

## Entrepreneurial Charlatans?- The selling of the soul of Football Clubs

**Geoff Whittam, Reader**

School for Business and Society

Glasgow Caledonian University

Glasgow. G4 0BA

Tel: 01412731971 Email: Geoffrey.Whittam@gcu.ac.uk

**Mike Bull, Senior Lecturer**

**Manchester Metropolitan University**

**Objectives:** Schumpeter suggests that the role of the entrepreneur is to create greater value. Using the example of 'the business of football' the paper argues that whilst in some cases the selling of professional football clubs to entrepreneurial owners may result in increased commercialisation and profitability - is this always creating greater value? We question the current pursuit of football clubs where owner-entrepreneurs have sidelined the indigenous fan base to satisfy their thirst for global market growth, at the expense of heritage and social value of the 'club'.

**Prior work:** There have various critical papers written on the subject of the changing nature of professional football, however, little has been written on this topic from an entrepreneurial perspective.

**Approach:** This paper offers a theoretical perspective suggesting that 'entrepreneurs' who take acquisition of a professional football club may undermine the value of the club and accordingly be termed; 'entrepreneurial charlatans'.

**Results:** By analysing the activities of 'entrepreneurial charlatans' the paper finds that rather than adding value these entrepreneurs are subtracting value, which is having a damaging impact on the individual club level in terms of a 'glass escalator effect' with entrepreneur-led parachute finance, creating unsustainable clubs and also at the national level in creating unbalanced leagues.

**Implications:** Whilst the governing bodies of football clubs have certain regulations applicable to the running of football clubs these tend to be ineffective in curbing entrepreneurial charlatan behaviours, such as 'heritage stripping' (rebranding) and debt finance. In terms of supporters, they cannot as easily move from Tescos to Sainsburys like supermarket shoppers. We highlight the subtraction of value and the 'voice' of the supporter. We question if owner-entrepreneurs of football clubs are capitalising on the perceived values of their clubs for global adoration to the detriment of the foundations of the football clubs social values themselves – have they 'sold the soul'?

**Value:** This paper contributes to the underpinning literature by questioning the 'added value' that entrepreneurs have made in the business of football. Indeed the paper develops a new concept, that of the 'entrepreneurial charlatan', people who seek to create greater value yet rather than add value to an asset, in the football club context, they subtract value.

**Keywords:** Social Value, Ethics, Football, Entrepreneurship, Charlatan Entrepreneurs, Moral Ownership.

## Introduction

It has long been recognised that Professional Football has become more than a game, it is a business and 'big business' at that. Within England this transformation of 'the sport' to 'a business' can be traced back to the establishment of football clubs to PLC status, which can be dated to 1983 when Tottenham Hotspur FC became the first English football club to be floated on the Stock Exchange (Michie 1999). The establishment of clubs as PLCs allowed clubs to circumvent 'rule 34'. Rule 34 of the Football Association's Articles of Association prohibited directors of Football Clubs from profiteering from the club by imposing maximum dividend payouts and outlawing payments to club directors. Furthermore, the rule also stated that in the event of a club folding the assets would have to go to other sporting institutions. This new era of football ownership, whilst often dressed up as 'providing opportunities for supporters to own the club' also provided opportunities for 'entrepreneurial activity'. Whilst there is a growing literature on the governance of football clubs and alternative ownership models there has been little focus from the 'traditional' entrepreneurial perspective, this paper seeks to fill this knowledge gap.

Utilising established entrepreneurial theory this paper highlights the exploitation of the opportunity provided by the transformation of club ownership by entrepreneurs but questions the motivation of some of those involved. The main thesis is that some of the owner-entrepreneurs, rather than 'adding value' to the clubs are actually involved in taking value out of the club. In the words of Baumol (1996) they are engaged in "*unproductive entrepreneurial activity*". This is of course a controversial statement, because the entrepreneurs involved would argue they are raising value. This raises ethical issues namely on whose behalf are entrepreneurs within a Football Club operating? Is the current ownership model right for football clubs with different stakeholders claiming a 'right' of (moral) ownership and control? These questions are addressed by way of discussion and conclusion. Prior to that we have a literature review which identifies the entrepreneurial theoretical framework which we utilise to analyse entrepreneurial activity within contemporary English Professional Football Clubs, we then proceed to identify the 'adding and subtracting' of value within these clubs leading on to the discussion and conclusion that some of the main protagonists within the business of football are indeed, as we coin it, '*entrepreneurial charlatans*'.

## Entrepreneurial Theory

It has become recognised that '*enterprise*', '*entrepreneurship*' and '*the entrepreneur*' has come to mean more than activity leading to private sector profit maximisation resulting in the establishment of private sector new businesses by an individual person. These three core concepts occupying the legs of a tripod supporting the academic subject of 'Enterprise and Entrepreneurship' have been applied to many varied types of economic, social and political activity. There have been many attempts to establish what exactly these three core concepts achieve, even within introductory texts in the discipline. A typical example of defining an entrepreneur would be... "*A person who habitually creates and innovates to build something of recognised value around perceived opportunities*" (Bolton and Thompson 2004 p.16). This definition is interesting in the sense that it does not mention new venture creation or any description thus allowing the concept to be applied to self-employment, enterprising activity within existing organisations, and allowing for the application to the private, state and third sectors of the economy. In their theoretical model Bolton and Thompson argue that what entrepreneurs do is create capital which can take a variety of forms, they specifically identify "financial, social and aesthetic". There is an entrepreneurial process which is undertaken which results in the creation of this capital.

It is only relatively recently that the entrepreneurial process has been disaggregated with some form of consensus emerging that the key factor in this process is entrepreneurial opportunity... "*To have entrepreneurship, you must have entrepreneurial opportunities*" (Shane and Venkataraman 2000 p.175). In its broadest sense entrepreneurial opportunities are those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production (Casson 1982). In reality Casson is identifying entrepreneurial opportunity for new venture creation whereas Kirzner identifies the ability of entrepreneurs to recognize opportunities within existing organisations which incumbent owners are either unaware or reluctant to exploit. According to Kirzner, previous researchers have argued that entrepreneurial opportunities exist primarily because different members of society have different beliefs about the relative value of resources, given the potential to transform them into a different state (Kirzner 1997). In essence this is building on Schumpeter's ideas, of differing entrepreneurs possessing different beliefs (because of a lucky hunch, superior intuition, or private information), they make different conjectures about the

price at which markets should clear or about what possible new markets could be created in the future. When buyers and sellers have different beliefs about the value of resources, both today and in the future, goods and services can sell above or below their marginal cost of production (Schumpeter 1934).

The points raised by Kirzen and Schumpeter are of specific relevance for this paper because they raise concepts concerning ‘beliefs’ and ‘values’. Whilst entrepreneurs may create capital or add value, not all members of society benefit from this creation indeed some members of society may challenge whether what has been created is indeed capital or value. The issue of differing values of assets is particularly pertinent when applied to institutions such as clubs which have specific benefits for members. In this regard the work of Groen (2005) and Groen *et al* (2008) is particularly pertinent.

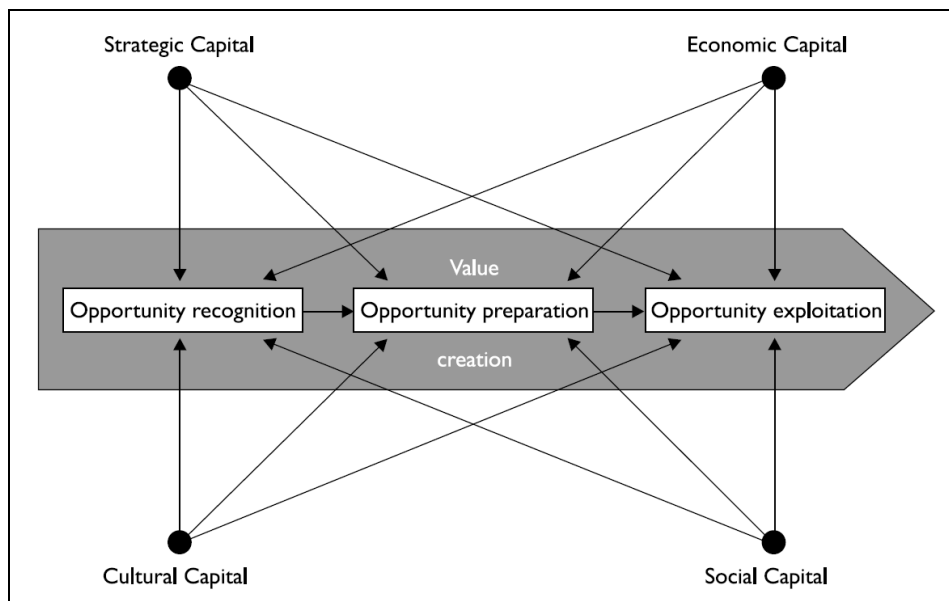


Figure 1: Opportunity Process: The Four Capitals of sustainable value creation (Groen *et al* 2008:63)

In unpacking the recognition of value and capital, Groen (2005) and Groen *et al* (2008) outline that building sustainable businesses requires an understanding of, and balance of, four key aspects that pertain to value creation - they are strategic, economic, cultural and social capital. This theoretical conceptualisation has its foundations in social systems theory (Parsons 1964) in as much as individuals and organisations act in interaction with others and that opportunities for value creation are inextricably linked to the accumulation of socio-economic assets and artefacts. In Groen *et al* (2008) the four capitals are explained, summarised here: (1). Strategic capital - This aspect relates to authority and the ability to influence others and galvanise support for a particular vision. Put simply strategic capital is power. (2). Cultural capital - This aspect relates to values, norms, beliefs, assumptions, symbols, rule sets and artefacts that can be utilized in the process. 3. Economic capital - This aspect relates to access to finance and capital that can be harnessed to recognise, prepare and exploit opportunities. (4). Social capital - This aspects relates to networks, ties, bonds, and relationships that can be galvanised to support the process.

The four capital anchors approach is of particular relevance because it raises the question of power relations, in our case studies these are key in determining the decision making process within the clubs which highlights the contested area of the role of value and custom and tradition, questioning the *raison d’etre* of the clubs and their role within the wider community. A further aspect of the entrepreneurial literature which comes into play can be found in Baumol’s influential paper. Baumol (1996) specifically argues that not all activities undertaken by entrepreneurs is productive.... *“there are a variety of roles among which the entrepreneur’s efforts can be reallocated and some of those roles do not follow the constructive and innovative script that is conventionally attributed to that person.”* (Baumol 1996 p.1). Whilst Baumol is specifically looking at the macro-economy and offering hypothesis to gain an understanding from an historical perspective as to why certain societies ‘faltered’ in terms of their economic prowess, the central thesis can be applied to specific sectors within a society. In this paper we apply Baumol’s argument to the specific sector of professional football, notably the

English Premier League (EPL). Our main contention is that entrepreneurs who have increasingly become involved in the business of football via the ownership of English Premier League Clubs have not always behaved in a “constructive” way and that their activities have not always added value. Perhaps this should not surprise us given that: *“If entrepreneurs are defined simply to be persons who are ingenious and creative in finding ways that add to their own wealth, power and prestige, then it is to be expected that not all of them will be overly concerned with whether an activity that achieves these goals adds much or little to the social product or, for that matter, even whether it is an actual impediment to production (this notion goes back at least to Veblen (1904))”* (Baumol 1996 p.6). We contend that this is precisely what has occurred with the ownership of English Premier League Clubs by a ‘new breed’ of entrepreneur, what we label to be ‘entrepreneurial charlatans’. We further challenge that there is an ethical question and that the ‘entrepreneurial charlatans’ whilst not adding value to the clubs are actually subtract value. We further agree with Baumol that this is not inevitable and that by changes in rules and social and cultural norms the entrepreneurial contribution can be positive in the sense of adding value. The next section highlights relevant football literature then moves on to the impact of the ‘entrepreneurial charlatans’ on specific clubs.

### Football and the new breed of owner-entrepreneurs

As the revenue streams in EPL clubs has risen, so has the appeal to entrepreneurs to invest and capitalise on the opportunities to exploit the market hegemony. Individuals like Roman Abramovich at Chelsea and Sheikh Mansour bin Zayed Al Nahyan at Manchester City, have invested millions into acquiring and commercialising these clubs. As Morrow (2013) outlines, EPL clubs have highly concentrated ownership structures, where one or a few individuals own a large percentage of the shares of the club. Furthermore, clubs like Hull City and Cardiff City have attracted recent investor interest, with what Millward (2013:399) describes as a new type of owner. These ‘new directors’ as he refers, have emerged to make money out of football. Turner (2014) also refers to the ‘new breed of entrepreneurship’ in the multinationalisation and expansion of the business of football. King (1997) points to the growing involvement of progressive entrepreneurial capitalists - the new directors - in the game, suggesting that new directors have fundamentally changed the legitimisation of post-modern football, with a free market discourse and separation of alignment between supporter and owner, akin to Polanyi’s ‘double movement’, which we return to later.

Millward (2013) sees profit maximisation happening in four different ways; (i) through deregulation of TV revenue streams (ii) through using football as a vehicle to promote other business interests<sup>1</sup> (iii) to float the club on overseas stock markets and (iv) to promote the club into the EPL (for global adoration). We refer to these ‘new directors’ as ‘entrepreneurial charlatans’ which is defined and discussed in the entrepreneurial theory and theoretical framework section.

For entrepreneurial charlatans the past decade has seen increasingly narrowing opportunities to buy into and acquire an EPL club. Therefore as a risk, many investors looking at buying an English Football Club are looking at teams outside of the EPL for clubs that are ‘investment ready’ as vehicles to capitalise and access the opportunities that the EPL provides. Their risk is to invest in a club, particularly the team and manager, in order to win promotion and rise up the pyramid and maximise their impacts through association in the EPL. Their investment journey to a stake of more than 30% in a club requires them to pass the scrutiny of the due diligence test, the Fit and Proper person test, brought in by EPL in 2004. Wilson (2009<sup>2</sup>) reports, the test was introduced as a means of safeguarding clubs against ‘unscrupulous owners’, centring largely on stopping shares going to people previously convicted of criminal offences, fraud and debts elsewhere. However, since its inception, many have slipped through the test, namely; Carson Yeung who bought 96% of Birmingham City Football Club in 2009, making himself Club Director and Chairman, who has recently been convicted in Hong Kong of money laundering<sup>3</sup>. Tom Hicks and George Gillett of Liverpool FC (between 2007 to 2010) who’s US baseball club Texas Rangers defaulted on a loan, both Hicks and Gillett have previously been bankrupt and Hicks was involved in the demise of Brazilian football club Corinthians. When the pair left Liverpool their legacy was a further £200 million of debt added to the club’s bank account<sup>4</sup>.

<sup>1</sup> King 1997, uses the example of Newcastle United owner Hall, as a new owner entrepreneur that has significantly invested in the club and local infrastructure (shopping mall) as a local figurehead, with his own business interests beyond football that may potentially grow with the uplift to the city. The second example King uses is Gibson at Middlesborough, which has built an association with ICI, as shirt sponsors - but also client to his own haulage firm. Both described as an integrated strategy.

<sup>2</sup> <http://www.telegraph.co.uk/sport/football/competitions/premier-league/6271777/What-exactly-is-the-Premier-Leagues-fit-and-proper-person-test.html>

<sup>3</sup> <http://www.bbc.co.uk/sport/0/football/26488969>

<sup>4</sup> <http://www.spiritofshankly.com/news/2010-03-31-tom-and-george-fit-and-proper>

## Football, morals and ethics

The collapse in 2010 of Portsmouth Football Club, with debts of over £60 million, the first EPL club to enter administration, exposed issues within modern day English football that commentators and supporters have long been aware of (King 1997). Morrow (2013:297), drawing on Hamil *et al* 2000 suggests *"football has always been and continues to be a social business; economic in basis, but social in nature"*. Indeed Kennedy (2012) adds that football has for hundreds of thousands of fans been a vital part of the fabric of society. However, he further adds that *'The not-for-profit, 'one game' principle held sway for a century prior to its dismantling and the opening up of football to market forces as another 'branch of the entertainment industry' removing sentiment from an object of social purpose to one of commodification*. Indeed King (1997) points out that a football club was in many ways a public utility, like a library, suggesting ownership was a type of *'bourgeois philanthropy'* (1997:228). King (1997:228) further adds;

*" When David Dein, one of the earliest of the new directors/figures to become involved in football, acceded to the board of directors at Arsenal in 1983, Hill-Wood commented, "Some rich men like to buy fast cars, yachts, and racehorses, but Dein is more interested in Arsenal. I'm delighted he is but I think he's crazy. To all intents and purposes, it's dead money" (The Sunday Times, August 8,1991). This quotation highlights the distinction between traditional English football chairmen and the new directors with some precision."*

Kennedy and Kennedy (2010:182) further suggests;

*"Research to date has highlighted that, traditionally, supporters share strong bonds, a common identity and a sense of 'moral ownership' of their football clubs; but that, increasingly, football supporters are also 'market realists' when it comes to recognising the financial exigencies of the clubs they support. Fans appear to be increasingly commercially savvy, with entrepreneurial sentiments towards the corporate affairs of their club developing in tension with longstanding traditional sentiments of 'moral ownership'."*

It is this moral ownership that we link in with the value creation of the entrepreneurial charlatans, notwithstanding that supporters are 'market realists', it is the entrepreneurial sentiments versus the traditionalist sentiments that we focus on. Hassan and Hamil (2010) refer to the concept of 'fan equity'. Kennedy (2012) makes the point clear; profit seekers have entered into the ownership of clubs for financial reasons, rather than the historical nature of football where clubs were constituted as businesses in order to raise capital to invest in the club for competitive reasons alone. Kennedy (2013:279) claims:

*"In terms of football supporters, capitalist rationality posits fans as consumers, which would suggest they would let price, value for money on the field dictate their loyalties to the 'brand'. However, we know this is far from the case for most supporters who, for the most part, are not satisfied with their team winning at any costs: they want success – but success with artistry, and against quality opposition."*

A blending of capital and competitive interests with an influx of capital distorts at times a clear sense of duality in modern day football, with the rise of Manchester City Football Club from a lower end EPL club to one that is arguably the top club as an example. However, like Portsmouth, Leeds United, Coventry City, Birmingham City and Notts County, there are many more heartbreaking cases than any other (without entering into a debate as to whether MCFC is indeed a heartwarming case). Margalit (2008:219) suggests; *'Modern football has become a battlefield between market and community, and where community is not able to prevail'* Going back to the initial point about the market verses community asset, Kennedy and Kennedy (2010:185) follow a similar trajectory, highlighting Polanyi (1957), and the theorisation of *double movement*,

*"Polanyi understood the limits to economic rationality underpinning the commodity structure of the economy, ... He was the first to use the concept of 'fictitious commodity' ... The concept refers to a struggle between economy and society in capitalism, and specifically to the stripping away of a community asset, or community need, from its wide*

*social relations and its reinsertion within a market-mediated activity where business motives dominate, corrupt and distort the community asset (Polanyi, 1957).*

*Polanyi argues that historical transformations in market capitalism take the form of a double movement, in which market relations become dis-embedded from society."*

Kennedy and Kennedy (2010) highlight in the present tense this double movement in the example of the instigation of the UK Government's Football Taskforce, set up in 1999 and the subsequent Supporters Direct emergence (2000) as the struggles of supporters in reconciling the dualism between the community asset and the commercialisation of football clubs. Morrow (2013:297) adds, football as an economic activity has been normalised. The state of English football led to a UK government cross-party enquiry in 2010, which amongst other areas explored levels of debt and ownership patterns that brought to the fore the precarious nature of the business of football. Of interest in the investigation by The Commons Select Committee was the question of whether football clubs required to be treated differently to other commercial organisations<sup>5</sup>. Challenging the ideology of the market; the virtues of the private sector, is common in ethical theory. Research highlights machiavellianism and rationalism (self interest) best explained in Friedman's neoclassical ideas of the economy — profits are the primary concern of a business (1970, reprinted in Donaldson T and Werhane 1983:254):

*"There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception and fraud."*

Keller (2007) suggests that regarding business as an amoral economic activity has left society with a negative ethical base, ignoring consideration of the social value and costs of private enterprise. Indeed the push towards a market-driven agenda is not without its problems. Maitland (1997:18) raises a major concern when he points out that:

- The market erodes all social ties other than purely economic ones and/or converts social relationships into instrumental ones ("commodifies" them).
- It favours materialistic or hedonistic values
- It substitutes competition for voluntary cooperation
- It promotes a preoccupation with narrow individual advantage at the expense of responsibility to the community or social obligations.

However, Hassan and Hamil (2010) and Morrow (2013) are quick to point out that historically football clubs were characterised not in terms of profit maximisation, but in terms of utility maximisation. Hence maximising playing performance. However Morrow does also suggest that in recent times, with commercial interests in football clubs, pluralistic logic of conventional commercial profit maximisation has come to the fore.

Indeed, Hassan and Hamil (2010:344) turn to Platini, President of UEFA (*Union of European Football Associations*):

*"... football's fundamental social and cultural values were coming under pressure from various negative influences. He called for preservation of the European sports model based on elements such as financial solidarity and openness of competitions with promotion and relegation, and urged the assembly's support for a draft resolution on sport's specific nature and the European sports model."*

Yet, many unsustainable clubs are run in economically irrational ways to this logic, ending up with huge debts. Nordberg (2012) in his critique of the ownership of Liverpool Football Club under the ownership of Gillett and Hicks, discusses an interesting point in questioning, what happens when the shareholder interests are out of line with the business interests? It is the notion of 'business' that draws attention and critique. Is a football club

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<sup>5</sup> <http://www.parliament.uk/business/committees/committees-a-z/commons-select/culture-media-and-sport-committee/news/committee-launches-a-new-inquiry-on-football-governance/>

aligned to a stakeholder and utilitarian maxim (of creating value for the most number of people) or shareholder and rationalist maxim (of creating value for shareholders and self interest)? Freeman (1984) suggests boards have a duty beyond the shareholders. Linked to the free market economy of the zeitgeist, the virtues of stakeholder and utilitarianism has little to no power in the rise of the era of the entrepreneurial charlatan. Indeed changes in UK law in 2006 emphasised that Directors duty *'is to the company'*, and that a Director must *'act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole'* (Section 172.1, as reported in Nordberg 2012:302). Nordberg points out that 'members' in this context relates to shareholders. What is problematic here is pointed out by Rose (2007), in as much as the shareholder responsibility is embedded in law, which has to be legally defensible, unlike ethical issues that are legally questionable. What is also problematic here is the differences between what fans and entrepreneurs see as what is in the club's best interests. In summary - shareholder interests lie in profit maximisation, stakeholder interests lie in utility maximisation. Utility maximisation is utilised in neo-classical economics as the driving force of the economy. Individuals pursuing profit maximising strategies for themselves, not only to gain maximum benefit for themselves but for society as a whole, is what Adam Smith basis is wealth of nations on. However, unfortunately, in the majority of football clubs the interests of owners and supporters are not aligned and that they perceive value in different ways. The problem is both ethical and legal, where potential solutions lie in the stakeholder representation of power on club boards. Margalit (2008) goes as far to suggest fans are a constitutive attribute of the club. His paper explains the concept of 'property as belonging', and why the interests of the community of fans merit protection through the recognition of the fans' property interest in a club - essentially conceptualising fans as social and moral owners.

## Exploring the notion of value

### Case 1: Hull City AFC

To relate this theory into practice we first turn to Hull City AFC. Founded in 1904, Nicknamed the Tigers, with their club colours being black and amber stripes. Their on pitch success in reaching the 2014 FA Cup final, surpassed their best at reaching the FA Cup semi-finals in 1930. They were almost wound up, relegated out of the football league and had a series of ownership changes in the 1990's, including David Lloyd – the Leisure Centre (charlatan?) entrepreneur. Whilst in the 4<sup>th</sup> tier of the English Football pyramid (called League 2), they moved from their long-standing Boothferry Park stadium to a new all seater complex in 2002, built by the Local Council. The club ownership changed hands in 2007 and again in 2010 and under new owners and new financial investment their rise from 4<sup>th</sup> division in 2003 to 1<sup>st</sup> division (EPL) in 2008-09 was fast, possibly too fast, as after a year they were relegated back down, but subsequently were re-promoted up the following year. In 2010 the Egyptian born local businessman Assem Allam rescued the club from administration, bailing the club out of a £35million of debt<sup>6</sup>. He suggested on his takeover that; *"I have been in this area for 42 years and I have built my business in the area,"* adding, *"I think it's time to pay back the area - Hull City are important to the area"*<sup>7</sup>. Suggesting the entrepreneur is himself embedded in community life – part of the culture and social fabric of Hull as a City.

In 2013 Allam outraged the Clubs supporters and has alienated many fans by proposing a name change – from 'Hull City Association Football Club' (the name they had when they formed in 1904) to 'Hull Tigers'. Allam stressed... *"Hull City is irrelevant. My dislike to the word City is because it is common... City is a lousy identity",.....* adding *"I cannot afford to run the club by fans' feelings"*<sup>8</sup>.

His argument was outlined in the statement posted on the Clubs website:

*Dear Supporters,*

*Most of you will be aware that on December 3rd, 2013 we made an application to the FA to register the playing name of the club as Hull Tigers.*

*Due to this drawing criticism through some sections of the media and a section of our supporters, we feel that now is the right time to reassure our fans of the reasons for the application.*

<sup>6</sup> [http://news.bbc.co.uk/sport1/hi/football/teams/h/hull\\_city/9104023.stm](http://news.bbc.co.uk/sport1/hi/football/teams/h/hull_city/9104023.stm)

<sup>7</sup> [http://news.bbc.co.uk/sport1/hi/football/teams/h/hull\\_city/9104023.stm](http://news.bbc.co.uk/sport1/hi/football/teams/h/hull_city/9104023.stm)

<sup>8</sup> <http://www.citytillwedie.com/>

*With our family having lived in the area for more than 40 years, we decided to invest £24 million of our own money to save the club from liquidation, and probable extinction, in 2010. Since this point we have invested a further £50m to get the club into the Premier League, a competition in which we will hopefully remain.*

*We have nothing left to give, and this is the reason why the club has to become financially self-sustainable.*

*For the club to become sustainable we need further investment in the form of increased sponsorships and partnerships, and by utilising the global pull of the Premier League, this is possible.*

*The majority of both new and existing Premier League sponsorship deals are from emerging markets, such as North America, Asia and the Far East. These markets have a natural affinity to the Tigers, which is already a major part of our 100-year heritage.*

*Currently there are six teams in the Premier League with 'City' in their name, and with the exception of Manchester City, all of those clubs are in a similar league position to us, and playing to similar-sized crowds. We need something that makes us stand out from the pool of teams we find ourselves in when it comes to attracting potential international sponsors, who are simply hoping to use the Premier League, and its global audience, to advertise.*

*we feel the Hull Tigers brand would give us an edge in any negotiations.*

*When we bought the club, it was made clear that we were sound business people and not football people. Since then, we have had to make a number of unpopular decisions that have generated a negative reaction from some in the media and from some supporters, though they have benefited the club in the long-term. We would ask the fans to trust us to deliver once again.*

*If we were denied the chance to operate the business in a way we feel fit, and that we firmly believe is in the long-term interests of the club and the fans, then we would have no alternative but to offer the club for sale.*

*These are exciting times for the club, and we need your continued support on and off the pitch.*

There are a number of omissions in the statement, firstly that the supporters were not consulted prior to the application for a name change; secondly that the current plight of the club is unsustainable and his personal investments to date are no longer viable in the future; thirdly, he sees the club as a commodity to galvanise a fan base from other parts of the world; fourthly that the club needs to forgo its identity as a 'city' and an 'association football club' (the word 'association' refers to membership of the FA, the English Football Association - a name that many clubs have in their name from the time of incorporation, which means a lot to English Football heritage, fan heritage and football culture) and finally, and probably the biggest omission is their acknowledgement to the fact that they are not football people - but business people. Yet they ask the fans to trust their judgement.

In one way of looking at it, the drive and commitment of the entrepreneur is – in his eyes – for the club – the value creation is a team for the people of Hull to watch and enjoy. In Hull City's season ticket vote, fans narrowly voted FOR the name change – yet this is questionable as to the validity of the vote, due to the threat of Allam's immediate sale of the club, which could threaten the on-field investment that has seen the team's rise to the EPL at the fans delight. Yet the balance of value creation is questionable and is it sustainable?

## **Case 2: Cardiff City Football Club**

A second example is that of Cardiff City FC. Established in 1899 they were a club that joined the English football league in its first wave of professionalisation in 1910. They moved to Ninian Park stadium in the same year. They are one of very few Welsh teams playing in the English league. Cardiff spent most of their history in the third and fourth divisions of English football. They were promoted to the top tier of English football for the first time in their history in 2013-14 season.

Much like Hull City, they have had several recent periods of their history marred by ownership mismanagement and financial instability. Sam Hamman, previously of Wimbledon FC, bought 82.5% controlling share in the club in 2000. Ironically, he proposed a name change to Cardiff Celts and a kit colour change to green, red and white – they have traditionally played in blue – as the nickname suggests – the bluebirds. However, after consultation with players and fans he withdrew his proposal. In 2006 a consortium



led by Peter Risdale bought the club, with promise of investment for developing a new ground. The change-over wasn't without its problems as the Club were 15 minutes from administration. Further, Hamman sought compensation that was fought by the new owners. The BBC reported that Stadium developer Mike Hall suggested, "I know people say he's a complex character, but at the end it was total greed and self-interest."<sup>9</sup> In 2008, Hamann demanded £31 million in loan payments to the Club as further financial issues rose to the fore. Eventually through the courts a settlement was reached<sup>10</sup>. The club were struggling with balancing their drive for top flight football with the necessary finances to achieve that status. In a desperate move in 2010 by the owners, they advertised a 'golden ticket' for fans to invest in renewing their season tickets six months early – in December, with a January deadline – in return for price freezes for the subsequent 2 seasons – with the enticement that funds would add to the transfer budget for players<sup>11</sup>. 10,000 + fans renewed. However, instead of investing the money received in players, the owners decided to reduce the clubs debt with it. In 2011 Risdale faced two charges under the Consumer Protection from Unfair Trading Regulations 2008 and one under the Fraud Act 2006<sup>12</sup>.

At the end of the 2010 season, the club was sold again. Malaysian investors accrued 30% of shares<sup>13</sup>. Consortium leader Tien Ghee, became chairman and U-Juin Tan as non-exec director, with Vincent Tan, named as the backer behind the move – becoming more prominent in 2012. BBC reported on a proposal of a move that would change the club's fortunes in May 2012. That news was followed by the announcement of a shirt colour and logo change in a press release on the clubs website in June 2012, the statement read<sup>14</sup>:

*"On behalf of the board of directors and after constructive and positive discussions with our principal investors, Cardiff City Football Club are delighted to announce that **Tan Sri Vincent Tan and Dato Chan Tien Ghee** ("our Investors") have pledged their continuing commitment to enable the club to plan for the future.*

*Following a comprehensive review of wider supporter feedback via email, letters, media coverage and polls run via the official Supporters Club and Media Wales and as a consequence of the above commitment, Cardiff City Football Club will also reactivate rebranding proposals with a view to exploiting and maximising its brand and commercial revenues in international markets, which it is hoped in turn will bring success to the club locally, whilst also attracting new partners and investors."*

What fans have found problematic is the validity of the comprehensive review - when 99% of the supporters in the stadium wear blue in keeping with tradition and in protest of the colour change. Secondly, the drive to exploit overseas markets at the cost of club heritage and the local supporter is disrespectful and naive.

In one way of looking at it, the drive and commitment of the entrepreneur is – in his eyes – for the club – the value creation is to capitalise on new markets – Malaysian's like red, Tan suggests: *"In Asia, red is the colour of joy, red is the colour of festivities and of celebration. In Chinese culture, blue is the colour of mourning."*<sup>15</sup> However, should one persons' taste and opinion ride roughshod through 100 years of history?

## Discussion

The Stone Roses released *"I wanna be adored"* in September 1991; within the lyrics there is the line, *"I don't have to sell my soul"*, with reference to how far some people might go to get noticed and liked by others. Six months after in February 1992 saw the instigation of the Premier League in English football. The above case studies suggest that 'souls may have been sold'. These case studies have implication for entrepreneurial theory in the sense that whilst it can be argued that 'the entrepreneurs' may have added value the question arises who has benefitted by this added value and in what sense has 'the enterprise' in our examples the football clubs benefitted from this added value? We would contend that when the owner-entrepreneurs have made market decisions they have side-lined the indigenous fan base to satisfy their thirst for global market growth.

<sup>9</sup> [http://news.bbc.co.uk/sport1/hi/football/teams/c/cardiff\\_city/6205951.stm](http://news.bbc.co.uk/sport1/hi/football/teams/c/cardiff_city/6205951.stm)

<sup>10</sup> <http://www.theguardian.com/football/2008/mar/20/newsstory.sport8>

<sup>11</sup> [http://news.bbc.co.uk/sport1/hi/football/teams/c/cardiff\\_city/8437144.stm](http://news.bbc.co.uk/sport1/hi/football/teams/c/cardiff_city/8437144.stm)

<sup>12</sup> <http://www.walesonline.co.uk/news/wales-news/peter-risdale-court-over-cardiff-1831527>

<sup>13</sup> [http://news.bbc.co.uk/sport1/hi/football/teams/c/cardiff\\_city/8706910.stm](http://news.bbc.co.uk/sport1/hi/football/teams/c/cardiff_city/8706910.stm)

<sup>14</sup> <http://www.cardiffcityfc.co.uk/news/article/cardiff-city-fc-statement-298351.aspx>

<sup>15</sup> <http://www.bbc.co.uk/news/uk-wales-south-east-wales-21610017>

It can be argued that Allam behaved in classical entrepreneurial fashion, as our citation from Kirzner indicated; "Previous researchers have argued that entrepreneurial opportunities exist primarily because different members of society have different beliefs about the relative value of resources, given the potential to transform them into a different state" (Kirzner 1997). The relevance of this citation cannot be overstressed, Allam had/s a vision of how he believes he can leverage more resources for Hull City which will enable them to be competitive at the highest level of English football, but his method, changing the name of the club to enhance the global appeal destroys valuable assets (social and cultural) in the eyes of the clubs supporters, this certainly reinforces Kirzner's argument that... "different members of society have different beliefs about the relative value of resources". This different valuation of resources is further validated by Tan at Cardiff City with his proposal to gain value on international markets by changing the colour of the club strip.

Whilst we would argue that the differing stakeholders within a club have these differing valuations of the clubs' assets, we would further contend that there is something more fundamental going on. We would argue that in the already cited words of Baumol (1996. p.6); "*If entrepreneurs are defined simply to be persons who are ingenious and creative in finding ways that add to their own wealth, power and prestige, then it is to be expected that not all of them will be overly concerned with whether an activity that achieves these goals adds much or little to the social product*", that this is precisely what is happening with the Tans and Allams of this world, they exercising their power and building their prestige at the expense of the 'social product' in this case professional football clubs. To emphasise this point we would recognise these particular types of 'new director' and in some cases 'owner managers' as individuals engaging in enterprising activities, and hence being entrepreneurs, but in this case we coin the term 'entrepreneurial charlatans', entrepreneurs who are prepared to risk the heritage of the 'social product', the football club for global adoration.

In the literature review we offered a perspective provided by Groen *et al* (2008) who identified four differing capitals in evidence within the entrepreneurial process. Utilising this framework the authors argue that value creation is sustainable if all four capitals are in balance. The pursuit of entrepreneurial profit from growth in Global markets is exemplified in these two examples (the entrepreneurial opportunity for economic capital) - yet both examples display an exodus from cultural and social capital. Both examples are from long established clubs, financially challenged and scorched by their rise from the lower leagues to the EPL - and the quest for global adoration the motivation of the individual entrepreneurs - is this their adoration they seek - or their club's?

In both examples the 'entrepreneurial charlatans' have considered resigning - the supporters have not fully backed their vision (In reference to Groen *et al* they lack the support for their strategic capital anchor). Both have highlighted the need for market growth to quench the thirst for economic capital (they lack the economic capital anchor - long term). Both have ignored the cultural capital of their historic clubs (they lack the support for their cultural capital anchor). Both have been critical of their fan bases (they lack the support for their social capital anchor). We can once again observe sentiments of this approach with Baumol and his thesis of 'Entrepreneurship: Productive, Unproductive and Destructive' within the actions of our 'entrepreneurial charlatans'.

## Conclusion

In applying 'entrepreneurial theory' to the specific case of EPL football clubs we have highlighted fundamental questions in relation to the contribution that the 'new breed' of football owner-managers and directors achieve, namely do they 'add value'? It can be argued that some entrepreneurial scholars take this as a given, yet within the established literature there are others who take a more nuanced view of the role and function of the entrepreneur, we highlight two, namely, Baumol and Groen *et al*. Whilst this finding in itself is not necessarily new, football supporters of many clubs have campaigned for change within their own clubs to prevent the devaluing of their club, it is adding new knowledge to the understanding and role of the entrepreneur. Furthermore football supporters have campaigned at a national level through organisations such as 'Supporters Direct' for greater control over their club, in some cases this has resulted in supporters owning their club (eg; Brentford, Exeter and Portsmouth).

The increasing campaigning by football fans for change highlights the need for a more accountable governance structure to ensure 'the voice' of the fans is heard. By providing a platform for fans clubs can ensure that 'values' enshrined within the clubs can be at least considered when fundamental decisions about the operation of a club are being made. However the need for a voice for fans goes beyond individual clubs, with suggestions of mal-practice at the highest levels of the game surrounding the awarding of the 2022 World

Cup Finals to Qatar there is an argument that fans voices should be a part of the decision making process to ensure 'values' within the game are preserved and not besmirched by 'entrepreneurial charlatans'.

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