. This finding was conducive to the literature pertaining to effective nonprofit governance (Herzlinger, 1994; Miller, 2002). The findings have highlighted that in practice the presence of two Boards, or in HSV's case more than two, can be effective if implemented correctly. HSV's system of setting agreed boundaries for the Club Board to operate within seems to be the most sensible method of working and makes the club more able to adapt to the changing external environment. A consistent finding was the friction between the Club and Trust Board on key decisions relating to sustainability. The Club Boards within HSV, Brentford FC and Exeter City FC proved to be quite ambitious in their plans and were regularly frustrated with the Trust Board's audit role. Despite this evident friction within these clubs HSV and Exeter City FC were seen to have found ways to work around these internal problems and both Boards were unanimous in their belief that mutuality was the

only option for their football club. Board size and structure of the five football clubs brought to the fore some interesting similarities and distinct areas of difference between them. HSV was found to have had the most superior and effective organisational structure in place. The English football clubs had differing structures but all relied heavily on volunteers within the Club and on the Trust Board. The ability of the football club to work effectively with both paid and voluntary Board members was another key theme from the interview transcripts to succeed in a nonprofit football club.

Finally, another area of consideration was to ascertain the internal role the Supporters' Department could play within the football club. HSV's Supporters' Department is integral to the football business, with defined roles and responsibilities and operates under its own budget. This self-financing budget not only allows the Supporters' Department to enjoy being in profit year on year but also ensures that the department does not hinder the main football club budget. The Supporters' Department has separate responsibilities from the Club Board allowing the Board to focus primarily on the playing budget and commercial side of the business (Chait & Holland, 1996; Miller, 2002). The lucrative budget also enables the Supporters Department to pay for salaried full and part time staff in order to move away from a predominantly voluntary culture.

CHAPTER NINE - CONCLUSION

This concluding chapter begins by presenting four different sections relating to the original objectives identified at the outset of this thesis (refer to Chapter 1). It attempts to bring to the fore what has been learnt from the data and compare that with previous research undertaken in the field. The chapter then concludes with a reflexive piece discussing the researchers personal journey, limitations to the study, recommended future research and the main contributions for theory and practice.

9.0 Introduction

As indicated in Chapter 1, the aim of this study was to critically analyse governance structures within supporter owned football clubs. The principal theme therefore was to identify what form of mutuality existed in the organisation of football and evaluate if this business model improved the long term sustainability of a football club. This involved the researcher focusing on five football clubs adopting varying mutual business models with differing fortunes providing an original qualitative critique within the academic field. The study has encompassed clubs who have matured with the model (refer to Chapter 5), clubs who have adopted it out of financial necessity (refer to Chapter 6) and newly formed clubs evolving using the mutual model (refer to Chapter 7). The findings presented in Chapters 5, 6 and 7 have provided an in-depth understanding of particular issues relating to nonprofit ownership structures and governance in a footballing context. A secondary theme of this thesis was to critically examine which governance structures were deemed by the researcher as the most effective for a mutual football club to successfully operate within. The production of a new framework enabled the researcher to map the terrain of this research by illustrating the main themes identified during the data analysis stage.

9.1 Research Objective 1

- **To identify what mutual business models exist in the organisation of football clubs.**

This study's findings have highlighted that there are differing forms of mutuality which currently exist in professional football. Firstly, there are football clubs which are 100% supporter owned and were found to be referred to with different terminology. In Germany, these types of mutuals are classed as *Eingetragener Verein (e.V.)* or member associations which is also a term used in England. As discussed in 2.8.1 all German professional clubs were structured as an E.V. until rule changes in 1998. FC United of Manchester classify their mutual business model as an Industrial Provident Society (IPS). An IPS originates from a cooperative constitution and stipulates that these forms of organisations serve for the benefit of the community with certain legal obligations set to achieve this.

Secondly, there are football clubs which operate as a mutual due to a Supporters' Trust gaining majority shareholding. Exeter City FC's Supporters' Trust own 65% of the shares in their club. If the Trust are able to ascertain and acquire the remaining shares to 75% or above they will by law 'asset lock' the club. This means that the football club will not be able to demutualise in the future (refer to Chapter 6). Finally, hybrid business models were prominent within mutually owned football clubs. This form of ownership ensured that the Supporters' Trust/Members owned 51% of their football club allowing 49% to be owned by a private investor or businesses. In Germany these types of mutual structures are termed as a *GmbH & Co (KG)* and conform with the '50+1' rule introduced in the professional game since 1998. The hybrid business model provides a controlling interest for supporter owned football clubs who wish to maintain mutuality whilst attracting external investment by reducing their share holding down to 51%. As illustrated in Chapter 6 Brentford FC have reduced their majority share to 51% and Exeter City FC's

Club Board are building a case to the Trust Board for the club to adopt this model of mutuality.

Table 9.1 illustrates the above mentioned mutual business models in operation from the case studies analysed for this study (Chapters 5, 6 & 7).

Table 9.1 Mutual Business Models in Professional Football

Mutual Business Type			Research Example
100%	Supporter Owned	(Member association)	Hamburger SV (Chapter 5) Chester FC (Chapter 7)
	Industrial Provident Society		FC United of Manchester (Chapter 7)
	Majority Shareholder		Exeter City FC – 65% shareholder (Chapter 6)
	Hybrid Business Model		Brentford FC – 51% shareholder + 49% private investor (Chapter 6) This type of business model is also prevalent in German football (Chapters 2 & 3)

9.2 Research Objective 2

- **To consider the role of mutuality in a football club’s long term sustainability**

Chapter 3 highlighted some particular characteristics of the way football clubs and the Leagues they compete in are governed both in England and Germany. In Germany, the ‘50 + 1’ rule and a strict club licensing scheme are particularly important to the German model. Arguably, the current German regulatory system in operation is more desirable than the English one in terms of encouraging financially sustainable practices. However, Chapters 3 and 5 highlighted that the German model historically arose in different circumstances from those of English football. The question we need to pose is do we need to look at Germany for solutions? Or is English football and the environment it operates in to some

extent so essentially different that such radical changes would be impossible, even if they were desirable? Answers to these questions are still needed and have been indicated as such in recommended future research later on in this Chapter (refer to 9.7).

As discussed in Chapters 2 and 3, several academics and sport commentators argue that there is so much self-evidently wrong in English football, not least the number of insolvency events, which have occurred to clubs in the top four tiers alone. Beech (2008) highlights that sixty-eight clubs have entered into administration since the founder members of the Premier League took the decision to break away from the Football League in 1992. In a business sector that at any given time consists of just ninety-two companies, this is a staggering number, and in any other sector, it would automatically attract the attention of Parliament.

Two specific financial aspects can be contributed to the financial troubles within so many football clubs in the English game. Firstly, the continuing operation of companies with unsustainable high debt levels and the inability of clubs to control their biggest cost, that of players' wages is having a detrimental impact on the sport (Emery & Weed, 2007). Syzmanski and Kuypers (1999) stated that the injection of cash by private 'benefactors', whether in the form of 'soft loans' or as equity, amounts to risky financial practice in an attempt to buy success and show the 'benefactors' ambition. The main danger to the football club is that the steady supply of unearned income ceases, for example, Portsmouth FC, Rangers FC, Leeds United FC (Banks, 2002; Williams, 1999). From 2015-16, new regulations will affect Championship clubs in England designed to prevent owners from funding their clubs through loans (BBC, 2012). These new regulations are based on UEFA's break-even model of Financial Fair Play and come after the Football League's research revealed the 72 clubs of the Championship, League One and League Two are on course to accumulate £2bn of debt (BBC, 2012).

As this research has highlighted such events can happen as a result of the ‘benefactor’ suddenly finding his core business, which generates the funding getting into trouble, or the personal circumstances of the ‘benefactor’ changing. If this happens, the club is inevitably facing financial problems. The business is suddenly unsustainable and in particular is in a weak position to repay any ‘soft loans’ which have abruptly been recalled. In short, this model of regular cash injections from ‘benefactors’ is highly risky and all too often proves unsustainable as shown by events documented in the Brentford FC and Exeter City FC case studies (refer to Chapter 6). Furthermore, it is based on an approach that attempts to distort the competitive balance of a League through endeavours, which are not based on sports performance, which many would see as unethical in a sports context.

Brown (2008) argues that there are other worrying consequences of injecting unearned income into clubs. ‘Benefactor’ driven clubs help to fuel the already high rate of wage inflation in the transfer market. There is a tendency for such clubs to influence other clubs to adopt this process in their pursuit for success. To be ambitious necessarily means finding investment to compete with others in the same position. Hamil and Walters (2010) highlight that as the wages spiral escalates, the scale of operation financially becomes more stretched up and down the footballing pyramid. The differences between wages in different tiers of the pyramid becomes ever more pronounced. This results in high volatility for the clubs unlucky enough to be relegated and major challenges for those promoted (Hamil & Walters, 2010).

Chapters 6 and 7 highlighted that in terms of its effect on the game in England the alternative model of supporter ownership not only potentially avoids these pitfalls, it also brings the club back to legal ownership as well as psychological ownership in the club’s community. Fans, in effect, have taken back the club from owners who pursue personal agendas and who may have no commitment or connection with the community (Wilkesmann & Blutner, 2000). Jacquiss (2000) states that by adopting the legal format of

a mutual (or IPS), fans operate their own clubs as businesses, setting the club's strategic objectives themselves rather than leaving these objectives to the type of absentee owners driven by a profit or a 'celebrity status' motive.

This research has highlighted that supporter ownership ensures that the club is owned by a body who are unequivocally focused on the value of the stadium as the club's home, rather than as a financial asset and who are much less likely to sacrifice the medium term future for short term glory. Supporter ownership is both transparent and democratic, involving hundreds or thousands of supporters, reducing the need for 'fit and proper persons' tests (Supporters Direct, 2011). Clubs are less likely to go into debt as those owned by Community Benefit Societies cannot go into administration, and Board officials are more likely to act as custodians than gamblers (Brown, 2008; Hamil, et al., 2010). This helps to reduce the need for top-down measures such as the football creditors rule and points deductions for insolvency (Michie, 1999; Holt, 2003).

This study suggests that supporter ownership would greatly benefit the game in the U.K. After years of failure to self-regulate, English football has now attracted the interest of politicians because of clubs' blatant failure to operate within a financially sustainable model (Vroom, 2007). The two areas English football could choose to adopt are the introduction of effective club licensing and a major shift from the culture of dependency on so-called benefactors to a model which has fan ownership embedded in it (refer to Chapter 8). The German '50+1' model offers an example of good practice from which they can learn (refer to 9.7).

9.3 Research Objective 3

- **To critically examine which governance structures are the most appropriate for mutual football clubs to operate effectively.**

The English football market finances appear to be in very good health and impervious to the current Euro-wide financial crises (Kennedy & Kennedy, 2012). Yet beneath the

apparent financial buoyancy a different story emerges, one of fan exploitation, spiralling debt and the threat of bankruptcy hanging over many clubs. From the earlier literature reviewed in Chapter 2, Neale (1964) argues that the ‘peculiar’ economics of sport has always raised governance questions. It has been widely accepted that the championship race being the joint product of the participating clubs, requires more than the degree of regulation typical for other industries (Noll, 2006). Over the course of the last few years, the football authorities have taken steps to improve standards of corporate governance at football clubs (FGRC, 2006). These have included introducing a ‘fit and proper persons’ test to clubs Directors (Holt, 2003; Michie & Oughton, 2003), improving the transparency of agent dealings through an annual report (Football League) and establishing sporting sanctions for clubs in administration. However, Lord Triesman (2010) recognises current regulation is not conducive to supporter owned clubs *‘broadly speaking we are organised around companies and company law and I think that is a reality of our circumstance’*.

For many years political commentators have hailed the German society for the responsible form of ‘social capitalism’ its businesses have pioneered (Hutton, 1995). Smith et al., (1996) state that while the need for a commercially successful economy was accepted, so too was the need for industry to consider its wider social responsibilities by participating in important social welfare programmes, a so called ‘middle way’ was established (The ‘Big’ Society pioneered by the coalition Government in 2010). The model has important lessons for those currently involved in the debate about English football’s future (Franck & Dietl, 2007). While the problems brought by increasing commercialisation cannot be ignored for much longer, simple calls for regulation and price capping powers are likely to fail on legal grounds and increase tension between different sections of the footballing community (Lammert et al., 2009). Moreover, in a time when the sphere of Government activity is increasingly being ‘hollowed out’ and the agenda shaped by the twin developments of globalisation and regionalisation, the call for a 150 year old industry to be regulated by a new centralised state body seems somewhat anachronistic (Rhodes, 1997).

As highlighted in Chapter 3, the Burns Review (2005) recommended the creation of a semi-autonomous 'Regulations and Compliance Unit' to govern the English game. Furthermore, the Football Governance Research Centre (FGRC, 2001-2006) have consistently called for tighter regulation, arguing that the F.A. has failed in its responsibility to ensure the highest individual and organisational standards in English football, especially in terms of financial probity and the regulation and ownership of clubs (Michie, 2000). Hamil et al., (2003) noted that a number of reports into the regulation of football have recommended that the F.A. introduce compliance mechanisms, in order to ensure financial stability and the integrity of the game (Smith, 1997; The Football Task Force, 1999b). Yet recommendations contained within these reports either have been implemented in a diluted form or simply ignored (FGRC, 2003). Michie (2000:184) states *'The Football Association has been the traditional regulator, so any suggestion that an independent regulator should be established represents a fairly explicit criticism of the F.A.'s failure to have done its regulatory job adequately to date.'* The growing consensus is that a possible solution to this problem is to by-pass the F.A. with a modern day regulator (Hudson, 2001). A claim which has been endorsed by key respondents interviewed for this research (refer to Chapters 6, 7 & 8). Furthermore, given that much of the validity of the regulationists' claims lies in the belief that the game has changed radically over the past ten years or so, there is a need for a proper historical examination of the links between commercial activity and professional football (Farquhar et al., 2005). Findings from this study has certainly provided much needed empirical evidence to this area of concern.

The select committee's recommendations from the 2011 Parliamentary Inquiry into football governance were in the main focused on radical reforms of the F.A. and the introduction of a licensing system. Whilst the committee acknowledged that financial regulations had been tightened in recent years they were still left unconvinced that these new rules adopted by the Premier League and the Football League are in themselves

sufficient enough to curb English football excesses. The committee state that '*often their rules appear to be in response to events rather than being proactive. It is right that clubs going into administration should be deducted penalty points, but it is important that the FA adopts more effective pre-emptive measures that anticipate rather than simply follow events*' (Culture, Media & Sport Committee, 2011:102). The recommendation of the adoption of a licensing system similar to that already in operation in Germany could review performance and urge clubs to promote a sustainable and long-term business plan (Supporters Direct, 2011).

This research concurs with these recommendations especially the proactive nature of the licensing system to pre-empt football clubs like Chester City FC's financial mismanagement going unnoticed until the 'final hour' (refer to section 7.1.5). Despite the good work conducted by the select committee and the substantial recommendations the researcher remains sceptical that the proposed radical changes to the football industry in England will come to fruition. This is the fourth such inquiry in the last ten years and like the other reports the proposed reforms have not been actioned (All Party Parliamentary, 2009). The coalition Government is facing on-going governance problems in the Banking industry, which some would argue are more urgent to address than the governance problems affecting the football industry (Williams & Hopkins, 2011).

Hamil (2007) claimed during a presentation in Iceland that Supporter Trusts are seen by many as '*an ambulance service to lower league clubs*', a statement this research has not been able to disprove. Most Trusts only get the opportunity to be involved in the running of their club when it has gone into administration or under the threat of liquidation. Chapter 6 highlighted that the Trust Boards at Exeter City FC and Brentford FC were faced with serious inherited financial irregularities and mismanagement. Key personnel at these two clubs have called for tighter regulation to be introduced to prevent football clubs being allowed to get into such financial 'dire straits' in the future. They believe if this was

introduced with tougher penalties and a governing body set up to audit the changes then mutuality in football could have a better chance of survival.

Beech, et al., (2008) claim that it is clear that insolvency has become almost a 'legitimate' tactic in a football club's business strategy. The moves by both the Premier League and the Football League to penalise clubs for going into administration or failing to negotiate a Creditor Voluntary Agreement (CVA) can be interpreted as a move to outlaw this tactic. They suggest that the high level of football clubs becoming insolvent might be an emergent tactic rather than an intended one. Beech, et al., (2008) argues that the identification of the sector-specific factors associated with becoming insolvent is a very worthwhile exercise, with obvious practical applications.

Michie (2004) argues that if regulationists' claim that state intervention is now needed and is to have any moral force, then they need to be based on much more than the belief that commercialism has appeared out of nowhere and destroyed a once noble and decent game. Rather than demonstrating that commercialism is at the core of football, for in reality it always has been, they need to show its effects have now started to become somewhat more pernicious than in the past (Hudson, 2001). Hope (2009) states that policy towards insolvency and playing sanctions is an area where regulatory policy would probably benefit if it were seen as being more legitimate in the eyes of the supporters. The difficult challenge for the game's authorities now is to design and implement new policies that lower debts whilst gradually withdrawing current policies within the industry. Syzmanski and Zimbalist (2005) feel that the sharing of revenue within and between leagues is of fundamental importance; a point that has been endorsed by the Club and Trust Board members interviewed for this research. Syzmanski and Zimbalist (2005) continue to recommend some form of salary cap for all leagues similar to that operated in US baseball.

The Football League advised clubs to introduce a 60% players' wage bill of their turnover but this is not a legal requirement with financial penalties if not adhered to (Emery &

Weed, 2006). Exeter opted to adhere to the 60% ratio when in League One, which in turn has ensured financial stability, whilst Brentford FC under the ownership of Bees United did not set out to achieve this ratio playing in the same League. The English mutual football clubs interviewed all felt that they are competing in an uneven playing field with no legal or financial incentives given for being a supporter-owned, community invested football club. This research has provided empirical evidence to the current debate that unless there is drastic change to the way football is regulated in the U.K. it will always remain a huge task for supporter owned clubs to succeed.

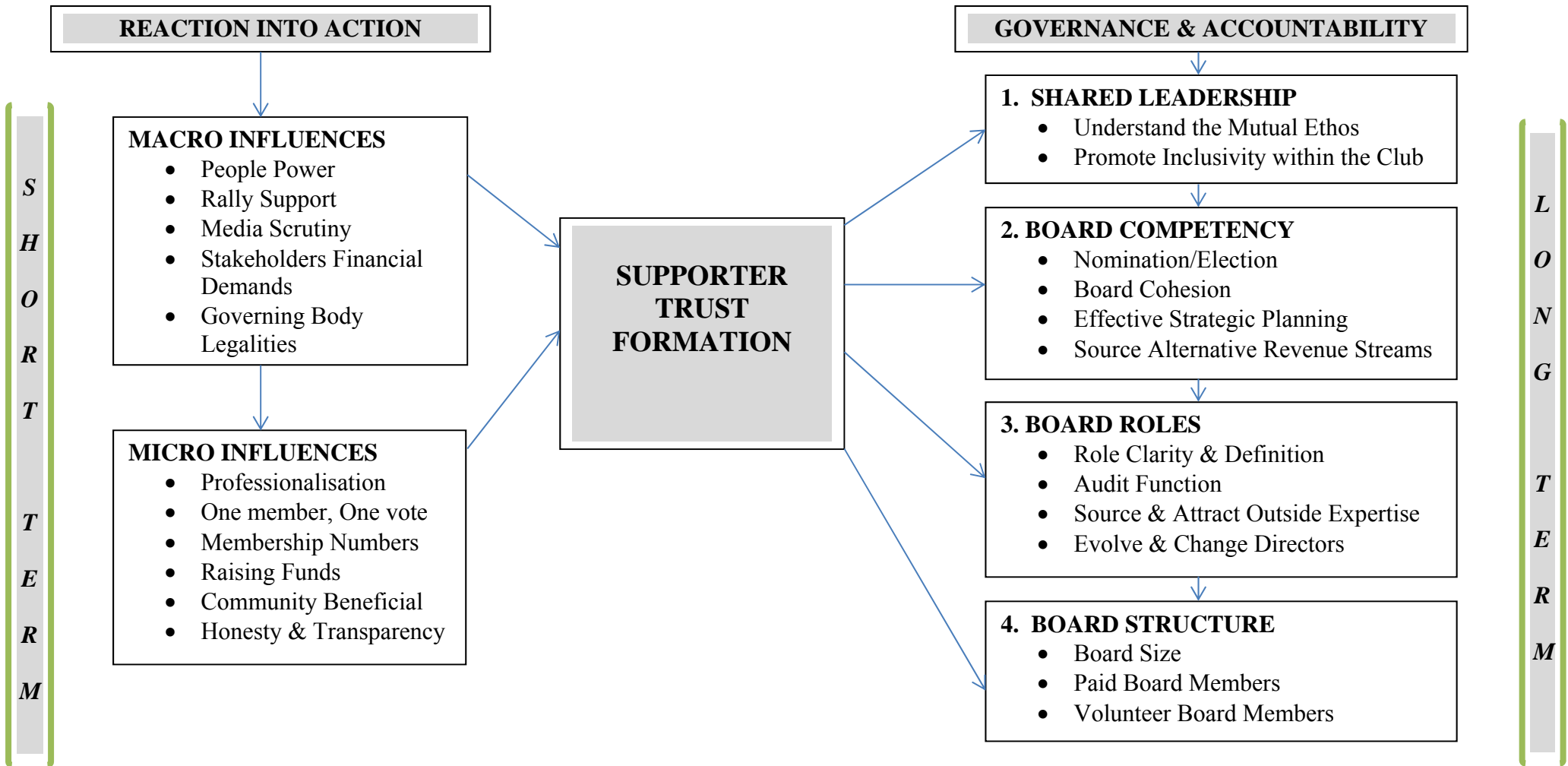
9.4 Research Objective 4

- **To develop a governance framework for supporter owned football clubs**

The next stage of the research's analysis involved the development and design of an analytical framework. Figure 9.1 illustrates the framework, which was developed in order for the clubs' findings to be consistently written within the identified themes. Furthermore, this newly formed framework could act as a blueprint for future Supporters' Trusts wanting to emulate the success of the clubs interviewed for this research. This framework arose from a distillation of Ferkins et al., (2005) theoretical model of sport nonprofit governance discussed in Chapter Three and the main tree nodes identified during the coding stage of the data analysis (refer to Figure 3.1).

Whilst Ferkins et al's., (2005) framework is the most closely matched with this research's respondent data it still falls short in capturing the full extent of how football clubs move to being supporter owned. In particular, the researcher has renamed the first tier from professionalisation and bureaucratisation to 'Reaction into Action' to illustrate the environmental influences Supporters' Trusts need to consider, in the short term, when instigating change management and ultimately the business model and ethos of the football club. Whilst the respondent data recognises that Supporters' Trusts need to take into

Figure 9.1 Governance Framework for Supporter Owned Football Clubs



account both the macro and micro influences as indicated in Ferkins et al., (2005) framework, the researcher has rewritten the points describing what the particular macro (refer to sections 5.1, 6.1, 6.8, 7.1 & 7.8) and micro influences (refer to sections 5.2, 6.2, 6.9, 7.2 & 7.9) are which affect supporter owned football clubs. The findings illustrated a clear pattern of macro and micro influences that affected the five Supporters' Trusts interviewed for this research. Managing and co-ordinating 'people power' to form a coherent and compatible business plan was a prominent feature of this research. Dealing with raw emotions from a diverse range of fans from differing backgrounds to achieve a common purpose was a difficult but necessary task. Once this coherency had been achieved, Supporters' Trusts needed to rally support from other relevant external stakeholders utilising differing forms of the media to achieve this unison.

The findings also highlighted that the clubs that were more successful than others were conforming to the core of the nonprofit constitution and applying the 'one member, one vote' principle. The clubs who showed evidence of this were also found to be more community beneficial and adopted a more honest and transparent approach. Because of this ethos, these clubs also benefited from increased membership and were able to raise valuable funds.

The second section of the framework presents the longer-term governance and accountability factors, which need to be put into place once the Trust becomes the majority shareholder of the football club. These factors have been split into four main areas of Shared Leadership, Board Motivation (renamed Board Competency), Board Roles and Board Structure. Again, the researcher has rewritten the points within these three sections, which are applicable and common practice from the respondents' data.

The first area entitled 'Shared Leadership' highlighted how successful the Supporters' Trusts were in implementing what they set out to achieve before they took ownership (refer to sections 5.3, 6.3, 6.10, 7.3 & 7.10). The ability of the Trusts in promoting inclusivity

within the club, primarily through democratic decision-making varied between clubs. This variance was found to be a key factor in whether Supporter Ownership succeeded or not within the clubs visited. Another theme prominent in the data analysis stage was the level of understanding of the Directors from the Trust and Club Board on the ethos of mutuality. The Supporters' Trusts discussed in this research endeavoured to change the management and/or operational structure of their football club. In order to do this all personnel involved in this change management process needed to fully embrace and understand the true purpose of a nonprofit football club.

The second area entitled 'Board Competency' proved to be vital for the short and long term success of Supporter Ownership due to the complexities of running a nonprofit football club governed by a strict constitution and operating in a challenging and financially strained internal environment (refer to sections 5.4, 6.4, 6.11, 7.4 & 7.11). Clubs that have failed in this venture have inherited personnel who have not embraced, felt comfortable or understood mutual ownership. In addition, the Board members motivations, reasons for joining, individual skill base and ability to work where two Boards operate has again been a key for success or failure. Within this section, the levels of understanding of the mutual ethos influenced the football clubs' ability to operate effectively. The lack of understanding found in some of the football clubs was due to inherited personnel who had no desire to embrace the ethos and were very sceptical of the business model working. As Chapter's 5, 6 and 7 highlighted the majority of the original steering committees involved before the Trust took full control recognised that Directors who volunteered for nomination needed to demonstrate their desire and passion for what the Supporters' Trusts believed in. The football clubs who were able to overcome these problems and achieve a common goal within their Board(s) were more successful than the clubs who failed in this venture.

The third area focused on 'Board Roles' which was also indicated as an important function

from the respondent's interviews (refer to sections 5.5, 6.5, 6.12, 7.5 & 7.12). Once Directors had been elected and the mission statement and strategic direction was set it was very important to define the roles between the two Boards. Again, the football clubs who organised their tasks effectively were able to engage and receive benefits from their external stakeholders and also decrease the level of internal politics within the business. This achievement of role clarity was more evident in the clubs who were able to source and attract relevant outside expertise. The clubs that were able to recruit experienced and appropriate business people demonstrated a more streamlined and organised internal operational system than the clubs who did not succeed in this area.

Finally, the fourth area of 'Board Structure' indicated that the larger the size of the Board the more successful the club was (refer to sections 5.6, 6.6, 6.13, 7.6 & 7.13). HSV had the most superior and effective organisational structure in place. One Board seemed to be the preferred option by Chester FC and FCUM clubs but with an odd number of Directors to ensure a positive vote. The other two English football clubs (Brentford FC & Exeter City FC) had differing structures but both relied heavily on volunteers within the football club and on the Trust Board. The ability of the football club to work effectively with both paid and voluntary Board members was another key theme from the interview transcripts to succeed in a nonprofit football club. To conclude, there was evidence to show that more responsibility appeared to be taken if Board members were paid.

9.5 Research Reflexivity

Before discussing any limitations of the research design I want to discuss briefly the importance of reflexivity in designing a rigorous qualitative research study of this type. My aim in doing so is particularly to emphasise how it helps generate a systematic disciplined approach to conducting the study. As Brackenridge (1999:399) notes '*reflexivity is becoming an increasingly important research skill.*' Defined simply, reflexivity is a process whereby the effect of the researcher and their own characteristics,

background, values, attitudes and so on, upon the subject matter is taken account of. As Brackenridge (1999) notes, an assessment of the position of the researcher and the power relations between the researcher and participants is important towards an evaluation of the 'truth' of any findings.

When collecting data, researchers need to think of their roles and the way they affect the research process. Qualitative research attempts to capture subjective understandings of the external world from the perspective of participants and abandons the task of representing an 'objective' unchanging external reality (Easterby-Smith, et al., 2008). Rather, qualitative research aims to develop knowledge on how participants' understandings are created through patterns of social interaction. In this way communication is seen as a 'formative' process in which individuals and worldviews are created through interaction with the social world around them. In relation to this, qualitative researchers suggest that meanings are continuously negotiated and renegotiated. However, failing to take into account of the place of the researcher in the construction of these understandings enabled researchers to remove themselves from the processes that are occurring and allows them to make pronouncements on the role of others. This unfortunately brings a static understanding to meanings that are inherently fluid in nature (Alvesson & Skoldberg, 2000).

For this reason, the notion of reflexivity has become central to any discussion of the collection and representation of qualitative data. While reflexivity may be seen to involve the questioning of *'the threads of philosophical and methodological certainty implicit in the goal of mainstream social science to provide an absolute view of the world'* (Cunliffe, 2003:984), it is difficult to find a commonly agreed definition of reflexivity. In effect, a range of diverse definitions from all corners of the social sciences have been put forward. However, what they all share is a deep underlying scepticism for the truth claims forwarded in any form of social science research. One definition commonly used which

may be helpful in attempting to understand what is meant by reflexivity is that outlined by Alvesson and Skoldberg (2000:5) who define reflexivity as continuous awareness and attention to the *'way different kinds of linguistic, social, political and theoretical elements are woven together in the process of knowledge, development, during which empirical material is constructed, interpreted and written.'*

The aim of this study was to critically analyse governance structures within supporter owned football clubs. To achieve this the researcher focused on five football clubs adopting varying mutual business models with differing fortunes to provide an original qualitative critique within the academic field. This research was not to gather facts and measure how often patterns occur, but to appreciate the different constructions and meanings that people place upon their experiences. The researcher incorporated Silverman's (2009) calls to avoid anecdotalism, by adopting a more objectivist position (without compromising her subjective and interpretivist standpoint) and adopted safeguards to prevent her from 'cherry picking' data to support particular views. This was achieved by seeking 'refutability' and engaging in constant comparison by checking the data carefully. Whilst some might see this as inconsistent with a social constructionist stance, Easterby-Smith et al., (2008:106) convincingly argue that, as with Popper's (1959) falsification in positivist paradigms, *'disconformatory data, when operating within a social constructionist paradigm, offers evidence that is more conclusive, efficient and informative than that provided by a search for confirmatory evidence'*.

The researcher believes that by engaging in this enhanced critical reflection during data collection has helped retain high levels of integrity and validity with regards to the participants' experiences, perceptions and their interpretations of these. Furthermore the researcher remained critically engaged at all times, employing what Alvesson and Deetz (2000) term 'critical sensitivity' and Reason (1988) refers to as 'critical subjectivity'.

This approach, which is not too dissimilar to Silverman's (2009) 'refutability', involves maintaining at all times a behaviourally reflexive stance (Harding, 1987). The researcher was mindful to carefully monitor her involvement, role, potential influence on the participants, and interpretations of the data generated (Alvesson & Skoldberg, 2000; Watson, 1994). The researcher ensured she constantly kept her influence and behaviour within 'appropriate parameters' (Saunders et al., 2003). This helped the researcher identify potential paradoxes, ironies and uncertainties in the participants' explanations and interpretations (Marcus & Fischer, 1986). Moreover, by surfacing differing perceptions the researcher was able to balance her own explicit, implicit views and theories against those that the participants offered, whilst remaining open to additional alternative meanings and interpretations (Bloom & Monro, 1995).

The learning gained from understanding my own philosophy of knowledge has proven invaluable in increasing this researchers understanding of the potential ramifications of the chosen epistemology, facilitating my adoption of an increased behavioural, methodological and epistemological reflexivity (Harding, 1987; Johnson & Durberley, 2000). This reflexivity helped the researcher to mitigate perceived weaknesses of the chosen research design, which are sometimes identified and argued by researchers with a different paradigmatic view, thus, making the research design more robust.

9.6 Limitations

This section presents four main limitations with regard to the respondent sample, research instrument, data collection and research analysis. The first is based on the sample used for this study, which includes mutually structured football clubs that differ in their organisational context. The sample included football clubs, which differed in turnover, organisational and fan base sizes, competed in different leagues and in one case a different country. As stated in Chapter 4, this sample was purposively selected on the basis of the resulting clubs fortunes operating as a mutual. The researcher wanted to provide an

original and thorough critique to the academic field. Thus, this research identified clubs who were successfully operating as a mutual (HSV & Exeter FC), a club who had struggled to continue as a mutual and had adopted a hybrid business model (Brentford FC) and clubs who were newly formed and had started their ownership legacy free (FCUM & Chester FC).

Nevertheless, it is important to note that the researcher felt that 'data saturation' point was reached from the five case studies visited. Data saturation was prevalent in the English clubs where it was found that key respondents were stating similar issues. Data saturation was also found following the data analysis of interview transcripts and document artefacts from HSV. The only difference in data obtained from HSV to the English clubs visited was the issue of regulation and governance from the governing body of German football. Despite reaching data saturation the researcher recognises that further research is needed to build on this study due to the lack of qualitative studies in the research field .

A second limitation was the decision to only visit one German football club for this study. The basis of visiting HSV was that the German club had been regarded by the four English clubs visited as the purest form of Supporter Ownership in the Bundesliga. Furthermore, the four English football clubs all contacted HSV to seek advice and guidance at the beginning of their own Supporters' Trust and club ownership ventures. The added value to choosing a German supporter owned football club over an equivalent European counterpart (i.e., Real Madrid or Barcelona) is the regulatory policies and procedures currently in operation in competitive German football. The HSV case study was chosen purposively and acted as an exemplar case to cross-examine findings obtained from the English football clubs to form sound conclusions for this study. However, further studies into the differing ownership structures present in German football identified in Chapter 3 need to be researched to further enhance our understanding of this League's governance capability. Such studies will greatly benefit both academics and practitioners in this area.

The third limitation was the use of a sample of Club and Trust Directors rather than interviewing the entire board. The selected respondents may not be representative of the views of the Board in its entirety. It is hoped that this limitation was mitigated through the inclusion of the CEO or Chairman from the Club Board and one from the Trust Board, due to the influence the CEO and Chairman has on board culture, values and operations. The researcher proactively approached and interviewed personnel from both Boards where possible to collect differing viewpoints in order to achieve unbiased conclusions. However, clearly the potential for sample bias exists.

The fourth and final limitation is that no single approach can be deemed sufficient for the development of solid theory within the conclusions. As such, it needs to be recognised that the framework developed from this study is still very much in its infancy and needs further studies and results cross-referenced to increase the model's credibility. Chapters 5, 6 and 7 clearly describe distinct and unique reasons why the Supporters' Trusts became involved in their particular club. Despite these clear distinctions between each case, the development of this framework was underpinned by the common themes identified via the data analysis stage of this research. Evidently, as research grows in this area, there may well be further themes not yet identified from this research, that will enhance this framework's capability for impact in the commercial arena.

9.7 Recommended Future Research

The study identified a range of governance attributes applicable for mutually owned football clubs. The data was rich and provided scope for significant further study. Its strength was the detailed and unique insights into a purposively selected sample of supporter owned football clubs, in order to evaluate if mutuality improved the long-term sustainability of the business. Four main areas would benefit from further research.

1. Further Qualitative Studies

An important area for future research would be to provide further qualitative studies to the academic field pertaining to mutuality within football. In particular more studies are needed in similar sized clubs to HSV in Europe adopting the mutual model to provide further evidence to the current debate that supporter owned football clubs can only compete in the lower Leagues. To further enhance our understanding of German football and their structures, additional qualitative studies focusing on VfB Stuttgart and Schalke 04, who are the only other two clubs who operate with the same structure as HSV, would be beneficial to the academic field. In addition, an empirical insight into FC Bayern Munich (the only German club to be listed on the Stock Exchange) could provide much needed answers as to how this club has secured private investment whilst retaining the ethos of supporter ownership within their club. Further investigation is also needed to look at the KG structure, which is in operation in the Bundesliga. Borussia Dortmund and Werder Bremen are two examples of clubs who operate under a hybrid company form. Findings from such a study would only build on the theory from this study that the hybrid business model could be the most effectual structure. Finally, research is also needed on clubs such as Real Madrid FC and Barcelona FC (Hamil et al., 2010) to understand how these clubs source alternative revenue streams whilst operating as a mutual.

Furthermore, research focusing on Supporters' Trusts in the U.K. gaining representation or control of larger or more famous football clubs higher than League One would be extremely beneficial. Recommended research could focus on differing forms of Supporter Trust involvement such as Board representation (Arsenal and Swansea FC are two Premier League examples) or gaining a 'golden share' of the stadium to protect the club from 'asset strippers'. In May 2013, Oxford United fans won their bid to protect the club's Kassam Stadium after it became the first to be listed as a "community asset" in England. The Spirit of Shankly (Liverpool FC) and the Manchester United Supporters Trust (MUST) are

initiating campaigns for their home grounds, namely Anfield and Old Trafford, to become 'assets of community value' (Williams, 2012). These are all alternative examples of how Supporters' Trusts can ensure the long-term sustainable health of their club.

2. Favourable Regulatory Policies

The area of regulation cannot be ignored with all of the English clubs from this research acknowledging that they are competing in an uneven playing field, which affects progression higher up the Leagues. How can the governing bodies make mutuality in football a reality? The Parliamentary Inquiry into Football Governance announced in January 2013 that English football '*must become more prudent by introducing reforms within a year or face Government intervention*' (Conn, 2012). In the same month the Premier League issued a warning on the perils of over-spending, signalling what could be an end to the era of extravagance (Chowdhury, 2013). Can English football learn from other countries, such as Germany who have in place favourable regulatory policies towards the mutual business model? Can these policies be replicated in English football?

Argentinian professional football clubs operate as nonprofit businesses and have regulatory and governance frameworks within their competitive leagues to support this model. Future research, which investigates the structure in operation in Argentina and cross-referenced to the Bundesliga and similar structured European clubs could be prove to be of seminal importance. Another area could be to investigate the policy in place in the Australian Football League for salary capping.

With UEFA imposing 'Financial Fairplay' regulations from 2013 and the 2011 U.K. Parliamentary Inquiry which focused on corporate governance issues within British football, further research on this important and under researched area can only contribute to this important debate. What has become evident is that German Football Clubs with their current regulatory structure are the most ideally placed league to cope with the foreseeable external environmental pressures the UEFA 'Financial Fairplay' regulations

will impose to the European football industry over the next few years. There is growing opinion and related pressure on relevant governing bodies (i.e. the F.A.) associated with the football industry in the U.K. for the need to devise, implement and evaluate plans and proposals, which replicate the systems already in place in the Bundesliga, in particular the licensing system. Supporters Direct believe that regulatory reform to date has been marginal due to *'dealing with the symptoms of deep seated problems in English football, rather than tackling their cause: the unsustainable financial state of many clubs and the failure to align the interests of clubs and their supporters and other shareholders'* (Supporters Direct, 2011:4). It remains to be seen how the private member bill due to be presented before Parliament during the early part of 2014 will have any effect on Football Governance in the UK (Parliament, 2013).

3. Critical Approach to Research

The researcher hopes that future research into the phenomenon of supporter ownership continues to be critical in its approach. Both in the academic and commercial arena there still remains a distinct divide in opinion of whether mutuality can work in football. What became apparent to the researcher during this study is that advocates on both sides of the debate agree that unless there is change to regulation and governance in English football, the complete ownership of a club by its supporters will always remain in the lower leagues of competitive football in England. General opinion leans towards similar systems in place in Germany, however, the researcher is left unconvinced that this can ever be implemented in its entirety in the English game. Further research could build on the three groupings identified for this study to gain a deeper understanding of mutuality within football. In particular, more studies are needed on clubs who have changed ownership from private to supporter ownership but have then failed in this venture and ceded ownership back to private investors. Examples of these types of clubs could be Lincoln City FC, Notts.

County FC, Stockport County FC, Chesterfield FC and York City FC. Lessons learnt from such studies will build on this study and framework.

4. Enhancement of the Framework

Further testing of the framework from this research is required by future researchers entering the field of supporter ownership and alternative business models within competitive football. As mentioned in the previous limitation, further enhancement can be achieved via further empirical research on supporter owned football clubs with differing fortunes. In addition, further research into other ‘Phoenix’ clubs is needed to support the notion from this study that these clubs have a better chance of succeeding. Example clubs for consideration in England, could be AFC Wimbledon (competing in League 2) and AFC Telford. Particular attention needs to be focused on the internal governance structure of the Board and whether these types of clubs can or want to continue to operate with one large main Board once the club rises into higher levels of league competition.

Moreover, the researcher feels that the academic field could benefit from research focusing on other supporter owned sporting clubs outside of the football context. Examples of such could be mutually owned rugby clubs (for example, Rochdale Hornets) or the American Football team, Green Bay Packers, who are the only supporter owned club within the football League in America.

9.8 Resulting Contribution to Knowledge

- **Contribution 1 – Substantial insight into the organisation of mutual structures within football**

Chapters 5, 6 and 7 represented what Weber referred to as ‘ideal types’ by purposively selecting case studies by type, which brought to the surface issues and tensions that added to our understanding of mutual organisations in a specific temporal context (Weber, 1949). This has not only contributed to understanding the specific cases in context but has also

enabled us to see the broader implications of mutuality for nonprofit football clubs. By utilising a purposive sampling technique guided by three main ‘types’ this thesis has presented, analysed and evaluated differing forms of mutuality present in a small number of football clubs. Consequently, this study has provided invaluable insights for future Supporters’ Trusts wanting to gain a deeper involvement with their club. This has been achieved by providing an unbiased, critical and unique study, which covers a broad range of events and issues prevalent in the football industry. Furthermore, this thesis has provided evidence into the ‘purest’ form of mutual organisation in ‘top flight’ German football, which may act as an exemplar for U.K. based football clubs seeking a different form of organisation. Moreover, the literature review chapters (2 & 3) and subsequent case study chapter of HSV (Chapter 5) has provided solid facts and evidence on German football to the academic field. It has also provided very few studies written in English on the structure and ownership of the ‘Bundesliga’ which is readily available in the public domain.

- **Contribution 2 – Developed new knowledge within the academic field**

This qualitative approach has proved to be fruitful in providing an original insight for developing new knowledge within the academic field. The researcher concludes this study with the claim that the hybrid business model of mutuality could prove to be the most effectual structure for supporter owned football clubs to adopt. This claim does not support the majority of literature, which is in favour of supporter ownership in its entirety (Blair, 1995; Brown, 2008; De Ruyter & Wetzels, 2000; Hamil et al., 2001; Michie, 1999, 2000; Puyvelde et al., 2011). As discussed in Chapter 8, this research suggests that a concerted focus on the study of hybrid mutual business models could lead to a better understanding of the nature of these types of football organisations operating under the current regulatory framework in existence in the U.K. There is a need for future

researchers to build on this platform of research in order to gain further understanding into the different forms mutuality can take and add to this topical and current debate.

- **Contribution 3 – Substantial Methodological Contribution**

A substantial methodological contribution of this thesis was the production of an extensive qualitative case study critique on a selection of mutually owned football clubs with differing structures and success. The literature review Chapters, 2 and 3, indicated that proponents of the Trust model have undertaken a significant proportion of the existing research almost entirely in the form of descriptive surveys. As Martin (2007) observes there is a paucity of research that takes a more critical and discerning examination of the mutual business model in football as seen from the football club's stakeholders frame of reference. For example, Birkbeck University's 'The State of the Game' surveys produced extensive quantitative research in the form of descriptive statistics with longitudinal data spanning over six years (2001-2006). The majority of literature from other scholars and academic institutions has been based on theoretical concepts rarely supported by extensive qualitative research.

- **Contribution 4 – Development of a Governance Framework for Supporter Owned Football Clubs**

The research objectives set out at the beginning of this thesis have all been achieved. The aim was to focus on identifying common themes that emerged concerning the ownership and governance of supporter owned clubs and illustrate examples of good football club governance. As a result, the researcher was able to create a new Governance framework relating to supporter owned football clubs operating as a mutual. This framework provides future researchers with important theory to utilise when researching other mutually owned football clubs. This original contribution has mapped out the terrain to provide a better understanding of the field for future researchers to follow their own interests and studies. The framework devised by the Researcher could act as a much needed 'Blueprint' for

members of Supporters' Trusts to ensure a successful and long term ownership strategy. Arguably, this framework could also be tested for its applicability to other mutual organisations outside the football industry. Consequently, this research has been able to synthesise a number of disparate arguments located in several different discipline domains into one place, supported by new qualitative evidence gained from this study.

To conclude, this thesis is significant and highly relevant. The research has been conducted in a way that allowed an emergent approach to epistemology. It has afforded the researcher the opportunity to produce knowledge that is both practically useful and academically rigorous, and it represents an important contribution to the nonprofit governance literature as well as gaining a deeper understanding of sports governance themes in a football context.

APPENDICES

Appendix 1 – List of Supporters’ Trusts in the UK

Football Club	Supporters Trust
Aberdeen	Dons Trust
AFC Bournemouth	AFC Bournemouth Supporters Trust
AFC Rushden and Diamonds	AFC Rushden and Diamonds
AFC Telford United	Telford United Supporters' Trust
AFC Wimbledon	The Dons Trust
Airdrie United	Airdrie United Supporters' Trust
Albion Rovers	Albion Rovers Supporters' Trust
Aldershot	Shots Trust
Arsenal	Arsenal Supporters' Trust
Aston Villa	Aston Villa Supporters' Trust
Aylesbury United	Aylesbury United Supporters Trust (21CD) Ltd
Ayr United	The Honest Men Trust
Barnet	Bees Trust
Barnsley	Barnsley Supporters Trust
Bath City	Bath City Supporters Society
Bedford Town	Bedford Eagles Supporters Trust
Berwick Rangers	Berwick Rangers Supporters' Society Ltd
Birmingham City	Blues Trust
Bishop Auckland	Bishop Auckland FC Independent Supporters' Society Ltd
Blackburn Rovers FC	BRSIT
Boston United	Boston United Supporters' Trust
Bradford Bulls	Bullbuilder
Bradford City	Bradford City Supporters' Trust
Bramley Buffaloes	Bramley Buffaloes
Brentford	Bees United
Bristol City	Bristol City Supporters' Trust
Bristol Rovers	Gas Independent Fans Trust (Bristol Rovers)
Bristol Rugby	BRISTrust
Bromsgrove Rovers	BSSSL
Burnley	Clarets Trust
Bury	Forever Bury
Cambridge City	Cambridge City Supporters Trust
Cambridge United	Cambridge Fans United
Cardiff City	Cardiff City Supporters Trust
Carlisle United	The United Trust
Celtic	Celtic Trust
Cheltenham Town	Robins Trust
Chesham United	Chesham United Supporters' Trust
Chester FC	Chester FC
Chesterfield	Chesterfield Football Supporters Society
Chorley	Magpies Trust
Club	Trust Name
Clyde	Clyde Supporters' Trust
Clydebank	UCS Football Trust
Congleton Town	Congleton Town FC Supporters' Trust

Corby Town	Corby Town
Coventry City	Sky Blues Trust
Cowdenbeath	The Cowden Trust
Crawley Town	The Crawley Town Supporters Alliance
Crusaders Football, Athletic & Sports Club	Crusaders Football, Athletic & Sports Club
Crystal Palace	Crystal Palace Supporters' Trust
Darlington	Darlington Supporters' Trust
Derby County	Rams Trust
Doncaster RLFC	Doncaster RLFC Supporters Trust
Doncaster Rovers	Viking Supporters Co-operative
Dorchester Town	Magpies Trust
Dover Athletic	Dover Athletic Supporters' Trust
Dulwich Hamlet	Dulwich Hamlet Supporters' Trust
Dumbarton	Sons Supporters' Trust
Dundee	Dundee FC Supporters' Society Ltd
Dundee United	Arab Trust
Dunfermline Athletic	Pars Supporters' Trust
East Fife	East Fife Supporters' Trust
East Stirlingshire	Shire Trust
Ebbsfleet United	Fleet Trust
Elgin City	Elgin City Supporters Trust
Enfield Town	Enfield Town FC Supporters' Society Ltd
Exeter City	Exeter City Supporters' Trust
Falkirk	Bairns Trust
Farnborough	Farnborough Supporters' Trust – FaST
FC Halifax	Halifax Town Supporters' Trust
FC United of Manchester	FC United of Manchester
Fisher FC	Fisher FC
Forest Green Rovers	FGR Supporters Trust
Fulham	Fulham Supporters' Trust
Gateshead Thunder RLFC	Thunder Storm
Gillingham	Gillingham Supporters' Trust
Glentoran	Rest in East
Gloucester City	Gloucester City Supporters' Trust
Grays Athletic	GAFC1890 Trust
Greenock Morton	Greenock Morton Supporters' Trust
Gretna	Gretna Supporters' Trust
Grimsby Town	Mariners Trust
Halesowen	The Yeltz Trust
Halifax RLFC	Fax Trust
Hamilton Academicals	Accies Supporters Association
Hampton and Richmond Borough	Beavers Trust
Hearts	Heart of Midlothian Supporters' Trust
Hemel Stags	
Hendon	Hendon Football Club Supporters' Trust
Hibernian	ERIN Trust
Histon	HIST

Hornets Rugby League	Rochdale Hornets Supporters Trust
Huddersfield Town	Huddersfield Town Supporters' Association
Hull City	Tigers Co-operative Limited
Hunslet Hawks	Hunslet Independent Supporters Trust
Inverness Caledonian Thistle	Inverness Caledonian Thistle Supporters' Trust
Inverness Clachnacuddin	Clach Supporters Society Ltd
Ipswich Town	Ipswich Town 1 st
Kettering Town	Kettering Town (Poppies) Supporters' Trust
Kidderminster Harriers	Kidderminster Harriers Independent Supporters Society
Kilmarnock	The Killie Trust
Kings Lynn	Blue and Gold Supporters Trust
Kingstonian	The Ks Trust
Leamington FC	Brakes Trust
Leeds United	Leeds United Supporters' Trust
Leicester City	Foxes Trust
Lewes FC	Lewes FC
Leyton Orient	Leyton Orient Fans Trust
Lincoln City	Lincoln City Supporters' Trust
Liverpool	Spirit of Shankly
Livingston	LiviforLife
Llanelli Scarlets	Crys16
Luton Town	Trust in Luton
Macclesfield Town	Silkmen Trust
Manchester United	Manchester United Supporters' Trust
Mancunians RL	Mancunians RL Limited
Mansfield Town	Stags Fans United
Merthyr Town FC	Merthyr Town FC
Millwall	The Lions Trust
Motherwell	Motherwell FC Supporters Society Ltd
Newark Town Football Club	Newark Town Football Club
Newcastle United	Newcastle United Supporters Trust
Newport (IOW)	Newport (IW) Football Supporters Society Ltd
Newport County	Amber Army
Newport RUFC	Friends of Newport Rugby
Northampton Town	Northampton Town Supporters' Trust
Northwich Victoria	The Northwich Victoria Supporters' Trust
Norwich City	Norwich City Supporters' Trust
Notts County	Notts County Supporters' Trust
Nuneaton Town	Nuneaton Town Supporters' Co-operative
Oldham Athletic	Trust Oldham
Oldham Roughyeds	Rugby Oldham
Oxford United	Ox Vox
Partick Thistle	The Jags Trust
Peterborough United	The Posh Supporters' Trust
Plymouth Argyle - New Trust	Argyle Trust
Portsmouth	Pompey Supporters Trust
Prescot Cables	Prescot Cables Football Club CIC
Queen of the South	Queens Trust

Queens Park Rangers	QPR 1 st
Raith Rovers	Raith Trust
Rangers	Rangers Supporters' Trust
Reading	STAR (Reading)
Rochdale AFC	Rochdale Supporters' Trust
Rotherham United	Rotherham United Supporters' Trust
Runcorn	Runcorn Supporters Society Ltd
Salford City Reds	Forever Reds Ltd
Scarborough	Scarborough Athletic FC
Scunthorpe United	Scunthorpe United
Seaton Rangers ARLFC	Seaton Rangers ARLFC Limited
Sheffield Wednesday	Wednesdayite
Shrewsbury	ShrewsTrust
Slough Town	Slough Town Supporters' Trust
Southampton	Saints Trust
Southend United	Shrimpers Trust
Southport	Trust in Yellow
St Albans City	Saints City Supporters Trust
St Mirren	1877 Society Ltd
Stafford Rangers	STRIPES
Stenhousemuir	Warriors Trust
Stirling Albion	Stirling Albion Supporters' Trust
Stockport County	Stockport County Supporters' Co-operative
Sutton United	Sutton United Supporters' Trust
Swansea City	Swansea City Supporters' Trust
Swindon Town	Trust STFC
Swinton Lions RLFC	Swinton Lions Supporters' Trust
Telford Tigers	Telford Tigers Supporters Trust
Torquay United	Torquay United Supporters' Trust
Tottenham Hotspur	Tottenham Hotspur Supporters' Trust
Tranmere Rovers	Tranmere and Wirral Football Supporters' Trust
Wakefield Wildcats	Wakefield Wildcats
Walsall	Walsall Supporters' Trust
Warrington Wolves	Warrington Wolves Supporters' Trust
Watford	Watford Supporters' Trust
Weymouth	The Terras Trust
Whitehaven RLFC	Trust in Haven
Widnes Vikings RLFC	Trust in Widnes
Worcester City	Worcester City Supporters' Trust
Worksop Town	1861 Tigers Trust
Wrexham	Wrexham Supporters' Trust
Wycombe Wanderers	Wycombe Wanderers Trust Limited
York City	York City Supporters' Trust

Appendix 2 – List of Interviews

(in chronological order, all interviews undertaken from May 2009 to July 2011)

Kevin Jacquiss, Lawyer, Cobbetts Solicitors, Personal Interview, Monday 6th July 2009

Dr. Rory Miller, Football Group, Liverpool University, Telephone Interview, Thursday 9th July 2009

Dr. Adam Brown, Board Member of FC United of Manchester and Directors of Substance, Personal Interview, Tuesday 28th July 2009

Sean Hamil, Birkbeck Sports Centre, Birkbeck University, Telephone Interview, Thursday 20th August 2009

Professor Tom Cannon, Football Group, Liverpool University, Personal Interview, Friday 26th August 2009

Dave Boyle, Chief Executive, Supporters Direct, Personal Interview, Tuesday 8th September 2009

Matthew Holt, Amateur Boxing Association, Sheffield, Telephone Interview, Wednesday 9th September 2009

Phil Sheeran, Board Directors, FC United of Manchester, Personal Interview, Thursday 24th September 2009

Dr. Roger Levermore, Football Group, Liverpool University, Telephone Interview, Thursday 15th October 2010

Tom Hall, Operations Directors, Supporters Direct, Personal Interview, Friday 16th October 2009

Mary Rayner, Policy & Research Officer, Co-operatives UK Ltd, Personal Interview, Wednesday 13th January 2010

Julian Tagg, Vice Chairman of the Club Board, Exeter City Football Club, Personal Interview, Tuesday 16th February 2010

Dr. David Treharne, Chairman of the Trust Board, Exeter City Football Club, Personal Interview, Tuesday 16th February 2010

Francis Farley, Operations Directors, Exeter City Football Club, Personal Interview, Tuesday 16th February 2010

Justin Quick, Financial Controller, Exeter City Football Club, Telephone Interview, Wednesday 3rd March 2010

Tony Sidwell, Trustee, Exeter City Football Club, Telephone Interview, Wednesday 3rd March 2010

Andy Walsh, General Manager, FC United of Manchester, Personal Interview, Wednesday 12th January 2011

Donald Kerr, Bees United Supporters Trust Chief Executive, Brentford Football Club, Personal Interview, Thursday 27th January 2011

Brian Burgess, ex-Club Deputy Chairman, Brentford Football Club, Thursday 27th January 2011

Julian Tagg, Chief Executive of the Club Board, Exeter City Football Club, Personal Interview, Wednesday 27th April 2011

Dr. David Treharne, ex-Chairman of the Trust Board, Exeter City Football Club, Personal Interview, Wednesday 27th April 2011

Chris Pilsbury, Chairman of Chester FC & Chairman of City Fans United (CFU), 3rd May 2011

Jens Wegner, ex-Board Director, HSV Football Club, Thursday 9th June 2011

Andreas Birnmeyer, Managing Director of the HSV Supporters Club, HSV Football Club, Thursday 9th June 2011

Appendix 3 – Semi Structured Interview Questions

Supporters' Trusts & Alternative Business Models 2010

Conceptual Frameworks:-

Finance, Ownership, Governance, Expectations, Structure, Planning

Section One:-

Ownership:-

1. Why did you feel the cooperative business model is the most appropriate for your Football Club?
2. Explain the circumstances on why and how the fans became involved in the running of the football club.
3. What implications does the cooperative business model have for the organisation and management of your football club?
4. How much influence does the supporters Trust have over the way the football club is governed?
5. Does your football club own the ground it plays on? If not who does and why?
6. What have been the problems you have encountered since taking control of the club? (i.e. managing the club, financial management, sporting performance?)
7. Do you feel external stakeholders, in particular, the local council appreciate a more community beneficial, cooperatively owned football club? If so, give examples.
8. Have you any comments on why some Trusts have ceded their ownership back to wealthy businessmen? i.e. Notts County

Section Two:-

Structure

1. What internal changes did you have to make when the Trust took control? (i.e. Organisational structure, cost reduction, human resources?)
2. Can you explain in more detail the one member one vote scheme and how it works?
3. Did you or the members of the Board know about the cooperative business model or did you need educating/training?
4. Describe the Board and what each member is responsible for?
5. Have all the current Board members been elected since the Trust took over or are there members on there from previous ownerships?
6. Do you feel you receive additional benefits from external stakeholders due to your cooperative business model?
7. Are there any external changes/support you feel is needed to assist the cooperative model within a football club?
8. Is there any best practice examples of Trust owned clubs that may have relevance to your football club? (either in the UK or Europe)

Planning

1. What has been your short to long term business plan since taking over the club?
2. If your club was to be promoted to a higher league do you think your current business model would compete against privately owned clubs?
3. What has not gone well that you have learned from?
4. What has gone well that you continue to improve upon?

Finance:-

1. What is your main source of finance into the football club?
2. Did you inherit debt from the previous owners? If so, how much?
3. How do you finance this debt as a cooperative?
4. Do you have to seek alternative revenue streams as a cooperative?
5. Do you struggle to compete financially against privately owned clubs in the same league?
6. Do you have to make cutbacks on players salary's or can you pay the same as privately owned football clubs?
7. Do you operate a salary capping scheme within your club?
8. What improvements both in terms of finance and sporting performance have you seen since the fans took control of the club?
9. Has your club received any financial support from footballs' governing bodies?
10. Does mutuality improve football clubs economic prospects?

Section Three:-**Governance:-**

1. Do you feel your current cooperative business model is sustainable?
2. What do you think Government would have to do to help Supporters' Trusts gain control of their football clubs before they go into administration?
3. Is the Football League helpful to Supporters' Trusts?
4. Do you come across problems with the football league's rule that all football clubs must be privately owned?

Expectations:-

1. What education was needed to engage the fans into the new business model?
2. Have you experienced any negativity on the cooperative business model either internally or externally? If so, why have they not bought into the concept?
3. Do you have problems attracting players to your club because it is fan owned? If so, why do you think this is?
4. In your opinion do you think the cooperative business model works in the today's world of football?
5. What do you think is the next step for Supporters Direct?
6. Do you think the Trust model is simply an ambulance service for poorly managed lower league clubs?
7. Reflecting back on the Trusts ownership of the football club – is there anything you would have done differently?

Appendix 4 – Free Nodes

Type	Name	Sources	References	Created On	Created By
Free Node	accountability	2	29	26/07/2011 08:02	SJW
Free Node	administration	9	27	28/06/2011 14:18	SJW
Free Node	alternative revenue streams	10	71	04/07/2011 10:53	SJW
Free Node	assertive managment style	10	23	28/06/2011 13:03	SJW
Free Node	asset lock the club	2	3	12/07/2011 13:29	SJW
Free Node	attracting young fans	4	6	28/06/2011 13:04	SJW
Free Node	bad recruitment	7	35	26/05/2011 14:48	SJW
Free Node	benefits of private ownership	5	16	04/07/2011 14:23	SJW
Free Node	benefits of supporter ownership	12	168	27/06/2011 11:29	SJW
Free Node	benevolent financial backer	4	32	27/06/2011 11:21	SJW
Free Node	Board meetings	12	62	14/06/2011 10:03	SJW
Free Node	building a strong infrastructure	9	109	04/07/2011 19:35	SJW
Free Node	building business relationships	10	93	26/05/2011 12:55	SJW
Free Node	buying players from lower leagues	3	7	27/06/2011 11:07	SJW
Free Node	cashflow problems	10	57	05/07/2011 10:37	SJW
Free Node	change management	12	154	26/05/2011 13:56	SJW
Free Node	changing personnel	13	94	14/06/2011 10:15	SJW
Free Node	club being saved	9	35	25/05/2011 16:33	SJW
Free Node	club cease to exist	5	18	25/05/2011 16:30	SJW
Free Node	club governance	11	83	14/06/2011 10:04	SJW
Free Node	club heavily in debt	11	76	27/06/2011 10:58	SJW
Free Node	clubs financial worth	11	50	29/06/2011 11:01	SJW
Free Node	committed to supporter ownership	11	136	29/06/2011 12:31	SJW
Free Node	communicating to the fans	13	156	26/05/2011 12:55	SJW
Free Node	community ethos	12	80	26/05/2011 14:54	SJW
Free Node	community hub	7	26	26/05/2011 15:45	SJW
Free Node	community shares	2	2	17/07/2011 12:50	SJW
Free Node	community sports Trust	8	33	26/05/2011 15:33	SJW
Free Node	community work	10	47	26/05/2011 12:21	SJW
Free Node	company structures	2	65	25/07/2011 09:31	SJW
Free Node	competing in an uneven playing field	9	44	27/06/2011 13:10	SJW
Free Node	competitive balance	5	30	17/07/2011 17:03	SJW
Free Node	concentration of power	5	8	26/05/2011 13:55	SJW
Free Node	conflict of interests	11	90	26/05/2011 12:33	SJW
Free Node	confusion of roles	8	35	26/05/2011 13:45	SJW

Free Node	co-opted Directors	4	13	29/06/2011 12:23	SJW
Free Node	corporate image	11	33	26/05/2011 15:38	SJW
Free Node	corporate hospitality	9	20	26/05/2011 14:51	SJW
Free Node	corporate social responsibility	6	10	26/05/2011 15:33	SJW
Free Node	cost effectiveness	9	17	26/05/2011 15:53	SJW
Free Node	cost reduction strategy	8	21	26/05/2011 14:39	SJW
Free Node	creating club Boards	11	83	26/05/2011 12:59	SJW
Free Node	culture of the club	12	118	26/05/2011 14:43	SJW
Free Node	deals breaking down	6	9	08/06/2011 11:14	SJW
Free Node	defining roles	12	138	26/05/2011 13:50	SJW
Free Node	defining rules	4	35	17/07/2011 14:54	SJW
Free Node	democratic structure	12	176	26/05/2011 13:56	SJW
Free Node	differences between the two Boards	12	106	26/05/2011 14:14	SJW
Free Node	Directors acting as fans	7	25	14/06/2011 10:05	SJW
Free Node	disadvantages of supporter ownership	10	112	27/06/2011 12:09	SJW
Free Node	dodgy business practices	8	38	29/06/2011 10:53	SJW
Free Node	due diligence	11	33	26/05/2011 12:36	SJW
Free Node	emotional attachment to the club	12	104	27/06/2011 12:10	SJW
Free Node	engaging with external stakeholders	11	156	29/06/2011 13:50	SJW
Free Node	evolve and change the Board	11	54	29/06/2011 12:18	SJW
Free Node	exercising the option to buy	9	21	26/05/2011 12:40	SJW
Free Node	external governing body funding	1	1	28/06/2011 10:17	SJW
Free Node	external investment	5	37	04/07/2011 19:34	SJW
Free Node	external regulation influences	9	78	27/06/2011 16:11	SJW
Free Node	external stakeholder help	11	62	28/06/2011 14:43	SJW
Free Node	external stakeholder interest	13	103	26/05/2011 12:42	SJW
Free Node	fan engagement	12	179	28/06/2011 13:07	SJW
Free Node	fans concerns	13	162	25/05/2011 16:26	SJW
Free Node	fans reacting to poor financial management	11	76	27/06/2011 10:56	SJW
Free Node	fans treated as customers	10	37	26/05/2011 14:20	SJW
Free Node	fans uprising	11	87	25/05/2011 16:27	SJW
Free Node	financial legislation	8	36	26/05/2011 12:48	SJW
Free Node	fit and proper person test	5	7	29/06/2011 11:22	SJW
Free Node	football club debt problems	13	95	26/05/2011 12:34	SJW
Free Node	football clubs manifesto	5	17	14/07/2011 14:12	SJW
Free Node	football industry	5	70	17/07/2011 17:26	SJW
Free Node	football management	13	234	14/06/2011 09:54	SJW

Free Node	foreign player impact	3	8	18/07/2011 10:47	SJW
Free Node	form a consensus	11	77	29/06/2011 12:26	SJW
Free Node	formation of Trust Boards	11	112	25/05/2011 16:35	SJW
Free Node	forward planning	10	59	04/07/2011 10:48	SJW
Free Node	free publicity	13	53	26/05/2011 12:42	SJW
Free Node	fund raising	10	26	27/06/2011 12:03	SJW
Free Node	funding packages	6	23	26/05/2011 12:24	SJW
Free Node	gain control	11	104	14/06/2011 10:12	SJW
Free Node	gain credibility	11	73	28/06/2011 14:24	SJW
Free Node	gate receipt revenue	10	51	27/06/2011 13:57	SJW
Free Node	golden share	4	12	26/05/2011 12:26	SJW
Free Node	good communication	13	89	26/05/2011 14:34	SJW
Free Node	governance issues	7	33	26/05/2011 13:46	SJW
Free Node	greenfield clubs	6	51	28/06/2011 12:52	SJW
Free Node	ground share	6	23	08/06/2011 10:33	SJW
Free Node	growing the revenue	13	129	26/05/2011 14:44	SJW
Free Node	hands on understanding	10	29	14/06/2011 10:19	SJW
Free Node	having to pay off Directors	4	7	14/06/2011 10:15	SJW
Free Node	helping each other out	12	55	26/05/2011 15:58	SJW
Free Node	holding agm's	7	23	27/06/2011 12:37	SJW
Free Node	honesty & transparency	13	124	26/05/2011 12:55	SJW
Free Node	housing development	4	11	08/06/2011 11:00	SJW
Free Node	hybrid business model	6	22	27/06/2011 13:05	SJW
Free Node	identifying key personnel	11	89	26/05/2011 13:13	SJW
Free Node	identifying rich and influential fans	8	24	27/06/2011 11:49	SJW
Free Node	ineffective governing bodies	2	16	29/06/2011 11:23	SJW
Free Node	ineffectual management	10	48	26/05/2011 14:47	SJW
Free Node	inform and educate the fans	11	88	27/06/2011 12:40	SJW
Free Node	inherit culture legacies	9	36	28/06/2011 12:51	SJW
Free Node	inherit debt legacies	7	41	28/06/2011 12:51	SJW
Free Node	inherited Directors	9	24	26/05/2011 14:24	SJW
Free Node	inherited personnel	8	19	14/06/2011 09:53	SJW
Free Node	internal politics	10	81	26/05/2011 14:01	SJW
Free Node	investing for the future of the club	10	61	27/06/2011 14:13	SJW
Free Node	keeping to a tight budget	8	33	27/06/2011 11:56	SJW
Free Node	lack of belief in the Trust	13	68	26/05/2011 14:10	SJW
Free Node	lack of business acumen	9	69	27/06/2011 12:06	SJW

Free Node	lack of expertise and skills	11	78	26/05/2011 13:48	SJW
Free Node	lack of knowledge	12	98	26/05/2011 13:48	SJW
Free Node	lack of money	11	79	26/05/2011 15:49	SJW
Free Node	lack of player loyalty	3	4	17/07/2011 16:59	SJW
Free Node	lack of respect for sustainable management	7	37	28/06/2011 12:47	SJW
Free Node	league entry	3	13	29/06/2011 11:55	SJW
Free Node	learning on the job	10	31	14/06/2011 10:15	SJW
Free Node	legal proceedings	8	24	26/05/2011 12:52	SJW
Free Node	lending money	4	6	27/06/2011 11:12	SJW
Free Node	lifelong fan	9	24	25/05/2011 16:23	SJW
Free Node	local business chasing payments	4	5	26/05/2011 13:11	SJW
Free Node	long term stewardship	9	41	26/05/2011 14:18	SJW
Free Node	long term sustainability	11	71	26/05/2011 14:21	SJW
Free Node	losing money every year	7	17	27/06/2011 11:56	SJW
Free Node	majority shareholder	6	48	27/06/2011 10:47	SJW
Free Node	majority shareholding	7	49	26/05/2011 12:26	SJW
Free Node	make profit	6	18	08/06/2011 10:56	SJW
Free Node	managing the day to day operations	10	67	26/05/2011 14:22	SJW
Free Node	marketing campaigns	13	44	26/05/2011 15:39	SJW
Free Node	meeting people	9	52	29/06/2011 11:15	SJW
Free Node	mega event legacies	1	3	17/07/2011 16:39	SJW
Free Node	membership subscription management	12	99	26/05/2011 13:22	SJW
Free Node	messy internal operations	9	24	14/06/2011 10:14	SJW
Free Node	money distribution within the league	2	2	17/07/2011 16:48	SJW
Free Node	money owed to local businesses	5	8	28/06/2011 14:45	SJW
Free Node	moving the club forward	11	73	29/06/2011 11:12	SJW
Free Node	negotiating	13	49	14/06/2011 10:11	SJW
Free Node	negotiations of players	5	20	14/06/2011 10:08	SJW
Free Node	networking	7	37	26/05/2011 12:23	SJW
Free Node	new stadium project	5	30	25/05/2011 16:42	SJW
Free Node	nominated Directors	10	64	26/05/2011 14:25	SJW
Free Node	one member one vote rule	10	54	27/06/2011 12:39	SJW
Free Node	organising public meetings	9	36	28/06/2011 14:31	SJW
Free Node	outside expertise	11	93	26/05/2011 13:15	SJW
Free Node	overly bureaucratic	7	20	26/05/2011 13:49	SJW
Free Node	paying back the debt	7	22	26/05/2011 12:46	SJW
Free Node	paying full time staff	4	23	14/07/2011 14:33	SJW

Free Node	paying players more than the club could afford	7	15	27/06/2011 11:04	SJW
Free Node	people against supporter ownership	9	36	27/06/2011 11:25	SJW
Free Node	people management skills	7	23	28/06/2011 12:52	SJW
Free Node	personal financial risk	6	12	26/05/2011 13:04	SJW
Free Node	personal sacrifice	11	46	26/05/2011 12:54	SJW
Free Node	persuading and cajoling	11	35	26/05/2011 13:00	SJW
Free Node	planning application on the stadium	3	11	27/06/2011 10:58	SJW
Free Node	planning permission	3	8	08/06/2011 11:00	SJW
Free Node	playing budget	13	78	26/05/2011 14:46	SJW
Free Node	playing staff vs back room staff	12	35	26/05/2011 13:09	SJW
Free Node	playoffs	3	3	14/06/2011 09:55	SJW
Free Node	points penalty	1	1	28/06/2011 14:18	SJW
Free Node	police involvement	2	2	29/06/2011 11:21	SJW
Free Node	political power	7	47	04/07/2011 14:22	SJW
Free Node	presenting a pitch	5	12	29/06/2011 11:15	SJW
Free Node	pressure from the banks	4	9	26/05/2011 13:01	SJW
Free Node	private owners selling the club	5	15	25/05/2011 16:28	SJW
Free Node	problems with the football industry	5	52	17/07/2011 16:59	SJW
Free Node	problems with the ground	9	27	26/05/2011 14:52	SJW
Free Node	problems with the national team	2	10	17/07/2011 14:53	SJW
Free Node	problems with the private owner	12	117	27/06/2011 10:59	SJW
Free Node	problems within the Trust Board	10	80	26/05/2011 13:47	SJW
Free Node	promotion	8	13	14/06/2011 09:55	SJW
Free Node	provides kudos	8	26	26/05/2011 14:01	SJW
Free Node	prudent financial management	12	36	14/06/2011 10:25	SJW
Free Node	publicity stunt	6	14	26/05/2011 13:08	SJW
Free Node	raising finance into the club	13	155	26/05/2011 12:47	SJW
Free Node	raising funds	11	67	26/05/2011 12:24	SJW
Free Node	rally support	11	111	28/06/2011 14:24	SJW
Free Node	reaction to action	11	133	27/06/2011 12:06	SJW
Free Node	realities of running a football club	13	149	26/05/2011 13:48	SJW
Free Node	receive fan donations	8	25	29/06/2011 14:35	SJW
Free Node	receiving loans from external sources	8	34	27/06/2011 11:23	SJW
Free Node	receiving local authority help	4	11	28/06/2011 14:43	SJW
Free Node	recession influences	3	3	08/06/2011 11:14	SJW
Free Node	recognised mistakes	9	30	27/06/2011 12:20	SJW
Free Node	recruiting players	5	21	14/07/2011 14:40	SJW

Free Node	relegation	9	12	14/06/2011 09:58	SJW
Free Node	representation on the club Board	9	57	27/06/2011 10:47	SJW
Free Node	respected leadership	8	29	26/05/2011 14:07	SJW
Free Node	running of the club	11	63	27/06/2011 12:01	SJW
Free Node	season ticket sales	11	30	27/06/2011 13:56	SJW
Free Node	self-appointed chief executive	3	3	27/06/2011 11:44	SJW
Free Node	sell back to private ownership	2	3	27/06/2011 13:05	SJW
Free Node	selling players	2	9	25/07/2011 09:32	SJW
Free Node	selling the club to the Trust	5	24	26/05/2011 12:33	SJW
Free Node	sharing ideas	9	25	26/05/2011 15:58	SJW
Free Node	short term strategies	5	25	17/07/2011 16:37	SJW
Free Node	slow decision making	3	6	04/07/2011 14:23	SJW
Free Node	social enterprise	1	7	26/05/2011 12:23	SJW
Free Node	soft loans	6	20	26/05/2011 12:39	SJW
Free Node	spare time to offer	9	17	27/06/2011 10:40	SJW
Free Node	splitting club into different sectors	7	52	26/05/2011 13:59	SJW
Free Node	sponsorship deals	7	20	26/05/2011 14:54	SJW
Free Node	stadium development	7	36	26/05/2011 12:22	SJW
Free Node	stadium share	6	19	26/05/2011 16:01	SJW
Free Node	stand for election	8	40	27/06/2011 10:42	SJW
Free Node	standing for election	7	39	28/06/2011 14:22	SJW
Free Node	steep learning curve	7	12	14/06/2011 10:15	SJW
Free Node	strained relationships	10	58	26/05/2011 13:09	SJW
Free Node	strategy	13	215	08/06/2011 10:55	SJW
Free Node	streamlining the Trust Board	3	8	26/05/2011 14:30	SJW
Free Node	striking deals	11	45	26/05/2011 12:44	SJW
Free Node	success on the pitch	8	34	27/06/2011 11:08	SJW
Free Node	sugar daddy	5	5	26/05/2011 15:45	SJW
Free Node	supporter owned football clubs	10	108	27/06/2011 11:24	SJW
Free Node	supporter ownership	13	217	25/05/2011 16:34	SJW
Free Node	supporters direct	9	18	27/06/2011 11:24	SJW
Free Node	Supporters' Trusts	12	183	25/05/2011 16:33	SJW
Free Node	sustainable mutual business model	12	67	26/05/2011 14:12	SJW
Free Node	sweat the assets	5	18	26/05/2011 15:59	SJW
Free Node	taken the club as far as it could go	4	11	27/06/2011 10:59	SJW
Free Node	team underperforming on the pitch	6	12	27/06/2011 11:47	SJW
Free Node	the club loses its identity	5	27	17/07/2011 17:05	SJW

Free Node	threat of administration	6	17	26/05/2011 12:37	SJW
Free Node	Trust acting as an audit function	7	46	27/06/2011 13:16	SJW
Free Node	turnover to revenue ratio	5	20	27/06/2011 16:17	SJW
Free Node	TV rights income	5	6	14/07/2011 12:31	SJW
Free Node	uncompetitive against private owned clubs	7	30	27/06/2011 13:01	SJW
Free Node	underhand business dealings	7	27	28/06/2011 14:50	SJW
Free Node	unsustainable playing budget	9	28	27/06/2011 11:00	SJW
Free Node	utilising personal contacts	8	16	26/05/2011 13:31	SJW
Free Node	volunteering	11	76	25/05/2011 16:36	SJW
Free Node	warring factions	9	38	26/05/2011 14:01	SJW
Free Node	wide fan base	5	33	28/06/2011 13:06	SJW
Free Node	writing up a business plan	3	5	28/06/2011 14:35	SJW
Free Node	youth training scheme investment	9	38	27/06/2011 14:13	SJW

Appendix 5 – Tree Nodes

Name	Memo Link	References	Created On
Recognition and ability to identify key personnel		0	02/08/2011 08:42
Tree Node	Reaction to Action	0	0
Tree Node	company structures	2	65
Tree Node	streamlining the Trust Board	3	8
Tree Node	paying full time staff	4	23
Tree Node	co-opted Directors	4	13
Tree Node	Directors acting as fans	7	25
Tree Node	respected leadership	8	29
Tree Node	provides kudos	8	26
Tree Node	lack of business acumen	9	69
Tree Node	spare time to offer	9	17
Tree Node	recognised mistakes	9	30
Tree Node	learning on the job	10	31
Tree Node	hands on understanding	10	29
Tree Node	managing the day to day operations	10	67
Tree Node	nominated Directors	10	64
Tree Node	one member one vote rule	10	54
Tree Node	assertive management style	10	23
Tree Node	lack of expertise and skills	11	78
Tree Node	identifying key personnel	11	89
Tree Node	evolve and change the Board	11	54
Tree Node	volunteering	11	76
Tree Node	outside expertise	11	93
Tree Node	lack of knowledge	12	98
Tree Node	lack of belief in the Trust	13	68
Strategies to transfer reaction into action		0	02/08/2011 08:43
Tree Node	league entry	3	13
Tree Node	writing up a business plan	3	5
Tree Node	co-opted Directors	4	13
Tree Node	golden share	4	12
Tree Node	having to pay off Directors	4	7
Tree Node	lending money	4	6
Tree Node	paying full time staff	4	23
Tree Node	receiving local authority help	4	11
Tree Node	club cease to exist	5	18
Tree Node	football clubs manifesto	5	17
Tree Node	presenting a pitch	5	12
Tree Node	private owners selling the club	5	15
Tree Node	selling the club to the Trust	5	24
Tree Node	the club loses its identity	5	27

Tree Node	wide fan base	5	33
Tree Node	funding packages	6	23
Tree Node	greenfield clubs	6	51
Tree Node	majority shareholder	6	48
Tree Node	personal financial risk	6	12
Tree Node	publicity stunt	6	14
Tree Node	soft loans	6	20
Tree Node	threat of administration	6	17
Tree Node	inherit debt legacies	7	41
Tree Node	majority shareholding	7	49
Tree Node	people management skills	7	23
Tree Node	political power	7	47
Tree Node	steep learning curve	7	12
Tree Node	Trust acting as an audit function	7	46
Tree Node	underhand business dealings	7	27
Tree Node	confusion of roles	8	35
Tree Node	identifying rich and influential fans	8	24
Tree Node	inherited personnel	8	19
Tree Node	legal proceedings	8	24
Tree Node	provides kudos	8	26
Tree Node	utilising personal contacts	8	16
Tree Node	club being saved	9	35
Tree Node	building a strong infrastructure	9	109
Tree Node	exercising the option to buy	9	21
Tree Node	inherit culture legacies	9	36
Tree Node	inherited Directors	9	24
Tree Node	lifelong fan	9	24
Tree Node	meeting people	9	52
Tree Node	organising public meetings	9	36
Tree Node	representation on the club Board	9	57
Tree Node	sharing ideas	9	25
Tree Node	spare time to offer	9	17
Tree Node	supporters direct	9	18
Tree Node	unsustainable playing budget	9	28
Tree Node	cashflow problems	10	57
Tree Node	fans treated as customers	10	37
Tree Node	fund raising	10	26
Tree Node	ineffectual management	10	48
Tree Node	internal politics	10	81
Tree Node	learning on the job	10	31
Tree Node	nominated Directors	10	64
Tree Node	supporter owned football clubs	10	108
Tree Node	committed to supporter ownership	11	136
Tree Node	conflict of interests	11	90
Tree Node	creating club Boards	11	83
Tree Node	due diligence	11	33
Tree Node	engaging with external stakeholders	11	156
Tree Node	fans reacting to poor financial management	11	76

Tree Node	fans uprising	11	87
Tree Node	form a consensus	11	77
Tree Node	gain control	11	104
Tree Node	gain credibility	11	73
Tree Node	inform and educate the fans	11	88
Tree Node	outside expertise	11	93
Tree Node	personal sacrifice	11	46
Tree Node	persuading and cajoling	11	35
Tree Node	raising funds	11	67
Tree Node	rally support	11	111
Tree Node	reaction to action	11	133
Tree Node	volunteering	11	76
Tree Node	change management	12	154
Tree Node	culture of the club	12	118
Tree Node	emotional attachment to the club	12	104
Tree Node	fan engagement	12	179
Tree Node	membership subscription management	12	99
Tree Node	Supporters' Trusts	12	183
Tree Node	sustainable mutual business model	12	67
Tree Node	Supporters' Trusts (2)	12	183
Tree Node	changing personnel	13	94
Tree Node	communicating to the fans	13	156
Tree Node	fans concerns	13	162
Tree Node	free publicity	13	53
Tree Node	good communication	13	89
Tree Node	honesty & transparency	13	124
Tree Node	raising finance into the club	13	155
Tree Node	realities of running a football club	13	149
Tree Node	supporter ownership	13	217
Honest & transparent engagement with external stakeholders		0	02/08/2011 08:44
Tree Node	external governing body funding	1	1
Tree Node	accountability	2	29
Tree Node	ineffective governing bodies	2	16
Tree Node	buying players from lower leagues	3	7
Tree Node	attracting young fans	4	6
Tree Node	local business chasing payments	4	5
Tree Node	receiving local authority help	4	11
Tree Node	external investment	5	37
Tree Node	fit and proper person test	5	7
Tree Node	presenting a pitch	5	12
Tree Node	TV rights income	5	6
Tree Node	wide fan base	5	33
Tree Node	corporate social responsibility	6	10
Tree Node	deals breaking down	6	9
Tree Node	publicity stunt	6	14
Tree Node	soft loans	6	20

Tree Node	stadium share	6	19
Tree Node	community hub	7	26
Tree Node	holding agm's	7	23
Tree Node	lack of respect for sustainable management	7	37
Tree Node	political power	7	47
Tree Node	sponsorship deals	7	20
Tree Node	stadium development	7	36
Tree Node	community sports Trust	8	33
Tree Node	financial legislation	8	36
Tree Node	receive fan donations	8	25
Tree Node	receiving loans from external sources	8	34
Tree Node	utilising personal contacts	8	16
Tree Node	exercising the option to buy	9	21
Tree Node	external regulation influences	9	78
Tree Node	lifelong fan	9	24
Tree Node	meeting people	9	52
Tree Node	organising public meetings	9	36
Tree Node	sharing ideas	9	25
Tree Node	supporters direct	9	18
Tree Node	youth training scheme investment	9	38
Tree Node	building business relationships	10	93
Tree Node	community work	10	47
Tree Node	fans treated as customers	10	37
Tree Node	one member one vote rule	10	54
Tree Node	strained relationships	10	58
Tree Node	supporter owned football clubs	10	108
Tree Node	corporate image	11	33
Tree Node	engaging with external stakeholders	11	156
Tree Node	external stakeholder help	11	62
Tree Node	fans reacting to poor financial management	11	76
Tree Node	fans uprising	11	87
Tree Node	form a consensus	11	77
Tree Node	inform and educate the fans	11	88
Tree Node	persuading and cajoling	11	35
Tree Node	rally support	11	111
Tree Node	reaction to action	11	133
Tree Node	season ticket sales	11	30
Tree Node	striking deals	11	45
Tree Node	volunteering	11	76
Tree Node	community ethos	12	80
Tree Node	emotional attachment to the club	12	104
Tree Node	fan engagement	12	179
Tree Node	helping each other out	12	55
Tree Node	membership subscription management	12	99
Tree Node	Supporters' Trusts	12	183
Tree Node	sustainable mutual business model	12	67
Tree Node	communicating to the fans	13	156

Tree Node	external stakeholder interest	13	103
Tree Node	fans concerns	13	162
Tree Node	free publicity	13	53
Tree Node	good communication	13	89
Tree Node	honesty & transparency	13	124
Tree Node	marketing campaigns	13	44
Tree Node	supporter ownership	13	217
Initiating procedures to achieve alternative revenue streams		0	02/08/2011 08:44
Tree Node	mega event legacies	1	3
Tree Node	social enterprise	1	7
Tree Node	community shares	2	2
Tree Node	selling players	2	9
Tree Node	buying players from lower leagues	3	7
Tree Node	buying players from lower leagues (2)	3	7
Tree Node	planning application on the stadium	3	11
Tree Node	planning permission	3	8
Tree Node	housing development	4	11
Tree Node	lending money	4	6
Tree Node	new stadium project	5	30
Tree Node	sweat the assets	5	18
Tree Node	TV rights income	5	6
Tree Node	wide fan base	5	33
Tree Node	ground share	6	23
Tree Node	stadium share	6	19
Tree Node	losing money every year	7	17
Tree Node	sponsorship deals	7	20
Tree Node	stadium development	7	36
Tree Node	community sports Trust	8	33
Tree Node	cost reduction strategy	8	21
Tree Node	identifying rich and influential fans	8	24
Tree Node	receive fan donations	8	25
Tree Node	receiving loans from external sources	8	34
Tree Node	corporate hospitality	9	20
Tree Node	cost effectiveness	9	17
Tree Node	youth training scheme investment	9	38
Tree Node	alternative revenue streams	10	71
Tree Node	cashflow problems	10	57
Tree Node	community work	10	47
Tree Node	gate receipt revenue	10	51
Tree Node	raising funds	11	67
Tree Node	striking deals	11	45
Tree Node	membership subscription management	12	99
Tree Node	prudent financial management	12	36
Tree Node	growing the revenue	13	129
Tree Node	marketing campaigns	13	44
Tree Node	raising finance into the club	13	155

Monitoring Board Performance		0	02/08/2011 08:44
Tree Node	asset lock the club	2	3
Tree Node	company structures	2	65
Tree Node	sell back to private ownership	2	3
Tree Node	selling players	2	9
Tree Node	foreign player impact	3	8
Tree Node	playoffs	3	3
Tree Node	recession influences	3	3
Tree Node	self-appointed chief executive	3	3
Tree Node	slow decision making	3	6
Tree Node	streamlining the Trust Board	3	8
Tree Node	writing up a business plan	3	5
Tree Node	co-opted Directors	4	13
Tree Node	defining rules	4	35
Tree Node	paying full time staff	4	23
Tree Node	taken the club as far as it could go	4	11
Tree Node	concentration of power	5	8
Tree Node	football industry	5	70
Tree Node	presenting a pitch	5	12
Tree Node	recruiting players	5	21
Tree Node	short term strategies	5	25
Tree Node	turnover to revenue ratio	5	20
Tree Node	majority shareholder	6	48
Tree Node	make profit	6	18
Tree Node	bad recruitment	7	35
Tree Node	Directors acting as fans	7	25
Tree Node	governance issues	7	33
Tree Node	inherit debt legacies	7	41
Tree Node	majority shareholding	7	49
Tree Node	overly bureaucratic	7	20
Tree Node	people management skills	7	23
Tree Node	splitting club into different sectors	7	52
Tree Node	steep learning curve	7	12
Tree Node	Trust acting as an audit function	7	46
Tree Node	uncompetitive against private owned clubs	7	30
Tree Node	community sports Trust	8	33
Tree Node	confusion of roles	8	35
Tree Node	cost reduction strategy	8	21
Tree Node	identifying rich and influential fans	8	24
Tree Node	inherited personnel	8	19
Tree Node	legal proceedings	8	24
Tree Node	promotion	8	13
Tree Node	provides kudos	8	26
Tree Node	respected leadership	8	29
Tree Node	success on the pitch	8	34
Tree Node	building a strong infrastructure	9	109

Tree Node	cost effectiveness	9	17
Tree Node	inherit culture legacies	9	36
Tree Node	inherited Directors	9	24
Tree Node	lack of business acumen	9	69
Tree Node	lack of business acumen (2)	9	69
Tree Node	long term stewardship	9	41
Tree Node	meeting people	9	52
Tree Node	problems with the ground	9	27
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Tree Node	relegation	9	12
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Tree Node	warring factions	9	38
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Tree Node	hands on understanding	10	29
Tree Node	ineffectual management	10	48
Tree Node	internal politics	10	81
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Tree Node	learning on the job	10	31
Tree Node	managing the day to day operations	10	67
Tree Node	nominated Directors	10	64
Tree Node	one member one vote rule	10	54
Tree Node	problems within the Trust Board	10	80
Tree Node	strained relationships	10	58
Tree Node	club heavily in debt	11	76
Tree Node	clubs financial worth	11	50
Tree Node	committed to supporter ownership	11	136
Tree Node	conflict of interests	11	90
Tree Node	corporate image	11	33
Tree Node	creating club Boards	11	83
Tree Node	engaging with external stakeholders	11	156
Tree Node	evolve and change the Board	11	54
Tree Node	formation of Trust Boards	11	112
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Tree Node	inform and educate the fans	11	88
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Tree Node	lack of expertise and skills (2)	11	78
Tree Node	long term sustainability	11	71
Tree Node	raising funds	11	67
Tree Node	running of the club	11	63
Tree Node	season ticket sales	11	30
Tree Node	volunteering	11	76
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Tree Node	change management	12	154
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Tree Node	lack of belief in the Trust (2)	13	68
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Tree Node	competing in an uneven playing field	9	44
Tree Node	corporate hospitality	9	20
Tree Node	cost effectiveness	9	17
Tree Node	lack of business acumen	9	69
Tree Node	long term stewardship	9	41
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Tree Node	youth training scheme investment	9	38
Tree Node	forward planning	10	59
Tree Node	investing for the future of the club	10	61
Tree Node	problems within the Trust Board	10	80
Tree Node	club governance	11	83
Tree Node	club heavily in debt	11	76
Tree Node	clubs financial worth	11	50
Tree Node	committed to supporter ownership	11	136
Tree Node	conflict of interests	11	90
Tree Node	corporate image	11	33
Tree Node	engaging with external stakeholders	11	156
Tree Node	inform and educate the fans	11	88
Tree Node	lack of expertise and skills	11	78
Tree Node	long term sustainability	11	71
Tree Node	raising funds	11	67
Tree Node	running of the club	11	63
Tree Node	season ticket sales	11	30
Tree Node	democratic structure	12	176
Tree Node	differences between the two Boards	12	106
Tree Node	lack of knowledge	12	98
Tree Node	prudent financial management	12	36
Tree Node	sustainable mutual business model	12	67
Tree Node	growing the revenue	13	129
Tree Node	lack of belief in the Trust	13	68
Tree Node	playing budget	13	78
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Tree Node	sell back to private ownership	2	3
Tree Node	self-appointed chief executive	3	3
Tree Node	streamlining the Trust Board	3	8
Tree Node	having to pay off Directors	4	7
Tree Node	taken the club as far as it could go	4	11
Tree Node	selling the club to the Trust	5	24
Tree Node	hybrid business model	6	22
Tree Node	majority shareholder	6	48

Tree Node	majority shareholding	7	49
Tree Node	splitting club into different sectors	7	52
Tree Node	steep learning curve	7	12
Tree Node	identifying rich and influential fans	8	24
Tree Node	provides kudos	8	26
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Tree Node	lack of business acumen	9	69
Tree Node	recognised mistakes	9	30
Tree Node	problems within the Trust Board	10	80
Tree Node	evolve and change the Board	11	54
Tree Node	identifying key personnel	11	89
Tree Node	lack of expertise and skills	11	78
Tree Node	lack of knowledge	12	98
Tree Node	Supporters' Trusts	12	183
Tree Node	lack of belief in the Trust	13	68
Importance of role definition		0	02/08/2011 08:58
Tree Node	self-appointed chief executive	3	3
Tree Node	streamlining the Trust Board	3	8
Tree Node	co-opted Directors	4	13
Tree Node	concentration of power	5	8
Tree Node	splitting club into different sectors	7	52
Tree Node	Trust acting as an audit function	7	46
Tree Node	provides kudos	8	26
Tree Node	building a strong infrastructure	9	109
Tree Node	representation on the club Board	9	57
Tree Node	warring factions	9	38
Tree Node	nominated Directors	10	64
Tree Node	creating club Boards	11	83
Tree Node	formation of Trust Boards	11	112
Tree Node	outside expertise	11	93
Tree Node	season ticket sales	11	30
Tree Node	culture of the club	12	118
Tree Node	defining roles	12	138
Tree Node	differences between the two Boards	12	106

Appendix 6 – Example of Node Allocation from Transcript Text

INTERVIEWEE	TRANSCRIPT TEXT	FREE NODE	TREE NODE
Chris Pilsbury, Chairman, Chester FC	<i>'So our job then really, I suppose, was to try and gain credibility try and to gain membership as when it started off there was only about 300 members. Therefore, it was membership, fundraising, credibility and that was really all we had to do. There was nothing else we could do initially. Membership grew very, very quickly we were soon up to 2000 members.'</i>	Rally support Gain credibility Fundraising Membership subscription	Reaction into Action
Dr. David Treharne, ex-Trust Managing Director, Exeter City FC	<i>'The Trust got underway in 2000, although the original aim was to support the club and it wasn't really until the middle of 2002/3 season they changed it so in fact we change the aim was the ownership of the club. Which was laughable really as we only had 250 members. But as it turned out as the seasons went on the numbers grew and grew.'</i>	Rally support Gain credibility Fan engagement Fan concerns Membership subscription	Reaction into Action
Brian Burgess, ex-Chief Executive, Brentford FC	<i>'I had spent the previous three years looking for Brentford fans that had either expertise like Donald Kerr or kudos, charisma and gravitas like Greg Dyke you know so I was accumulating all these individuals and working out where I could use them.'</i>	Outside expertise Club Board Trust Board Identifying key personnel	Identifying key personnel

INTERVIEWEE	TRANSCRIPT TEXT	FREE NODE	TREE NODE
Andy Walsh, General Manager, FC United of Manchester	<i>'We had nine committee members who were standing, all of those were elected. The two additional people who were elected a guy called Joe Tulley who is a lawyer by profession and a guy called Scott Fletcher who is a self-made businessman. So we had business expertise which we were short of and legal expertise which we again short of so that was described as a bit of karma the club was going to be in good hands.'</i>	Nominated Directors Outside expertise Standing for election Moving the club forward Club Board	Alternative revenue streams
Andreas Birnmeyer, Managing Director of the Supporters Trust, Hamburger SV	<i>'It exploded in the year of 2002-2003 that is when the membership numbers exploded because we had a huge advertising campaign to become a member of the club. Because of the huge amount of members joining us and the huge amount of work attach to serving these numbers we had to employ further people otherwise we could not have managed it. We started off with two employees in the mid 1990's and now we are at 50. So over the years we have developed and have grown as far as employees are concerned.'</i>	Alternative revenue streams Learning on the job Building a strong infrastructure Forward planning	Board performance

Appendix 7 – Examples of Free Nodes & Tree Nodes from the Respondents Data

Environmental Dynamics

Tree Node	Description
Tree node 1	Impact of football inflation and financial irregularities
Tree node 2	Honest and transparent engagement with external stakeholders
Tree node 3	Initiating procedures to achieve alternative revenue streams

Macro influences

Identified Theme	Example Free Nodes
Public Profile	<ul style="list-style-type: none"> • Corporate Image • Community Ethos • Committed to Supporter Ownership • Form a Consensus • Community Work • Benefits of Supporter Ownership • Meeting People • Networking • Building Business Relations
Media Scrutiny	<ul style="list-style-type: none"> • Free publicity • Inform and educate the fan • Football Club manifesto • Honesty & Transparency • External stakeholder interest
Stakeholder demands	<ul style="list-style-type: none"> • Emotional attachment to the club • Fan engagement • Fan concerns • External stakeholder interest • Pressure from Banks • Inherited Directors • Inherited Debts • Paying back to debt • Local businesses chasing money • Political Power • Membership subscription

Micro influences

Funding Sources	<ul style="list-style-type: none"> • Membership Subscription • Alternative Revenue Streams • Receiving fan donations • External investment • Receiving loans from external stakeholders • Fund raising • Receiving loans from local authority
Volunteering	<ul style="list-style-type: none"> • Personal Sacrifice • Outside expertise • Engaging with external stakeholders • Identifying key personnel • Stand for election

Register No:

RULES of FC UNITED LTD

Registered under the Industrial and Provident Societies Acts 1965 – 78

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RULES

NAME AND DEFINITIONS

1. The name of the society is to be FC United Limited and it is called ‘the Club’ in the rest of these Rules; and Greater Manchester and environs is called ‘the Area’

OBJECTS

2. The Club’s objects are, either itself or through a subsidiary company or club trading for the benefit of the community and acting under its control:

- i. to strengthen the bonds between the Club and the community which it serves and to represent the interests of the community in the running of the Club;
- ii. to benefit present and future members of the community served by the Club by promoting encouraging and furthering the game of football as a recreational facility, sporting activity and focus for community involvement;
- iii. to ensure the Club to take proper account of the interests of its supporters and of the community it serves in its decisions;
- iv. to further the development of the game of football nationally and internationally and the upholding of its rules;
- v. to promote, develop and respect the rights of members of the community served by the Club and people dealing with the Club as set out in the Charter of Fundamental Rights of the European Union, having regard in particular to the need to provide information to members and conduct the affairs of the Club in accessible and appropriate ways:

POWERS

3. The Club may achieve these objects in whole or in part through an interest or interests in companies or societies provided that the objects of the companies or societies are consistent with the Club’s objects.

4. In order to achieve its objects the Club may either itself or through a subsidiary company or society acting under its control:

- a. buy, sell and lease property;
- b. borrow;
- c. grant security over its property and assets;
- d. establish promote and maintain for the purposes of the Club any lawful fund raising scheme;
- e. award pensions, allowances, gratuities and bonuses to past and present employees (including their dependants and people connected with them) of:
 - (i) the Club;
 - (ii) any subsidiary company or society of the Club;
- f. set up and maintain itself or with others Trusts funds or schemes (whether contributory or non-contributory) intended to provide pension or other benefits for the people referred to in Rule 4(e);
- g. indemnify or take out and maintain insurance for the benefit of people who are or were:
 - (i) members of the Club Board or the Executive Board; or
 - (ii) officers; or
 - (iii) employees; or
 - (iv) Trustees of a pension fund of the Club or any subsidiary company or club of the Club against any liability which they may have as a result of their involvement with the Club or its subsidiaries;
- h. indemnify or take out and maintain insurance for the benefit of people who are or were elected or nominated by the Club to serve on the Board of any company owning or controlling the Club;

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- i. so far as permitted by these Rules take out and maintain insurance against any risks to which the Club may be exposed;
- j. co-operate with other supporters organisations, co-operatives and societies conducted for the benefit of the community at local, national and international levels;
- k. do anything else which is necessary or expedient to achieve its objects.

5. The business of the Club is to be conducted for the benefit of the community served by the Club and not for the profit of its members.

APPLICATION OF PROFITS

6. Any surplus generated by the Club shall be applied to any or all of the following, in such manner and in such proportion as the Board may decide:

- a. in paying interest on issued share capital in accordance with the provisions of these Rules;
- b. to maintain prudent reserves;
- c. to the continuation and development of the Club;
- d. on expenditure to achieve the Club's objects;
- e. to making payments for social and charitable purposes.

7. Restriction on use: Pursuant to regulations made under section 1 of the Co-operatives and Community Benefit Societies Act 2003:

- (1) All of the society's assets are subject to a restriction on their use.
- (2) The society must not use or deal with its assets except-
 - (a) where the use or dealing is, directly or indirectly, for the purpose that is for the benefit of the community;
 - (b) to pay a member of the society the value of his withdrawable share capital or interest on such capital;
 - (c) to make a payment pursuant under section 24 (proceedings on death or nominator), 25 (provision for intestacy) or 26 (payments in respect of mentally incapable persons) of the Industrial and Provident Societies Act 1965;
 - (d) to make a payment in accordance with the rules of the society to Trustees of the property of bankrupt members or, in Scotland, members whose estate has been sequestrated;
 - (e) where the society is to be dissolved or wound up, to pay its creditors;or
 - (f) to transfer its assets to one or more of the following -
 - (i) a prescribed community benefit society whose assets have been made subject to a restriction on use and which will apply that restriction to any assets so transferred;
 - (ii) a community interest company;
 - (iii) a registered social landlord which has a restriction on the use of its assets which is equivalent to a restriction on use and which will apply that restriction to any assets so transferred;
 - (iv) a charity (including a community benefit society that is a charity) ;or
 - (v) a body, established in Northern Ireland or a State other than the United Kingdom, that is equivalent to any of those person.
- (3) Any expression used in this rule which is defined for the purposes of regulations made under section 1 of the 2003 Act shall have the meaning given by those regulations.

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MEMBERSHIP

8. The members of the Club are the people whose names are entered in the register of members.

9. The first members are the people who sign these Rules in applying for registration.

10. Membership is open to any person firm or corporate body who or which:

- a. is a supporter of the Club; or
- b. has an interest in the game of football in the Area and is in sympathy with the objects of the Club; and
- c. agrees to be bound by these Rules and Rule 6 and 113 in particular.
- d. agrees to be bound by the Club's equality statements, child protection policy and codes of conduct.

11. The Club Board shall have power to refuse membership to any person who does not in the opinion of the Club Board meet these requirements.

12. Every member holds one ordinary share in the capital of the Club. No member may hold more than one ordinary share in the Club either individually or jointly

13. The Club Board will decide and issue a form of application for membership. Members are to pay an annual subscription of such reasonable sum as the Club Board shall decide, the first payment to be made at the time of application for membership. The sum of £1 from each membership application shall be applied to purchase the minimum £1 shareholding

in the Club.

14. The Club Board will have power to offer associate or affiliate status with or without payment or subscription to corporate or unincorporated bodies which support the aims of the Club, and may recognise that a share in the capital of the Club is held on behalf of any unincorporated organisation but no-one shall be entitled to vote at any general meeting of the Club who is not the registered holder of at least one fully paid up share in the Club.

15. The Club Board shall have power to offer a class of junior membership with or without payment to minors under the age of 16 but no person under the age of 16 shall be entitled to a share in the club or be entitled to vote at any general meeting of the Club.

16. No person under the age of 18 may be an officer of the Club.

17. A corporate body or firm which is a member may by resolution of its governing body appoint any person it thinks fit to be its deputy and revoke such an appointment. A copy of any such resolution signed by two members of the governing body and in the case of a local authority by the authorised officer of the Council shall be sent to the Secretary of the Club. The deputy will be entitled to exercise all rights of membership on behalf of the corporate body including seeking election as an officer and speaking and voting at any general meeting. References in these Rules to a member being present in person include members which are corporate bodies being present through their deputy.

SHARES

18. The Club has ordinary shares and may have Capital Funding Shares in accordance with the provisions set out at Rule 26. The following provisions apply to shares in the Club:

- a) The ordinary shares of the Club shall be of the nominal value of £1.00;
- b) Shares shall be withdrawable only in accordance with the provisions of these Rules.
- c) Shares shall not be transferable except on death or bankruptcy or with the consent of

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the Board;

d) Application for shares shall be made to the Board of the Society who shall allot to members, upon their admission, the share or shares for which they have applied provided that the total number of shares allotted to any member shall not exceed the maximum shareholding permitted by law;

e) Shares shall be paid for in full on allotment.

WITHDRAWAL OF SHARE CAPITAL

19. Ordinary shares may be withdrawn by members upon giving three months' notice to the Club provided that:

(a) all withdrawals shall be paid in the order in which the notices were received by the Club;

(b) except where a member intends to terminate her/his membership of the Club, a member shall not be entitled to withdraw shares so as to leave her/him with less than the minimum shareholding;

(c) the Board may waive the notice required for a withdrawal and may direct payment to be made without notice or on such shorter notice as they consider fit;

(d) the Board at their sole discretion may suspend the right to withdraw either wholly or partially, and either indefinitely or for a fixed period. The suspension shall extend and apply to all notices of withdrawal which have been received and remain unpaid at the time the Board suspend the right to withdraw. Where the suspension is for a fixed period, such period may be extended from time to time by the Board;

(e) during any period when the right of withdrawal has been suspended under Rule 19(d), the shares of deceased members may, if the Board agree, be withdrawn by their personal representatives upon giving such notice as the Board may require;

(f) subject to Rule 20, the amount to be paid to a member on withdrawal shall be the amount paid up or credited on the shares to be withdrawn, except where the shares are subject to a reduction in their value in accordance with the provisions of these Rules;

(g) interest shall be payable on any share in respect of which a notice of repayment has been given until the date of repayment.

20. Any share withdrawn in accordance with the above Rule shall be cancelled, provided that where the member intends to terminate her/his membership of the Club the £1 minimum shareholding purchased by each member as part of their application for membership as per Rule 12 shall be cancelled and the amount subscribed shall become the property of the Club.

21. Members may withdraw from the Club by withdrawing all their shares in the Club in accordance with Rule 19 or, if the right to withdraw has been suspended as provided for in that Rule, by surrendering all their shares to the Club. Upon such surrender the Board may in their discretion pay to the withdrawing member the amount paid up or credited in the

shares surrendered.

22. The Society may deduct such reasonable sum to cover administrative costs of withdrawal from the monies payable to a member on the withdrawal of shares in the Society.

LIEN ON SHARES AND RIGHT OF OFFSET

23. The Club shall have a lien on the shares of a member for any debt due to it by the member and may set off any sum standing to the member's credit with the Club in or towards payment of such debt.

REMOVAL OF MEMBERS

24. A member shall cease to be a member if they:

a. fail after written demand to pay their annual subscription;

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b. die (in the case of the individual);

c. cease to exist (in the case of a body corporate);

d. are the nominee of an unincorporated Society or firm which is wound up or dissolved;

e. are the nominee of an unincorporated organisation or firm which removes or replaces them as its nominee;

f. cease to hold the minimum amount of shareholding required in accordance with these Rules;

g. are expelled under these Rules; or

h. withdraw from membership by giving at least one month's written notice to the Secretary.

25. A member may be expelled by a resolution carried by the votes of not less than threequarters of the members present in person or by proxy and voting on a poll at an annual or special general meeting of the Club of which notice has been duly given. The following procedure will be adopted:

a. A written complaint must be made to the Club Board that the member has acted in a way detrimental to the interests of the Club.

b. Details of the complaint must be sent to the member in question not less than one calendar month before the meeting with an invitation to answer the complaint and attend the meeting.

c. At the meeting the members will consider evidence in support of the complaint and such evidence as the member may wish to place before them.

d. If the member fails to attend the meeting without due cause the meeting may proceed in their absence.

e. A person expelled from membership will cease to be a member immediately following the vote at which the resolution to expel them is carried.

f. No person who has been expelled from membership is to be re-admitted except by a resolution carried by the votes of three-quarters of the members present in person or by proxy and voting on a poll at any general meeting of which notice has been properly given.

CAPITAL FUNDING SHARE PROVISIONS

26. In order to fund its business, the Club may issue Capital Funding Shares. Capital Funding Shares may be issued in such denomination and upon such terms as the Board shall decide, subject to the Rules, and in particular the following provisions:

(a) Capital Funding Shares shall not be withdrawable except with the consent of the Board;

(b) The Board may specify a date or dates on which Capital Funding Shares may be withdrawn and may make provision for the withdrawal of different issues of shares on different dates;

(c) The Board may pay interest to holders of Capital Funding Shares as compensation for the use of such funds, but the rate of interest shall be no higher than the Board considers to be necessary to attract the funding needed for the business of the Club. The rate may vary between different issues of shares.

(d) Capital Funding Shares may only be issued to members.

On the solvent dissolution or winding up of the Club, holders of Capital Funding Shares shall have no financial entitlement beyond payment of outstanding interest and repayment of paid-up share capital.

ORGANISATION

27. The powers of the Club are to be exercised by the members, the Club Board and the Executive Board of the Club in the way set out in the Rules which follow.

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RIGHTS AND POWERS OF MEMBERS

28. The members have the rights and powers available to them under the law relating to Industrial and Provident Societies and are to decide in particular the issues specifically reserved to them by these Rules.

29. The members may by a resolution carried by not less than two-thirds of the members voting at a general meeting but not otherwise give directions to the Society Board. A member wishing to propose a members' resolution for consideration at a general meeting shall give notice in writing to the Secretary of such wish, and of the justification for, form and content of the resolution, not later than noon 35 days before that meeting is to be held. Such notice shall not be effective unless signed by the proposer and 5 other Members. The Society Board shall ensure that such proposed resolutions are consistent with these rules and the laws governing the society's contractual, statutory and other legal obligations according to the Resolution Policy. The following provisions apply to any directions given::

a. Any direction must:

- i. be consistent with these Rules and with the Club's contractual, statutory and other legal obligations; and
- ii. not affect the powers and responsibilities of the Club Board, Chief Executive and Executive Board under Rules 31, 32, 33 and 34.

b. Any person who deals with the Club in good faith and is not aware that a direction has been given may deal with the Club on the basis that no direction has been given.

30. The functions of general meetings (excluding any general meeting requested by members which shall only deal with the business in the members' requisition) shall include:

- a. to consider any member's resolution, notice of which has been given to the Secretary in accordance with Rule 29;
- b. to consider any resolution proposed by the Board;
- c. to consider the application of any surplus in accordance with Rule 6; and
- d. to consider any other business relating to the affairs of the Society which any member or the Board may wish to raise but no resolution may be put to the vote of the meeting under this item.

In addition, the functions of the Annual General Meeting shall include:

d. receiving:

- i. the revenue account and balance sheet for the previous financial year; and
- ii. a report on the Club's performance in the previous year;

e. appointing:

- i. financial auditors;
- ii. auditors of any other aspect of the performance of the Club;
- f. electing officers of the Club.

DUTIES AND POWERS OF CLUB BOARD

31. The Club Board is to ensure that the business of the Club is conducted in accordance with these Rules and with the interests of the community and in accordance with any relevant Statements of Best Practice published by Supporters Direct, and may appoint and supervise the Chief Executive and the Executive Board. The Club Board:

a. may exercise all the Club's powers which are not required by these Rules or by statute to be exercised by the Club in general meeting;

b. may delegate any of its powers to committees consisting of such of its own number and others as it thinks fit who shall, in the function entrusted to them, conform in all respects to the instruction given to them by the Club Board. The operation of such groups is to be conducted in accordance with this rule, with Rules 82-84 and the following provisions apply to any such delegation:

- i. The Club Board may retain or give up the right to deal itself with issues delegated;

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- ii. Any delegation may be revoked and its terms may be varied;

- iii. The proceedings of any sub-committee shall be governed by the rules regulating the proceedings of the Club Board so far as they are capable of applying;

- c. may call upon the Chief Executive and/or Secretary to report or procure a report in writing upon any aspect of the affairs of the Club;

- d. shall appoint and dismiss the Chief Executive and other members of the Executive Board and the Secretary and decide and fix the terms of their employment and have power to act in place of the Chief Executive or the Executive Board where they cease to act or are unwilling or unable to act;

- e. shall approve the policies or strategies to be followed by the Executive Board and all budgets and other financial plans;

f. shall determine from time to time the categories of transaction which require the approval of the Club Board.

DUTIES AND POWERS OF CHIEF EXECUTIVE AND EXECUTIVE BOARD

32. If a Chief Executive is appointed, he or she will, subject to the duties and powers of the Club Board as set out in these Rules, manage the Club's business in accordance with these Rules and will have power to act in the name of the Club.

33. If other members of an Executive Board are appointed they together with the Chief Executive will, subject to the duties and powers of the Club Board as set out in these Rules and to directions as to their responsibilities given by the Club Board, manage the Club's business in accordance with these Rules and will have power to act in the name of the Club.

34. Any person acting in good faith and without prior notice of any irregularity is not to be concerned to see or enquire whether the powers of the Chief Executive or the Executive Board have been properly exercised.

SECRETARY

35. The Club is to have a Secretary whose functions will include:

- a. acting as Secretary to the Club Board;
- b. attending all meetings of the Executive Board;
- c. acting as Secretary of any subsidiary company or society of the Club;
- d. summoning and attending all general meetings of the Club and keeping the minutes;
- e. keeping the register of members and other registers required to be kept by these Rules;
- f. monitoring the conduct of the Club's affairs to ensure that it is conducted in accordance with these Rules;
- g. arranging for members of the Club Board to obtain independent legal, accounting tax or other professional advice if he or she considers it appropriate;
- h. publishing to members in an appropriate form information which they should have about the affairs of the Club;
- i. preparing and sending all returns required to be made to the Registrar.

36. The Secretary shall not be a member of:-

- a. the Executive Board;
- b. any Board or committee of management of any subsidiary company or society of the Club.

GENERAL MEETINGS

37. The Club is to hold at least two general meetings a year. One of those general meetings shall be the Annual General Meeting) which shall be held within six months of the end of each financial year.

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38. All general meetings other than annual general meetings are called general meetings and are to be convened by the Secretary either:

- a. by order of the Club Board; or
- b. if a written requisition signed (except where these Rules say otherwise) by not less than 20 members or 10% of the membership eligible to vote, whichever is the higher, is delivered to the Club's registered office. The requisition must state the purpose for which the meeting is to be convened and any resolutions to be put, if any. If the Secretary is not within the United Kingdom or is unwilling to convene a general meeting any Club Board member may call a general meeting.

39. A general meeting called in response to a members' requisition must be held within 28 days of the date on which the requisition is delivered to the registered office. The meeting is not to transact any business other than that set out in the requisition and the notice convening the meeting.

40. Notice of a general meeting is to be given either:

- a. In writing, or
- b. by notice in any newspaper circulating in the Area; or
- c. where a member has agreed to receive notice in this way, by such electronic means as the Club Board shall decide at least 21 clear days before the date of the meeting. The notice must:
 - i. be given to all members and to the members of the Club Board and to the auditors;
 - ii. state whether the meeting is an annual or general meeting;
 - iii. give the time, date and place of the meeting; and
 - iv. indicate the business to be dealt with at the meeting.

41. Any notice to a member may be given either:

- a. personally; or
- b. by sending it by post in a prepaid envelope addressed to the member at their registered address; or
- c. by leaving it at that address;
- d. or (if a register of e-mail addresses is maintained by the Club and the member has notified the Club of an e-mail address) by e-mail to their registered e-mail address.

Notices or communications sent by first class post to members at their registered address are deemed to have been duly served 48 hours (excluding Sundays) after being posted. Proof that an envelope containing a notice was properly addressed, prepaid and posted shall be conclusive evidence that the notice was given. The proceedings at a general meeting are not invalid if:

- i. there has been an accidental omission to send a notice to a member or members; or
- ii. the notice is not received by a member or members.

42. A member present either in person or by proxy at any meeting of the Club shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

43. Before a general meeting can do business there must be a quorum present. Except where these Rules say otherwise a quorum is 20 members or 10% of the members entitled to vote at the meeting whichever is lower.

44. The Club Board may decide where a general meeting is to be held and may also in the interests of democracy:

- a. arrange for the annual general meeting to be held in a different part of the Area each year;
- b. make provision for a general meeting to be held at different venues either simultaneously or at different times. In making such provision the Club Board shall also fix an appropriate quorum for each venue, provided that the aggregate of the quorum requirements shall not be less than the quorum set out in the previous Rule.

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45. It is the responsibility of the Club Board, the Chair of the meeting and the Secretary to ensure that at any general meeting:

- a. the issues to be decided are clearly explained;
- b. sufficient information is provided to members to enable rational discussion to take place;
- c. where appropriate, members of the Executive Board, experts in relevant fields or representatives of special interest groups are invited to address the meeting.

46. If the chair of a general meeting or the Secretary considers that steps should be taken to ensure:

- a. the safety of people attending a general meeting; or
 - b. the proper and orderly conduct of the meeting;
- they may take whatever steps are necessary to deal with the situation. They may in particular, if they think it necessary:
- i. require people to prove their identity;
 - ii. arrange security searches;
 - iii. stop certain things being taken into the meeting;
 - iv. refuse to allow members into the meeting or have members removed from the meeting, where the behaviour of those members is or is likely to be violent or disruptive.

47. The Chair of the Club Board or in his or her absence some other Club Board member nominated by the members of the Club Board shall preside at all general meetings of the Club. If neither the Chair nor such other Club Board member is present and willing to act, the Club Board members present shall elect one of their number to be Chair and if there is only one Club Board member present and willing to act he or she shall be Chair. If no Club Board member is willing to act as Chair or if no Club Board member is present within fifteen minutes after the time appointed for holding the meeting, the members present and entitled to vote shall choose one of their number to be Chair.

48. If no quorum is present within half an hour of the time fixed for the start of the meeting:

- a. if the meeting was convened on a requisition of the members, it is to be dissolved;
- b. in any other case the meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the Club Board determine. If a quorum is not present within half an hour of the time fixed for the start of the adjourned meeting, the number of members present during the meeting is to be a quorum.

49. Subject to these Rules and to any Act of Parliament, a resolution put to the vote at a general meeting shall, except where a poll is demanded or directed, be decided upon by a show of hands.

50. On a show of hands every member present in person, and on a poll every member

present in person or by proxy is to have one vote. In the case of an equality of votes the Chair of the meeting is to have a second or casting vote.

51. Unless a poll is demanded, the result of any vote will be declared by the Chair and entered in the minute book. The minute book will be conclusive evidence of the result of the vote.

52. A poll may be directed by the Chair or demanded either before or immediately after a vote by show of hands by not less than one-tenth of the members present at the meeting (in person or by proxy).

53. A poll demanded on the election of a Chair or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such time and place as the Chair directs not being more than thirty days after the poll is demanded. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn by or on behalf of those who demanded it, the meeting shall continue as

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if the demand had not been made. The result of the poll will be treated as the resolution of the meeting at which the poll was demanded. No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.

54. Unless these Rules or an Act of Parliament say otherwise, all resolutions are to be decided by a simple majority of the votes cast.

55. The Chair of any meeting may with the consent of a majority of the members present adjourn the meeting. The following are the arrangements for adjourned meetings:

a. No business is to be transacted at any adjourned meeting other than the business not reached or left unfinished.

b. An adjourned meeting is to be treated as a continuation of the original meeting but any resolution passed at an adjourned meeting is to be treated as having been passed on the date on which it is in fact passed.

c. When a meeting is adjourned for fourteen days or more, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise no notice need be given of an adjournment or of the business to be transacted at an adjourned meeting.

56. A proxy is to be appointed as follows:

a. in writing;

b. in any usual form or any other form which the Club Board may approve;

c. under the hand of the appointor or of their attorney duly authorised in writing; and

d. by depositing the appointment document at the registered office of the Club or at such other place within the United Kingdom as the Club shall specify not less than two clear days before the day fixed for the meeting at which the proxy is authorised to vote.

Where the appointment document is exercised by an attorney on behalf of the appointor the authority under which it is executed or a copy of such authority certified notarially or in some other way approved by the Club Board is to be lodged with the appointment document.

If this procedure is not followed the appointment of the proxy will be invalid.

57. The following further rules apply to proxies.

a. No person other than the Chair of the meeting can act as proxy for more than 3 members.

b. Any question as to the validity of a proxy is to be determined by the Chair of the meeting whose decision is to be final.

c. A proxy need not be a member of the Club.

58. A vote given or poll demanded by proxy or by the duly authorised deputy of a corporate body, shall be valid unless notice of termination of the authority is received by the Club at the registered office or at any other place at which the instrument of proxy was duly deposited before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded.

59. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered. Any objection made in due time about any vote whether tendered personally or by proxy is to be determined by the Chair of the meeting, whose decision is to be final. Every vote not disallowed at the meeting will be valid.

POSTAL BALLOTS

60. Where the Club Board considers that a significant issue has arisen which should be

determined by the members of the Club the issue may be determined by a postal ballot of the members of the Club conducted in accordance with such procedure as the Club Board shall determine subject to the following principles:

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- i. Notice of the ballot shall be given to each member of the Club in the same way as notice of a meeting is to be given;
 - ii. The notice must set out clearly the issue to be decided;
 - iii. Sufficient information must be provided to members to enable an informed decision to be made; and
 - iv. The date by which voting papers are to be returned must be clearly stated.
- In any case where a postal ballot is appropriate the Board may make such provision as it thinks fit to permit notice of the ballot to be given and voting to be conducted by electronic means.

CONSTITUTION OF CLUB BOARD

61. With effect from the Club's first general meeting, the Club Board is to have at least two members and will be made up as follows:

- a. Up to 11 members of the Club Board elected by the members accordance with such arrangements as shall be determined by the Club Board;
- b. Additional Members may be co-opted by the Club Board in accordance with a Board Membership Policy which it will develop and adopt and shall be required, if they are not already members, to become members of the Club. The purpose of the Board Membership Policy will be to ensure that:
 - i. the Club Board has the skills and experience which it needs to operate effectively;
 - ii. the interests of the community served by the Club are adequately represented;
 - iii. the level of representation of different groups on the Club Board strikes an appropriate balance having regard to their legitimate interest in the Club's affairs.

The following people in particular may be co-opted:

- (1) a representative or representatives of Local Authorities in the Area on behalf of those authorities and neighbouring local authorities;
- (2) a representative or representatives of the young;
- (3) a representative or representatives of supporters' groups
- (4) a representative of disabled supporters;
- (5) a representative of local business;
- (6) a representative or representatives of employees of the Club;
- (7) a representative of the players at the club, through a professional association or otherwise.

The number of co-optees serving shall always be less than half the number of Directors elected by members. For the avoidance of doubt, the number of elected members shall include those members co-opted under rule 70.

62. If at any time and for any reason after the first annual general meeting the number of members of the Club Board shall drop below two, the remaining Club Board member may act but only for the purpose of filling vacancies or calling a general meeting.

63. Until the first annual general meeting the members of the Club Board will be the people who sign these Rules in applying for registration and such other people as they co-opt.

64. Members of the Club Board will normally serve for periods of 2 years in accordance with the Board Membership Policy. Co-opted Club Board members may be re-appointed for a further period subject to these Rules.

65. Members of the Club Board will not receive any payment for serving on the Club Board other than:

- a. the payment of expenses incurred in carrying out their duties; and
- b. nominal Club Board Fees approved by the members in general meeting.

66. No person can be a member of the Club Board who:

- a. is subject to a bankruptcy order or has in place a composition with their creditors;
- b. is subject to a disqualification order made under the Company Directors Disqualification Act;
- c. has a conviction for an indictable offence (other than a spent conviction as defined by the Rehabilitation of Offenders Act 1974);

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- d. is or may on the basis of medical evidence be suffering from mental disorder;
 - e. fails to abide by any rules for the conduct of elections made by the Club Board.
67. Any member of the Club Board who:
- a. ceases to comply with the criteria set out in these Rules; or

- b. ceases to be a member of the Club; or
- c. resigns. is to vacate the office of Club Board member.

68. Any member of the Club Board who:

- a. fails without good cause to attend 3 consecutive Club Board meetings; or
- b. fails without good cause to participate in Board training is to vacate the office of Club Board member if required to do so by a majority of the other Club Board members.

69. At the first annual general meeting of the Club half of the members of the Club Board first elected by the members (to be chosen by lot) will resign from office. Thereafter the half of the members of the Club Board elected by the members who have served the longest at the date of the annual general meeting each year will resign. If at any time there is an uneven number of elected Directors, the Club Board shall decide the number of elected Directors to resign in accordance with this Rule, which shall be approximately half of the total number.

70. Casual vacancies arising amongst the members of the Club Board elected by the members will be dealt with as follows.

- a. If a vacancy caused by retirement or removal is not filled at the meeting at which they retire or are removed, the vacancy may be filled by the Club Board.
- b. A vacancy occurring by death or resignation may be filled by the Club Board.
- c. In each case the member appointed to fill the vacancy is to retire at the next annual general meeting and the Club Board will make provision for an election to be held. For the avoidance of doubt the retiring member may stand for re-election at the meeting at which they retire.

71. A Club Board member may be removed from office by a resolution carried by the votes of not less than three quarters of the members present in person or by proxy and voting on a poll at an annual or special general meeting of the Club of which notice has been duly given. A Club Board member may be suspended from office by a resolution of the other members of the Club Board on the grounds of conduct detrimental to the interests of the Club subject to such Club Board member having been provided with a fair opportunity to be heard. Such suspension shall be for a period not exceeding 4 months.

CLUB BOARD MEETINGS

72. The Club Board may elect a Chair from amongst its members.

- a. If a candidate for the Chair is an elected Board member, a simple majority of the Club Board is required
- b. If a candidate for the Chair is a co-opted member of the Board, they shall require a simple majority of the Club Board, and a simple majority of the elected members of the Club Board.

73. The Club Board will meet at least 4 times in every calendar year at such times and places as they think fit. Seven clear days' notice of the date and place of each meeting is to be given in writing by the Secretary to all members of the Club Board to the Chief Executive and to such other members of the Executive Board as the Club Board desire to attend the meeting. 50% of Club Board members including at least four members of the Club Board elected by the members or such higher number as the Club Board may determine will form a quorum. A Club Board meeting may be called by shorter notice if it is so agreed by all the Club Board members entitled to attend and vote at the meeting. For the purposes of this rule, notice may be sent via email to an address registered with the Secretary or such other electronic means as may be preferred by Directors.

74. Unless the Club Board decides otherwise, the Chief Executive (if appointed) is to be invited to attend each meeting of the Club Board. Other members of the Executive Board are to attend meetings of the Club Board when requested to do so.

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75. Meetings of the Club Board may be called either by the Secretary, or by a notice in writing given to the Secretary by the chair of the Club Board, or by two Club Board members who are not both elected by the members of the Club or both co-opted Board members, specifying the business to be discussed. The Secretary is to communicate every such notice to all Club Board members as soon as possible and the meeting is to be held at a venue decided by the Secretary not earlier than seven days and not later than fourteen days after the receipt by the Secretary of the notice. Should the Secretary fail to convene the meeting, the Chair or the two Club Board members who have given the notice in writing may call the meeting. No business is to be done at the meeting other than the business specified in the notice.

76. The Club Board may agree that its members can participate in its meetings by telephone video or computer link. Participation in a meeting in this manner shall be deemed to constitute presence in person at the meeting.

77. The Club Board may appoint specialist advisors to advise on any issue and may invite them to attend and speak (but not vote) at meetings of the Club Board.

78. Subject to the following provisions of this Rule, questions arising at a Club Board meeting shall be decided by a majority of votes. In case of an equality of votes at a Club Board meeting the Chair shall have a casting vote. No resolution may be passed if it does not have the support of one or more members of the Club Board elected by the members.

79. A resolution in writing signed by all members of the Club Board will have the same effect as a resolution passed at a meeting of the Club Board and may consist of several identical copies of a document each signed by one or more Club Board members. For the purposes of this rule, email sent declaring a preference on an issue, sent from an address registered with the Secretary shall be deemed a valid indication by that Directors.

80. Save for the exceptions referred to below, no Club Board member is to have any material financial interest personally or as a member of a firm or company or as a Directors or other officer of a business trading for profit or in any other way whatsoever in any contract or other transaction with the Club. For the purposes of this rule, an interest of a person who is connected with a Club Board member shall be treated as an interest of the Club Board member. The exceptions are that Club Board members may:

- a. be paid expenses including travelling expenses;
- b. receive Club Board fees;
- c. if they are co-opted members of the Club Board be employees of the Club
- d. declare an interest in a particular contract or issue and:
 - (i) not be present except with the permission of the Club Board in any discussion of the contract or issue;
 - (ii) not vote on the contract or issue (and if by inadvertence they do remain and vote, their vote is not to be counted).

81. Any member of the Club Board who discloses a financial interest as described in the preceding Rule must vacate their office either for a period or permanently if requested so to do by a majority of the remaining members of the Club Board. Any member of the Club Board who fails to disclose any interest required to be disclosed under the preceding Rule must permanently vacate their office if required to do so by a majority of the remaining Club Board members.

WORKING GROUPS OF THE CLUB BOARD

82. The Club Board may establish working groups, if considered appropriate, to assist it in carrying out its business. Working groups may make recommendations to the Club Board, provide the Club Board with information, and carry out such operations as are delegated to them on behalf of the Club Board, including powers reserved for the Club Board under these rules that have been properly delegated to a working group.

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83. The Club Board will approve the Chair of each working group, normally a member of the Club Board. Where there is no member of the Club Board able to act as Chair the Chair may be any member of the Club who is deemed capable by the Club Board of acting as Chair under their supervision. The Club Board shall decide and approve and produce a public, written record of the scope of each working group. The Club Board shall delegate to the Chair of a working group appropriate budgets for each working group where deemed necessary.

84. Working groups may hold such meetings as they consider are necessary to carry out their business. The Chair of each working group shall be responsible for ensuring that minutes are taken at each meeting and will submit these to the Society Board. If the Chair of a working group is not present at a meeting the group will elect another member to chair that meeting, and must record this in the minutes. If available, the Chair of the meeting should be elected from amongst any Board members present at that meeting.

EXECUTIVE BOARD

85. The Executive Board may have the following members who will be full or part time employees of the Club:

- a. a Chief Executive
- b. a Finance Directors
- c. a Human Resources Directors
- d. such other Executives as the Club Board thinks appropriate.

86. If the Club carries out any part of its business through a trading subsidiary company or society trading for the benefit of the community members of the Executive Board or the Club Board shall be the Directors or Board of management of the subsidiary.

87. The members of the Executive Board will be appointed by the Club Board on terms agreed and approved by the Club Board. The members of the Executive Board may be removed

by the Club Board.

88. No person can be a member of the Executive Board who:

- a. has been declared bankrupt or compounded with their creditors;
- b. is subject to a disqualification order made under the Company Directors Disqualification Act;
- c. has been convicted of an indictable offence which is not a spent conviction as defined in the Rehabilitation of Offenders Act 1974;
- d. is or may on the basis of medical evidence be suffering from mental disorder.

89. The Executive Board if appointed will meet at least once each month at such times and places as it thinks fit. Where practicable, seven clear days' notice of the date and place of each meeting is to be given in writing by the Secretary to all members of the Executive Board. A resolution in writing signed by all the members of the Executive Board shall be as valid and effectual as if it had been passed at a meeting of the Executive Board duly convened and held and may consist of several documents in the like form each signed by one or more Executive Board members.

90. The Executive Board may agree that its members can participate in its meetings by telephone video or computer link. Participation in a meeting in this manner shall be deemed to constitute presence in person at the meeting.

91. Save for the exceptions referred to below, no Executive Board member is to have any material financial interest personally or as a member of a firm or company or as a Directors or other officer of a business trading for profit or in any other way whatsoever in any contract or other transaction with the Club. For the purposes of this rule an interest of a person who is connected with an Executive Board member shall be treated as an interest of the Executive Board member. The exceptions are that Executive Board members may:

- a. receive a salary and other benefits under a service contract with the Club;
- b. have an interest in a particular contract or issue if they shall first have explained their interest to the Executive Board and the Club Board and:

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(i) are not present except with the permission of the Executive Board in any discussion of the contract or issue;

(ii) do not vote on the contract or issue (and if by inadvertence they do remain and vote, their vote is to not be counted).

92. Any member of the Executive Board who discloses a financial interest as described in the preceding Rule must vacate their office either for a period or permanently if requested so to do by the Club Board. Any member of the Executive Board who fails to disclose any interest required to be disclosed under the preceding Rule must permanently vacate their office if required to do so by the Club Board.

FINANCIAL AUDIT

93. The Club Board will in respect of each year of account ending on June 30th:

- a. cause to be prepared a revenue account or revenue accounts which:
 - (i) singly or together deal with the affairs of the Club and any subsidiary company or club as a whole for that year; and
 - (ii) give a true and fair view of the income and expenditure of the Club and any subsidiary company or club for that year;
- b. cause to be prepared a balance sheet giving at that date a true and fair view of the state of the affairs of the Club and any subsidiary company or club.

94. The Club Board is to lay a revenue account and balance sheet duly audited and signed by the auditor and incorporating the report of the auditor thereon before each annual general meeting, accompanied by a report by the Club Board on the position of the affairs of the Club and any subsidiary or holding company or club signed by the chair of the Club Board meeting at which the report is adopted.

95. The Club Board is not to cause to be published any balance sheet unless it has previously been audited by the auditor and it incorporates a report by the auditor that it gives a true and fair view of the income and expenditure, or the state of the affairs of the Club, as the case may be. Every revenue account and balance sheet published is to be signed by the Secretary and by two Club Board members acting on behalf of the Club Board.

96. A qualified auditor must be appointed to audit the Club's accounts and a balance sheet for each financial year. In this rule 'qualified auditor' means a person who is a qualified auditor under Section 7 of the Friendly and Industrial and Provident Societies Act 1968 and Section 25 of the Companies Act 1989.

97. The auditor shall, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968, make a report to the Club on the accounts examined by them and on the revenue account or accounts and the balance sheet of the Club for the year in

question.

98. None of the following persons is to be appointed as auditor of the Club:

- a. an officer or servant of the Club; or
- b. a person who is a partner or close relative of or in the employment of or who employs an officer or servant of the Club.

99. Save as provided in this Rule every appointment of an auditor is to be made by resolution of a general meeting of the Club. The exceptions are:

- a. the first appointment of an auditor is to be made within three months of the registration of the Club and is to be made by the Club Board if no general meeting of the Club is held within that time;
- b. the Club Board may appoint an auditor to fill any casual vacancy occurring between general meetings of the Club.

100. An auditor appointed to audit the accounts and balance sheet of the Club for the preceding year of account (whether by a general meeting or by the Club Board) is to be reappointed

as auditor of the Club for the current year of account (whether or not any resolution expressly re-appointing them has been passed) unless:

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- a. a resolution has been passed at a general meeting of the Club appointing somebody instead of them or providing expressly that they are not to be re-appointed; or
- b. they have given to the Club notice in writing of their unwillingness to be re-appointed; or
- c. they are not permitted by these Rules to be the auditor; or
- d. they have ceased to act as auditor of the Club by reason of incapacity;
- e. proper notice of an intended resolution to appoint another person in their place has been given but the resolution cannot be proceeded with because of the death or incapacity of that other person.

101. A resolution at a general meeting of the Club:

- (i) appointing another person as auditor in place of a retiring auditor; or
- (ii) providing expressly that a retiring auditor is to not be re-appointed will not be effective unless notice of the intention to move it has been given to the Club not less than twenty-eight days before the meeting at which it is to be moved.

If such a notice is given the following procedure will be adopted:

- (a) The Club will send a copy of the notice to the retiring auditor.
- (b) If it is practicable to do so the Club will give notice of the intended resolution to its members with the notice of the meeting.
- (c) If that is not practicable, the Club will publish details of the notice by advertisement not less than seven days before the meeting in a newspaper circulating in the area in which the Club conducts its business.
- (d) If the retiring auditor makes any representations in writing to the Club in response to the notice or notifies the Club that they intend to make such representations, the Club will notify the members as required by Section 6 of the Friendly and Industrial and Provident Societies Act 1968.

PERFORMANCE AUDIT

102. A general meeting of the Club may require the Club Board to appoint appropriate people to act as auditors of the achievement by the Club of its objects or any aspect of the Club's performance of its obligations under these Rules.

ANNUAL RETURNS

103. The Club will make an annual return to the Registrar as required by the Act.

104. The Club will supply a copy of the last annual return with all supporting documents to any member on request and without charge.

AMENDMENT TO RULES

105. Unless these Rules say otherwise any Rule may be altered or rescinded, or any new rule may be made, by resolution of at least two thirds of these members who vote in person or by proxy at a general meeting. No change to these Rules shall be valid until registered.

106. The following Rules may only be changed by a majority of at least three quarters of the members who vote in person or by proxy at a general meeting:

- a. Rules 1 – 6 inclusive
- b. Rule 12
- c. This Rule 106
- d. Rule 107
- e. Rule 108
- f. Rule 113

107. A resolution to amend this Rule, Rule 6 and Rule 113 must be approved by not less than three quarters of those voting in the meeting called or ballot held to consider it. In addition:

a. the quorum at any general meeting called to consider a resolution to amend shall be not less than one half of the members entitled to vote at the meeting if the Club has up

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to 200 members when the meeting is called; not less than one third of the members entitled to vote at the meeting if the Club has more than 200 but less than 1000 members when the meeting is called; and not less than one quarter of the members entitled to vote at the meeting if the Club has more than 1000 members when the meeting is called.

b. If the Club has more than 2000 members, a resolution to amend this Rule, Rule 6 and Rule 113 must be determined by a postal ballot conducted under Rule 60. For such a resolution to be approved, at least one-quarter of the members eligible to vote in a postal ballot must return their ballots by the due date and of those returning, threequarters must vote in favour of the resolution.

108. The Act provides that the Club may by special resolution:

a. amalgamate with another Club or a company registered under the Companies Acts

b. transfer its engagements to another club or a company registered under the Companies Acts

c. convert itself into a company registered under the Companies Acts

The quorum at any general meeting called to consider such a resolution shall be 50% of the members entitled to attend and vote at the meeting unless the resolution proposes an amalgamation with or transfer of engagements to another industrial and provident club trading for the benefit of the community and having provisions in its rules substantially identical to Rule 6, Rule 113 and this Rule 108.

INVESTMENT AND BORROWING

109. The funds of the Club may, to the extent permitted by the law for the time being in force and with the authority of the Club Board, be invested:

a. in the shares of any company or society;

b. in any manner expressly authorised by the Act;

but are not to be invested otherwise.

110. The Club may borrow money on such terms as the Club Board shall authorize.

111. A duly appointed receiver or manager of the whole or part of the Club's property may assume such powers of the Club Board or the Executive Board as he or she considers necessary to carry out his or her duties under the instrument of appointment.

DISSOLUTION

112. The Club may be dissolved by the consent of three-quarters of the members who sign an instrument of dissolution in the form provided by Treasury Regulations or by winding-up in the manner provided by the Act.

113. If on the winding up or dissolution of the Club there remains, after the satisfaction of all its debts and liabilities any property whatsoever the same is to be transferred to:

a. a sporting charity or sporting charities operating in the Area; and/or

b. one or more societies established for the benefit of the community operating in the Area; and/or

c. one or more societies established for the benefit of the community in each case as determined by the members at a meeting called to decide the issue. Nothing belonging to the Club shall be transferred to any other society unless that club has in its rules a rule substantially in the terms of this Rule.

INDEMNITY

114. Officers are entitled to be indemnified by the Club against all costs, losses and expenses which they may reasonably incur in discharge of their duties, including travelling expenses, and the amount for which such indemnity is provided will immediately attach as a charge on the property of the Club.

115. No officer is to be liable for any loss happening to the Club through the execution of the duties of their office, unless the loss be the consequence of their own dishonesty or

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gross negligence. Subject to the provisions of the Act every officer is to be indemnified out of the assets of the Club against any liability incurred by him or her in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favour or in which he or she is acquitted or in connection with any application in which relief is granted to him or her by the Court from liability for negligence, default, breach of duty or breach of

Club in relation to the affairs of the Club.

MISCELLANEOUS ADMINISTRATIVE PROVISIONS

116. Anything done in good faith by any meeting of the Club Board or the Executive Board shall be valid, notwithstanding that it is afterwards discovered that there was any defect in the appointment of any Board member or Board members or that any one or more of them were disqualified and shall be as valid as if every Board member had been duly appointed and was duly qualified to serve.

117. The Club will not be entitled to rely against other persons on any alteration in its Rules if the alteration had not been registered at the material time and is not shown by the Club to have been known at that time to the person concerned.

118. Minutes of every general meeting, of every meeting of the Club and Executive Boards and of every meeting of a committee appointed by the Club Board are to be kept. Minutes of meetings will be read at the next meeting and signed by the Chair of that meeting. The signed minutes will be conclusive evidence of the events of the meeting.

119. The Club's registered office is Hope Mills, Pollard Street, Manchester, M4 7JA. The Club is to keep at its registered office:

a. a register in which the Secretary is to enter the following particulars:

(i) the names and addresses of the members;

(ii) details of the share held by each member and of the amount paid or agreed to be considered as paid for that share;

(iii) a statement of other property in the Club whether in loans or loan stock held by each member;

(iv) the date at which each person was entered in the register as a member and the date at which any person ceased to be a member;

(v) details of any deputy appointed by any corporate member;

(vi) the names and addresses of the members of the Club and Executive Boards with the offices held by them and the dates on which they assumed office.

b. a duplicate register in which the Secretary is to enter all the particulars in the original register of members other than those referred to in (a) (ii) and (iii) above;

c. a register of the holders of loan stock in which the Secretary is to enter such particulars as the Club Board direct and register all transfers of loan stock;

d. a register in which the Secretary is to enter such particulars of all mortgages and charges on land of the Club as the Club Board directs.

120. Subject to the provisions of the Data Protection Act the registers to be maintained by the Club may be kept in electronic form.

121. The inclusion or omission of the name of any person from the original register of members shall, in the absence of evidence to the contrary, be conclusive evidence that such person is or is not a member of the Club.

122. The Club is to keep proper books of account with respect to its transactions and to its assets and liabilities in accordance with Sections 1 and 2 of the Friendly and Industrial and Provident Societies Act 1968.

123. Members are entitled to inspect:

a. their own account

b. the duplicate register at the registered office at any reasonable time.

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124. The Secretary is to deliver a copy of these Rules to every person on demand on payment of an amount fixed by the Club Board subject to the statutory maximum.

125. Notice of any change in the address of the registered office is to be sent by the Secretary to the Financial Services Authority in the form prescribed by Treasury Regulations within fourteen days of the change.

126. The registered name of the Club is to be displayed on the outside of the registered office and every other office or place in which the business of the Club is carried on. The registered name of the Club is also to be mentioned in legible characters in all:

a. business letters, notices, advertisements and other official publications

b. bills of exchange, promissory notes, endorsements, cheques and orders for money or goods purporting to be signed by or on behalf of the Club

c. bills, invoices, receipts and letters of credit of the Club.

127. The Club is registered under the Industrial and Provident Societies Acts 1965-78 (referred to as 'the Act' in these Rules). Any references to the Act include reference to any statutory re-enactment and/or modification. Any reference to the Chief Registrar, Registrar, Central Office, Assistant Registrar, Registry of Friendly Societies or the Financial Services Authority includes reference to the statutory successor carrying on the relevant function of any of them.

DISPUTES

128. Every unresolved dispute which arises out of these Rules between the Club and:

- a. a member; or
- b. any person aggrieved who has ceased to be a member within the six months prior to the date of the dispute; or
- c. any person claiming through such member or person aggrieved; or
- d. any person bringing a claim under the rules of the Club; or
- e. an officer of the Club is to be submitted to an arbitrator agreed by the parties or nominated by the Chief Executive of Supporters Direct where no agreement is possible. The arbitrator's decision will be binding and conclusive on all parties.

129. Any person bringing a complaint must deposit with the Club the sum of £500 or such other reasonable sum as the Club Board shall decide. The arbitrator will decide how the costs of the arbitration will be paid and what should be done with the deposit.

ADVERTISING

130. The clothing (i.e. playing kit) of players representing the Club shall not include any advertising thereon, except as follows, which shall not be considered to be advertising:-

- a. The trade mark (i.e. logo) and/or name of the clothing manufacturer or a combination of same, occupying an area of no greater than 20 square centimetres, to be calculated by measuring around the outline of the trade mark and/or name and to include the space between trade mark and/or name if both are carried. Such trade mark may appear once only on the shirt and once on the shorts.
- b. The trade mark (i.e. logo) and/or name of the clothing manufacturer or a combination of same, may also appear on socks, providing that on each brand-new (unworn) sock it occupies an overall area no greater than 20 square centimetres (such area referring to the portion of the sock that is still visible when a football boot is being worn).
- c. The emblem of the Club (i.e. badge, name, initials or nickname, or a combination of such), providing it is of an area no greater than 100 square centimetres. Such emblem may appear once only on the front of the shirt and once anywhere on the shorts. The emblem may also appear once only on the collar or collar zone of the shirt, provided that it occupies an area no greater than 50 square centimetres.
- d. The emblem of the Club (i.e. badge, name, initials or nickname, or a combination of such), may also appear on socks, providing that on each brand-new (unworn) sock it occupies an area no greater than 50 square centimetres (such area referring to the portion of the sock that is still visible when a football boot is being worn).

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- e. Players' numbers and/or (where association, league and/or competition rules so permit) the players' names.
- f. Subject to having obtained (where applicable) the prior permission from the appropriate authority, the recognised badge or emblem of the appropriate association, league and/or competition, where the rules of the association, league and/or competition require such a badge or emblem to be placed on the Club's playing kit.

This Rule 130 (Advertising) may only be altered or rescinded by resolution of at least two thirds of the members who vote in person or by proxy at a general meeting.

FOOTBALL ASSOCIATION MANDATORY PROVISION(S)

Where these regulations refer to 'Company' it shall be deemed to apply to this Society.

131. (i) 'The members and the Directors of the Company shall so exercise their rights, powers and duties and shall where appropriate use their best endeavours to ensure that others conduct themselves so that the business and affairs of the Company are carried out in accordance with the Rules and regulations of The Football Association Limited for the time being in force.

(ii) No proposed alteration to the provisions set out herein shall be effective unless the proposed alteration has been approved in writing by The Football Association Limited 14 days or more before the day on which the alteration is proposed to take place.

(iii) The office of (a/an Directors/Officer or Official) shall be vacated if such person is subject to a decision of The Football Association Limited that such person be suspended from holding office or from taking part in any football activity relating to the administration or management of a football club.'

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